

Public Accounts Committee

Oral evidence: UK Border 2021: Update, HC 1154

Thursday 21 January 2021

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Peter Grant; Sir Bernard Jenkin; Craig Mackinlay.

Gareth Davies, Comptroller and Auditor General, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Report by the Comptroller and Auditor General

The UK Border: Preparedness for the end of the Transition Period (HC 371)

Questions 1-148

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; Bernadette Kelly CB, Permanent Secretary, Department for Transport; Paul Lincoln OBE, Director General, Border Force; and James Quinault, Director General for Europe, International and Constitution Group, Department for Environment, Food and Rural Affairs.



Examination of witnesses

Witnesses: Alex Chisholm, Emma Churchill, Jim Harra, Bernadette Kelly CB, Paul Lincoln OBE and James Quinault.

Q1 **Chair:** Welcome to the Public Accounts Committee of Thursday 21 January 2021. Today, we are looking at the UK's new trading arrangements with the EU and how that is working on the ground.

In November, we had a hearing with a number of you, and warned as a result of that that we were concerned still that Government preparations were behind schedule, or very tight at best, and that an agreement needed to be in place as soon as possible. In the end, the Trade and Cooperation Agreement was announced on Christmas eve, and Parliament voted on it on 30 December. We left the European Union transition period at 11 o'clock on 31 December.

That of course left everyone with very little time to prepare for what the actual deal was. You will not be surprised that we received a great deal of correspondence from businesses, trade bodies and Members of Parliament about the effect of the trading arrangements and the practical operation in their area. We want to cover some of those concerns. I warn you all that we will keep a watching brief on how things are going. We are hoping to get some practical answers for those people who are worried about what is happening on the ground.

I welcome our witnesses. We have Jim Harra, who is the first permanent secretary and chief executive of Her Majesty's Revenue and Customs; Bernadette Kelly, the permanent secretary at the Department for Transport; Alex Chisholm, the permanent secretary at the Cabinet Office, which oversees all the Brexit work, as the co-ordinating Department; Emma Churchill, the director-general for the border and protocol delivery group at the Cabinet Office; Paul Lincoln, the director-general of Border Force; and James Quinault, the director-general for the Europe, international and the constitution group at the Department for Environment, Food and Rural Affairs. Thank you for joining us at relatively short notice, Mr Quinault, but it became apparent that DEFRA was a pretty critical witness today, given some of the things that have been going on, in particular around fisheries.

First, I will turn to you, Mr Harra. I want to ask what the impact is likely to be on HMRC revenues of some of the challenges that we are seeing at the border. In the past, your predecessor Jon Thompson has said to us that there was a choice between revenue, security and flow. What are you prioritising now?

Jim Harra: The Government made it clear that, with goods movements into the UK, they would prioritise flow over revenue protection. That is reflected in the procedures that we have put in place. That means we are running some compliance risks as a result. We have taken some steps to mitigate those risks. For example, high-risk traders do not have access to



the staged import controls that we introduced. Also, those staged import controls do not apply to controlled goods such as excise goods.

Nevertheless, we expect that there will be some increased non-compliance, particularly in the first financial year, as a result of the easements that we have introduced. In November, the Office for Budget Responsibility published its forecast of what those might be. For example, it forecast that customs duty would be about £200 million lower in 2021-22 as a result of non-compliance. It also forecast an increase in the VAT gap of about £600 million in the first year, decreasing after that.

Q2 Chair: Those are significant amounts of money potentially lost to the Exchequer. Are you assuming that they will be completely written off, or do you have any mechanisms or plans in place to chase people down on those non-payments?

Jim Harra: We will obviously be taking those new risks into account in how we deploy our compliance resources to try to recover lost tax after the event, as well as the steps that we have put in place to mitigate the losses up front but, overall, prioritising flow over revenue protection means that we are taking increased risk and some of that will play out in lost revenues, at least in that first year.

Q3 Chair: Do you have any projections of what percentage you might be able to get? I imagine that a lorry-load of goods that is just waved through for flow reasons would be very hard to trace later on—for what VAT or other duties may be owed—because it will have gone into the marketplace and, basically, disappeared.

Jim Harra: There are probably two different risks here. One is the one you describe—an evasion risk. Things might be misclassified or undervalued, and it would be quite difficult afterwards, although we would try to manage that. The other is simply through the deferral of the imposition of a charge. Obviously, when you defer a charge, in the meantime people can become insolvent. It is simply a debt, so we are aware of the liability, but it will be more difficult to collect. That is the independent forecast that has been made of the losses that will happen in the first year. I believe the OBR has forecast that after that first year, those losses will significantly reduce.

Q4 Chair: Do you do your own metrics and analysis of those figures in real time as you see goods go through without paying duty?

Jim Harra: What we are doing at this stage is refreshing our risk assessment to make sure that we have got the most up-to-date picture of the risks that we will need to manage, because that is relevant to how we will deploy our resources. But in the case of risks arising from imports, obviously the whole nature of the staged introduction of import controls is that we do not get data about those movements until sometime later. Businesses have up to 175 days after they move their goods before they have to give us that information. At this stage, it is too early for us to be checking—[INAUDIBLE]



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Q5 Chair: You talk about prioritisation being the flow. That might surprise a lot of people who are trying to get their goods between the EU and the UK, particularly between GB and Northern Ireland. How do you think it's going? You are losing revenue, but we are seeing lorryloads of goods pulled over—maybe this is partly for DEFRA as well—and being checked. What do you say to those people who are not seeing the flow going smoothly?

Jim Harra: As far as fiscal controls are concerned, we are not seeing any queues at the border or between Great Britain and Northern Ireland. All that is flowing well. We are certainly not turning back or holding up lorries for those kinds of fiscal checks. I am aware that traders are continuing to get ready for the new arrangements. Some of them have encountered some problems with that, or have delayed moving their goods while they get to grips with that, but in terms of goods that are moving, fiscal controls are not causing any delays or hold-ups at the border of the kind that you describe.

Q6 Chair: Okay, I am going to turn to Mr Quinault from the Department for Environment, Food and Rural Affairs, because there have been some delays—we are going to touch a bit more on the detail of this later—particularly for fresh fish products, which have been waiting several hours for checks. Can you give us an update on how you are going to speed that up if flow is the priority? Clearly, people do not feel it is, because it is not working for them.

James Quinault: There were issues in the early days, particularly with the NCTS customs transit system that is important for fish, because it requires transit from Calais to Boulogne. These were problems with the EU systems, but we managed to resolve them quickly and got guidance out to the industry, and those problems are now fixed.

We are still seeing delays because of individual interpretation at border control posts, and of course traders are getting used to adjusting to the new requirements, but we are working every day of every week to help businesses with those issues. We are meeting the industry twice weekly to understand and address issues as they arise. We have put experienced people in to help in Scottish hubs. We have experienced veterinarians on standby and available to Scottish hubs if they are required. We are talking to the French authorities on a daily basis to make sure that the sorts of administrative issues that I talked about are not preventing goods from entering the market.

We are summing up all this experience so far into new guidance for the industry. There will be a consolidated new step-by-step guide incorporating all of this learning from DEFRA and from HMRC, published at the latest on Monday.

Q7 Chair: I am tempted to go down the whole fishing route now, but I know that colleagues and I will be going into that in more detail later, so we will pause that for now. It might surprise people out there who are struggling to get their supplies to Europe. I will park that for a moment



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because I want to talk to you about the announcement of the extra money for fisheries. We asked your Permanent Secretary, Tamara Finkelstein, last week—the Prime Minister had talked about extra money the day before—and at that point she could not give us any more detail. So, we know there is an extra £23 million for fishing businesses for immediate losses. Can you give us more detail about what that £23 million is expected to cover?

James Quinault: Yes. The Government have announced a fund of up to £23 million to support fishing export businesses that can evidence a genuine loss in exporting fish and shellfish to the EU. Support will be made available immediately and it will be paid retrospectively, to cover losses incurred since 1 January.

The scheme will be targeted at small and medium-sized enterprises. I think the maximum claim available to individual operators will be £100,000. We will release details of eligibility in the next few days. That is being discussed with—

Q8 **Chair:** Some of these businesses are really being squeezed—the loss of a whole lorryload of stock is devastating to them. So how quickly can you get the cash to them and how hard will it be for them to prove the loss?

James Quinault: Once the eligibility criteria are released, we will expect to pay these claims very quickly and we will make it as streamlined and as simple as possible for people to—

Q9 **Chair:** When you say “very quickly”, we are at 21 January now—by the end of this month? By the middle of February? In the next six weeks? Can you give us a rough timescale?

James Quinault: In the next six weeks.

Q10 **Chair:** OK. So, for businesses that are struggling, if they hold on and if they can prove that they have lost a load of fresh fish, they should get that money back, up to £100,000?

James Quinault: Yes.

Q11 **Chair:** That is some welcome news. We will obviously watch how that works; I know that colleagues will have further questions later on that issue.

I turn to Alex Chisholm, from the overall Department responsible. We obviously talked to you in November about how things were going, and I wonder what your assessment is of how prepared you were on 31 December, compared to where you were aiming to be when we spoke to you last in November.

Alex Chisholm: Thanks very much, Chair, and thank you also for the session we had at the end of November; that was very helpful as part of that preparation, as was the NAO Report that preceded it. You were also kind enough to write to me again after that session, on 1 December, with some detailed advice on areas that you thought we should be focused on



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and worried about. That was extremely helpful, and I hope you saw the reply I sent to you on that, both the quick reply and—

Chair: Yes, thank you for that. It has been very helpful to have that reply.

Alex Chisholm: At that point, rightly I think, you were saying, “Will all the systems that are needed come on stream on time? Will the infrastructure and facilities that are necessary be ready? Will you have the right people in the right places? Will the business support schemes, the helplines, the facilities centres etc., the new guidance and legislation all be complete?”

I am happy to say that due to extraordinary efforts across Government all those things were done, and we were ready. The whole systems came on stream at the end of the year, the guidance was published, and the legislation was complete—obviously, Parliament played a critical role in that.

So, from that perspective, I think we were able to complete the preparations just in time, notwithstanding the late conclusion of the trade and co-operation agreement.

Q12 **Chair:** In that very small window, did the trade and co-operation agreement materially alter any of the border preparation planning that you had in place?

Alex Chisholm: It makes a difference in one or two areas, but most of the border preparations are really affected by leaving the customs union, which we did almost a year ago, obviously. So, it would have made a big difference to tariffs and to businesses that are affected by tariffs—it would have made a considerable difference for them—but not so much to the passage of goods across the border, although a number of facilitations are built into the trade and co-operation agreement to make it easier to streamline flows across the border. So, we would not have had the benefit of those. For example, they embed the recognition of—

Q13 **Chair:** I imagine that you were pretty busy over the Christmas period anyway, but you didn’t have to suddenly change tack on some of the plans that you had talked to us about in November because of the deal being done on Christmas eve?

Alex Chisholm: No. The big area of Christmas eve change of tack came as a consequence of the decision by the French authorities to close the border, which was on 20 December. So, we were still dealing with that over Christmas eve and later.

Q14 **Chair:** Okay—fine. Bernadette Kelly and, naturally, Emma Churchill, we talked quite a lot about infrastructure on the many, many occasions that we have had you in front of us. So, what was ready and what still needed to be done on 31 December? Perhaps I can go to Bernadette Kelly first and then to Emma Churchill.

Bernadette Kelly: From a traffic management perspective, our systems were ready for the 31 December-1 January. Indeed, we had a healthy

workout from 20 December, as Alex has mentioned, when the French closed their borders unexpectedly and with zero notice. We had to operationalise our traffic management immediately, at that point, in order to deal with all the HGVs that were arriving in Kent and expecting to be able to move onwards to France.

I can certainly talk about that at more length. I am sure the Committee would be interested to hear about how that operation was managed, but it certainly gave us the opportunity to test how our systems were operating in a very real way. I would argue that they demonstrated that the traffic management systems were operating very effectively.

Q15 Chair: You say it was unexpected, but were you unprepared? It was one of those known unknowns, potentially, because with the pandemic lots of countries were closing borders.

Bernadette Kelly: It was unexpected in that it came with no notice before 20 December. We were then able to immediately activate the Kent traffic management preparations that we had been working on over a period of years in anticipation of the end of the transition arrangements. They were activated immediately. As a consequence, we were able to stand lorries up in Manston and put in place Operation Brock very rapidly. Whilst the situation was extremely challenging, nonetheless we were able to manage the situation.

Kent Resilience Forum and Kent police did a great job on the ground. Cobra was convened to deal with the added complexity that we then had of resolving the situation, which was not the situation we had prepared for. By 22 December, we had put in place a protocol with the French, which meant we could reopen the border, but obviously our hauliers needed to have a negative covid test at that point. The next step was to roll out testing infrastructure, which we did at great pace, from 22 December.

Q16 Chair: Had you planned to have that testing infrastructure in place? Did you have any contingency plans in case this happened at any port?

Bernadette Kelly: I cannot claim that we had a plan to roll out testing at the border, because there was no expectation that the French would close their borders in the way that they did. So, we had to create a plan very quickly and roll it out very quickly.

Q17 Chair: You are using very careful language—"in the way that they did," with no notice; I understand that that is a challenge. Had there been any war-gaming or planning about what would happen if anyone closed their borders?

Bernadette Kelly: The Cabinet Office had done a host of exercises, where one looked at concurrent risks and threats that might arise in a theoretical way, which might bring covid issues and EU exit transition issues together. They certainly had been exercising. It is slightly different from having a whole contingency plan in place to roll out actual testing at the border. We had to execute a plan very rapidly, which is what happened.



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With the help of DHSE, Test and Trace and the military—we had 565 military people in place in Kent helping to support this activity at the peak—we were able to get testing started by 23 December, and by 27 December we had entirely cleared the backlog of HGVs stuck in Kent and we were getting flows moving again. It was a tough test of our preparations, but it shows that they worked very effectively, when presented with a threat that was outside our normal planning expectations.

Q18 Chair: My original question was about infrastructure. There are reports in the Dover media that your Department, I think—it's not quite clear—has bought extra lorry park capacity in Dover. Is that true? Do you know about that?

Bernadette Kelly: You may be referencing the site at White Cliffs. Is that it?

Q19 Chair: That might be it. I am not au fait with the geography of Dover.

Bernadette Kelly: There is a site at White Cliffs that we are working to bring into use, not for lorry parking as such. That is principally being managed through Manston, and the Op Brock and Op Stack sites, we expect. It is intended to be used as an HMRC and DEFRA site to allow border control checks to be carried out. So work is ongoing on that White Cliffs site.

Q20 Chair: Is any other infrastructure still being planned and developed from your Department?

Bernadette Kelly: I think you asked about Sevington **at** our last hearing, in November, and Sevington is now in use. Again, Mr Harra can say some more, obviously. It is being used, including for testing of hauliers who are travelling on to Eurotunnel. So that site is in use. That has been quite challenging to get ready on time. I think I signalled, at our last hearing, that that was quite challenging. The very wet and difficult weather conditions we experienced over Christmas were a further challenge for that particular site, but, as I say, it is being used at the moment for checking and testing of hauliers going on to Eurotunnel. And I think transit checks are expected to be being carried out there from February, although, as I say, Jim may be able to give more details on that.

Q21 Chair: Basically, the infrastructure that you had planned is now open, from the perspective of your **Dep**artment.

Bernadette Kelly: Yes, the infrastructure we had planned is open and working and, as I say, has been tested under very, very severe conditions.

Q22 Chair: Emma Churchill, is there anything that you want to add about **infra**structure?

Emma Churchill: Yes, just to confirm, the transit sites, the inland border facilities, which are obviously HMRC's responsibility, were all open on time. We had taken the decision in December to activate the contingency for transit sites at Waterbrook, so at the moment transit is being done at



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Ashford Waterbrook rather than Ashford Sevington, although, as Ms Kelly was just saying, that is planned to move on to the Sevington site during the course of February. Sevington, of course, was ready in time for the purpose for which it was designed, which was traffic management, but in addition to that, as Ms Kelly was just referencing, from 4 January it was also being used as a covid testing site. Manston, as Ms Kelly said, was in fact accelerated, in terms of its readiness, and was in use earlier than anticipated.

I should just say that the site that you were just asking Ms Kelly about, at Dover White Cliffs, is of course for July, for when we get the next stage of import controls. I think we are coming to that later in the hearing, but just to be clear, that is a July site, not a site that is intended for before then.

Q23 **Chair:** How are you communicating with residents in the area, whose lives are going to be massively disrupted even if it all goes smoothly?

Bernadette Kelly: Is this about the White Cliffs site, in Dover?

Chair: Well, White Cliffs is the one that has been immediately in the media, because people are concerned, but I am also asking more generally.

Bernadette Kelly: As part of the planning process, a process of engagement is going on now with local communities and stakeholders. In my Department, the Minister for Kent, Rachel Maclean, is meeting very regularly with local MPs and stakeholders. Obviously, we are seeking, in developing that site, to ensure that we are managing any concerns that local communities and stakeholders have and mitigating any adverse impacts on them. As I say, that engagement is live now.

Q24 **Chair:** Well, I hope so. This is a great challenge for people living in Kent, for sure.

I want to turn now to Paul Lincoln. Mr Lincoln, we have talked a lot about the number of Border Force staff that will be needed. How many have you managed to recruit? You were aiming for, I think, 1,570; that was what you needed. Have you reached that number? If not—tell us a bit about the numbers, please.

Paul Lincoln: Yes, the Report that the NAO did set out that we wanted 1,570 people by 31 December and, indeed, we had 1,570 people in. Some of those were contingency staff, which we took from agencies, which was a deliberate decision that we took earlier in the year, to allow us to continue training more permanent staff. But we had exactly the number of resources, plus some contingency on top of that, in place for 31 December, and 100% trying to do the roles that they were expected to do.

Q25 **Chair:** You talk about agency staff. I wasn't aware that there is an agency that provides well trained Border Force staff. Can you just explain what they do? They are not uniformed and do not have powers of arrest, presumably.



Paul Lincoln: We have brought in, through the use of a contractor—Brook Street—some agency staff, who are conducting some of our transit checks on the inland border facility sites; and as part of that, they effectively do the processing of that work. It is a relatively short amount of training; it is conducted by our experienced trainers within Border Force, and all the people we have put through that training are to our satisfaction able to do the job that we have assigned to them.

Q26 **Chair:** Are you planning to recruit any additional staff to the numbers you have got, given what you have seen over the last three weeks?

Paul Lincoln: We will review in the light of experience. It is probably a bit too early to tell at this point, given that volumes are lower than we would have seen at this time last year. But in order to meet the projected requirements for July, yes, as in the previous reports, the total numbers which we would be expecting to reach are approximately 2,000, by the point that we get to July, for import controls. We are confident we will have the number of people in place at that point, but we will review in the light of the experience we have.

Q27 **Chair:** Given that there are a lot of people who have lost their job in the last 10 months, how will people find out about those vacancies?

Paul Lincoln: Those vacancies have been advertised through the usual processes on gov.uk and other recruitment sites, including when we have had agency sites through recruitment agencies. It is a standard process.

Q28 **Sir Bernard Jenkin:** Sorry to confuse you, Chair, but this is not so much about Border Force staff. Generally, in terms of Brexit preparedness expenditure—perhaps this is more a question for Jim Harra or the permanent secretary—how much was given to the Scottish Government for Brexit preparedness?

Alex Chisholm: The figure is in the order of about £200 million, and that is going back to 2017. I think around about £48 million or £49 million remained to be spent this year. That was money that was carried over in the SR period.

Q29 **Sir Bernard Jenkin:** So, they have underspent on Brexit preparedness, but what evidence is there that the Scottish Government has given the UK taxpayer value for money for what they have spent on?

Alex Chisholm: Well, the decisions about how they spend that money are matters for the Scottish Government. They are obviously accountable for that, but I can obviously confirm that the full Barnett formula has been applied and they have had a proportionate amount of funding. I think an additional £20 million was also granted last year on a kind of emergency operational basis in support of no-deal-type preparations.

Q30 **Sir Bernard Jenkin:** Why do we think they have underspent the money, given that they have got all these difficulties?

Alex Chisholm: I am not sure which parts of that would really be fairly described as underspent and which would be carried over, but obviously I



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would expect that if there was an agreement for it to be carried over the UK Treasury were happy that that was probably going to be needed this year, to help with the additional work that needed to be done.

Q31 **Peter Grant:** This is just a quick follow-up on that question, if I may, to Mr Chisholm. Was it the UK Government's expectation that all of that money would have been spent by the Scottish Government by 31 December, and that they would leave themselves with nothing more to spend to deal with any problems that arose after the end of the transition period?

Alex Chisholm: I think that is extremely unlikely. I do not have the details—the breakdown—but I think the fact that a sum was carried over is a recognition that that was seen as necessary expenditure to do this year, and I am sure the Scottish Government, the same as ourselves, are continuing to support businesses and individuals to make the necessary adjustments.

Q32 **Peter Grant:** So, would I be right in saying, then, that it is technically incorrect to describe it as an underspend, because it was not a budget that was allocated to be spent within the calendar year, or by the end of last calendar year? It was a budget that was allocated to be spent as and when it was necessary to spend it.

Alex Chisholm: If it was helpful, I could ask colleagues at the Treasury to analyse which parts of the money would be characterised as underspend, but I do not have that breakdown available for either of you, I am afraid, at the moment.

Peter Grant: Given that the question has been raised, I wonder if we can ask the relevant officials to write to the Committee about that, because there is an important distinction between spending money that needs to be spent and spending money just for the sake of spending it before the end of the calendar year.

Q33 **Chair:** Certainly, it is just worth noting here that the National Audit Office helpfully has been having a tracker of spending on covid but also has been a useful source of information about spending on all the issues around Brexit preparedness. As we have seen repeatedly on this Committee, a lot of money allocated has not always been spent in time, for things like recruitment, which is now up to speed but which at points has been behind the curve, for all sorts of often good reasons. If we can get those figures, it would be very helpful. Then we can focus on the actual reality of the numbers.

I want to ask Jim Harra, James Quinault and Emma Churchill what, from your different perspectives, you are worried about now. What are the big challenges ahead? We have various transition points in April and July, but what are the big things that are worrying you and keeping you awake at night, or that we ought to be aware of?

Jim Harra: I think the main issue for us, as we did predict and I think we said when we were before you in November, is the readiness of trade to manage the new procedures they have to come to grips with. From our



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view, our systems, facilities and resourcing are all in place, and many customers did start taking action, but it is clear that many are still coming to grips with the changes. That is not unexpected, and some of those in particular around the Joint Committee conclusions and the rules of origin became available very late, so we continue to concentrate on supporting customers both in immediate terms to help them with particular problems they are facing moving goods today, but also more generally just to understand what they need to do and what the implications are for their business models and how they need to adjust. That will continue. We are obviously doing that alongside planning for the next phase of changes over the coming months and making sure that we can do all that side by side.

Chair: Thank you. Mr Quinault from DEFRA?

James Quinault: Our biggest concern right now is, of course, making sure that we are working closely with traders and addressing issues as they arise as promptly as we possibly can. But looking forward, like Mr Harra, we too need to be ready for inward checks and the stepping up of requirements there in April and July. If I have a concern about that, it is about trader readiness, and here we are talking about EU traders' readiness as much as UK traders'. They are a group who are harder to reach, I would say, although we are doing our best with 50 outreach events already reaching thousands of businesses. I would also mention the work we are doing to put in place sustainable solutions once the grace periods currently in operation in Northern Ireland come to an end.

Chair: Thank you very much. Ms Churchill?

Emma Churchill: I think it is important to say that, on the immediate job we have been doing of monitoring the situation at the border, the Committee will recall that, in the run-up to 31 December, we were concerned that if there was a generally high level of unreadiness, and unready trucks were coming to the border in great volumes, that might cause generalised disruption across the short straits. You will recall the reasonable worst-case scenario we had. Now it is absolutely the case that we have not seen any of that generalised disruption; indeed, the traffic has been completely free-flowing across the short straits. If you come to the short straits both border-ready and with your negative covid test, you come straight through.

I think that is because the general level of trader readiness has been higher than we either feared or anticipated, and also because there have been very high levels of compliance with the Check an HGV service and the Kent access permit: over 80% of HGVs coming through have got their valid Kent access permit. But we are absolutely not complacent about that in any way because, as Mr Lincoln was mentioning, outbound volumes are still lower than they were on the equivalent day last year. I have to say they are increasing day on day and week by week. On the last day for which we have data, it was 70% of the equivalent outbound flow of that day last year.



I should also say that our experience of the spring covid lockdown was that outbound freight flows were at about 80% of their normal levels anyway, so we are probably getting to a place where we are touching what we might expect to see, and we are not yet seeing that feed into a higher level of turnbacks. The level of turnbacks at the short straights is running at about 5%, which is very much better than we had feared, but of course we need to keep a very watchful eye on that as volumes increase. That is one thing.

Q34 Chair: So, one of your biggest risks is as volumes go up, but because of covid they are likely to be going up slower, rather than in a big dramatic moment. Is that a sort of saving grace, then?

Emma Churchill: That's right. What we are seeing is a strong trend of increase, but what I am saying is that it is possible, because of covid, that we won't see 100% as compared with the equivalent day last year. But, on the other hand, also what I am saying is that so far we have been seeing a much higher level of generalised trader readiness than anticipated and an excellent degree of compliance with the Check an HGV service, meaning that, even as we have seen those numbers increasing, we have not seen the percentage of turnbacks increasing. That is good, but we absolutely keep a very strong eye on that on a day-to-day basis, as you can imagine.

The other thing, as you have been drawing attention to, Chair, is the businesses who have had a very big adjustment to make in operating the new systems and processes. Obviously, we work on a 24/7 basis with those businesses and stakeholders as they raise issues and challenges with us. Sometimes those issues and challenges are individual and specific to that business, in which case HMRC or other colleagues, as relevant, will get in alongside that business and give them the necessary help. Sometimes the issue they are raising is a more systemic one, and therefore we take the necessary action. Just as we have been doing over the last few weeks, that will continue to be something that we need to be hyper-responsive to, in terms of making sure that those businesses can get their goods successfully across.

Chair: Absolutely, and we will be coming on to some sector-specific issues a little later.

Q35 Sir Geoffrey Clifton-Brown: Can I start with you, Mr Harra, and pick up a point that the Chair raised with you near the beginning of the session, which was the OBR assessment of a £200 million loss on duties and a £600 million loss potentially on VAT? Have you as an organisation done an assessment of that, and would you expect to improve on those figures, because that £800 million is quite a large figure in total?

Jim Harra: Obviously, for 2021-22, we will try to beat that, but that is the independent Office for Budget Responsibility's forecast of the effect of the staged introduction of import controls. It is new risks that we are assessing and that we are building into our operational plans. I very much hope that we will beat it.



There are some areas where, in fact, leaving the transition period has enabled us to bring in measures that will tend to reduce that gap. For example, from 1 January we have reformed the rules applying to online sales, which I know this Committee has had an interest in before, which will tend to bring in about £300 million a year more VAT than previously, because we will be able to tighten up on the payment of VAT by online marketplaces, for example, like eBay and Amazon.

Where there are opportunities, we are taking them. Where there are risks, we know about those risks; indeed, we have previously been very open to the Committee about the fact that, by prioritising flow, we know we are taking that risk. The OBR has put a forecast quantification on that, and we will do what we can to manage it.

- Q36 **Sir Geoffrey Clifton-Brown:** Thank you for that very helpful answer. Can I move you on to something else you said just now, concerning rules of origin and your discussions with the Joint Committee? This is causing a vexed problem with businesses, particularly small businesses, many of whom do not even realise that they have to produce a certificate for this. Can you tell us where you have got to on this and how you are going to be able to help, particularly those small businesses, in their self-certification?

Jim Harra: First, on the positive side, the Trade and Cooperation Agreement provides for full zero-tariff and zero-quota rules for UK origin goods going into the EU and EU origin goods coming into the UK. That is a level of liberalisation that you will not see in any other EU free trade agreement. In addition, at the administrative level, we have agreed really streamlined processes for certifying origin, so it is a process of self-certification rather than getting your certificate signed and stamped by a chamber of commerce, for example. There is also a 12-month easement on getting suppliers certificates to back that up, so that people can start using the rules of origin straightaway and put the paperwork in place later on, if requested.

Together with the EU, we have been really pragmatic in terms of the processes people need to apply to take advantage of those rules of origin, and I think those are as streamlined an administrative process as you will see. However, clearly, traders have to come to grips with that. There is certification to be done, depending on how simple or complex your goods are in terms of their manufacture and components, there is a bit of work to do to understand all of the supply chain into that. And we acknowledge it was quite late in the day when people found out the details of those rules of origin and the Government were able to publish their guidance on that. That is one of the key reasons why we have introduced, with the EU's agreement, that 12-month period of grace on certification by suppliers.

- Q37 **Sir Geoffrey Clifton-Brown:** There are other questions on retrospectivity, but time is limited today. I think the Committee may return to that, but thank you for that answer.

Can I now turn to Mr Chisholm? Good morning, Mr Chisholm. I imagine



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you had a fairly anxious Christmas and new year, so, in the event, can you tell us how it all went on 1 January?

Alex Chisholm: Pretty smoothly, overall. As you heard earlier, there was the massive flurry of activity to implement the Trade and Cooperation Agreement, which clearly required primary legislation, and we were pleased that that was passed in time. It is also worth noting that a total of 200 statutory instruments were required to complete the legislation, I think, and again that was all done on time. That was the first issue that it was vital to resolve.

We were also conscious that many thousands of pages of Government guidance needed to be updated, and it was reasonable for people to expect they would be able to look online and find out what the true facts were. In fact, I think Boxing day was the busiest day of the year for EU exit pages, with people spending their post-Christmas period looking online to see what the new rules were, so I was very pleased that colleagues worked over Christmas to update all that information.

Then, of course, when going live on 1 January, we were not expecting a big bang-type moment, because obviously we had made good preparations and had been telling people for months what they needed to do. As you just heard from Emma Churchill, traders were probably more ready than people had given them credit for beforehand, which is very pleasing and has enabled flow to work pretty well.

Of the issues we encountered, some have rightly been described as teething issues with interactions between our systems and the French systems, for example: some of the messaging on NCTS took a while to work out, some forms were incorrectly filled out, and obviously people are getting used to the new systems. Then there have been some particular issues that we have encountered with some of the trade. As those issues have arisen, people have responded very quickly and found a resolution, so, overall, it has gone well, and we are pleased by that. However, as you heard from my colleague, Emma, we are not at all complacent, because we know that the volumes are relatively low at the moment. They are building up, and as more volume goes through the border, that clearly puts more stress on the systems.

Q38 Sir Geoffrey Clifton-Brown: I want to ask either Emma Churchill or Bernadette Kelly about volumes, but I will stick with you for now, Mr Chisholm. I am concerned that businesses, particularly small ones, are being deterred from exporting, or if they are managing to get through this hugely complicated system, it is involving considerably more expense for them. We have heard examples of customs intermediaries charging enormous amounts of money.

Can we have your absolute assurance that you will do what you can to keep the whole process as simple as possible—simplified, if possible, from where it is at the moment—and also aim to help small businesses keep the costs down? After all, the Department for International Trade is spending a lot of time and effort getting small businesses to export. It



would be very sad if this whole process is putting them off.

Alex Chisholm: Absolutely. There is a lot of support available to small businesses, and compared with where we were at our previous session, on 23 November, there has been a huge improvement in the awareness and readiness of SMEs. In fact, I think that in the latest data I saw, 68% of the SMEs trading with the EU said that they now feel ready, and that is a big improvement—more or less double what it was at the previous time. That is from 5 to 9 January. Today, two weeks later, it will be better again, so I think there has been a big improvement in readiness. We have been very active in trying to support SMEs, both in exporting, as you say, to the EU, and to make sure that there are minimal amounts of work to be done on the GB-Northern Ireland side.

As you rightly say, because we have left the customs union there are customs requirements to be met, particularly at the French border and the other borders that we have with the EU. We have provided about £80 million in support for the intermediary sector, for customs agents, and it is the case that some SMEs who would not normally have had a customs agent may need to appoint one. We have seen a huge increase in the capacity of that market. If anyone feels that they are being incorrectly charged for services, or receiving bad value, we would obviously be keen to hear about it, but so far, I think the market has adjusted well to provide support to those SMEs.

I really understand how difficult it is to learn a new set of rules when you have got used to one for a long period of time. I have been an SME myself; I know how many other things they have to try to do. You do not have lots of different departments of people doing things for you. You cannot spend very much on professional advice. It is a time where people have to adapt, and obviously in the context of covid that is extremely demanding, so we are doing everything possible as a Government to provide support to that hard-pressed community. As you rightly say, we are very keen to continue to be a strongly exporting nation.

Q39 **Sir Geoffrey Clifton-Brown:** Ms Churchill said just now that 5% of the lorries have been turned back because of incorrect paperwork. We understood that it was nearer 10%. Perhaps you can clarify what it is. It sounds a relatively small number, but it could still be a significant amount of value of freight, and disruption to those businesses. What more can be done? You have all done a fantastic job to try to get businesses to prepare in advance, with very short notice, but with that number of lorries still being turned back what more can be done to make sure that they are prepared, so that we get nearer 100% going through when they get to the border?

Chair: If I may intervene, it would be helpful, as well as the percentages, to actually have the number of lorries, because that gives people a better understanding of the volumes that Sir Geoffrey has just highlighted.

Sir Geoffrey Clifton-Brown: Yes, I was coming on to the numbers, Chair, but perhaps, Mr Chisholm, you could give us those numbers. That



would be really helpful.

Alex Chisholm: Let me start, and Emma will come in after me. First of all, on the turnbacks, I think the range has been somewhere between 3% and 8%, and on average it is about 5%. Again, within that, there are a number of reasons for turnbacks. Some of those will be because people have not been tested, and some will be because people do not have the necessary forms. It has been improving. That figure has been going down over time, and we have been really pleased particularly by the number of people who have been tested upstream—not leaving it to the last minute, just as they get to the border itself. Around, I think, 50% now have been getting a test before they leave the factory or warehouse, rather than leaving it to when they get to the border. That helps a lot, because it reduces the strain on people having to queue for even a few minutes, or an hour at a time, at the individual testing centres. That really helps.

Clearly, for hauliers and traders at both ends of these transactions it is important for people to have the right paperwork. We found that in some sectors an understanding of the level of detail that was required did not exist as much as it could have at the beginning, but, again, that has been ironed out well. We would obviously like to get that figure of an average of 5% down further, and we are working on the testing side of that and, obviously, closely with the authorities, particularly the French authorities, to try to do that. Emma might have a bit more detail.

Q40 **Sir Geoffrey Clifton-Brown:** Yes, I was going to come to Ms Churchill. Ms Churchill, when you answer that question could you give us some of the precise numbers? What is the latest number of lorries going out of the UK and through the short straits, and where do you expect that to be going in the next week or two? Obviously, there is going to be a significant increase. How will that impact the number of lorries being turned back? Could you address the moving scenario, please?

Emma Churchill: I should say to start with that the numbers bobble around a bit day by day in terms of turnbacks in particular. It is not a solid-line trend; it is a graph trend over time, rather than a solid trend every day. On the turnbacks first, as Mr Chisholm was saying, it has been bobbling about between 3% on some days and 8% on others. On average over the last week, that was 5%.

Q41 **Sir Geoffrey Clifton-Brown:** What does that mean in numbers?

Emma Churchill: I was going to come to that, if that is okay. Again, the numbers are also moving around day by day. Over the last couple of days, it has been anywhere between 100 and 200 HGVs that that accounts for. I also want to stress something that Mr Chisholm pointed out: these are turnbacks either because the driver did not have proof of a negative covid test, which is required, or because they did not have the paperwork. It combines those two numbers. Again, day by day, the proportion of those turned back because they do not have a covid test, and the proportion turned back because they are not border-ready, changes over the time. It is not the case that it is always the same. It has been broadly 50:50 over



the past week or so—to give you an idea of that—but it is not a static picture. It changes day by day.

- Q42 **Sir Geoffrey Clifton-Brown:** Let us move to the more general picture. Roughly how many lorries are leaving the UK each day at the moment, both through the short straits and generally? It rises to about 5,000 to 6,000 a day in normal times. How quickly do you expect it to get back to normal?

Emma Churchill: In relation to the short straits, Tuesday is possibly the latest day I have the data for. On the equivalent day last year, it was around 7,000. The actuals this year were around 5,000. As I was saying, that is about 70%. However, it is also important to restate what I said in answer to the Chair earlier: the equivalent day in January last year might not be the correct 100% to be thinking about, because the experience of the first lockdown showed us that outbound freight was lower anyway due to the covid lockdown. Thinking about when we might get back to a normal level, we are probably within touching distance of normal levels if you take into account the possible covid impact. I suspect we would start to see ourselves getting back to those levels throughout the course of the next week or so.

It is also important to say that I think some businesses were waiting and seeing what happened, particularly in relation to whether we saw the generalised traffic disruption that was feared and potentially anticipated. Now that people are not seeing that, I think we will also start to see that causing volumes to pick up, as well as businesses that had not prepared before the end of the year—possibly for very good reasons—now taking the steps that they need to prepare, because they are ready and wanting to export goods.

One other thing I was going to say is that we have also seen inbound traffic strongly increasing since the beginning of the year, and that is closer to normal volumes that we would be expecting to see. There was of course some disruption to that as a result of the border closures before the end of the transition period, because if you have hauliers who are not able to get out, you have them not able to make the return journey that you would be expecting.

- Q43 **Sir Geoffrey Clifton-Brown:** On that subject, Ms Churchill, can I ask you what the arrangements are for empty lorries, both going back out and coming in? That could be a blockage in the system.

Emma Churchill: Yes, that's right. Empties are flowing very well across the short straits. We have absolutely no reason to believe that there is any disruption to that. From what we can tell from checking HGV service numbers, empties are running at exactly the proportion that we anticipated—slightly above 30%. That is absolutely in line with the estimates that the operators had given us in advance, so that is absolutely happening as normal. I think you will know that DEFRA—Mr Quinault may want to come in and say more on this—had worked up a scheme, working



closely with us and the Kent Resilience Forum, which would enable the prioritisation of empty trucks, around 300 a day.

Sir Geoffrey Clifton-Brown: That is what I was referring to.

Emma Churchill: Let me explain why we worked on that scheme. Because of what happened before Christmas—the 48 hours when there was no flow across the border and then the hard work everyone had to do to get all those hauliers with their negative covid test back across the border—there was a concern. We had expected to see a continuation of the stockpiling we had seen through December. Because of that disruption, we expected that we may have had a problem with inbound, particularly for fresh food. Because we anticipated that there might be issues, we worked with DEFRA and others to agree a scheme where empty lorries could be expedited if there were queues, but, in reality, there are no queues to expedite those lorries past. Again, we are not complacent. If we were to see any queues in Kent, we have that scheme ready to go. That is in addition to the scheme that was already agreed for fish and day-old chicks. Again, there have been no queues to prioritise those past, but that scheme is there if we need it.

Q44 **Sir Geoffrey Clifton-Brown:** Thank you very much. That is very helpful. My time is running out, Ms Kelly, but I want to congratulate you. This Committee has been asking you lots of questions about your preparedness in the event that there was a hold-up at the ports. With the enforced stoppage by the French, it was a great credit to you that you managed to handle it so well. How well is the Check an HGV working in practice across the border?

Bernadette Kelly: First, may I say how nice it is to receive those words of congratulation, but I think that they are due to many people. The effort to clear the border before Christmas was quite remarkable. It represented a huge effort by many people, including the Kent Resilience Forum and the Kent police, who were magnificent, as well as many colleagues across Government, including in DHSC, the Cabinet Office, the MOD, the FCDO and people in my own Department. It was an extraordinary effort, with people working round the clock right through the Christmas period. I am glad that is recognised by the Committee. I think it was an impressive job under very difficult circumstances.

As for Check an HGV, I will bounce the question back to my colleague, Ms Churchill, because I know she is close to the detail on this, but it is working well, as is the Kent access permit and other arrangements we put in place, to support hauliers and ensure they were as ready as they could be. The information and advice sites are very well used. They are now also used for upstream testing, so that, as Mr Chisholm has explained, we can ensure that as many hauliers as possible who arrive in Kent already have a negative covid test and can move quickly on to border controls. Ms Churchill, can you provide more detail on Check an HGV?

Emma Churchill: Yes, that is my service. What is working very well there? We launched it on 14 December, as promised. We worked



incredibly closely with stakeholders and users on the design, to ensure it is simple and easy to use, and so it is proving to be. As I was mentioning, we have had high levels of compliance for the use of the service to get a Kent access permit, which is mandatory for those travelling internationally across the short straits.

- Q45 **Sir Geoffrey Clifton-Brown:** Can I be really rude and stop you there, because my next question was on the Kent access permit, and I was not sure whether the expert would be you or Ms Kelly. Can you tell us how well it worked, how many lorries were turned back and how many lorries were fined for contravening the rules?

Emma Churchill: Yes, I absolutely can. The Kent access permit system is obviously intimately connected with the Check an HGV service, because you go on to the Check an HGV service and answer a series of questions to confirm that you have the correct documentation and are border-ready, and at the end of that, you are automatically issued a Kent access permit, which is emailed to you. At the same time, your vehicle registration number, which is one of the other things that you would put into the service, is then known to the system, so as you pass into Kent, the ANPR cameras can pick up whether you have a valid Kent access permit.

As I was just saying, the system was launched on 14 December for people to start applying forwards for Kent access permits. The feedback that we have is that people are finding it very simple and easy to use, and we are seeing high levels of compliance. Through the ANPR cameras, we are seeing that more than 80% of the non-GB HGVs—those that we might reasonably assume are all travelling internationally across the short straits—have a valid Kent access permit at the time they pass through those cameras. It is slightly below 80% when you take into account the GB HGVs as well, but of course, as the Committee said to us in November, some of those GB HGVs will be making domestic deliveries rather than an international crossing, so would not be required to have a Kent access permit. We are seeing strong compliance with the need for it.

On fines for those who have been travelling without a valid Kent access permit, as of 18 January there had been 636 enforcement notices of that kind.

- Q46 **Sir Geoffrey Clifton-Brown:** Given that the facts will not change, why are the access permits valid for only 24 hours?

Emma Churchill: Partly because, preferably, we want people to fill them in not too far ahead of the travel, as we want them to be absolutely clear that they have the documents that they say they have and that the haulier is picking up from the trader. We thought a 24-hour validity period was reasonable to make sure that you were travelling in that time.

To be honest, it is also partly because from those statistics, we are able to get helpful intelligence to support the tactical operational commander, and indeed the strategic command in Kent, so that they can see what traffic is planning to come across the short straits. They can factor that into their own planning.



Q47 **Sir Geoffrey Clifton-Brown:** Is that causing a problem in practice?

Emma Churchill: No, I do not believe that it is causing a problem in practice. I know of one individual who tweeted about his experiences, which the Committee may have picked up. There was one individual whose validity ran out on their Kent access permit, and they were subsequently fined. However, we have been talking to the DVSA enforcement officers, who have discretion in those circumstances, and they will of course show flexibility if there has been a valid KAP, but it has run out for whatever reason.

Q48 **Sir Geoffrey Clifton-Brown:** We are running rather long in this session, so could you tell us very briefly whether the covid arrangements are working as well as they could be? Are people turning up with a valid certificate and so on? Briefly, please.

Emma Churchill: Sorry—I shall be very brief. They are working well, yes. Again, the numbers bobble around each day, but around half of people are now getting their covid tests upstream before they arrive in Kent, which of course is what we want. They are doing that either at depot or at one of the 35 out of 46 information sites that provide covid testing; about half upstream.

Q49 **Sir Geoffrey Clifton-Brown:** In terms of drivers coming into the UK, is that working reasonably well, too?

Emma Churchill: Hauliers are exempt from inbound, but Mr Lincoln may want to say more about the need for covid tests for passengers and those coming inbound.

Paul Lincoln: If it would help, I am happy to talk about passengers coming in, Sir Geoffrey.

Sir Geoffrey Clifton-Brown: Please.

Paul Lincoln: Obviously, the Government introduced a pre-departure testing scheme, which came into force on Monday this week in terms of the ability to fine passengers, and indeed carriers. That is working well. We have seen a high degree of compliance on that. For example, on Monday we had about 21,000 people coming into the country. We examined about 10,000 of those. A significant number of those examinations were at Heathrow—bearing in mind there are exemptions for hauliers—and, combined across the pre-departure scheme and the fixed penalty notice for a passenger locator form, we issued in the region of 40 fixed penalty notices.

Sir Geoffrey Clifton-Brown: Thank you very much. That is all I have got for the moment, Chair.

Q50 **Chair:** I turn to security at the border. Mr Lincoln, what are your biggest concerns in the new arrangements on your ability and our ability as a country to maintain border security?



Paul Lincoln: Of course, the deal that was done by the Government before Christmas maintains a significant amount of the co-operation we have with Europe, which I know was a concern of the Committee. The one area where that is not really the case is the Schengen Information System, about which I know various Committees have asked various questions. As a result of that, the Government have introduced the system they had in place previously—it is tried and tested from 2015, 2016 before we entered the Schengen Information System—which is to use the Interpol system and, in particular, the red notices which pretty much replicate what we have got in place when it comes to persons of interest at the border.

I know that some Committee members may have been worried when it was made public that we had deleted SIS II data. That is true, but we have basically replicated that through red notices from EU member states who have now put their data on to the Interpol system.

- Q51 **Chair:** Mr Lincoln, you put a very positive gloss on it, but I remember negotiating to get us into SIS II some time ago—it was such a valuable database for security in the UK, despite us being outside Schengen, that we worked hard to do that. Can you be perhaps a bit more forthcoming about what the differences are between the Interpol red list and SIS II and what we have lost as a result of not having SIS II?

Paul Lincoln: The Government always said that SIS II was a useful system to have—it was a valuable system. The EU took the position from the very start of the negotiations that it was not possible legally for the UK to be a member of the Schengen Information System as part of that. The vast majority of the notices on the Schengen Information System do not relate to persons of interest from a law enforcement perspective; in fact, a lot of those are either documents or to do with immigration, and the UK has never used the Schengen Information System as part of its immigration controls. The Interpol red notice basically allows us to arrest people who EU member states have put on, which would be equivalent to the SIS II alert. In that respect, it is a similar set of circumstances for us.

I would also emphasise about security going forward that three different things have taken place. First, on 1 January, the criminality thresholds aligned in terms of the rest of the world and the EU, which allows the Government to change its deportation threshold from that of a member of the EU to match the 12 months—someone having a sentence of over 12 months—that is legally required to try to deport them from the UK. Secondly, when it comes to July, there will be the requirement for importers to provide advance data on goods in the form of safety and security declarations. When it comes to serious and organised crime, which costs the Government and society some £37 billion a year, a significant amount of drugs and firearms come across from the EU and through the short straits. That is a major step forward in that regard. Thirdly, from October, we will be phasing out the use of EEA and EU ID cards, which are some of the most insecure documents and most abused in terms of identity fraud coming into the UK.



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Q52 **Chair:** So basically, anyone from the EU will need to use their full passport—if they have one.

Paul Lincoln: Yes, that is right, but with some narrow exceptions. The withdrawal agreement allowed that members of the EU settlement scheme could continue to use their ID cards until 2025 as a minimum. Beyond that, you have to have an ICAO biometric equivalent standard applied. The EU recognises that there is an issue with the standard of its documentation and back in 2019 it agreed new standards, albeit that those standards do not have to come into place until 2031, so this actually provides a significant enhancement in that regard.

Q53 **Chair:** But it could also hamper movement of people. Obviously, there is not free movement now, anyway, but many European citizens, for example, will have only an EU identity card. They will not have a passport, necessarily.

Paul Lincoln: About 30% of people have used an EEA or EU ID card. That is not to say that that is the same proportion who do not have a passport. For example, any of them who wanted to go to America would have to use a passport.

Chair: It is useful to know the numbers, because we have obviously had, separate to this—discussions for instance about musicians and creative industry travel across the EU-UK border, in both directions. Can I just check on passenger name records—something I have a very strong personal interest in, because I was negotiating on that for three years, to secure that. I understand that that is secured. Is that going to continue: will passenger name records—the information that people provide before they board an aeroplane or travel—still be shared between UK and EU?

Paul Lincoln: Yes, it is, Chair. That was part of the agreement. We do maintain the exchange of passenger name records.

Q54 **Chair:** Okay—and there is no likely change to that. That is definitely fixed.

Paul Lincoln: That is agreed. There is a slight change, which is exactly the same as they are applying to all their third-country agreements, but there is still a free flow of passenger name records as part of it.

Q55 **Chair:** We have now got 27 neighbours that we need to negotiate with on certain things individually. What are your biggest challenges, and what are your first tasks over the next six to 12 months, in terms of making sure that you do everything you can to keep our border secure?

Paul Lincoln: I think from our perspective it is worth putting this in the context of all the tasks that we do. Nothing changes in terms of new additional tasks that we might have between now and the full implementation of controls or beyond. Actually, the majority of the things I have just talked about provide us with opportunities—in particular the safety and security declarations aspect. So, actually, we are looking forward to putting in place the systems associated with that, going forward.



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Q56 **Chair:** Okay. What about the European arrest warrant and the impact of having to negotiate differently or have different thresholds with different countries? Doesn't this mean that we will have criminals who we are unable to bring back into the **UK?**

Paul Lincoln: It is not my particular area of expertise, when it comes to the European arrest warrant, but what we have secured is a streamlined extradition arrangement, which is based on the equivalent arrangements that the EU has with Norway and Iceland, but with some additional safeguards associated with them.

Q57 **Chair:** In your view is that better or worse than what we have **got?**

Paul Lincoln: I think it is an equivalent set of arrangements that allow us to give that, but it is not my area of expertise, to be honest. This is from a border perspective.

Q58 **Chair:** I recognise that mutual legal aid is quite a complex area. Can I just go back to Interpol? We have obviously got a different arrangement there. Can you explain to us in simple terms what the arrangements are, now, with Interpol, if there are persons of interest that you need to talk to Interpol **about?**

Paul Lincoln: The lead for interactions with Interpol is actually the National Crime Agency. When it comes to what that means for border systems, Interpol will put people on to their system based on the other countries raising alerts. As I have said, EU member states have put on about 40,000 alerts relating to law enforcement persons of interest. They get certified by the NCA. If that comes and pings to us, at the border, as it would have done with a SIS II hit, we are then able to arrest that individual. Then we will follow the usual processes associated with it.

Q59 **Chair:** Do all countries in the EU operate the Interpol system in the same **way?**

Paul Lincoln: Yes. My recollection is that they all operate the same system, because it is a standard system, but it is up to those individual countries, of course, to make sure that they upload the notices appropriately.

Q60 **Chair:** That is really my point. Are you aware that there may be a difference of efficiency and, indeed, a difference of threshold, about who a country might upload to the Interpol database, and is that something you worry **about?**

Paul Lincoln: It is something which different countries may apply slightly differently, but of course we have been dealing with all of the relevant EU member states to encourage them, on a bilateral basis, to try and make sure that we maintain standards wherever we can.

Q61 **Chair:** You are putting a very positive gloss on something: we had one arrangement and now we have to have 27 arrangements, **basically.**

Paul Lincoln: No, I think the baseline arrangements are the same. It is one arrangement with Interpol; but what, of course, we are looking to



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ensure is that EU member states make sure that, as we have done, we upload the same data on to both sets of systems.

Q62 **Chair:** Okay. In terms of the speed of the Interpol hits, if you have got a hit that comes at the border is that any faster or slower than what happened with SIS **II?**

Paul Lincoln: From our perspective, it makes no difference. As long as the data has been loaded up through the National Crime Agency, it makes no difference to us.

Q63 **Chair:** Okay, but there could be delays through Interpol to the National Crime Agency and so on?

Paul Lincoln: Effectively, it is near real-time in terms of the way it works.

Chair: Thank you very much—that is helpful to know. Let us go now to Peter Grant MP.

Q64 **Peter Grant:** Mr Chisholm, I want to start by looking for a bit more detail on financial support for seafood industries, which was mentioned earlier. You said that the support will be on the basis of proven losses to businesses. If a fishing boat operator decides that they are going to lose money anyway, does not bother going to sea, and leaves their boat tied up, how can they prove that they have lost money as a result of problems at the border?

James Quinault: Perhaps I can answer that, Mr Grant. As I have said, we will release more details of the eligibility criteria in the next few days. The fund will be targeted at exporting businesses that can evidence a genuine loss in exporting fish or shellfish to the EU since 1 January.

Q65 **Peter Grant:** Thank you, but that does not answer the question. If a lorry load of seafood gets lost in transit because it is delayed, that can be proven. How can a fishing boat operator prove that it was not a planned tie-up, and that they have decided not to bother going out because they know that they could not export the fish anyway? Are you able to tell us whether, in those circumstances, which all evidence tells us are happening a lot just now, fishermen and women who decide not to go out to fish will be accepted as having suffered losses in the same way as those who try to export the fish but are held up?

James Quinault: The Government will confirm the eligibility criteria shortly, having discussed that with the devolved Administrations. This scheme is intended for people who can prove that they have suffered a genuine loss in trying to export shellfish or fish to the EU. It is worth saying that the scheme is on top of the £100 million fund promised for broader help with modernising fishing fleets and the fish-processing industry, and the £32 million that the Government have promised to replace EU funding that the industry has benefited from in the past.

Q66 **Peter Grant:** Thank you. I think you said earlier that the new support was for small and medium-sized operators. How do you define small and medium-sized, and is there a plan to bring in support for bigger



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businesses as well?

James Quinault: This scheme is aimed at small and medium-sized enterprises. I believe that will be by the normal Government definition of an SME, which is a business up to 250 employees, but we will confirm that when we issue the eligibility criteria.

Q67 **Peter Grant:** You also said there would likely be a limit of £100,000 per business. My colleague Ian Blackford mentioned one case last week in which a business lost £40,000 in a single day. How did you arrive at the £100,000 limit? Is that based on an assessment of the likely losses of businesses, or is it simply based on how much the Government are prepared to pay out?

James Quinault: It is based on discussions with the industry about the sort of losses that they have been facing.

Q68 **Peter Grant:** Certainly, one of the major industry representative bodies has said that although the support is welcome, it is nowhere near enough—I think they described it as a sticking plaster on a gaping wound. When you say that it was based on discussions, are you telling us that the industry thinks that £100,000 per business will be enough to cover their losses? Is that what they have told you?

James Quinault: The £100,000 is the maximum claim that has been set.

Q69 **Peter Grant:** That is the maximum set by the Government. Have you been told about any business that claims to have lost more than that already?

James Quinault: Like you, I have read press reports that there have been greater cumulative losses to businesses than that, but we will see when the eligibility criteria are released and the businesses that have suffered loss bring forward their evidence.

Q70 **Peter Grant:** Finally, as regards the payment schedule, I think it is said that they should expect to get paid within the next six weeks, which means almost two months after they started to suffer losses. Why is this going to take so long for businesses that are already facing very severe cashflow problems?

James Quinault: We will confirm how long we expect to take to pay claims once we release the eligibility criteria, but we will—obviously, given the pressure on the industry—be aiming to do that as quickly and swiftly as we can. I suggested six weeks as the sort of timescale we will be talking about.

Q71 **Peter Grant:** But if the Government had listened to warnings from the industry in advance and anticipated these problems, you could have had the scheme up and running and ready to go on 1 January.

James Quinault: Well, the scheme will be up and running very soon—as soon as we have released the eligibility criteria and got things going—and money will be available retrospectively to compensate firms for losses suffered since 1 January.



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Q72 **Peter Grant:** But in the meantime, they have to rely on the good will of their banks or their lenders, because the fact is that this money is going to be made available potentially two months later than it could have been if the Government had listened to the industry in advance. That is correct, isn't it?

James Quinault: Firms now know that this help will be available to them retrospectively if they can show they have suffered loss.

Peter Grant: Thank you. I will leave the fishing for just now.

Chair: In which case, Mr Grant, I'd like to bring in Sir Bernard Jenkin on the subject of fishing. There is a lot of interest in it.

Q73 **Sir Bernard Jenkin:** First, the £23 million scheme is a UK scheme?

James Quinault: Yes.

Q74 **Sir Bernard Jenkin:** So Scottish and Irish and Welsh fishing businesses will apply direct to the Government for this—they won't have to go through their devolved Governments?

James Quinault: We will confirm the process for making claims when we have released the eligibility criteria, but it is a UK scheme.

Q75 **Sir Bernard Jenkin:** I think the question from my colleague Mr Grant about anticipation is a good one. A lot of the hold-ups are about the compliance of export health certificates and the enforcement at the European frontier. What is it that we did not anticipate about this?

James Quinault: It is true that there have been delays in clearing customs at the French BCPs in particular, but there have also been delays and hold-ups at the producer end, as traders get to grips with the various new systems and processes that they have to follow, in order to be able to prepare their goods to leave.

Q76 **Sir Bernard Jenkin:** But is there some surprise that export health certificates are being enforced much more religiously on fish products than on other SPS products?

James Quinault: I would not say, as far as we can tell, that they are being enforced more rigorously on fish products than on other products. The issue is more that even a small delay at any stage in this process can be serious for a consignment of fish because of its perishability.

Q77 **Sir Bernard Jenkin:** Is there any evidence of what one might call gold-plating at EU ports of entry?

James Quinault: No, I don't think that would be fair. There have been issues about differences of interpretation of the rules, and in the early stages there were snags with things that I don't think by themselves posed any threat to health—issues about how documents were to be stamped, for example, or how accompanying documents were to be paginated, or issues about whether precisely the same address appeared on the export health certificate as appeared on the customs documents.



We have worked all those through and got a consistent position on them with the Commission and with our counterparts in member states, and those are not now causing issues as they did. I wouldn't say that was gold-plating; I would say such things are probably inevitable as both sides come to grips with new procedures.

Q78 **Sir Bernard Jenkin:** Okay. On the availability of vets, which seems to have created delays on our side, do we now have enough vets?

James Quinault: I don't believe that availability of vets has been an issue in the delays. As you know, we were concerned originally that it might be a limiting factor, so for some time now the Government have been working to make sure that there are enough official veterinarians in the market ready to do this work. Back in February 2019, I think we were talking about 600 people. We now have over 1,600 who have taken the training and are ready and available to take this work.

Q79 **Sir Bernard Jenkin:** Is that figure for England or the UK?

James Quinault: The UK. You will recall that we also worked to get certify and support officers—a class of auxiliary that could help with some of the work, albeit those people were not qualified to sign off the certificate. There are now 400 of them trained and ready.

We have daily calls with the major veterinary providers as a means of telling whether there are shortages in particular areas of the country, and we are not picking up any shortages or bottlenecks because of this at the moment. Were there to be some, we had trained some of our own animal and plant health authority vets in certifying, so that we had a force of people ready to deploy to shortage areas if required. We got about 200 of those between APHA and the Food Standards Agency. We have had very few requests for that help and have been able to meet them all, so at the moment I do not believe that vet capacity is the limiting factor, though of course we keep this under review.

Q80 **Sir Bernard Jenkin:** That is not what the industry reported at Larkhall.

James Quinault: There were issues at Larkhall. What happens there is that consignments are grouped to go to the border. I do not think, from our daily discussions with DFDS and the Larkhall team, that the issue was about certifying capacity at Larkhall itself; it was about the business of getting all the attestations and paperwork that are necessary ahead of time for those certifiers to do their job. That is a significant adjustment for the industry to get used to. We have been working that through. Groupage from Larkhall recommenced on Monday after a suspension, and I am told today that consignments are being put together and getting through.

Q81 **Sir Bernard Jenkin:** Can you explain why exports of Scottish smoked salmon are not having any troubles at all compared with other products?

James Quinault: I think that may be because they typically travel as a single load and direct, whereas I think some of the issues that we have had have been about this groupage—as I say, forming and consolidating a



load from various consignments—which is more difficult because of the need to put all the certification together.

- Q82 **Sir Bernard Jenkin:** Of course, on shellfish, it is the same shellfish that we were exporting when we were in the EU, and one would have thought that EU customers would want to have our shellfish because there is such a big demand, particularly from Spain.

James Quinault: You would, and they do, Sir Bernard, although I fear that demand is down on where it would normally be because of the closure of the hospitality sector on the continent.

- Q83 **Sir Bernard Jenkin:** If live shellfish gets delayed, that is fatal to the value of the load, as well as the shellfish. Very briefly, in Orkney and Shetland they have long practised a different export model that takes an extra day. What about transferring the industry to an extra-day model to avoid all these unscheduled delays?

James Quinault: I cannot comment on that in particular, but I think it likely that over time, as the industry works its way through this, new business models and ways of tackling this will come to light, yes.

- Q84 **Craig Mackinlay:** Sorry to join late, Chairman. I wondered, with what seems to be a lack of transport across the channel, whether DEFRA has got involved with big UK retailers perhaps to try to absorb the extra capacity that is unsold on the continent. There is obviously a very big problem at the moment in that hospitality is not open in France and Spain. I will pay a credit to Scottish langoustine, which is not widely consumed in the UK, but which is a fundamental part of fruits de mer in northern France. What is going to happen when those hospitality units reopen? They will be clamouring for these goods and they will be in some conflict if there are delays at the border. The key question is, has DEFRA helped to link fish producers with domestic retailers to try to absorb some of these extra scallops, and everything else, in a British seafood month? Is any work being done on that?

James Quinault: Thank you for your question, Mr Mackinlay. Yes, DEFRA has worked to try to boost a domestic market for some of the shellfish in particular, and more widely for fish that are fished in the UK but exported at the moment. There will be more on this as part of the drive to help UK seafood industry players. I mentioned the £100 million scheme that the Prime Minister announced a little while ago. That is separate from the £23 million scheme we were talking about for losses. That is about supporting the modernisation and development of the seafood and fish processing industry. Part of it will be about trying to encourage and grow new markets in the UK for fish that we currently export.

- Q85 **Craig Mackinlay:** Finally, I have heard stories—I don't know how true they are—that some of the big trawlers, particularly cod trawlers, are landing in Denmark. How are they getting through these regulatory requirements by having that sort of operation in place?

James Quinault: It is possible to land directly on the continent of Europe with the right certification.



Chair: Thank you, Mr Mackinlay. Back to Peter Grant **MP.**

Q86 Peter Grant: Thank you, Chair. First, can I come to Mr Harra from HMRC? I want to ask about the operation of the T1 form and the transit declaration form that a number of exporters in my constituency are now having to deal with. When did the system for submitting T1 transit declarations go live for exporters to make their **submissions?**

Jim Harra: I believe you are referring to the financial guarantee that traders need to have if they use transit. That is a long-standing requirement, although obviously the use of transit for goods moving between the UK and the EU is new since 1 January. What transit does is enable a trader to move their goods across the border and complete their customs declaration later. That obviously creates a risk that goods will go missing in some country's customs territory before that is done, after the goods have been released from port, and therefore it is a requirement of the international convention that there be a financial guarantee in place to cover the duties, which the relevant tax authority can call on if the goods go missing.

If you are moving goods under transit, you must have that financial guarantee. Each time you move a consignment of goods, you allocate part of your guarantee to that consignment. Later, when you close off the transit movement, that unused financial guarantee goes back into your pot and can be used again against your next movement.

So, traders who are using transit must make sure that they have an adequate financial guarantee to cover all their intended movements, and they must monitor that and make sure that they are closing off their transit movements as soon as possible, so that they replenish their guarantee pot. We had a few incidences at the end of last week, for example, of traders whose guarantee pot ran out, and therefore the system errored their movement and could not move their goods out by transit. We have assisted those traders, both to increase their guarantee limit and to close off some of their open transit movements, so they can replenish that pot. That is a long-standing **requirement.**

Q87 Peter Grant: Thank you. So, you are saying that the system has always been available, but there has been an increase in the number of businesses that use the **system?**

Jim Harra: Yes, and there are businesses using it that have been unfamiliar with it, so it is obviously taking them some time to get to grips with monitoring their financial guarantee and transit movements. We are looking at whether we can improve the information that we supply to users of the transit system so that they are alerted if it looks like their financial guarantee pot is running low or if they have unusually high levels of open transit movement that we think should have been closed off, but, in the meantime, any trader who has had a problem, we have been helping them to get through **it.**

Q88 Peter Grant: Thank you. Some businesses in my constituency have told me that they have had to make multiple declarations on the same



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consignment, because the information that they are required to provide has changed a number of times since 1 January. Is that correct?

Jim Harra: I am not aware that we have changed the requirements or the guidance. There have been a couple of issues with how our system has, for example, sent messages to the French system, which have required us to put in some temporary fixes to make sure that everything works, so we might well have advised users to change what they are inputting to the system to make sure that those messages feed through to the French, but really, only one or two small glitches have required that kind of change.

It is also the case that when you enter a transit movement, you have to say where your office of destination is. So, some traders will say, "It's Calais," but later in their trip, they will decide, "Actually, we will go to Dunkirk," and it is important that they go in to change the office of destination so that the goods, when they arrive at Dunkirk, do not get stopped because they were not expected there. Those kinds of change have to be made to a transit entry.

Q89 **Peter Grant:** Will the system be able to tell you that a declaration that had been submitted was a new one, or whether it was one that a business had changed for a reason? Is that information you will be able to get out of the system and send to the Committee?

Jim Harra: I will certainly take that away and have a look at it.

Q90 **Peter Grant:** Thank you very much. Now, Mr Chisholm from the Cabinet Office, in your letter to the Chair of 19 January, referring to Government support, you used the words "for businesses who had not prepared before the end of the transition period". Were you implying that it was only businesses that had not prepared properly that were experiencing significant problems following the end of the transition period?

Alex Chisholm: Thanks very much for your question. First, I will reiterate what I said before, which is that businesses have done a great job getting ready. This is a huge change, but, as we have seen, the flow between GB and Northern Ireland and on the short straits has been pretty effective. That shows that businesses have been mostly very ready, but we recognise that you never get to 100%. As I said back in November, there are lots of other things for businesses to be doing—lots of other pressures—so those businesses that need continuing support are getting that from the relevant parts of Government.

Q91 **Peter Grant:** Was it your intention to imply—as, certainly, some Ministers in the Government have said more explicitly—yes or no, that only businesses that failed to prepare are now having significant problems?

Alex Chisholm: Those businesses that were able to prepare, going back to last summer, tended to be the bigger businesses. They had lots of advice and support for that, and it has obviously been easier for them to manage than for those companies, particularly smaller companies, that did not have that opportunity.

Q92 **Peter Grant:** What is your assessment of the number of exporting



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businesses that were adequately prepared on 31 December, and the number that were not?

Alex Chisholm: Rather than an assessment, I have the figure I gave previously, which is the latest—I think a YouGov poll we did between 5 and 9 January—and showed that 68% of businesses that are exporting to the EU consider themselves to have taken or to be taking the necessary steps. That is the latest assessment we have.

Q93 **Peter Grant:** When you set up the advertising campaign that ran for a number of months towards the end of the last year, what was the anticipated rate of success? How many businesses did you intend to see being properly prepared? How many did you accept would never be prepared?

Alex Chisholm: I do not recall the figure, but it was probably around about that number. We started that particular campaign in July. Obviously, probably a few weeks later would have been ideal, but given the interruptions of covid, we wanted to launch it when we felt that we were most of the way through the first wave. As I reported to you in November, it took a while for businesses, particularly smaller ones, to respond fully to that and for the awareness to be raised and then action taken as a consequence. That really did dramatically improve in December and has continued through January, so obviously a number of businesses chose to leave it relatively late. As I mentioned, understandably a number of people would have been looking to see what the progress was in the negotiations. As it happened, that took longer to conclude than anyone would have wished, but fortunately it was concluded on 24 December.

Q94 **Peter Grant:** Thank you. It might be worth putting on the record that it was not always a matter of choice that businesses did not prepare as far ahead as they wanted to. Some of them were dealing with the impacts of the covid pandemic. There is an issue as to whether a business that thought it was properly prepared was adequately prepared, because maybe it did not know what to be adequately prepared for.

Elsewhere in your letter you referred to the Government engaging with about 200,000 businesses. If you take that as an estimate of the number of businesses that needed to be prepared, 32% of them by their own admission still had not adequately prepared. You said that was about the number you expected. So, you are telling the Committee that the Government expected that at the end of the transition period there would still be about 60,000 businesses in the United Kingdom that were not adequately prepared to be able to continue to export their goods to the European Union. Is that what you are saying?

Alex Chisholm: I need to check what the projection was, but from memory, although it is going back a few months now, that was roughly what it was. In terms of preparation, we need to recognise that there are businesses that were moving goods across the border a number of times a day, and you would expect them to be very fully prepared, and they would find that they were not prepared in the early hours of the first morning of



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the new year, and they did not experience that, so those would have been fully prepared.

We also recognise that so-called high-value traders have been a particular point of focus, particularly for HMRC and their training. As well as asking the questions, there has been a very detailed one-to-one support service there, a so-called field force, going out and providing direct support. That would have been a high level of support for the heavy traders. There are some businesses that we would record as trading with the EU, but they might only trade with the EU a couple of times a year. The significance for them of not being prepared is much less than for those high-value traders. The latest HMRC figures that I saw were nearly 100% for the high-value traders. I hope that answers your question.

Q95 **Peter Grant:** It does answer it, but my concern is that the number of small businesses is very significant, and they are the mainstay of the economy. They are the ones who have got the potential to grow quickly and build the economy back up after covid. I can give you one example. I spoke to a business director in my constituency yesterday, and he did everything possible to be prepared, and his business spent a lot of money over the last year or 18 months to be prepared. While they were speaking to me, he was holding wads of cancellation notices from his biggest customers in Europe. This is a business that can't survive if its trade with Europe is interrupted. They have lost a significant number of long-standing customers, who are now transferring to businesses on mainland Europe because they are not convinced of the reliability of delivery. He tells me that, for the first time since he worked for that company, they have had no inquiries from European customers who are interested in the new development products. So that company has already lost money that it will never get back. What assessment has the Government made of the likely value of export orders that will be lost forever to UK businesses as a result of the problems seen at the border?

Alex Chisholm: I am not aware that an assessment has been made. Obviously, I am very distressed to hear the sad experience of your constituent. I feel for every business, small businesses particularly, who, in the current context of covid, are struggling to deal with exports among other business challenges. There has not been any attempt to produce forward projections this early in the period. We are three weeks into it. As you have heard from the Prime Minister and others, there are adjustments to be made and teething problems, so we will want to settle that down a bit before forming a bigger view about the overall impact on traders. Also, we need to recognise that we are big importers as well as big exporters. The big changes there are really going to come in with the rules, first in April and then in July. We would really want to complete the whole process of adjusting the border before we try to make an assessment about the overall impact.

Q96 **Peter Grant:** Thank you. I was particularly interested in an assessment that had been done beforehand of how many lost orders the Government had anticipated. I realise you do not have that information to hand, but will you write to the Committee to confirm whether such an assessment



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was done in advance and, if so, what the figure was? Unlike the problems caused by delays and so on, that business won't return. Once an exporter has lost a long-term customer, they will find it very difficult to get that customer back again.

On 1 December last year, the Committee asked you to identify the additional cost to businesses of the new border arrangements. In your reply of 19 January, you said that you had already done that, and you referred us to a document that was published on the Government website on 7 October 2019. That was before covid. It was basically before negotiations on the trade deal had even started. It was before the amended withdrawal agreement had been passed into legislation by Parliament. You are telling us that the Government's view is that none of those made any material difference to the likely economic impact of changes at the border.

Alex Chisholm: I think that data mainly relates to the costs of import and export regulations and I think that was an HMRC estimate at that time. As far as I am aware, there has not been an updated analysis produced, but my colleague, Jim, would correct me if I am wrong about that.

Q97 **Peter Grant:** Before we go on to Mr Harra, it is a fact, is it not, Mr Chisholm, that you were happy to refer to that October 2019 document as having complied with our request for an assessment. That was in the letter that was sent to the Chair.

Alex Chisholm: That was the most recent information that I was aware that we had.

Q98 **Peter Grant:** Thank you. Mr Harra, can you tell us if there has been any update to those projections since October 2019?

Jim Harra: The most recent published impact assessment was the third edition of those admin costs, and that was in October 2019. We have not updated that since. That was based on quite a lot of information and research, both Government and from the private economy, on the cost of making customs declarations. I don't think we envisage that the cost of making customs declarations has materially changed since that, so I would expect what that impact showed about the costs of complying with customs to continue to hold true. Obviously, the volumes in it were done from the perspective of a no-deal exit from the EU, which is not what we had in the end. Nevertheless, we still know that there is a high volume of customs declarations required, now that we have left the EU, and that is not materially different from a no-deal situation, so I would expect that impact assessment to continue to be good information.

Q99 **Peter Grant:** Thank you, Mr Harra. Can I come back to you, Mr Chisholm? I want to finally turn to the question of the use of customs intermediaries. You will recall that I and other members of the Committee raised concerns previously about whether there would be enough of them to be able to meet the expected upsurge in demand. In your letter of 19 January, you said that you continue to monitor the customs intermediary sector and its response to increased demand. What is your assessment of



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the number of export businesses who have been unable either to find customs intermediaries or to afford the cost of using that service?

Alex Chisholm: Again, I will turn to Jim. The letter I sent was on behalf of all of Government, and it is HMRC that deals with customs intermediaries.

Jim Harra: Most traders who have to comply with customs obligations use a customs intermediary to do that, so we did expect a significant increase in the demand for the services of customs intermediaries. I think the Government took a number of steps to ensure that adequate capacity—

Q100 **Peter Grant:** I am sorry, Mr Harra. I have to push for short answers, because I know that a number of my colleagues still want to come in. The Government say they were monitoring the situation. Are you or anyone else in Government able to tell us just now how many businesses are struggling to find customs intermediary services that they can afford to pay for?

Jim Harra: Research that we commissioned from Ipsos MORI just before the end of the transition period indicated that the sector had increased its capacity sufficiently to make the number of declarations that we expect will now be required, and the intelligence that we have since 1 January is that there is still excess capacity in the sector. So, while some intermediaries are telling us that they are full up and turning away prospective clients, others are telling us that they still have the capacity to take on clients. My message to any trader who tried to get an intermediary and was turned away is that they should keep trying, because there is capacity out there. If they go on gov.uk, we have published a list of the customs intermediaries available, with contact details, but there should be capacity out there even if some are full up.

Q101 **Peter Grant:** Thank you. The letter from Mr Chisholm also referred to new entrants to the market that are able to perform the role appropriately. The Government has never thought it necessary to regulate this activity, so who decides whether a new entrant is able to perform the role appropriately or just a chancer who is looking to make a quick buck?

Jim Harra: You are right that it is an unregulated market, although there are trade associations. Some of the new entrants we have seen have been big four or big six firms who have seen that there is a new market here that they can serve, so we are confident that some high-quality agents have come into the market. Indeed, some of those new entrants are among those who tell us that they still have capacity.

Some of those large firms have got the advantage of an international network, so they can offer a 24/7 service by having agents all around the world, but as I say, it is really for traders to look at those intermediaries and find one. We are satisfied that the measures we have taken, including the £80 million of grants we made available to increase capacity, have resulted in there being more than adequate capacity in the market to



service the current need. It will need to grow more as we introduce the staged import controls, so we continue to monitor that.

Q102 **Peter Grant:** If you are taking comfort from some of those being big international companies, I should gently point out that this Committee and other Select Committees have spent a lot of time trying to get to the bottom of utterly woeful performance by some of those same businesses on Government contracts. If Her Majesty's Government cannot be sure when it appoints a big six, big four or big eight operator that it will do a good job, what chance is there for a small business who has never had to engage with these people before? What protections are there for a small business who, in good faith, signs up with a customs intermediary that simply does not deliver and potentially puts it out of business as a result?

Jim Harra: It is perhaps not my role to represent customs agents, but I would say that this is a long-standing sector that has been supporting international traders who are importing and exporting from outside the EU for many years, and I am not aware of any concerns that have been raised about it or any demands for it to be regulated. There are obviously now more traders in the UK who will need to use its services, but it is already a mature and well-respected sector.

Peter Grant: Thank you. I will leave it at that for now.

Q103 **Chair:** I want to move on to Northern Ireland. Of course, we have the Northern Ireland protocol. Mr Chisholm, with the problems we have seen and the evidence we have had directly, as well as that all over the news, about the problems in Northern Ireland, do you think you were ready to deal with the Northern Ireland protocol?

Alex Chisholm: Thank you very much again, Chair, for your question. Let's go back a little bit to trying to help businesses get ready for the changes. I think the first set of guidance we issued was back in August, and it has been updated every month since, as necessary. It is clear that the big breakthrough came in the early part of December with the resolution in the Joint Committee of what the practical rules would be. I think it was 10 December when we published the Northern Ireland protocol Command Paper, so that is not a huge amount of time for people to make the final adjustments. I recognise that it would have been ideal to have had that agreement earlier, but that is—

Q104 **Chair:** So, you were expecting some of the problems that we are experiencing?

Alex Chisholm: There absolutely are issues for businesses to adapt to those new sets of rules.

Q105 **Chair:** Sorry, let's be clear, Mr Chisholm. I have spoken to my counterpart in Northern Ireland. We have had evidence from MPs, including Sammy Wilson, who represents Larne, where the port is. There are supermarkets without goods on the shelves. There are lorries going empty across the Irish sea. There are real confusions and problems. Percy Pig sweets, for goodness' sake, cannot even arrive on the shelves



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of Marks & Spencer in Ireland because of these problems. Did you foresee these problems? Is this what you expected? Given that the final decisions were not made until 10 December and everyone had to be ready, did you expect this level of disruption?

Alex Chisholm: There hasn't been very much disruption. I know there has been a lot of reporting about instances, but I think it is important to recognise that flows have continued effectively.

Q106 **Chair:** When you say "flows", do you mean flows of vehicles or flows of goods, because empty vehicles have been going backwards and forwards as well?

Alex Chisholm: Vehicles and goods—over 1,000 HGVs a day. We are told by Retail NI and supermarkets that the supply of food there and their supply chains are working effectively, and it is more or less as normal. We heard that again just this morning from Unilever.

Q107 **Chair:** Are you saying that there were not problems or that those problems are now all sorted, as of this morning?

Alex Chisholm: The reports I've seen show that the problems that there have been were relatively small in number. We obviously regret that those occurred. DAERA, which is the responsible Department in Northern Ireland, and colleagues here at DEFRA are working very closely with traders, supermarkets and other people, and they have been able to respond quickly to resolve those issues.

Q108 **Chair:** I will come to DEFRA in a moment—I warn Mr Quinault that we are coming to him—but these are major supermarkets. We have been talking a lot about the impact on small traders, but if our large supermarkets are struggling with the system, even with the short time available—we recognise that as a factor—surely we have a system that is complicated to deliver. You must recognise that there are problems. You seem to be glossing over it. You have not used the phrase "teething problems". I know that has gone down very badly in Northern Ireland, where people are telling me that there are really serious issues. Was it a surprise? Why is it that even our big companies cannot seem to cope with the system?

Alex Chisholm: It isn't a surprise to us that people would have to adapt. One reason why we made this big investment of over £200 million in the Trader Support Service was to help companies to deal with those adaptations. That has been used for over 50,000 transactions. That has been a pretty important and decisive intervention helping that to work.

I saw the coverage with Marks & Spencer. Equally I have seen a lot of very strong statements since from retail associations, Tesco and Lidl saying that it is working very satisfactorily. They reported a small number of food items where they had stockouts, but do not forget that we are talking about supermarkets with between 30,000 and 40,000 different lines, so they might have stockouts in some lines from time to time.

Q109 **Chair:** So, you don't think it has anything to do with leaving the EU and the Northern Ireland protocol that they have had certain lines out. It is



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just business as usual.

Alex Chisholm: It certainly was a factor, but I am saying that it is looking at—

Q110 **Chair:** I just think it is important that we acknowledge that it is a fact. You talked about the Trader Support Service. You said there were 50,000 inquiries. That is a number. What kind of questions are traders asking and how effectively is that working? I am not sure if that would be to you or Ms Churchill.

Alex Chisholm: That would be Jim, actually. That was about both informational and transaction processing, but Jim will tell you [more](#).

Jim Harra: My Department had two key objectives in relation to the Northern Ireland protocol. One was to ensure that we had good systems in place to ensure that traders could comply with the new obligations. The other was to put the Trader Support Service in place, so they had effectively a free custom—

Q111 **Chair:** We discussed this in November. We know what it is. How is it practically working and what queries are you getting?

Jim Harra: The TSS has been working well. It has a helpline of 700 operators, and they have been handling 97% of those calls within 30 seconds. It has also been processing declarations for users of the system, including large supermarkets who make bulk uploads to the TSS. More than 99% of those declarations have been processed within 15 minutes, which is its service standard. It can deal with the vast majority of the inquiries it receives, which are relatively straightforward. We have a tier 2 and tier 3 service behind it, going back into HMRC, to deal with more complex inquiries. Certainly, for example, if a major supermarket was having problems, we would engage with it on a one-to-one level to resolve those.

Q112 **Chair:** Can you give us some examples of issues that you did not expect to come up that you had to resolve?

Jim Harra: There has been guidance required in relation to some things. You mentioned Percy Pigs, for example, which are obviously a type of sweet that is sold in Marks & Spencer.

Chair: We are getting into an advert for Marks & Spencer here. I have to say that I have never eaten a Percy Pig.

Jim Harra: I have to say, neither have I. However, I believe the journalist who reported that they were not getting into Northern Ireland has subsequently admitted that that was not, in fact, true. Nevertheless, the myth has gained a life of its own, but that is an example of the type of product where we have been able to give reassurance to the business moving it that it can declare that the good is not at risk of going into the EU, and therefore there is no question of any customs tariff arising on it and it can go on to the shelves in Northern Ireland.



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We have seen that most of the supermarkets that did suspend the movement of some of their product lines have restarted the movement of the vast majority of those, so as far as the customs processes are concerned, we think traders have got to grips with those really well and things are moving slowly. In particular, we talked earlier about turnbacks at Calais for not being ready with the processes on the French side, but in terms of not being ready for HMRC processes on the Northern Ireland side, we are not seeing that at all. In particular, the use of the GVMS system has worked really smoothly from our point of view.

Q113 **Chair:** So, you are saying that Larne, Stranraer, Cairnryan and the Welsh ports are coping well?

Jim Harra: I do not believe there are any Welsh ports facing on to Northern Ireland; the main ports are Liverpool, Heysham and Cairnryan, and they have all been working well. I believe the Scottish Government took a site near Cairnryan as a sort of lorry park in the event of queues, and that has not actually been used.

Q114 **Chair:** Obviously, there has been disruption between the Welsh ports and Dublin, so that might push traffic more towards the Cairnryan-Stranraer routes.

Jim Harra: Emma can give you more detail, but we certainly saw what appeared to be a shift of traffic from Holyhead-Dublin to Belfast port early on, although I think that is now evening out again.

Q115 **Chair:** If I may, I will now go to Mr Quinault on the movement assistance scheme, which was put in place to help agri-food commodities and animal movements from Great Britain to Northern Ireland. How many businesses is that supporting at the moment?

James Quinault: I think 84 businesses have registered with the scheme.

Q116 **Chair:** Was that what you expected? I mean, how does that measure up against your expectations?

James Quinault: To be frank, we could not be certain how many businesses were likely to want to use it, but this is roughly what we expected.

Q117 **Chair:** How much are you expecting to spend on it?

James Quinault: So far, as of Tuesday this week, there had been 2,134 eligible export health certificates and 219 eligible phytosanitary certificates. Because organisations invoice us monthly, we have not incurred any actual costs as yet, but based on these numbers, we think the cost so far has been £330,000.

Q118 **Chair:** Do you have a projection for the 12 months ahead on that basis? Have you done any calculations on what the long-term cost will be?

James Quinault: We are not certain what the long-term cost will be.

Q119 **Chair:** Do you envision this scheme continuing long term?



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James Quinault: It will certainly continue for the next few months.

Q120 **Chair:** So, you are suggesting that this is an extra cost to get people over this period, and then you are expecting to let it wither on the vine as people get on with doing this themselves. Is that the plan?

James Quinault: It is helping organisations that do not benefit from the authorised trader scheme to defray the costs of certification involved in moving goods to Northern Ireland.

Q121 **Chair:** How do you see that not being something that is permanently in position?

James Quinault: Those costs will continue, so to that extent—

Chair: So, it is now a permanent fixture.

James Quinault: It will certainly be in place for the next few months.

Q122 **Chair:** Very diplomatically put, but it sounds like there is not a plan to get out of that. Part of the challenge is the protocol.

Just going back to Mr Harra on the Trader Support Service, do you have enough staff to deal with all the issues? I mean, you have huge pressures on your Department, as our recent report highlighted, with loads of staff being moved on to covid issues, and now you have this as well. Do you have the right staff to be able to support people, now and going forward?

Jim Harra: The Trader Support Service is a contracted service, so it has not used HMRC resources; it is in addition to our resources. There are approximately 700 operators on its helpline, which is more than enough to deal with the incoming calls at the moment, so they have been able to do some outbound calling to traders in Northern Ireland in order to help with readiness.

Q123 **Chair:** Are they employed by Fujitsu, which was providing the software?

Jim Harra: Yes, the TSS is a commercial consortium led by Fujitsu, who are the contractors to HMRC. They will have contracts with a number of suppliers, but it is TSS staff, not HMRC staff, who are manning that helpline.

Q124 **Chair:** Mr Chisholm, and maybe Mr Harra will want to chip in here as well, there are obviously huge issues around unfettered access, which was promised between GB and Northern Ireland. A lot of concerns were raised about the reality of the protocol, some of which we are seeing now. What arrangements need to be put in place to deliver the commitment that the Government has made to provide unfettered access? What needs to happen next, Mr Chisholm, to make sure that there is complete understanding and the free flow of goods between GB and Northern Ireland, rather than some of problems that we have seen?

Alex Chisholm: The flow is, as I mentioned before, working reasonably well. Nevertheless, there have been issues, some of which have been explored over the course of the last two hours. The most important thing



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is that the Government here continues to work very closely with the authorities in Northern Ireland, and with traders and hauliers, to resolve them as they come up. That is the approach that we have taken. It is very much a sleeves-rolled-up approach, which is what we will need to continue to take in order to deal with any issues, as they arise, in the next few weeks.

Q125 Chair: There has been a lot of discussion about the volume of trade between Great Britain and Northern Ireland. Can you give us an idea—I am not sure whom is best to direct this question to—of the number of lorries that are transiting, and of what the load size is? We are hearing reports of full vehicles going one way but coming back empty because of the challenges of dealing with all the paperwork. Some companies have decided not to do that and are taking the hit. Others are not doing that, because of the cost of having an empty vehicle coming back, which is something that will hit their business hard. Can you give us the number of lorries—what are your projections? Is there is a difference between lorries and load size?

Alex Chisholm: I do not have all the figures. I think it is about 1,000 HGVs a day, which is the sort of volume that we would be expecting. I do not have the details on load sizes. I am aware that, as you mentioned, there have been some cases of unbalanced loads, or lorries that are empty in one direction. That is obviously something that needs to be addressed, and I know that colleagues at HMRC, DEFRA and others are looking into the issues that caused that.

Q126 Chair: Mr Harra, what is your take on the empty lorries going backwards and forwards? Have traders told you anything about what they are thinking on this?

Jim Harra: First, on unfettered access for goods from Northern Ireland to Great Britain, that is working very well from HMRC's point of view. There are no barriers in place, and there is a commitment to continuing that. It may well be a factor in why hauliers are reporting an imbalance, whereby they have full lorries going from Northern Ireland to Great Britain, but they do not have the same number of loads to come back from Great Britain to Northern Ireland. I am aware that hauliers have expressed concerns about the availability of trailers and the costs of doing that. I do not have data on that imbalance. From HMRC's point of view, we have no controls on the movements from Northern Ireland into Great Britain, because they are unfettered. As far as movements from Great Britain to Northern Ireland are concerned, our processes are working smoothly and are not causing any delays for any loads that people want to move.

Q127 Chair: I will come to Mr Quinault. There are some challenges there. What is your take? Do you have any figures on empty vehicles transiting?

James Quinault: I do not have figures for empty vehicles transiting back to Northern Ireland, but one of the things that stakeholders are telling us may be contributing to this—to the extent that it is an issue—is the issue around groupage and the need for certification and sealing of agri-food consignments making up a consolidated load. People are finding that more



challenging to do with the certification requirements that now exist. We believe we may have found a way through this that works for suppliers and certifiers, and we were testing that just this week. As soon as it is confirmed that it does indeed tackle the lack of alignment between the certification requirements and the business model, we will issue new guidance.

Q128 Chair: I think we have a difference of perspective from witnesses here today to what we are hearing from Northern Ireland MPs and, indeed, my counterpart, the Chair of the Northern Ireland Public Accounts Committee, about the reality. Some businesses are just finding it too difficult to engage. Mr Chisholm, what communications were you having from 10 December, and is it just—dare I say it, cynically—a Whitehall push-out of information, or do you have an understanding of how you need to grapple with things?

We recognise that DAERA has a very important part to play here, but the UK Government were negotiating all of this on behalf of the UK. Do you think that you have done enough? You are spending more money than expected through some of the support schemes that we have just discussed. There is an ongoing bill to the UK taxpayer, so what more can you do to work with businesses in Northern Ireland and GB, who will take goods across the Irish sea in either **direction**?

Alex Chisholm: I do not think I have anything very much to add to what has already been said to colleagues. We are resolving the issues as they come in. The scale of the issues is not significant, but we want to make sure that flows continue to operate very smoothly. We will resolve any issues that arise as best we can.

Q129 Chair: Mr Harra, briefly back to you before I turn to Sir Bernard Jenkin. There has been a lot of talk about trusted trader schemes. Are there any issues for you about that, and what is your view about where we should be taking that scheme? Obviously smaller businesses were quite concerned that they would be cut out and it would give competitive advantage to larger businesses, so can you update us on where the thinking is on trusted trader **schemes**?

Jim Harra: First of all, the UK and the EU have agreed to the mutual recognition of each other's authorised economic operators, which is very useful because unilateral approval of an authorised operator in international trade often has some benefits, but not as much as mutual recognition, so that is very positive. We have also temporarily eased some of the requirements that you have to fulfil to be in our various simplifications, which I guess you would call our trusted trader schemes.

We have also introduced a new one under the Northern Ireland protocol called the UK trader scheme, where traders can be authorised to declare that their goods are not at risk of going on to the EU when they go into Northern Ireland, and therefore can be free of any risk of tariffs. We are temporarily authorising people into that scheme before doing checks so that they can get on with making those not-at-risk declarations.



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Chair: There is a lot more to go into here, and I think Sir Bernard Jenkin is well primed.

Alex Chisholm: Sorry, if I may add, Chair, I totally recognise that our responsibility is not simply to publish information, or push out information, as you put it. That is why we have been talking to stakeholders directly every day. This time last week, HMRC and Irish Revenue did a joint webinar for GB-based traders about the requirements, and over 500 stakeholders took part in that. Emma Churchill and her colleagues have done, I think, 50 of those webinars up until the end of last year. They have proved a very successful tool to try to lead people through the practical steps required rather than, as you put it, just publishing information. I agree with you, and I reassure you that we are quite on that.

Chair: Thank you. The Government may have been saved by a new technology and being able to reach people face to face more easily. There are perhaps some dividends to our Zoom lifestyle, and one of those is Sir Bernard Jenkin.

Q130 **Sir Bernard Jenkin:** I am afraid I do think you are rather playing down the problems that they are experiencing in Northern Ireland. The problem of returning vehicles empty—I gather about 30% to 40% of vehicles are returning empty—is simply an additional cost to exporters, because they have to pay the additional costs of haulage, which are not being paid by GB exporters to Northern Ireland because they have given up. That is clearly a massive deterrent for GB exporters to Northern Ireland in the present working arrangements.

Maybe some of that will bed down, but the whole purpose of the protocol was to prevent goods at risk of going into the Republic and, if you like, compromising the integrity of the single market from doing that. So why are we requiring 100% compliance of all the panoply of customs, for example, for a lorryload of potato crisps going to a supermarket?

Chair: Who is that question to, Sir Bernard?

Sir Bernard Jenkin: I don't care who answers it. I just want—

Chair: Jim Harra was looking like he was drawing breath, so I will hand it over to Mr Harra.

Jim Harra: I can pick it up from the customs point of view; James Quinault may wish to add something, because your example was potato crisps, which is a foodstuff.

The Northern Ireland protocol requires the UK to ensure that goods entering Northern Ireland from Great Britain comply with the Union customs code. In addition, it has this not-at-risk test, which makes sure that, where goods are only going into Northern Ireland and not going on to the EU, they should not bear any tariffs.



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We have put in place processes to enable people to make those declarations; we have a free Trader Support Service, so that they do not have to pay the costs of that. The not-at-risk test is working well, so we are not charging tariffs on goods going on to shelves in Northern Ireland.

I am aware that some traders in Great Britain have yet to come to grips with that and that the Northern Ireland hauliers are reporting the impact of that on them, in terms of the imbalance in loads. I am committed to making sure that we help Great British businesses, in any way that we can, to come to terms with and get to grips with the arrangements required, so that they can continue moving their goods into Northern Ireland—

Q131 Sir Bernard Jenkin: We were told that there were going to be very light-touch checks applied to goods being transferred from GB to Northern Ireland, but effectively you are requiring 100% compliance. Why is it in the interests of the UK taxpayer for us to shell out all this money for TSS to make arrangements for all this paraphernalia when these goods are not at risk of travelling to the Republic?

Jim Harra: I believe that we are complying with the requirement of the Northern Ireland protocol, which does require import declarations for all goods imported by businesses into Northern Ireland. We are providing a free service for making those declarations through the TSS. Our approach at the moment is to support businesses to come to grips with that. I think you cannot point to any heavy-handed enforcement of that, but it is the requirement that there be an import declaration when you move goods into Northern Ireland—

Q132 Sir Bernard Jenkin: Sorry, I am going to interrupt you because we are running out of time. A lorryload of potato crisps was held up for two days because the haulier could not prove that the potatoes from which the crisps had been manufactured had not been imported into the UK from somewhere else. I mean, this is ridiculous. This is not a threat to the integrity of the single market. There is no purpose in applying the Union customs code to these goods if they are simply going to travel within the United Kingdom to a UK supermarket.

Jim Harra: There is really no point in arguing with me about what the Northern Ireland protocol provides for—

Sir Bernard Jenkin: Okay, fine. The next question is to Mr Chisholm—

Jim Harra: But I do want to challenge the example that you have given. If potato crisps are going on to shelves in Northern Ireland, they are not at risk of going on to the EU and therefore their origin does not have to be proved.

Q133 Sir Bernard Jenkin: I will get this case and check it with you, because it was held up for two days.

The question really is—this is to the Permanent Secretary—what are we taking to the Joint Committee about the operation of the protocol, to get some changes in the application, for example on groupage requirements



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or indeed on the requirement to apply SPS certificates to every export from the UK instead of those just at risk?

Jim Harra: I think James Quinault is able to answer that.

Sir Bernard Jenkin: Okay.

James Quinault: Happily. Yes, Sir Bernard, we continue to talk to the Commission about the application of these rules and the grace periods that are in place for authorised traders. At the moment, we are not doing full certification for products of animal origin crossing to Northern Ireland from those authorised traders. We have a grace period on that under the operation of the protocol.

Q134 **Sir Bernard Jenkin:** Will the grace period be extended?

James Quinault: The declaration explicitly says that it is non-renewable.

Q135 **Sir Bernard Jenkin:** The declaration to the EU withdrawal agreement talks about aspects of the Northern Ireland protocol being superseded by future arrangements, in particular alternative arrangements. What work is the Government doing on alternative arrangements that can supersede the clumsy and onerous obligations that we have at the moment, which are costing the taxpayer a great deal of money?

James Quinault: We, the supermarkets and their suppliers are working daily on swifter, more streamlined arrangements that will allow us to comply with the OCR at a lower cost and with lower friction.

Q136 **Sir Bernard Jenkin:** If I can ask Mr Chisholm, the absence of a hard border on the island of Ireland is the objective, and there is lots of discussion about replacing these arrangements with alternative arrangements to deal with stuff across that border. What steps are being taken to prepare alternative arrangements, in order that we can present an alternative to the Northern Ireland protocol to the EU, so that we can supersede these arrangements, as promised in the declaration?

Alex Chisholm: Just to reflect for a moment, Sir Bernard, it was about 10 months of negotiations to get to the agreement in the Joint Committee as to how to implement the Northern Ireland protocol. I have to say that both sides showed considerable flexibility and pragmatism. What we are trying to do now is to work within that agreement and to make it operationally as wearable as possible. Those are the types of issues that James Quinault was just referring to. I don't think we are looking to start a new round of formal negotiations.

Chair: Just to be fair to Mr Chisholm, some of this will be decided by Ministers.

Q137 **Sir Bernard Jenkin:** The Prime Minister is talking about invoking article 16, which must mean that we have alternative policies in mind. What are those policies that you are working on?

Alex Chisholm: You refer to the Prime Minister's statement, but he also agreed when someone said that that was the last resort. Obviously, it can



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only be used in particular, extreme circumstances. He indicated that he would not hesitate to use it if those extreme circumstances were applied, but it is not something that he would do as a matter of course.

In terms of the monitoring of the only recently agreed Joint Committee, we are constantly talking with the other side about that, and indeed with colleagues in Ireland and Northern Ireland, and trying to make sure that we have a good understanding about any changes that need to be made and agreed with the Joint Committee. We are also looking at the use of new technology, as referred to by James Quinault. There is a lot of paperwork involved and a lot of manual processes. The more that we can use e-certificates and things like that, the better and the happier everyone will be. As ever, the market is continuing to adjust itself to try and get used to these types of arrangements. We are in a period of adaptation rather than starting over at this point, Sir Bernard, with all respect.

Q138 Sir Bernard Jenkin: I just asked about the grace period, and all the other financial support that we are providing to industry, because of the extra costs. Will that be continued indefinitely? Are we asking for an extension to the grace period? As a matter of administrative fact, can you tell us that?

Alex Chisholm: I think, again, referring to the statement made by James Quinault, as a matter of administrative fact it is unextendable.

Chair: I think you have stunned Sir Bernard into silence.

Q139 Sir Bernard Jenkin: I think the Joint Committee could ask for an extension of the grace period. If there were an agreement in the Joint Committee, that would be that. You could contest it.

Alex Chisholm: I don't want to debate the law with you.

Chair: I think there is an area of intricacy of the new law around the new law, if you like, that we may need to probe outside the meeting. I suspect we can let Mr Chisholm off that hook.

Sir Bernard Jenkin: Thank you.

Q140 Chair: Before I pass to Sir Geoffrey, there is a reported issue of 25% tariffs on steel going from Great Britain to Northern Ireland. Was that foreseen? Could you nail this issue for us so that we know exactly what the situation is there? Who is best to answer that?

Jim Harra: It was decided that steel cannot be declared as not at risk of going into the EU, as the EU apply safeguard charges to steel above quotas. They then subsequently unilaterally said that the EU's quota could not be used to cover imports of steel into Northern Ireland. That was not anticipated. But the UK Government has worked hard in recent days to make sure that we have got a way through, and I believe we have got solutions in place for steel of whatever origin—UK, EU or non-EU—heading to Northern Ireland which would mean that importers in Northern Ireland can access a quota and therefore not have to pay the safeguard charge on steel. If we have not already done so, we will issue something on that—I

know we have been dealing individually with importers who have got steel on its way to Northern Ireland—to reassure them on that.

Chair: It sounds like there are a lot of layers of complexity there, but as it is a programme at an early stage, we may come back to that at a later date.

Q141 **Sir Geoffrey Clifton-Brown:** Can I go to Mr Harra first? I make no excuse for returning to the vexed subject of rules of origin. BExA—the British Exporters Association—in its evidence to us says, “The rules of origin are different from the old EU FTAs, so all the regulations have to be reviewed and checked and different statements of origin obtained to evidence UK or EU manufacture of goods. This is a slow process, especially as some suppliers are not aware of the new forms or what origin rules are.” What more can the UK Government do to inform businesses about these rules and what they need to do about them?

Jim Harra: Obviously, until 1 January there were no rules of origin applying to movements of goods between the UK and the EU, so these are new rules that people have to get to grips with. Obviously, if they do get to grips with them, they benefit from the preferential zero tariff that applies to the movement of goods between the UK and the EU, so it is important that they take advantage of those. They are right that you will need statements of origin from suppliers of components that go into your goods. We have agreed with the EU that, because of the task involved in that, they do not need to get those statements straightaway. For the first 12 months, they will be able to certify the origin of their goods based on what they know about their supply chain. They may be asked after the event, in 12 months’ time, to justify what they have certified, but in the meantime they can get on and use those rules of origin and access the zero tariff.

During the next 12 months, we will obviously be supporting businesses to ensure that they can get all the relevant statements in place to support their certification, but in the meantime they have got that facilitation. That is quite a big, pragmatic streamlining that we managed to agree with the EU. We have also, as I said earlier, agreed for the longer term that this will be a self-certification process, so there will be no need for traders to go off and get independent stamping or signing of their origin certificates. That is also a major simplification, which certainly the EU does not offer to many partners.

Q142 **Sir Geoffrey Clifton-Brown:** Can I ask you about individual consumers importing goods from Europe—getting them posted from Europe? There is a news story on the BBC website about VAT and customs duty adding 50% to the same online orders from Europe. For a start, is it correct that it could be up to 50% more expensive? What advice would you give to consumers ordering goods from the European Union?

Jim Harra: Yes, I believe I have seen the same story, which I think is about someone who has ordered a coat online for £200. I think there are three elements to that story. First of all, there is VAT, and I think there is

a misunderstanding in the story. There always was, and continues to be, VAT on that purchase. The incidence of where that VAT now has to be accounted for in the supply has moved. Previously, the EU supplier would have accounted for VAT to HMRC on the sale of the coat to a UK consumer; now it is the importer who will have to account for that. The woman who bought the coat may well feel that she is incurring VAT for the first time, because she is having to account for it, but in fact she was always paying VAT, both before and after the end of the transition period.

The second change is customs duty. Clearly, there was no customs duty possible in the past on goods being imported to the UK from the EU. That is now not the case. If they are not EU-origin goods, they may incur customs duty, and they are now the same as if you had ordered goods online from the USA, Australia or New Zealand—they would get the same treatment now.

The third change is obviously the costs of administering all that. If the parcel operator is compliant with the customs obligations, and making a declaration on the consumer's behalf, they may well pass that charge on to the consumer. That is something that consumers will start to see now when they order goods from the EU, because those changes will have an impact.

Q143 Sir Geoffrey Clifton-Brown: Perhaps, in the interests of transparency, there ought to be some way that the consumer ordering that coat can see what the price was in Europe and what VAT he or she is expected to pay, rather than just receiving it in the UK and thinking that the whole thing had increased in price in Europe. Maybe there should be more transparency in the paperwork to the consumer.

Jim Harra: I think in the example that I saw on the BBC, it may well be that that order was made before 31 December and was delivered afterwards, and there may have been some transitional confusion. Certainly, in the future, if you order goods online from the EU supplier, you should see that they are being supplied to you with no VAT charged, but if the goods are worth above £135, which was the case in that example, you will have to pay the import VAT to HMRC instead. I suspect that in that case, there may have been some lack of transparency because it straddled that 31 December date.

Q144 Sir Geoffrey Clifton-Brown: Okay. I will leave that for now—we will no doubt come back to it.

I have been asked to clarify with you the position on late tax returns. We are approaching January 31. What is the position on late tax returns? Will there be more leniency this year because of covid or not?

Jim Harra: Yes, there certainly will. We very much want people to submit their 2019-20 tax returns as soon as they possibly can. As you know, 31 January is the deadline for doing so. That is really important because it is only when we get that return that we can know how much tax, if any, you owe us. If you do owe us tax and cannot afford to pay it, we can put arrangements in place for you to spread the payment of your tax. There is



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now an online service where people can do that once they have filed their return. If they cannot afford to pay their bill, they can just go online and spread the payment over 12 months.

No one who is unable to file their return on time—for example, because they or their tax agent have been impacted by covid-19—will be penalised for filing their return late. We will make that as simple as possible for people, to ensure that they are not penalised. My message is that we are not deferring the date by which we want your tax return. Please do submit it on time if you possibly can. Then, when you know your tax bill, please pay it if you possibly can, but if you cannot, go online and use the “time to pay” service to spread payment.

Q145 Sir Geoffrey Clifton-Brown: That is really helpful clarification—thank you, Mr Harra.

I am not sure whether this question should be for Ms Churchill or Ms Kelly, but the British Ports Association says that the TCA limits British drivers to a single drop-off and a single pick-up when in Europe. That is a downgrade from EU membership, under which drivers had three pick-ups inside an EU country before returning home. It seems that, for the cabotage issue of amalgamating pick-ups, there is one rule for those inside the EU and a different rule for those in the United Kingdom. Could you clarify that and say what could be done about it?

Bernadette Kelly: Under the terms of the agreement on haulage with the EU, hauliers are limited to two additional movements and one cabotage movement in the UK. The agreement allows each side up to two movements within the other’s territory, in terms of the EU and the UK. In that sense, these are intended to be reciprocal, I guess. I would say 95% of existing UK haulage journeys to the EU will continue exactly as they do now. The vast majority—95% of journeys—will not be affected in any way.

Q146 Sir Geoffrey Clifton-Brown: I have a final question for Mr Chisholm. The Department for International Trade has a very good tool called “Report a trade barrier”. That is particularly useful for small businesses. Could it be strengthened and used more widely? Whatever we say on this Committee this morning, clearly there are going to be significant ongoing problems for exporters, particularly small businesses.

Alex Chisholm: Thank you very much for taking the opportunity to draw people’s attention to this. That is a good tool; SMEs and their representatives and others who encounter trade barriers and think that we are not aware of them should please use that service. We will use that to see if there is anything that can be done with our ongoing relationship with the EU, but it also applies to trade across the whole of the rest of the world. As you know, we have just concluded dozens and dozens of new agreements and are in the process of negotiating other ones. A big part of that is to try to address any barriers to trade.

Q147 Sir Geoffrey Clifton-Brown: A final, final question, on the building of facilities at ports, for which the Government provided a significant amount of money so that there are appropriate facilities for customs



inspections and so on. How is that programme going?

Alex Chisholm: It is under way. Emma may want to say some more about that, if she has got connected.

Emma Churchill: I got thrown out, but I have just been let back in.

Sir Geoffrey Clifton-Brown: Sorry, Ms Churchill—well done getting back on. The Government have given a significant amount of money to build facilities at ports for customs inspections, food inspections and so on and so forth. How many ports have taken it up? How nearly complete is that programme?

Emma Churchill: We launched the fund last year and were open to applications from October. In December, we announced the results and made offers to 41 ports. We have been talking to the ports since then, particularly in relation to the specifics of the grant funding arrangements, because these are grants of course. We have made offers to them, and we are now awaiting signatures of those grant funding arrangements. I believe around 10 have already signed, and we are finalising the arrangements with the others.

Q148 **Sir Geoffrey Clifton-Brown:** Is that going to be in time for all the arrangements relating to exports in July?

Emma Churchill: Yes. That will be controls on imports. It is controls for customs checks. The majority of the applications have been to build the border control posts that will be necessary for that time.

It is of course a commercial matter for the ports. They have known for a very long time that that will need to come into force in July. We are going to work very closely with ports and have given them flexibility around the scope of what they are building. Some have come back to us with a smaller scope of project, because they were given a reduced amount compared with what they originally bid for, so we are allowing some flexibility on that because the only requirement is to have compliant facilities in place to do the necessary checks.

Sir Geoffrey Clifton-Brown: Thank you very much, everybody.

Chair: Thank you very much, Sir Geoffrey. I thank our witnesses very much indeed for coming today. We will be keeping a close eye on this with our sister Committees, including, we hope, with our sister Committee in Northern Ireland.