

# International Trade Committee

## Oral evidence: UK-EU trading relationship, HC 1206

Thursday 11 February 2021

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Sir Mark Hendrick; Anthony Mangnall; Mark Menzies; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Questions 29-63

### Witnesses

[II](#): Mr William Bain, Trade Adviser, British Retail Consortium, Richard Griffiths, Chief Executive, British Poultry Council, Terri Portmann, Independent Fisheries Consultant, and Ian Wright, Chief Executive, Food and Drink Federation.

## Examination of Witnesses

Witnesses: William Bain, Richard Griffiths, Terri Portmann and Ian Wright.

Q29 **Chair:** On the second panel we have Ian Wright, William Bain, Richard Griffiths and Terri Portmann, who knows everything that needs to be known about fisheries. We will come to you in order. Please can you introduce yourselves? Name, rank and serial number.

**Ian Wright:** I am not sure what my serial number is, Chairman.

**Chair:** Do you have a barcode?

**Ian Wright:** I don't have one, but funnily enough I was part of a mass-testing operation yesterday and I had my vaccination, so I should be able to tell you my national health number, but I can't remember it. I am Ian Wright. I am the chief executive—evidently, the very old chief executive—of the Food and Drink Federation.

**Chair:** A carrier of great wisdom, no doubt. Youthful William Bain.

**William Bain:** Thank you, Chair. I am William Bain, the trade and Brexit policy adviser for the British Retail Consortium.

**Richard Griffiths:** Thanks, Chair. I am the chief executive of the British Poultry Council, representing the poultry meat suppliers of the UK.

**Chair:** Thank you very much, and it is good to see you again in a Committee setting. And finally, the great Terri Portmann.

**Terri Portmann:** Thank you, Chair, to you and your Committee for the invite today. I am a marine and fisheries consultant.

**Chair:** We may have some assembled woes here for the second part of the Committee. To start us on the second panel, and unmuted on his microphone, is Sir Mark Hendrick.

Q30 **Sir Mark Hendrick:** Thanks, Chair. Can I ask the panellists how much they feel that their respective sectors have been affected by the new arrangements for UK-EU trade? I will start with Ian.

**Ian Wright:** A lot, very significantly—any other words in that direction are the most appropriate characterisations. We are not fully there yet. Indeed, one of the concerns we have is that—this was done through the best of intentions, by the way—the Government is introducing a series of changes to the regime and the temporary easements that affect UK-EU trade. In April and July, they will be introducing the new import controls and checks. If you add in the difficulties of the Northern Ireland protocol—I am very happy to talk about that, if it is of interest to you, but I realise it is not necessarily directly in your purview, or may not be the focus today—that is seven sets of changes during the course of 2021, from 1 January till as far as the eye can see. There are seven separate changes if you are



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importing into, and exporting from, the EU and doing business in Northern Ireland. By any stretch of the imagination, that is a lot of changes. The first one is that there is a huge amount of new bureaucracy.

I think I have said before to this Committee that those acting under the regime—our members—still have major questions about exactly how it is intended to work. What is more concerning is that those enforcing the new regime clearly also have major questions about how it will work. This is not trivialising what is being done, but in many cases, they are making it up as they go along, because they do not know what would happen with particular certificates. They don't know how vets are supposed to do them. They don't know what customs agents are supposed to do. There are a whole set of problems there.

There are also some concerns that are not remotely under the auspices of our Government. I think I heard Fergus McReynolds make a reference in the earlier session to the fact that the single market isn't that single. Indeed, that is also the case for us, because the rules as enforced by customs officials in Dublin, Rotterdam, Calais, Boulogne or wherever can be very different. That is something that the Commission has to get to grips with. There are some inconsistencies. There are some teething problems. Clearly, some traders were not ready. But for the Government—I think they have stopped doing this now—to characterise all the difficulties as teething troubles is wrong, unless they see them as teething troubles not of the new checks, but as teething troubles of the role of the United Kingdom as an independent coastal state, whatever one of those is. It is not clear whether they mean that, or whether they mean the processes. If it is the processes, they are not all teething troubles.

My last point would be this: we agree with the British Ports Association and the Road Haulage Association that food exports to the EU have probably declined by somewhere between 50% and 60% in January. That may be partly because lots and lots of businesses have stockpiled three or four months of goods on the other side of the channel, and they may bounce back. But that is a big number to recover in the next three months.

**Q31 Sir Mark Hendrick:** It is very interesting—this thing about stockpiling. I know local companies in my constituency that have stockpiled, but there are many that have not stockpiled, so we will see how it evens out. When you are talking about teething troubles, I think it is more like taking it on the chin. You now have this bureaucracy that has been created, and you have to like it or lump it and not bother exporting. William, it is nice to see you again. What is your view?

**William Bain:** Good afternoon. There are some short-term issues, and clearly there are some structural issues. Retail has been considerably affected by the new regulatory barriers that rose up on 1 January. If you are exporting meat or fish, you need export health certificates. You need to have customs declarations. You need to have origin certification and safety and security declarations as well. There are VAT implications, depending on the goods that you are transporting. There has been

considerable additional friction. Some of it may well work through and get a bit easier as we get through the year, particularly on the VAT side, with the EU's one-stop shop coming on stream for third countries on 1 July. But a great deal of it is structural, and it is already beginning to lead to structural change. As Ian said, there is considerably less trade being done cross border. We are seeing companies begin to establish entities in the European Union, taking jobs that would have been located in the UK prior to 1 January and having those jobs in the European Union, in order to diminish some of the paperwork around VAT and origin, so we are going to see considerable structural change within British and European businesses as the next year or so unwinds.

Of course, the other question, as Ian alluded to as well, is that we have only seen part of the equation. Yes, I think HMRC has been talking about the successful early days of the outbound border processes, but the real test is going to be on 1 April and 1 July, when the inbound border processes have to work for the first time, when we see how GB officials operate sanitary and phytosanitary controls on everything from milk to beef steaks, when we see how the customs declaration systems and the databases work in terms of inbound border controls, and when we see how the suppliers in the European Union are able to operate those. Only then will we get a true sense of how the new borders are going to operate for cross-border trade.

**Q32 Sir Mark Hendrick:** The thing that surprised me was the number of vets that are required and the difficulties. For example, so few of them are UK nationals. I was flabbergasted by those figures.

Terri, how do you feel about this?

**Terri Portmann:** I think it has been an unmitigated disaster. We have already seen seafood businesses who heavily relied on an export market close their doors—companies that have been around for 30 or 40 years. I suspect that there are many more that are currently hanging on by their fingernails and going bankrupt, slowly. Part of the problem is that, with fresh seafood products, whether shellfish or fish, you can't stockpile. So where other industries have perhaps been able to control their supply chain, fishing boats go to sea, they come in, they land their catch and there is a certain window to prepare it, export it and deliver it with the right amount of shelf life. So I am very concerned.

**Q33 Sir Mark Hendrick:** I saw a programme on TV the other night about the industry in Cornwall, with long-standing companies, generations old, going out of business because of this. It is tragic, in many ways.

**Terri Portmann:** Obviously, last year, we saw a huge impact on the fishing industry and on merchants and exporters from covid. The cumulative impact of the new processes that have been put in place is really beginning to hurt. We don't have weeks and months to think about this and to get it right and get it better.

**Q34 Sir Mark Hendrick:** Definitely. Thanks very much.

Richard, how do you feel about it all?



**Richard Griffiths:** I support everything that my colleagues have said. As poultry meat, we are very much in the perishable goods, just-in-time supply chain. We have very quickly found that a trading system that perhaps works for trade to the other side of the world was never designed for a just-in-time, perishable system.

From my members' perspective, there have been four impacts, and all of them amount to cost added to the system. The first is, I am not going to downplay it, but I hope it is temporary, is the wrong coloured stamp—the rejections going through border control posts, and loads having to be disposed of. We hope that the guidance and interpretation become consistent over the coming weeks and months, sooner rather than later.

As companies have tried to get to grips with the new processes, what is hidden in there is the amount of resource and cost that they have had to add to the previous system to deal with that—people on the ground, the certification, the documentation and the liaison, from the customs agents to in-house vets.

We are only just starting to run up against the third concern. Vets have already been mentioned. There is a broader issue there about whether the UK Government have committed sufficient resources, in infrastructure and logistically, to deal with the ongoing export and the imminent requirements for imports. The last area—this definitely has not worked its way through the system yet—is that we are seeing a product that has a value as an export product being destroyed, so it loses all its value. That is a cost element, and it is also a food waste element. That impact will have to emerge somewhere in our supply chain, and it is not yet clear where that added cost will ultimately emerge.

Q35 **Sir Mark Hendrick:** So it is not a very bright story. Can I ask each of you, very quickly, whether you feel that the issues that have arisen are basically temporary—a bit of teething trouble, as people are saying—or will they be long-term issues that you will face as far forward as we can see?

**Chair:** Can we have brief answers? Thank you.

**Richard Griffiths:** There are systemic problems that will be ongoing and will need serious addressing to solve, such as vets.

**Terri Portmann:** Without a doubt, and in part because these systems were unveiled very late—guidance to fish exporters was being updated on 30 December—I think it is reasonable that there were problems in the first few weeks, with people getting used to new forms and how to fill them out and the processes more generally. Without a doubt, people will get quicker, and people will get faster, but the problem is that the systems that the UK Government have built and put in place to deal with our new third country status are stand-alone systems. We have multiple systems that data has to be entered into repeatedly—the same data in many cases. Even when they get quicker and faster, the sheer burden of this new bureaucracy that we have created will mean that we will lose trade.



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A really good example is cuttlefish. If you are buying it for £2 a kilo and a vet certificate costs you £150 for your pallet, you have to add £1 of vet certificate on to it, plus your additional admin. All of a sudden, that trade is unviable, and the customer will not buy it. We have system failures in the system that we have built, and we need to start looking for better solutions now, in parallel with people getting better and quicker.

**William Bain:** Some of the issues, such as customs commodity codes and some of the paperwork, are short-term issues that may be resolved sooner rather than later. However, as I said in my earlier answer, there are considerable structural changes, brought about by the rules of origin, to supply chains and the flow of goods between the EU and the UK and back to the EU. There are issues around VAT and what that means for where businesses locate themselves. These are structural changes that will work out in the months and the year ahead.

**Ian Wright:** Sir Mark, there are temporary problems, but they would have been solved if we had a transition period longer than the 48 hours we ended up having. If we had a year to run at this, all those could have been dealt with, but we didn't. Those problems will be solved eventually but, as William and others said, there are structural problems here, and those structural problems, both with the checks and the nature of the process, will mean that many businesses, as Terri just described, will have to re-engineer their business models because they will not be profitable, and they will have to re-engineer their supply chains. In some cases, that re-engineering may be so forced on them that they go out of business. We are going to see a period of really significant change as a result of what has happened.

**Sir Mark Hendrick:** Thank you.

Q36 **Chair:** Thank you very much. I will move on to the experiences that your sectors have had so far with customs formalities at the border. As Chair—I am sure other members do the same—I have spoken to all of you at various points. Richard from the British Poultry Council, you mentioned the cost of containers and customs sometimes having to destroy containers filled with chicken meat because it is a perishable good. Sometimes due to the export health certificates being required in three languages, from the language of the departure country, England, to the language of the arrival country, perhaps France, and the arrival at the destination country, perhaps the Netherlands, they have these wrongly numbered or wrong coloured stamp and they mean nothing but problems. Also there is the issue of the office in Carlisle, which I think you told me was dealing with the export health certificates. Generally, on that and on border stuff, can you give us an overview from the poultry perspective, please?

**Richard Griffiths:** From the poultry perspective, we have seen our fair share of rejections for what would be administrative errors: the interpretation of them by the receiving border control post and the receiving vets. There have been instances where export health certificates have been filled in incorrectly from our end as well, so there is a



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significant learning curve. This is a very broad average, but for every rejected load for our members, it is a swinging value of around £15,000. These are not small amounts of money we are talking about here. There will be some consistency coming, as has been mentioned, as people get used to the process.

One of our big concerns is whether the Government resources for those activities that only Government can do, such as the export health certificates, are just not ready for that level of impact. The resources devoted to it are inadequate. With the best will in the world, those vets or officials who are in place already have done an extraordinary job, given the circumstances. I simply think that there is not enough resource within the system to cope with future needs for this new system—what people describe as the new normal.

**Q37 Chair:** Will there be enough supply of export health certificates? Can the back office that deals with these cope?

**Richard Griffiths:** We have serious doubts that the back office will be able to cope with the processing of sufficient export health certificates. From a business point of view, there is no way around it. The things that we can control our members will try to control, such as things around customs agents. You have heard of the need for customs agents. That is very much in the marketplace, so that should eventually find a balance. It is the required Government input that we are extremely concerned over.

**Q38 Chair:** Before I come to Terri, I have one final brief question about groupage. Is groupage still happening in poultry?

**Richard Griffiths:** To my knowledge, there have been very few attempts at groupage. It has proved the most problematic, so at the moment I would say that our members are not doing groupage wherever possible.

**Q39 Chair:** Thank you. Terri Portmann, from the perspective of the fishing industry, from your own expertise, particularly with reference to groupage, what is the experience of the sector so far with regard to formalities at the border?

**Terri Portmann:** I think that groupage has been most effective in the fish trade. Where you have bigger operators that are doing full loads themselves, I think there have been fewer problems.

**Q40 Chair:** Of a single species or multiple species?

**Terri Portmann:** Single or multiple species, but basically a full load going to one customer.

**Q41 Chair:** From one seller?

**Terri Portmann:** Yes. So one seller sending to one buyer. A lot of companies are big enough to send entire trucks. Where the problems are with groupage—for 40 years we have built trade in this country based upon day two delivery. That means that the product leaves the UK today, whether it is Scotland or the south-west, and it arrives in time tomorrow. That is what our trade is built on. That we have gone to a day three



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delivery—although I understand that DFDS and others are managing to get there a bit quicker—completely throws out the window the business model of the exporting companies and the people they are selling to.

Something else that I have heard recently is that in the run-up to 1 January there had been a belief within Government that customers in the EU would act as importers. In the case of fisheries products, that is just not happening, so the exporters also have to act as the importers and commission customs agents, et cetera, on the other side. We are now hearing a worrying pattern of a limited amount of customs agents available on the other side, who are therefore able to pick and choose their clients, so smaller operators, who perhaps are struggling the most, are getting dropped in favour of customers whose paperwork might be further along that journey of getting it all correct.

There are real problems that we have gone to a day three delivery. That has doubled the transit time. It also means that our auctions and marketplace that are set up to run from Monday to Friday are out of sync now with the days our clients want their products on the continent for onward delivery. Those problems are only going to get worse as the quantities available for export increase. There are a lot of businesses that are not serving their customers. Those customers on the continent will look elsewhere for the product, and because of the Brexit deal that we cut—because we still have full access of the EU fleets catching the same fish we are catching—they can go and buy it somewhere else. They can buy it in the French, Dutch and Belgian markets, so it is a real problem and it is going to get worse.

Q42 **Chair:** In the south-west—I think I have been watching the television programme that Sir Mark Hendrick was watching—they can still go on fishing to six miles. Is that the situation?

**Terri Portmann:** Basically, in the south-west very little has changed with the fishing operation. Our boats are continuing to catch exactly the same as what the EU boats are catching, because they are fishing side by side, so when we are trying to sell to our clients in the EU they have a choice; they can go somewhere else.

Q43 **Chair:** Because these boats have already landed in northern France—in Brittany, I presume.

**Terri Portmann:** I suppose there is a longer-term worry. At this time of year, it would not be unusual to see some of the south-west netters land their catch into Brittany and Normandy to get better prices. If we get to a situation where the prices continue to slump here on the UK markets, but landing your boat into the EU is easier because you do not need all this paperwork to go with it, we have a risk that we could actually see more boats than normal choosing to land into France to get better prices.

Q44 **Chair:** I might return to that point, but I am anxious to bring in William Bain. William, borders—what fun has that brought the British Retail Consortium?



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**William Bain:** Not much fun for members. One of the issues is that it is a very complex picture. Members who are exporting goods to the European Union have to put together the UK Government's guidance with the guidance that is coming from the European Commission. If you are distributing goods from the EU into the UK and back out to the EU, you need to be looking a lot at the Commission's guidance. If your distribution and supply chains run UK to EU to UK, you are looking mainly at the UK Government's guidance.

Guidance needs to be better. Clearly, we had a deal agreed on 24 December. Guidance on rules of origin came out on 29 December. I was fielding calls from companies that very evening going through the 38 pages with two days' notice. We had some of the guidance in terms of the procedures and the protocol coming out on 31 December itself, so the quality of Government guidance has to get better. It has to relate more to the commercial practices that companies are involved with. We are still seeing gaps. That needs to be improved.

One of the points I would like to make, if I may make any recommendations to the European Union now, is that we are in some respects seeing some different practices in how the rules are being applied, whether that is France, Belgium, the Netherlands or—

Q45 **Chair:** I was going to ask you about that very point. Is European Commission guidance running in tandem with member state guidance? Is the application of the guidance all in concert, or is there genuine independence around it?

**William Bain:** It does need to be improved, because we are seeing some differences in emphasis at the moment, depending which country is applying which set of rules, whether that is on things like EHCs and physical inspections of products of animal origin, the VAT rules that we have heard so much about, with consumers rejecting packages, or rules of origin and the impact of how returned goods relief might operate. It is not just an issue for the UK Government; both parties to the agreement need to improve the guidance to businesses.

Q46 **Chair:** Thank you. Finally in my section, to Ian Wright—although I am not sure whether you are the person to speak to this—over and above the borders, how easy is it for SMEs to become authorised economic operators under the TCA? What are the significant advantages of that AEO—authorised economic operator—status?

**Ian Wright:** It is kind of you to preface that by saying that I am not the right person to talk to, because you are absolutely right. I think that with a lot of these issues it is a bit early to tell. Right now, if you were an SME, you would be a bit hesitant about going back into the water, because what you are seeing—though if you were very brave, you might try it—is your bigger competitors staying out. You asked earlier, what fun are the British Retail Consortium having, but the people who are having fun are Britain's competitors, because all this disruption allows our competitors in the EU to eat our lunch and to take our customers. The point is, and I think I have



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said this to the Committee before, once you have lost a customer, it is 50 times more difficult to get one back. That is a big concern.

For small businesses, Terri characterised the fear very well, and it is not just the fish producers—they are not producers, are they, but fish exporters; God is the fish producer, I presume, or a Supreme Being, but I won't get into that, sorry—but the fish exporters are all small businesses, and many are very small businesses. The problem can be seen in a brilliant and very moving example in a programme on Radio Wales a few weeks ago. A lady had lost £50,000-worth of langoustines en route, because of the checks. Her business will not recover. It is important to understand the massive variation—£50,000 to a Coca-Cola, a Nestlé, a Kellogg's or one of those businesses is a relatively manageable loss; £50,000 to a small or medium-sized business can be business ending.

I will make one other point, on customs agents, which is really important. We are only halfway through this story. We are going to need customs agents when the import checks come in. We are 50,000 customs agents short, if you accept that the amount of declarations has increased five times. In the time that the Government have had, which was two years, we have trained 11,000. The market, as Richard said, might correct that, but let me tell you, it takes at least six to nine months to train somebody, so clearly we will have disruption, unless we can have some kind of digitised and very quick-acting solution in that area. I think you will see increasing focus on that when the import declarations and bureaucracy come into play.

**Chair:** Thank you. Does anyone want to pick up on that point about the authorised economic operators?

Q47 **Martin Vickers:** May I come back on a more general point? I represent an area with an enormous seafood processing sector, so I am well aware of the real problems that exist. Equally, in my role as a trade envoy, for example, last week I had a meeting between the seafood sector and representatives from the area that I am the envoy for about exploring new markets. Ian, what is the Food and Drink Federation doing to help your businesses find new markets, which certainly do exist?

**Ian Wright:** You are dead right about that. We are heavily involved with DIT at the moment. As well as being chief executive of the Food and Drink Federation, I am chair of the Food and Drink Sector Council. We are heavily involved—indeed, we had a meeting yesterday—with Graham Stuart, the trade Minister, and Victoria Prentis, the food and farming Minister, in discussing precisely this: what help can be given to UK businesses exporting beyond the EU?

There are proposals on the table from the Food and Drink Sector Council to create a body, which would provide advice and expertise, as well as food promotion. I think food promotion is done pretty well by the devolved Administrations and it is not a massive stretch to put a plug in that for England, although England does need a body that co-ordinates this.



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I am not allowed to talk about the future of the Trade and Agriculture Commission report—because I have signed a confidentiality agreement—which comes out in two weeks' time. Indeed, I do not know quite what it says, because we looked at the last draft only yesterday. I think that will recommend some pretty chunky activity to support exporters in exactly the way you just suggested, Martin, if I may say so. They need professional expertise as well as just promotional expertise. The promotional expertise can wait, actually. It is about getting the market, finding the buyer, understanding the marketplace, and getting out here.

Yes, we are heavily involved in that. Funnily enough, I just got off a call with Santander, which is our partner, and which is looking in that area as well. There are a lot of initiatives out there. We need DIT and the Secretary of State, who is excellent, and George Eustice, who is very active in this space, to get together and ensure that we do this in a coherent, co-ordinated way.

**Q48 Chair:** Does anyone else want to pick up on that point before I go to Mark Garnier?

**Terri Portmann:** First, I would like to say that we have a brilliant seafood export sector in this country. Over the last 30 years, they have sought out markets for lesser-known or lower-valued species and have been exporting for many years. The idea that these commercially driven businesses that have captured so much worldwide trade already have somehow missed great opportunities—I don't think there is much merit to that. One of the biggest problems is that if you look in the south-west, 80% of our products are exported in a fresh process, whereas if we are going to export to the rest of the world, it will never be the case that 4lb haddock will get on an airplane and fly somewhere.

You then have to look at what you need to do to those products to turn them into something that can be sent to other parts of the world. Certainly, there is not the infrastructure for processing, freezing and storage to do that with our seafood at this time. I think a lot more can be done to sell UK seafood within the UK. I would like to see Government procurement step up. Instead of putting Ghanaian-caught tuna on Royal Navy vessels, maybe they could try some West Country haddock or even some Western Isles crab and lobster.

**Martin Vickers:** Or Grimsby smoked haddock.

**Chair:** Terri was going for the quality first.

**Terri Portmann:** We could be doing so much more. I also think UK supermarkets could do so much more to connect to the regional harbours and auctions around the country and get some more British fish on the counters. I don't hold out much hope for international trade, but that will all take time anyway. At the moment, a lot of businesses do not have time—they will be gone before we get there.

**Q49 Chair:** So the domestic supermarket chains can step up. William, did you want to speak?

**William Bain:** I just want to make the point that it's one thing to make and sign trade agreements; it's another thing to get the maximum value for the trade preferences out of those agreements. Yes, we have good contacts with DIT, speaking to them weekly, and daily on some occasions, but one thing that I would commend to the Committee is the approach being taken by the European Union, and by the incoming US trade representative, Katherine Tai, which is to appoint officials whose key role is to make sure we extract the maximum value in terms of those preferences and supporting, boosting and finding new markets for those exports. In terms of our exporting retailers, that is the biggest ask I would have of DIT—to double down on that work.

Q50 **Chair:** So what you are saying is: don't just negotiate a trade agreement; once it's done—negotiated and signed—really pay attention to the agreement. That is your message.

**William Bain:** That's it.

Q51 **Chair:** Richard, do you want to comment?

**Richard Griffiths:** I will be very quick, building on what probably all my colleagues here have said. It is important to recognise that the UK food sector is not one homogeneous whole, but a mass of different sectors, with different needs, different export targets and different support needs. So the system cannot be one size fits all; it has to be very targeted and very specific. For my own sector, the EU has always been, and will continue to be, the prime trading partner. I don't think there is anything that can change that in a reasonable timescale. There is certainly not the demand out there. So I just reiterate that we need to look at bespoke solutions for different sectors.

**Chair:** You make a good point. We probably could have had the British Meat Processors Association, the National Pig Association, the association for Welsh lamb, or any number of people, here today. Mark Garnier—fortunately he is with us—is going to pick up the baton at this point.

Q52 **Mark Garnier:** Thank you, Angus. Terri, perhaps I can start with you. I declare an interest: I originally come from Newlyn, so I am very familiar with the problems facing some of the fishermen. Terri, we have heard an awful lot about the problems of exporting, but what are the solutions? What can be done, and who needs to do it, in order to make sure that we improve the flow of goods across borders for the people you represent?

**Terri Portmann:** The first thing that needs to happen is that Government need to stop saying these are teething problems. They actually need to understand that for the issues that are being dealt with currently by the exporters, having meetings twice a month or once a week is simply not quick enough. The systems that they have built, as I mentioned earlier, are really cumbersome. You are data-entring the same information over and over again into different systems, and quite often that data has already been entered by stand-alone systems that existed in the supply chain before.



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For example, a fishing boat puts data into its e-log, and an auction house then sells the fish and puts information into a sales-note system. Now we have these other, stand-alone systems. So clearly the best solution is to create interfaces within those systems, or an integrated system. A good example of this, especially with regard to fishing, is that Newlyn, Brixham, Plymouth and Shetland all now have online auctions that run a system called Aucxis, or made by a company called Aucxis.

A month ago, I spoke to DEFRA officials and told them that I thought that there was an integrated solution to reduce the burdens. And when I contacted Aucxis myself a couple of weeks ago, I was really surprised to hear that no one had been in touch. There is a company that, certainly for the auctions that are already using this system, could provide a solution—and probably not just for them; it could probably create interfaces to get into it. As was pointed out earlier, and as you will know, a lot of exporters are very small businesses. That means 10 to 20 people. Probably some of the bigger companies have 50 to 100, in the south-west. So anything that can be done to reduce the burden and therefore reduce the cost has to be part of the solution, but at the moment, I'm afraid, Government are still sticking to the mantra that these are teething problems and it is going to get better. While that is still going on, we have already wasted six weeks looking for a longer-term and integrated solution, and I imagine that other food producers are having the same problem. So poultry, meat and so on will all be struggling with the sheer amount of red tape and different systems that they have to go in and put the same information into.

**Q53 Mark Garnier:** I will come to Richard after that point about the poultry side of things. However, just to develop your point about Aucxis, I absolutely take your point—it is a great thing that there are private enterprises that are finding solutions to this. That, of course, begs the question: at what point should the Government intervene to try to take over responsibility for developing an integrated system, or should the Government get out of the way of those service providers that can come up with the answer?

Let us assume that Aucxis is an intelligent, bright, thoughtful and opportunistic company that can see a problem that needs resolving. Is anything standing in the way of Aucxis producing an integrated solution, or has it just not worked out yet that that is where the market needs support?

**Terri Portmann:** When I reached out to them—I think I was the first person to have reached out to them—I suppose that although I think the current situation since the beginning of the year is terrible, I have been looking for solutions, since that first week. So I suppose I am a bit Churchillian, in so much as I believe that there are wonderful, great strides that can be made when there is robust purpose behind it. But at the moment there isn't any acknowledgement of the sheer scale of the problem and the risk of these businesses ceasing to trade.

When the Government designed these systems, for whatever reason they designed all these stand-alone systems—I don't understand why they did



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that. So although I appreciate that there may be a commercial market decision that can be developed, actually all that will do is fix the problem. And if you go a step further—this is probably a bit off-piste for this Committee hearing—you see that we have a really poor history of fisheries management and data collection and analysis in this country. It was a perfect opportunity to create one system that solved a lot of those legacy issues and that was more user-friendly.

So of course market forces can take over, but who is going to pay for it, when you have businesses hanging on by their fingernails? Who will commission a company to go and build those interfaces?

**Q54 Mark Garnier:** Normally the shareholders pay for it; in any commercial enterprise, the shareholders put up the money to develop the product and this is how it works. I am slightly conscious of time, Angus—sorry; I didn't want to come back so harshly. Richard, do you want to add anything? What's the answer, if there is one?

**Richard Griffiths:** There is no easy answer, but in terms of things that the Government could do, I think there are five things, in order of time. The first is to ensure the common interpretation of the rules. That absolutely needs to be done as soon as possible.

The second—and maybe I will be held hostage to fortune about Government computer systems—is a fully digitised system, which would help immensely. Alongside that, as we have already talked about, the resources around the signing of export health certificates, for example, are important. Either more vets are needed—more qualified people—or can we look at creative solutions, like delegating responsibility for certain activities? Companies would very quickly pick up if there was some form of delegating that activity.

The final one, which is slightly longer-term and geographically further, is that if we are serious about looking at target markets further afield, the resources should be put in to open those markets, starting with things like trade missions. If you are serious about target markets, then it is about having boots on the ground. That is how other countries have been successful and I think that is where we need to be putting in our efforts .

**Q55 Mark Garnier:** I am slightly worried about that comment, because I used to be a Minister in the Trade Department, looking after a number of sectors, including your sector, and we were putting on about 2,500 trade missions a year, which were supported by DIT. There were a lot of them. Not all of them were very big, but there was certainly lots of different stuff. There is the tradeshow access programme. Again, there are arguments about whether we should be putting more money into it, but there was a lot of support there. From memory, there were 185 DIT offices in 135 countries around the world—something like that—so there are opportunities out there to get support in-market.

Then companies were entitled—again, this is from memory—to get a market access report if they felt that they wanted to exploit, let's say hypothetically, Mexico. They could do a market access report. It wouldn't



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necessarily be a massively in-depth thesis, but it would certainly give an overview of what opportunities were there. What concerns me about this—having been a Minister, I was well aware of all this—is that it was certainly the case then, and it is obviously the case now, that nobody knew about this. Asking, “Did you know about it?” is just not enough. I suppose I am trying to ask about how we support exporters.

**Richard Griffiths:** From a partisan, one-sector perspective, there has not been an awful lot that has focused on poultry meat, so perhaps there is an opportunity there for specific activity for individual sectors. I think there is an opportunity there for more of a partnership approach between Government and the food sectors. Joint funding of these activities would be well received. Yes, there have been opportunities, but I don’t think they have been exploited to their fullest.

Q56 **Mark Garnier:** That is interesting. Ian Wright—it is very good to see you again, by the way—very quickly, the National Pig Association has reportedly suggested that a “buy British” campaign would be a good idea, and Terri mentioned earlier that we could try to do more to promote British products. I am interested to hear whether you think that is a good idea or a bad idea, given that you represent a number of food and drink organisations—particularly drink organisations—and you work for Diageo, who are massive exporters. Would you be concerned if we had a “buy British” campaign, which could presumably reflect badly on your exports if other countries have a “buy French” campaign or a “buy Brazilian” campaign?

**Ian Wright:** I think, first of all, that provenance is a perfectly reasonable quality to leverage, if I can say something that makes me sound like some kind of pointy-head marketer. Talking about the provenance, quality, history and heritage of a product that is made in the UK, whether it is a brilliant Scotch whisky from the western isles or a pork pie from Melton Mowbray, just four miles in that direction, is in many cases a brilliant way to sell products. That is perfectly reasonable. It is reasonable here, it is reasonable abroad, and we should do it.

You have got to be a bit careful about going too far into the weeds of a more jingoistic approach because, as you rightly say, and as you know from our shared experience, there are occasions when that falls foul of reprisals from where you are trying to sell something in a different way.

You are right, as you said earlier, that there are lots of opportunities out there. There is lots of support there, and people don’t know about it. Part of the problem is that in many cases they haven’t required to know about it until relatively recently because the EU was a captive market. Whether it is the right or wrong thing to separate off from a captive market like that is a moot point, but it has gone.

The interesting question, I think, is this. Let us set ourselves a simple task. If we are going to join the CPTPP, how are we going to do it? How are we going to set ourselves the task of going for those markets? It is a fantastic opportunity and a very interesting association of really fast-



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growing economies, many with a real predilection towards UK products. How are we going to set ourselves the task of doing that? If we set ourselves an exam question that is practical and requires specific answers, I think the UK Government will do a better job than trying to think of this in a more amorphous way about global Britain, a science superpower or whatever we are. We need to think specifically about the task ahead, and then you could find that we make quite a lot of progress.

- Q57 **Mark Garnier:** You would expect the Government, on CPTPP, to analyse the markets, look at where the best opportunities are, contact the trade associations and their representatives, like Richard and Terri, try to get everybody together, work out something and support it through the tradeshow access programme, reports and all the rest of it, but be much more specific, rather than generalist?

**Ian Wright:** Yes, and the problem is—it is obvious really—you can't boil the ocean. The trouble is, when you try and do this, inevitably you exclude sectors, who then get very cross. I know you would be supportive of this, from your trade experience. If there was somebody in Wyre Forest who was the leading producer of a product you have just excluded, you are obliged to make the point for them. That is something which, I think, is difficult for Ministers to get their heads round.

I just think, in the new situation that we face, there are—and this goes back to Martin Vickers's point earlier—opportunities here. They are further away than sorting out the immediate problems, and we have got to do that first. We have got to sort out the disruption and the immediate problems.

This isn't to your question but, for example, in a month's time, or three months' time, depending on when they introduce it, you are going to need an export health certificate for a rice pudding, because the EU is going to introduce export health certificates for a much wider range of composite products. Now we need to sort that out very quickly, because the bureaucracy is going to be horrific. I am sure we can do it—

- Q58 **Mark Garnier:** I was going to say, are you optimistic we can do it?

**Ian Wright:** Yes, of course. Listen—I am sorry, I do not mean to be so pre-emptive—I am a businessperson. I have been in business for almost all my adult life, and certainly all of the successful bit of my career has been in business. The bit I was involved in politics was a total failure, and rightly so. But the point is I wouldn't be in business if I wasn't an optimist. Businesspeople are optimistic. They are positive. They are going to do something. We need to harness that spirit. Can I be really silly? We need to think vaccine programme, not Test and Trace. We can do this if we want to, but we need to get on with it, and we also need to clear the ground of these really awkward and difficult problems first.

**Mark Garnier:** That was a fantastic answer. I am going to leave it on that. Angus, back to you.

**Chair:** I was wondering if Mr Bain wanted to come in on politics at all. The



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good thing I learned in that exchange is that Mark Garnier is even further up in my estimation, now that I know he is a Cornishman. That is an upgrade. Mick Whitley.

- Q59 **Mick Whitley:** Thank you, Chair, and welcome to the guests. I will have to be quick, bearing in mind the time. The TCA involves new provisions on VAT and other charges. How have these affected businesses in your sector—both exporting and importing? I will take Ian first, again.

**Ian Wright:** I am going to show my ignorance, here, again, if I may. I think it is a bit early to tell. I do also think that there are quite a lot of complications about how you reclaim what you do, particularly related to some of the provisions: it is not just the VAT stuff; it is also the tariff stuff where you get deferred tariffs on some of these products, depending on where they end up. So it is a very complicated process, and I don't think anybody—I mean William might be better placed, actually, because retailers face this problem probably more urgently and instantly in many cases.

My sense is that I don't want to be too critical. I always find with HMRC that the higher up you go in the organisation the more flexible the organisation is, and the more real-world it is. I think it is quite difficult for more junior staff in HMRC—I am not sure how much leeway they are given—to make decisions that are about flexibility and ability to operate. I am pretty confident that the difficulties that there are can be solved, because our experience of working at the senior levels of HMRC is so positive; but I think, in the short term, I am not sure they have got enough resource to deal with all the queries they are going to have. Again, I go back to my earlier point. Some of this stuff was done so late—and I think William was saying this earlier about other parts of the forest—that it is not clear that those enforcing the rules actually know what the rules should be; and that is why you get different decisions in different places.

**Mick Whitley:** William?

**William Bain:** In terms of goods being sold by GB retailers to customers in the EU, we have had really serious short-term problems. It is never a good situation, for commerce or the environment, for people to be talking about burning their goods rather than looking at the cost to consumers of returning them, with very high charges for VAT and customs fees on the doorstep in Amsterdam or Berlin.

Some of this will ease somewhat because there is a one-stop shop—a digital system—that GB and other third country retailers will be able to use from 1 July so that the VAT can be collected from EU purchasers at the point of sale, but we are still going to have odd little VAT charges on the transit of the goods, the insurance of the goods, and the handling charge by the national postal authorities that will still have to be met.

The Government need to call a summit on e-commerce. This issue is so serious and has such structural consequences for jobs that would be moving from the UK and into the European Union. There is less red tape



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and less hassle for a retailer to set up an entity in the European Union and supply the goods to customers in the EU from there, missing out on a lot of the red tape on VAT, than there is to continue with the current arrangements. We need to look at the Government to draw everything together—the manufacturers, the retailers, the logistics side, the postal people, the customs people—to make sure that we get a solution to this, because it will require solutions to the terms on which businesses offer goods online—the very terms on which customers buy goods from retailers. The change involved here is that profound.

In terms of goods coming into the UK, and into Great Britain in particular, of course the difficulty that we have had is for overseas retailers being able to get VAT numbers and get familiar with the digital processes on goods worth under £135. The rules are very complex, and the guidance is difficult to follow. In terms of how you deal with that side of the equation, the UK Government guidance needs to be a lot better and a lot clearer.

**Mick Whitley:** Richard?

**Richard Griffiths:** I have nothing specific to add on VAT.

**Mick Whitley:** Terri?

**Terri Portmann:** No, nothing related to seafood.

Q60 **Chair:** Just to pick up on something there, Mr Bain, a small whisky exporter—I mean really small—on the island of Islay, said that he did multiple private sales across Europe. He tells me that many countries are stopping imports to private addresses, and are looking for wholesale only, which would take a niche exporter out of the market. Have you heard anything about that?

**William Bain:** In some senses, it would make sense, because it becomes a business-to-business transaction then, and it is a little bit easier to account for. Where the more severe problems have come has been business-to-consumer transactions, with those really terrible reports of people facing exorbitant bills and refusing the goods, and the goods are left in limbo—that is not in anyone's interests. There are some issues in terms of business to business, and VAT still needs to be sorted out as well, hence the really strong case for the UK Government to convene a summit on e-commerce, so that we can deal with the short-term and structural issues that small and larger exporters will face over the coming months and years.

**Chair:** That is a very intelligent call—thanks for that.

Q61 **Martin Vickers:** We are coming towards the end, so I am going to look to the future. Since we are no longer bound by EU rules, how would your businesses, in each of your sectors, like to see us use the regulatory freedom? I suspect you will say, "In a rather limited way," as our first panel did, but what are one or two points that you would like to see change? Terri?



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**Terri Portmann:** I think there is a real opportunity. We spoke earlier about digitising the system, which, at the moment, interfaces between all these standalone systems that are being used.

I also think that we need to look at our interpretation. For example, I was horrified to learn that, two weeks into the new year, vets were unloading at Larkhill in groupage areas—not to actually inspect the fish that was in the box, but just to look at the label. I don't think we need to look at getting rid of regulation per se, but we need to look at the wraparound structures and guidance that we have put in place to do this.

Anyone who is exporting will be registered with their local environmental health office. Inspectors will be going in and out of those premises as often as they feel necessary. If the paperwork and processes are in order, they might visit once a year. Somebody who needs more scrutiny and who they are concerned about will be visited more regularly. All these health checks already happen downstream. Somehow, we have managed to put checks upstream for simple things such as looking at labels. Rather than thinking about what regulation we can eradicate, we have to look at streamlining the systems to help support export businesses and make it a far simpler process. We have heard a couple of times today about different coloured stamps on vet certificates. In 2021, the fact that we are doing that with an ink pad and a stamp is quite frankly crazy.

**Martin Vickers:** Willie?

**William Bain:** I would say with great care, because we need to look at both sides of the seesaw. If the UK Government decides to change regulation—of course, it really should look at doing so in conjunction with the devolved Administrations, given the terms of the UK Internal Market Act and the common frameworks—that has two implications. First, because the regulations will not change in Northern Ireland, you are introducing more costs and more friction for retailers and other businesses getting goods from one part of the United Kingdom to Northern Ireland—another part of the United Kingdom.

Secondly, we have to consider that what is happening at the EU border is that things such as physical controls on products of animal origin are being done on a risk-based analysis at the moment. The intensity of physical openings of products is pretty low. If the UK decides to change its regulation, of course the EU might say, "Some of the inputs into these products are very different. They are produced to different standards, so we therefore have to increase the level of physical inspections of food products—fish, meat, milk, yoghurt and those sorts of things." At the moment, they are in the low single digit percentages of physical openings of those products. If we change our regulation, we have to bear in mind that the EU might decide to say, "We are going to increase them in terms of what the EU law says: up to 15% or 30% openings." That means more costs, more red tape and more delay.

I would urge the UK Government, with the devolved Administrations, to look very carefully at the balance that would affect business—of changing

the regulation through the increased red tape, and moving goods to Northern Ireland and to the European Union—compared with the benefits to business in terms of changing that regulation. In our view, there would need to be a proper impact assessment about both sides of that equation. That is what we would urge Government to do.

**Richard Griffiths:** Given that the EU is a major trading partner, certainly for the poultry meat industry, regulatory alignment is a positive thing and reflects our own standards. Within that, there are two things: there is a challenge, and there is an opportunity. The challenge is how we continue to improve our regulations and standards without compromising that trade relationship. The opportunity is that there will be points where we can focus on being outcome based, rather than process driven. Can we achieve the same outcome, but in a different way? Can we be more efficient and be more fleet of foot? I echo Willie's point about doing it with care, because I think regulatory alignment is a strong positive for our industry, but I think there are opportunities there.

**Ian Wright:** As everybody has said, and I echo much of what William has said, these are dangerous waters into which to insert even your toe, let alone your whole leg. In the spirit of my answer to Mark Garnier, let me be a bit more optimistic and channel my inner Alison Moyet. Let's be optimistic: I think there is a real opportunity here for the UK, as a regulatory independent state, to syncope and synchronise its regulatory development with its trade policy.

The point of what Richard just said is that it would be foolish to get out of alignment with the EU while it is your major trading partner. That would be self-evidently pretty much like shooting yourself in both knees. As we develop our trading relationship with other countries and other organisations, we shouldn't be afraid to be more expansive. This is a longer-term question, not a short-term question, Martin. This isn't next week or next year; it is over the next 20 years.

We should be willing to synchronise our regulatory position, in terms of food. We shouldn't compromise food safety—I am on the Trade and Agriculture Commission and I am absolutely committed not to doing that—but on environmental, human rights, labour and dignity issues, we should be prepared to think of a regulatory position in line with those other considerations of our international trade policy.

One thing that this freedom gives us is the chance to put trade and our commercial future on a firm but predictable footing. I am not talking about compromising the regulatory alignment we currently have with the EU, but we are in the big wide world now. To quote that bloke from Chicago, or wherever it was, we need to "put our big-boy pants on" as well, to get out there and be confident in our ability over a long period of time, to be a regulatory independent state, with our own future, in our own hands.

**Martin Vickers:** Thank you, and thank you, Angus.

Q62 **Chair:** I want to pick up something with the British Poultry Council. Before



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Brexit you were predicting that if there wasn't a deal—no-deal was the dimmer situation for your pricing—that no-deal scenario would cause UK-produced poultry costs to rise by about 5% in the UK. Has that prediction come true? What's happening on the price of chicken in the supermarket at the moment?

**Richard Griffiths:** That is one the areas where we are yet to see the full impact of the trade difficulties. At the moment, there are a lot of costs and a lot of investment into the new system, and a lot of cost from the problems we have had. That still resides somewhere in the supply chain. I would stand by our previous prediction of a 5% increase on chicken breast in supermarkets; that is what we modelled. That was if the system was working perfectly, with no problems whatsoever. I would be surprised if it wasn't at least that amount. To emphasise, we haven't yet seen the full impact of that come through to consumer prices yet.

Q63 **Chair:** Thank you. Just as a wrap-up, at the beginning Terri Portmann described this as an unmitigated disaster, in her opening remarks. We have 27 states with borderless trade in Europe. They have better terms of trade with each other than the UK enjoys with any one of them. If you had a magic wand, what would you change? Do your members look enviously at businesses in the 27 other countries? Would you rather we were in the single market and the customs union, or one or two of those? Give me your thoughts. I have an idea what you might say, but William Bain you have unmuted as I looked at you.

**William Bain:** Clearly, Chair, the benefit of having some kind of deal is that you have the means to improve the relationship over time. I think there are a couple of things that we would encourage the UK and the EU to do in the short term. The first is to make the political bodies and the specialist committees in the agreement meaningful and extensive in how they operate. We would like them to be open to business to hear both the anecdotes and also the qualitative data that we can produce about how the agreement is working, how the rules of origin are working and how the EHCs are working—the customs arrangements that flow from this. We don't want these committees to be tick-box entities, as often happens in trade deals. We really need them to be extensive and to be really working through the detail of how this works, because, from that, some short-term improvements are going to flow.

We have looked at the issue of EHCs. I think we can make some short-term improvements on that front. That work also has to inform the long-term improvements that are baked into the agreement in terms of the five-yearly reviews. Clearly, if there is a cost benefit of having a closer relationship on things like food regulation and SPS regulation, in terms of reducing costs for businesses and improving the supply chains for consumers, that is something we should be looking at in time. The ability is there in the agreement to do that, and business and others in civic society should make full use of those processes to call for those improvements.



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**Ian Wright:** I think I would use my magic wand for two purposes. If it is a limited-version magic wand, I would use it to use all the facilities of the deal we have got. Let us be clear: this deal is infinitely better than no deal and infinitely better than a failure to agree, which would have given us tariffs, which would have been a much worse world. I would use all the facilities that David Frost has managed to get into the deal. The Joint Committees and the reviews and all of that stuff can be used, as William has just said, to make it a whole lot more practical.

If it is a grade 1 magic wand—

**Chair:** Why not?

**Ian Wright:** Why not, because it is never going to happen. I would like us to have a proper, unpolitical debate—I know that is almost impossible—with an impact assessment of where the opportunities for us lie now. I would like us to look at whether CPTPP is a decent opportunity, what the real opportunity is in a US trade deal and what we would get if we went back in the direction of some sort of customs arrangement for the EU. We are clearly not going to get what we might have got before, so what is realistic? Let's look at the options. Let's cost them. Let's have a debate on what we want to be—what kind of country we want to be in our trading policy. It is quite an interesting opportunity now. Let's decide on the basis of what people want, rather than on the basis of knee-jerk reactions to individual situations. I don't hold out a huge amount of hope that that is possible, but debates and sessions like this are really helpful to surface those issues and have the chance to examine them.

**Richard Griffiths:** I don't disagree with Ian or William on that. I would combine my magic wand with a soapbox of mine. Trade policy has to support domestic food production. If we can leverage where we are now into a road map for feeding the UK and feeding everybody well, that is a road that we should try to explore. We are not going to change where we are, but if we can use it to some advantage for UK domestic food production, the result of that is feeding the UK.

**Terri Portmann:** Going back into the customs union or single market is not going to help those producers and catchers of live bivalve molluscs from B quality waters that have been overlooked and that for six weeks have not gone to sea and have not earned a penny. There are still huge barriers surrounding other types of shellfish—lobsters, crabs—and vivier lorries and the certification of vivier lorries. While you are giving me the opportunity to say that we could go back into the customs union and single market, my fear is that so many businesses will be lost before we got to that point, so now is not the time to look at that.

**Chair:** Thank you. That is a salutary warning and a sobering fact for us all. Thank you very much to our panel for today. Around 20 EU-UK partnership councils are being set up in the light of the deal. I asked a question about them on 15 January, and I got an answer on 20 January that they were not set up yet. I am re-submitting that question today in the hope that they are set up. When they are, this session, as Ian Wright said, has given



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an opportunity for things to surface and for issues to be distilled, and we will feed our broader points from today to those partnership councils so that they have something to hit the ground running with. There is an opportunity for sectors to highlight their changing situation post the Brexit deal. Hopefully some good will come of it, to help people, their jobs and livelihoods and the maintenance of those in time to come.

Finally, I thank you all very much for your time this afternoon. I know you are all very busy. I touch base with all four of you from time to time, and I have an awareness of the various and different pressures that you all have. Thank you very much for attending this extra session of the International Trade Committee this afternoon. Feasgar math—good afternoon.