



Select Committee on the European Union

Goods Sub-Committee

Corrected oral evidence: Future UK-EU relations: trade in goods

Tuesday 9 February 2021

2 pm

Watch the meeting

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

Evidence Session No. 5

Virtual hearing

Questions 50 - 63

Witnesses

I: Rt Hon Penny Mordaunt MP, Paymaster-General; Emma Churchill, Director-General, Border and Protocol Delivery Group, Cabinet Office; Will Hayter, Director, EU Exit Transition Taskforce, Cabinet Office.

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Examination of witnesses

Penny Mordaunt, Emma Churchill and Will Hayter.

Q50 **The Chair:** Thank you very much everybody for joining us for this oral evidence session on future UK-EU relations: the trade in goods. I warmly welcome the Paymaster-General, the right honourable Penny Mordaunt MP, from the Cabinet Office, and her officials, Emma Churchill, who is director-general of the Border and Protocol Delivery Group, and Will Hayter, who is the director of the transition task force.

This session is being publicly broadcast. Penny, if there are any minor corrections to be made to the transcript afterwards, could they be sent to us very quickly? I remind all colleagues that this is a timed session, and I know that a number of colleagues have to join other meetings, so we should make our questions and supplementaries as punchy as possible. Thank you very much indeed.

I will start, if I may, with the first question to you, Penny. In your recent letter to the committee, you stated that the Government's preparations had been executed successfully, yet there has been considerable evidence of disruption at the border. One survey by the Chartered Institute of Procurement and Supply found that 50% of UK-EU traders had faced delays in the last few weeks. How do you explain these delays, and do you think that the preparations themselves may have been insufficient?

Penny Mordaunt: Thank you, and good afternoon to your Lordships. The survey that you refer to was undertaken between 8 and 18 January, and as you will know there has been a considerable difference between that and what we are experiencing at the border, largely because of the increasing volumes in freight traffic coming through. We are now in a situation where flow is similar to, if not exceeding, where we were for example a year ago. It is quite considerable, bearing in mind the additional pressures that business has been facing, particularly with the pandemic.

In our reasonable worst-case scenario, we estimated that 30% to 50% of HGVs might not be ready, particularly at the short straits. That has not proved to be the case. If we take the Kent Access Permits as an example, in early January we were looking at 60% of hauliers having the correct paperwork for those. That has now increased to 85%, and by and large I think business has done a tremendous job in preparing. I also think that officials have done a very good job in communicating what needs to be done. I will not go into them in detail, but you will all be familiar with the publicity campaigns to make business, in particular the freight sector, ready for that.

There has been good IT, infrastructure and traffic management planning, and mitigation measures—the mitigation operations put in place by the police were further complicated, of course, because of the demand for Covid testing—and we were undoubtedly helped by the low numbers of

vehicles that were crossing initially. Broadly, good preparations were put in place and businesses coped well.

There are also narrow but deep issues, which I am sure we will come on to, such as the IT difficulties with the French system integrating with ours and others. We have worked through some of them. Some of them we are still grappling with, but those are what I would describe as narrow issues. It has been a tremendous challenge, not to underestimate the scale of what we and business have had to do, but it has gone, I think, relatively well.

The Chair: Thank you, Minister. That neatly leads us to Lord Inglewood's question about IT.

Q51 **Lord Inglewood:** Thank you, Minister, for coming to talk to us. Clearly, as you have alluded, there is an enormously large increase in the number of various kinds of checks and so on at borders from what there was before Brexit. Are the systems that you put in place working satisfactorily, and, in particular, have there been any successes or disappointments?

Penny Mordaunt: A lot of this sits with HMRC, so I will not be able to answer some of the very technical issues. You might wish to direct those to HMRC. I know that a great deal of thought went into what systems we should be using and whether we could have a dual system, and how we could reduce additional administrative burdens on business. Clearly, CHIEF, the system of great interest to you, was an already existing system, a legacy system, and although we all know that it might be creaky in places it was an operational and robust system.

We recognise that things evolve, and certainly when we have been thinking about what the future border might look like we have been very keen to ensure that the interface between our legacy systems, whether they are in HMRC or Defra, can really be seamless and that we create those APIs to enable business to dock with those systems with the least amount of administrative burden.

We have also been very focused on promoting customs agents to help and support business through this. We have also made more than £80 million available to that sector to increase and improve the services that it is offering the freight sector and the businesses that depend on it. Yes, those systems were in place. As I say, there were some glitches with some of the other systems, with people inputting data and not really understanding which particular box they were supposed to be putting things into or with the interface between our systems and the French side. Elsewhere, in terms of information that we were giving out, for example, there was an issue with some of the translation between systems. Apart from that, those legacy systems have held up.

Lord Inglewood: Clearly that is encouraging. Are you confident that it will continue to go as well as you suggest it has now, particularly given the capacity issues, not least of all the staffing capacity not only in the

public sector but in the private sector, to enable the private sector to deal with its side of the arrangements?

Penny Mordaunt: We have reached the end of the transition period, and our phased approach to the border is certainly not job done. There are things that we need to do, but there are also things that we can do to improve things in the future. We were very keen that if there was anything that we or industry were considering for the future border, we did not wait to bring those things online. We wanted to explore and see what we could do early that would reduce the need for vast numbers of people either to input data or to man particular systems.

This is kept under very close review. Clearly there has been a massive increase in numbers of personnel in every area, but particularly in HMRC and Border Force. There has been a lot of financial support, but there have also been a lot of discussions with government for building capacity in the private sector, as you rightly mention.

We are also looking to business to lead the way and to inform us about the systems that it needs to be put in place that would reduce the administrative burdens. The early modelling that was done on what the personnel needs would be for our own systems has not been required, just as quite a lot of the things that we thought might be needed on the infrastructure side have not been required, because as we have got down to the more granular numbers we have really worked through them and have seen that we perhaps have not needed to do what we originally thought. Yes, we are confident that we currently have in place what is needed, and the figures on declarations and on flow substantiate that.

Going forward, we are looking at what else is required, not just the additional people but the other systems that we can build that will make this as seamless and as straightforward as possible.

Emma Churchill might wish to add to that. She is the official who is primarily responsible for making sure that this runs on rails.

Emma Churchill: Thank you very much. Coming back to the question about systems, as the Minister was just saying, CHIEF, which of course is the main customs system that has been operational for around 30 years, was successfully scaled up and has been running very well.

In addition to that, we have two new systems, which became operational on 31 December. One is HMRC's GVMS system, which, as you will probably have heard, is being used to support movements under the common transit convention. That has been operating extremely smoothly, which is excellent news, because that is the system that will become crucial when we get to July and implement full import controls on all goods.

The other service that was created and was new for 31 December was "Check an HGV is Ready to Cross the Border", and it does what it says on the tin. It is a web service on GOV.UK which hauliers can use on an

advisory basis for all routes. However, they are required to use it if they are making the crossing internationally across the short straits, because it is the way they get their Kent Access Permit.

I know there was some concern before the end of the transition period about whether that system would work successfully, but I am pleased to say that it absolutely has worked. It has worked technically, and, as the Minister was just reflecting, it has absolutely fulfilled its purpose, which is to make sure that hauliers check that they have the right documents for the goods they are carrying before they get to the port.

There is excellent compliance with that requirement, as the Minister was just reflecting on, with 85% of non-GB vehicles passing the relevant ANPR cameras having their Kent Access Permits. That is one of the reasons why the number of turn-backs at Dover and the Eurotunnel has been so low and why there has not been the generalised disruption that might have been feared.

Those are the other systems that I think it is worth highlighting have worked very successfully.

The Chair: Thank you very much, Emma. We need to move on. Baroness Chalker has the next question.

Q52 **Baroness Chalker of Wallasey:** Minister, we are very pleased to have you here to give us information. How ready do you consider the UK traders and border officials to be for the implementation of the new customs and SPS processes, which are being phased in from April and from July? We have heard a certain amount of news that that is all in the future and nobody is worrying about it. We are worrying about it, but a number of people seem to have to get it right before it will work from April and July.

Penny Mordaunt: Rest assured that we are absolutely focused on it. The most challenging area is infrastructure, but we are making good progress with that. As I alluded to before, some of the things that we thought we might need we realised we do not. At one stage, at my own port we were looking at having 10 gates, but we only need three. It is a very challenging timetable, but good progress is being made now with those preparations.

We have also factored into our plans the impact of the pandemic on businesses' ability to prepare. That was one of the drivers of the phased approach that we are taking. For exports, full controls are now in effect, and traders are currently responding to those requirements. We have had smooth flow, as I previously mentioned. We are absolutely committed to supporting business and industry, as well as building capacity in their support industries. The border operating model has also been updated to take advantage of the agreements that we have put in place, which has helped our planning.

We recognise that the staging of those customs controls also increases some fiscal risks. We are working with traders to really help them to

understand their obligations, while also putting processes in to deal with the highest-risk traders. We are also ensuring that where we can spot good opportunities we can develop things like the Trader Support Service, listening to business and its needs as the weeks go by, and that we take up those opportunities and start those new projects, again to ensure that things are as smooth as possible.

We have done a huge amount of work with port health authorities, local authorities, the Animal and Plant Health Agency and the Food Standards Agency to ensure that we have the right training for additional staff in place, and that the standards required will be met. Emma may wish to add some detail to that.

Baroness Chalker of Wallasey: If tariffs are to be paid at the port for imports, are we certain that the banking arrangements will be sufficient to clear those imports, when basically it is the haulage driver, not the company, who is present at the crucial moment when payment is demanded?

Penny Mordaunt: As far as I am aware, banking has not been an issue in that respect. Emma may be able to say more, but it has not appeared bright red on any dashboard, as far as I am concerned.

Baroness Chalker of Wallasey: Let us say it is a little bit orange, so perhaps Emma could look at it.

Emma Churchill: I will come in on those two points. The collection of tariffs and duties does not happen at the border in quite that way. For movements under the common transit convention, for example, there are a series of guarantees that operate, and tariffs are paid away from the border.

Going back to your question about trader readiness for April and July, all the communications in the run-up to the end of the transition period were not just focused on the changes that were going to happen in January. The border operating model which the Minister mentioned, the step-by-step guides, the checker on GOV.UK and all our webinars have been focused on the totality of the change that was happening as we staged controls in. That information has been available.

I think we have an advantage in working with businesses to prepare them for April and July, in that there is complete certainty that the change will happen. We found in the autumn in our discussions with businesses not only that they were focused on Covid, entirely understandably, but that there was a sense that people were waiting to see what happened with the deal before they prepared, even though, of course, many of the changes, given that we were leaving the single market and the customs union, would happen in any event. Now that we have complete certainty about what will change in April and what will change in July, I think that will help us in our discussions with business and the way we help them to prepare.

We have also learned some lessons from the communications that we were putting out and the way we helped businesses to prepare for the end of December. In a lot of the feedback from business representative organisations that we received was the plea to make sure that our guidance was actionable and that we included alongside it the kind of operational case studies that really helped not just with what people had to do, but how they had to do it. A lot of the material that we have been able to put out is now responding to that request from business.

Q53 Lord Berkeley: Thank you, Minister, for a very comprehensive list of what is happening in the short and medium term. Would you agree that your success will be measured by your customers, the businesses, particularly by those who give up because it is too difficult?

You mentioned the question of infrastructure and your own port of Portsmouth, which you and I know well. As an example of the lack of buildings, Portsmouth is the main port for live breeding animals coming in and out. It is a very important market, as you will know. It is a local authority port, but it has just announced that this business will have to stop because the Government re refusing to fund the necessary building. Is this something that the Government believe should all go through Dover and have a Kent passport? Surely there should be competition between the ports and government should not be choosing which port based on reasons of their own. There should have been a competition, or government should fund the complete buildings. I would be interested in your comments.

Penny Mordaunt: The local authority has said that it has decided not to pursue it, but as far as I am concerned it is still a live issue, because it is important to the port's development. We have built up a business of about 30,000 exports. We do not do live animal exports for slaughter. This is for breeding purposes, particularly racehorses.

We have been very conscious when operating the Port Infrastructure Fund that, as well as trying to support what is needed for national infrastructure—hopefully, there will also be payback to economic development—we guard against unintended consequences. There are two issues for me, if you are asking for my opinion. First, is this a necessary piece of infrastructure for the UK? Would we be more resilient with it? I think the answer to that is yes, and that is supported by the National Farmers' Union as well. Secondly, what are the unintended consequences of not building it and having, for example, to rely on inland sites or something else? I want to ensure as the local MP that we are not only retaining that business but developing it.

It is still a live issue. I am not involved in the support infrastructure decisions, of course, and would not be involved because it is my own patch, but that issue is not closed. There is ongoing dialogue. I know that a great deal of thought is being given to how we might do that or other infrastructure that was considered to be necessary outside the Port Infrastructure Fund. Officials, CDL and the Defra Secretary of State have been very focused and engaged on this issue, as I continue to be. What

we did not want to do is let that one part of the port hold up the infrastructure that we knew needed to be built, so Portsmouth and elsewhere are cracking on with the other aspects of that.

Q54 **Lord Turnbull:** Thank you, Minister. The businesses and trade associations we have taken evidence from acknowledge that the Government have produced a great deal of information, but therein lies the problem. It is voluminous; people have talked about 4,000 pages of guidance and that it is mainly generic. They say that what they need now is something that is more business-specific, some way in which they can get advice after you look at a company's business model, where it gets its supplies from, how it processes it, who it is exporting to and how, and what paperwork is required for that.

They also recognise that they cannot expect HMRC to be the source of this advice, so they have to find it in the market somewhere. If they can find it, there is then the question of the cost of it. There are some funds available, but is that sufficient? Should there be further support for businesses? It could be in the form of tax relief or grants to enable companies to get the advice that would enable them to navigate through this huge amount of information and which they can then act on.

Penny Mordaunt: I know the Chair wants to keep this tight, so I will say yes, I think there is a demand for that, although we have done more than just put information out there. There has been a lot of engagement; there have been thousands of discussions between officials and businesses to give them as bespoke a service as we possibly can, such as the Trader Support Service. More long term, there is a need for that bespoke advice and support for investment and other decisions that businesses might also have to make.

We are in discussions with Treasury at the moment regarding this, but I think you are correct that there is a need, and we are looking at the best way for us to meet that need as well as the additional cost of doing so.

Lord Turnbull: I have only one other point to add. Some of the help that is needed may only be one-off. Once someone is taught how they can work the system correctly for their particular business, they may need no further support, but for that one-off support they may need extra help. It may not be an ongoing expense for the Treasury, but something is needed right at the start of this process.

Penny Mordaunt: That is very well understood.

Q55 **The Chair:** Thank you, Minister. If I may, I will ask you the next question. One of our witnesses argued, and this is their quote, that "the agreement was negotiated and drafted with a view to making it a dynamic agreement, in the sense of allowing the trade partners to continue to shape the agreement going forward". To what extent do the Government share this view of the TCA as a dynamic agreement? Which specific elements of the agreement would they identify as dynamic, and what are the Government's priorities in these areas?

Penny Mordaunt: We would, to a large degree, share that view. There are some areas that committees under the agreement could look at, and I think there is scope for improving co-operation. The partnership council can amend within the scope of the agreement itself, and where there can be developments and improvements we would certainly want to make those. We are currently in the process of setting up those bodies, so we are at that stage. I cannot give you timetables on that, but we will obviously keep Parliament up to date.

Regarding setting out a strategy for that, clearly there are things that we are focused on at the moment with regard to how the protocol has been operating and other easements that we might wish to see, and that is what I think you will see us focus on in the short term, but clearly we will want to set out a strategy.

I cannot give you any more details on that today. We have ambitions on standards and improving facilitation, and there will be other opportunities. I do not know whether Will wants to give any more details on that, but we cannot give you too much detail on that today.

The Chair: If I may, Minister, Lord Turnbull has a supplementary first, so if Will has something to add to your commentary, he may do so straight after.

Q56 **Lord Turnbull:** I want to get a sense that there is some urgency to this. This suite of committees seems to be there to do two things. One is to deal with things that are recognised as unfinished business, like professional qualifications. The other is snagging, which is to see where something is not working very well and needs early attention. Michael Gove has already announced that Northern Ireland is one such area. Are you actively assembling a shopping list, in a sense, that you want to go back to the EU on reasonably quickly?

Penny Mordaunt: The short answer is yes. We have a very clear view of where those snags are, and it is work that Michael Gove is leading on. Much of this does not require formal structures under the TCA to be set up and formed. It is really about us looking very pragmatically at how things can be improved. Of course, there is already a range of improvements and easements within the UK Government's gift that can be made, or under the Joint Committee, before you have to go anywhere near the protocol and how that operates.

We are looking at those things, and we know where the snags are. We are monitoring the situation in real time, looking at data and at how we can make improvements. That is very much a large piece of work that is going on.

Q57 **Lord Lilley:** Minister, welcome. Several of our witnesses from trade associations speculated that traders might pay tariffs rather than demonstrate that their goods were of British origin under the TCA's rules. On the other hand the World Trade Organization carried out a study called *New Evidence on Preference Utilization*, which found that even

where the saving on proving you were compliant with the rules of origin was only 1%, 80% of traders claimed it, and obviously far more did where there was a more serious tariff at risk.

Do you have any data so far showing how much use is made of preferences and how many people are choosing not to claim preference when they could?

Penny Mordaunt: We are collecting this data, but there is a lag on it being helpful of about three months. I cannot give you a date when we will have that in a reasonable shape, but I think it will be roughly next month. It is important that we look at that, and we will do so.

Lord Lilley: Presumably there will be an initial process. The main cost is working out the tariff lines and origin rules for your good and applying them in most cases. You will presumably find the worst use of preferences in the first three months.

Penny Mordaunt: Yes. We have to look at the context and the time period in which the information is being collected, but it is important that we look at that data.

Lord Lilley: The other thing that has taken many of us by surprise is the strange EU rule whereby if a good leaves the EU, even if it is 100% made in the EU, and is exported outside the EU, for example to Great Britain, but is then re-exported to the EU, for instance Ireland, it is then treated as a third-country good and the EU applies its external tariff to it, which effectively makes it impossible for distributors to operate in GB covering Ireland as well as they have done traditionally.

The EU has only ever made an exception to that in the Swiss trade agreement and the CETA agreement. Is there any prospect that we could get the EU to make an exception for us as well, or for Ireland, as it is putting up the cost of goods to Ireland?

Penny Mordaunt: We are very aware of this issue and its disproportionate impact on particular business models. We are continuing to work very closely with industry to support it. We are also looking to see whether there are other things that we can do, whether through further negotiations, as you alluded to, or through applying particular procedures and reliefs to things like warehousing and returned goods relief—those sorts of issues. We are methodically working through all those things, and we are working very closely with industry to understand the impact on it and what support and other things we could ask for that would be of most benefit to it.

Q58 **Baroness Kramer:** Minister, thank you for coming. Could I ask you about conformity assessments? Obviously we did not get the mutual recognition that we would like to have had, but now that you have been able to see a little bit of the TCA in practice, what estimate are you making of costs that may fall on businesses as a consequence of conformity assessment requirements, and are there some potential mitigations that you are looking at?

Penny Mordaunt: We did propose a mutual recognition agreement, but the EU would not agree to that. Obviously we have a strategy to promote international standards as well, and there are the five sectoral annexes on provisions covering key sectors that we were particularly concerned about.

I do not know whether Will wants to say any more and give any more detail on the negotiations and the strategy going forward. We recognise the challenges industry faces on this and wanted to give businesses the time to adapt and implement the new UKCA product marking system.

Will Hayter: I could perhaps give one example, which is the measures on mutual recognition of good manufacturing practice for medicines, which avoids duplicating steps, making trade easier for the pharmaceutical sector. That is one example.

Baroness Kramer: Do I understand you to be suggesting a template?

Will Hayter: It is an example of one of the sectors that was covered in the annexes to the TCA which the Minister mentioned.

Baroness Kramer: I take it that you are not taking this as a template to apply to sectors that were not covered by the TCA. That is helpful, thank you.

Q59 **Lord Shipley:** Minister, you will understand uncertainty for businesses over the level playing field and what it will mean in practice. Can you tell us what the key opportunities are for regulatory divergence from the EU, and how likely it is that the Government will choose to diverge in a manner that risks triggering EU retaliatory measures under the rebalancing mechanism? As a supplementary, to save time in a moment, are you doing contingency planning with respect to the level playing field?

Penny Mordaunt: Regarding the risks of retaliation, we think that would be a rare occurrence. We think that the bar for that, or for enacting any mechanisms, is extremely high. We do not anticipate that that will be a regular occurrence.

Clearly there are opportunities, and the focus that we have set out has been on job creation, promoting innovation and protection for workers and the environment. We have been very clear about our ambitions there.

We announced the consultation on a UK-wide subsidy control regime on 3 February, and we have set out our key focus and aims, which are: the economic regeneration of the whole of the UK, the four nations; the strategic interventions that will work there; and promoting our competitive edge. In all of this I would say that we are very mindful of our international commitments, including those in the TCA. We are starting that process of developing that strategy, but we do not think that retaliatory measures will be the norm. Certainly we are looking at these aspects in our contingency planning.

Lord Shipley: To be clear, you do not expect the rebalancing mechanism to be used very much.

Penny Mordaunt: That is correct. That is our assessment.

Q60 **Lord Wood of Anfield:** Thank you, Minister, for coming today. I would like to ask you about state aid. Obviously there are various candidate sectors and industries that might be considered your priority for state aid, such as sectors that you could not previously assist under the EU regime, sectors that are hugely affected by Covid, or sectors affected by the change to the new post-Brexit regime. Could you give us a sense of the Government's priorities for state aid in the coming months and years?

Penny Mordaunt: Again, I would draw your attention to the comments I just made about the BEIS consultation. There are clearly candidate sectors and people who have understandably been very vocal about the opportunities here. We have set out our strategic priorities. We want to understand how we can enable those industries to maximise the opportunities that are there now in every part of the UK. We are also taking advice and views on how we manage the most distortive kinds of subsidies and on how we can oversee this and what kind of independent body we need to ensure that. We have already set out in the United Kingdom Internal Market Bill how we want to ensure that it does not distort the internal market.

With regard to particular sectors, I think it is too early to give you any further information, but the base consultation closes at the end of March, so we should not have long to wait before something more substantial can be discussed.

Lord Wood of Anfield: I appreciate that. Is it your or the Government's view that leaving the EU gives us a lot more latitude on state aid than we had before?

Penny Mordaunt: It certainly enables us to focus on supporting those businesses with the innovation that we want to see and to focus on supporting our wider objectives, such as our environmental objectives. So, yes, it gives us more flexibility in that respect. We are also absolutely committed to our international obligations, and indeed to the ones under the TCA.

The Chair: It came to my mind as you were speaking that we may want to draw you on the proposals to help the businesses that are especially hit by Covid and the sectors that have been affected by Brexit.

Penny Mordaunt: There is a whole raft of things that we are doing that are not just directly related to future subsidy regimes or to any of the services that Emma has outlined earlier. There is a great deal of focus, in Treasury and in the Prime Minister's levelling-up agenda, on ensuring that we have a bottom-up plan for every part of the UK. Clearly there are certain sectors that have been particularly hit by this, and I hope that the disruption is short term, in part because of changes the EU has made to how it is looking at things. We had George Eustice's Statement yesterday

on shellfish, for example. Clearly there may be a focus on more investment to meet our ambitions for the fishing industry with regard to processing and so forth.

It is very clear what the opportunities are, and now we need to ensure that every part of the UK has the infrastructure and the capital it needs to make use of those opportunities. I could talk for days on what is happening across each sector, but perhaps the time would not allow me to do that.

Q61 Lord Lamont of Lerwick: Good afternoon, Minister. Could you say something about VAT? A number of our witnesses have included this in their list of burdens, and obviously there is a big change taking place with VAT payable at the point of import before the release of goods. There is also the issue of VAT payable on packages to a value below £135. All these have been mentioned by witnesses. I know the Government have introduced the postponed accounting system. Is there anything else that you think you can do, or is this just one of those things that is a teething problem?

Penny Mordaunt: Some of those changes, such as the removal of the low-value consignment relief, were done in part because the view was that the system was being abused. We are very aware of the issues that you mention.

The other thing that we have done to try to help has been ensuring that businesses are using brokers, freight-forwarders and other services to give them the advice and the technical support that they need. I also know that Treasury in particular is very focused on this suite of issues going forward.

Q62 Lord Faulkner of Worcester: Minister, it is great that you have come to see us. Like all my colleagues, I am very pleased to be able to thank you for your time today.

My question is about groupage. Some of our witnesses have said that this is becoming a particular problem, and one witness from the FDF told the committee that "it will be difficult for SMEs that rely on groupage. You can get it right as many times as you want, but if someone else gets it wrong, the lorry is held up". There has, as I understand, been an agreement between Defra and the Northern Ireland Department of Agriculture, Environment and Rural Affairs to agree a new haulage model. Can you say a word about that? Is anything similar being planned for links between Great Britain and the European Union, as opposed to Great Britain and Northern Ireland?

Penny Mordaunt: Yes, absolutely. I will mention a few things, and then I think Emma might be able to give you more detail about where we go next. We issued some guidance at the end of January just on practical mitigation. There is also the groupage export facilitation scheme, and we have set up logistic hubs to try to give businesses more options.

You alluded to a separate working group with regard to the Northern Ireland Protocol and the groupage pilot, as it is being referred to, between Defra and DAERA. Logistics UK is involved in that.

We absolutely want to ensure that we have some practical answers to this. That pilot is one of the examples of what we already have within our gift, without having to make any changes with regard to the EU. Maybe Emma can say more about how we might build on that with regards to the rest of EU, as well as to the island of Ireland.

Emma Churchill: Thank you very much, Minister. That is right. This was one of the issues in particular that were raised by hauliers moving goods from GB into Northern Ireland. Of course, exactly as you expressed, the challenge of the groupage model is that if one part of the consignment has not been sealed correctly, particularly when it comes to SPS goods, that can cause a delay to all.

Defra and DAERA—and Logistics UK; the Minister is right to say—worked very closely with Defra and DAERA colleagues on the new guidance, which sets out two different models that can be used. One is a consolidation hub, whereby the mixed products arrive in one specific premises and are consolidated and certified as a single unit. That means that a single certification officer can place a seal on the final load and can send it with the confidence that it will get across.

Another is a linear model, whereby hauliers can pick up several consignments from multiple locations but the guidance allows for the individual certification along the way. Equally, that gives the confidence that it will make a successful crossing. That is what Defra and DAERA colleagues have been working on in respect of Northern Ireland, and I think that is now out there and being used. It has gone beyond the pilot stage and is now being promulgated, so of course our Defra colleagues will be monitoring it very carefully to see whether it solves some of the issues that have been raised.

The Minister mentioned the groupage export facilitation scheme, which is something that our Defra colleagues have been working on. All of that, too, could support groupage movements from GB into EU as well as potentially the movements into Northern Ireland. I know that Defra colleagues are liaising with the European Commission and member states to see if that and other options can be used to facilitate the groupage model, because we recognise that that has been one of the hardest things to get right under the new requirements.

Lord Faulkner of Worcester: Can I put a slightly theoretical case to you of a British-based haulier who uses the port of Holyhead and sails to Dublin or Dún Laoghaire with a truck that has a variety of consignments in it? My understanding is that either he can deliver them inside the EU—that is, within Ireland—or he can deliver them to Northern Ireland, but he cannot do both. In other words, you cannot break the delivery and carry out deliveries in the Republic and then go over the border and do the same in the north. Is that right and, if so, can anything be done to

ameliorate that?

Emma Churchill: I think that technically is correct, but it is something that my colleagues in the Cabinet Office have been working on. I do not want to give you incorrect information, so I suggest that we write to you on that point.

Q63 **The Chair:** Thank you very much. Before we finish the session, I have a very quick question, which came to mind as I was listening to Lord Faulkner, about structural versus system issues. Minister, which processes are working smoothly and which are not?

Penny Mordaunt: Again, Emma, who is at the coalface of this, may be able to give you further details. I think there are issues with systems and, as I mentioned at the beginning, we have these narrow but deep problems, which are well publicised. The issues include scanning the correct barcode on exiting GB, which is being resolved through additional training and support, and the office of transit—box 51—issue, whereby people were filling in the wrong thing in the wrong place, which was causing freight to be falsely orange-routed. These issues have been dealt with and are being resolved.

I also mentioned the interface between French IT systems and ours. In addition to that are the issues that are perhaps more difficult to resolve, such as making sure that we are supporting business to adapt its supply chains. That is one of two main areas where people are incurring additional costs. Clearly in the negotiations we were trying to minimise that—examples include electric vehicles and batteries, the chemical sector and the agrifood sector. We were thinking about those things as we were negotiating, and in a lot of the answers that we have given today we have mentioned services and the thinking that is going on. We really want to carry on supporting those businesses to adapt those supply chains and to bring on new interfaces between their systems and ours.

The other main area is administrative costs. We are very conscious of trying to reduce the costs on businesses, and we are trying to make things simpler and to really support businesses in that respect. We have tried to push out some requirements. CDL will continue to discuss those things and to look at options to push out temporary easements; we want to focus on some permanent easements. As I mentioned, a lot of those can be within our gift, but they are certainly within the gift of the Joint Committee. There are things that can be done on the Northern Ireland protocol under the Joint Committee, before you get anywhere near having to go further and address issues in the protocol.

There is a lot that can be done. We are listening to businesses in order to have our agenda set by them and to take up their ideas. We want to make improvements to this but, by and large, given the tremendous work that our officials and businesses have done in the UK in particular, we are in a reasonable place, although we are not remotely complacent about the remaining issues.

The Chair: Thank you very much, Minister. We have finished exactly on time, so thank you very much for taking time out of your incredibly busy diary. Thank you to your officials for accompanying you here today. We know that you have a lot on your plate currently, but we would like you to keep coming back and updating us. It is really very helpful. With that, I conclude this meeting. Thank you very much.

Penny Mordaunt: Thank you, my Lords.