European Affairs Committee

Oral evidence: Trade in goods

Thursday 28 October 2021

3 pm

Watch the meeting

Members present: Earl of Kinnoull (The Chair); Baroness Couttie; Lord Faulkner of Worcester; Lord Foulkes of Cumnock; Lord Hannay of Chiswick; Lord Jay of Ewelme; Baroness Jolly; Lord Lamont of Lerwick; Lord Purvis of Tweed; Viscount Trenchard; Lord Tugendhat; Lord Wood of Anfield.

Evidence Session No. 2 Heard in Public Questions 16 - 32

Witnesses

I: Luke Hindlaugh, Senior EU and International Trade Executive, Food and Drink Federation; William Bain, Head of Trade Policy, British Chambers of Commerce; James Sibley, Head of International Affairs, Federation of Small Businesses.

Examination of witnesses

Luke Hindlaugh, William Bain and James Sibley.

Q16 **The Chair:** Welcome to this hybrid European Affairs Committee in the House of Lords and the public evidence session on our trade in goods inquiry—we expect the inquiry to be complete and to issue a report in mid-December—and welcome today to our three important witnesses in the inquiry. We have Luke Hindlaugh, William Bain and James Sibley.

I would ask each of you, because although we know who you are, those watching do not, when you speak for the first time, to give a brief introduction of yourself, so that people know who is giving evidence to us.

As it is a public evidence session a transcript will be taken, and we will send that on to you in due course. We would be very grateful if you could notify us of any corrections that are needed. It is, of course, important evidence for our inquiry and we may well be quoting from it in the report.

There is quite a lot to get through, and while we have enough time here to do it, I would encourage people to keep their answers crisp. I know it is very tempting to get every last detail out, but there will be an opportunity afterwards for you to submit further evidence in writing, so if you feel yourself about to go on at length, I would encourage you to take advantage of that.

That said, I will ask the first question, and it is really very simple. We are now coming up to a year since the transition period ended and the trade and co-operation agreement came into force, and I wonder how you would characterise the overall impact of these changes for GB-EU trade in goods and what you think the key remaining challenges are. Perhaps I could begin, merely because he is top of my screen, by asking that of Luke.

Luke Hindlaugh: Thank you, Chair, and thank you members of the committee. I am the Senior EU and International Trade Executive at FDF. I look after the customs, borders, SPS and Northern Ireland policy there.

I would describe the relationship so far, now that we are nearly 11 months in, as being significant and disruptive for the food and drink industry. I think we are probably one of the industries that has been mostly impacted by the TCA and the requirements under it, and I think that is borne out in the trade data. When you look at exports to the EU in the period from January to August ’21, and then compare it with the same period in 2018, which is the ONS’s preferred year, that is down by about 24% in exports—about £2 billion in value. EU to GB trade is down by about 9% compared with the same period. When you look at the non-EU exports for the same period, they are up by about 7%. So I think there clearly has been an impact to the trade relationship with the EU. Some of that will be because of Covid and some of that will be because we are adjusting, but I think a lot of that share will be down to the new requirements for the food and drink trade.

I think some of the barriers are largely around the bureaucracy and the admin now. For customs and rules of origin I think the real struggle for businesses is to make sure that they have the data necessary to complete the declarations and that they are applying that in a consistent way in the customs declarations when they are submitted. For SPS it is a real struggle to make sure that you are able to get the EHC signed by the official veterinarian in the UK, in order to get stock exported, and to make sure that they have the necessary data to feel confident to sign that certificate, because it is their name on the line if anything goes wrong with that. This includes making sure that that document is uploaded to TRACES, and that the data on the export health certificate is the same as it is on TRACES; otherwise, you will be pinged for a check. Just going through the documentary ID and physical checks at border control posts adds time and complexity and it makes your exports less competitive.

I think that is how I would describe it. Because of the way in which the requirements are different between exports and imports, it is difficult to categorically say what is going to happen for imports—we are still waiting to hear about that—but I think that it has been significant for exports to the EU.

The Chair: Thank you very much. Perhaps we could move to William Bain.

William Bain: Good afternoon, Lord Chair and members of the committee. Thank you very much for the invitation to give evidence. I am the Head of Trade Policy at the British Chambers of Commerce.

I think the answer to your question is that the situation is very challenging. It is true that the worst-case scenario of severe lorry queues stretching back mile upon mile in Kent for weeks on end did not come to pass, but there have been many issues around SPS paperwork that have inconvenienced our members: lorries of food not getting through in the time that they should be getting through in, on some occasions being lost and having to be retrieved with the help of HMRC; the impact of rules of origin on manufacturing and distribution hubs in the UK has been really quite strong; issues around customs declarations; inconsistent application of customs rules in some Member States; import VAT as well. All these together have acted as major disincentives to cross-border trade that simply were not there before 1 January.

It is true that we appreciate the zero-tariff, zero-quota nature of the deal for qualifying goods, but there have been severe problems on the non-tariff barrier side of things. We hope that the phased introduction of the inbound Great Britain border and customs controls in January and July of next year will not worsen the supply chain crises that are affecting our members at the same time as well.

As the economy opens up we need to see more flexibility on business travel and activities that can be undertaken by business travellers in the

EU, on SPS, on VAT and on the easements on proof of origin, which will expire on the 1 January.

James Sibley: Thank you, Chair, and thank you for the invitation to give evidence today. I am Head of International Affairs at the Federation of Small Businesses—the FSB.

I would concur with my other panellists. The impact of the move to trading under the TCA has been significant and it has been very challenging for many of our smaller firms engaged in cross-border trade in goods with the EU. We have been surveying this quarterly throughout this year and have conducted three surveys on this so far. The big headline figure from our most recent of these surveys—in September—is that about a fifth of our members who export to the EU, or previously exported to the EU, have stopped that activity since the beginning of this year. Of that, 4% say that it is a permanent stop and 17% say that it is a temporary stop in their view. But there is a significant challenge for many of our small firms trading in goods, and the reasons behind that are numerous: VAT is a particular challenge, both for import and for export, as are rules of origin.

We also welcome the zero-tariff, zero-quota nature of the TCA, which William mentioned from BCC's point of view, but obviously that is for qualifying goods. Rules of origin have been a particular challenge for many SMEs which, prior to beginning this year, were familiar with neither rules of origin nor proof of origin.

The volume of customs paperwork and the costs associated with that has also been a challenge for many firms. We represent companies at the smaller end of the spectrum, quite obviously, and they often lack the resources to make these adjustments.

So it has been a challenging year.

Q17 **The Chair:** Thank you very much indeed for that. I have just a very short follow-up before we move to other questioners. Could you briefly comment on whether there are differences in the impact of Brexit by size of business, whether there are differences between and among the business sectors and whether you have any specific examples of that? Perhaps I could return to Luke.

Luke Hindlaugh: I will start with size. When it comes to business size, in the early months or weeks large businesses were struggling—it was taking them the same length of time as the SMEs—but I think they have managed to adjust. The issues they are struggling with have probably now moved from the teething issues to the structural ones, in that it takes them an added number of days and more people, and there is just more cost.

I think that, for the smaller SMEs, the same problems are there, but they just have fewer resources to deal with them. Although large businesses might have a dedicated trade compliance or regulatory compliance department, small businesses will not be able to.

One aspect that has particularly impacted small businesses has been groupage, and the issues they have had with groupage and movement of food and drink. We surveyed some of our members back in February who were reporting about 80% of their groupage movements were facing significant challenges, and that is principally how most SMEs export; they do not have the volumes to be able to fill up lorries. So groupage is their principal way of moving things. It is very difficult because with groupage you rely on every trader making sure that all the declarations are done properly; one non-complying trader can hold that whole lorry up.

In terms of sectors, food and drink has been impacted the most. I think that within food and drink some are now doing better than others. When you look at the high value goods, such as the alcohols or high-value goods such as salmon that have a lot of built-in margin or ones that are smoked and so have a bit more time, they have largely adjusted and have recovered.

I think where the biggest impact has been are those animal products that are either low margin or fresh, or just simply a bit more complicated. The biggest issues are to do with the relationship between the trader and the vet and making sure that they can get that export health certificate signed, and to do that you have to provide all the traceability data on any animal product that is in that product and the treatment that is has gone through to make sure it meets that requirement.

To give you an example, if you are exporting lasagne you might have anywhere between six and nine different products of animal origin in it that you have to trace back, and within those products of animal origin you will have different batches that those come from. To make the béchamel sauce, you might have cream that has come from different sources of dairy or even dairy that has been produced on different days, and you will have to trace back to each different batch to make sure that you can prove the traceability of that. That is a really time-consuming and complex process.

The Chair: Thank you very much. We have quite a lot to get through, so I would urge crispness please, but William, do you have anything very briefly to add to that debate, knowing that we will pick this up in later questioning?

William Bain: Again agreeing with Luke, agri-food faces particular burdens, given the requirements for export health certificates. We have also picked up significant disruption for e-commerce retailers or small sellers selling goods to customers in the EU. Again, largely, the VAT issues have been the problem there.

Also, some micro businesses have been in touch with us to say that the increased customs and border delays, the increase in raw material costs that manufacturers are experiencing at the moment and the delays and extra costs in terms of shipping containers from China are all adding together to make a very challenging environment in which to get goods to customers in the European Union.

James Sibley: We have had many conversations with our members over the past 11 months, and the thing that you notice is that the micro and small end of the SME spectrum quite often lacks the resource to make the necessary adjustments, whereas if you speak to some businesses more at the medium end of the SME spectrum, who may have more capital and more human resource, they often—not always— seem more able to adjust and explore options such as warehousing stock in the EU, hiring extra resource to deal with customs in-house, and these sorts of things. So there is a difference in terms of the size of the business and their ability to adjust.

In terms of sectors, I concur that food and drink has been one of the hardest hit sectors, but that also extends to businesses handling other forms of products of animal origin—for instance dealing with leather. Additionally, for e-commerce, the VAT has been a particular challenge—I know we will touch on that later. More generally, retail has been hit with the challenges presented by rules of origin. For some business models, that involves importing finished goods from outside of the UK, warehousing them—

The Chair: We will come on to some of that later on. Perhaps at this stage I could hand over to Lord Lamont.

Q18 **Lord Lamont of Lerwick:** Thank you very much. I was going to ask to what extent the businesses you represent have adjusted to the new landscape and how far the initial problems have subsided, but I guess the answer to that is that they have not at all, because you were describing all the problems you were having, but if you have anything fresh or different to add perhaps you would.

You also mentioned rules of origin, but I really wanted to ask about regulatory divergence. That presumably cannot be a real problem in your minds at this stage, because we have not really had any regulatory divergence. Surely your members and you would be open minded about regulatory divergence, both about the possible upside as well as the possible downside—you would have to wait and see what it was. Perhaps we could start with Luke.

Luke Hindlaugh: I would agree that regulatory divergence is not an issue yet. Now that we are outside the EU Single Market and customs union, regardless of whether our regulations are completely aligned or whether they are different, we will have to meet EU rules anyway—that is by the by. I think that businesses that have a footprint in trading in both the UK and the EU market—there will be businesses that benefit from divergence in that you are allowing them to do things better because they are focused on the UK market only, and there will be benefits from that—will worry about how they would begin to manage both of those markets.

An example that might be on the cards is labelling for food and drink. At the moment we have traffic light labelling across the UK and Ireland, but a number of Member States have Nutri-Score, which is a different policy, where essentially you have A to E on a health scale. If Ireland were to move to a Nutri-Score system you would have a position where members, who typically treat their UK and Ireland sales quite similarly now that they are sending the same amount of good to the UK and Ireland, would have to segregate those goods and that would take up a lot of resources.

You would have to have the extra space to keep those segregated goods, a system to manage where they are and the people to manage that segregation.

William Bain: In our response to Lord Frost's inquiry on the future of UK regulation, we differentiated between the areas in which the Single Market had never been completed and the industries of the future—areas such as AI, autonomous vehicles, these sorts of areas. Although clearly the UK will plough its own furrow in terms of regulating new industries, we see a case for keeping things as they are in existing products where regulation has been very long standing. We do not really see any benefit in having different regulation on the specifications of fridges in the UK simply for the sake of it.

Lord Lamont of Lerwick: But surely the Government are not going to do it for the sake of it. They would wait and see. They will do it partly in response to representations.

William Bain: Indeed, we want this to be an evidence-led process. I think we see the benefit in keeping regulation on industrial goods the same as it is at the moment. Clearly there will be divergences over time, but maintaining the central parts of the regulation as they are in order to keep costs down for businesses is the key thing for us.

James Sibley: I would concur with William about goods regulation. Even if the UK stands still, the EU is going to move—the EU has outstanding proposals on labelling, eco-design and electrical goods, and the machinery directive is being revised currently—and our members will adapt or attempt to adapt to that in the future.

When it comes to regulatory divergence in the UK, the FSB has made the case that with Brexit there is an opportunity to review the overall body of regulation and assess where there are duplicative requirements and unnecessary regulatory burdens placed on SMEs, and to reduce or to minimise those. That is an opportunity presented to us now, so we think that that should be looked at, and we have made that point to Lord Frost when it comes to his work with the Brexit Opportunities Unit.

Lord Lamont of Lerwick: I think it was Mr Bain who mentioned import VAT. Is it the paperwork with import VAT, or is it the liquidity issue?

William Bain: There are a few connected issues, and I hope we can get into these in quite a bit of depth later. I think there are two main issues. One is the way that the import one-stop shop operates for UK companies, for goods below €150 in value that are being exported. There has been quite a bit of bureaucracy there. The other issue that has been identified to us is the need to have a fiscal representative in the European Union. We have had some really disturbing case studies about companies that have fallen foul of this new approach. So I think those are the two key issues that most companies have experienced VAT problems with.

Q19 **Lord Hannay of Chiswick:** I wonder whether I could carry on with a couple of supplementary questions in roughly the same area. First, have any of you three and your organisations seen any evidence of significant reorientation of supply chains so far, as a result of either new barriers or new friction in the UK-EU trade in goods? Secondly, have you, your members or your associations noted differing trends during 2021—that is, since the transitional period ended—in the pattern of the UK's trade, both exports and imports, with countries in the EU and with third countries outside the EU?

Luke Hindlaugh: I am happy to pick this one up first. On your first point, about reorientation, until you get the full controls in place, it is difficult to say fully what is going to happen with the reorientation of the supply chain. I think that, in terms of exports, you will have seen the reorientation. I would give two headline examples of this. The direct crossings from Ireland to mainland EU are an example of reorientation, which is either an example of there being those who do not want to use the transit mechanism if they are leaving the EU's customs territory and then going back in, or an issue that stems from the rules of origin whereby if goods travel from the EU to GB and then back into the EU, they lose their origin once they leave the EU, and then cannot claim preference.

Some other orientations that would have been driven not perhaps by the barriers but by the rules of origin are where companies are on the line between meeting the rules of origin and not meeting them. For example, there will be some who deal in juices who, instead of bringing it in as a juice, will bring it in as a pulp, because that means that they can change the tariff classification and then meet the rules of origin, so there has been evidence of that.

There are some examples of where it is not possible to do that. The rules of origin on meat are notoriously tricky, because they are so much stricter than in other areas. For example, if you are exporting a chicken pie, you are probably typically using chicken from either Brazil or Thailand, because of the extra value you get from it that you cannot get from the EU, for reasons of carcass balance. So those are exports that have probably just stopped.

In terms of trends, obviously we saw the big drops in trade in January and February and then we saw the recovery. I think that when you look at some of the data, you can see that we are probably getting to a new normal, in that trade between GB and the EU is probably now down by about 20% and will probably stay there. There will obviously be peaks and troughs—as we head into the Christmas period demand goes up—but

I think that, by and large, you are now probably looking at the new normal in the relationship.

William Bain: In addition, we have also seen some extra movement of transit through Northern Ireland. We are seeing journeys going from Great Britain to Northern Ireland and then down to the Republic of Ireland in order to avoid the crossing from Holyhead, so we are seeing quite a drop in the amount of throughput which is coming through the port at Holyhead.

In terms of supply chains, I think the key issue that some companies have perhaps not fully appreciated is how the carouselling of goods—the use of distribution hubs in Great Britain for the storage of goods made in the EU that are then re-exported there—could, without the use of mitigation, involve a tariff on that second journey.

Companies have made quite a few structural changes in response to that. They have had to look at offshoring some of their distribution functions into the European Union in order to avoid tariffs. They have looked also at some steps around returned goods relief and customs warehousing, which again can be used to avoid the exposure to tariffs.

These are structural changes that businesses have had to adapt to very quickly. For larger businesses, it is a lot easier than for smaller ones, and that is a key difference that I think has to be put on the record.

Sorry, could you remind me of the second point?

Lord Hannay of Chiswick: The second point was whether you, your association or your members had noticed any trends in trade in goods between Britain and the EU, as compared with trade in goods between Britain and third countries outside the EU, where presumably there has not, in fact, been much change.

William Bain: I think the key market in which we are spotting significant changes is Germany. There has been quite a marked fall in UK exports to Germany since 2018—the last period of stability before all the changes. So I think we would have particular concerns about what is happening in the German market for our exports.

James Sibley: I would just add that from a survey earlier this year we know that around one in 10 of our importers and exporters is looking at markets outside the EU, but that does not necessarily mean that they have acted. We find that because SMEs obviously have fewer resources, it is harder for them to reorganise their supply chains dramatically. It is a trend that we are tracking, but we think it is still quite early in the day for a full analysis of whether supply chains are reconfiguring.

With regard to EU versus non-EU trends, although our members' trade has remained quite static in the most popular markets—unsurprisingly, they are the US, France, Germany and Ireland—the refrain you will commonly hear is, "It is easier for me to send X to New Zealand than it is to France". But that is obviously because of the significant changes that have happened since the start of the year and the level of familiarisation our members have had to engage in, in response to that.

The Chair: Can I just ask Mr Bain one question of clarification? You said that exports to Germany were dropping, but in what sectors? Is that confined to one sector, or is it across the board?

William Bain: In terms of the responders to our quarterly economic survey, a quarter are goods exporters, and three-quarters are services exporters. So we are seeing issues with the restrictions on the ability to provide services post 1 January and issues with exports of goods, such as agri-food and other manufactured goods.

Lord Lamont of Lerwick: What about imports from Germany?

William Bain: There are various figures one can choose to look at here. There are the ONS figures and the HMRC ones, and Eurostat has produced some other figures—there is some variability between the two. There has been a fall in imports from Germany. How marked it can be said to have been depends on which set of figures you look at, but it is quite substantially less than the fall in exports to Germany.

Q20 **Lord Tugendhat:** What you say about Germany is interesting, but it is difficult to put a value on it unless one knows what the position French, Danish and Irish exports to Germany are and to what extent this matter is a result of declines in the German economy. What you say is interesting, but it is meaningless unless one can compare it with what is happening to other suppliers and the extent to which the German economy is underperforming.

Luke Hindlaugh: Just to add to that, I think that when you look at the trends in food and drink exports, Germany, too, has had a significant drop, among other countries in the EU.

An interesting one is exports to France. When we look at the breakdown by Member States, we can see that exports to France are pretty much above pre-pandemic and pre-transition levels. That might be because of the way in which a lot of UK exporters have moved on to Incoterms DDP—under those rules, exporters do most of the paperwork and take over any duty liabilities—to retain customers, and most companies would do that by setting up fiscal representation in France and making sure they have a customs agent that can do the import clearance as well. That probably shows that although exports to France are up, we are trading not significantly more with France. It might just be that more is being declared in France and that it is then simply moved into other countries, such as Germany and Spain.

The Chair: Of course, you know that also we have access to the ONS numbers and things like that, but if you had written evidence, particularly from member surveys, that would be very interesting to us. Perhaps you could send us some afterwards; I will remind you at the end.

Q21 **Lord Foulkes of Cumnock:** Good afternoon, gentlemen. You may have seen, from the evidence that we got last week, that we were told that there is some difficulty in disentangling problems arising from Brexit from those arising from Covid. To what extent do you find it difficult to distinguish between problems arising from Covid and problems arising from Brexit? Could you also say whether you think Covid is being used as an excuse for problems that are, in fact, arising from Brexit?

Luke Hindlaugh: Disentangling the Covid impact, the Brexit impact and other impacts that happened just before the transition period ended, such as stockpiling or the closure of the short straits because of the coronavirus restrictions that were in place a week or two before the end of the transition period, will never be an exact science. Probably the best thing you can do is to compare exports to the EU with non-EU ones, where you can see a decline of 24% to the EU and growth of 7% or 8% to non-EU countries.

It will not be too helpful to compare this year, after the end of the transition period, with previous years, because inevitably our exports to the EU will recover; they will get back to a point where we have growth—back to pre-pandemic levels. I think the key issue is how we will assess where we could have been, had we had a different relationship, either a more positive relationship or one we left with no deal. I think those would be the key measures in assessing the TCA's impacts.

William Bain: It is interesting to think about what happened from March of last year. We had a huge shock to global demand as good chunks of the world went into lockdown and economic activity crashed. That meant that when the economy started to snap back and demand started to return and people want to buy more of the goods that they perhaps did not last year, we had problems such as global shipping costs. Our members have reported that the cost of getting a container from south-east Asia into northern Europe has gone up by around seven or eightfold. That has had a clear impact on things as well.

There has been a perfect storm caused by Brexit and Covid coming together at the same time. There is no doubt that issues around labour shortages and skills shortages have played a role in, for example, goods remaining at ports or docks longer than we were used to seeing before. That is why, in areas like supply chain shortages and problems such as that, we are calling for the Government to have a plan around how we make adjustments, to labour market policy, principally, such as by having the points-based system and the end of free movement to ease things for businesses, particularly for SMEs.

It is pretty clear that yesterday the OBR had its own view on the macroeconomic issues around Brexit and Covid, but, for us, I would say the really unfortunate thing is the way in which they operated at the same time to increase costs for importers and manufacturers and to cause supply chain problems.

James Sibley: I think it is hard to fully separate the two. Elements of the demand shock that Willie referred to continue. Our members in automotive and aerospace supply chains, for instance, continue to suffer from lower demand for the products produced by those sectors. In addition, the cost of freight is having a knock-on impact, not just for our importers but for our exporters importing components and raw material. When you speak to our members who have stopped trading with the EU or who are finding it particularly challenging, they refer to structural changes and structural issues such as the cost and burden of VAT registration, the changes to the rules of origin and the need to comply with them and prove origin, and the volume of customs paperwork, which are things that, obviously, are not related to Covid. The issue is that that companies may not have the margin to absorb those costs. If you are dealing with luxury items, you may be able to, but may be less likely to be able to with fast-moving consumer good. So there are structural changes at play.

Lord Foulkes of Cumnock: You have all been very diplomatic and have not risen to my tempting you to let me know whether any of you think that the Government might be using Covid as a cover for the avoidable disaster of Brexit. Are any of you attempted?

The Chair: Or the other way round.

Lord Foulkes of Cumnock: No, you are being very diplomatic. Lord Lamont is on the committee, so that is very wise. Thank you very much indeed.

The Chair: Thank you very much indeed, Lord Foulkes. We move to the second of our members who this afternoon are participating remotely.

Q22 **Lord Faulkner of Worcester:** My question is one to which I think I will get different answers from you, which I am quite pleased about. It is about the effect of the delays in implementing import controls. We have something on the record from Willie Bain saying that it is quite a good thing that these have not come in, and I would like you to explain why you think that is so. Luke, I think you are saying that it is all a disaster, so I would like you to expand on that. The question really is: leaving aside the timing of the announcements, did the businesses and the sectors you represent support the decision to delay controls, or oppose it? Can I start with Willie Bain?

William Bain: Our members supported the decision, because they saw it as a pragmatic response to the fact that not all the border infrastructure at all the UK ports was in place. We also have a particular need to prioritise the flow of goods, given that we do have a supply chain crisis at the moment. We felt that the combination of those two things meant that a pragmatic introduction of these controls, on a slightly delayed basis, would be better in order not to worsen problems with supply chains, both in the run-up to Christmas and beyond.

I think another important factor that should be noted is that in the summer period the UK is less dependent on imports of food from the EU; we are consuming more of the foods that we make ourselves in the UK in that period. If you will introduce a very big change such as identity and physical checks on SPS products, it would seem a more logical time to introduce them in the summer, in July of next year, when we will be importing somewhat less than we are at the end of the year, when we are more reliant on EU imports in our food supply chains.

Lord Faulkner of Worcester: Before Luke comes in, can I challenge you on one thing that you have just said about the slight delay? This has been delayed from April and then July 2021, then pushed back to October 2021, January 2022 and March 2022, and now we are expecting that it will be July 2022. If that is a slight delay, what is a serious one?

William Bain: One may ask the Border and Protocol Delivery Group. Certainly, our sense was that the Government needed to be pragmatic, given the supply chain crises that were taking off when these decisions had to be made. They could have decided to have extensions of three months at a time, but I think that, given the likely duration of the supply chain issues, it seems sensible to have a delay that is long enough to make sure all the infrastructure is going to be built at all the UK ports where it is needed and make sure that when the SPS checks are introduced, they are ready to go. Certainly, having a further delay would have been damaging for the credibility of applying these controls, but we felt that this delay was justified, and our members have been supportive of that approach.

Lord Faulkner of Worcester: Luke, I suspect your members are not quite so sanguine about this, are they?

Luke Hindlaugh: We criticised the announcement when it came, more because of the lateness and how it was handled, and the majority of our members—both exporters and importers, and members who have a foot on both sides of the border—supported us in that, for the following principal reasons. The originally timetabled dates, in April and July, made sense to us; we were happy with that before the end of the transition period.

I think the second delay was kind of an "Okay, we'll live with that". The third delay was to do with exporters, which in particular have been facing the brunt since 1 January 2021 and have felt that the Government have not really pushed for replicating what they are doing with the imports—as I mentioned earlier, a lot of UK businesses have taken on Incoterms DDP to retain customers in the EU. So it is not a case of the EU imposing this on its own businesses; it is a case of UK exports facing it on both sides of the channel.

Secondly, I think this removes leverage around getting some of the easements that were agreed when the TCA was first in place. I understand that on 1 July we will move to a system of SPS e-certification for imports, but I think it is going to be imports first and then exports. The fact that the EU has not yet felt the pain has probably removed the leverage around getting similar treatments for the exports.

Thirdly, I do not think it solves the issues. A lot of the issues in the supply chain at the moment are around access to labour. I do not think those issues will be any easier or in a better place come January or July, when this comes in. The issues that supply chains are dealing with are not short term.

Lastly, just to reiterate a point, delaying these checks does not make them any easier. You are still going to have to prepare for them and adjust to them—businesses have now gone around three times investing in the preparations for these—and make sure that people put the resource in. The same exporters have been looking at these issues in 2018, 2019, 2020 and 2021, which includes all the Covid pandemic, so there is now probably an issue of fatigue, given that for probably four or five years the logistics people have been going at this head-on and with full force.

Lord Faulkner of Worcester: Your members must have wasted time and quite a lot of money getting ready for the original set of deadlines, but they are now having to do it all over again.

Luke Hindlaugh: Yes. There will inevitably be some knowledge that people retain about the processes, which is good, and people will have a firmly solidified idea of what needs to be done and how to do it. However, things have been invested and wasted—having on retainer your customs agency to deal with the import requirements or, if you have a footprint on both sides, your vets to do the EHCs—and resources are needed for gearing up systems in your company to make sure that you have the necessary data to do the declarations when needed. That is resource that could have been spent elsewhere had it not been for such a late delay on this.

Lord Faulkner of Worcester: James, do you want to add anything to the slightly different things your two friends have said?

James Sibley: Yes. We, like the BCC, welcomed the delay as probably a sensible decision, considering the supply chain crisis. Also, in our view, more needs to be done, with some SMEs still needing to prepare fully for what is coming. But it is clear that this cannot be a long-term solution—not that there is a suggestion that it is—and there is disquiet in our membership about the asymmetric nature of import controls. So I would just add that, thank you.

The Chair: Thank you very much indeed. We move to Lord Jay, who I believe is going to pick up on this.

Q23 **Lord Jay of Ewelme:** Continuing on the same theme as that of the questions asked by Lord Faulkner, I think I am right in saying that the announcement of the delay to import control came on 14 September, just over two weeks before the first set of controls was due to be introduced, on 1 October. Leaving aside the merits of the decision to delay, I just wonder whether the timing of the announcement was problematic from a business perspective for your members?

William Bain: I think it is always preferable to have as much time as possible. We each have different kinds of companies in our membership and each will have different precise kinds of needs. From our point of view, we had no complaints communicated to us at all through the chambers network about shifting the timelines. No one said that they did not have sufficient time to get ready for this. Our sense is that the preparations that have been done by our members were certainly not wasted and can be stood up again in time for the new timelines the BDG has put through. So, yes, an earlier announcement would have given us enough time to communicate the messages even more widely, but we do not think that the three-week period caused us too much hardship.

Lord Jay of Ewelme: Thank you very much for that. Is that a view shared by the other witnesses?

Luke Hindlaugh: May I come in here? I think there are three issues. First, the lateness meant that businesses had to keep preparing right up to the wire, at a cost, as alluded to. You could not take the risk of not preparing, despite all the rumours that were going round around a possible delay.

Secondly, the bar has been set for the next sets of changes in that if people feel that things are bumpy or tricky in the run-up to them, they will probably expect a delay again and take their foot off the pedal.

Thirdly, I think the biggest incentive you can give to prepare is the absolute clarity that this is going to happen. That is the single biggest intervention Government can make around preparations. If companies know that these changes will come and that there is a risk that their goods will get stuck on the other side of the border, they will prepare. They do not want to have their competitors at an advantage if their processing happens to stop while they are trying to get their goods over the border.

James Sibley: I would agree that more than two weeks' notice is always going to be welcome, whatever the announcement. I would also agree that, for our SMEs that have prepared, this normally involves contracting a customs intermediary, which is going to be a good idea for affected SMEs in any case. Whether that was done in August or September or whether it is done now, before the end of the year, it is a good idea to get it sorted and to establish that relationship. I think our bigger concern is for those companies that still do not feel that they are fully prepared for the changes on 1 January. I think that is our focus.

Q24 **Lord Jay of Ewelme:** In the light of what you have just said, how confident are you and your members that the revised timetable for the introduction of import controls will be delivered on time without further delay and that you will have the clarity that you just said is so important? Who would like to have a go at that? Perhaps you can answer in reverse order.

James Sibley: The Government are telling us that it is coming in on 1 January or 1 July, and we can only go with that. It does not help our members to speculate, so we have to work to that timetable.

Lord Jay of Ewelme: Do the others agree on that?

Luke Hindlaugh: I would agree. I think it is more likely than not. I think the Government need to instil in businesses the belief that it is going to happen, to make sure the preparations happen. That is the biggest way in which you can get companies to understand the changes and to make sure they have the data they will be using to complete the declarations: to share them with agents and intermediaries.

William Bain: I think the key reassurances would be seeing the diggers on the ground and seeing the border control posts across the country beginning to be put into place. We have much greater assurance this time around that that is happening and that it will be ready for July.

Q25 **Viscount Trenchard:** Could our three witnesses say a bit more about what they think the Government should be doing with the extra time resulting from the delay. In answering that, could they comment on the potential upside that they think there might be for international trade from our adopting different, less cumbersome checks and controls, especially if the EU diverges from UK regulations? Do you agree with Lord Frost, who told us that the level of risk we face does not require us "to adopt the same levels of checks and controls required by EU systems"? Could I start with Mr Bain?

William Bain: Thank you very much indeed. I think the best use the Government can make of this additional time is to ensure trader readiness. As Luke described, some purchasers or importers will bring goods in on a delivery duty-paid basis, and that means it is down to the supplier, whether it is the company exporting the grapes from Portugal, the cheese from France or the meat from Denmark, to make sure that it has complied with all of the requirements to hand over those goods on a delivery duty-paid basis. There are other people who purchase goods from wholesalers, so the burden would be on the wholesaler to have made sure that all those requirements are in place.

I think the greatest problem will be trader unreadiness in the European Union—small companies that may not be prepared for what is ahead that are supplying, for example, cheeses or meat products to UK retailers. We would urge the Commission to have much more effective communications with those small EU companies. As part of our Chambers of Commerce network, we have international chambers that I know are working very hard to make clear to the small companies that they work with, in France, Spain et cetera, what is going to be required and the new formalities that they must comply with. I think trader readiness is the key thing alongside getting those border control posts completely in place.

On the question of Lord Frost's recent comments, clearly we understand that there is a process going on in the Cabinet Office whereby it is going through different parts of legislation, the retained EU law as it is called, to look at areas that they think there can be immediate divergence from. In relation to agri-food, it is hard to think of any areas at this point that you would want to see immediate divergence from, because, after all, you would surely need to do an impact assessment to see what the costs on business would be. What would it mean for trade with the EU if we were to change approach?

We would say that in the short term there does not seem to be much rationale for changing food regulation. In any case, the Government promised that food standards would stay the same. In relation to the proportion of physical checks that the UK may want to apply, that is of course something that it can itself decide on—we do not see a problem with it wanting to have a lower proportion of physical checks than the EU—but we do not see a case for changes to the legislation in the short term.

Viscount Trenchard: Could I just ask the other two to add to that, bearing in mind that I referred to not us but the EU changing, because we are always talking about our changing? We now have retained EU law, but what happens if the EU seeks to change from that? Could I start with Luke?

Luke Hindlaugh: On your first point, about what we can do with the extra time, I think I would agree with William about ensuring trader readiness. One thing we can do is to look at improving the guidance. For example, in food and drink we have to deal with multiple government agencies—HMRC, Customs, Defra via APHA, FSA for SPS, port health—and we should bring all that into one place, for an end-to-end journey.

Another thing you can do is just to test, test, test by doing desktop exercises running through processes with traders, and by doing physical tests, including getting the actual lorry to go through. Those are all things that will help you to understand where the pinch points will be. Also, test new systems such as the goods vehicle movement system, which is going to be used for ro-ro crossings. Make sure you have the forums in place for when we go live on some of the checks, to share intel. A lot of problems that will happen with traders once the checks start will be common ones—they will happen to most traders—and making sure that you can communicate those problems quickly and clearly to traders will probably have a big impact in making sure that they are all ready.

We are absolute supporters of the UK doing things differently in its imports regime. Although we criticised the move to delay, we are not against the UK Government making innovations. Lord Frost talked about doing checks on products of animal origin differently. Essentially, we are removing the ID part of the check. We are happy with that.

We are particularly happy with the 2025 UK Border Strategy. I think that is an excellent strategy by the Government. There are a lot of great things in there. We applaud the priority given to it by Lord Frost in Tuesday’s session.

As for what the EU can do differently, we do not agree that we should have the same risk profile as other countries. We were a member for a long time and we have the same regulations, so we think that we should be able to do things to streamline processes, such as by having an SPS equivalence deal, which the Government want to do. That would help massively.

James Sibley: I would agree that trade readiness should be the priority when using this time, and I will mention two thoughts that we have as to what can be done about that.

First, in the run-up to January we had the Get Ready for Brexit campaign. Obviously, Brexit has happened and things cannot be the same, but we need a focus campaign for getting importers ready for introduction of import controls.

Secondly, earlier this year Government launched the SME Brexit Support Fund, with the aim of improving small businesses' customs knowledge and ability to deal with the changes that we have seen. That fund closed, but we think there is an argument for reopening it or introducing a new, reformed version, to allow businesses at least to know what they should be looking out for—Luke mentioned DDP, for example, and knowing when your courier or your customs intermediary gets it wrong. We are not expecting SMEs to become customs experts overnight, but they need that base level of knowledge in order to know what they are dealing with.

With regard to Lord Frost's comments, others have addressed SPS. I can say that FSB has been active in Brussels for many years and it continues to be. We have had many arguments with the Commission where we have disagreed with how the EU wants to design its approach to border management, customs, and market surveillance. There are lots of things that we think could be done differently. To give one example, I think that how the EU deals with e-commerce and low-value consignments could be dealt with a lot more liberally by the UK. So, yes, there are things that could be done differently.

Q26 **Lord Hannay of Chiswick:** What you are saying is very interesting. Lord Trenchard's question clearly addresses something we will have to live with for the foreseeable future—a European Union that changes its regulations from time to time without us having a direct say in those changes.

Could all three of you perhaps comment on what your experience has been so far, in the first nine months of living in separate worlds from the EU, in getting your point of view across to those who shape decisions in the EU—the Member States, the Commission and the European Parliament? Do you have any evidence that you are able to exercise influence, or have you been left without virtually any influence on the emergence of new or amended regulations?

James Sibley: The door is not shut. FSB continues to be a member of the European association SMEunited, and I think that via our membership we have considerable influence in the association's policy positions and its lobbying of the European institutions. In addition, through lobbying off our own bat, we continue to have meetings with MEPs, permanent representations and the Commission. Obviously, it is from a third-country perspective—we are not their constituents—but, as before, if we are able to come with evidence, proposals and data, we still get a hearing, and that has not changed.

Luke Hindlaugh: I think I can come in next. It is much the same for us. We very much link in with our trade associations in Europe to put our view across, and we feel that that is the best way to do it—to hear it from European traders themselves. Also, we need to give credit to Government. There have been some changes in the food and drink space that have already happened that Defra has been very supportive and helpful with.

I will give one example of this about the changes to the official controls that happened on 21 April 2021, which essentially changed the requirements for sending composite products into the EU. There were a number of issues within those certificates as they were drafted and then put out for use in practice that simply were not going to work. We worked with Defra, which was also liaising with the Commission, and it was able to clarify and change some of those things, which were simply about the heat treatment of milk and those products that would have stopped being exported, had those changes not happened.

William Bain: There are a number of areas where it is clear that UK business will have to engage with the European Union. One thinks about the Carbon Border Adjustment Mechanism proposals, which could apply to UK exports to the European Union. That is one area. Business will pick and choose. There will be some areas where I think we would seek to have direct engagement, if possible, with the Commission and perhaps with some of the Member States' ambassadors as well. There will be other areas, for example where we have the British Chamber of Commerce in Brussels, which can take on some representative work for us.

So I think it is going to be a blended approach. I think we are all looking forward to the establishment both of the parliamentary assembly between the EU and the UK and of the civil society forum, which I think will give business a tremendous opportunity to make the points that need to be made to parliamentarians on both sides.

The Chair: Thank you very much indeed for your interesting words there.

Q27 **Lord Wood of Anfield:** I would like to take us back to the short term. A lot of changes are still coming in, and in eight weeks' time there will be the introduction of the customs declaration and the expiry of lots of the grace periods for suppliers' declarations. We have heard from different witnesses and in general in the commentary on this that there are mixed views about the wisdom of splitting up the timing of one set of requirements from that of other sets—particularly concerns about small businesses et cetera. How worried are you about January, and are there any further steps that the Government could take to prepare for the specific changes that are coming in?

William Bain: The British Chambers of Commerce decided to set up a commercial entity, ChamberCustoms, which puts together a lot of the customs information that SMEs going to their local chamber of commerce for trade documentation for the rest of the world would want in terms of trade with the EU. That was one practical thing we did that we think has worked very well.

The big concern for January is the expiry of the easement on proof of origin. Despite many attempts both from business groups and from Government to reach right down into the SME sector, some SMEs are simply unaware of what is going to be required of them—the forms that are needed to make their goods qualifying goods so that they qualify for zero-tariff treatment. We think that the Government need to do an extensive comms campaign over the autumn and should not rein back on any spending required to make sure that SMEs are clear about the types of certificates that they will need and to make sure that as many as possible are ready for 1 January. That is our biggest concern right now.

Luke Hindlaugh: I will touch on our concerns first and then on what Government can do to help.

A lot of our concerns are about making sure that businesses put in place the data that they will need in order to complete these customs declarations. That involves making sure that you have the commodity codes and customs values for your goods and that you can do the origin declarations, and how to share them with the agents who will be doing the customs work. The businesses that do that will probably be the ones that manage this change the best.

One of the concerns is about the end to being able to do customs declarations within 175 days of importing. The change to doing them up front is quite a big one and will probably be a shock. If you are using the short straits either between Dover and Calais or between Dublin and Holyhead, you will need to make sure that you have clearance before you go the port, and that is uploaded by the goods vehicle movement service. That will be a shock to some and will limit the flexibility they currently have.

Those are the main concerns and, as I touched on earlier, government can help by providing the end-to-end guide for businesses, giving them clarity that these changes will happen, to give them the incentive to put in the resource to prepare for these changes, and then, much the same as what I touched on before, by sharing that intel once we go live. A lot of problems will be common among businesses—businesses will not know that, but if Government can start sharing that intel around what is going on and what businesses need to do, that will be a massive help to businesses, particularly if the Government can do that with a wide reach.

James Sibley: We asked a question about concerns in a survey conducted in early September, and the results were worrying. Of those who think they will be affected by the introduction of import controls, only 20% think they are fully ready, and the remaining 80% sit on a scale from "still getting there" to "not aware", so there is a lot that still needs to be done and we do not have much time.

In terms of what could be done, I agree with William completely that it is about comms. Business groups such as us, BCC and others have been doing their best to get the message out there but reach only so many. We need the Government to step that up as well, because, like I say, we have two months, so time is of the essence.

Q28 **Lord Wood of Anfield:** Thanks for that. Just as a quick follow-up, James, in particular, you say that 80% of firms have worries. Given the scale of the anxiety, some people have suggested that the way forward might be for the Government to exercise just a very light-touch approach in enforcing these new rules. I expect you will say, "Yeah, that'll be a good idea to minimise disruption". Do you think that is a good idea and, if so, is it going to generate a knock-on problem that there has to come a point when the rules are fully enforced, so it will just postpone the moment of pain with full compliance? Do not feel that you have to reply to that, but does anyone have anything to say on it?

James Sibley: Yes, I think that would be a good idea, as you pre-empted. I would just say that there is a difference between the imposition of the checks and the full enforcement. I think that if we can be in a situation where government is helping small companies in particular towards compliance—helping to educate them on the requirements—before coming down with the hammer immediately, that would be a good situation to be in, at least in the initial period.

Q29 **Lord Tugendhat:** My question is about the impact so far of EU checks and controls on British exports and what you think are the most urgent and ongoing concerns. Of course, that point has already come up in a number of other answers, but I would like just to get it clearly on the record.

William Bain: Our recent quarterly economic survey reported around six weeks ago and we had just under 6,000 respondees. We found that the proportion of firms that reported increased export sales was 30%. That sounds quite good but is actually a historic low point for this part of the economic cycle. By contrast, in domestic sales, 47% of companies were reporting increases. It is particularly worrying that, of that 30%, only 7% of manufacturers and only 6% of services firms that export were reporting increases in export sales. I think that demonstrates the scale of the problem. Even in the third quarter of this year, when exports on goods should have been bedding down somewhat, you could still see the significant structural problems.

James Sibley: We have mentioned a few impacts, but I would like to mention checks in relation to shipments sent by courier in a bit more detail. This is something that SMEs have particularly struggled with. Some of this is due to issues that Luke referred to earlier relating to groupage and incomplete paperwork for one item holding up an entire shipment. A lot of our members are filling up neither lorries nor containers; they are relying on fast parcel operators, and there have been significant problems reported here. Over 70% of our members report delays in their cross-border shipments, which is significant, and a significant number of those delays are over two weeks. We have a significant number of members reporting shipments going missing, and when you drill down into this it often relates to couriers being held up at borders and at customs control, usually because they are trying to ship things via groupage. That is a particular problem that we are still trying to improve, and we are working with government on that, but it is a big challenge that affects SMEs in particular.

Luke Hindlaugh: In our sector, obviously there will be businesses for which customs is the major issue when they are liable for Meursing codes for complicated products. And there are certain ingredients, such as sugar, starch and the like, that need a deeper analysis, to show their makeup, and that tends to be quite expensive.

All I would say is that SPS is probably overwhelmingly the biggest issue because of the traceability requirements and the evidence you need to give to the vet when exporting to the EU. It is hard and time consuming and there is now a built-in cost in error. A lot of these processes are done by people, who get it wrong sometimes, so you might have one in 10 of your shipments pulled up for a check because you got a document wrong or you are just facing a physical check, and that will add time and cost while the lorry is parked up at the BCP and you are being charged by both the port and the carrier.

Q30 **Lord Tugendhat:** Is there any clear differentiation between the performances of different nations—for example, are the French more difficult than the Dutch, or the Belgians more difficult than the Danes—or is there a uniformity, do you think? Are some countries making more of a meal of this than others?

Luke Hindlaugh: I think we need to remember that although a lot of these processes are quite new for traders, they are new also for those enforcing them. A lot of ports have probably never done these checks before, because most of the trade flows come from intra-EU movements. I think that in the early days there were a lot of inconsistencies, which have gone away and which were largely about how they expected the document to be presented, such as whether it would be accepted in blue or red ink or whatever. Working with Defra may have been very helpful in alleviating some of those issues—issues that have probably now gone.

Now there are just different approaches to enforcement at BCPs. Going to a Spanish BCP is notoriously tricky, because Spain likes to apply most of its checks at the border. There are a number of checks that can be done in market—for example, checks of labelling or about additives included in the products. Spain tends to do them at the border. Rotterdam tends to have a higher non-compliance rate than other ports, at around 15%, contrasted with 5% elsewhere, and we have no real idea why that is.

The French have tended to be quite helpful in getting goods through, and that is probably why a lot of people clear their goods through French BCPs. In the early days, I think you were looking at probably around an 80% or 90% document error in the first weeks, but there was not an objection to that; goods were still getting through with a bit of work with the officials.

The same will happen when we apply those checks; there will be differences between port health authorities. We will need to work with Defra and the port health authorities to stamp that out and make sure there is a consistent application where possible.

Q31 **Baroness Jolly:** My first question is to Luke. In January you gave evidence to the EU Goods Sub-Committee on the initial challenges created by the new SPS requirements on GB exports. Now that more time has passed, how would you assess the continuing impact of these requirements?

Luke Hindlaugh: We have passed the teething issues in relation to companies' understanding of what they need to do, and they have a good idea of that. The challenge now is the built-in cost of these SPS processes. As I mentioned earlier, a lot of this is about the traceability of the products that are included in SPS, which takes a lot of time because of the volumes that people are handling and because products have different points of origin and come in different batches.

It is also about making sure that you present things in the correct way to the vet to make sure that they can sign the EHC, and then pre-notifying the port by uploading it into the IT system TRACES, making sure that that pre-notification exactly matches the EHC, before going through the documentary ID and physical checks. It is very time consuming and resource intensive.

Baroness Jolly: James, can you add to that?

James Sibley: No, I think Luke covered it more than I could. Thank you, though.

Baroness Jolly: That is fine. William, do you want to add anything?

William Bain: Yes, I would say that we are probably getting out of the cyclical period of thinking that in two or three months, once people are maybe a bit better apprised ,about what to do, things will be fine. In terms of SPS for our exports, I think we have entered more of the structural phase. I heard earlier this week from two chambers of commerce that 40% of medium-size food companies they are working with have said they will pull out of the EU export market because of the difficulties with SPS in having to sell goods into the EU. It is a concern if our smaller exporters start voting with their feet.

Baroness Jolly: That would be things such as meat and cheese.

William Bain: Indeed. We have this year had issues to deal with around both of those and also around the burgeoning vegan market.

Q32 **The Chair:** At this point, our colleague Lord Liddle was going to ask a question. Sadly, he could not be with us, so he asked me to pose it on his behalf. I should say that you have already addressed part of the question, in particular in the interesting answers you gave to Lord Wood and to Lord Tugendhat, but perhaps I could ask you to fill in around the edges. He wanted me to ask what steps you would like to see the Government take, unilaterally and in discussions with the EU, to address barriers to GB-EU trade in goods, both imports and exports.

Luke Hindlaugh: I will not touch again on the guidance, but in our conversations with HMRC and Defra they have talked unilaterally about pragmatic enforcement. I believe that is the approach they will take, and I would urge them to continue. Where people have made a genuine attempt to complete the documentation, do not pull them up for a check.

I would split what we want them to agree with the EU for GB-EU trade into SPS and customs. We would very much like a better agreement on SPS, and I think there are different ways in which you can do that—the Swiss style, which obviously presents red lines for the UK Government to completely accept, or something akin to equivalence. A lot is said about a reduction in physical checks being a benefit of equivalence, but a simplification of certificates is one that is not often talked about. The New Zealand agreement simplifies certificates and it makes each side say, “Our regimes are equivalent, so you can sign off that certificate based on your own rules and legislation”, and that makes the process easier. Rather than saying you have to meet the EU’s legislation and all of the rules that come with that, you can say you will meet the UK’s.

On customs, rather than there being the single-window approach that we adopt when piloting things across a short strait, there could be a single customs office similar to what Norway and Sweden have at the border, whereby, rather than having to do the export declaration, the exit summary declaration, the entry summary declaration and the import declaration at the border, you have a single declaration, which goes into the customs office. In a lot of the processes on both sides of the borders, you are just replicating data, so I would urge both sides to create enough trust to share those sorts of data between them, to remove the documentation. That sort of thing would reduce paperwork for customs purposes by about 50%.

The Chair: Thank you very much, that is a very helpful answer. Willie Bain, do you want to add to that?

William Bain: In terms of bilateral steps, our top one, like the FDF’s, would be for some form of veterinary agreement—an SPS agreement—that covers plant goods as well.

Clearly, there are two different ways that one can direct things: either the equivalence model or one based more on alignment, which creates more issues for the Government, as we know.

One thing that hopefully the EU-UK relationship can improve on is exploring what flexibilities there might be. The EU has talked in the past about offering an SPS agreement that might have an exit clause, depending on the UK's future trade ambitions with other countries. So there are flexible ideas that I think can be explored, and we would encourage both sides to do that.

In terms of VAT, I think we would want to see our exporting companies put on a similar footing to those in Norway, where they do not have these onerous responsibilities to have a fiscal representative, if they are using the import one-stop shop.

Unilaterally, the inbound controls should be applied in a pragmatic way, particularly when it comes to the proportion of consignments that have to be opened up at GB border control posts.

The Chair: That was also very helpful. Thank you for that. Last but by no means least, could I go to James?

James Sibley: I would just reiterate the point William made on IOSS—the import one-stop shop. It is incredibly important. In theory, IOSS should make the lives of SMEs exporting to the EU a lot easier, because it should allow them to register in one Member State rather than in each of the Member States that they trade with. Unfortunately, the UK was not listed as one of those countries, like Norway, that does not need businesses to appoint a representative. So it would be very helpful, and could be a game-changer when it comes to VAT.

The second aspect of potential bilateral solutions has not been touched on in this committee: conformity assessment, which is a major issue for goods exporters and importers. I think that exploring the potential, perhaps via specialised committee, for mutual recognition in conformity assessment—at least in some sectors, such as the automotive sector—would be very, very valuable, along with overcoming some of the challenges that are coming down the line with CE and UKCA marking. I will leave it there. Thank you.

The Chair: That is a third very interesting thing. I should say that it occurred to me that you may well have other thoughts on this area, on which we would ask for written submissions in due course.

I think that completes the substantive questions that we have asked you this afternoon, but before we close—this is not an invitation for a long speech—I just wonder whether there is anything that you feel we have not covered in our question set that you want to get off your chest. That was directed not at any one of you but at all three. If you were to think of anything in the future, perhaps you could also write to us, and we would obviously consider it then.

Can I thank the three of you for being with us this afternoon? For me, this has been a very valuable evidence session indeed, with lots of interesting points made. You have obviously done a lot of work in preparation, for which as well I thank you. I have just invited you to write some stuff to send in on unilateral and bilateral work that could be done to assist on the GB-EU side. Also, earlier there was the thought that you might be able to provide some newsworthy statistical information for us that would be interesting as well, so please write to us on that. In the meantime, on behalf of my colleagues and the committee, can I thank you formally and declare the session over?