



# European Affairs Committee

## Oral evidence: Trade in goods

Tuesday 9 November 2021

4 pm

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Members present: Lord 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 Liddle; Lord Purvis of Tweed; Viscount Trenchard; Lord Tugendhat; Lord Wood of Anfield.

Evidence Session No. 4

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Questions 56 - 69

### Witnesses

[I](#): Emma Churchill, Director-General, Border and Protocol Delivery Group, Cabinet Office; Sophie Dean, Director-General, Borders and Trade, HMRC.

## Examination of witnesses

Emma Churchill and Sophie Dean.

Q56 **The Chair:** Welcome to the hybrid House of Lords and to the European Affairs Committee. At the moment we are doing an inquiry on trade in goods, and we are writing a report that will come out in mid-December. Two senior Directors-General have come along this afternoon: Sophie Dean from HMRC and Emma Churchill from the Cabinet Office. Thank you both very much. When you speak for the first time, perhaps I could ask you to say very briefly what your responsibilities are, not because we do not know but because those watching might not know. A transcript will be taken. We will send that to you. Perhaps you would check it and let us know if there are any corrections to be made.

We have quite a wide range of things to ask you about, so I would be very grateful if questions and answers could be kept nice and crisp so that we get through the maximum amount in our allotted time. I will ask the first question.

It is now coming up for a year since the end of the transition period and the coming into force of the trade and co-operation agreement. We have heard in our evidence sessions from a number of witnesses that the new non-tariff barriers to the trade in goods have made this year “very challenging”, particularly for SMEs and the agri-food sector. Do the Government agree with that analysis and characterisation?

Secondly, in the overall impact on GB-EU trade in goods so far, how has the reality of what actually happened in Brexit matched up with the Government’s views of what would happen as at the date of the coming into force of the Trade and Co-operation Agreement? Perhaps I could aim that at Emma first.

**Emma Churchill:** Perhaps I should start on the second part of your question. I am Director-General of the Border and Protocol Delivery Group, which sits within the Cabinet Office. We take an overall role and co-ordinate the many different departments and agencies that have policy and operational responsibilities at the border. The task that we were set was to ensure readiness, first, for the end of the transition period, and then readiness for further stages of import controls, which I am sure we will talk about in a moment; and to work towards the Government’s ambition to have the most effective border in the world by 2025, which, again, I am sure we will come to later in the session.

As to what we thought might happen for the end of the transition period, I think you know that the Government prepared for what was known as the reasonable worst-case scenario, where there might have been significant disruption at the end of the transition period. As I think is common knowledge and common ground, that scenario did not occur. There are many reasons for that, which I will not go into now, but we could come back to them if you want to.

It is none the less the case that the TCA, which is an all-encompassing agreement, meant major changes for those who are moving goods in and out of the country. The changes that occurred on 1 January meant that traders, hauliers and others involved in the movement of goods had to take a lot of steps to prepare. The fact that we did not see disruption was, in good part, because of the excellent preparations that were made.

Since that time, moving to the first part of your question, some businesses have faced challenges. In the month of January, my colleagues and I did a lot of intensive work with a lot of businesses that were facing challenges moving their goods under the new processes. Our overall view is that some of those teething problems were resolved quite quickly, and I think we can see, both from the ro-ro traffic numbers and from the trade statistics, that the dips we saw in January were recovered from quite quickly.

However, some businesses—you mentioned SMEs—and businesses in some sectors have continued to face challenges. From our perspective as officials, we have been trying to provide the maximum amount of support that we can to those businesses, and, indeed, the Government have made some significant moves on that—for example, the new Export Support Service, which again we might want to come back to later. I think that is how I would characterise what has happened since 1 January.

**The Chair:** Just before we move to Sophie, you did not mention agri-food. Could you give us a few words on that?

**Emma Churchill:** That is precisely the sector I meant when I said SMEs and some sectors, because I think it is clear that agri-food and the fish sector had more administrative changes to the processes that they needed to go through from 1 January. They were more significantly affected through January. The trade statistics show that they were more significantly affected. I think those trade statistics, in line with the overall trade statistics, have recovered for those sectors, and I know that Defra colleagues, in particular, have done a lot of work with those sectors to support businesses to get through the new administrative processes that are required.

**The Chair:** Thank you very much. Perhaps, Sophie, you could comment on both my questions as well.

**Sophie Dean:** Good afternoon, everybody. I am the Director-General for Borders and Trade in HMRC, so I am responsible for all matters related to EU transition.

I echo what Emma said. In HMRC, we put in place for January a functioning border. We put in the systems, the infrastructure, the legislation, the guidance and the customer support. I think that has worked pretty well. We have put in new systems such as the Goods Vehicle Movement Service, which I can talk more about. It is a brand-new system that has gone well. That said, and as Emma said, it is an

adjustment period for businesses, and for government, of course, as well. We had a bit of a learning curve at the start. We have learned lessons. We have adjusted our guidance and we have taken other steps. We have a customs and international helpline, which took close to 40,000 calls in January, and those numbers have now come down significantly.

On SMEs in particular, as Emma says, we know that some of these adjustments have been challenging for small businesses. We have been doing a big effort on engagement and communications, both directly, sending out weekly emails to about 150,000 small businesses, and working through the business representative organisations. In HMRC, we have found that our webinars work quite well. We have about 200 webinars, which means that you can go on to the website and get instruction on bringing your goods into the UK or into the EU. We have had about 75,000 views of those. Finally, we have an SME grant scheme that has awarded about £8 million.

**The Chair:** Thank you very much. We will go into the detail of a lot of those areas as we go through the questions. Now we move to the first of our remote colleagues, Baroness Couttie.

Q57 **Baroness Couttie:** We have heard about some inconsistencies between the rules as they are applied under the TCA between different countries as goods move across borders. I think that is causing some difficulty. Do you have in place some mechanism for tracking those differences so that we can see whether some border authorities may be applying them disproportionately? Perhaps there could be some negotiations to provide them in a more pragmatic way that would actually help trade.

**Emma Churchill:** It is the case that there is some legitimate leeway for Member States within the overall framework. It is not necessarily the case that if a Member State does something slightly differently it is outside the framework. You are right to say that we had a lot of feedback in the early days, in January and February, particularly in relation to SPS goods. We received a lot of feedback that people were finding the approach of Member States to be different. A lot of credit needs to go to my colleagues in Defra, who took on board that feedback, and did a lot of work both with the Commission and with individual Member States, to check that what was going on in different Member States was in order and correct under the wider legal framework.

The feedback we get is that certainly there have been some improvements as a result of that, but you are right to say that the question of difference still crops up from time to time. I think, when Lord Frost was in front of you, he pointed out that should that become a really significant issue, of course, the Specialised Committees exist for that purpose.

On a much more practical, day-to-day level, there are a couple of things that we have been doing. The first is that we have different kinds of meetings and events with our opposite numbers in Member States, where we talk both one-to-one with them and with representatives of the border

industry from the UK and from that Member State. We talk in a very practical way about some of the differences that are being seen, what the cause of those might be, and so on, and how we can support businesses to deal with them.

The other thing that I think the Export Support Service will help with very much—we will probably talk more about the Export Support Service later in the session—is through what is called a market access team in Prague, which is under the umbrella of the DIT. When exporters come to the Export Support Service and ask for help with exports to a particular country, that is the kind of place, the hub, which will help with discussions with Member States. As regards the mechanism that you were just talking about, I think that will be a very useful place where we can collect the kind of front-line intelligence that is coming from businesses and business representative organisations. As I say, sometimes what might be needed as a result of that feedback is a direct conversation between opposite numbers, customs authority to customs authority, for example, or SPS authority to SPS authority, or sometimes, if there was a really significant amount of feedback, Ministers might want to take it through the Specialised Committee.

**Baroness Couttie:** On a slightly different but related note, we hear quite a lot from SMEs that they are having issues with VAT. I understand from other evidence we have taken that that is partially due to a change in EU regulations about VAT that happened to come in at the same time as Brexit and has caused some confusion. But, as I understand it, not all of it is related to that. Could you talk in more detail about what the issue is and what the Government are doing to support SMEs as they tackle it? I think some of their customers are getting quite large, unexpected VAT bills that they have to pay before they are allowed to receive the goods, which is causing some issues.

**Sophie Dean:** There are two things to say on that. Emma has already referred to the Export Support Service. We use that service to advise businesses on any differences in VAT rules in Member State countries and, indeed, take feedback on any experience that small companies are having, and feed that back through the channels that Emma referred to.

The thing that we hear most frequently on the VAT side is around the e-commerce package. At the moment, businesses have to have a fiscal representative in the EU, and we are having constructive discussions with colleagues in the EU about how to find a way through that. It is work in progress from our side on that, but we know it is an issue for some businesses.

**The Chair:** I am sorry to exercise the Chair's right to intervene, but when you say you are having constructive discussions, is that through the mechanisms of the TCA, the Specialised Committees, or is it just an ad hoc conversation?

**Sophie Dean:** We do it through the customs authorities, and we would do it through the TCA as well when we reached that point.

**The Chair:** Thank you very much indeed. We move to Lord Wood.

Q58 **Lord Wood of Anfield:** Thank you for coming today. We have heard lots of evidence about the extent to which traders and other businesses have adjusted to the new trading landscape in the past few months. Could you give us an overall sense of how much all the initial problems that were so prominent at the beginning have been overcome? Perhaps you could also give us a sense of some of the problems that are endemic to the new landscape rather than just transitional problems.

**Emma Churchill:** Shall I take that for an overview? Sophie might then want to come in specifically on some HMRC points. There is no doubt there was a whole range of what you might call teething problems with the new systems and processes in January—things like hauliers and drivers not realising that they need to get multiple TADs rather than just one TAD stamp if they are using the Common Transit Convention.

There was a difficulty in the way that the UK system talked to the French system across the short straits on transit, which caused people to be wrongly sent into the orange lane at Calais. I think there was a failure to understand on some parts that you needed to pre-notify on some kinds of goods. It is sort of famous or infamous now that there were some issues with the colour of ink on your SPS paperwork, depending on which Member State you went into. A whole range of things like that cropped up in the first and second week of January. We worked very intensively, both with Member States' opposite numbers and with businesses themselves, to try to get the wrinkles ironed out as quickly as possible.

The approach we took was to have daily meetings with each of our opposite numbers in Member States and we also took daily stakeholder calls with border stakeholders. We had the opportunity to say directly to border stakeholders exactly what Member States felt they were seeing and the problems that needed rectifying. Also, we had the opportunity to take some feedback from stakeholders and say to opposite numbers in Member States, "This is what people are experiencing". We found that that really accelerated the resolution of some of those teething problems. For the most part, they were pretty minor problems given the scale of the change and the complexity of some of the changes that were being put in place. We really got through them quite quickly.

I am not sure whether I would call some of the ongoing issues endemic, but they are certainly connected to the new processes that are new requirements under the new system. Of course, it is true that people need to do customs declarations under the new system. It is true that there is additional paperwork required for SPS goods, et cetera. It is true that there are rules of origin, which are a core part of any Free Trade Agreement. These are new processes.

I think your witnesses characterised some of that quite correctly, in that there are many businesses that have completely got on top of the new processes and are finding that things are moving smoothly. There is no doubt that it is more challenging for some sectors. As you mentioned at

the beginning, there are more new requirements in relation to agri-food, and there is no doubt that smaller businesses, from the feedback that we get, have found it more difficult, hence things such as the SME support fund and the creation of the export support service to help with that. I think where we are now is businesses still needing some help with those new processes. That is exactly what things such as the export support service are put in place to do.

**Sophie Dean:** I agree with what Emma said. Initially, as we said, we had some teething issues. We had a lot of calls to the helpline with basic questions on the import and export process. We had some minor technical issues with our integration with the French system on the NCTS transit system. That was resolved pretty quickly at the technical level.

For the longer term, as Emma says, there is a new set of processes that businesses need to do, and I think they are figuring out the right model for that. On the customs side, most businesses use an intermediary or customs agent. We heard concern from business about whether there would be enough capacity in the intermediary and customs agent market. We set up a series of grants totalling about £80 million to try to seed-fund the industry. We have seen a fourfold increase in that and we have set up on GOV.UK a register, particularly for small businesses, which says, "If you are an intermediary, put in your name"—we have about 1,500 on the website—"and please tell us if you have capacity and are willing to take on small businesses". Things like that can help businesses figure out precisely which model they want to follow.

**Lord Wood of Anfield:** Thank you for those answers. We have heard serious concerns expressed about rules of origin and working out what kind of economic operator registration you need, particularly for non-large companies, the small and medium-sized enterprises. Can you tell us what help you are actively giving those companies on those specific issues, where most concern from our witnesses seems to be centred?

**Sophie Dean:** Yes, of course. It is probably sensible for me to take that one. On rules of origin, it is worth reminding ourselves what they are. They are an important part of any Free Trade Agreement. They allow a trader to claim tariff-free access. They have an inherent level of complexity. We recognise that, so we made an agreement with the EU for a 12-month easement on what are called the suppliers' declarations. That is the evidence you have to produce, going back into the supply chain, that your goods actually originated where you said they did.

As I said, it has its complexities, and on the back of that we put out guidance very quickly at the beginning of this year, but we have made quite a lot of revisions to that guidance. We have added animation and flow charts and tried to make it more user-friendly. You heard from earlier witnesses—I read the transcripts—who said that HMRC had not quite cracked the guidance, so we take on those comments, but I think we have made improvements to it. Quite a few of the webinars I mentioned are specifically focused on rules of origin, and we have workshops. We go out directly through all our emails, and the business

representative organisations are really helpful at reaching the target audience of SMEs to explain how something like rules of origin will work.

**Lord Lamont of Lerwick:** May I follow up on something Lord Wood said and put this to Emma? When he used the word “endemic”, or what one might call long-term structural problems, I think most people think that applies to agri-foods and SPS and the particular difficulties there. Given that our regulations at the moment conform to those of the EU and we have not yet gone in for divergence, is this likely to get worse or remain the same, rather than get better? Can you see any upside?

**Emma Churchill:** I think there is a broader question that Lord Frost may have addressed when he was before your Committee: what is the longer-term future of some of those checks and controls? As I think Lord Frost said, it is not the case that we must slavishly follow what the EU chooses to do. It is not necessarily the case that they will always be the same. Indeed, Defra colleagues will keep actively looking, for example, at the risk basis for the SPS checks that are done, and when those come in from July next year there will be some choices for Defra as to the percentage of checks that it chooses to put on, depending on the risk that it sees. That is the first thing.

The second thing, and I recognise this might be getting ahead to a later part of the Committee discussion, is that we have some pretty ambitious programmes of work that are about reducing the administrative burdens that traders can face, not just those trading with the EU but those trading with the rest of the world as well. We might talk a bit later about the single trade window programme that was awarded £180 million in the recent spending review. There is a whole range of measures that we can take that will alleviate some of the more administrative burdens associated with the new processes.

**The Chair:** Thank you very much indeed. We will return to that, I know. In the meantime, Lord Tugendhat.

Q59 **Lord Tugendhat:** Emma, I will put this question to you, at any rate in the first instance. The problem that we have had throughout this inquiry is how to disentangle the challenges of trade in goods caused by Brexit from those caused by Covid. I see the nature of the problem. Then, of course, one has had within the EU different Member States recovering at different rates from the pandemic. Do the Government have a view of the relative importance of those two factors, and how they interact? If so, on what is it based?

**Emma Churchill:** It is indeed very difficult, as you say. I should declare that I am not an analyst, but our analysts, I think, tend to agree with what the ONS has said on this, which is that it is not really possible to disentangle when you look at the trade statistics the impacts of the pandemic and the impacts of EU exit, certainly not at this stage. It has also said that it is too early in the cycle to say what might be short-term changes either in response to the pandemic or in response to the new trading arrangements following EU exit, and what might be the more

long-term changes that people have been making in their supply chains. I think our analysts tend to agree with the ONS on that.

**Lord Tugendhat:** I am going to ask you in a moment about a comparison between EU and non-EU. Looking within the EU, we have figures about the recovery of our trade with the EU in general and Member States in particular. To what extent have you compared those with the trend of trade within the EU? Obviously, if the trend of trade within the EU has been more upward than ours, it would suggest that Brexit played an important role. If it is much the same, it might tend the other way.

**Emma Churchill:** Sophie may have some stats on that. I do not have any stats on that to go into. We have a problem both when we look at trade with the EU and trade with non-EU. Obviously, changes in trade with the rest of the world cannot necessarily be put down to EU exit changes, so you can tell something from that, but, actually, the wider changes that are happening in supply chains make it quite difficult to discern exactly what is happening in relation to rest-of-the-world trade as well. It is slightly difficult to disentangle any of those things. I am sure we could write to you with some information on intra-EU trade, if that would be helpful. I am afraid I do not have any of that with me. I do not know if you do, Sophie.

**Sophie Dean:** No. Absolutely, we can write to you on that. As Emma said, what we are told by our analysts is that 2020 and 2021 have been extraordinary years in trade. Obviously, the pandemic has depressed global trade, but there have been odd spikes, whether that is imports of PPE or exports of pharmaceuticals to the EU. As Emma said, the eight months of data we have so far is too little. Let us take that away and see what we can come back to you with on what is happening intra-EU, and whether there are any insights to draw from that.

**Lord Tugendhat:** I think intra-EU would make an interesting comparison.

There is one more thing. Trade in non-EU goods has recovered to 7% below average 2019 levels, whereas in the case of the EU it is still down by 15%. To what would you attribute that? Are you going to tell me it is statistical because one is much bigger than the other, or are you going to tell me that there is some underlying reason?

**Emma Churchill:** Sophie may want to say a bit more, but I think one thing that the ONS has cautioned us against is looking too closely at the month-by-month changes that have happened in the year because there has been so much volatility.

I say that before I say the following thing, which is about the latest published statistics that we have from the ONS for August, for example. When you look at exports to the rest of the world, and you compare August 2021 with August 2018—some people use a comparison from the previous year and some people use 2018 on the grounds that it was a

pre-pandemic, pre-EU exit year; the ONS has tended to prefer that—they were down 13% on August 2018, which is precisely the same percentage reduction as we saw in exports to the EU. It was the case in that individual month that the impact on exports to the rest of the world compared with the EU was precisely the same in percentage terms. I am not saying that we should draw any particular conclusions from that because the ONS has warned us against drawing any particular conclusions, because it is too soon, and the monthly data seems so volatile.

People have been quite interested in what is going on with the recovery in imports, both from the EU and from non-EU. It is the case that non-EU imports have been higher than EU imports for a number of months. If you look at what the ONS has to say about that, though, we think some of it might be just that the types of goods that were being imported during the pandemic period—PPE, for example—also had an effect on where those goods might be originating. I think that is one more reason why the ONS is telling us that we should be taking great care in drawing firm conclusions at this stage. Sophie, I do not know if you want to say any more.

**Sophie Dean:** I have nothing further to add.

**The Chair:** Thank you. Lord Hannay has a supplementary on this question.

**Lord Hannay of Chiswick:** Can you say whether either of your departments has done any risk analysis on trade between us and the EU being interrupted or impeded as a result of a dispute? I suppose at the moment the most prominent would be the Northern Ireland Protocol and the fisheries matters. Have you done any risk analysis of that? If that were to occur, what sort of remedial action would the Government take?

**Emma Churchill:** The first thing to say is that I am not quite sure that I would call it risk analysis. If you will forgive me, I think the question of remedial actions taken by the Government would certainly be a question for Ministers, not for us.

In relation to your question about general preparations and planning for trade disruption, for example, across the short straits, I can say what we have still available to us. We never had to initiate post-January the contingency planning that we had done for dealing with disruption at the border—for example, at the short straits. It was never needed then, but we deployed it very effectively before last Christmas, when the French closed the border for Covid reasons for 48 hours. We did an enormous amount of contingency planning before the end of the transition period. We showed in the pre-Christmas period that it was very effective in dealing with even that very significant disruption—the complete closure of the border. So we feel confident that at an operational contingency level we have plans in place if necessary.

**Lord Hannay of Chiswick:** I am surprised you have difficulty with the

phrase “risk analysis”. Presumably, there is a risk on the fisheries front, if the French close their ports to all exports by British boats, that you will have a lot of rotting fish on your hands and some bankrupt fisheries companies. Is that not risk analysis?

**Emma Churchill:** That is certainly not something that I would be dealing with in my part of the Cabinet Office. What we tend to look at are movements across the border, which is why the response I gave you was in relation specifically to the area that I would look at, which would be disruption potentially across the short straits.

**Lord Hannay of Chiswick:** Which part of the Cabinet Office would be dealing with it?

**Emma Churchill:** There are a number of parts of the Cabinet Office that would think about wider issues in relation to TCA implementation. Obviously, there is a CCS part of the Cabinet Office that would deal with border civil contingencies.

**Lord Hannay of Chiswick:** Could we possibly have a written answer in that case?

**The Chair:** We might be able to put that question directly to the Minister next week.

**Lord Hannay of Chiswick:** Yes, we could, but I think it would still be of help if we could have a written answer from the part of the Cabinet Office that deals with it.

*[The witnesses indicated assent.]*

**The Chair:** Thank you very much. That is a very kind offer. A number of other colleagues wish to come in. The first is Lord Liddle.

**Lord Liddle:** I am a bit of a statistical innocent, but not entirely. There seems to be a difference of opinion between two government agencies about the impact of Brexit on trade. The ONS figures are rather more optimistic about it than the OBR assessment that came out at the time of the Budget. I wonder whether Emma has any comment on that.

**Emma Churchill:** I think the two things are different. What the ONS is doing is recording the value of trade that happened in the past. I think, although I am not an expert in it, that what the OBR was doing was making a forecast. Obviously, that is not something I would comment on.

**Lord Purvis of Tweed:** My apologies, Chair, I tried to catch your eye earlier because I had a specific question for Sophie Dean. Earlier, you referenced the SME grant scheme. Was that the Brexit support fund?

**Sophie Dean:** Yes, it was specifically for EU transition.

**Lord Purvis of Tweed:** You said £8 million had been distributed from that. The grant was being administered by PricewaterhouseCoopers. I asked it how much it was charging to administer the scheme. I did not

receive an answer. I do not know if you are able to follow up in writing with how much you paid it to administer it.

It has closed now. It closed at the end of June when there are full checks coming in in January. It was announced last February, and it was a £20 million pot. How come only £8 million has been distributed to businesses of a £20 million fund that closed six months before the new checks will be put in place? Is that your responsibility, or have you basically been asked by government to administer it? Who is accountable for it?

**Sophie Dean:** The fund was set up, as you rightly say, to support small businesses for EU transition. At the time, the deadline for customs controls was 1 July and the grant scheme was set up to run until the end of June. As I say, we supported about 5,000 businesses and awarded about £8 million. You are right: the total pot was £20 million and we had a big communications effort, particularly in the last stages and through the business rep organisations, to encourage people to apply, and we processed all the applications that we received. That was the final number, and I can certainly follow up in writing on the costs.

**Lord Purvis of Tweed:** Thank you. The second part of my question was, who is accountable for it? A scheme was set up, which was massively underutilised, and predicated on deadlines that were then extended by the Cabinet Office. That support scheme for businesses was closed. Perhaps, Emma, it is the Cabinet Office's responsibility. Whose decision was it not to extend the support for businesses and to claw back the £12 million when the checks were being extended? It seems extraordinary to me.

**Sophie Dean:** The decision was taken on the back of the fact that we had gone out to all the businesses that we could through all the business representative organisations, and the applications were drying up. At the same time, we were setting up an Export Support Service, which was specifically designed. We had SMEs with questions on customs, and SMEs with questions on Defra and SPS, so we thought we could have an Export Support Service they can ring up and get a single answer, as a single first line of contact. It was a sort of replacement, if you like. We did everything we could to encourage people to apply and to award as many grants as we could.

**The Chair:** We are coming back to this area later on, and I am keen to make some progress now because we have been going for some time and have not made very much. Perhaps we can go to Lord Lamont.

Q60 **Lord Lamont of Lerwick:** Emma, do you think there is anything in the argument that an asymmetric border is detrimental to the competitiveness of UK exporters? I cannot see it myself, but I see that it was endorsed by the NAO, which said that it meant "a continued disadvantage for UK exporters compared with EU exporters" and "leaves the UK open to potential challenge that it is not complying with international trading rules". First, do you buy the argument about a competitive disadvantage, and, secondly, what about the risks of a legal

challenge perhaps through WTO?

**Emma Churchill:** First, on the WTO point, obviously when the Government made the decision to have a short, further time-limited delay to some controls, that was fully considered, and we are confident that it is in line with our WTO obligations.

On the other point, it has certainly been raised by some businesses in some sectors that they are having to comply with some procedures that the EU exporter does not yet have to comply with. However, those changes are coming in very shortly, and I think the window where that is persisting, in any event, is a very short one.

**Lord Lamont of Lerwick:** May I ask a question of Sophie? What does delaying these controls cost in possible revenue forgone—alcohol duty, VAT duty?

**Sophie Dean:** The OBR has looked at just that question and estimated a risk of £50 million for the first six months of the year and an additional £35 million at risk for the six-month extension. The thing that is reassuring, and we may come on to it later, is that even though we have phased in customs controls in the light of the pandemic so that at the moment, if you import goods from the EU into GB, you have up to six months to do a delayed declaration, the vast majority certainly of large businesses have not taken up that easement. We have seen voluntary compliance, if you like. I think that is what led the OBR to reduce the amount it considers at risk for the second six months of the year; because we have seen good compliance on the fulfilment of those declarations.

**The Chair:** Thank you very much indeed. We move to Lord Foulkes.

Q61 **Lord Foulkes of Cumnock:** Good afternoon. Emma, you may remember that back in February you said that it was absolutely clear—there was complete certainty, you said—what would change in April and what would change in July. That did not turn out to be the case, did it? You say it was because of the pandemic, but we knew all about the pandemic then, so what was the real reason?

**Emma Churchill:** Do you mean the reason for the decision announced in September for a short, further time-limited delay to some controls?

**Lord Foulkes of Cumnock:** The delay.

**Emma Churchill:** I would say, first, because it is quite an important point in respect of what Sophie was just being asked, that, of course, the decision was not to delay further the customs controls and checks. I think that is quite an important point because, in the general discussion of delay, that possibly got lost in translation somewhere. It is very important that businesses understand that the further changes to customs declarations requirements and customs checks are coming in as planned on 1 January. Sophie, I am sure, will go more into people's readiness for that.

As I think Lord Frost said when he was in front of your committee, the decision to have a short, further time-limited delay around safety and security declarations and some of the SPS controls and checks was twofold. First, you are right; we knew there was a pandemic, but businesses were saying to us that the impact on them of the pandemic was going on longer, and they were asking for more time to adjust.

The second thing that Ministers were particularly influenced by, as I think Lord Frost said to you, was the impact on supply chains, or the strains that were currently on supply chains, particularly in relation to the agri-food sector, which is why the SPS controls were particularly delayed. Those were the reasons, and I think they were set out at the time by Ministers.

**Lord Foulkes of Cumnock:** Why did you leave it until the last minute to announce them?

**Emma Churchill:** I do not think we left it till the last minute. I saw that a number of your witnesses said that they thought it was the right decision but perhaps we should have made it a bit earlier. One reason was, first of all, that we had to wait to see what the impact of the pandemic was, but it is fair to say that we regrouped and took into account the strains on supply chains that were emerging over the summer as soon as it was practicable to do so, and really looked at the detail of the new controls that were going to be put in place. We thought about whether it was possible that they might exacerbate some of the strains in the supply chains that were being seen, and the judgment was that they might have done, which is why the decision, specifically on SPS controls, was taken to delay them.

**Lord Foulkes of Cumnock:** We were told that those who were good and prepared on the understanding that that was the date suffered, and those who could not care less were okay and better off.

**Emma Churchill:** I do not think that is quite right. If businesses have taken the necessary steps to prepare, they will still be ready for when the other controls come in. The customs controls are coming in on 1 January, so it is very important that businesses that did not take steps to prepare do that because those changes are coming. If you had thought through how you were going to be ready to do the pre-notification for SPS goods, for example, or thought through with your logistics supply chain how you were going to do safety and security declarations, that is not wasted time because those controls will be coming in from 1 July. So you have not wasted your time; it was still a necessary thing for you to have done.

**Lord Foulkes of Cumnock:** I have an additional question that I have a personal interest in. You are both very able civil servants with a lot of experience. What would you be doing if we were not going through this awful Brexit? What kind of positive work would you be doing normally?

**Emma Churchill:** I would be doing the very positive work of improving the way our border operates. I am sure we will get to the 2025 Border

Strategy later. I do not think I have any difficulty feeling greatly enthused by the mission that we are involved in right now.

**Sophie Dean:** To add to that on the customs side, as Ministers have said quite rightly, what we are trying to do in moving towards the ambition of the best border by 2025 is not just to look at the EU border but to look at the rest of the world, to improve customs to make it more facilitative for business and more seamless. That is something that, as Emma says, we would want to do in any world, and, certainly, we want it to apply to all goods, not just those coming in from the EU.

**Lord Foulkes of Cumnock:** Lord Frost is very lucky to have you advising him.

**The Chair:** Thank you very much indeed. Lord Liddle.

Q62 **Lord Liddle:** How ready are you for the next lot of changes that are coming in? The NAO has done a lot of detailed reports and work on those. I want your comments on the progress of digital infrastructure and physical infrastructure staffing. In the Red Book, you are taking on 1,000 extra staff or something like that to deal with the border. How many of them do you actually have? Of the £470 million capital programme on infrastructure that we are financing, how many of those buildings will be up and ready?

**Emma Churchill:** I will make a start on that, and Sophie may want to comment specifically on HMRC resourcing. Possibly, the subtext of some of the previous questions was, "Did we delay controls because we were not going to be ready?" The answer is absolutely no, that is not why we delayed them. We were very confident that we could and would have been ready to implement on 1 January. The NAO report sets out that we would have been. The quote is that we "would have been in a position to implement import controls ... but might have had to deploy contingency plans in some areas". I might come back to that in a moment. We absolutely would have been ready. The main systems challenge was much bigger for 1 January than it is for next January. Sophie will talk a bit in a moment about the development that is needed for the GVMS system, which is the key HMRC system. Those things were predominantly in place already.

When it comes to infrastructure, you are right that there were two sets of funds. There was around £270 million set aside for inland infrastructure and £200 million made available to ports through the port infrastructure fund. That was because where ports had the space to build the infrastructure they needed on their own site, normally, they would be expected to finance that themselves, but it was recognised that, because of the time and speed with which it was necessary to put the infrastructure in place, those funds would be made available.

Ports, in fact, have made very good progress. Most of them were very confident that they would have been ready for the full suite of controls from 1 January. Now, of course, some of that infrastructure will still be

required for 1 January, but Border Control Post infrastructure will not be required until 1 July. We are very confident that that will be in place. When it comes to inland infrastructure, a lot of the expenditure was on infrastructure that was required for last January. HMRC had to set up a whole range of infrastructure to deal with the Common Transit Convention.

There were sites in Kent and there were sites outside Kent. Those were fully operational from 1 January and remain operational. In Kent, the main site is Sevington. That too has been operational since last January. It will have additional functions from this January for customs checks. It will then have further additional functions from 1 July when the border control post there will come into operation. There is one other piece of infrastructure in Kent, which is Dover White Cliffs, which will now be an HMRC-only site. It will be required from the end of 2022/beginning of 2023, when Ebbsfleet is decommissioned. HMRC is taking that project forward.

There are a few, much smaller sites in Kent that Defra is now looking at, which will be specifically border control posts, and they will be for 1 July for the Bastion site, and a couple of sites for live animal checks. Defra is already doing checks on all live animals, but it is doing them at point of destination. The infrastructure will be required when we move those closer to the border.

**Lord Liddle:** On infrastructure, you are basically very confident.

**Emma Churchill:** Very confident.

**Lord Liddle:** What about staffing?

**Emma Churchill:** On resourcing, Border Force needed 1,500 for the end of the transition period. They were all in place. Border Force is on track to increase that to 2,000, which is what it needs for 1 January. Border Force recruitment is very much on track. I will let Sophie say something about HMRC recruitment.

**Sophie Dean:** Thank you. I will add very briefly, if I may, on HMRC readiness. As Emma says, we put a lot in place for January 2021. There were our customs systems, and, as Emma referred to, a new system called the Goods Vehicle Movement Service. That accommodates the fact that EU trade is different from rest-of-the-world trade. The volume and the pace of vehicles arriving from the EU, coming in from Calais to Dover, is fast, and the systems had to adjust to that. Now, with GVMS, which has been live since January, you can put in your declarations in advance. When you get on the ferry at Calais, the risking is done throughout the journey, and by the time you get to Dover the driver gets a message to say, "Go left for a check" or "Go right and off you go on your way". That was our big, new system for January. That is in place and working.

Emma has talked quite a lot about the infrastructure. As she said, we put inland border facilities up and running where there was no space at ports.

For this coming January, essentially, we are doing further scaling of the customs systems, with some improvements to systems such as GVMS; we are trying to improve the user experience and to improve compliance, and we are doing a set of end-to-end tests. It is good to have the time to do that; we run a test through all our systems and processes with traders and with all the elements of the supply chain, the ports and the hauliers.

There was a specific question on people. From an HMRC point of view, we had 8,000 staff working on EU transition at 1 January this year, of which 1,000 or so were contingent labour. They were basically running the inland border facilities. That number has come down because a lot of the work has been done, so we are now at about 6,000 staff, of which 1,000 are still contingent labour. We have sufficient staff for January. The advantage of being in HMRC is that we have a big customer service division. We have trained several hundred more staff should they be needed from 1 January to answer questions. We are ready to deploy those staff if needed.

**Lord Liddle:** Thank you.

**The Chair:** Thank you very much indeed. We move back to Lord Hannay.

Q63 **Lord Hannay of Chiswick:** It is now two months since the Government announced their current timetable, which I gather you are absolutely perfectly certain will be operated. When can we expect to see an updated version of the Border Operating Model that reflects the changes in timing and so on? I will give you the second part of the question too, because it will probably shorten the exchange. How have the Government been supporting businesses' preparations for the new timetable and controls during the last two months in the absence of an up-to-date Border Operating Model? If you could take those two together, it would be splendid.

**Emma Churchill:** Yes, I shall. The answer on the Border Operating Model is "very soon". The key change, of course, is the dates. We will be making those changes and republishing. The details of what is going to happen and how it is going to happen are all absolutely in the operating model. Industry stakeholders are still using that with confidence. It is the dates that we will be changing, and we will be doing that very soon.

On how we are supporting businesses more generally, Sophie has already mentioned webinars. They are our favoured way of doing that. They get the maximum number of, hopefully, clear messages out to as many businesses as possible. Sophie mentioned that HMRC has been doing many of those. My own team has been doing some targeting of EU traders because, of course, EU traders and hauliers also need to be ready for those changes.

We have been doing that with a programme of events called industry days. We tend to do them with specific Member States, and geographically based, partly because feedback from businesses is that it is enormously helpful if they can hear not just about the UK side of the

controls but about the EU side of the controls at the same time, so what they get to hear about is the complete end-to-end journey. We are continuing to do those industry days with our opposite numbers in Member States, and they are very popular.

We are also doing some more technical events that are more aimed at the border industry but, again, do the same thing. We show the complete end-to-end journey. We bring in the EU controls as well as the UK controls. For hauliers, the haulier handbook, which proved very popular last autumn and that we made in the run-up to the transition period and translated into 17 languages, is available online, and was pushed out on the DfT's information and advice sites. Another edition is out, and people are using it.

Your question was, "What have you already done?", but we are about to do one other thing. Last autumn, we had the Check, Change, Go communications campaign. That is about to relaunch and will be focused on our new import controls.

**Lord Hannay of Chiswick:** Is it not slightly odd that the nearest time fact you can give is "soon"? We are only seven weeks away from 1 January. Presumably, this wonderful model, when you produce it, will take a certain amount of time to read and understand. Why is it that you are not able to say it will be issued on whenever it is?

**Emma Churchill:** Which exact date it will be issued on will depend on a range of things, such as Parliament sitting and which date we could get on a grid slot. It has been the tradition to publish it alongside a Written Ministerial Statement. When I say "very soon", I mean in the next couple of weeks.

**Lord Hannay of Chiswick:** Thank you.

**Sophie Dean:** It might be worth adding, if it is helpful, that what is in the Border Operating Model for January for customs is there now. It is clear already what will be needed for customs. That information is there and live. As Emma said, it is absolutely the right question. The big challenge and focus is how you support the outside world, not just traders but hauliers and others, to be ready, so an enormous amount of effort is going into that.

**Lord Hannay of Chiswick:** They may have better things to do over Christmas than read it.

**Sophie Dean:** They may.

**The Chair:** It is an important area anyway. We move to Lord Jay.

Q64 **Lord Jay of Ewelme:** Thank you very much, Lord Chair. Thank you very much, both of you, for giving some very clear and interesting evidence so far. You have already said that you are confident about the progress of inland infrastructure. How many more inland sites are the Government seeking to secure, and when will they be confirmed and ready? I ought to

know the answer to this, but for my own information can you say very briefly what an inland infrastructure site is?

**Emma Churchill:** Sorry, I should perhaps have explained a bit more about that. The inland sites that we constructed were to serve mostly ports where there was no room to build on site. That is why there are some in Kent. There will be some in Wales. HMRC put some transit infrastructure in Birmingham and near Warrington because that, too, was a corridor where it was thought they would be useful. Different inland sites do different things. The core requirement for the functions of the inland sites for 1 January is to support people using the Common Transit Convention.

The way the convention works is that you have to go to an office of departure on your way out and an office of destination on your way in if you are doing the journey in the other direction. People have to physically go to those places. That is one function of the inland sites. From 1 January, a number of the inland sites will also be serving HMRC, in that they will be the place where there are physical customs checks on the proportion of loads where that needs to happen. It will happen at those facilities as well. The other thing that will happen at some of the inland facilities is that they will operate as Border Control Posts, which is just the technical term for the place that SPS checks will happen.

As to where we will want new ones, I just mentioned the expansion of Sevington, which is the big site in Kent that has been in operation since last January. It will have new functions from this January and then in July. That is not a new site, but it will be an expanded site. There will be a new site at Dover White Cliffs, which I just mentioned, and that will be an HMRC site only. There will be new border control post facilities—one that Defra is putting in place to serve Dover, and a couple more sites that Defra is looking for, particularly for live animal checks, as I mentioned.

I realise that I am giving very full answers, but the other thing I should have mentioned is that there will need to be some inland infrastructure in Wales that Welsh Government colleagues are accountable for. They are working towards a site to serve Holyhead, which is in a similar position to Dover in the sense that there is no room to build on site. They are also looking for, potentially, Border Control Post infrastructure to serve the south Wales ports. That is something the Welsh Government are doing. It is likely that the permanent sites will not be in place until a bit later in 2022 or even 2023. There will need to be some interim arrangements, temporary facilities, from 1 July in respect of those coming through Welsh ports.

**Lord Jay of Ewelme:** Sophie, please go ahead.

**Sophie Dean:** There is not much to add from HMRC's side. Emma has covered it well. From our side, we had in place for this January inland sites in Kent, Essex, West Midlands and Cheshire. We are working with the Welsh Government on the Holyhead, north Welsh, site for January, and working on the Dover White Cliffs site for the end of next year.

It is worth saying that for the compliance checks that come in from January, we need to do those ourselves. On the transit side to which Emma referred, which is an international transit convention, we are also trying to make sure that companies can do these processes at their own site if they are authorised to do so. That is more convenient for them, and it means fewer people having to come through a government-run and owned site.

**Lord Jay of Ewelme:** Is that it as far as sites are concerned? There are no more lurking around in the background that you are going to have to construct in the next few years, as far as you know.

**Emma Churchill:** The only other one to mention is that we have been talking to the Scottish Government about the potential need for a site at Cairnryan, but the need for that potentially is engaged with the Northern Ireland Protocol and its implementation. I mention it for the sake of completeness.

**Lord Jay of Ewelme:** Thank you for that. Can I ask one final question, which is on IT systems? How much have you spent, and are you confident that the amount you have spent on IT systems will be enough and they will work?

**Sophie Dean:** I can take that, if it is helpful, on the HMRC side. I do not have a figure in my head, but I can come back to you, Lord Jay, on the sums spent. I am confident on the IT systems. It was one of the big questions in the run-up to January this year that we were rightly asked. CHIEF is our customs system that has been going for 25 years. Even before EU transition, there was a plan and funding available to move traders from the old CHIEF on to what is called CDS, the customs declarations service. That continues, and we are scaling CDS to do that. We have implemented the new GVMS, which we have talked about.

We are confident for January. The systems are already live and running. This time around, we have more time to do the end-to-end testing with all the supply chains. We are in good shape on that. Thank you.

**Lord Jay of Ewelme:** Thank you very much indeed. Thank you, Chair.

**The Chair:** Thank you very much indeed, Lord Jay. Lord Trenchard.

Q65 **Viscount Trenchard:** Thank you, Lord Chair. As my question has already been answered to some extent, I would like to start, if I may, by asking a supplementary to Lord Jay's question relating to the Border Operating Model. I understand that the TCA has a chapter on customs and trade facilitation, but that they have not yet been fully explored. It clearly would be very helpful if they were fully explored because it would make life simpler. Does the Border Operating Model that is about to go live reflect all the possible facilitations that that chapter of the TCA could provide for?

**Sophie Dean:** It is a good question, but I suppose perhaps less for the border operating model if it is in relation to the TCA, not to be too

parochial about it. We have recently had our first customs sub-committee under the TCA to see how we can bring to life the facilitations that are possible, and one thing we looked at was rules of origin administration. Those discussions are happening. I am not sure that they would be in the Border Operating Model, but what comes out of them would certainly be reflected in the operating model as it goes forward.

**Viscount Trenchard:** That is great, thank you. You have already talked about why you closed the SME Brexit Support Fund. Your guidance advises businesses to use a customs intermediary. Are they kitemarked? How many are there? Do they charge too much or too little? How do you assess which of them are proper, well-run businesses? Presumably, there is no licensing or regulation of them. How does that all work? Following the closure of the Brexit support fund, what sort of support, instead of that, are you able to offer traders in preparation for the introduction of customs controls?

**Sophie Dean:** On intermediaries, as we have said, one of our concerns in the run-up to this January was whether we would have sufficient capacity. There is a privately run market of intermediaries. This relates as well to support for SMEs, because most small businesses will use a customs agent rather than buying the software themselves, and we wanted to make sure that there was capacity. We put about £80 million into a set of grants for intermediaries. On the back of that and other measures, we have seen the capacity of that market expand fourfold.

You raise a good question on the monitoring, or kitemarking, of that market. I believe the Chancellor, in the Budget, said that one thing we are looking at is intermediary markets, and that may, in fact, be broader than just the customs intermediaries. It is a good question to raise, and it is one we are considering.

On SMEs and specifically whether they can access customs agents, we have about 1,500 on our intermediary register on GOV.UK, and we asked them, "Do you have capacity, and are you able to support small businesses?" Over 90% said yes to both. We update that register regularly. If you are an SME and you think, "Where do I start?", you can look on the GOV.UK website and see who has capacity and who might be able to serve you as a small business. That is one important measure. Emma talked about the Export Support Service, and we referred to it earlier. That is a single point of contact for small businesses to come to government and ask a set of questions. Do you want to add anything, Emma?

**Emma Churchill:** The only thing I want to add is on support for importers, because obviously the Export Support Service is currently for exporters. We hear a lot of what I think you have also heard, which is, "Guidance, guidance, guidance", when we ask what we can improve. That is a really tricky area.

We have just launched into public beta a new smart guidance service that we have been doing under the single trade window. That is now live. It,

hopefully, takes users directly to the piece of information they need. You put in your commodity code and country of origin, press go, and it tells you exactly what you need to do next. One piece of feedback we get very regularly is, "The guidance is probably there, but where, and can we find it?" That is now in public beta and available to use, and we very much hope that we will keep getting feedback on it so that we can improve it iteratively. I hope that will be a big, important step forward.

**Viscount Trenchard:** Thank you.

**The Chair:** Thank you very much. Baroness Jolly.

Q66 **Baroness Jolly:** I think you have already had sight of these questions, for which I am quite grateful. They are primarily for Sophie, but Emma, if you want to pitch in, that is great. What will the enforcement regime look like when full customs declarations are introduced on 1 January and the current grace period on suppliers' declarations of rules of origin expires? What steps will the Government take both before and after the deadline to promote compliance? What steps are the Government taking now to communicate to traders what the enforcement regime on 1 January will look like? What is the timescale for monitoring and enforcing compliance? Is there a risk that businesses will be deemed retrospectively non-compliant months or years after importing goods? There is rather a lot there.

**Sophie Dean:** Thank you. The first thing we are doing, and our first priority, is trying to support businesses in getting ready. We know that the majority of non-compliance, especially in the early days, is not going to be deliberate; it will be because errors are made. As we said, there are some complex processes to comply with and our guidance is not perfect, and we know that. We will be taking a supportive approach on the compliance.

I should have said that our easement, which at the moment allows traders up to six months to submit a declaration, is not available to our high-risk traders. They already have to submit a declaration. As you would expect, we have a different set of compliance measures for those we already identify as high risk. For the vast majority, particularly those that trade only with the EU and for whom these processes are new, we will be focusing on education, certainly in the early days. What have I missed?

**Baroness Jolly:** The timescale for monitoring and enforcing compliance.

**Sophie Dean:** It is hard to put a specific date on it. We will be monitoring compliance. We already do risk-based checks, and the data will improve from January when we have more declarations coming in. We will be doing our risk-based checks and monitoring compliance. We will be feeding that back into the guidance for businesses. Then we will have to make assessments, which we will do ourselves in HMRC and with the help of Border Force colleagues, on where we are seeing persistent

non-compliance, and then we can move to further measures. But to start with, the focus is on education and support.

**Baroness Jolly:** What about the concern that businesses could be deemed retrospectively non-compliant months or even years after importing goods?

**Sophie Dean:** I heard other witnesses raise that point. We are not going to be overly heavy-handed on that, particularly for the smaller end of the business market where we know they are coming to terms with new processes and the sums of money are relatively small. We are going to be sensible and use some judgment on that.

**Baroness Jolly:** Thank you very much.

**The Chair:** Thank you very much, Baroness Jolly. We move to a very patient Lord Faulkner.

**Lord Faulkner of Worcester:** Thank you, Lord Chair. I gave up my question to my colleague earlier on, as you know.

**The Chair:** Wonderful.

Q67 **Lord Faulkner of Worcester:** Could I ask about what the shape of border controls is likely to look like? We had an indication from Lord Frost that they were going to be lighter touch than those that the EU systems operate at present, but we are a bit in the dark about what lighter touch means. Can you help us with a definition?

**Emma Churchill:** I will start by saying a couple of things, and then Sophie might want to come in. Lord Frost made a couple of points. One was that it is not necessarily the case that what we do from 1 July will be exactly the same as what the EU and member states are choosing to do—for example, on SPS checks.

One example of that might be, as I said in response to an earlier question, that we have some choices about the percentage of SPS loads on which we choose to do documentary checks, and indeed physical checks at border control posts. Defra is looking at that from a risk perspective. It is not starting from the perspective that, “There is a blanket percentage of documentary and physical checks that we do across all different types of commodities”. It looks at it from a risk perspective.

One of the obvious ways that it might look a bit different on 1 July would be that the proportion, the percentage, of loads of different kinds of products and commodities that Defra might be looking to have checked might be very different from the decisions that are being made across the EU and in member states. That is one example, from the SPS perspective, of how it might be different.

The other point that Lord Frost made was that one thing that we have the opportunity to do now is look for the longer term at both what checks we

do and how we do them, to make sure that the controls and checks that we have in place are proportionate, achieve the outcomes and the objectives that we have for border systems—trade facilitation, security, biosecurity, et cetera—and do so in the way that is least administratively burdensome. That is not just in relation to EU trade, as I said earlier; it is in relation to both EU and rest-of-world trade.

We are quite early days in looking at some of that, but for some of it we have already plotted a course, through the 2025 strategy that we published last December, which already has some quite big commitments in it. Some of that is for the longer term, but there are some ways in which you might see differences in July. Sophie may want to say something on the customs side.

**Sophie Dean:** Thank you. We have had a lighter-touch regime on customs this year as we phased in the controls, and, indeed, we have extended the safety and security declarations until July. Our GVMS system is designed to facilitate trade as efficiently as possible. For the most part, we will be working with Cabinet Office colleagues and feeding into the assessment and the single trade window work, which, as Emma says, is an important part of how we make it all easier and more facilitative for business.

**Lord Faulkner of Worcester:** Thanks for that. You will understand that some of our witnesses are a little frustrated at the fact that there seems to be so little detail. When might we get more detail from the Government?

**Emma Churchill:** Certainly in relation to how we might improve the operation of the border and border controls, we set out some of that in the 2025 strategy that we published last year. We have been working very closely with industry on that. Industry was very supportive of the document when it was published and has been working on some of the detailed areas with us since then. We are now in a position where we will be able to start giving a lot more detail on that. For example, there are some policy and design choices about the single trade window that we want to consult on very shortly. We now have the funds to support it.

One problem with setting out a detailed road map for such a big, complex IT programme is that, if you are not sure what your available funding is going to be, it is quite hard to do. That is now settled, and the investment of £180 million that was made will support it. We should now be able to move to a position where we can give quite detailed information about exactly what we are planning to deliver over the three-year period and what the road map towards that looks like. A number of your witnesses work very closely with us on those things all the time, so I hope we will be able to move that forward with them now.

**Lord Faulkner of Worcester:** Will the detail be before the new controls come in?

**Emma Churchill:** What I was just talking about was the single trade window. That is a three to five-year programme of change. Exactly what will be implemented on 1 January and from July is set out in the border operating model. Most of the details of that are available. I saw that some of your witnesses were asking for just a little bit more detail—for example, on exactly how driver notifications will work on GVMS and how GVMS might interact and be used for unaccompanied as well as accompanied ro-ro. HMRC colleagues have been working on both of those issues.

**Lord Faulkner of Worcester:** Sophie is agreeing. When will the review be concluded? What changes is it likely to recommend?

**Emma Churchill:** You are talking about when we are taking a look at what the checks might be for the longer term. We are kicking off that work now, so I am afraid I cannot give you a definitive timetable for that. We are starting that work now.

**Lord Faulkner of Worcester:** Thank you.

**The Chair:** Thank you very much indeed. The penultimate question is from Baroness Coughtin.

Q68 **Baroness Coughtin:** Thank you very much, Chair. It is a very quick question on an administrative note. What is the division of responsibilities between the Cabinet Office, HMRC, other government departments and other public bodies in terms of government policy and implementation on the trade of goods with the EU?

**Emma Churchill:** That is quite a big question, but I will attempt to give you a relatively short answer because there are a very large number of departments and agencies that have policy and operational responsibilities with the border. If I read them all out, I am afraid we would be here well past teatime.

Broadly speaking, the role of the Cabinet Office and my group has been a convening and co-ordination one. We were given the overall task of making sure that everything that was required for the end of the transition period was ready and in place, that we had contingency plans to manage disruption at the border had that disruption occurred, and that overall we are ready for future stages of import controls. We have been setting the strategy and plans for the longer term in 2025. Also, as it happens, we deliver some projects and products ourselves. For example, we have worked in partnership with DfT to deliver the port infrastructure fund.

We ourselves have been doing a lot of the trader readiness activity that I have been talking about. What that has not done and never will do is take away from individual departmental and ministerial accountabilities for different parts of the border. We have Sophie with us. Clearly, HMRC does all the work in relation to customs. Defra has accountability for the SPS policy and SPS arrangements. DfT has responsibility for traffic management issues and works in very close liaison with the ports. Things

like HGVs and some of the work that has been done there very recently has fallen to DfT. Home Office, crucially, has the responsibility for security. It runs Border Force. I would be delighted to send you a written list—I have one and it is very long—but I hope that gives you a flavour of co-ordinating and convening from the Cabinet Office, with a series of clear departmental accountabilities.

**Baroness Couttie:** The list would be very useful, as would more detail on the idea of how the whole thing is overseen and pulled together. Obviously, Cabinet Office has that role. It seems that a spider's web of different departments and organisations is involved. To my mind, it seems quite complicated to keep a handle on all of that, to make sure that it is all part of one strategic plan.

**Sophie Dean:** As Emma says, what works well is that a department such as mine has to be fully accountable and responsible for the customs and VAT regime, but the nature of the border is such that our systems integrate with the Defra systems and we are reliant on Border Force, which is part of the Home Office, to deliver some of our processes. It is helpful to have an overarching and central mind in the Cabinet Office, not least because business has to interact with all of us, so Emma can hold us to account to say, "Does all this make sense across the piece, or are you all operating in your silos?" I think the structure works well.

**Baroness Couttie:** Thank you very much.

Q69 **The Chair:** We come to the last question, which I hope is also a short one, about UK-EU divergence on goods regulation. Obviously, there is that possibility. What challenges and opportunities have the Government identified so far in that regard? That question might be a bit political. Will the impact of such matters on trade be taken into account before divergence in this area is undertaken, and, if so, how? There might be some policy in that.

**Emma Churchill:** Yes, you are right. This may be something you want to explore in more detail with the Minister when you talk to him. As you know, the Government have set up a Brexit Opportunities Unit. That is not my part of the Cabinet Office, but it sits near me in the Cabinet Office. I think Lord Frost has set out some plans on thinking about deregulation, and there is some of the stuff that has come out of the Taskforce on Innovation, Growth and Regulatory Reform—TIGRR, I think it is called—and some work that will look at the regulations that were brought on to the statute book after Brexit, and the plans to go through and scrutinise those to see which are still fit for purpose and which might be changed. That process is going on. I am absolutely sure that as the process goes on the implications for businesses that are trading, not just with the EU but with the rest of the world, will be fully considered.

I keep coming back to this. In my particular bit of that world, it is not just improvements that we are seeking in relation to supporting trade with the EU. When you move forward to remove some of the administrative burdens, you also benefit traders who are trading with the rest of the

world, because what we are looking to do is improve border regulation, border checks and border controls for trade everywhere, not just with the EU. In my particular world, there are some very significant opportunities, but those are also being pursued in different parts of government. I do not know if Sophie wants to add anything.

**Sophie Dean:** I have nothing to add. Thank you, Chair.

**The Chair:** Thank you very much. That brings us to an end. Before we started, I commented to you that we were likely to be here for 90 minutes, but that depended on you and the length of your answers. We have actually been here for 89 minutes, so you obviously have an internal clock.

I am afraid you have kindly offered to write to us on five separate matters. The first was Lord Tugendhat's question on the disentanglement of Covid and Brexit. The second was Lord Hannay's question on the analysis of trade interruption if a dispute arises. The third was Lord Purvis's question about the Brexit support fund. The fourth was Lord Jay's question about the cost of IT systems. The fifth was Baroness Coultie's question and the list of how matters are organised between the Cabinet Office, HMRC and the other ministries in the Government. We would be very grateful if you could try to supply those to us. Please send them as and when they are available, because they are very pertinent to the report. As I said, we will be publishing it in the middle of December.

I know I speak for the whole committee in thanking you very much indeed for a very fluent and highly interesting session. I know how busy both of you are. We are very grateful to you for coming here this afternoon. You have obviously prepared incredibly well. I am sure we will see you again at some point in the future. In the meantime, thank you very much indeed on behalf of all of us.