



USE

OF LORDS

European Affairs Committee

Corrected oral evidence: Trade in goods

Wednesday 17 November 2021

2 pm

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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; Lord Lamont of Lerwick; Lord Liddle; Lord Purvis of Tweed; Viscount Trenchard; Lord Tugendhat; Lord Wood of Anfield.

Evidence Session No. 5

Heard in Public

Questions 80 - 92

Witnesses

[I](#): Michael Ellis MP, Paymaster-General, Cabinet Office; Emma Churchill, Director-General, Border and Protocol Delivery Group, Cabinet Office; Susannah Simon, Director, Trade Partnership, EU Secretariat at Cabinet Office.

Examination of witnesses

Michael Ellis, Emma Churchill and Susannah Simon.

Q80 The Chair: Welcome to this hybrid House of Lords and to this final evidence session of the European Affairs Committee inquiry into the trade in goods. We welcome for the first time to us Michael Ellis QC MP, who is the Paymaster-General, and we welcome back two very senior officials from the Cabinet Office: Emma Churchill, who was with us only very recently, and Susannah Simon, who was also with us pretty recently.

This is a public session, so a transcript will be taken and we will send it on to you. We will be grateful for revisions that need to be made to it for the record. We will of course use it in our report, which we expect to publish in the middle of next month.

We only have a short period of time with the Minister today. We have nine meaty questions, and I would be grateful if all questions and all answers could be kept short and crisp.

I will start by asking you a couple of questions. One is about your role, and then I will move on to how you spend your time. Concerning your role, what are your ministerial responsibilities for the GB-EU trade in goods, and what is the division of responsibility between you and Lord Frost, your colleague in the Cabinet Office? Have there been any changes in the responsibilities between you and your predecessor Penny Mordaunt, and to what extent are you involved in the Partnership Council?

Michael Ellis: Thank you very much, Lord Kinnoull. Thank you all very much for having me here. It is a great honour.

Thank you for that question. I have now been in the Cabinet Office for about six weeks, and my ministerial responsibilities in this department are myriad and varied, if I can put it that way. For example, I support the Chancellor of the Duchy of Lancaster on various matters—including national security and resilience, for one thing—but also on Covid, including deputising at the COVID-O Committee. I am also deputy chair for the Global Britain (Operations) Cabinet committee.

As you were alluding to, I support Lord Frost on implementation of the trade and co-operation agreement and, of course, the withdrawal agreement, which includes the Northern Ireland protocol. One area that does take and will be taking quite a lot of my time is also primary legislation. I will have responsibility in the Commons for a lot of primary legislation, and I should mention government inquiries.

So, as you can see, there are quite a lot of responsibilities, but for the interest of this committee it will be oversight of the TCA and the withdrawal agreement, and Lord Frost is the UK co-chair of the Partnership Council Joint Committee. That is his bailiwick, and I will be assisting where I can. This is my sixth ministerial role in government and I am delighted to be in the Cabinet Office team helping where I can.

The Chair: Thank you very much. Does that mean you will be going to the Partnership Council or you do not go to it?

Michael Ellis: I do not anticipate doing so at this stage, but no doubt Lord Frost will keep that in consideration. At the moment, that is not the position.

The Chair: How much of your time do you spend on Brexit-related parts of your role, and how much time in particular is spent on getting transition, readiness and border work up and running?

Michael Ellis: It is a little difficult to be particular about that at the moment, because I have been in place for only six weeks and much of the early stages of that were introductory meetings. So it might be a little early to say with any degree of certainty what percentage of time I spend, but I am certainly spending a good deal of time in all the areas that I have adumbrated so far.

As your Lordships will know, the Cabinet Office very often takes an overall co-ordinating and convening role, so I do find myself chairing various committees and assisting in a number of different areas, but it is a little early yet for me to be particular about the breakdown in terms of the percentage of my time.

Q81 **Lord Foulkes of Cumnock:** Lord Frost made a Statement in the Lords last Thursday, and he said that there was going to be an Oral Statement in the Commons. Why did you not make that Oral Statement?

Michael Ellis: I apologise for that. There appears to have been some confusion. The House of Commons was in recess when Lord Frost made that Statement on Wednesday, I think it was, and the Statement ought to have been made on Monday. There was, frankly, a breakdown in communication, because it was put as a Written Ministerial Statement on Monday instead. If that was going to happen, it would have needed the proper permissions, and I do not think that those were obtained. That will happen in due course if the Speaker wishes it.

Lord Foulkes of Cumnock: That is not very good for accountability, particular to the elected Chamber, is it?

Michael Ellis: I think that a Written Ministerial Statement pretty much says what needs to be said, but of course it does not give an opportunity for Members to ask questions. It is rare, as your Lordships will know, that both Houses are not in recess at the same time, and it was an unfortunate sequence of events there that there was a breakdown in communication. It was understood that a Written Ministerial Statement would be satisfactory. If it was not, that will obviously be something that Mr Speaker will want to take up.

The Chair: Thank you very much. I am keen to make a bit of progress because of the shortage of time.

Q82 **Lord Liddle:** I will ask about your overall perceptions of how things are

going under the TCA. Lord Frost's position, and I hope I am not misquoting him, is that were some teething problems, but we are overcoming those, business has adjusted pretty well to the new relationship and trade is getting back to normal. We have taken evidence from other people, and some business groups have described the last year to us as very challenging, particularly for small businesses and particularly in the agri-food sector. There is a dissonance here, and I just wondered what your view of it was.

Michael Ellis: Thank you very much, Lord Liddle. I am inclined very much to agree with Lord Frost's assessment that, frankly, thanks to the excellent work done by officials and those in government, and by colleagues across government, including those in the border industry and traders and hauliers, to get ready for the end of the transition period, the situation was a very satisfactory one over all. That is not to say that there is not the grinding of gears or the need for some oiling of the cogs in the wheel in some areas, if I can put it that way. I absolutely accept that there is that. After all, the National Audit Office report that was recently released said that it thought that all the government systems that were in place were a significant achievement. I think that was the phrase that was used. I am inclined to agree with that.

I must emphasise that I completely accept that that does not mean that there are no issues. There certainly are. I know that the seafood sector, for example, was very much impacted, particularly in those early weeks. But we can see from the numbers that every month since March this year, exports have been higher than the monthly average for 2020. So we see satisfactory numbers, and things stabilised pretty quickly after January and February. There was very significant recovery.

I should also mention with regard to the need for support—and I have accepted that there is a need—that the export support service, which we set up just in the last few weeks, promises to be very fruitful and helpful to traders and all others concerned in movements. That will be one of the areas that will be of great assistance.

Lord Liddle: Do you accept that a significant proportion of small businesses have given up trading with Europe because they are finding it just too difficult and complicated?

Michael Ellis: Even in the limited time that I have been in this office, I have already met a large number of businesses myself. I chair a Business Brexit Taskforce group, and I have had meetings with the British Chambers of Commerce only very recently. I am alive to the issues that there are. We are doing everything we can to support business in what we accept is a challenging time, partly because of global supply chain issues, partly because of the exigencies of the Covid-19 pandemic, but also because these are systemic changes that are having to be acclimatised to, if I can put it that way.

This morning, the Department for International Trade made an announcement about help to businesses in a 12-point plan. The Secretary

of State, Anne-Marie Trevelyan, has announced today a number of points to a plan that will assist, including a tradeshow programme, an export academy, a marketing campaign. So a lot of work is being done around government to support those who find the changes difficult and would like some help.

Lord Liddle: Could I press you once again? Do you accept that there is a particular problem for a significant section of SMEs?

Michael Ellis: I accept that there are challenges for some SMEs. The reality is that I am very well aware that small and medium-sized enterprises very often do not have an awful lot of time for bureaucracy, and they need assistance and would like assistance, and we are ready to give them that assistance. Change can be difficult and we want to assist them as much as we possibly can.

Lord Tugendhat: Minister, did you see the article in the *New York Times* yesterday about digital businesses setting up in Estonia?

Michael Ellis: I did not.

Lord Tugendhat: May I refer you to it? It is very relevant to Lord Liddle's question. It deals entirely with digital businesses and how apparently it is possible to establish yourself in Estonia in order to overcome a number of the difficulties that Lord Liddle has referred to.

Michael Ellis: I will have a look. Thank you very much.

Lord Hannay of Chiswick: Segueing on from that series of answers, you have spoken very helpfully about all the work the Government have done to help this transition. Could you pull together, possibly on a piece of paper but not now, the full costs of all those programmes on a single page—costs both in money and in the added personnel that was required—noting, incidentally, that on the other side of the channel they moved effortlessly on 1 January to a third-country regime without having to incur the same level of costs?

Michael Ellis: We can certainly help with that, and I will ask my officials to do the best they can with that. But I would say this: there are, of course, myriad opportunities that are now open to the United Kingdom that did not exist before. Where there is an initial outlay of cost in order to help businesses acclimatise to the necessary changes, I would expect many of those costs to be recovered to the public purse in different ways over the coming period of time. We will be in a better position to take advantage of the opportunities that now lie before us.

Q83 **Lord Hannay of Chiswick:** We as a committee have heard of the great difficulties that everyone—you, us and commentators—have in distinguishing between the economic effect of Brexit and the economic effect of the pandemic. However, we did note, and I have seen from the National Audit Office, that the fall in UK-EU trade this year has been "significantly greater" than that in trade between the UK and the rest of the world. Is it fair to attribute this difference to the new barriers and the

new elements of friction that have been introduced into UK-EU trade?

Michael Ellis: I am not sure that it is entirely fair to make that assessment. My view would be that it is axiomatic that the effect of the pandemic will have had a deleterious effect on trade and industry. One will have seen that around the world. That coupled with global supply chain issues will also have had an effect. I am conscious of the fact that the ONS did not appear to be able to completely credit any degree of effect on trade to the changes necessitated by EU exit, and I think that is correct.

I would accept that there are a number of different causes for why we see changes in these sorts of numbers and why other countries have seen them. We know, for example—referring to the United States—that there have been dozens of cargo vessels off the port of Los Angeles, and that has nothing to do with Brexit. We know that there are shortages of hauliers and HGV drivers on the European continent. In Germany, for example, there are substantial shortages. That has nothing to do with Brexit. What we do know is that business has had to deal with a number of issues within the last year or two, and we are very conscious of that, which is why we were putting resources into supporting businesses.

Lord Hannay of Chiswick: Thank you, but surely most of the things you have just mentioned would have led one to suppose that supply chain problems would have been greater for the rest of the world than with a part of the world that is only 30 miles away from us.

Michael Ellis: There is a complex array of reasons why there might be supply chain challenges. The OBR, for example—you may have in mind the OBR and its forecast—said that it thought that a 4% effect was likely. That was a forecast. It also does not take into consideration the opportunities. It assumes, does it not, that the status quo is locked in aspic. That is not the case. Over the next 10 years, clearly government will make changes. There will be processes that will differ. The consequence of that is that it is very difficult to make accurate forecasts, in the way some people are prone to do. My point is that this is a fluid situation.

Lord Hannay of Chiswick: I do not think the OBR is simply making a forecast now. It was making a forecast some years ago when it first produced the 4% number. Now it is talking about something that is happening, as well as being a forecast.

The Chair: Thank you very much indeed. We might come back to that if there is time at the end.

Q84 **Lord Purvis of Tweed:** With your permission, Chair, I would like to move straight into that, because Lord Hannay was referring to something that had happened, and I think you were selective with the OBR, highlighting only the element where it had provided a degree of forecast. On page 59, it says: "In summary the evidence so far"—this is not a forecast, this is evidence so far—"suggests that both import and export

intensity have been reduced by Brexit, with developments still consistent with our initial assumption of a 15 per cent reduction in each". Do you accept that?

Michael Ellis: I do not have the document in front of me, but I am not personally inclined to accept numbers at the moment, because I do not think it is possible to disaggregate the effects of the areas that I have already discussed—namely, the effect of the global supply chain issues and the effect of the pandemic—from everything else that is happening as far as the changes necessitated by EU exit are concerned. I accept that there will be those with different viewpoints, but my view is that it is not possible to say at this stage exactly how one can disaggregate all these different issues.

Q85 Lord Purvis of Tweed: I see. You volunteered the OBR, and since you volunteered it in your previous answer I thought you might be willing to answer another question on it, but obviously not.

Can I turn to the preparedness of the border? You referenced the NAO report and said that you had read it, so hopefully I can ask a question about this. You said that it was a significant achievement, which is a quote from the first paragraph of finding No. 8 in the NAO report: "To achieve this, departments prioritised the delivery of only essential elements before 1 January 2021 and introduced a series of easements to provide additional time for government, traders and third parties to prepare for the new arrangements ... There were no major systems or process failures, which is a significant achievement".

That is the full quote from the NAO report. It was only in operation because of the easements that were in place. So you knew that there was lack of readiness. But then there was a total of three delays to full implementation, for which you have cited the pandemic as the reason. Is the pandemic really the reason, or was it just the lack of proper readiness by government for the delays? Why were you not in a position to give a proper indication of when the full controls would be in place after the pandemic impacts?

Michael Ellis: If you are referring to the delays in the introduction of import controls, there are myriad reasons. The global pandemic is part of the reason for that. We want to give businesses more time. We accept that there are complexities in their arrangements. We completely accept that it is challenging for small and medium-sized enterprises in particular to make those changes.

We do not want necessarily to make precision the enemy of the good, or whatever the phrase is. We want to help businesses get it right. We are, frankly, very confident that the necessary systems, in terms of infrastructure and resourcing and so on, are in place, but it is a decision to protect business, because we appreciate that there are challenges because of the pandemic and because of the global supply chain issues, as well as the changes necessitated by our exit from the European Union. It is a complex picture.

Q86 **Lord Wood of Anfield:** I want to continue on the issues of import controls, because there is an issue about the credibility of the new deadlines. Obviously one of the effects of repeatedly delaying the introduction of the new import control regime is that businesses that were not prepared before and may not be prepared now might think that either the deadlines will get delayed again or that you will implement the regime in a very light-handed way. You would not blame them for thinking that—particularly small and medium-sized ones, from the evidence that we have heard. What can you do to restore confidence that the timetable now in place will be the one that sticks?

Michael Ellis: Thank you, Lord Wood. There are a number of things. As for government readiness, one thing is the IT, of course. We have the two major new systems already live. That includes the IPAFFS, the system used to control agri-food imports, and the goods vehicle movement service, and we are continually enhancing those services.

On infrastructure, we have the port infrastructure fund, which provides £200 million support. We are confident that on people, for example, the Border Force is on target to bring in an additional 2,000 staff. We have also seen Defra get £14 million of funding to local authorities in England to support the port health authorities with the recruitment and training hundreds more staff for them.

There are a number of different areas. There is an entire wing of the Cabinet Office and in government to be ready in this area. This is why, as I say, Anne-Marie Trevelyan announced this morning a raft of measures to support exports. So there is every indication—in the engagement of more personnel, in the application of fiscal resources and, for that matter, in government time and effort—to be ready, and we are confident about that.

Of course, as I said, we want to help businesses to be ready. We accept that there are challenges in that regard. Change is a difficult thing, especially when one is working very hard in a small business to keep things going, and we want to make it as easy as possible for them. So I think businesses can be confident that every effort is being made to support these arrangements.

Lord Wood of Anfield: Thanks for your answer. I understand that they may well be confident about the good-faith efforts that the Government are putting in, but they may not be confident that the deadlines that are currently there will stick. Can you guarantee that the current timetables will stick? Whether you delay or not, there is obviously unfairness involved for companies that shell out for adaptation and then the deadlines move. There is unfairness both ways, but certainty is what people want now. Can you guarantee that the January and July deadlines will stick?

Michael Ellis: The unfairness to those on the other side is temporal. Let us put it that way. It is a relatively limited period of time. I am obviously not in a position to make cast-iron guarantees about anything. We look at

the situation constantly as things develop, and I am sure your Lordships would not expect me to give cast-iron guarantees about anything, but we are working towards those lines.

Q87 Lord Lamont of Lerwick: Good afternoon. Have the Government undertaken any new risk analysis on the impact of potential retaliatory measures by the EU such as tariffs or, even worse, suspension of the TCA, in the event that current disputes over the Northern Ireland protocol escalate further? I suppose that is rather a long-winded way of saying that if Article 16 is invoked and that resulted in the TCA being suspended, surely that is a disaster and you would hardly find any reason that could justify it.

Michael Ellis: Thank you for that question, Lord Lamont. I do not think the purported suspension of the TCA is very likely. That would be unwise and not proportionate. What we have in Article 16 is a perfectly legitimate part, and a functional part, of an internationally agreed document. It is not outwith that document. Some of the commentary seems to imply that it is. It is not. It is unusual, it seems to me, part of an agreement. It is not commonplace. But it makes it even more pertinent that it was agreed between and betwixt the parties. Therefore, it has the same application as any other article or section of that document and can be used if it is thought appropriate.

I do not think, first, that it is very likely that the TCA would be in jeopardy, or that it should be, or that it would be proportionate to be, but we are doing everything we can. What we want is an agreement, of course. We want to move on from the disputes and difficulties. We would very much like to move forward. In the same way in which the British have entered into no fewer than 60 trade agreements with third-party countries around the world, we want to be able to do that with bells on, if I can put it that way. We would like to move away from disputes and move forward. That is why Lord Frost is having regular meetings with Vice-President Šefčovič and we are continuing to do that. Our priority, our strong preference, is to reach agreement on the matters that trouble us.

Lord Lamont of Lerwick: Thank you very much. I think people will find it reassuring that you think it is highly unlikely that the TCA could ever be suspended, although I do not suppose that when the EU invoked Article 16 we ever thought that it was going to begin infraction proceedings either, so we cannot be certain. If the EU did launch retaliatory measures, what remedial action might the Government take, or are you going to tell me you could not possibly comment?

Michael Ellis: I could not possibly comment. Can I just say this, though? There are contingencies in place, as you would expect, and I can say that there are robust contingencies in place. I do not want to get into the detail, for obvious reasons, but one thing I certainly could say here is that we would very much consider launching dispute settlement proceedings under the TCA mechanism that obviously exists for that very purpose.

We will also have other practical responses, and that includes a number of different areas. But at the moment, as I have said, we wish to take the pragmatic approach, as we tend to do, and that is the calm exercise of diplomacy to resolve the issues that still exist and move on to strengthen trade relations.

Q88 Viscount Trenchard: Minister, with regard to UK-EU divergence, whether by the UK or by the EU, what challenges and opportunities have the Government identified specifically for GB-EU goods trade? Some of our witnesses from business groups argued that, in the areas of agricultural and industrial goods, the short-term case for divergence is limited. Do the Government agree with this? Are they focusing their plans for divergence on other areas, such as services, instead? How will the potential impact on trade be taken into account as divergence is considered?

Michael Ellis: Thank you very much for that. The whole point of leaving the European Union was to regain our ability to set our own laws. That does not mean that we want to change our rules just for the sake of it. This is not an issue like that. Changes to our regulation will be considered through parliamentary processes and public scrutiny, as your Lordships would expect, in the same way that any legislative initiative would be.

We are thinking of what is in the best interests of the UK and its people. After all, there would have been many occasions in EU negotiations when the UK would have opposed a certain course of action but would have lost the argument, and would therefore have had imposed upon us, while a member of the European Union, regulations that we did not think were in the interests of this country. The advantage is that now we do not have to have those regulations imposed on us anymore. There needs to be a wholesale look at retained EU law, and we want to see what serves our own interests as a nation.

I have to say that we have already been doing that, because we have established a new points-based immigration system on migration, we have replaced the common agricultural policy, we have taken back control of our territorial waters to manage our fisheries and marine environment, and we have been striking trade agreements, as I have said, with 60-plus countries. So we have already begun the process of looking at where we can make changes. But we want to do it sensibly, proportionately and appropriately, the idea being not just to be different for difference's sake but to propel start-up businesses to unleash innovation, to boost productivity. That is the essence of what we are trying to do. My personal view is that too much of our statute book is taken up with retained EU law. Our goal is to review and ensure that any special status is removed.

Q89 Viscount Trenchard: As Lord Frost told us, the Government are seeking to have "the best border in the world by 2025", and he expressed hope that the EU "might look at" emulating some of the improvements the UK makes to its border regime. I understand that these include greater use of technology at borders, which should reduce the need for physical

infrastructure. Do the Government expect that the EU would follow our example in this regard?

Michael Ellis: Quite possibly. I think your Lordship is referring to the single trade window. Yes, it is our ambition to have the most effective border in the world and it is perfectly feasible. This year's Budget allocated I think £180 million to the major programme of the single trade, because we have a very 19th-century model at the moment of people in peaked caps with clipboards on borders. Nowadays it is an issue of electronics and how we can advance border controls. There are other countries interested in doing the same, by the way; it is not just the UK. If we do that, we will find that no doubt the EU would want to follow suit.

I cannot speak for Lord Frost and exactly what he meant, but I presume that is what he would have meant. There is no reason why we cannot have a very close and active partnership working with the EU on this. This is not a rivalry issue. We want to look closely at trading efficiently and effectively and in an ultramodern way, a 21st-century way, with other trading partners. That is good for everybody.

Q90 Lord Faulkner of Worcester: Thank you, Minister, for coming to see us this afternoon. I would like us to stay with borders for a second, and refer to the Government's border operating model. That asserts that the requirement for safety and security declarations "protects the UK against potential threats such as terrorism and the trade from illicit goods such as guns and drugs". Am I not right in thinking that these declarations will not now be required until at least July 2022, 18 months after the end of the transition period? Does that not mean that the UK is facing and will face a heightened risk from these threats in the meantime?

Michael Ellis: Thank you very much, Lord Faulkner. I think I can give this committee some breaking news—my officials are confirming—that the border-operating model will, I expect, come out tomorrow. That will be in the public domain tomorrow. That is my expectation.

As for the main thrust of your question about the safety and security declarations, the UK's approach to this is very much in line with the framework set out by the World Trade Organization. We are passionate about safety and security. We take it extremely seriously and we have good cause to do so. The current international requirements require the pre-arrival or pre-departure collection and risking of information for all consignments entering or exiting a territory.

We wanted, of course, to support economic recovery. So, again, the safety and security declarations on imports will be required from 1 July 2022, to answer your question. We have put that back by a few months, because we have borne in mind the request by business to give them a bit more breathing space to come up with the bureaucracy involved. Safety and security declarations are already up to international standards and no doubt exceed them. They are incredibly important. The border responsibilities remain with the individual departments such as the Home Office and Defra, with their respective policy areas. There is nothing more

important than tackling illicit trade while facilitating the movement of legitimate goods.

I do not anticipate any issues with that slight delay. What we are seeking to do, Lord Faulkner, is to improve on an already good system, and the safety and security declarations when they come into force will do that. It is simply proportionate, in my view, to give businesses that breathing space.

Lord Faulkner of Worcester: If somebody put to you the charge that you are taking a bit of a chance because of this gap in time, you would say that is not the case.

Michael Ellis: I do not consider it to be a chance as such, because this is an improvement on an ongoing good state of affairs. No system is perfect, of course; we would not seek to posit to this committee or anywhere else that any system is perfect. But the very fact that we care passionately about our safety and security is why we are making these declarations come into play in July 2022. It answers the point that you make, which is that we do consider these things to be very important; we simply consider that we have to balance a number of competing issues.

Lord Faulkner of Worcester: You do not anticipate that that July 2022 deadline will be missed and the period extended.

Michael Ellis: I do not anticipate that, no.

Lord Purvis of Tweed: Thank you, Minister. Could you or Emma Churchill clarify this? I thought that businesses had to give the declarations, it is just that you have not been checking them. You have not had the infrastructure in place for the border posts, so what kind of help has been provided to boundaries, as you said? Is the issue not more that you have not had the infrastructure to police it?

Emma Churchill: I am cognisant that there are only 60 seconds left and I know that I spoke a lot last week. No, safety and security declarations are not currently required. Customs declarations, of course, are currently required under the easement, which is coming to an end on 1 January. Safety and security declarations are not required for EU trade currently. They will be coming into force on 1 July. I would be delighted to write a fuller note to the committee, given the time.

The Chair: That would be very helpful. Thank you for that.

Q91 **Lord Tugendhat:** Minister, thank you for the clarity of your answers. We have heard that there have been concerns about inconsistent treatment of British exports across the EU. I do not find that surprising, given the differences between the 27 member states and their bureaucracies. Have you found this to be a problem, and what steps are you taking to raise the issue with member states and with the Commission?

Michael Ellis: Thank you very much for that. Acknowledging that I have been in place for six weeks in this role, my assessment at this stage is

that there are not that many inconsistencies in the application of requirements. Where they do exist, it has not been my or my officials' assessment that that is because of obstructionism in any way. It has been simply because the various member states of the European Union are permitted to take their own individual approach to enforcement. It is within their rights to do so, and some of them prioritise different areas, such as the language a form might be in or something of that sort.

We have come up against one or two issues. Where we have, very often our UK mission in Brussels has been able to help iron out any little local difficulties. As I say, we do not see much of it. Where we do have wider issues, there are specialised committees. I know that most of them have had one meeting so far, so it is early days yet, but maybe that is for another time.

Lord Tugendhat: Has there been any particular concern over VAT, in your experience?

Michael Ellis: That is something that Susannah can probably answer.

Susannah Simon: I think you are referring to the concern about the one-stop-shop and the requirement for a fiscal representative and that is a concern for our colleagues in HMRC and HMT. We have been raising that with the EU. Indeed, we raised it yesterday at the Trade Partnership Committee.

The Chair: Is that something that you would be able to write a more descriptive answer on to us?

Lord Hannay of Chiswick: Including its response, if possible.

Susannah Simon: Yes, we can certainly do that.

The Chair: That is very kind of you, because it is a particular area that we have taken quite a bit of evidence on and it would be most helpful.

Susannah Simon: Am I allowed to say in short at this stage that the EU was not receptive to what we said yesterday, so we will continue to raise it?

The Chair: Thank you. This would be very helpful. I realise, Minister, that we are very slightly beyond your deadline. We have one more question only.

Michael Ellis: I am very conscious that I am required in the Chamber of the House of Commons in due course, but please go ahead.

The Chair: It is a pity that could not have been a Written Ministerial Statement as well.

Michael Ellis: I think there may be a penalty for that tomorrow.

Q92 **The Chair:** The final question was going to be posed by Baroness Jolly, but she could not be here at the last moment and has asked me to ask it

of you. It is about veterinary problems. I will read it out, because it was her question.

We have heard considerable support for a UK-EU veterinary equivalence agreement to address some of the SPS barriers to trade which the agri-food sector has found. Notwithstanding the failure to agree this as part of the TCA, is it still the Government's objective to pursue such an agreement in the medium term?

Michael Ellis: Those sorts of negotiated easements are for the specialised committees. The sanitary and phytosanitary committee, for example, has provided for discussion between the parties on the use of electronic rather than paper-based certification, and I think other specialised committees will take an interest in the area to which your colleague has alluded.

We do not expect there to be an absolute locking into aspic—again, to use that phrase—our current arrangements. Easements are certainly something that we will take our time to look at. We need a long-term solution, of course, in this area. There are provisions within the TCA that trade restrictions where they apply, whether it be pets or anywhere else, should be proportionate, and we are monitoring any inconsistencies that there are.

We have always been clear that we are not going to trade our sovereignty for easier market access or easier access in any regard. We have set a framework that allows co-operation, if I can put it that way, to build up over time. Whether it be in that area or in any other area, there are options. Do you want to add anything to that, Emma?

Emma Churchill: No, that is fine from my perspective.

The Chair: In summary, therefore, if the temperature becomes a bit warmer between the two parties, you expect progress on quite a few areas, not just on the veterinary area.

Michael Ellis: We are always looking with an open mind at progress in any area. We take the approach that we want to trade effectively and efficiently with as many people who wish to trade with us, with as many countries around the world, as possible, and do not do anything that will impact our sovereignty. With that borne in mind, the key focus is on implementing the deal that we have just struck, which is an extremely good deal, and supporting industry to adjust to the changes. That is the focus—adjusting to the changes. Opportunities now exist. We will always be open to agreeing further arrangements, but it is a question right now of adjusting to those changes, and I think that they will work very well for the United Kingdom going forward.

The Chair: That is very kind of you.

Lord Hannay of Chiswick: Can I follow up on a much earlier answer you gave, in which you instanced the 60 rollover trade agreements reached with countries with which the UK already had an agreement.

Could you tell me one example in which they contained a divergence?

Michael Ellis: I am afraid that we will have to write to your Lordship about that for particular examples. The committee will no doubt excuse me, bearing in mind my responsibilities to be elsewhere.

The Chair: Indeed. Thank you very much for coming along this afternoon. Thank you also to Emma Churchill for coming back, and to Susannah Simon. I regret there are three things you will write to us about. There was Lord Purvis's question, Lord Tugendhat's question and Lord Hannay's question. I would be very grateful if you could send those through, as they will form part of our report, which we expect to settle in the middle of next month. In the meantime, thank you, Minister. Good luck in the Commons this afternoon.