

# Committee on the Future Relationship with the European Union

## Oral evidence: Progress of the negotiations on the UK's future relationship with the EU, HC 203

Tuesday 23 June 2020

Ordered by the House of Commons to be published on 23 June 2020.

[Watch the meeting](#)

Members present: Hilary Benn (Chair); Mr Peter Bone; Mark Eastwood; Sally-Ann Hart; Seema Malhotra; Nigel Mills; Mr Barry Sheerman; Dr Jamie Wallis.

Questions 420 - 470

### Witnesses

**I:** Lars Karlsson, CEO, KGH Global Consulting; Tim Reardon, Head of EU Exit, Port of Dover; Alex Veitch, Head of International Policy, Freight Transport Association.

### Examination of witnesses

Dr Lars Karlsson, Tim Reardon and Alex Veitch.

Q420 **Chair:** Good morning and welcome to this meeting of the Committee on the Future Relationship with the European Union. For the purposes of our records, could I ask our three witnesses this morning, to whom we extend a very warm welcome, to identify themselves?

**Dr Karlsson:** Good morning, Chair, and thank you very much for inviting me. I am Lars Karlsson. I am the CEO and managing director of KGH Global Consulting. I have a long career spanning 35 years in customs, borders and trade. I am a former head of the World Customs Organization and of Swedish Customs, and have been working with these issues for the last four years.

**Tim Reardon:** Good morning, Chair. I am Tim Reardon, company secretary and head of EU exit at the Port of Dover.



## HOUSE OF COMMONS

**Alex Veitch:** Good morning, Chair. Good morning, everybody. My name is Alex Veitch. I am the head of international policy at the Freight Transport Association.

Q421 **Chair:** You are all very welcome. As ever, we have lots of questions to ask, and succinct questions and answers would help us to get through all of ground that we would like to cover. At 11 am, in just under half an hour, the House of Commons is holding a minute's silence in memory of the three people who were tragically killed in Reading on Saturday night, so we will probably hear a bell ring. I will interrupt whoever is speaking at that point and we will observe a minute's silence in this session before returning to the questions, so I would be grateful for your co-operation.

If I could kick off and begin with you, Tim, is Dover ready for new arrangements from 1 January, whether there is or is not an agreement?

**Tim Reardon:** First, the Port of Dover is ready for its customers. We have, on our busiest days, about 10,000 lorries a day through the port. Now is a slightly quieter time because the economy is running at a slower pace than it was a couple of years ago, and we are typically taking about 7,000 lorries through the port every day. The challenge as we go ahead into the beginning of next year is to ensure that that traffic can continue to flow through the port and onwards to the place of delivery, to customers around the UK and customers in Europe to whom UK exporters are sending their goods.

Q422 **Chair:** To supplement that, are the lorries going to be ready with the right paperwork?

**Tim Reardon:** It is fair to say that they are likely to be ready for the paperwork required to get into and out of France, because those requirements have been set out very clearly for some time now. What are still in the process of being defined are the documents and other requirements for getting into and out of the UK. The Government intend to publish their border operating model in the middle of next month and, when that is published, the UK's requirements should become clear in the same way as those for getting into and out of France already are. We are working with Government at the moment on the content of that border operating model, but there is work still to be done. Clearly, until it is defined, nobody can be entirely clear what it is that they are preparing for and, therefore, it is difficult to give an assurance that they will be prepared.

Q423 **Chair:** Can I turn to you, Alex Veitch, and put the same question? You represent the people who are moving the goods in and out. Do you think that companies are ready and will have the right paperwork to enable that free flow of goods to continue come 1 January?

**Alex Veitch:** That is a good question. I would like to build from Tim's answer. As an association, we represent businesses across the supply chain, including ports, shipping lines, rail operators and airports, but most of our members are road hauliers and many of them move goods in



## HOUSE OF COMMONS

and out of continental EU and across to the Republic of Ireland and Northern Ireland.

To follow on from your question to Tim and talk about whether the lorries will be ready, the straight answer is that they have to be ready. Nobody wants to see any delays at Tim's port and the surrounding countryside. Tim is right in that the export procedures are known at a policy and regulatory level. We are now drilling down into the detail with various parts of Government to make sure that we understand and can explain to our members what the business processes and IT systems need to be to ensure that lorries arrive border-ready at Dover and the other key ports.

For imports, again I would echo Tim. The requirements are somewhat less clear, although, on the more positive side, there is this six-month period where there will be, to some extent, a more straightforward process. Readiness is a must-do. It is a can-do. We are now really getting into the detail with the Government to make it happen.

**Q424 Chair:** An estimate was produced earlier in the year that some 50,000 additional customs agents would be required to deal with the customs declarations and other forms that UK companies exporting to the EU will now have to fill in, because they have not had to before, since we have been in the single market and the customs union. If everybody knows what they need to do, why is there a requirement for additional customs agents? What is your assessment of whether there are going to be sufficient of those people to advise companies on what forms they should fill in and how they should fill them in?

**Alex Veitch:** That number of 50,000 is a very interesting one. My understanding is that it is based on an average productivity of the number of declarations done per day by customs agents. For me, the answer on the amount of customs agents depends substantially on whether there is a free trade agreement concluded with the European Union. If there is a free trade agreement, customs declarations are far more straightforward because, assuming that tariffs are zero, the declarations are easier to do. The answer is always zero. If there is no free trade agreement, the declarations are more complicated because each individual product has its own tariff code and percentage import or export value applied to that product. They are more difficult to do.

Customs agents will be required from 1 January by the trader population, whether they are importing or exporting. There is a need to add capacity. It is a little difficult to know exactly how many are needed, but I would say that the recent funding announcement is very helpful and we would like to see our partners, members and colleagues across the customs-intermediary sector ramp up capacity to meet the demand.

**Q425 Chair:** Are we currently ready for circumstances in which there is no agreement and, therefore, the paperwork is more complicated?



## HOUSE OF COMMONS

**Alex Veitch:** We will have to be, and we will see what the uptake is for the additional £50 million capacity grant. That is a substantial amount of funding. We have some members who are customs agents and we know that they are ramping up their capacity. There were some very helpful things announced by the Government for imports, which are to do with the liability arrangements between customs agents and their customers, which will help. We have some way to go. Like I said before, it is a must-do. This has to be ready. We have to see what the market will provide and we have to make sure that companies are aware of and take advantage of the funding that has been made available.

**Dr Karlsson:** Do you want me to answer the same question?

**Chair:** Yes. Do you think the UK is ready for the change, whatever form that change takes?

**Dr Karlsson:** First of all, from 1 January, from a customs perspective, there will be customs procedures and border procedures, regardless of whether or not there is a free trade agreement. That is important to remember. I agree with the previous speakers because, if there is no free trade agreement, some of the declarations will become more difficult and more challenging. I still want to point out that there is still a need for the same procedures and the same preparedness from 1 January.

Is the UK ready? It probably is not today but, in the service industry and the transport logistics broker industry, there is more preparedness. Among importers and exporters, there is less. There is still time to do things. There is the training grant for intermediaries; intermediaries are key here to being ready and prepared for this, because there will be a need for that alternative. It does not mean that all importers and exporters have to use intermediaries but they should be able to. That is why there is a need for additional capacity there.

The grants and decisions made around them are important, but it should also be open to individuals, not just to businesses that are already in the intermediary industry. There is a need for new talent to come into the industry too, which could be done in a situation like this when you have a lot of students coming out and wanting to enter a very dynamic business such as this.

The answer is that there needs to be preparedness, regardless of whether there is a free trade agreement. If there is a free trade agreement and it reduces tariffs entirely, more declarations can be done by importers, exporters or intermediaries. Without an agreement, that intermediary capacity needs to be strengthened.

Q426 **Chair:** That is very helpful. Alex Veitch, you said we have to be ready, yet the Government took a decision quite recently that they did not think we were in a position to deal with full checks for goods coming into the UK, which is why they have announced the three-phase approach. Was that a recognition that, in fact, we were not ready? What do you think lay



behind that?

**Alex Veitch:** To take a step back, we were one of the business groups arguing for additional time, due to the coronavirus pandemic. We publicly and privately asked the UK Government to consider negotiating an extension to the transition period. That was not accepted. Following a review with our members, we wrote again to Government and publicly asked about what we called an implementation period, where we are not talking about extending the discussion but simply saying that, when all the agreements have been concluded, industry could have a certain amount of time to prepare. Again, this is to do with the coronavirus situation, which has left three-quarters of our members taking advantage of the furlough scheme and a lack of bandwidth on the industry side.

We welcomed the Government announcement for the phased approach to imports because it seemed to us that they did listen and take account of the fact that, on both the Government and the industry side, we have perhaps lost two to three months of preparation time. Again, it is very useful. The thing about the import simplified process in this phased approach is that there is still a huge amount to do.

To echo something that Lars said, traders will need to be ready to make declarations from 1 January, whether they are importing or exporting, which is really important to get across. For most of our members, who are on the carrier side—hauliers, shipping lines and ports—procedures for the imports that they will have to do will be more phased in, but let us not forget that this is something the trading population will have to come to terms with by the end of the year as well.

**Chair:** That is very helpful.

**Dr Karlsson:** This implementation period is important but the most important thing is having a firm date to relate to and what you need to be prepared for. The border operating model that was mentioned for day one, as well as the requirements for 1 July, when that implementation period is announced to end, is extremely important, so that traders and the industry know what to prepare for.

Having said that, my view is that we already know most things. We know what it is like on the other side. We know what the EU will do on the UCC side. We know what 80% to 85% of customs and border procedures will look like on the UK side, because they have to be in line with international standards. What these simplified procedures will look like between 1 January and the end of June has been announced, so it is possible to start preparing now and getting support to prepare. This is the message that needs to come across.

As a final comment, even if there is, as Alex said, the possibility of having a simplified procedure and an implementation period in this three-stage approach, it should still be possible from 1 January, for those who have prepared and who have systems ready, to do declarations. Again, we



## HOUSE OF COMMONS

should avoid having a new deadline or a new problem in reaching the 1 July requirements for everybody. If companies can meet the requirements for 1 July from 1 January already, they should be able to do so, as well as having the same simplification when it comes to deferred payment and so forth. That will take pressure off the implementation period later, during the first six months.

**Chair:** That is very helpful.

**Tim Reardon:** There are three aspects to preparedness, where the phased approach and putting stuff off until the beginning of July is really useful. First is the process of bringing lorry traffic into the country. The real exam question that Government have here is to define a customs process for lorry traffic. At the moment, the UK does not have one. All the traffic that comes into the UK and which is subject to customs control is unaccompanied, whether it comes in by sea or by air. Conceptually, it comes in, is put in a shed, a yard or a stack, and then sits there until customs release it. That is not a functioning model for lorry traffic, so something different is needed. There is no precedent to follow because the UK does not do customs on lorry traffic at the moment. First, then, the UK needs to finalise its process for lorry traffic.

Secondly, it is certain that the UK will need to have an IT system of some kind to support that new process. We know it is working on it but, because it does not have that process or that IT system now, it will take some time to develop, and an extra six months will help with that.

Finally, where lorry traffic comes into the UK at the moment, there is very limited control infrastructure available, where the UK authorities can intervene physically in the lorry and in the goods in the back of it. Whatever they are ultimately decided to be, those will take time to build. Clearly, there is more time between now and next July than there is between now and next January.

For all those three reasons, the phased approach is helpful and necessary. Whether the phasing is long enough, it is too early to say at this stage, but it is helpful.

Q427 **Chair:** Finally from me at this stage, on that last point about intervening to inspect a lorry, as those members of the Committee who visited Dover a little while ago will know, space is extremely limited. Presumably, if you had to make provision to stop a number of lorries, you could not really do that at Dover; you would have to do it somewhere away from Dover but nearby.

**Tim Reardon:** Indeed, and one of the most helpful things that came out of the Government's announcement 10 days ago was the commitment to construct new control infrastructure away from the port, at a place, presumably, where it can serve several gateways to the UK at the same time, in a site away from the key pinch point and the chokepoint, so that



the act of intervening on one lorry does not stop all the others that are behind it on the road.

**Chair:** We will explore all of these issues in more detail as the session progresses.

Q428 **Sally-Ann Hart:** Good morning, everyone. It is lovely to see you here. I want to explore a bit more the staffing, resources and training that are going to be required. I know that, in February, Michael Gove said that we needed 50,000 new customs officers but, in March, Pauline Bastidon, who was then head of global and European policy at the Freight Transport Association, gave the indication that perhaps we needed more than 50,000 because of the need for safety and security declarations et cetera.

My question is to Mr Veitch first. Bearing in mind that it takes about nine months to train customs agents, how many more people does the UK realistically need to recruit and train to work in customs? We need to understand this a bit better because the opportunity for young people particularly, as highlighted by Dr Karlsson, to train for a career in customs and international trade is one that we do not want to miss out on. We really need to get some figures, so I wondered if someone could highlight that, please.

**Alex Veitch:** In terms of the exact figure for how many agents are required, things have possibly moved on since my former colleague was giving evidence. If we assume that procedures are the same as for rest-of-world trade today, the figure is rather high. It is more of a range than a complete number. When I looked at where the 50k number comes from, I am not sure it takes into account the agents who are currently working or perhaps being trained. I would put the figure at slightly less than that.

As I and other witnesses have said, the number of agents required depends on whether we manage to have a free trade agreement with the EU. If we have a free trade agreement, it is easier to do and you need fewer people to do it. As Lars said—and this is really important as well—you would have more traders doing it themselves, or at least some of it. I hope we will come on to how customs work can be done, to some extent, more upstream. Without a free trade agreement, you would need a substantially greater number of customs agents. My take on it is that it is more like 35k or maybe 40k, fewer than 50k, but these numbers are all estimates.

One point that I want to land, though, is that you are right: this is a huge opportunity for people to move into what is a fantastic part of the logistics sector. We really want to see more young people coming in. In this space, we are encouraging the Government to look at the apprenticeship levy and whether that could be perhaps reimagined as a skills levy, which might allow vocational and practical study courses to be easier to fund, so there is a greater incentive for businesses to send colleagues on training courses, to use the funds to upskill and train staff.





That would be my take on the number, but also perhaps an avenue of policy development that might be worth exploring.

**Dr Karlsson:** I agree with what Alex said. There are opportunities here. Government have supported the training of this specific sector with the UK Customs Academy from the Institute of Export and International Trade, which is fully digital. There are also double-digit numbers of other training offers on the market today. As I said before, for the moment, grants and support have been directed at companies, or people working in companies, in the intermediary industry. We really want to grow that industry to have more capacity. We need to get new students in from all around the UK, not specifically where these training centres or intermediaries are, which are traditionally the ports and airports. It is important that we take that into account to grow the number, because considerable capacity is needed.

I also want to stress that it is going to be more difficult if there are tariffs and duties with no free trade agreement, but it is a difficult process to do, to some extent, even if there are none, because there are restrictions and a number of other regulations that need to be taken into account. The mix and the intermediary industry are extremely important in making this work.

As a final comment, and we will certainly get into that discussion a little later in this hearing, moving the work that is done away from the borders to before and after is key in any strategy. That means that trader registrations and these other systems need to be prepared now to be put in place by Government, to make this easier.

Q429 **Sally-Ann Hart:** Expanding on the new opportunity, what should the Government be doing to market these job opportunities? What can we do?

**Dr Karlsson:** It is a great opportunity because part of the UK's strategy and global vision for trade opens up a totally new industry here that has not been as needed before, because it has only been directed at 50% of third-country imports and exports. There are opportunities here for dynamic internationals. I have spent 35 years in it and I think it is the best job in the world. For young students coming out with a degree and looking for a job in Scotland, Northern Ireland, Wales or the rest of England, this is an opportunity. If they can get their training digitally and get an apprenticeship, as we heard before, they can easily get into this industry and make an effort in an international environment very quickly.

Government need to support that process by opening it up to grants for individuals as well as people who are already in the industry. There could be more marketing from agencies as to how this is needed. Underlining the importance of intermediaries and how they interact is also important, as an opportunity rather than a demand, because importers and exporters will be able to do this themselves. They will also probably need more people to do it. It comes back to the issue of increasing capacity,





## HOUSE OF COMMONS

rather than seeing it as a problem that you have an industry that needs 35,000 to 45,000 new people.

**Sally-Ann Hart:** It is an opportunity.

**Dr Karlsson:** It is an opportunity.

**Alex Veitch:** To build on that, big US companies that trade overseas almost always have a trade compliance officer, manager, head or director. Those jobs are now starting to appear in the UK. We have quite a few big retailers and manufacturers in our membership and we are starting to see them add that competency to their logistics operations. There is someone in house figuring out what the compliance strategy is, whether it is the EU market or different markets all over the world. As Lars said, that reduces the pressure and demand on intermediaries as well as creating new opportunities for skilled jobs.

**Sally-Ann Hart:** I have one more question, if I may, Chair, to Mr Reardon.

**Chair:** Sally-Ann, we are just approaching 11 o'clock, if you could hold your question until afterwards. To explain, at 11 o'clock there is going to be a minute's silence in memory of James Furlong, David Wails and Joe Ritchie-Bennett, who were tragically murdered in Reading on Saturday evening. We will now pause for a minute to remember them, their families and loved ones, and the other people who were injured in this terrible incident.

*The Committee observed a minute's silence.*

*On resuming—*

**Chair:** Colleagues, thank you very much for observing that minute's silence.

Q430 **Sally-Ann Hart:** I have one more question, directed to Mr Reardon at the Port of Dover. We have looked at customs intermediaries; we need more of those. What about Border Force? Is this an opportunity to increase our Border Force officials? Do we have enough?

**Tim Reardon:** The question of whether there are enough depends on what task they are going to be asked to do. That comes back to the point I was making previously about Government needing to define precisely what the control process is for applying customs rules to goods arriving in lorries. There is an excellent Border Force team here in Dover at the moment. We work closely with them and we are very pleased to do so. Whether that team needs to be increased in number will be a function of what the new control process is and where it is going to happen in practice.

The role of Border Force personnel is primarily that of physical interventions in vehicle movements. If those physical interventions are going to be elsewhere, elsewhere is where the Border Force staff should be. Most of the data flow and documentary process will be a digital



## HOUSE OF COMMONS

electronic one, and that will not be focused geographically on the point of entry, so there would be no particular logic to increase the number of official personnel at the point of entry when the data flow is in the cloud.

**Dr Karlsson:** Sorry for taking the floor again. There are lots of things to say about this very interesting topic that you are discussing here. I just want to say one thing about it. Tim is absolutely right that the traditional way of doing border formalities, and controls or inspections, whatever comes with those, is at the border, but there is no reason why we would design a border in that way for 2020 and beyond. There are more efficient ways of introducing self-assessments and inspections that can take place at the premises of the company or be done by the company itself.

That has an impact on the question of how many officers you need and, more importantly, what skillsets they should have. Are they inspectors at the border or are they auditors or specialists working with risk management and helping companies to do their own in-house controls?

Let me add one more thing on competence. We are concentrating on the need for more skills, competence and capacity for the new procedures coming in because of this specific situation, but you also need them to make use of all the free trade agreements that the UK is about to sign and wants to sign with the rest of the world. We know from studies way back that free trade agreements are developed and negotiated over a long period of time and then used only 55% or 60% of the time because the trade does not know all the benefits of a free trade agreement.

A more informed, skilled and trained customs environment in companies and in the industry will benefit very much more from the free trade agreements that you will get, not only with the European Union but with the rest of the world. There are additional benefits from bringing these new skills and competences into your business environment.

**Chair:** Thank you very much indeed. Next is Barry Sheerman. Barry, you need to unmute. We cannot hear you.

**Mr Sheerman:** Is that good?

**Chair:** That is fine. We can hear you loud and clear.

Q431 **Mr Sheerman:** That explains to our witnesses that I am a new member of the Committee and cannot even unmute myself properly. I have found this an interesting session so far, but it really disturbs me. If you have a very long memory, on D-day, when we were invading the European continent, we had rehearsals. There were a lot of rehearsals. They were very tragic and many good servicemen died in the rehearsals. I just want to ask the witnesses whether, so close to this pretty traumatic change, there have been rehearsals. Have there been fake rehearsals using the media? What sort of preparations have there been that you get you close to the reality of 1 January next year?



**Dr Karlsson:** There have been some small tests, but it is an issue that Tim and Alex touched on before. Of course, before we know what the border procedure will look like specifically on the UK side, it is very difficult to test it. We know to know the things that Tim was referring to before. Where are the inspections going to take place, and how many will there be? Will they be done by the companies before they enter into the process of exporting and coming in for import, or not?

My absolute view on this is that there should be scaled tests from the second where this border operating model is finally decided and published, in three weeks' time or whatever the timeline is right now, and it should not be delayed in any way. Traders, the industry and infrastructure operators who are there need to know what it is. It is also extremely important that Government do scale tests together with operators. That can be done and is being done on the French side, together with Eurotunnel and with ro-ro operators in Dover-Calais. It could and should be tested during the autumn. It is a really good suggestion and proposal. My opinion is that it has not been done enough. The main reason is that we have not known exactly what it will look like, so it becomes more a test about what you do if there are queues. The real test should be how we avoid queues on 1 January and 1 July.

Q432 **Mr Sheerman:** Turning to Alex Veitch for his view on this, I do not know whether you know but I am very interested in transport safety. I know that there are a wide range of scenarios if something like a terrible fire occurs in the Channel Tunnel. There are many procedures and rehearsals around that. What particularly worried me in the earlier evidence that Alex was giving is that much of this depends on a new IT system. Some of us are still recovering from what has been happening with the Covid-19 debacle and the technology we are using. Suddenly, you introduce a new IT system that we are going to be highly dependent on, but which is not live yet. Has the contractor been chosen?

**Alex Veitch:** Those are great questions. First, there is going to be, as we understand it, a new system called the goods vehicle movement service—GVMS—which is the way in which it will be possible to pre-declare the goods that are in a truck before the truck even drives towards the port. That is the system that must be tested. I agree with you 100% and, straightaway following this call—and perhaps Tim and I can talk about it later—we need to be pushing to make sure that testing is part of the project plan. I am sure it is. To be honest, we have just been hearing about the detail of this ourselves in the last week or two.

To wind back, there were some tests on the road management towards Kent, and I am sure Tim knows a lot about this. Where there were likely to be delays in Kent, the Government came up with a system called Operation Stack to manage that. There were certainly tests with that and they reached out to our members to see if they could participate in it.

But there must be testing of this new system. Hopefully, the shared goal of all of us is to avoid the need to have the Operation Stack-type



procedures in place to manage the flow of goods. As a contingency, I would be sure that that would be tested as well towards the end of the year. That is a great comment. Thank you for it. I completely agree, and we want that as well.

**Tim Reardon:** To draw out what Lars has said, French customs has tested its system. It has done that a couple of times and established that, as one might expect, the data flow works. The challenge is to make sure that lorries go where they are told to go, but there are ways of achieving that. I would endorse what Alex has said. I am certain that the GVMS system that the UK is building will similarly be tested, but it needs to be built before it can be tested. At the moment, we are still at the stage of making sure that the specification for the system is correct, so that it is built with a fighting chance of doing what it is needed to do. Testing will come, I am sure, and the phasing of the introduction of new processes allows a little more time for that testing to be done before the system needs to be operated for real.

Q433 **Mr Sheerman:** Thank you for that. Can I switch horses a little bit now? Who do you discuss the big issues with? I have heard about lots of conversations with the usual suspects, but I am very worried about how much communication you are really having with the police and security people. One thing I know about organised crime is that they will have some really good experts working on this. They will understand the transitional arrangements long before most manufacturing companies. Would you not agree that there is going to be a real challenge from crime and criminal elements using the dislocation of the changeover to their advantage? Who are you talking to about that?

**Tim Reardon:** Are you directing that to me?

**Mr Sheerman:** It would probably better to start with Tim. Tim, come in first on that.

**Tim Reardon:** Thank you. The challenges you mention are not new. We have very good working relationships with all the control agencies that operate in the Port of Dover, to ensure that everybody who comes through the port is kept safe and that traders can send their goods through the port with the confidence that it is a safe and secure place to do that. As we look ahead to define new processes, we are working very closely with each of the control agencies responsible for the individual process, together with the border and protocol delivery group, the co-ordinating body that is being run out of the Cabinet Office.

We are involving all our customers in that process, who are the people who are going to have to go through and comply with the processes, whether they are ferry operators, hauliers, their customers, and tourist traffic as well. It is an enormous collaborative effort to make sure that we end up with a process that suits everybody, that the lorries can continue to flow through, and that people can dispatch and receive their goods with confidence.



Q434 **Mr Sheerman:** Are you not at all worried about this? We are a country that does not want more drugs coming in. We do not want human trafficking. We do not want any more of the terrible things that have happened around a container with those poor people from Vietnam. Is there not a heightened focus on that? It does worry me that this is an opportunity for organised crime when we know that they are very aware of these opportunities.

**Tim Reardon:** Those threats are not new. There are procedures in place at the moment to keep the ports and users safe, and they will stay there. It is a constant, ongoing part of business.

Q435 **Mr Sheerman:** As long as you are happy, perhaps we can maintain contact. Can I just switch a little bit and ask who you have been talking to? I represent the manufacturing town of Huddersfield, which is not on the seashore. We are in the middle of the middle of England. We do have very important ports near us. We have very good training and a very good university that is extremely interested in training the people we have been talking about earlier. For my manufacturing sector, where are we going to get the expertise that my manufacturers need for understanding how they export and import? Some of them are small and medium. You and I know that there is a global supply chain in most industries these days, from car manufacture to Airbus. How far are you talking to industries like that and educating them?

**Alex Veitch:** To kick us off, we have some manufacturers and retailers in our membership, so we would start there. More broadly, the advice would be to look at the information provided by the DIT and by HMRC. There is some useful guidance for companies out there, particularly for exporters through the Exporting is GREAT campaign. That said, we and several other business groups have asked HMRC whether it could please use a bit more plain English and less technical language on the guidance around customs procedures. That would help. I believe I am right in saying that they are looking at that and even considering some videos to explain how customs can be done more simply, which is a huge step forward.

Manufacturers should also be in touch with their sectoral associations, such as Make UK, which does a good job of advising members on this as well. Between the official Government sources, the promotional information and the sectoral bodies, as well as associations like ours, we can help, signpost and support. There is some good information for companies out there.

Q436 **Mr Sheerman:** I hope that is true. I was talking to a colleague only yesterday who did not know that Make UK is what used to be the Engineering Employers' Federation, which is the manufacturing sector. Can I then switch to Lars Karlsson, who has that perspective that I need to drill into? Take a company like Airbus. An Airbus is made all over Europe. We are the wing specialists and have certain engine specialists in Rolls-Royce. We need that just-in-time assurance that the supply chain is going to work and that that part arrives on the very day, at the very



moment it is needed. How closely are you talking with people like those at Airbus? Airbus is very important to our country. Will it be a smooth transition for them?

**Dr Karlsson:** Yes, absolutely. There are a number of them and they are growing. Not only the big companies but also the level under them are more and more involved in international supply chains and, specifically, the global value chains you are referring to. You are absolutely correct that these are the most important, even though all traders are important. We are talking to them. They are the ones who are willing to both invest in and to use the systems that are there. That is why all these companies are authorised economic operators, or should be.

With that, they also have self-assessment systems and system-based controls in place—things that Government can use. Connecting that with the transport industry and other parts of the industry in trusted trade lanes for this type of company is a very suitable way of making sure that those supply chains and value chains are protected from the criminal element that you talked about before. From a Government perspective, it also covers everything from revenue to trade facilitation and other enforcement issues.

The important thing here is to look at the opportunities from 1 January, with, for instance, the AEO trusted trader programme in the UK, to model it in the way it is modelled in many countries outside the European Union that do not have legacy systems, and to give it an AEO-plus-plus status, where they can do a lot of the controls themselves, making sure that this works together with the industry in Dover-Calais or Eurotunnel. It is very possible to do that with the timeframe that is there.

Let me add one more question to the issue of illegal trade, which is an important one that you touched upon. It is interesting from this perspective that there is a risk that international or trans-border crime will try to utilise the new situation, but the way we fight it today is through intelligence, data sharing and access to different types of systems, doing the intelligence risk management and surveillance that we do now. More information should be seen not only as a burden; it is also an opportunity for Government to do this in a smarter, better way, having the data that does not exist today. It is not about collecting data that costs business. If you collect the minimum data that you need, you should also use it to fight the illegal activities that we want to shut out of our societies.

**Mr Sheerman:** I have one last little thing.

**Chair:** Be quick, because we need to move on and get other colleagues in.

Q437 **Mr Sheerman:** Is there going to be a new configuration of our ports? I understand that there has been great investment in Tilbury, using the River Thames as a conduit for bringing goods in, as well as in other ports on the east coast. Will Dover and some of the traditional ports be





## HOUSE OF COMMONS

diminished while others grow? That is certainly my hope.

**Chair:** I think that is for you, Tim, and a very succinct answer would be great.

**Tim Reardon:** Dover will not be diminished. Dover will remain the closest point to the European continent. The geography is not changing. A ferry trading between Dover and Calais can do five round trips a day, which cannot be done from anywhere else around the UK. That gives us the frequency of sailings and, key for our customers, the flexibility to operate a turn-up-and-go service.

Q438 **Mr Bone:** Good morning, Chair. Happy independence day to you and to the rest of the Committee. I say that to start with because it is now four years since we voted to leave the European Union, so it can hardly come as a surprise to industry or people involved in customs that we are leaving. It seems to me rather strange that we now have what people call an implementation period to 1 July for goods coming into this country. Perhaps if I start with Lars on this, I wonder whether there are any problems for the UK in this new idea that has come up of an implementation period. Does it, in principle, if we do not get a deal, break WTO rules?

**Dr Karlsson:** It is a very interesting question. First of all, as I said at the beginning, the border procedures start on 1 January, so they have to be in place and there need to be declarations and so forth. There are, of course, within the international framework and conventions, opportunities to do that in a simplified way. You can do that only if you offer it to everybody, not just to one country or one group of countries like the European Union. You need to do it under WTO rules to everybody. When you look at the situation of an implementation period, there are merits to it in the fact that we have Covid-19 and there is limited time, as witnesses here have said.

On the other hand, it is also important to tailor it in such a way that it does not just push the issue six months ahead, so that you have the problem on 1 July. It is very clear that such a temporary measure or implementation period cannot be maintained for very long without breaking some WTO rules. Then you have to develop and implement it for everybody, including countries other than the European Union. That is not the intention. The intention is to get as prepared as possible for the full set of customs and border procedures that need to be there from 1 July.

As I said before, I want to repeat the very important point that those who have prepared now should not delay getting into the whole system on 1 January. Government should really stress, support and underline those companies that can submit their declarations in a smart and good way already from 1 January, while not creating a disadvantage for those who use the simplified procedure and who are not prepared properly.



## HOUSE OF COMMONS

The question is a very good one. There are risks that WTO members will be filing against that model, but it could be tailored in a simplified declaration type of way, as HMRC has now done, which is correct and good. It is important that people can prepare for that, as well as preparing for 1 July. 1 July is equally important to define and communicate.

**Q439 Mr Bone:** Could I just clarify that point? From 1 January, if we have this implementation period, does it mean, for instance, that shipments that arrive into this country from the USA would also, because of WTO rules, not have to have full checks?

**Dr Karlsson:** It is always the definition of what is and is not a check. In the community, we have a definition of what is a control, an inspection and a check. Looking at the formalities themselves and how you handle the border, there need to be customs declarations from day one. In the implementation period, in the border operating model that has now been published for consultation, it says that you will have a simplified declaration with entry into the declarant's records. You can have legislation for that. That is not a problem in violation of international customs principles and the international legislation that the UK is part of under the WTO.

However, you then need to offer that to all, which is not the intention. The intention is to go to a full set of customs procedures that are the same for those that export to and, specifically in this case, import from countries outside the European Union from 1 July. There is a gap there of six months where, in theory, other WTO members could say that you are creating an advantage for European Union countries.

On the other hand, I also think that there is some leverage in the sense that people will understand that it could be necessary to have a procedure like that, and the procedure itself does not violate international codes of best practices. However, it should be offered to everybody or removed, which it will be on 1 July.

**Q440 Mr Bone:** Alex, many years ago, I ran a manufacturing company. We imported the raw materials from the USA and we sent the finished product all over the world, including to the European Union. I never had any problems whatsoever with customs, because I did not deal with it. The freight forwarding company dealt with it for me. Has that system changed? I cannot imagine that it has. Surely there must be experts within the freight forwarding company, so I just pay a fee without doing any of the work, or have things changed?

**Alex Veitch:** Things have not changed. That is still the way it is done, except for those companies that bring some of that expertise in house. Some of our larger members, which I will not name, work similarly to the way you described, where they have complemented their international logistics teams with a customs specialist. They can set up some of the systems that Lars was talking about, such as entry in declarants' records,



## HOUSE OF COMMONS

just to make it is easier. There is a set-up cost and a resource implied, but after that it is just easier to do your customs work. You still need the forwarder and the customs agent to do some of the process for you in any case, so the system is, essentially, the same as you described, unless you take part of that work in house as well.

**Q441 Mr Bone:** For medium-sized companies, which is, I guess, what we would have been classed as, there was no need to employ someone yourself. You just bought the services in.

Tim, there has been much speculation this weekend about a trade deal where we are already in line with the standards of the EU. The agreement will say that we can depart from that standard and, if we do, the EU might put tariffs on us. If we went into that strange system, would that have an effect on trade in Dover in particular? What about the rest of the world? If we have to accept regulations and standards from the EU, would that not affect trade elsewhere? To me, it seems very confusing, but I would like to get your views on it, Tim.

**Tim Reardon:** It is a slightly confused picture at the moment because we are talking about something that does not quite exist yet. It is quite clear, though, whether or not there is a free trade agreement in place between the UK and the European Union, that the administrative process for getting lorries into and out of the country between the UK and the European Union will be pretty much the same. The free trade agreement is primarily an issue of tariffs—how much tax an importer has to pay when bringing something into the country and, potentially, how much tax an exporter can reclaim when sending goods out—but that does not make any material difference to the administrative processes for getting goods in and out.

What would make a difference is an agreement on, effectively, mutual recognition of standards, and particularly mutual recognition of health standards. A lot of foodstuffs come into the country from France through my port, and one of the big uncertainties as we look ahead, which needs to be worked out in the next few months, is for the UK to decide what risk European product presents and, therefore, what kind of examination regime is appropriate to mitigate that risk. Conversely, the agreement should recognise the risk on the part of the European Union that UK-origin goods present to our customers on the other side of the channel and, in turn, dictate the regime of controls that are appropriate to mitigate that risk. There are lots of different aspects to it and, until it is finalised, it is difficult to be clear on precisely what the outcome will be.

**Q442 Mr Bone:** Finally, can I go to Lars and follow up on that point? Some of us have argued for a long time that there should be mutual recognition of standards, not the same standards, but the acceptance by the EU and the UK that the standards in place are going to be of an acceptable standard, although they are not the same. Lars, if that was the case, would that in any way help in customs and the movement of freight?



**Dr Karlsson:** It would absolutely help. This is one of the vehicles that really should be explored. As Tim was saying, the border procedures will be the same, regardless of whether there is a free trade agreement. Free trade agreements are about tariffs and they have a big impact on a trader's margins, if it has to pay, and on who is paying, with the different clauses around who pays extra duties. When it comes to the various kinds of mutual recognition agreement, there are many technical agreements that should definitely be explored. That would help.

If we had mutual recognition agreements on some of the standards you are talking about, it does not matter if one of the parties has a higher standard or not, as long as both agree that they are compatible. You could then have mutual recognition agreements on traders and trader statuses, given the international, interlinked value chains we talked about before. A trader like the ones we talked about would be recognised on both sides as an AEO, a trusted trader, a registered trader or whatever it is called in the new system in the UK from 1 January. That would also make it possible to move these volumes more quickly across the border. By doing that, you can move some of the formalities away from the border to before or after.

These technical agreements are often easier, although there are some difficult areas. In many areas, such as the mutual recognition of traders and trusted traders, it is a pretty simple process in comparison with a free trade agreement itself. That would definitely help, so this is something that everybody should be looking at very quickly.

**Dr Wallis:** If we could turn to the EU's response to the UK's 12 June announcement, the EU responded to that announcement by saying that it "will continue to fully protect the integrity of the single market and customs union as well as its financial interest". Lars, what are the implications of this decision for UK businesses exporting to the EU?

**Dr Karlsson:** It is a fact that the European Union has already defined—and everybody could prepare for it—what it is like to import goods into the European Union. It will use the same principles, the same parts and the same articles of the union customs code for imports from the UK. That means that there will be full declarations and a set of different types of documentation, checks and clearances that need to be there. That can be done with the simplifications that are already offered in the UCC on the EU side, but it does not mean that the UK has to replicate them. As long as the UK has a procedure that is in line with international standards, it could still have a more simplified procedure on that side, if that helps, for both imports and exports.

To answer your question, it means that the European Union will not have a specific customs and border process in itself on this specific border, in relation to other third-country borders around the European Union. It will use the same legislation. It does not mean, though, that there can be specific requirements, as there are for the ro-ro traffic that Tim represents in Dover-Calais and for Eurotunnel, to simplify the way these



## HOUSE OF COMMONS

import and security declarations are collected, transferred, handled, risk managed and assessed. That will certainly be done, but in the same way as at all other borders, and UK exporters need to take that into account.

**Q443 Dr Wallis:** What are the practical implications of that announcement for businesses that are importing? What does it mean day to day, operationally?

**Dr Karlsson:** It means that you need to do an export declaration from the UK. It is a full declaration from 1 January. You also need to make sure that somebody does an import declaration on the other side, in this case France, or wherever it is going to in the European Union. You then need to fulfil the obligations that there are on both sides for making that third-country export and import. It is a very similar process to what is going on for the rest of the world today. That is an add-on and an extra cost, and that cost goes up if there are also tariffs, which is why we talked about the free trade agreements.

The bureaucracy of doing that will be added to the traffic that is happening during the transition period up until the end of December. From 1 January, this is now a new obligation that all exporters from the UK need to take into account. It is a practical process that needs to be taken into account and it is very similar to the one used to export to China, Brazil or the US.

**Q444 Dr Wallis:** What about importers? What about businesses that are importing from the EU? What are the practical implications for them?

**Dr Karlsson:** The practical implication is that they need to do an import declaration and make sure that that is done for the goods. They are responsible for that, regardless of whether they outsource or insource the process. An import declaration is a standardised document. There are 54 different boxes that collect data for different agencies in the UK to do the risk management, the collection of revenue and trade statistics, and a number of other things.

From 1 January, you have to do that full declaration. During the six-month implementation period, you will be able to do a very simplified first declaration that moves you across from the border into the UK. Within six months, you then have to do that full declaration to declare this and pay any duties or excise on the goods. That is something practical that you need to either do yourself or outsource to an intermediary or somebody in the industry, such as the transporter, if they have that service.

There is a cost related to that. That needs to be taken into account in your price, which means you need to go through a number of things to prepare, including looking at your contracts to see who is taking that cost, how it will affect your business and what the additional burdens or liabilities are. It is a process of leaving the customs union and single market in a customs territory, which is a consequence of leaving the European Union.



Q445 **Dr Wallis:** Sticking to this theme of the 12 June announcement and the EU's response, Tim, what does this mean for the ferry traffic between ports like Dover and Calais?

**Tim Reardon:** It means nothing specifically for the ferries themselves. It does have implications for the haulage business that moves goods on those ferries. There is nothing in the European announcement or, indeed, in the UK plans that affects the movement of the ships themselves. The plans relate entirely to the movement of the lorries and the admissibility and release of goods inside those lorries.

The practical consequence is the one that Lars just outlined. There are two sides to the border. You need an export declaration to get out and an import declaration to get in, whichever way you are going. On the French side, the processes are already absolutely clear. The UK has outlined what its arrangements will be. What is also clear on the French side and is still being defined precisely here is the process for getting through the ports and across the border itself. The export declaration and the import declaration are, essentially, administrative tasks performed at either end of the supply chain. The administrative processes for getting the goods across the border are where discussion is now focused. One half of that is now settled—the French side—and the UK side is being worked on.

To an extent, being outside the European Union customs code puts the UK in a position where it can develop processes that suit the UK in the 21st century. We do not need to stick with a legacy customs process whose origin can be found in the *Anglo-Saxon Chronicle* in the year 789. We can move beyond that and devise something that applies to the supply chain as a whole, looking at today's economy and how it functions, rather than necessarily looking back to an environment where everyone arriving was stopped, was spoken to by somebody in uniform and then carried on. We have an opportunity to do something new. Government are taking that and we are encouraging them to make the most of it.

Q446 **Dr Wallis:** That is a very interesting answer. Alex, looking at the potential impact that different border operating models could have on UK-EU trade, where, for example, goods from a third country enter the EU first and then come into the UK, what effect might having different models either side have on that?

**Alex Veitch:** For those kinds of movements, we need to introduce one of the many trusted trader schemes in the customs world. This one is called Transit. If goods arrive in the EU that are bound for the UK, they are declared in transit and move across borders relatively seamlessly to their final destination, where they are received, they exit the Transit procedure and they move to the final distribution centre or warehouse. In other words, there are ways agreed in regulation. The legal instrument is already there. There is a convention called the common transit convention, which the UK is party to in its own right. There are perfectly doable ways to move goods very easily in that system. That is the way





## HOUSE OF COMMONS

that the land bridge to the Republic of Ireland is going to have to work, to keep that flowing as well.

**Dr Wallis:** That is great. Thank you very much.

Q447 **Nigel Mills:** Alex, following on from what we were talking about there on the land bridge, presumably, for that to work, both customs authorities need to know that these are goods in transit all the way through. Declarations need to be made saying that they are transit goods, so that we do not try to inspect them when they come to the mainland UK, and the French do not try to inspect them when they get to Calais. Is that correct?

**Alex Veitch:** Yes, exactly right. That is the way it will need to work to reduce delays. I am sure that no Irish trader or its EU customer or seller would wish to have to declare things coming into British customs and then declare them to exit British customs. It is way too much paperwork and no one wants to do that. We have a challenge in getting industry and Government ready for a mass uptake of Transit procedures, which is what we need, and then you can get really clever about it. These are the things that Lars has been talking about all morning.

You can get yourself, as a manufacturer, authorised to use Transit procedures. If you are moving volumes of trade, you should probably do this. You should make yourself an official Transit authorised consignor, as they call it. The goods are declared once they leave your premises. They are taken by an authorised consignee, which is the haulier, and they move through the borders with the minimum of fuss.

As of today, we are a little way short of having that system ready to go at scale, and perhaps we will not get there for 1 January, but I am sure we will get there in not too long, as more and more businesses start doing these trusted trader schemes. They will really help, from Tim's point of view, getting goods through the ports, for our members, moving trucks quickly, and most importantly of all for the traders, who can still take advantage of quick supply chains.

Q448 **Nigel Mills:** The reason I asked that is that we have these simplified processes from 1 January, but it sounds like we are not having simplified processes for goods coming from outside the EU. We will need to be able to work out which trucks or which consignments are from outside the EU, so that we can apply the full set of rules. Then we will need to know which consignments are in transit, so that we know not to apply any rules at all and just let them pass through quite quickly. Does that not mean that almost everything will have to make some kind of advance declaration, so that we know whether to exempt it or give it the full works? I am not quite sure how you are relieving much of the burden at the start in that situation.

**Dr Karlsson:** I can jump in here; I have been quiet for so long. As Alex was saying, it is very important to see the opportunities that are there from 1 January, because you will have new customs legislation in the UK,



which is not the UCC. It does not mean there are no similarities; there will be because they are both based on international standards, but the opportunities here are huge and should be explored at least in a sequence during the time available. It does not stop on 1 January or 1 July. As a trading nation, the UK should try to simplify its business of doing foreign trade anyway.

Taking Transit as an example, if it is a standalone system, there is a start and end point that will still demand costs and preparation, and maybe even an intermediary to do that work. But, if we connect it with all the trader registration systems, where UK Government agencies already know the trader and the same applies in European Union legislation, there is nothing preventing the UK from facilitating that process even further by saying that, if you are an authorised economic operator, you can start your own transits. You can even waive the guarantee for that transit under specific circumstances, if you are known and have a compliance record. There are opportunities that already exist and could be taken, with the time that is there in the UK legislation, and which would make a difference from day one and would simplify.

Again, it should not only be designed to solve the European Union-UK issue, but be used for all exports and imports from the rest of the world. The trick is not to create new boxes or isolated systems and opportunities sitting beside each other, but to have those opportunities for business connecting to one single authorisation, for all agencies, to a trader, which says, "If you are trusted, you are trusted", and not only with revenue. Perhaps you send the revenue in once a month instead of every time, like you do with VAT and other things, but also, when it comes to customs procedures, you can self-assess and do the work yourself. Many traders can do that.

That would bring us to the smart borders that the UK should now have, rather than building the traditional land borders with the European Union that my country, Sweden, did 40 or 50 years ago, even though the Swedish-Norwegian border is the smartest and fastest land border in the world, together with those in North America. You should take it to the next level and say, "We want to remove everything", just as a transit movement does, as Alex said. You know who is exporting and importing, you know the transporter, and you only identify that this is what is happening at the border. That can be done very simply and it is where the GVMS system comes into play too, checking at the border or at the port in Dover that this transport is part of the trusted trade lane, which can, again, be more simplified than the one you have today.

**Q449 Nigel Mills:** I was trying to explore whether, if I am a small trader, I should be thinking that I can just wait until 1 July 2021 now, or whether I should be thinking that I need to be able to do this from the start. There is going to be some compliance required from day one and I may as well learn the full system, rather than learn some temporary one and then have to work out what day I have to change. I just cannot see it being as



## HOUSE OF COMMONS

easy as doing nothing and paying after six months from 1 January.

**Alex Veitch:** You are right. If you are in that position, you have to be ready to do customs paperwork from 1 January, import or export.

Q450 **Nigel Mills:** Lars, can you help me on the Irish border and goods coming from Ireland via Northern Ireland to the mainland? We talk about it being completely free of any fetter but then you talk about export declarations. If I am an Irish company and I move something into Northern Ireland, I have to do nothing at that point because that border is not going to be checked. If those goods then come to the mainland, does the Irish customs authority need to have an export declaration to know it has left the EU customs territory? At some point, somebody has to do something. Is that right?

**Dr Karlsson:** That is absolutely right. Goods going from the European Union to the UK, or from the UK to the European Union, will have to have an export declaration when leaving the UK customs territory and customs union, and an import declaration in the European Union, or the other way round. That is one of the tricky issues around the Northern Ireland protocol that everybody is talking about. For a customs expert, it is fantastic to have this type of challenge.

The real issue now with the model that is there and that the joint committee is now considering is about the goods going the other way, from west to east and from east to west, where it is not intended to go either from the UK to the EU or from the EU to the UK. It is theoretically in one of the customs unions and there should be no customs procedures, but that is a different matter. To answer your question, there should be an export declaration and an import declaration.

Q451 **Nigel Mills:** When we say we can exempt goods coming from Northern Ireland, that is fine; for anything manufactured or grown in Northern Ireland, we can exempt it and, when it comes into GB, there will be no requirement.

**Dr Karlsson:** Yes, if it has UK status. The original status is important.

Q452 **Nigel Mills:** Yes, but for anything that has come from the Republic, even if we chose to want no import declaration, the Irish ought to be getting some kind of confirmation that it has left the EU customs territory. That is the problem.

**Dr Karlsson:** It is the intention of that transport that decides the process itself. If the intention is to move from the European Union or Republic of Ireland to mainland UK, there should be an export declaration.

Q453 **Nigel Mills:** What happens if someone changes their mind? I thought my Northern Ireland plant needed this stuff, but I now have a shortage on the mainland, so I am going to move it over because it is the quickest supply.



**Dr Karlsson:** This is a unique situation but there are elements of it. I was part of the Alternative Arrangements Commission last year, on a technical panel when we looked at north-south and south-north. There are elements there that are very applicable to this new situation, meaning that the intention is that, if you have a product produced in Northern Ireland going to GB, it is an internal movement and there should be no customs procedures.

The same is true, in my opinion, the other way round, which is where the big debate and discussion is right now. But, if you are changing your intention, it is your responsibility to make those declarations: an export from one territory to the other, and an import in the other, unless that is waived by each customs union. The European Union will not waive that, so there needs to be an export declaration from the Republic of Ireland and, if it is the other way round, there needs to be an import declaration in the relevant Republic of Ireland system.

Q454 **Nigel Mills:** That is helpful. In terms of authorised economic operators, you think we should be making quite a lot of effort over the next six months getting as many of those signed up and approved as we humanly can, realistically, because that is one way of streamlining all of this.

**Dr Karlsson:** Yes, and this is the trend anyway all around the world. The rest of the world is doing this while we have been discussing the consequences of Brexit for four years. It is a better model not only for traders but for Government. If you know the traders that are there and they have a compliance record in a holistic way, it is easier to monitor and control them, but you can also give more facilitation.

First, we should not just duplicate the EU's AEO programme that you have right now, because that is an old legacy system. Very simply, there should be at least three levels of that specific trader registration system. There needs to be a low level for small and medium-sized companies that is easy to access, with not as many benefits but some benefits that simplify the crossing of the borders and other things that are appearing here. There is an AEO track, which is where you can make a mutual recognition agreement not only with the European Union but with others, which, again, will move them away from border processes at the border and towards doing it before or after.

Then there is a top level for those companies we talked about before, the multinationals in international value chains that should have an AEO or trusted trader-plus-plus level. They do a lot of these system-based controls themselves but are also monitored in a system-based way. That is better for everybody because compliance is better. We know that from the past 20 years. This simple structure is possible to put in place in six months.

**Nigel Mills:** I am getting free customs advice here. I guess it is a bit cheeky.



## HOUSE OF COMMONS

**Dr Karlsson:** For sure, it is free.

Q455 **Nigel Mills:** It is free to me. There is a lot of talk about establishing a chain of freeports around the UK.

**Dr Karlsson:** Yes, a good idea.

Q456 **Nigel Mills:** If I want to export into the EU, are they a good idea? Will the EU accept that goods that come out of them are of UK origin and not try to tax them as third-party ones that are outside the free trade agreement that we have?

**Dr Karlsson:** I know that you are getting impatient with my long answers, but I will try to explain that. There are and have been problems around free zones, specifically in the western world, where they have been the engines of emerging economies for the last five to 10 years. We are seeing a new type of free zone, which is definitely what the UK should be looking at.

These are special economic zones of a different kind. They are not tax havens or related only to certain things. They are transparent, governed zones with restrictions on them as well as opportunities. If those zones are linked to each other, it creates an opportunity for the importer or, in many cases, the exporter to decide, just as we were talking about before, how the goods will be used, what part of that specific transport of goods will be going to the EU, to the UK or to the rest of the world. Of course, that delays that decision to do that.

The EU or anybody else would not control that more than they do today, because the fact is that free zones are a part of international conventions and procedures for customs handling. The problem is that they are traditionally outside the customs territory, which means, of course, that customs do not have insights into and transparency on them. Again, the modern zones of today do have that. They have, voluntarily, different types of system in place, such as safe zone from the World Free Zones Organisation. The OECD has rules and regulations for them. If that is in place, it is a very good opportunity for both foreign and UK businesses to delay the decisions and still keep control. Using that as an engine for the economy is a good idea, if it is done in the correct way.

Q457 **Nigel Mills:** On this specific question, if I am bringing goods in from China, adding value to them and then selling them on into the EU, it is better done in a freeport than in the UK customs territory.

**Dr Karlsson:** It depends. If you are not changing the goods in any way or doing the things that you can do in a free zone, it does not matter much in that sense. You either have to transit it into the EU from a UK freeport or it has to become the status of the zone, so it will be controlled and the processes take place when you leave the zone instead.

With the free zones, you can advance your product in different ways, which is more difficult using the customs procedures available outside the



## HOUSE OF COMMONS

free zone. That is the real benefit of them. They become economic zones and add a number of nearby services, such as competences and other possibilities. It does not change anything in your question.

**Nigel Mills:** These zones have advantages and should not be a barrier to agreeing a deal with the EU.

**Dr Karlsson:** No, not at all.

**Nigel Mills:** A floating tax haven using these that they will hate is the direction I was taking.

**Dr Karlsson:** They think the whole of the UK is going to be a tax haven anyway.

Q458 **Nigel Mills:** Finally, Tim, I presume you can reassure us that, whatever happens on 1 January, Dover will be able to cope and that I should not be looking to use a different port. Dover will still, presumably, in your view, be the best gateway to the UK, will it?

**Tim Reardon:** Why would you want to use a different port when you can use mine? Dover will be here on 1 January and on 1 July, open for its customers, as always, and absolutely committed to getting those lorries through without any trouble.

Q459 **Nigel Mills:** Is 1 January a good day to make a change? It seems that not much happens in the world between 24 December and 2 January. Is it a good time to build some new lanes, put some new signs up and have a new process ready, or is it a nightmarish time to do it?

**Tim Reardon:** The Port of Dover is open every single day of the year, except Christmas Day. In that respect, it is not going to make any difference. Some days are quieter than others. Naturally, weekends are quieter for freight traffic than midweek. 1 January is usually not a very busy day but the port is open. On the question about reconfiguring the layout of the terminal, such an action is not an overnight or a single-day activity, whenever it happens. It is a very substantial process that is many months in the planning and, depending on what is entailed, can be many months in the building.

One of the challenges, as we are looking ahead, is to work out how the traffic will flow in the same way that it does now, under a new constitutional arrangement, but the key announcement that came out two weeks ago was that the Government would be constructing any new physical control infrastructure and carrying out any new physical interventions in the goods movement away from the port, so that the potential chokepoint at the border would not be obstructed.

Q460 **Mark Eastwood:** Good morning, Lars, Alex and Tim. I want to focus on communication and messaging in terms of the preparedness for Brexit. Now that a firm deadline is in place, it is crucial for businesses in the UK and in the EU to be prepared for 1 January. Effective communication and messaging is so important in that respect. I want to ask Lars about the





EU but I want to come to Alex and Tim first, in terms of the UK. What should the Government's advertising campaign to help businesses prepare for the end of the transition period look like in practice?

**Alex Veitch:** Keep it simple and start now. To add a little colour on that, this is the big challenge. There are 85,000 EU-only traders who are VAT-registered, and anything up to 200,000 traders in total doing business with the EU. They need to be engaged with, directly by Government but also through business groups, local chambers of commerce, the Federation of Small Businesses and many other associations that help and support those traders.

Our experience of working with our 18,000 members is that you have to be really clear about what you are getting them to do. This has held us back a bit in preparedness, and we have not had the real specificity of detail that we need, but we are almost there now. For the traders, as Lars and Tim have said, what they need to know is really clear. We need to make sure that the GOV.UK site is up to snuff and working well. The Government need to use every channel available to reach out to them.

I will add one more thing and I will stop. Our responsibility in this is working with the supply chain sector—Tim and other ports around the country, airports, airlines, rail companies and hauliers—and we are aware that there are some harder-to-reach sectors within the haulier community. We work with hundreds of them that do the continental EU trade, but we need to make sure we reach those hauliers who do the Republic of Ireland and Northern Ireland trade, and make sure they really understand that this applies to them as well.

**Tim Reardon:** I would very much echo what Alex has said. The message should be simple, it should be targeted and it should be issued as soon as possible. It is now clear what the message for importers and exporters needs to say; it is time to get on and start saying it. The elements that remain to be sorted out are those relating to the transport and logistics world, where, as we were saying earlier, Government have yet to finalise their processes in relation to how to apply the new regimes of controls to lorry traffic. Once those processes are set, they should be communicated to those people who have to comply with them.

We will have a role in that too. We know who our customer base is and, in turn, they know who their customer base is. The key to making sure that information is spread throughout the supply chain to everybody who needs it is for everybody who knows it to assist in the process of advising those who do not, so that, when the day comes, everybody is as ready as they can be, knowing what they need to do and having done it.

Q461 **Mark Eastwood:** Going back to the advertising side of things, it has recently been reported that the Government have agreed a £4.5 million advertising deal for a campaign to publicise the end of the transition period. The tender document involved in that says, "The advertising blitz will begin in July and could stretch as far as May 2022. The current plan is to split the publicity across four 'bursts'. Between July and August



there will be a drive to 'nudge' or 'shove' people to take action by warning of the 'consequences and opportunity' ahead, before moving to a 'shock and awe' approach between September and November. Between December and January the campaign will focus on 'loss avoidance' and from January 2021 onward it will be about 'new opportunities'". I do not know if you have seen that view before, Tim, but could I get your first impressions of that approach, please?

**Tim Reardon:** To keep the traffic flowing through the port, if there are new compliance obligations on that traffic—and there will be—those controlling the lorry movements need to know what they need to do, and that will be part of that. Whether that is best done by nudging, shoving or shocking somebody is not for me to say; I am not an adverts person. But people need to know what their compliance obligations are in order to comply with them.

Q462 **Mark Eastwood:** It says that there is a £4.5 million investment there. Is that enough to get the message across before 1 January?

**Tim Reardon:** I would not be in a position to say. We will need to get the port ready and we will play our part in advertising to our customers and our port users what they need to do.

Q463 **Mark Eastwood:** What is your view on that, Alex, please?

**Alex Veitch:** Like Tim, I am no nudge or, indeed, shock and awe specialist, but, to be fair to Government here, this is not all they are doing. We are informed that they will be communicating with all the businesses in lots of different ways, because they have all the information on these businesses through the tax and VAT systems. I have always been told that, if you need someone to remember it, you say it three times at least. If they get a nudge and a letter from the tax person through the door, and an email or five, perhaps it will land, but this really is the major challenge.

Where we sit in our membership body—there are thousands of them—once you have the clear rules, we have a full-time specialist advice centre that is open every day, five days a week. We deal with hundreds and hundreds of calls some weeks alone, so we can reach out to the specialist folks who need to know. We do not have that reach into the 200,000 trader community, so every tool in the shed needs to be got out, sharpened and deployed by a very good gardener.

Q464 **Mark Eastwood:** Can I ask a question of you, Lars, tapping into your knowledge on the other side? I mentioned the EU and the UK. Bearing in mind that it is a wider scope, with many more countries involved, how effective has the EU been in communicating readiness for Brexit? How would you say it differed from the UK's approach?

**Dr Karlsson:** It varies in the European Union. The European Union and the countries that have a direct border with the UK—specifically, France and, to some extent, the Netherlands and Belgium—have been pretty



## HOUSE OF COMMONS

successful in preparing. They have prepared for a long period of time, so the EU countries near the border are relatively well prepared and the communication there has been stronger, not only from the European Union itself but also from the Dutch, French and Belgian Governments.

When we come to the rest of the European Union, some countries have direct transport in air and sea goods, where there are some preparations, but I would say that it is rather lower than it is in these other countries. That is a concern in itself. Some of the medicine that was just described also needs to be done by the European Union, because it is easy to forget that it is not enough for UK companies to be prepared as part of value chains, if the counterparts that they are working with as a subcontractor or part contractor, or selling things to, are not prepared on the other side.

How you prepare is not only about how you will do additional administration or get a skill, but really about getting the simple message out that there is a change, there are different ways of handling the change, and you need to make a decision about how you do that, whether you do it in house, outsource it or use intermediaries. On both sides, including the UK, what Tim and Alex said about multichannel communication is very important, using those already in contact with traders on both sides, such as the transport and logistics companies, the infrastructure companies, the port operators and the trade associations, which are very important here. Again, it needs to come directly from Government through different channels as well.

In general, there is also a lack of preparation by companies in other countries, which will cause a problem. The logistics industry can help out there, because when we know what is going on and what the procedures are going to be on the UK side, there is no reason not to start preparing if you have not yet done it. A multichannel way of doing it on the EU side is what the Commission is planning for, as far as I know, and that is needed, for sure.

Q465 **Chair:** I have a couple of final questions. First, do you expect the border operating model, when it is published, to have anything to say about how goods will be moved from GB to Northern Ireland?

**Dr Karlsson:** As far as I know, from what I have seen from HMRC and the agencies I have been involved with, the border operating model that has been presented and is under consultation does not cover the Northern Ireland protocol. There needs to be an announcement in the not-too-distant future for that traffic too, because, as we all know, many companies have both and need to prepare for all of it. It should not be too different when it comes to systems and preparedness to what it is overall. For some companies, that will be helpful. As far as I know, it is not included in this border operating model.

**Tim Reardon:** There is a semantic issue here. Government are quite clear that, between Northern Ireland and Great Britain, there is not a



## HOUSE OF COMMONS

border. This document will be for where there is a border: namely, between the UK and the European Union. The administrative structures around it distinguish the border operating model and the border and protocol delivery group. I would expect something different for Northern Ireland to relate to the protocol.

Q466 **Chair:** That is, indeed, the case, although it is quite clear that certain documentation is going to have to be completed to move goods from GB to Northern Ireland under the Northern Ireland protocol.

**Tim Reardon:** I would expect the content to be pretty similar, but I would expect them to be presented separately.

**Alex Veitch:** I can just build on what Tim said. There are conversations going on at the detailed level now on exactly how those arrangements for GB-NI flows are going to work. As Tim has very eloquently put it and explained, one may not see that in the border operating model but it is being taken up through the HM Revenue and Customs joint customs consultative committee, in which both Tim and I have been involved in the past, which has a specialist group on that, and indeed through groups under the BPDG as well.

Q467 **Chair:** Finally, I want to link the question that Peter Bone put, making the point that it is four years since the referendum result, and my opening question. We have heard this morning that, whether it is 30,000, 40,000 or 50,000 customs agents, we do not have them currently and we need to get on with it. We do not yet know what the border operating model is going to be, although we expect that to be published in the near future.

Tim, you referred to the fact that new facilities will have to be built to cope with the checking of any vehicles that come into Dover, because there is no space at Dover, but then you made the point that planning and then building takes several months. We have also learnt that the new IT system is still in the specification phase, has not been built yet and has not been tested, as far as I understand the answers we have received. Given that there are six months to go until 1 January, is this not cutting it a bit fine?

**Tim Reardon:** That is more easily answered in relation to the question of physical control infrastructure than it is in relation to IT systems, although the concept is the same. In broad terms, Government need to decide what kind of and how many physical interventions they expect to make on lorry traffic coming into or going out of the country. Once they have decided that, they will be in a position to identify what scale of facilities they need to carry out those new physical interventions. How long they then take to build will depend on how big they are going to be, but the process begins with working out what you need, which is, as I understand it, where Government are at the moment.

Q468 **Chair:** Is it not a little odd that we left the EU on 31 January and the answer you have just given is that the Government need to decide what



## HOUSE OF COMMONS

checking we know is going to have to be done, where it is going to be done, how it is going to be done and how the facilities to make it possible are going to be built, and we have six months, with a little longer for stuff coming in as a result of the announcement on 12 June? It does not quite sound as if everyone has been applying their minds in time to make sure that this is ready, but maybe I am not being optimistic enough.

**Alex Veitch:** All I can say is that, between today and the end of the year, we have to get this working. The success or otherwise of the GVMS—the system that will enable the haulier to get the green light to travel to the port—is critical. The success of that will be measured by the extent to which you need some of these additional traffic control centres or inspection areas for the vehicles, and that is applicable to both sides of the border.

Q469 **Chair:** Could you think of any other IT systems of this nature that have been built and tested in six months, given we have just learnt this morning that it is still in the specification phase?

**Tim Reardon:** French customs specified and built its system, which does exactly the same thing, in that kind of timescale. It is not impossible and, if HMRC were to buy a licence for the French system, that would be a very simple thing to do and traders would like it.

Q470 **Chair:** That is interesting. The answer is to buy French to make it happen.

**Dr Karlsson:** There are two things that my colleagues have said as well. Let us also be clear that, when we say GVMS—and Tim elegantly said that there was already a system in place, and I know several, just to be neutral, but this is one of them—we are not talking about a big IT system in that sense. This is preparation that HMRC and others have done for a long period of time with the CDS and CHIEF. This is underlying, so we are talking about how the border identification will be handled electronically in a way in which Dover, Eurotunnel and others can cope with this.

It is not a very big IT system in itself, and I just wanted to make that clear. It is already built on the other side and it is possible to do in that time, but what is very important is that there will need to be decisions on this border operating model about how we can move burdens from the border and not build too much infrastructure. That would be a mistake. In the future, we need to secure the supply chain and the trusted traders instead, making use of self-assessment inspections when they are needed, at the trader's premises, rather than building houses at the border. This is the ideal moment to do that and it takes less time and costs less. There are ways to do this, if there are smart decisions about a smart border. Industry is ready to do it. There should be scale testing. If that is done, it is possible to have something ready.

**Chair:** That is really helpful. That concludes this morning's session. On behalf of the Committee members, you have been fantastically helpful and we have all found that very interesting. Thank you for answering all



HOUSE OF COMMONS

our questions. Once again, we are very grateful to the three of you for giving up your valuable time.