

Select Committee on the European Union

Sub-Committee on EU Goods

Corrected oral evidence: Beyond tariffs: facilitating UK-EU trade in manufactured goods

Monday 6 July 2020

11.10 am

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

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Questions 63 – 72

Witnesses

I Alex Veitch, Head of International Policy, Freight Transport Association; **Dominique Willems**, Senior Manager, CLECAT; **Robert Hardy**, Operations Director, Oakland Invicta.

USE OF THE TRANSCRIPT

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Examination of witnesses

Alex Veitch, Dominique Willems and Robert Hardy.

Q63 **The Chair:** Good morning. The Committee has your biographies, and knows your organisations and about you, so I will not go into the detail of that. This is a live broadcast, as you will have been informed. The transcript will be sent to you after the session. If there are any corrections to be made, would you send them back to us straightaway? That would be very useful.

I am extremely grateful to you for joining us this morning. This session, as you know, is part of our inquiry, "Beyond tariffs: facilitating future UK-EU trade", and I welcome our witnesses, who are customs and logistics experts, to it. Thank you to: Alex Veitch, head of international policy, Freight Transport Association; Dominique Willems, senior manager, CLECAT; and Robert Hardy, operations director, Oaklands Invicta.

I will go straight into questions. You may incorporate any opening statement into the answers, but due to the brevity of time could you make your responses to questions as succinct and as short as possible, and could my colleagues make their questions and supplementaries equally concise?

May I start with you, Robert Hardy? In general terms, what will the main customs requirements and processes for trade with the EU be from 1 January onwards? Could you cover exports and imports, where you can, from the perspective of the trader and freight forwarder?

Robert Hardy: In very simple terms, and removing SPS¹ for a moment, the movement of goods from one customs territory to another requires the goods to be zero rated for VAT at exportation and positive rated for VAT at importation. You have an export declaration at the country of source, or the country of dispatch, an exit safety and security declaration to alert the exit border that you are coming, an entry summary safety and security declaration to alert the arrival border that you are coming, and an import declaration to complete the transaction, which accounts for duty and VAT. They are the same in each direction. There is the possibility of a transit document if you are not preparing to clear at the first point of arrival.

Aside from SPS controls in particular, that is it in a nutshell: export declaration, exit summary, entry summary, import declaration, and transit if you intend to move beyond the initial border of arrival and clear inland, whether that is arriving in Calais and clearing in Germany, or arriving in Dover and clearing in Northampton, for example. That is it.

Once you layer in SPS, it gets far more complicated, with export health certificates, an entry on TRACES, which is the European tracking system, and an entry on ITACS, which is the UK equivalent of TRACES. Those documents are required. The Incoterms, which are the commercial terms

¹ Sanitary and phytosanitary checks

between the seller and the buyer, will decide who is responsible for those documents. If something is on a delivered price, for example, the exporter is responsible for the export documentation and the importer the import documentation. But it is not always as clear-cut as that. That is when it has major overlaps into the freight forwarders sector. From the trader's point of view, the process is very clear, and from the freight forwarder's point of view, it is either the trader doing its own process or the freight forwarder will pick up its own.

The Chair: I may come back to you later, if time allows, for one or two obvious questions that have arisen from your response.

Q64 **Lord Shipley:** May I raise the issue of whether customs declarations might be different between circumstances that produce a free trade agreement and where there is no deal? Customs declarations will be required irrespective of the UK and the EU agreeing a free trade agreement. Is there a qualitative difference between customs requirements and procedures that would arise in an FTA scenario compared to a no-deal outcome? Perhaps, Alex Veitch, you might start with that.

Alex Veitch: I will be brief and the other panellists will no doubt wish to add. Yes, there is a difference. One very straightforward difference is that if you have a free trade agreement, which ideally would have zero tariffs on goods between the UK and the EU—for the sake of argument, let us say zero tariffs on everything—that would make customs declarations much easier to do. You would need fewer people to do them. Importantly, we think there would be less incentive for the border authorities on either side to carry out interventions—in other words, to inspect trucks to see that they are receiving the correct amount of duty. We think there is a major difference between FTA and no FTA, even though, as you rightly say, declarations would be required.

Lord Shipley: You have said that on one scenario there could be a greater level of intervention. Could you say a little more about what you think that might amount to?

Alex Veitch: I am trying to get across the reasons why would you want to check a truck. One reason is to check for guns or clandestine migrants—all the things we check for today. Another reason is to check that the goods have a customs declaration attached to them, that that declaration is correct, and that they are not being what they call "misdeclared" in the customs world—in other words, a very expensive item is being declared as cheap, and essentially fraud is being committed. That is why you check them, as well as the other things that I have just mentioned.

If all customs tariffs are zero, there would, we think, be less incentive for the authorities to check trucks. I am not saying there would be fewer checks. I am just saying there would be less point in doing the checks. One reason for doing the check is to check for customs fraud. Why would there be customs fraud if nothing has customs duty attached? I am

editorialising a little, but I think it is an important point, because that is one of the major reasons why we check stuff coming through the borders.

Dominique Willems: The less divergence from either the duties or rules on the product, the less chance there will be of checks in that sense. Having an agreement that is as comprehensive as possible will help in mitigating those kinds of checks.

On the other hand, I have to disagree with that. If there is a trade agreement in place, the pure operational process of doing a customs declaration becomes more complex and lengthy, because it has to be proved that its origin is correct and the lower amount of duties can be claimed. That in itself causes a certain amount of risk, which has to be mitigated as well, of course. Overall, the chances of having checks are lower if there is more alignment of rules.

I would like to mention one more thing, which might have been forgotten but it was mentioned in the previous session. It is the so-called security declarations that have to be done next to the customs declarations. Again, this is not about food health and safety or SPS checks. It is about terrorism. It arises from customs legislation, even though it is not always customs doing these kinds of checks.

This is quite intrusive into the supply chain or logistics chain, whereas customs declarations can be detached from the physical movement of goods and the process around it. The safety and security checks have to be done at certain moments in time. They can be quite disruptive and cause quite an amount of administrative burden. They require alignment and co-operation among the supply chain. Different actors have to do different things at different moments in time.

Robert Hardy: That is a very good point, Dominique. Deal or no deal, the safety and security declaration is the same, unless the need for it is taken away by a deal. If that is not covered by the deal, the declaration is the same.

On customs documentation, I am more inclined to agree with Dominique. The customs entry is easier if there is duty. If there is no duty, there are a number of qualifying criteria that you have to ensure are met. It is important to remember that in Brexit-land, unlike today, everything is guilty until proven innocent, whereas at the moment trade flows pretty smoothly, unless somebody decides to pull it out of the line. After Brexit, it is fully dutiable and subject to all customs control, unless you present a document that says it is not. If you present a customs document that says it is not, you are into rules and certificates of origin.

Likewise, in the debate about the customs union, you are into movement certificates. You must remember that everything from Turkey requires customs clearance but very little duty, and everything from Switzerland requires customs clearance but very little duty. The only complication of an entry without a deal is who pays the duty. It is either on the trader's

own account with customs, or the freight forwarder pays the duty and collects it from the trader. That can cause some friction in the supply chain.

Q65 Lord Turnbull: I want to talk about readiness. This requires a number of players to be ready. The Government have to know what they want to do and must publish that. Customs and border have to be ready. A much wider range of companies need to understand that regime than do now. There is the whole question of logistics at the border—customs agents, freight handlers, ports and so on.

The question here is: how prepared are all these players, particularly the customs and logistics industry, for the introduction of new customs processes for goods traded with the EU, whether there is a deal or whether there is not? We have five and a half months left. How likely is it that all these players will be ready?

Robert Hardy: First, the relaxations that were announced on 12 June with a move to CFSP² and a retrospective declaration for the first six months have certainly eased the pressure on the customs intermediary sector, not for all goods but for the majority of goods. You have up to six months to lodge the first declaration. That has taken a big swathe of imports out of the process.

That leaves us with exports, some 25% of which are empty. The documentation for exports, the export declaration, is easier but more complicated if you are in transit. Any vehicle that leaves Dover is one of three things: empty; travelling with a pre-lodged French import entry document, which means that it does not need a transit document; or requiring a transit document through to destination.

That is the bit that gives me sleepless nights. For a transit document to be raised, you need a transit guarantee that can cover the cumulative total of the VAT and duty that you are moving in transit until they are discharged. Then there is the process of authenticating that transit document. The volumes are much less, but the liabilities are high.

The import side is fantastic; there is more chance of being ready. The transit side of it gives me the heebie-jeebies. That is the bit we need to focus on. That has always been the case.

Alex Veitch: May I come in on the logistics operator side of things? I agree with Robert here about the worry. I think the import arrangements are very helpful, as others have said. We are concerned about exports, for example from the point of view of a haulier driving a truck on a ferry or through Eurotunnel to the continent, or perhaps doing an unaccompanied trailer movement.

² Customs freight simplified procedure. Under this procedure, authorised importers can defer import duty and VAT payment by setting up a deferment account with HMRC. Goods can also usually be cleared for release more quickly under CFSP.

We need to really understand the rules on ensuring that declarations have been done by a trader or its forwarder, what happens if they have not been done, and the obligations on the haulier, or indeed the ferry company in some cases, and interestingly what will happen at Calais.

We understand that Calais Port is reintroducing the system it prepared in a no-deal contingency. Hopefully, it will be a smart system that will allocate a barcode to a driver and let them scan their truck in. It will show everything has been declared and they are good to go on the egress side. It would be different if they had SPS, as Robert has rightly said. We need to look at the exports side. We are working with our members. We are talking to Calais. Dominique might have some insight into this. We need to be talking to other EU partners—the Republic of Ireland, Belgium and the Netherlands—where a lot of our goods go, to see if there are any arrangements at these busy popular ports that could make the flow of goods out of the UK a little easier.

Dominique Willems: As regards preparedness, two different groups have to be distinguished. The first group is the group of smaller traders, or at least traders with less experience of dealing with these border procedures. Next to that you have the smaller carriers, especially road hauliers, who are not that familiar with these kinds of procedures or who do not understand the risks that are involved in dealing with customs. There is an absolute lack of readiness there. We saw this in no-deal preparations previously as well. The lack of awareness of what is coming is leading them not to prepare entirely for what is coming.

The second group is a group of companies that are more used to this. This is the group of companies we represent. It is part of their core business. They are also larger multinational companies that are more used to trading in an international environment. We have to say that readiness there is as good as possible. I am also a member of the UK Government task force that deals with the intermediaries and practical readiness. That is across the two sides of the channel. The EU customs authorities are also members. There I can say they are as ready as possible.

However, with the introduction of new measures in the UK, which seem good, it makes it difficult to prepare fully at this moment. It comes down to small details in IT and procedural requirements that are not fully known yet. For that, the clock is certainly ticking. To be fully ready from the professional side, more clarity and a more practical approach are needed than just a press release or an overall story of where it might go. We need to prepare our IT systems for that.

Lord Turnbull: The Government may be thinking that they have until midnight on 31 December to finalise this agreement, but supposing, as is typical with EU things, that is when the final deal is done, that is not the point at which all these other players can immediately swing into action. They need time to absorb what is in that agreement and get ready. How much time beyond the point at which the deal is struck do all these players need?

Dominique Willems: Half a year at least, usually. It could be shorter if the information is clear and correct, and it is not accompanied by the introduction of completely new systems and procedures. We have been ready for two or three no deals already, and they have not happened. A lot of the measures taken there are still in place. However, if something new is introduced, that might require half a year at least to be ready. You have to understand that it is not just these companies getting ready. You also have to go to the hauliers I mentioned, the smaller traders, who need to understand and have certain information ready. That in itself takes time.

Q66 **Lord Lilley:** We hear a lot of talk about the risk of disruption at Dover and backing up the motorways towards London, but it is not clear whether, first, there is such a risk, and, secondly, whether it is just a risk during the period of teething troubles when new processes are introduced and traders are getting used to it and not a risk of such disruption in the long term.

Nor is it very clear whether we are better able to cope with Operation Brock than we were with Operation Stack, which has come in for 10 days a year on average for the last 20 years. Do you anticipate that there will be disruption in the long term? Are we better able to cope with it, or is it a short-term teething problem risk?

Alex Veitch: That is a great question, thank you. Risk is the absolutely correct term to use. We think the risk arises primarily due to the export flows. There is a six-month additional period from the UK's side, but that will not be replicated by the EU. We are certain of that. We are doing our best to help mitigate the risk of delays through working with the Government and our members, and many other business groups and advisers, and others, to try to ensure that we do everything we can to get all the players in the supply chain ready to go from 1 January, with all the export paperwork that they need.

I mentioned briefly before what Calais Port is doing. Eurotunnel also did a lot of work in previous no-deal contingencies on ways to make the flow of goods continue as fast as possible. I do not think it would be right for me to say yes or no, there will or will not be short-term delays. There is a risk.

The trouble with ro-ro in the short Strait of Dover-Calais is that if you get a delay on the exports side going to France it could quite quickly delay the whole system. I am not saying that it definitely will. I am confident for the longer term that once we get the Goods Vehicle Movement Service—the GVMS—up and running and flowing both ways, and once the Calais system is fully understood and used by all the players involved, many businesses will sign up to transit procedures. As Robert mentioned earlier, that will really help.

Perhaps we can also find an easier way to manage SPS. Hopefully, the Republic of Ireland will develop similar systems to encourage this. Longer term, we have to get to a place where goods flow quickly. It is a must do,

not a can do. We have to get this going and make it work as soon as we can.

Robert Hardy: There is a fundamental difference between Stack and Brock. I know you are not claiming that there is not. Stack is a linear queue where there is more demand than there is available capacity. Brock is a customs queue. Not all trucks are the same in a Brock queue as they are in a Stack queue. There are three types of truck. If they are empty, they do not need to be in the Brock queue. If their transit documents are pre-authenticated, which they can be up-country, and they do not need a Dover agent to authenticate or raise the document, they should not be in the Brock queue.

Brock is only for the absolutely unprepared, who in all honesty need to suffer a little. If they do not suffer a bit, they will never prepare. Trucking companies will always go for the path of least resistance. They will occasionally hit a brick wall, but they will not hit it every time. They will mitigate that. Delay the unprepared. The biggest challenge is rewarding the prepared. How do you recognise a truck that is either empty or prepared before it hits Kent? For me, that is the biggest challenge.

We talked before about pop-ups at truck stops. One hundred pop-ups were planned and I visited a number of them. They were for the unprepared. We argued with the Border Delivery Group—successfully, I have to say—that the pop-ups should be for the prepared. You call in, get your VIP pass and miss the Manston queue. If you want your VIP pass, get your documents in order. I have nothing more to say on that.

Lord Lilley: That was very interesting.

Q67 **Baroness Kramer:** May I pick up on the issue of costs associated with the new procedures? What are the witnesses' thoughts on mitigating those costs? Are there some things that we can structure into the agreement that would help? Also, one of the witnesses talked about future border crossings, those kinds of issues, and their impact on cost and complexity. What is your view of the benefits of a trusted trader scheme such as the AEO? I am very conscious in talking to a lot of companies that they have achieved very expensive AEO status but find the thing so useless they never use it. I wonder if you could play through that whole cost issue for us.

Robert Hardy: If I had a pound for every time somebody called me and said, "I need an AEO", I would not be doing this. My question is always, "Why do you want it?", and their answer is, "I have no idea. It just sounded like a good idea". The AEO right now butters no parsnips, as they say. It will not solve a lot of problems. It is good as regards a relaxation on future problems and on financial guarantees required for certain customs simplifications, but as customs has largely waived those in any case the benefit of AEO is not quite so strong.

It does not mean that there is no concept of a trusted trader. It does not have to be AEO. It can be the CFSP belated entry clearance records

approval. There are a number of mitigating factors. If we could get simplifications at trader level, whether they are trusted, or however you want to phrase them, yes, you could control the costs, because you are suddenly in consolidated monthly returns. I have to say the larger traders are currently doing consolidated monthly returns.

It is called Intrastat. They all do them and nobody kicks up a fuss about it. Customs declarations are more complicated than Intrastat, but we find in a lot of cases that nobody even considers Intrastat today. It is double that, but it is not everything.

Recently we were asked to price something up for a UK retailer bringing various products in in a consolidated simplified way. We got to a customs declaration cost of less than a penny a case. It is doable, but it will not necessarily mean empty shelves and very wealthy customs brokers, unfortunately.

Dominique Willems: I have to agree in the sense that the administrative work on the declaration itself is not the biggest deal and can be mitigated. AEO as a concept is not useless, but it will not help the general trader. You have to have quite a substantial number of processes and costs in place already for AEO to become beneficial to you in order to start saving costs.

Smaller traders will not be helped by AEO. As I said before, AEO is not the holy grail of trade facilitation either. There are all kinds of ways in which procedures can be simplified. As mentioned previously, it has been common practice in the industry for decades. This could be expanded to mitigate it.

It also has to be remembered that this does not come for free. These are also authorisations where you have to meet certain requirements. It is not always beneficial for a smaller trader, and certainly not for an incidental trader, to have that. Doing a customs declaration is not the worst thing either. It costs a few pounds. You send over your documents and usually it is done within the hour. It is not a big deal to do a customs declaration. Costs will be added, but in the entire costs of transportation, customs costs are not that much.

The Chair: Alex, do you have anything to add?

Alex Veitch: Yes, I do. My point, which I am keen to land with this Committee, is how we can get more British companies to become trusted traders. AEO is there. As the other witnesses have said, there are several others. It is like pick and mix; you choose the one that suits you. The HMRC has always been reluctant to give proactive advice about facilitations. I worked at HMRC on facilitations. It is worried, perhaps, about businesses picking the wrong option. It gives very generic bland advice about what is available, and it is given in government guidance speak and not in plain English.

We would like the Government to be a little bolder and pick out the most important ones. For my sector of logistics I would say CTC transit. The legal instrument is already there, with or without a free trade deal with the EU. It is really useful. It is at least worth knowing about and looking at. I am led to believe that HMRC will review its public information to make it more user friendly, and perhaps even do some videos explaining what these things are. All that would be great, because the more we can get trucks border ready as they leave the warehouse, the better for everybody.

Q68 **Baroness Kramer:** One minor question that somebody might pick up is: is there a real difference in someone doing large-volume exports of essentially identical product to someone who is doing small exports of very customised things? Some of the trucks that go through with consolidated loads of all kinds of different things have very different characteristics. Are the impacts and costs very different for those two?

Dominique Willems: Yes, there is a big difference. If you have very large volumes always with the same goods, it is extremely repetitive, and it would usually be automated, either entirely or at least to the fullest extent. In that sense, it is very easy and cheap, but it has to be set up in that case. If there are seasonal goods, Christmas goods, with all kinds of things coming in, is for example a fur Santa Clause with lights in it that moves a bit a toy or lighting? You have to start figuring that out. If you have 20 different things in one truck, that becomes even more complex. So, yes, there is a big difference.

Q69 **Baroness Chalker of Wallasey:** I would like to ask Alex and Robert about reports that the Government plan to introduce a new IT system to allow for pre-declarations to be submitted. I think it is called the Goods Vehicle Movement Service. How would this operate, and how would it help facilitate the flow of traffic, and of goods? Above all, what steps do the Government need to take to ensure that this is operational as soon after 31 December as possible?

Robert Hardy: We first heard of the GVMS in February at the stakeholder event at the IoD. It has been in the pipeline. I have to say that we love it. Let us not overdress it. It is a travel wallet, and if your documents are in the travel wallet you will be allowed to travel. It will not be ready on day one, but it could be a scratch pad by day one.

What I mean by that is that you can put the document reference into a wallet to get a single reference that the driver needs to cross the border. No validation of those references will take place while you are loading the wallet. Eventually, probably by July next year, those documents will also be validated. At the moment it is simply a wallet. It is full implementation and a smart wallet. We love it, because one size fits all. Prior to that we had Holyhead doing one thing, Dover doing something else, Portsmouth doing something else and Immingham doing something else. That is very hard to manage. GVMS is a simple system that goes across every port. It is a thumbs up from us.

Alex Veitch: We love it, too. We are a very positive panel. You have a double thumbs up. This flows perfectly from Baroness Kramer's previous question. The unique problem with ro-ro compared to lots of other modes is that you have a bunch of stuff in a trailer, but it is not always clear what stuff is in the trailer and which tractor unit is pulling the trailer. You need to have all the things in the trailer ticked off in the wallet. You need to know what trailer it is on and which truck it is all attached to. The truck can change in between leaving the warehouse and going to the port. You need something that is really easy to use, that hauliers can get their mind around, and that is flexible enough to be adapted and changed over time.

From what we know about the system, all those things are possible. Conceptually, we are absolutely 100% behind it. We need the operating manual for this. We need to know what our members need to do—how, and by when. We have had good interactions with the Government on this. They are saying that they will work directly with hauliers who want to set up their own interface through their IT systems to make it work, or they can use it through the Government Gateway. We are just getting into that level now. We are hopeful—I would say confident—that this system will be fully operational when it is supposed to be, which is July next year. We understand that it will be in operation in a more limited sense from January, which will be another good opportunity to trial it. The sooner the better. We are really behind it. Let us make it happen.

Baroness Chalker of Wallasey: What can we get you to do, or get you to recommend us to say, to make the first six months of 2021 a little smoother than it might be, since the system will not be fully ready?

Alex Veitch: The Government's point of view on this is they can control what they can control—in other words, their borders. I would love to see the Government helping the logistics and the other sectors to understand whether there are any specific arrangements on the EU side that could help. We are speaking to Calais Port. We have some briefing materials that we will deliver to hundreds of members this week.

I would love it if the Border Delivery Group and others could engage really closely with France, and indeed the Republic of Ireland, and use that material to help us develop training packages for all the UK businesses that need to know about it. They are doing what they are doing. They are doing a good job. I do not want to be critical and I am not going to be. It takes two to tango. We need to understand what the clever ro-ro procedures will be from January when all these declarations will be required and will be checked on the continental EU side and in the Republic of Ireland. We could use a hand in that. Any gentle nudges in that direction would be appreciated. That is from my point of view. I am sure others would like to comment, too.

Baroness Chalker of Wallasey: Thank you for the magic-word training.

Robert Hardy: If you want to take one thing away to say to the Government to make this work, it is that it is all about transit—and I hate

going on about transit. About 80% of the loaded trucks leaving the UK will be in transit. That is not a European system or a UK system. It is a common transit convention system. If I had reference number for a transit document now from anybody, I can check whether it is valid. I would call it up on the system, put the MRN in, and it will tell me.

Focus on that, because you can validate that one, even if it is manually. Even if it is the duck on the pond with the feet going like crazy but it looks good, even if it is manual in the background, validate the transit. The French have said before that if you arrive in Calais with a transit that has not been validated at the office of departure, they will send you back. You cannot raise a document in Calais. They will send you back to Dover and you will be trying to work your way back up to Manston.

Q70 Lord Lamont of Lerwick: May I ask about so-called customs intermediaries—freight forwarders, customs brokers? Will there be huge extra demand for them in this new situation? Are they adequately trained? Do we have enough? Is there enough time to do more training of them?

Dominique Willems: We represent about 19,000 of these companies across Europe, including the UK. In the UK specifically, I do not think we are there yet with the capacity needed, although it is difficult to estimate fully. We do not think that will be entirely ready. The grants, which are very much appreciated of course, stimulate the education that is possible at a very low entry level customs clerk. It would take about two to three years to educate a person to a higher level. Any new person coming in could only start at the very basic level.

The main issue is not so much in education, however. It is also about making people interested in coming into this profession. Efforts could perhaps be increased a little more. Of course, due to Covid there are a lot of people without a job, but, as you might understand, no child grows up saying, "When I grow up I want to be a customs clerk". If we are to get people into this profession, there needs to be more enthusiasm if we are to get to a level where it is sufficient to deal with the upcoming declarations.

You have to understand that it is not just Brexit. The amount of declarations will also increase due to new VAT rules on e-commerce products. That is a huge increase of hundreds of millions of extra customs declarations. It is not just because of Brexit that these people are needed. There is much more going on already. Some extra help on getting kids to say they want to become a customs clerk would be great.

Robert Hardy: I grew up in Dover, so you actually went to school and got trained to be a customs clerk. It was an industry, and perhaps it will be again, where the axe is constantly swinging over you. You are working to simplify and handle the processes and train new staff, and there are a whole bunch of politicians trying to ensure that you are not needed because they will simplify things. I told someone that I have been

training for 30 years for Brexit, because the processes that stopped 30 years ago are pretty much coming back.

If you concentrate only on European customs clearance, you can train people very quickly. The government grants for recruitment cover a quarter of the starting salary of any new recruits plus the recruitment cost. It will be better known in three months. Look for a surge in the number of recruits in September for the end of the year, because that is a zero cost to the customs broker. Previously, they have not employed anybody, not because there has not been the demand but because the date keeps moving, and nobody wants to pay to bring people in and lay them off again. Now the date is fixed and there is a grant that covers the last three months, you can expect a surge just after the summer.

Dominique Willems: There is also the entrepreneurial risk of hiring those people, having staff and having a place for them to work. We have had several situations in the past two years where nothing has happened. Many companies wait until the very last moment to ensure that they are ready. If the entrepreneurial risk was covered more instead of just the education, that would ensure that the capacity is there at the right moment.

Alex Veitch: To build on that, there is a bigger policy question here about how you unlock funds to train and upskill people in logistics and customs. We have a campaign running to amend the apprenticeship levy to become a skills levy. We have had direct feedback from many of our members who work in this space, who say, "If I could release apprenticeship levy funding for vocational courses like customs courses, I'd do it". We would encourage the Committee to consider whether there is a related policy ask here, as we would phrase it, on amending the apprenticeship levy scheme to release business funds to vocational training such as for customs, and indeed other areas of logistics, and many other sectors more widely.

Q71 **Lord Berkeley:** First, I would like to ask Dominique about transit. Many of you have discussed transit this morning. A very large amount of freight transits via road and rail through the non-EU country of Switzerland. Do we have any lessons to learn from that when we are considering transit from the Republic of Ireland to the continent through the UK?

Secondly, there is a question which perhaps Alex could answer, or one of the others, or everyone. There are worries about the availability of drivers, where the drivers will come from, and whether the ECMT permits will work. It is my impression that a very large proportion of drivers of trucks at the moment are based in eastern Europe. How will that work? What is the best way of making that work after we have left the EU?

Dominique Willems: I said before that the common transit convention works really well. It does not just work by itself. It requires certain measures by the Government and by the traders themselves. If you want to make transit a success, again you need quite a range of authorisations from customs to enable you to send or receive goods from your own

premises without customs interference. That is possible. You can understand why you need authorisation for that. A guarantee is also required for it.

You have to manage that process, because once goods go into transit, especially outside the customs territory, or they come from outside, there is a risk, if the procedures are not fulfilled correctly, that duties and taxes have to be paid. It certainly provides a very good way of moving goods across the border, but it requires certain preparations and an awareness of the existence of that by the traders and the companies themselves.

In that sense, the UK does not have that transit culture yet, if I may call it that, whereas in other countries such as Germany, Switzerland and the Netherlands, it is very common to move goods away from borders through customs procedures. This has not happened very much in the past in the UK. There is a certain amount to be learned there still. It is certainly a very good solution to move goods across the border without having any stops, or without having any customs interference at all, in certain cases.

There is an overall shortage of drivers, but because of Brexit I think there will be a little bit less need, especially in the beginning. We discussed ECMT permits last Friday with our members, and the main conclusion was that the measures that have been announced already for a no-deal situation are sufficient and would be a good way forward in this case as well.

Alex Veitch: I will talk about the permits issue first, if I may, and come back to the drivers. Permits are the worst-case scenario, and to be avoided if you can. The only reason you would have permits is, first, if there was no free trade agreement. That should really be called a free trade and transport agreement, because it includes air and road freight transport. If there is no overarching FTA, we would like to see a separate agreement on road freight, and indeed on air, to make those things work. Lord Berkeley, you have an interest in rail, and it is little different there. There will be a bilateral on rail between the UK and member states to make that happen.

Lord Berkeley: Thank you, Alex, but there is no rail to Ireland, so we can forget that.

Alex Veitch: That is a fair point. It is still important. I disagree with Dominique entirely on permits. He is not correct on that. If you have a base level of permit permitted under the regulation, there would not be a sufficient amount allocated to the UK. I will provide the Committee separately with some documentation on this. The UK's allocation, assuming that all the UK trucks are Euro 6s—in other words, they meet the most stringent environmental standards—would be just over 2,000 trucks in a given year. This is not enough for UK hauliers. It may be enough for EU-based hauliers to access the UK, but that is not quite the same thing.

This is a worst-case scenario. I do not want to paint too bleak a picture, however, because we are hopeful that, even if the permit system needed to be used, there could be an agreement between the UK and the EU to provide a higher allocation than that. We are not quite at the worst-case scenario, but I can tell you that under the no-deal contingency our members were starting to bid for permits and being turned down. Please do not leave this hearing thinking it is all fine, because it is not.

Dominique Willems: I agree with you that ideally there would be an agreement in place, but the question, as I understood it, was whether ECMT was workable. Yes, it would be just about workable, but I agree with you that ideally there should be an agreement on this.

Lord Berkeley: May I ask Alex to submit a short paper on that to the Committee, if he is able to? That is very interesting from both of you.

Alex Veitch: Yes, of course. Yes, there is a shortage of drivers. Again, we are hoping that if we can get some changes to the apprenticeship levy funding, that will help. Driving an HGV is an attractive career opportunity. We hope that we will be able to attract more people to our sector.

Q72 **Lord Inglewood:** We have touched on this a little. At the risk of stating the obvious, there are two sides to every border. What do our witnesses think about the risk that there might turn out to be more checks on the far side of the UK-EU border, which would disrupt goods between the two areas? Given that possibility, what, if anything, should the Government do to mitigate that risk?

Robert Hardy: We are talking about vehicles leaving the UK and arriving in mainland Europe and being delayed. If they are delayed in mainland Europe, it is, first, because something is wrong; the transit document has not been authenticated, or the anticipated entry is not there, or it is SPS and it requires veterinary checks and so on.

At most, SPS would be 15% of the traffic. We are talking about 15 trucks arriving on a ferry. The Government have to try to ensure that the remaining ones that are not SPS are given every possible assistance so that they do not fall foul of the checks in Calais: in other words, are you border ready, are your documents right?

GVMS is a massive step in the right direction. Our advice to everybody is: do not start a journey unless you can finish it. It is playing the whole backwards process. If you cannot get there, do not set off for there. It comes down to transit again. If GVMS could be hooked up for transit, it will cover an awful lot very quickly.

Alex Veitch: There is one other point where delay might arise, and Robert, feel free to disagree. Border authorities will do risk-based interventions depending on whether they think there is a risk of smuggling, to put it bluntly. You might get delayed because you are one of the unlucky few who get pulled out for a check. That may be done on a high sample rate or a low sample rate.

It is very difficult to predict what delays that might cause. We certainly anticipate risk-based checks taking place to ensure not only that the paperwork is in order but that there is nothing funny going on by way of misdeclaration of goods, and so on. It is a little bit more nuanced than Robert said, but for the most part I agree. Dominique may know more about the kind of interventions that we might see on the EU side.

Dominique Willems: On the EU side, as I mentioned before, and it is the same for the UK currently, these are targeted checks. It is not that all the goods will be checked the moment they arrive at the border. You are talking about a figure of about 5% overall for checks on all goods, although, as mentioned before, there is a lot of trade in agricultural products between the UK and the EU, and that requires extra checks. I do not think the EU has that much interest in doing additional checks, other than if a specific risk is seen. I do not expect there to be an increase in overall terms or that it will say, "We're doing extra checks on these goods, because they come from the UK".

The best way to mitigate those kinds of delays or checks is, on the one hand, to ensure that there is the least possible number of steps. Coming back to the safety and security declarations that we mentioned at the beginning, that leads to another two or three extra points to do a check. This is on UK soil, because these declarations have to be sent to the EU. You get a response back and there has to be a yes/no check before the goods are even loaded on to the vehicle.

In that sense, it is important to keep in mind that these authorisations and simplifications should be used to the maximum extent possible. It helps that checks do not have to be done at the border but can be done inland or, as I mentioned before, via the simplified transit procedure, where checks can be done at the trader's own premises. This would help mitigate. Lastly, of course, the more the rules on products or other things are aligned, the less reason there is to do a check. I would add these three things to this discussion.

Robert Hardy: If we are comparing with today, I do not think the number of checks will increase. Again, if you get the paperwork right, you will not get that number of checks. If you sit at the roundabout at Dover today and see trucks arrive from the continent, nobody knows what is in them. We just know that they are good enough to pass through the continent so they are good enough for us. There is a bit of that going on. Will there be more checking than today? Potentially, but I do not really see it. Bearing in mind 85% of the trucks are foreign anyway, the EU would be delaying its own trucks.

Alex Veitch: I hope Robert is right, I really do. It is always tempting to paint a negative picture when talking about Brexit. I am not going to do that. That is not our game. All I am saying is that the risks are there. What Dominique said about 5% checks is interesting. I am a little more sceptical and believe there will be more than today, particularly if there is no alignment, and particularly if duty is payable, because, as a responsible border authority, I would assume that the French, the Dutch,

the Belgians and the Irish would check that there is no large-scale misdeclaration of goods going on. Realistically, that seems likely to me, but that does not necessarily mean there will be huge delays either. That is all I would like to add.

The Chair: We have come to the end of the session absolutely on time. I would like to thank our witnesses for this session this morning. It has been very useful. I am sure colleagues will agree that, although there were areas you did not agree on, by and large you present a picture of a lot of work to be done but work that is on the right trajectory. We will of course endeavour to give you any help that we can in ensuring that the process is as smooth as possible, to do so. I will just repeat that the transcript will be sent to you. If there are any corrections to be made, please send those back to us as quickly as possible. Thank you very much for coming this morning.