

Northern Ireland Affairs Committee

Oral evidence: [The land border between Northern Ireland and Ireland: Follow-up](#), HC 1684

Tuesday 13 November 2018

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Members present: Dr Andrew Murrison (Chair); Maria Caulfield; John Grogan; Lady Hermon; Kate Hoey; Conor McGinn; Nigel Mills; Bob Stewart

Questions 1 - 111

Witness

Mr Lars Karlsson, CEO of KGH Border Services, Author of Smart Border 2.0.

Examination of witness

Mr Lars Karlsson

Q1 Chair: Welcome, Mr Karlsson. It is great to see you here. Thank you very much for being with us today. You are no stranger to the Palace of Westminster and you have been extremely generous with your time in informing the thoughts of UK parliamentarians at what—I think it is true to say—is quite a challenging period for all of us, one way or the other.

As we discussed outside, we are the Northern Ireland Affairs Select Committee. Our chief preoccupation at the moment is the border in the island of Ireland and what that might look like after the UK leaves the European Union. Could you explain very briefly who you are? We have all read your report and we have also read your bio so we pretty much know, but nevertheless, for the record, it would be useful just to give a little bit of a pen picture for us, explaining perhaps how you come to be where you are now.

Mr Lars Karlsson: Thank you very much. First, thank you for inviting me to this honourable Committee. It is a great honour and pleasure for me to come here and discuss this matter with you, which of course is extremely important, as you have mentioned. I recognise that. Also it is one of my favourite topics in the world. I am enjoying coming in and having an opportunity to discuss these issues with you.

My background is that I am a customs officer. I was almost born a customs officer. I worked 35 years in customs and borders, starting up in Swedish customs, working in the European Union and many other customs administrations around the world. I ended up being director of World Customs Organization after a period as lead in Swedish customs, during the period also where we did a lot of the work around Sweden and the Norwegian border. After that I have been continuously working in many countries around the world with customs and borders.

I also have an academic career in that specific field, where I have been working with research for many countries around the world around these issues, both with private sector and with government these days. That is my background.

I was asked by the European Union, as you know, and I know you are all familiar with the report I wrote last year for the European Parliament and the Constitutional Committee. Since then I have been here a couple of times, but also been involved in the process.

That is the background. I have seen more than 500 borders around the world, so hopefully I can give some evidence today that will be of help for you.

Q2 Chair: We have all read your report, which refers to gates and



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metaphorical barriers at the border. We have travelled to Switzerland recently to look at the border with France and Germany. It is true to say that the Committee were quite impressed by the amount of infrastructure that was on those borders. Our feeling very strongly was that that would not be applicable in the context of Ireland for security reasons. That is the thing that makes Ireland unique. None of that would do for us. Since then we have had the Joint Report, which rules out infrastructure on the border. I am wondering, from your technical perspective, drawing from the experience that you have just outlined, whether it is possible to have a technical solution that would remove the need for a backstop relating to the island of Ireland. Is that going to be possible or not? In particular, whether there is the possibility that we will be able to deal with this without more infrastructure on the border.

Mr Lars Karlsson: Yes, it is possible. I will explain a little bit longer on why I say that. You are right in the context of looking at the present borders we have. They are all legacy borders. They were constructed 40, 50 years ago. Since that time a lot of things have happened. We have not had a situation where we are creating a new customs border where there is no customs border previously. That is new and to that extent—also from the Swedish-Norwegian example, as I brought up, as the Swiss-France example or North American example of several other best practices—there is a paradox there. There is a difference there. Those were borders where there was infrastructure, whereby trade facilitation reduced the borders friction and in different ways put in place customs regimes and technical matters to make it possible to go faster and less friction through the border. There is a difference there. That is why there is no example where you can say, “Let us take that one and put it in Ireland, it would work”. It will not.

That does not mean that we could not do exactly the same thing without those legacy reasons, like the border would look like today. What I am getting at is that if you look at the international conventions, international trade law, international customs law that is there, there are basically four things we need to have when a situation like this appears. It is interesting in itself, because the customs border that I talk about is not the traditional border that many people talk about. A customs border in binary, you can only be on one side of it. You cannot be on both sides. When that happens, when there is a different customs territory, which is sometimes mixed up with the customs union, for instance, then you need to know basically four things. Who is doing something? What are they doing—exporting, for instance—and when is it happening? To who on the other side? These are the basic four questions we, as customs, ask.

To standardise that for the last 40 years of trade development we have created this trade infrastructure, an ecosystem, where a customs declaration answers those questions both from a tariff point of view, but also for non-tariff reasons, a number of other legislations that US legislators have put in place to protect the people.



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I am a Swedish guy, so I drive a Volvo, of course, which by the way is a Chinese car these days. I would not buy a Volvo from 1968, 50 years ago, but that is how the border you have been looking at—we are looking at—normally was constructed in the late 1960s, beginning of the 1970s. We can construct and design a border totally differently today. That is what I try to explain also with the best practices in my report. What I have found out afterwards is I should have put in one last picture; I now have. That is about how do you use the border today in relation to what was explained in the report with technology and infrastructure? If you bear with me a couple more minutes for the discussion, I will explain it.

What we are seeing today is that those four formalities do not have to be put in in this traditional format, where we had a customs declaration at one end, a customs declaration at the other end. What happens at the border is identifying that this is going from that place to that place, from that person to that person. We want to remove those formalities from the border to before and after as much as possible. That is where things like trusted trader programme, authorised economic operator programme and trusted traveller programme comes in place. When we put that in place, the only remaining thing at the border is identifying that this is what is happening. There needs to be an identifier. Now I come to my clue here.

How do we make sure that that identifier is as frictionless as possible? That can be done in four different levels. That is the picture I should have had in my report, which I now realise after a number of hearings here and the number of media reporters asking me this question. It could be like the traditional border and the border you saw may be the best borders there are. Sweden-Norway is again the example I give. Where you do a lot of these formalities, still by the border, but some of it is done before or it could be done all before or after, then you have an active identifier by the border. That is why the report also talks about number plate readers. It talks about RFID, card reader or something.

Next level is a passive identifier, which I also talk about in my report, which could be a mobile phone, a GPS transmitter, which does from A to B. The moment you pass the border something happens, but there is no infrastructure other than the one that is already there, so no new infrastructure. At the highest level, which is what you are asking about, there would be no infrastructure at all. This is about how much trust there would be on these different levels. If the trust would be on the top level, we do not have any examples like that yet so far because of the reasons I said. Then you could use the fact that you have a trusted exporter here, a trusted transporter driving, a trusted importer on the other side and you use the timestamp instead of the border at the premises of the importer.

That would mean again there has to be legislation changes on both sides agreeing to that, but the timestamp we still need, which is when it is passing from one customs territory to the other, would be another time



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than the one we normally use at the border. But it is possible to do without any infrastructure.

Chair: That is very helpful, thank you.

Mr Lars Karlsson: Long answer, sorry about that.

Q3 **Chair:** No, that is good. In terms of trust, it is very interesting, this concept of trust, because you could argue that the situation we are about to pass over to after Brexit should be one of very high trust, should it not? Because at the moment we are perfectly aligned in terms of tariff and regulation with Ireland, because we are both members of the European Union. In terms of epidemiology, for example—and we will come on to talk about food and livestock shortly, I am sure—the island of Ireland is, for practical purposes, simply one unit. There is a whole load of reasons why that level of trust should be very high. From a customs perspective, would that be your assessment too?

Mr Lars Karlsson: Absolutely. That goes for also the fact that whatever operational model is there, I guess also that UK Government and of course HMRC and the Revenue Commissioners on the other side would also like to have one operational model, not too different from other ways of handling customs. But you are right, there should be a higher level of trust here than in normal cases. Again, it has to be in one customs union, one customs territory. Obviously that means that trust is very high.

A reason for the smart borders in this case could be that you could, from a UK point of view and an EU point of view, have the smart borders on the second highest level for the traffic going, for instance, over the English Channel, but the highest level on the island of Ireland, where again there are other things to take into account as well.

Q4 **Chair:** To be absolutely clear, before I pass on to my colleagues, the high level of trust that you have described would involve no gates, no checks at the border, no infrastructure, no slowing down, none of that stuff? It is technically possible, in your view, to achieve that?

Mr Lars Karlsson: It is, but let me also say that we always talk about technology here, but it is also about customs techniques. It does not mean that there is no need for putting other things, soft infrastructure, in place. Again, this type of arrangement has to then have a new type of trusted trader programme in place where there is registration of the traders. It may be low threshold, easy to come in for small and medium size, maybe a threshold where the smallest ones are not in the system at all, but under a certain level you could trade anyway in a border economy.

Then a tiered programme up to the more import/export you have also with others and between Northern Ireland and Ireland, then you need to be in the same system so you do not, as a trader, have different ways of handling your import and export, which would add on administrative costs.



I am saying that, yes, from a border perspective, it would be possible with the two parties agreeing on that and these other circumstances of doing two things: first, the border formalities that still need to be there the European Union is talking about, and secondly, the possibilities to do inspections in other places than exactly by the border, which is the other part of the equation. When you need to do an inspection, how can you do it? My opinion would absolutely be that most of these controls, most of these inspections, can in a situation like this be done at other places than by the border. It could be the premises, it could be on the route or wherever.

Q5 Chair: This term “in-market solution” that Michel Barnier has been talking about over the past few months, do you think that is what is in his mind?

Mr Lars Karlsson: I am sure it is what is in his mind. There are many examples around the world where you can do most of these types of inspections in different places. Self-assessment could be used by the traders if they are informed correctly and so forth. But again, there are still things that need to be in place and there is still cost involved. I need to be specifically certain about that. But you do not have to do all of these formalities by the border. With maximum trust you could do them elsewhere.

Q6 Conor McGinn: Thank you for your report, which is a very valuable one, and I know has been the subject of much discussion, so it is good for us to have the opportunity to examine you both on it and on some of the amendments that you have made to it since its publication, certainly in terms of your pronouncements to other committees.

At the minute, supply chains operate without impediment across the border on the island of Ireland. That includes, for example, 400,000 lambs and 750 million litres of milk that go from north to south every year for processing; 177,000 heavy goods vehicles; 280,000 light vans crossing the border every single month. It is clear that the technology proposed in this paper is untested to a degree. It certainly does not address concerns around the management of animal and plant health and other regulatory issues that would require checks. Given the all-island nature of the agri-food industry, any need for such checks at the border would be of particular concern.

Initially your report did envisage demand posts at the busiest border crossings and the installations of gates at crossings, I suppose similar to toll booths. Since then you have said that would not necessarily be necessary. For the technology to work, what is the minimum of physical infrastructure required?

Mr Lars Karlsson: Thank you very much for the question. It was a long question, but I will try to answer it to the best of my ability.

Conor McGinn: It was two or three questions.



Mr Lars Karlsson: It is not true that this has not been tested. It has been tested. Everything I talk about has been tested somewhere, not in one single border, not in one single concept. What it is about is taking—

Q7 **Conor McGinn:** Whereabouts has it been tested?

Mr Lars Karlsson: First, as I mentioned before, the Swedish-Norwegian border is different because it comes from a different perspective, but is very similar in many ways. There is a border economy, there are agricultural issues, companies that work basically across the border, and a long EU border. That is another interesting thing with that specific example, because again it has been tested with the EU institutions, which means the auditing, the OLAF, all the type of institutions that are there have checked that border.

To some extent that is the best example, but we have again Canada, US, for instance, there are examples there. There are examples on what I am talking about between—which is a sea border—New Zealand and Australia, for instance, but also the Swiss border solution to some extent, but some other places as well. I will not bore you with all those details, but I am saying it is tested.

It also means that even the highest level of trust I am talking about was tested for years between Sweden and Norway, when I was lead in Swedish customs. What happened then was that we have a trusted trader on one side, trusted trader on the other side and a trusted trade lane between the two, meaning that also those border posts, where there is no infrastructure at all, were available for those specific transports that were trusted. It means you could go from one side to the other through a totally unmanned, totally uninfrastructured way.

Q8 **Conor McGinn:** There are 57 crossing points on a 1,000-mile border between Norway and Sweden.

Mr Lars Karlsson: Absolutely, and it is—

Conor McGinn: There are 300 borders crossing on a 300-mile border between the north and south of Ireland.

Mr Lars Karlsson: That is why I said it is not a 100% example. I wanted to respond to the fact that these different models had not been tested. They have been tested.

Conor McGinn: How many of the—

Mr Lars Karlsson: The scale is different. There are many other things that are different. It does not mean it could not be done.

The other thing I wanted to say is the fact that it does include not only customs control, but I am talking the non-tariff barrier controls, which is anything from sanitary control, agricultural controls, it could be intellectual property rights or product safety, whatever it is. We have done border projects, for instance, where I have been involved in Brazil,



which has even more difficult borders than the ones we have in Europe, and in this case as well, where we have all the agricultural controls done in different places away from the border. Sanitary consults are done away from the border. I am just pointing out that in international customs law there is nothing preventing if trust is there to do them.

There might still—and that is why also my report said that—be cases where this is not possible, where the two parties cannot agree. The danger, the safety, the security is too high. It needs to be controlled somewhere before it enters into that territory. That was why I also described that one out of these 200-plus border crossings might have to be an infrastructural one. I fully realise—

Q9 **Conor McGinn:** What would that mean? Would that mean that you would direct huge traffic to that one crossing?

Mr Lars Karlsson: Yes. What we normally would do in a situation like this would be to say out of these 200 plus—whatever number—border crossings, one of them or several of them would be customs border crossings, which would be infrastructural ones. The others you can only go if you are trusted.

That is not possible on the Irish border and I am fully realising that. But in another country, and up to other countries, we would have said one of them, that is where you had to be dedicated to go if you are not in the system or there are specific sanitary controls we cannot do anywhere else.

Q10 **Conor McGinn:** What level of bureaucracy would be required for a company to become trusted? I am thinking of the 5,000-plus businesses, many of them very small, that just do not have the capacity to undertake any of the bureaucracy that would be required.

Mr Lars Karlsson: What we have seen in other countries where some ease in these types of systems is, they do have the capacity to do that. We are not talking about the systems we talk about today. We are talking about a totally different one from the AEO programme the EU has that is valid here today. Less thresholds, easier to register, more like a VAT registration type of system. That is possible to do electronic.

I have to say this as well for the small ones, because I am always asked this when I travel around the world, because they are the basis of our economies everywhere—specifically also in the emerging economies I often work in—the issue is they have a threshold to go to other places today. The same problem today is that the customs process that is used for not exporting to, for instance, Ireland from Northern Ireland or the other way around or to the EU is too high today. For them it is too difficult to export to Brazil. But if UK and Ireland together—and the UK would have the best customs process in the world with smart borders and the trusted traders—they would be able to, with that registration I talk about, also export to Brazil.



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Q11 **Conor McGinn:** I know other colleagues want to get in, so the fundamental question is given all of that, what would be the minimum physical infrastructure required on the border for that?

Mr Lars Karlsson: In this case I would recommend—

Conor McGinn: Because to my mind a trade lane is physical infrastructure on the border because it differentiates from what it is now, which is an open border, an integrated transport system for goods, for people, for domestic and for business vehicles. Any re-designation of our road from being a road to a trade lane and a non-trade lane is physical infrastructure.

Mr Lars Karlsson: That could be your opinion, of course. I fully respect that. What we normally do in these type of cases, what I would say is that there would have to be one of these number of trade lanes—and I will call them trade lanes, roads—that would have to be for the first time they ever do an export, they have not fulfilled the obligation of whatever it is, you still do not have to have the inspection and the formalities formally geographically by the border. It could still be away from the border. I know it is still sensitive. I am just pointing out there could be one dedicated—where they are suspicious—office enough distance away from the border on both sides.

Then it is a permit thing. There are 200 roads, so the two parties would agree that these are roads you could use for customs, for exports and imports. No, that would not be exactly the same as it is today because you are leaving a customs union and customs territory. That is the consequence that you get, that you do not have free movement of goods within a customs union and a customs territory in this case. There would be technically a difference. Yes, there would not only a semantic but a different way of looking at it from a customs technical perspective.

Q12 **Conor McGinn:** Part of the difficulty when we talk about the border and changes to it is that we go down what I would call a cul-de-sac around bespoke trading arrangements and technological solutions. To some degree that does not take cognisance of the extremely unique political context of the border, how it was created, how it was for many years, how it is now. I find it quite ironic that in the context of Brexit, arguing for the border just to stay the way it is now has somehow become an ultra-Irish nationalist position, in the sense that the border the way it is now differentiates clearly between two separate jurisdictions, two separate legal systems, two separate states, with Northern Ireland being in the United Kingdom, but an open border where trade and movement can take place.

Your report does not talk about local traffic and what you would do with the 300 border crossings that were not these trade lanes or trusted lanes. There are 110 million person-crossings of that border every year; 22.2 million come at crossings. Given that we have a history in Northern Ireland of what we will call approved and unapproved roads, would you



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envisage that happening again? What would you do with local traffic? What would it mean for the tens of thousands of people who live on one side of the border, who work, who socialise, who are educated and who have family on the other side of the border? Would they be directed down specific routes as well? Would some roads be closed off? Would they be prohibited from using what might become trade lanes and trade routes? How would you envisage that local traffic—for want of a better term—management?

Mr Lars Karlsson: It is a long question again there.

Conor McGinn: It is important.

Mr Lars Karlsson: It is very important.

Q13 **Conor McGinn:** There is a responsibility here, because you have done a report that has been quoted often by lots of different people as justification for their view of how it would all be easily resolved, “The border is not a problem and the issue has been ratcheted up by people who are engaging in hyperbole and there is not going to be any problem”.

Mr Lars Karlsson: I understand that, certainly.

Conor McGinn: So the questions are long because you have done a report that you need to be responsible for.

Mr Lars Karlsson: I am.

Conor McGinn: And you need to extrapolate on it, because your report initially said, “We need manned posts and we need gates”. Then you said, “Actually, no, we do not need that. We can do it in other ways”.

Mr Lars Karlsson: I understand that, sir, and I fully respect it, and I know it is a very sensitive situation. I certainly studied it. I have certainly been there, seen it, so I mean no disrespect.

Conor McGinn: No, not at all.

Mr Lars Karlsson: I also want to say that—as I have said in other Committee hearings and also in interviews—I would rather not comment on the political side. There were some political elements in your question as well and I would rather not do them because I am not a UK citizen, I am an EU citizen. I did not vote in your referendum and so forth. I have a personal view in it, but again I am trying to answer technical questions.

There is no way for me, as a technical person, not to say that it would exactly be the same if you leave the customs union and the customs territory. There are consequences for it. What I am trying to say is what is possible within the international framework of the trade and customs legislation that is there, so it makes it still possible to have trade as frictionless as possible, but also to make it possible for both UK and for European Union to trade with others, because that is also important. If there are solutions in place here that violate the WTO rules, for instance,



that will cause problems. I am trying to just navigate within the technical means here.

What I would do, to answer your question, I would make all these roads customs roads, all of them trusted trade lanes, the same status that is possible to choose whatever road, first, for that commercial export and import that is there above a threshold. Under the threshold would be for the border economy, which exists on other borders as well, where there are also huge amounts of traffic and so forth. That is a political decision again.

Where should that threshold be? The local bakery on the one side can sell his products on the other side, so the people that live basically on both sides can travel back and forward. Of course the common travel arrangement needs to be in place still for the movement of people here. But for the regular commercial export and import, I would put a smart border in place with no infrastructure. Where there is need for inspections—which I think there will be for some of these other reasons we talk about, sometimes even for customs reasons, because things change over time—that would be away from the border, either at the premises of the companies or en route on the trade and going through one of these trade lanes.

They would have another status even if all of them are given that, from the smallest one to the biggest one. However, there would still need to be the possibilities and that is why it is described in the report as well, because I also had a task to put together something that would be an operational model also working for the other borders. It could not be totally different from what UK needs to operate in the English Channel, for instance, or for the other transport modes.

That was also why I tried to describe a model where the island of Ireland—again, you are right, maybe as a technocrat I should have realised that I needed to explain these trust levels a little bit better, that you could choose what type or no type of infrastructure needs to be there to make it possible, to use the smart border model, and that I have tried to correct afterwards in this way. But it is also something that needs to be negotiated because again the highest level has been tested, but it does not exist operationally today. That is the answer to your questions.

Q14 Chair: Before I come on to Lady Hermon, can I ask about the timeframe? When we went to Switzerland we were told about the DaziT transformation programme that will be available by 2026. That is no good for us; that is way outside our timeframe. In the event the kind of things that you have described are put in place, when could we expect them to be operational? What is your best guess?

Mr Lars Karlsson: Again, excuse me for being a little bit longer here, because there are two parts of this. One is the soft infrastructure I could talk about, because there is both in time and cost, two aspects there. One is how the private sector can utilise a new type of arrangement. The



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other one is what we need Government to do in investments and so forth. One is the element of what I talk about, a trusted trade lane and smart border concept. Then you need to make sure that your businesses in the private sector can adapt to that. That is one timeframe we talk about.

The other one is infrastructure. If there is a decision that the highest level of trust is there so we do not need any infrastructure, then there is no time limit to put that in place, but the soft infrastructure would not be there for 29 March. That is too short a period to get people to fulfil the obligation, so both sides would be comfortable with a solution like that.

How long would it take? We have seen in other places to get the soft infrastructure in place we are talking about something between one and a half to two years. That is what it takes to do it. In the scope of a transition period it would be possible to get a soft infrastructure in place.

Then for the other types of borders, if we take away the Irish border or we take also this possibility of doing some inspection in other places, that infrastructure would also be possible, in my estimation, to be done in that timeframe. Other borders around UK might take a longer time, but that is also depending on what type of technology that is chosen.

Technology in itself is not a problem for these identification things by the border. The things I talk about in the report, they already exist. They could be implemented in one, one and a half, two years' time. For me a transition period for all of the UK, but also specifically for the island of Ireland, would be enough to get a first version of the system up.

Q15 Chair: A first version of the system?

Mr Lars Karlsson: Because it will always have to develop, but it will be enough to be able to avoid the other type of situation that would be there. It would be possible and it would be quicker—the higher the trust, the less infrastructure needs to be there. Obviously there would still need to be a lot of work done on education of traders of building electronic systems, so it is possible for them to fulfil these obligations that are there with minimum cost, with minimum disruption and extra burdens on the private sector, but it still needs to be done. We are talking, as you pointed out, sir, a very high number of exporters and importers.

Q16 Lady Hermon: Thank you for giving us evidence this afternoon. You talk with great confidence about the technological solutions. Given that the Government is in such a difficult situation at the present time, has any Government Minister been in touch with you about a technological solution?

Mr Lars Karlsson: Let me first say before I answer this question, I have to be diplomatic here. I have had contacts with the institutions here. Not very systematically, let us put it this way, or in any official capacity, but some discussions have been made. Some questions have been asked, just like the questions basically I am asked today here, but not in any other institutional way or more of a systematic way, no.



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Sorry, I just want to say one thing as well. This also goes back to the question I was asked before, the issue of how this could be done. There is a time factor here. The sooner this type of development starts, some of it could be done regardless of the outcome, what it will be. If it is a hard border and no deal, if it is a deal, whatever the deal will look like, there are some things that could be put in place already now. That is an important point to make to the Committee as well. The sooner this type of work starts, not waiting for negotiations or whatever outcome there will be.

- Q17 **Lady Hermon:** I will just ask you the same question: as you will know, the Government Minister at the despatch box rejected the technological solution—you are nodding your head—and that was in March of this year. Has any Government Minister been in touch with you since March, now that you have revised your plans, since your proposals were rejected by the British Government?

Mr Lars Karlsson: No.

- Q18 **Lady Hermon:** We have established that. Has your technological solution been fully implemented anywhere in the world where there is a disputed border, as there is on the island of Ireland?

Mr Lars Karlsson: No.

- Q19 **Lady Hermon:** Could you just explain to the Committee—we have talked a lot about goods and trusted traders—how the free movement of people will be impacted by your technological solutions, bearing in mind that the Common Travel Area will remain in place? Both the Irish Government and the British Government have given those commitments, but the Common Travel Area only applies to British and Irish citizens. What is the technological solution on the border for those who are not Irish or British citizens?

Mr Lars Karlsson: Thank you for the question. It is a good question. Obviously when we look at these types of systems and the lack of borders, again taking into account there is no similar example, so I want to make that statement clear as well. It is good that the Common Travel Area is there, but what is linked into this is then again also other types of registration systems. There needs to be what I have described also in my report, a trusted commercial traveller registration, which means that if there were—a practical example—truck drivers or whatever it might be that are not in the already existing system, then they will have to be able to be registered as well.

There are a number of stakeholders that need to be in the same type of registration system that we talked about, to be able to have the same type of system. If they are not, then we are back to plan B for the type of smart borders normally that would be there, which would be one dedicated road where these have to go, where there are inspections, where there are controls. Again, for the island of Ireland, that cannot



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happen at the border; it has to happen away from the border, somewhere else.

Q20 **Lady Hermon:** If we just set aside the commercial lorry drivers and we are dealing with people.

Mr Lars Karlsson: Tourists or whatever it might?

Lady Hermon: Yes, visitors. The Republic of Ireland will be staying within the EU so the Republic of Ireland will abide by the rules of the free movement of workers from all the other member states of the European Union. The United Kingdom is leaving. Brexit date is 29 March of next year. When nationals of other EU member states cross from the border, how would you know with a technological solution who is crossing the border? How would you monitor that?

Mr Lars Karlsson: Again, I have to admit this: I am a customs expert, I am not an immigration expert. There are other people who know this absolutely much better than I do. My special area is movement of goods and the people that are linked to the movement of goods. That is where my confidence—

Lady Hermon: There is no technological solution to that?

Mr Lars Karlsson: However, I want to say this: again, technological solutions, what I am talking about all along is not technology in itself. There needs to be another type of infrastructure as well to make this work. It is not about having technology that reads things or whatever. That is only one part of the solution. There needs to be a registration, some kind of knowledge-based background to use those systems in a more systematic and a scalable way to make it happen. I just want to underline that because otherwise it looks always like it is the technology that is going to solve it. It is not.

But having said that, when it comes to movement over borders in general in the world, the movement of people, it is much more developed than the movement of goods. The way we have seen borders, you have seen the best borders we have. I have referred to them. They are not very highly sophisticated. The reason for it is the opposite to what we talked about before again, that all of those had full infrastructure and that has been a facilitating or kind of an opposite situation than this one, which means again that that is a different situation from what we are talking about here; putting infrastructure in place that is not there. It should not be done if it is not necessary.

But in general, the way this is done is like in Heathrow. You have for those who are preregistered a faster queue, it is done with technology, with card readers and passport readers and so forth. That is more developed for the movement of people than it is for the movement of goods.



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I fully realise that also a passport reader at the Irish border was equally bad as a commercial reader for whatever technology we talk about. The only reason I could see then was to be very clear on information that those who are not already precleared to go on all of these precleared roads have to go to this specific office three miles away from the border and be cleared there and then go by this specific route into the other country. That is not a perfect solution. I am fully aware of that. It is the best solution I can offer.

Q21 Lady Hermon: You are suggesting that those who cross the border should cross on one point and produce their passport?

Mr Lars Karlsson: Those who are not part of the CTA today, what happens when they pass the border?

Lady Hermon: I am asking the questions, if you do not mind.

Mr Lars Karlsson: No, I am asking because that is not my field of expertise, so we should maybe leave it for that. But I guess there is a situation today where a tourist or somebody from another country that lives in Northern Ireland, has to go to Ireland, it is another country. There are differences here. None of these countries are in Schengen, so there needs to be some kind of a system today as well. Again, it is not for me to answer.

Q22 Lady Hermon: Some of the questions are for you to answer, if you do not mind me saying so. You did say that in fact you had "been there and studied it". I take it that was a reference to the border? You have been to Northern Ireland, you have been there?

Mr Lars Karlsson: Yes, I have been there.

Q23 Lady Hermon: When was that?

Mr Lars Karlsson: It is some time ago.

Lady Hermon: Some time ago. Last year?

Mr Lars Karlsson: I need to get back. Yes.

Lady Hermon: Last year?

Mr Lars Karlsson: The year before, I think.

Lady Hermon: 2016.

Mr Lars Karlsson: That would be 2016, yes.

Q24 Lady Hermon: Do you mind telling the Committee who you met when you were in Northern Ireland?

Mr Lars Karlsson: It was not related to this specific mission I did. I have been there in my other capacities I had before. That was not related to this.

Lady Hermon: So you were there, and you—



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Mr Lars Karlsson: I have been to the border before. Again, that was the question, but I have not been there in the capacity of looking at this specific issue, no.

Lady Hermon: So you have been to the border?

Mr Lars Karlsson: Yes.

Q25 **Lady Hermon:** Was that a long visit? Was it a long stay, 15 minutes, an hour?

Mr Lars Karlsson: No, as I said, I visited probably more than 500 borders. Some of them are long, some of them are shorter. I do not recollect how long it was when I was at the Irish border.

Lady Hermon: You do not recollect how long you spent?

Mr Lars Karlsson: No, I do not. As was also mentioned, I have not been to all the 200-plus border crossings. Again, that is important to be stated.

Q26 **Lady Hermon:** When you said to the Committee that you have been there and studied it, you mean you studied it remotely? You have not physically been along the entire border?

Mr Lars Karlsson: Not the entire border, correct.

Q27 **Lady Hermon:** Could I just establish if you met with any senior members of the Police Service of Northern Ireland during your visit?

Mr Lars Karlsson: No, I have not.

Q28 **Lady Hermon:** You will be aware, I am sure, that the Chief Constable and an Assistant Chief Constable gave evidence to this Committee just a few weeks ago.

Mr Lars Karlsson: Yes, I have seen it.

Q29 **Lady Hermon:** There were concerns about an increase in smuggling and criminal gangs along the border, so how would your technology deal with the issue of smuggling and deal with criminal gangs?

Mr Lars Karlsson: It is not only about technology, I have to repeat that. It is about also how you work, working methods, co-operation, partnerships. But I normally say when it comes to customs issues—and that is where some of these issues are, for sure—that we need to separate from the legal flows, trade flows, how to handle those, and the illegal flows themselves, because how we today handle international cross-border crime is very different from where it was 10, 15 years ago.

The national border used to be the first frontier. Today it is a last frontier, which means that in most cases when it comes to international crime—let us take that first and I will get back to the local crime—and also the organised crime that exists in this area, I am not an expert on all of these issues, and the Chief of Police certainly has more knowledge about this, so I will not second-guess him. But international co-operation is



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extremely important here. Intelligence is very important. The knowledge about what is moving, who is moving and the links into international crime and crime syndicates is already something that has today moved away from the border and into a supply chain type of operation, meaning that the co-operation between HMRC, the Revenue Commissioners, other crime-fighting organisations in UK and Ireland will be equally important after Brexit, as it has been today, even more after Brexit and of course also with other agencies. We do that today with intelligence. We do it with surveillance. We do it with mapping of different type of patterns how organisations work and so forth. That is an operation that is separated from most of the legal flows that goes with trade back and forward.

Trusted trade lanes and smart border systems have had a positive impact on that new type of working with illegal activities because when you become a trusted trader in a programme like this, you also get awareness about what are the risks involved, because you are asking that some of the risks for the commercial—I am not talking illegal, but commercial—is to do self-assessment also for the illegal things, what to watch out for, how to avoid infiltration of your organisation, how to avoid somebody using your commercial cargo, the warehouse, whatever it is, for legal activities. It has had a lot of positive impact in research and studies around the world that these companies that get closer to government are also getting better opportunities to tell about what is going on in the supply chain.

There is organised crime in Ireland, just like there is everywhere else in our society. It is there today, it will be there tomorrow. It will increase if there are changes in different types of political decisions. For instance, if the excise or tax goes up or down on one side or the other, obviously the risk for smuggling goes up. It does today, it does tomorrow. There is not a big change because there is a customs border there.

Again, my recommendation normally is that of course there needs to be targeted work done against organised crime particularly and illegal activities. However, it is not only linked to the border and in fact it is more or less not as much linked to the border as it used to be.

Q30 Lady Hermon: Thank you very much indeed for the very comprehensive reply. Bearing in mind all you have just said, did it cross your mind when you visited Northern Ireland to meet with the Chief Constable of the PSNI?

Mr Lars Karlsson: I was asked to look at the border from a customs perspective this time. I was there in another capacity, doing other things, the time I described. When I was referring to having seen the border, I have seen some border crossings but in another capacity. At that time it was not at all in the scope of meeting any of these other officials that I would meet if I went there today.

Q31 Lady Hermon: When you were updating your report recently to look at cameras and infrastructure, it did not cross your mind to meet with the



Police Chief?

Mr Lars Karlsson: If somebody invites me to go there I would love to go to all these places and meet all these people because I always want to learn more. I have read the testimonies that have been done here and from the other place. I have also read some of the statements the Commissioner and other officials have done on both sides. That is how I update myself, otherwise I do other work.

Lady Hermon: On reflection, do you not think it would be—

Mr Lars Karlsson: It would be good. If there was specifically a mission from you or someone else, a commission, to look at the illegal situation and crime fighting I would be happy to do that for anybody, for institutions in the UK or somewhere else. Nobody has commissioned me to do that. For my own personal interest I would have been interested, but at the moment there has not been time to do that.

Q32 **Maria Caulfield:** The difficult situation with the Northern Ireland backstop at the moment is that the EU wants to maintain the integrity of the single market and the customs union and is asking for a backstop to do that. Do the solutions contained in your paper address some of those issues and will they guarantee for the EU that the integrity of the single market and the customs union remains in place?

Mr Lars Karlsson: Within the framework I am describing, those inspections can be done in a way that would fulfil the obligations that are there and also the concern of the European Union. However, having said that, it depends again on the level of trust and the negotiations that are going on. Michel Barnier has opened up—as was mentioned by the Chair before—in his discussion around how some of these inspections that need to be there could be done more flexibly in Ireland than maybe on other parts of the border between the two parties. That is the answer I can give.

My opinion is that it could because, as was mentioned before, there has been trust already. We are already today in a customs union and customs territory. Like any other member state, I know the UK, Ireland and my home country of Sweden sometimes have auditing bodies from the European Union that have views on whether we are doing the controls properly or not, which is normal in a system like that. Obviously they will be interested in protecting the integrity of the European Union and I think that is fair.

Q33 **Maria Caulfield:** Could be a backstop be avoided?

Mr Lars Karlsson: It is very important to show them models that could replace a more traditional way of doing inspections at the border. That is the only way to solve it, if it is done in different places with different technology or different techniques—involving the exporter/importer companies involved to do more self-assessment—then all of that is already in the European Union customs legislation. It is possible to do. It



takes a long time to implement it in the European Union. The United Kingdom could implement it more quickly if the United Kingdom said, "We will implement those things more quickly". I think there is an opportunity with the European Union to see that those would mitigate some of the concerns and risks it would have.

Q34 Maria Caulfield: When we leave in March, say the technological solutions you are proposing—whether it is change of status or border inspection—are in place on day one and then the UK goes and does deals with the US, with Canada and New Zealand and the regulatory alignment shifts, would your solutions still work and still maintain the integrity of the customs union and the single market from the EU's perspective, even if we are not so closely aligned?

Mr Lars Karlsson: Yes, I think so. What we are talking about is the way, but not exactly the type of controls that are actually there. That is going to be regulated by future relations and the type of agreements that are also in the meantime going to be negotiated between the European Union and the UK.

To give you an example, free trade agreements are often mentioned. There should be one and I hope there will be one. However, they are very complicated and difficult agreements to negotiate and the technical agreements between customs administrations are normally much quicker. There are ways to show how you can fulfil the obligations the European Union wants to do and the UK needs to do in a technical agreement—for instance, mutual recognition of authorised economic operators—that could be done in three to four months instead of a number of years.

That in itself builds a platform that fulfils some of these concerns, meaning that type of agreement would say, "Yes, we would make sure our companies are doing self-assessment, are taking samples and sending them to the laboratory" or whatever would be in your system. If they agree to that they would agree to it from a technical customs perspective. It does not mean that if your legislation changes or relations with others change that would change how you actually do the controls that need to be there.

Q35 Maria Caulfield: In terms of the practical point of view of businesses, as Conor said, there are many small businesses. It is currently a VAT border so there are a number of small businesses that are exempt from that. Is it possible to replicate the VAT system currently in place and make it work for a customs border as well?

Mr Lars Karlsson: For the lower levels of a tiered programme, designed in a way where it would be addressing this specific situation, it would be possible to use existing registration. It is very similar. We have seen in other places a very similar type of registration. That does not have to mean a very bureaucratic or very costly process to get it in and acknowledged for this type of specific arrangement.



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Absolutely, one of the things that should be looked at is exactly this, what is already existing, how could it be tailored in a way where it is holistically and strategically linked into the specific arrangement we talked about, such as a trusted trader programme and how can it be re-used so we do not put burdens on the private sector, specifically small and medium-sized enterprises. That is very possible to do.

Q36 Maria Caulfield: For businesses, cost is a big factor. I know it is very hard to say, but for an average medium-sized business what is the annual cost to be involved in these solutions?

Mr Lars Karlsson: There is a cost. I could not say anything else. The only way of avoiding that cost is being in a customs union with a common customs territory. Of course the cost could be lower or higher. I advise a number of private sector SMEs and specifically bigger companies that are doing that analysis right now to see how much percentage from zero point something to higher they could live with and how the different scenarios play out in that specific way.

There is a cost, but that could be lower than the ones that are being discussed in the media sometimes. That is saying the system we have today, aggregated with a hard Brexit and full customs declarations, the same way all external borders work and so forth, and that is a very, very high cost. In my mind that would be totally the wrong way to approach this. Of course you would need another type of system with simplified declarations and, as you said, using already existing registrations, already existing systems and so forth.

It is difficult to calculate what it would cost for an SME. There is a cost, but there is also a cost today in that those companies cannot export to anybody else than European Union members. It is too difficult for them to do export to China, Brazil, Kenya or wherever the trading partners of the UK are. Sometimes I get frustrated, as we are only talking about mitigating something that is between two of the trading partners. You are partnering with many other countries around the world and there are similar numbers for that.

There is a cost that they cannot export to anybody else today and that would be helped with a system like this. There is a win-win in there, although I fully recognise that this is what we have to solve right now. However, it should not be left out of the discussion that a simplified system, the best and most modern customs system in the world, where the business case was the best one to put it in place because you had to solve a problem also bring benefits in the long run and not the very long run when it comes to trading with others.

Q37 Chair: You talk about a win-win: trading with other countries or blocs, presumably?

Mr Lars Karlsson: For instance, yes.

Q38 Chair: That would require those countries or blocs to have a similar



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system to the one you have described, which seems a little unlikely.

Mr Lars Karlsson: If the process for a small and medium-sized company is that it is easier to export to the European Union than another country—whenever that will happen in time—then I assume HMRC would not run a totally different system for exporting to anybody else. It would be one operational model, one customs procedure and one customs legislation. That means that if it is simplified to trade with the EU it will be, from a UK perspective, also simplified to trade with China, Brazil, Mexico or wherever it is. That is the first part of it.

The second part is that in the customs arrangements I am talking about the technical agreements are normally—I say normally, because that is what we see in research—much quicker to get in place than the political one around tariffs, free trade agreements and so forth. That means if you had a trusted trader programme or an AEO programme that is the most modern in the world—the most modern in the world right now is Brazil, it has just done its programme—of course a technical agreement between HMRC and a customs administration such as Receita Federal in Brazil would make it possible to get the same benefits here as you get in Brazil. That means you could export from a small and medium-sized company, which is not possible today. I am pointing out some additional benefits to solving the problem in a modern way.

Q39 **Nigel Mills:** Mr Karlsson, did I hear you correctly at the start to say you used to work in a customs authority? You have experience of running these things. Am I also right that tax authorities look at risk now, so you want to intervene where there is a risk of revenue loss and not as a general assurance process? On the assumption we have a comprehensive free trade deal between the UK and the European Union, so there are no tariffs or quotas, would I be right that as a customs authority you would want to only intervene where you have some real risk of revenue loss?

Mr Lars Karlsson: Absolutely. For more than the last 10 years all customs administrations we talk about—specifically very advanced ones like HMRC or any from mainland EU as well—are only operating on risk management.

Q40 **Nigel Mills:** The risks they are looking at are goods coming in from outside the UK and the EU, where there is presumably a differential tariff between what the UK charge and what the EU charge. If I am the Irish customs authority after Brexit, the risk I am worried about is goods coming from China into Northern Ireland and coming across the border without having the right tariff paid?

Mr Lars Karlsson: That is one part of it, the tariff revenue collection part of it. That, by the way, is going down. Tariffs are generally going down in the world and revenue collection from customs exports and imports is going down for all the western-type economies as well. There are a range of other things that Revenue Commissioners or HMRC will be worried



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about. Even for the small partners in ecommerce that is now booming and we are getting more and more of it.

Whatever comes from the outside world, there will be a number of risks and a number of priorities that will change over time depending on what our priorities from a political point of view are. Obviously it could also be components that could be used for drugs, with other types of risk involved and so on.

Q41 Nigel Mills: The risks around illegal trade are already there and are not created by Brexit.

Mr Lars Karlsson: Exactly, you are right.

Q42 Nigel Mills: I was talking about the risks tax authorities will be worried about, primarily goods that have come from outside the EU and the UK free trade area, which we hope will exist, which might cross the border and need to be compliant. Would there not be a real incentive for both the UK, the Irish and other EU tax authorities to ensure there is a compliant regime for those imports when they first come into that wider territory? Is it not also true it is not like these goods can legally sneak in and no one is going to care about it? As long as we trust the Irish authorities will have monitored, understood and made sure people are complying for Chinese goods that sail into Dublin Harbour before they get up to Northern Ireland and we trust they know what they are doing in collecting the tariffs, checking the regulations and vice versa, there is a control we can rely on, is there not?

Mr Lars Karlsson: To some extent you are right, I agree with that. I think this is one of the risks people will look at.

What maybe complicates the picture a little bit is that the global value chains are changing as well. What used to be produced in one place, came in, was classified one time and had revenue collected at one time in one place is not the full picture anymore. What we do see is that you produce everywhere, assemble everywhere and sell everywhere. Many of the companies here—I assume from what I have seen and what I know, like the rest of the developed economies of the world—are part of a bigger picture. That means that goods are coming from different places, sometimes stay, sometimes go out and sometimes go into other products and that makes it more complicated from this perspective, specifically from a classification and rules of origin perspective.

Q43 Nigel Mills: I was coming to that. I was trying to get clear in my mind what the risks of revenue loss are that tax authorities dealing with—

Mr Lars Karlsson: There is a risk and we see it today as well. As I said before, I know the United Kingdom, Ireland and many other countries, including my own, now and then have this issue where auditing bodies—which we all have—are looking into what the revenue gap is. There is a revenue gap so that will also be the same. The risk from the European



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Union point of view is they will not audit the United Kingdom anymore from that perspective.

- Q44 **Nigel Mills:** If we have a free trade deal I do not care about milk crossing the border because there is no tariff to collect. I may care about it for regulatory reasons, but—

Mr Lars Karlsson: Correct.

Nigel Mills: —from a tariff perspective there is no money at stake, “Do what you want with your milk”.

Mr Lars Karlsson: Then there are going to be the other risks that we talked about.

- Q45 **Nigel Mills:** What I care about is the stuff that is coming from outside this free trade area where I need to make sure the right tariff has been paid to the right people. That is right, isn't it? It comes back to trust. It is the Irish Revenue Commissioners trusting HMRC to accurately process this and make sure it has been declared as it comes into the island of Ireland, and then having trust both ways that when it crosses the Irish border the right compliance has been dealt with there. I accept it becomes more complex when you get into rules of origin and whether we have processed and turned it from a Chinese into UK product.

Mr Lars Karlsson: Also how much of it is in a product, above 51% or not.

Nigel Mills: This is a small proportion of the flows across that border, isn't it?

Mr Lars Karlsson: I am not sure about that.

Nigel Mills: It is not the majority, is it?

Mr Lars Karlsson: More and more the value chains—the automobile industry and the chemical industry, all of these big industries you have—are very much integrated and there are parts from all around the world coming in.

- Q46 **Nigel Mills:** The sort of businesses that are moving those complex value chain goods across the border are the ones you think will be in your authorised economic operator position?

Mr Lars Karlsson: Yes.

- Q47 **Nigel Mills:** They would be trying to comply?

Mr Lars Karlsson: Absolutely.

- Q48 **Nigel Mills:** There might be a question of whether they had the percentage quite right—you would have to enquire into that—but they are not going to be sneaking Airbus wings across the border from shops in Northern Ireland into Dublin or something, are they?



Mr Lars Karlsson: Hopefully not.

- Q49 **Nigel Mills:** They are going to be trying to comply. If you are enquiring into the percentage that is UK sourced of a good, you do not do it at the border now, do you? You take the return from them and enquire into them in detail afterwards. You do not go and measure every component so that is not going to change there, is it?

Mr Lars Karlsson: That is true.

- Q50 **Nigel Mills:** It is the risks we want to worry about. The risks are goods from outside coming across not being compliant. If we trust each other we can manage that. Are there any goods other than alcohol, cigarettes, fuel and illegal things you would particularly advise we should worry about being smuggled from 30 March?

Mr Lars Karlsson: I have spent most my life trying to stop these things, so I do not try to invent on record new things that people could use as a business to smuggle. You nailed down the most important ones we see. We see these illegal activities being more and more integrated these days. People smuggle people, they smuggle IPR, products, drugs, weapons, whatever needs to be smuggled. That is a problem in itself and is a different issue from the one—

- Q51 **Nigel Mills:** If the UK leaves the customs union in four and a half months' time, what new products being smuggled should we be particularly worried about ensuring compliance with? Bear in mind you said that tariffs are pretty low now, "Do I smuggle to save a 3% tariff?" I assume not.

Mr Lars Karlsson: If there is a transition period and a free trade agreement, then there is not going to be very many of this type of product that will be a problem. The experience is there will always be some products. If WTO rules come into play and there is no deal, then of course the tariffs for some types of product groups will be much higher and the risk will increase, but on the other hand there will not be the trust and the co-operation we are talking about.

Nigel Mills: We are going to be smuggling chocolate or something.

Mr Lars Karlsson: There will always be people trying to lower their tax deliberately and that is why we have institutions to do that professionally. My experience is that HMRC and Revenue Commissioners are two of the best administrations we have in Europe. I have no doubt they have the competence to deal with this under the right circumstances. However, they need the tools as well and it is the legislators' role to put them in place.

- Q52 **Nigel Mills:** Have you looked at the facilitated customs arrangements proposed in the Prime Minister's so-called Chequers White Paper?



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Mr Lars Karlsson: I had a look at it. It is an interesting idea in itself, specifically in the environment you are describing, where there is a lot of trust between the two.

I see two challenges with it. One challenge is the fact that it is not in the trade ecosystem I was talking about before, which has been developed for the last four decades. It is a new idea that is not there in relation to international standards, for instance, from the WTO or others that do the standardisation. That makes it difficult because it means that all other trading partners for both these parties—for the UK and the European Union—also need to trust that system and not find a problem with it. If it had been an international standard that had been used and tested before it would have been easier to implement and easier for the European Union to accept as a system.

Q53 **Nigel Mills:** Are you aware of any software or other systems available in the world that could be put in place quickly?

Mr Lars Karlsson: No, I am not. It becomes very complex very quickly when you look at the different steps of following a track and trace with that type of arrangement. It is an interesting idea. The difficulty with it is more the timing issue of getting a system like that to be trusted and in place.

Q54 **Nigel Mills:** I think I am right that the aim was to have zero compliance when you moved a good across from the UK into the EU.

Mr Lars Karlsson: Yes, free movement of goods.

Q55 **Nigel Mills:** How would that work for those goods that change their status? Say I bring in raw rice with a zero tariff and then process it. I think there is a 13% tariff on the EU's common tariff. How would you handle that?

Mr Lars Karlsson: It is very complicated.

Q56 **Nigel Mills:** I would then have to create a compliance arrangement for those goods that have changed their position?

Mr Lars Karlsson: Yes, and of course there is a risk that it would not be used, it would be more difficult or more costly for the company to use it than not using it, even if they had the opportunity to do it. That is what we see with that type of set up. There are similar issues such as inward processing in the legislation today that some companies use, but some think is too bureaucratic or complicated to manage and choose to pay instead, which is not the point with that type of arrangement. It is still there to promote trade. That is something that has to be tailored and really looked into if that type of proposal is moved forward.

It is a difficulty for the European Union, I do realise that. It is something totally different from the way they operate with other third countries and that makes it a little bit more challenging.



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Q57 Nigel Mills: I think we agreed if we are outside the customs union the big problem we need to worry about on customs is goods coming from outside the free trade area across the border and the rules of origin issues in ensuring compliance. The Chequers customs proposal does not really fit the outstanding problems we have, it just changes the compliance a little bit to a system that we do not know anywhere in the world has a precedent for.

Mr Lars Karlsson: Correct.

Nigel Mills: Other than that, it is a good idea.

Mr Lars Karlsson: You are right, the formalities need to be there anyway. They are not possible to negotiate away in that sense. It can be done in different ways and in less costly ways than normal. In my technical point of view that needs to be the focus, as soon as possible start discussing how you could get that maximum facilitation type piece in place.

I know you are talking to my colleague, Lars Magnusson, as well from a Committee point of view. He has similar ideas, using maybe more the Dutch and European experience and specifically using the elements that are already in the legislation, for instance, transit movements. That is possible, if the UK would be part of the Transit Convention, because we could use a transit movement to move away from the border. They still have to be identified by the border and the Transit Convention still has to be fulfilled, which means costs for the company.

There are tools to be used already in the existing legislation, but we should take that one step further in this specific relationship where there is trust and make it as less costly as possible for specifically the private sector.

Q58 Nigel Mills: The Transit Convention is particularly important for Irish companies that seek to use the UK as a land bridge because there will not be much transit from Northern Ireland to the Republic of Ireland unless you are shipping it somehow from Dublin to Rotterdam or something. For Ireland, shipping across the UK is—

Mr Lars Karlsson: It has to be a transit movement, yes. There is a cost with that as well for the private sector, but it is a possible way forward.

Q59 John Grogan: Thank you, it is fascinating evidence. Barnier has been mentioned a few times and you mentioned him as well. I have been reading his most recent statement of 10 October 2018. He was talking about the health and phytosanitary checks for live animals and products of animal origin. He says, "EU rules are clear: such checks must happen at the border because of food safety and animal health reasons". That is true, is it?

Mr Lars Karlsson: It is true in the way we work with the European Union today. However, there is a bit of flexibility in what Barnier is saying



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because, in reality, if you look at some of these checks carried out today they are not carried out by the border, but at some distance from the border in specific inspection facilities and so forth.

Q60 **John Grogan:** At Larne and Belfast they are carried out for 10% of the live animals involved.

Mr Lars Karlsson: It is still a big problem.

Q61 **John Grogan:** Under your system what would happen? He says it is EU rules. The Republic is still going to be in the EU, isn't it?

Mr Lars Karlsson: That is true. What I am pointing out in my report and also saying now is that there are countries that within the international framework and international legislation have taken the system of self-assessment for at least some of these—or many of these—into account, moving some of these inspections that today are done by officials, either by the border or somewhere away from the border. I am not saying 100% could be done like that, but a big volume has been done.

Q62 **John Grogan:** Some percentage would have to be at the border?

Mr Lars Karlsson: A reasonable distance, or on the route or on the way.

Q63 **John Grogan:** The further away the greater the risk, presumably?

Mr Lars Karlsson: Absolutely, which goes back to trust. If you did not have trust they will say, "Let us do it at the border" and we are back to solving the original problem.

Q64 **John Grogan:** I will come back to that. It intrigued me, I have been once to the border as well. I went for about 30 minutes—

Mr Lars Karlsson: I should go more often, I know that.

John Grogan: —when I was on holiday. You said you were going for another mission. I could not leave this room without knowing.

Mr Lars Karlsson: I was there when I worked in the World Customs Organization. We travelled basically all the countries in the world, 182 countries.

Q65 **John Grogan:** You said no Ministers had approached you, but you rather intriguingly said institutions had.

Mr Lars Karlsson: I have had questions from people working in your institutions about—

Q66 **John Grogan:** HMRC?

Mr Lars Karlsson: For instance, yes. They are basically similar questions, "What does the report mean with this and that?" and that type of discussion.

Chair: HMRC has approached you?



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Mr Lars Karlsson: With those types of questions, but not systematically or in any—

Q67 **John Grogan:** Civil servants representing Ministers?

Mr Lars Karlsson: Civil servants? It is getting into a definition question here.

John Grogan: People who work for the Government.

Mr Lars Karlsson: What I agreed when it came to the report, and also with the European Union, was to answer questions on the report. That I have done also to civil servants within Government, yes.

John Grogan: You may or may not have met civil servants?

Mr Lars Karlsson: That is a definition—

John Grogan: I am just intrigued.

Mr Lars Karlsson: I am not trying to be intriguing. I am just not sure I know your definitions fully.

Q68 **Chair:** As a point of clarification, I would expect civil servants—people who work for the Government—to have read your report.

Mr Lars Karlsson: Yes, I think so.

Chair: It would be perfectly reasonable for them to call you and ask for clarification.

Mr Lars Karlsson: That has happened, yes.

Q69 **John Grogan:** As you say, a lot of it depends on trust.

Mr Lars Karlsson: Yes.

Q70 **John Grogan:** I was following the evidence carefully. You had one or two “fours”, didn’t you?

Mr Lars Karlsson: Yes.

John Grogan: One four was the different levels of trust. I forget whether one or four was the best.

Mr Lars Karlsson: Four is the best.

Q71 **John Grogan:** As the trust gets higher—four is the best—you do not have any infrastructure at all?

Mr Lars Karlsson: Correct.

Q72 **John Grogan:** Did I hear you right in saying you would aim for four at the border because of the complexity of the border, but it might be three between Northern Ireland and the United Kingdom, is that right?

Mr Lars Karlsson: Not between Northern Ireland and the United Kingdom, between the United Kingdom and France, Holland and whatever



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other countries—the Channel traffic—that still need to have these processes as well. I know that is not this Committee's primary work.

From my point of view, to make it work it also needs to be workable for the agencies involved. I have been heading an agency so I know what that means. Having three or four different types of operational models will not work very well, even in this context of the work they have to do for US legislators and other people. A model that makes it possible to have different flexible ways of applying it would be the best way forward. That is why I also describe other types of borders that could still have the same set up, but there could be different levels of trust, depending on what type of situation you are in.

- Q73 John Grogan:** Like me, you have been to the border for at least half an hour in Ireland. You have designed this process for the island of Ireland. You did mention that if it was anywhere else in the world—there are 200 roads, as far as I am aware, and 200 other crossings of various natures—that you would have a fair percentage of those, maybe 1%, 6% or 10%, where you would do that. That must be the most efficient way of doing it. However, because of the constraints within the island of Ireland it is not optimum in terms of a customs point of view, you would go for this less than optimal solution. Even though you do not talk politics, it is because of the politics. Is that fair enough?

Mr Lars Karlsson: In one way, yes. It is a practical way of solving this. I realise if the only solution would be that one out of five would be a more infrastructure-worked way, that will make it easier for those who are not—like the question I had before—citizens, for instance, or whatever it might be. On the other hand, for the big volumes this does not have to 100% be there for the area.

There is a difference there as well. Designing it is not entirely just for this. We would design it the same way between Sweden and Norway or somewhere else and have done that in the past, therefore there are examples of it.

- Q74 John Grogan:** This will be a first, as you say.

Mr Lars Karlsson: This will be the first and a leading example in the world of this kind.

- Q75 John Grogan:** It would not only be the first, but the first version of it would be in about 18 months to two years' time.

Mr Lars Karlsson: The sooner the better.

- Q76 John Grogan:** If we got going we could have it at the end of 2020. If the first version went wrong, what would happen?

Mr Lars Karlsson: No doubt it would have been better if you started to do it directly after my report because then we would be halfway in. However, that was not possible obviously and it might not be possible to start now or even in April or January, whenever there is hopefully a deal.



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Of course it will take longer. There is a time there. It is not possible to be done in—

Q77 John Grogan: Take it that you do it or whatever. To be prudent, we are really talking about an extension of the transitional period. It would be reasonable to test the technology a little bit on the border and have probably another couple of years on the transition, just to be on the safe side, do you think?

Mr Lars Karlsson: Again, we are getting into a political area.

John Grogan: No, it is a very practical area. You are offering us the first version, not the finished article in a couple of years, possibly.

Mr Lars Karlsson: It is impossible to answer the question. If something goes wrong, if something happens, if problems occur, of course it will take longer, as we all know, because there is technology in place. What I am more certain of is the soft technology that I am talking about, the techniques of how to do it. That is much clearer.

Technology in this case is not that extensive, if you look at the highest level. The irony is that the higher level of trust the less technology there is going to be. We are talking about maybe apps for SMEs to apply or to very simply notify when they are doing an export, to make it as simple and less costly as possible. It is no problem to do that in two years. My view would still be that there will be enough to make it work in the transition period we have right now.

Q78 John Grogan: I will finish on these questions. Talking of trust, if in terms of the single market there is massive divergence—you have a British Government who decide we are going to change things, everything from chlorinated chickens from the United States and so on, and things in animal health massively change—does that not make it harder in your system? We have had extensive questioning from my colleague about what happens if there is no trade deal and so on, if there is no trade—

Mr Lars Karlsson: If there is no trade deal there will be a lot of other problems, but not this problem at least. The whole point of leaving the European Union in that sense would be that you would take decisions on your own. On the other hand, I also think it is fair to assume that many of the technical parts of the customs legislation will be the same.

Q79 John Grogan: And the single market?

Mr Lars Karlsson: Yes. The reason for that is not that you would copy EU and are not making your own decisions, it is because it is all based on international standards. You want to trade with China, then you have to trade with China under international standards.

Q80 John Grogan: The closer we are aligned to the single market and the customs union the more efficient the system—



Mr Lars Karlsson: No, not really, because the system I am talking about is how agencies would apply to do the things they need to do and that you have told them to do, which is the number of tasks you have to do if you are heading a customs administration, a border force or another agency. That is the reason why you have a different way of applying it.

Normally we did 100% controls. In the old days we did random controls. It did not work very well, so it was removed into risk-based controls and less and less inspections. All of that helps in the situation we are in. What we are talking about here is putting together a platform that makes it possible to have reasonable safety between two trading partners with a free trade agreement, with technical agreements on co-operation and how to handle illegal activities—

Q81 **John Grogan:** Sorry, what if there is not a free trade agreement?

Mr Lars Karlsson: There is not a free trade agreement, but I hope and think the EU and the UK want to have one.

Q82 **John Grogan:** It is a possibility, but it is probably seven or eight years away?

Mr Lars Karlsson: It depends. Normally free trade agreements take five to 10 years to do.

John Grogan: Seven to eight years is not bad then, is it?

Mr Lars Karlsson: We talked about the fact that these are two trading partners that are very aligned for the moment and know each other very well.

Q83 **John Grogan:** To be absolutely clear, your system would be more efficient if there was a free trade agreement than if there was not?

Mr Lars Karlsson: The system itself is for non-tariff issues. It is about how to handle the border and the other types of controls that are there rather than the tariffs themselves. The free trade agreement is really there to avoid tariffs, to agree that we will trade with each other without customs levies and other types of tariffs. These are two different things. However, the system itself would encompass the tariff handling that needs to be there if it is not zero tariffs on everything in the free trade agreement.

Even if you have a free trade agreement it does not remove the responsibility to have some border formalities for other reasons than tariffs—sanitary controls, intellectual property rights, product safety, agricultural reasons and 10 or 15 other types of legislation that are there—that the UK and the EU want to control. That will still be there. That is what I am talking about, that we should not do that in the way we designed borders 50 years ago. We have a chance to design something that is new and modern here and that will make the job easier.

Q84 **John Grogan:** Very finally, because I keep going on, back to the checks



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that Barnier says are a legal requirement at the moment. Those EU rules would have to change if there was not a particular structure at the border, wouldn't they?

Mr Lars Karlsson: No, first of all, the checks are not 100% checks. They are still based on risks also.

Q85 **John Grogan:** They are still at the border.

Mr Lars Karlsson: Depending on what types of checks it is, I would still argue that many of them can take place in other places than the border.

Q86 **John Grogan:** You would argue it, but what I am saying is they would have to change. I know you do not like politics, but—

Mr Lars Karlsson: Sometimes I do, but not in this case.

John Grogan: You would have to change those EU rules, wouldn't you? I am not saying you could not do it.

Mr Lars Karlsson: No.

Q87 **John Grogan:** Barnier is wrong?

Mr Lars Karlsson: No, it is the definition of the border. If the border is by the border, where we do not want infrastructure in Ireland, then you are right. The EU already has sanitary inspections far away from the border in specific places, en route or somewhere else. If that is acceptable then the answer is yes. If it is not acceptable and it has to be by the border then they have to change the legislation.

Q88 **Chair:** There is some talk about a model called "Norway for now" that might come into play in the event the Government's work at the moment with the European Union comes to naught, in other words plan A does not happen, does not get through the Commons or whatever. It then looks like the idea would be we would have a model a bit like Norway in that we would access the EEA through the EFTA pillar. Do you think such a thing would be helpful in the context of what we have been discussing today? Would it make that border easier to manage and more likely that it would look, after 29 March, very much as it does today or not?

Mr Lars Karlsson: That is a difficult question. If you compare it with a no-deal situation after 29 March I think it would help, it would be an easier border. Again, the Norway agreement has disadvantages—as you know—in relation to what the UK wants to do.

In relation to what we are talking about here, where there is a free trade agreement of some kind, the border solution could look like an advanced version of the Norwegian border solution in either of these scenarios. However, if it is a hard Brexit no-deal situation, any other of the already existing models would be, from a customs and trade perspective, better. Again, that is not the politics of it because there are also consequences of those models, as you know, when it comes to having your own trade



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agreements with others or having your own decision rights on some things that are not in the other types of models that are there.

- Q89 **Bob Stewart:** Thank you, Lars, for that, it is very interesting. I am with you and I agree it can be done seamlessly. I operated a hard border—if you want to call it that—in south Tyrone, Aughnacloy, one month in four for two years for the whole month. I saw what a hard border is like so I understand that. Equally I tramped all over the border one month in four, when I was not on the border, so I have a pretty good idea of what the border is. For instance, it is very simple for smugglers, they just cross a field. There is no way you are going to stop a determined smuggler in Northern Ireland or in the Republic; they will get through. I watched them and I did nothing because I was not interested in what they were doing, I was interested in terrorism. You are going to get smugglers anyway and there is damn all you can do about it.

I really want to talk about the practicalities of operating the border. Let us start with vehicles. In the image you have, how would a vehicle approach it? Going from the Republic of Ireland into Northern Ireland, it would be in a base and the transport manager would have said, “You are going to Northern Ireland and we will have preregistered the vehicle moving into Northern Ireland”. It is probably a trusted trader so the company is cleared as well. Before the vehicle moves there is sanction for it to move through the border.

Mr Lars Karlsson: Correct.

Bob Stewart: It can go pretty quickly straight through the border, based on a trusted trader preregistration system.

Mr Lars Karlsson: Correct.

- Q90 **Bob Stewart:** It may well pass a camera at some stage that notes it has gone down that road. It is possible a customs officer may do a spot check on it at some stage either side of the border, is that right? Is that the way you are thinking it might be able to work? There will be nothing that stops the vehicle. You might have certain routes, but I would say any route you can get across on a road or a track.

Mr Lars Karlsson: Yes.

- Q91 **Bob Stewart:** That is the way it would work for a vehicle. I think it is slightly more complicated for pedestrians and people in cars because right now when we, the Committee, go to Northern Ireland or to Dublin we do show identity as we get on the aeroplane. Even with free travel across Schengen, I have gone into the Irish Republic from the Continent and you have to show your identity.

Mr Lars Karlsson: You do.

- Q92 **Bob Stewart:** What is therefore required is really good liaison between the immigration people in the Irish Republic and Northern Ireland so that when someone comes into the Republic it pings up on a computer that



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someone is in the island of Ireland. Is that what you think?

Mr Lars Karlsson: Yes.

Q93 **Bob Stewart:** When someone crosses the border now between the Republic of Ireland and Northern Ireland they are not normally stopped, but in the future I am wondering whether there is a requirement to stop them. I am not sure there would be if you are aware they are in the island of Ireland. I have talked all the time and now I would like you to say whether I am talking rubbish.

Mr Lars Karlsson: It is a wonderful description of how I see the system. You are absolutely right. What we are talking about is really how we move as citizens. As I said before, for citizens within the European Union today specifically, also in the international system, it is more advanced and we prevent more. When we go aboard a Eurostar train or at the airport, we are all vetted in a way and information is sent to the other side, wherever we are going, to do those controls that we talk about.

In the CTA—and the same for the passport union between the Nordic countries and the Swedish-Norwegian border, for instance—there is no passport control and no identification control between the two. There is a difference in the movement of people except for, as was said before, when they are non-citizens in that specific regime. In our legislation back home, as an example, you need to know if you are not a citizen of these countries and that you have to show you are moving across. You could do it anyway, but there could be a spot check and then you might be in trouble. There are always these types of systems that are in place.

There could be spot checks in the city today on transport coming in from somewhere by the police, by customs or by somebody else. We do not see that as difficult, as different or problematic. It happened here in this room.

You are right, this is how the system works. We need to work differently in ways of exchanging information better. We need to accept, at least as a voluntary system, we need to be registered if we do not want to have extra difficulty in moving somewhere. If I say to my airline, “I do not want to show my passport or my ID card” then I do not get to board the plane because of the legislation we have. We have many types of these systems in place already. What I am arguing is that we should put it in place for trade, specifically trade between two very friendly countries where trust is already existing.

Q94 **Bob Stewart:** When I drive my car—I drive the small one, which is a Volvo, as old as 1969, by the way, and my wife drives the big one—there are only two drivers that can drive it normally. When you have VRN and you see a car, one or two people—the people registered—will be in that car, in the same way as a trusted trader sort of thing. That car is picked up and you immediately know through technology that it is likely to be one of two people in the car.



Mr Lars Karlsson: What we do know is that compliance gets higher. Controls are better and less intrusive with these types of systems. As I said before with illegal activities, companies involved in a programme like this know how to avoid risk. They do not want risk either, do not want smuggling to happen in their transport and so forth so they also look for it and tell agencies when it is happening. Then I had the question of could there not still be smuggling? Of course there can and of course they will go through the border as you described. When we find them the consequence might be more difficult because we have seen that a trusted trader then will have to terminate their contract with the transporter that has this person who is not using the system in a correct way, which has a commercial consequence and so forth. Therefore it does foster compliance.

It also fosters the fact that, like it or not, the Government receives information that we do not have today, which can facilitate those who are no risk and also to fight crime better.

Q95 **Bob Stewart:** When we went to the Swiss border one of us asked, "What sort of smuggling goes on here?" The very efficient Swiss border control person said, "We think it is very small, less than 1% or something". I do not suppose he is referring to someone taking the odd 200 extra cartons of fags through.

My final question is confirmation that it is your belief that, given goodwill and that we get a move on, the border in Northern Ireland could be very much as it looks today, could be seamless with technology put in place and could operate in accordance with the rules required by the European Union and the United Kingdom.

Mr Lars Karlsson: If these other things are put in place—trusted trader programmes, registration programmes for different types of stakeholders and so forth—yes.

What you are saying is right, but again, it does not mean that those obligations for moving across the border are fulfilled. The inspection, when needed, is not done. They need to be done but in a different way and in a different place at a different time.

Q96 **Bob Stewart:** In hardware terms, what you require are cameras that are pretty good, locations yet to be decided, and a computer that is state of the art, which links all these things together and talks to the Irish Republic and internationally if necessary?

Mr Lars Karlsson: Correct.

Q97 **Bob Stewart:** That is quite possible?

Mr Lars Karlsson: It is.

Q98 **Kate Hoey:** Mr Karlsson, when you produced your report a year ago, did you realise then the Northern Ireland and Irish Republic border was going to be almost a sticking point in terms of negotiations?



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Mr Lars Karlsson: I realised it would be a very difficult challenge. At that time the December happenings were not in place; I did this before. There were a lot of things happening in December, including definition of a “frictionless border”, which before that never existed in our world. Normally there is some friction. It depends again how we define “friction”. If it is friction that an exporter is sending information somewhere two days before they are exporting, that is friction. If we mean friction by whether you have to stop by the border, there is infrastructure, you have to wait and queue, then it is a different definition.

Q99 **Kate Hoey:** We find it interesting that different people have different definitions of what a hard border is.

Mr Lars Karlsson: Yes, exactly.

Kate Hoey: I will not ask you what yours is. Lady Hermon asked if you had met any British officials and about civil servants asking questions. Have you had any similar requests from Irish officials in their Departments?

Mr Lars Karlsson: No.

Q100 **Kate Hoey:** Not even when this was produced for the European Union in Brussels?

Mr Lars Karlsson: No.

Q101 **Kate Hoey:** Does that disappoint you?

Mr Lars Karlsson: No. I have the biggest trust in the Revenue Commissioners, as I have in HMRC. I know there are a lot of clever people and old colleagues of mine that are thinking in similar ways or different ways. I am trying to contribute this and that has been done in this way, including today. There are different opinions here, but I also think it is not that different, there are not that many options and alternatives to actually solve this issue.

Q102 **Kate Hoey:** You agreed with Mr Stewart’s summation of what could happen if there was trust and goodwill. A lot of people watching this will find it strange there do seem to be solutions that would avoid whatever definition you have of a hard border, yet it seems like the people who really could move that on are not interested. I know you do not want to get involved in politics, but can you understand that? Because I can’t.

Mr Lars Karlsson: It is a tricky question, avoiding the politics of it. Two years to build a good solution are lost, for sure. As a technician and as a professional, this could have been almost ready at the time we are at right now. That is of course naive in the sense that there needs to be a process to digest and to see where negotiations go.

What worries me a lot is that the private sector is not ready for this on either side. It is not only in Ireland, it is also the rest of Europe and specifically also of course the rest of the UK. To some extent it is because



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of what you are describing. It seems to be that all options and opportunities are still there. It could go either way.

The UK will leave the European Union on 29 March, we know that. There will be a customs border whether we like it or not. It will be there as a consequence of leaving the customs territory and customs union. However, we can handle it differently. Obviously people need to prepare for the best and the worst scenario and need to start doing that directly. To be honest, my experience is they have not done that yet and it is 94 working days, if you do not work around the clock, as some of us do.

Q103 Kate Hoey: The backstop discussions, the backstop to the backstop, the insurance policy to the insurance policy and all of that, if we are at this stage and no one at that senior political level in either the Republic of Ireland, the British Government or the EU have taken these kinds of things seriously, how on earth does anyone think that just a little bit longer of transition will make any difference?

Mr Lars Karlsson: That is a difficult question to answer. I cannot imagine they have not taken it seriously. I think they have. I would if I was in their position, so of course they have thought through these things. What hinders them to start working on at least some of the components that need to be in either scenario, I do not know. I am not the right person to answer that. You might know it even better than I do.

In one way there are things from a technical point of view that could be and should be done as soon as possible. That would be good, regardless of the different scenarios that are there. That would be favourable for all of us who think we need good solutions in the world and not bad ones. Rather than that, I am not the right person to comment on your question, sorry.

Q104 Kate Hoey: Finally, you are obviously well-known and know various experts, customs officials and so on, in the Republic of Ireland, Northern Ireland and the United Kingdom generally.

Mr Lars Karlsson: Yes.

Q105 Kate Hoey: Do you think there would be a shared frustration at what is happening?

Mr Lars Karlsson: I could not comment on that. I do not know.

Kate Hoey: You are very diplomatic. You could be a politician.

Mr Lars Karlsson: I am very diplomatic. However, it is not only to be diplomatic, I actually do not know, to be honest. I would be frustrated if I were in their position, I can say that, to some extent because there is work to be done and at the end of the day it needs to be done by somebody and obviously the sooner the better. That is the only thing I can say from the outside.



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Some of these things we talk about are a consequence or mitigation of something that has happened or is about to happen. However, they are things that in a strategy for either of these countries would be there anyway. The modernisation of a customs administration for two trading nations needs to be there. Of course now the momentum is there very much more and the opportunities that come from it as well should be really brought in, not only the problems and mitigation of something going back to where we are today or were before. There are issues there. We have seen in many countries that modernising customs has a really good effect on all trade. There are good sides to it that sometimes are not in focus. As a public servant I would be frustrated about that if I worked in those administrations.

Q106 **Kate Hoey:** On the point made earlier on people crossing the border, just to be clear, people from countries outside the EU cross the border.

Mr Lars Karlsson: They do today, I guess.

Q107 **Kate Hoey:** I am struggling to find how it will be any different—

Mr Lars Karlsson: No, it would not. It is the same situation.

Kate Hoey: —if people do come to Northern Ireland and then across to the mainland. They will not be able to get a job or get National Insurance—

Mr Lars Karlsson: From what we know right now, it will be exactly the same, yes.

Q108 **Kate Hoey:** There is no issue?

Mr Lars Karlsson: No.

Q109 **Kate Hoey:** People are trying to make that an issue but it is not an issue. Trade there may be some problems with.

Mr Lars Karlsson: The only thing, why it was also in my report, is the fact when it is connected to commercial goods movement. We do know it is an open market. There are quotas of transporters going in and out of our countries moving goods for the private sector. That could be an issue. How big it is, I have no idea. There are ways of handling it, but again, it is something that needs to be handled. If it is contracted transport companies with a non-citizen that can use the CTA they would have to register as a commercial driver for a commercial trusted transporter and that would solve the problem, if those problems are big enough. For the regular traveller, there is no problem there.

Q110 **Kate Hoey:** I do not blame you for not necessarily wanting to meet the Chief Constable because the Chief Constable should be looking after stopping people doing some of the things that he suggested might happen if we do not—

Mr Lars Karlsson: I would love to talk to him, by the way. If you have his number I will be happy to call him.



Kate Hoey: I am not criticising you, if other people do. Thank you very much.

Q111 **Chair:** We seem to have been on a journey because Michel Barnier was dismissing a technical or systems-based solution to avoiding a so-called hard border in Ireland as magical thinking at one point. It was a very striking point. He is now talking about in-market solutions. Why do you think he has gone from “magical thinking” to “in-market solutions” in the space of a few months?

Mr Lars Karlsson: I would be speculating. I have not met Michel Barnier. I have seen him in meetings, but it is only speculation. I think we need to find a solution. Negotiations are always about finding solutions. I think the European Union wants to find a solution. It is also talking to experts about what a solution could be and whether there is anything that could solve this deadlock or whatever it is and make it possible.

What it has moved towards is the fact that there could be one model and it would be simplified, facilitated—or whatever English word you would use, it is not my native language—in a specific requirement where there are other factors in place as well, where flexibility would be a part of a bigger deal. I am only speculating, but it would be my guess that he has been advised that some of these controls I have explained today can be done in different ways. If they are done in different ways it might open up this very difficult question.

Chair: Thank you. We have kept you for the best part of two hours. For one witness, that is a real marathon. Thank you so much for putting yourself to such an ordeal. What you have told us is extraordinarily valuable. We will certainly be reflecting very closely on what you have said to us and it will most definitely be informing the report we produce in due course, which will update the report we wrote in March. It has been inestimably useful to us. Thank you very much indeed for being with us today.

Mr Lars Karlsson: My pleasure, thank you very much.