

Treasury Committee

Oral evidence: [UK Customs Policy](#), HC 776

Tuesday 22 September 2020

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Members present: Mel Stride (Chair); Rushanara Ali; Harriett Baldwin; Anthony Browne; Felicity Buchan; Ms Angela Eagle; Julie Marson; Alison Thewliss.

Questions 1 - 87

Witnesses

I: Allie Renison, Head of EU and Trade Policy, Institute of Directors; Elizabeth de Jong, Director of Policy, Logistics UK; Tim Reardon, Head of EU Exit, Port of Dover; and Dr Anna Jerzewska, Trade Expert.



Examination of Witnesses

Witnesses: Allie Renison, Elizabeth de Jong, Tim Reardon and Dr Anna Jerzewska.

Q1 Chair: Good afternoon and welcome to the Treasury Select Committee evidence session on customs policy. We are delighted this morning to be joined by four panellists. I would like them to very briefly introduce themselves now.

Dr Jerzewska: I am a customs and international trade adviser. I work with a number of companies and public sector clients, mostly on Brexit readiness.

Allie Renison: Hi. I am Allie Renison, head of trade and EU policy at the Institute of Directors. We have about 30,000 company directors across the gamut of sectors, but obviously customs and border planning is a big part of our focus at the moment.

Elizabeth de Jong: Good morning. Thank you for inviting me to speak. I am Elizabeth de Jong and I am policy director at Logistics UK. We represent logistics businesses spanning all modes of transport, both domestic and international.

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

Q2 Chair: Welcome to each of you, and thank you very much indeed for giving us your time this morning. We will have a series of questions from each of the members in turn. Generally speaking, those questions will be directed at a specific member of the panel, but in the event that you have not been selected to contribute and you really want to on a particular question, do not hesitate to raise your hand, please, and I will endeavour to bring you in.

Perhaps I can start with my first question, which is to Anna. The Government's border operating model looks to companies, among other things, to apply for an EORI number, seek a customs intermediary, apply for duty deferment accounts and prepare to pay on account for VAT on imported goods, so there is a lot to do there. Do you think, on balance, that UK companies are ready?

Dr Jerzewska: That is a good question. On the whole, I would say no. We have obviously made some progress in 2020. We have obviously been occupied with other issues. The border operating model gives a bit more guidance than what we had in the past. It is a good step. It is a step in the right direction. However, it does come somewhat late. In January, this would have been very welcome, but, given how little time we have left and how much we still do not know, it is probably not ideal. The border operating model actually raises as many questions as it answers.



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We are still missing vital guidance on how to apply for different things and how this will all operate in practice.

In terms of company readiness, there are a couple of things here. The guidance so far has been, as you mentioned, limited to, "Get yourself an EORI number. Get yourself an agent", and then, more recently, it was around, "Start applying for a deferment account or start thinking about this. Start to understand what you need to do by 1 January." What is missing is a very clear message from the Government to say that, as of 1 January, whether companies are using simplifications or are not using simplifications, they are responsible for their customs operations. That has been missing in general: that with importing or exporting comes legal liability and comes the responsibility to be compliant. There are a number of things that companies need to do, and that message has not been delivered as clearly and as urgently as it should have been. It is not just a question of getting an agent. The agent will only act on your behalf. That is one of the main issues in terms of getting companies engaged in getting ready.

The issue on the other side is that a number of companies left their Brexit readiness planning for 2020. Obviously, in 2020 they had other issues and challenges to deal with. Right now we are in a situation where we had a very challenging year, we have a couple of months left and companies are not in a position to act as quickly as they would need to.

Q3 Chair: Why do you think that is? What is the principal reason why these companies are not ready?

Dr Jerzewska: There is this notion that companies had four years to get ready. Sometimes you hear politicians mention that they should be ready. The reality of the situation is that there has been a lot of uncertainty. Certain things perhaps were clear, like the fact that we will have some sort of a border, but for a company to prepare they need to know the operating level details. They need to know how things work. They need to know which form they need to fill in. They do not necessarily need to know the high-level stuff. It is useful, but obviously they need details. We are only getting details now. At the last Brexit deadline last year, we had tariffs. UK inbound tariffs were published two weeks before the deadline, where a number of companies already had their goods on the way and that was really a bit too close to the wire. That is one of the issues. In order for companies to prepare, they really need to know exactly what they need to do; otherwise, they are just confused.

Q4 Chair: That is understood. Tim, can I come to you? There has been a leaked Government report that has suggested, among other things, that there could end up being 7,000 vehicles gumming up Dover, et cetera. Under what circumstances is that going to happen? The Government have said, "For a period of time we are going to have fairly lax controls at the border and we will keep the flow going, and we will tighten up a bit later into next year." Is that going to be enough to see off that kind of



issue, or is this a very real concern that you share?

Tim Reardon: The key thing here is that for the border to flow straightforwardly and fluidly, in broadly the same way it does today, a lot of people in various parts of the supply chain will have to do things that they do not currently do. The question is whether everybody who is affected by that will be ready to play their part on 1 January next year, or indeed on 1 July next year. European controls kick in in full on 1 January and UK ones kick in in full on 1 July. Clearly, for the border to flow, everybody needs to be ready to do their bit of it by the time the appropriate deadline comes in. Everybody sending goods out of France or sending goods into France will need to be compliant with French controls on 1 January. The same goes for UK controls on 1 July.

As the port operator, we are absolutely confident that we will be ready with our bit of the overall package to keep the gateway open for our customers. There are businesses that need to be sure that they are ready. Frankly, we do not have any visibility of that because they are several commercial parties away from us. Equally, Government on this side of the water need to be ready with a number of things that are currently in a planning stage but are not finally delivered. For example, we as the port will need a wharf approval from HM Customs. We do not currently have one. We received a letter this morning affirming that we will get one. We are confident that we will get one but we do not have it yet.

Q5 **Chair:** Could you just very briefly explain what a wharf approval is exactly, just so we are clear?

Tim Reardon: It is a designation that is required by any port handling inbound or outbound goods on an international journey. Those background administrative processes need to be in place. They are not in place yet. A process is under way to get them in place but it has yet to conclude.

Similarly, there is new infrastructure that is needed. Some of it is under construction already. Other bits of it have yet to begin. Plans have been drawn up but, for it to begin, funding needs to be in place to support its construction. Government have a funding scheme, which is due to open for application later this month. Clearly, that is cutting it quite tight for stuff to be actually delivered and in place when significant civil works are involved, by early next year.

Q6 **Chair:** This does sound incredibly tight, does it not? Here we are in the latter parts of September. We are talking about 1 January and we are talking about money being available, but not spades in the ground or whatever is required to create this stuff. What happens if we have a situation, or you have a situation, where there are many trucks and vehicles heading towards Dover, they have not completed, say, the required paperwork, and they descend on the port? What do you do? What are you likely to do if they have not got this infrastructure ready?



How does all that work?

Tim Reardon: The short answer is they need to be ready. Their ability to embark on a ferry bound for France will be conditional on their having made the declarations that French authorities require. If they have not made those declarations, they will not be permitted to embark on the ferry.

Q7 **Chair:** What do they do if they have not built the lorry parks or identified these areas quickly enough, and they are very short on time? What happens?

Tim Reardon: Then those lorry drivers will need to leave the port and return to the port only once the declarations that need to have been made have been made for that lorry to check in.

Q8 **Chair:** I have been down to Dover and have seen the movements as they happen. It is a sort of conveyer belt, is it not? You would not need many trucks or vehicles to be going in there with the wrong paperwork and being turned around before things started to get very tight in what is a very limited site, in terms of its size. This sounds like quite a high risk, would you not agree?

Tim Reardon: Everybody needs to be ready. That is the thing. You are absolutely correct that Dover is the gateway. It is not a depot where lorries can park up while somebody waits for somebody else to do a declaration. That side of it does need to be done before the lorry even sets out on its way.

Q9 **Chair:** Of the capacity that has to be created by way of lorry parks or places you would send drivers who have not actually completed the appropriate paperwork to get that sorted, what is your overall view as to how much of that is actually in the planning? Have all these sites been identified? It sounds like some funding is there, but do we know where they are all going to go, let alone thinking about bringing them up to speed and operational?

Tim Reardon: The only site that Government have announced is their site near Ashford. We understand that others are in preparation and will be announced once the sites have been procured. Our message to the supply chain is, "Get your paperwork ready before the lorry actually sets out. Do not dispatch goods from a warehouse until the document is ready to go at the same time."

Q10 **Chair:** You have identified that it only takes a small number of vehicles to get it wrong to cause potentially quite a major problem. Just sticking with these sites for a second, in addition to Ashford, how many other sites do you think are necessary? What do we know, if anything, about what the Government's plans are in that area?

Tim Reardon: The key point will be to have sites on all of the main trunk routes that serve the UK's main gateways in Kent, so that assistance is available to lorries and to hauliers that does not involve significant



deviation from the routes they would otherwise be taking. Clearly, nobody wants to generate any additional traffic. The key to that will be making sure that there is somewhere to stop, if anywhere is needed to stop, on all the main routes through south-east England towards Kent.

Q11 Chair: That is understood. In other words, there have to be quite a number of these different places for this to happen. The other part of my question was about what we know, if anything, of where the Government are with that.

Tim Reardon: You would need to ask them, to be honest, because it is a commercial negotiation between them and site owners at the moment. We do not have any visibility of where they have got to.

Chair: That is understood. Thank you very much. That is extremely helpful.

Q12 Rushanara Ali: Good morning. I am going to continue with some of those questions. Just picking up on what you said to the Chair, Tim, could you talk us through whether you have been consulted at all by Government on some of these issues? You have painted a picture of thousands of vehicles, picking up on the Chair's questions, and the spectre of chaos. How do Government, using the last few months of time that is left, avert what is likely to be a very disorderly exit by the end of the transition period?

Tim Reardon: There is a clear plan in place, which will make for arrangements that are orderly and, if the plan is followed, should ensure that traffic flows in a smooth fashion, in the same way that it does now.

Q13 Rushanara Ali: How confident are you, Tim, that the plan will be followed? Around two thirds of customs brokers say, according to one survey, that they do not have enough staff to handle the extra paperwork. You mentioned that they must do the paperwork. If two thirds do not feel ready to do the paperwork needed across the EU-UK border after 1 January, how is that realistic? How is that possible?

Tim Reardon: The customs agents question is way down the supply chain from ourselves, but it is indicative of the phenomenon that all parts of the supply chain need to be ready. The plan is a good one. The plan is practicable. The plan is well capable of delivering the smooth flow that is intended, but the plan does need to be delivered.

Q14 Rushanara Ali: Just in terms of the timeframe that is left, we can have the best-laid plans but we have a very finite amount of time; I am particularly interested in the preparedness for 1 January, as others are. Imagine you have headed towards New Year's Day. We have had a year of Covid crisis and the rest of it. Does the timeline fit with a very well laid-out plan that you are describing? The plan is good but, in practice, can you see this happening smoothly by 1 January?

Tim Reardon: Yes, I can, as long as the preparations are approached expeditiously in the time that is left.



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Q15 **Rushanara Ali:** That is opaque, is it not? What we are finding, in terms of evidence and experience, is that, just on the elements that you are talking about that need to come together, they are saying they are not ready.

Tim Reardon: We need to see, in the months ahead, the administrative stuff done, approvals and designations actually issued, rather than being talked about being issued, and funding to be made available to enable the civil works that are needed on infrastructure to be begun and, as best as possible, completed in time.

Q16 **Rushanara Ali:** That is not happening. At the moment, you are not inspiring confidence in what you are saying about readiness.

Tim Reardon: We would like it to happen faster.

Q17 **Rushanara Ali:** That is fair enough. Moving on to Elizabeth, in terms of the Government announcing funding and a support package, they announced that they would boost the capacity of the customs intermediary sector, including brokers, freight forwarders and express parcel operators. At the time of the announcement, you were quoted as saying that the Government have “listened to our concerns and made allowances to enable our sector to recover from the Covid-19 pandemic and plan effectively so that we can continue to trade effectively with Europe.” Do you feel that the Government have given you enough time? Do you still hold on to that statement, or do you have anything further to add?

Elizabeth de Jong: Yes. There are lots of different elements that need to be ready, as well as the funding for customs agents. Thinking of what we need to prep for, we have about 8,000 international road haulage companies in the UK. There are then 85,000 VAT-registered trading businesses. Many of them will not have experience of rest-of-the-world trade procedures. We have to get ready in terms of systems.

There are nine separate systems and requirements of the freight industry, for customs, for safety and security declarations and exports. There is a new Smart Freight system, which I would like to speak a little about. It is meant to help with the border delays in Kent, issuing a Kent access permit to take care of some of the concerns that Tim was having. There are nine different systems: safety and security declarations, input control systems for Northern Ireland, goods vehicle movement systems for roll-on/roll-off trade, and then separate ro-ro customs systems for the trading countries—France, Netherlands, Belgium and Republic of Ireland.

Q18 **Rushanara Ali:** Are you set for that?

Elizabeth de Jong: Yes. I believe that the systems will be ready by the end of 2020, but I believe it will be down to the wire. The risk is that delivery could be too late for industry to have time to fully prepare to use them. That was our concern about Smart Freight in particular.



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In terms of whether business will be prepared, we have been actively working with Government—in fact, talking to officials yesterday—on some agreed metrics to plot EU exit readiness. We are being asked a lot, “Is business ready? Is Government ready?” That will be really useful for confidence and focusing activities in the right areas so we are prepared. The types of things we are proposing are to be tracking that Smart Freight border delay upstream compliance system. Is that ready? Is it tested? Are the border readiness sites that are linked to that ready, with people trained to help? Are there sites for parking in Kent? Are the customs agents in place? How much of that £84 million is being drawn down? Are traders ready?

Q19 Rushanara Ali: There are lots of questions. We are about to head into more restrictions on what people can and cannot do in terms of Covid and the likelihood of a second wave. One final thing is that the EU has already stated that the implementation of full checks would be possible from day one. We have not been able to do that. We are already behind. Given the circumstances around Covid and the concerns around what is going to come next, do you and others feel confident that we are going to be prepared by 1 January, or is it cloud cuckoo land to think that we are going to have a smooth transition and we are going to be able to exit in an orderly way?

Elizabeth de Jong: It would be foolish for me to say that there are going to be no issues at all. There will be people who want to be ready and are doing absolutely everything they can to be ready, and then we will not be able to get the comms out to people to be ready at that time. There are mitigations in place to make it as good as it can be, but it will not be perfect.

Allie Renison: I just want to say—Tim hinted at this as well—that the missing link in the armour, so to speak, in all of this is about how you ensure that there is end-to-end readiness across the supply chain. To Tim’s point, a port cannot make those provisions, at the end of the day, on behalf of traders.

Anna was saying that, at the end of the day, you are concerned about making sure that traders understand all of the information that they now need to give that is different, particularly from an imports perspective, since that is what the inquiry is more focused on in terms of the UK’s customs policy. I would say that, for the vast majority, that clarity is not there yet, simply because the negotiations carry on. There is inevitable tension between wanting to give the Government as much time as possible to get as comprehensive an agreement as possible and needing to have information early on.

Q20 Rushanara Ali: When do the Government need to do that by, or have we passed that date?

Allie Renison: They have certainly made a reference point to 15 October as being their own deadline for a deal. Going on last year, business can



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adapt and react but not at the eleventh hour. Otherwise you are going to have a disruptive end to the transition.

Q21 **Rushanara Ali:** What is the date? What date would the eleventh hour be, in your definition?

Allie Renison: It is completely different for individual businesses within supply chains. It depends on whether you are talking about, for example, understanding the goods vehicle movement system and who needs to interact with that.

Q22 **Rushanara Ali:** October could be too late for some businesses but not for others.

Allie Renison: It depends on the impact. Certainly, for some businesses, some people have the ability to adapt and react much more quickly. Covid has not helped in that respect, because what you have is businesses looking at this and saying, "Unless I have all the information there..." We have a chunk of about 30% to 40% of our members who say they just cannot prepare with that incomplete information. They will only be able to adjust once that detail is there. To be clear, it is not just the FTA. It is about the implementing guidance that HMRC does with that FTA.

Q23 **Rushanara Ali:** Basically, the upshot is that it is going to be extremely difficult. Some might be able to adapt when an agreement is made, but the problem is that you have so many other uncertainties alongside, with Covid and much else. Picking up on the Chair's questions about Dover and 7,000 lorries and the rest of it, it is quite hard to see, given the time that is left, that we are going to be able to have a smooth, managed transition by exit date.

Allie Renison: At the end of the day, it really depends on how early we get that information. If we have all of it by mid-October, then you are in a better position than you would certainly be at the end of November. That is what we want to make sure of, so that it does not go down to the wire.

Elizabeth de Jong: There are very good reasons for wanting a deal, but in terms of preparedness of business for the customs and other checks at the border, the difference between a deal and no deal is not so important. It is generally the same preparation we need to be making. It does help in other areas, though.

Q24 **Ms Eagle:** Elizabeth, you are into logistics and you have a bigger overall view of what the implications are likely to be. If this does all go wrong and people were not ready, as Tim certainly hopes they will be, what would be the implications in Kent?

Elizabeth de Jong: It is the exports that are our main concern. As you know, the flow of imports are less problematic, because the UK is introducing border controls in those three stages, which gives industry



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and, indeed, Government systems extra time to make those arrangements. It would be exports at the busy short strait crossing of Dover, as well as Eurotunnel, which would be our concern.

Our second area of concern would be the level of readiness on the EU side, which is equally important. There being two sides to the border, each movement is an export from the perspective of the country the goods are leaving, and an import from the perspective of the country of destination. Some 85% of trucks crossing the Dover strait are EU-registered, so there is a big piece of work to do in making sure the EU businesses are as ready as UK businesses. We have held, with the Border and Protocol Delivery Group, a stakeholder event for EU trade associations. They want more preparedness guidance. EU exit preparations are just not as visible in the EU media landscape as they are in the UK, so there is still quite a lot to do there.

Q25 Ms Eagle: Do you think there is a possibility of confusion on both sides of the border, with huge queues to get into Britain, for EU goods coming in, but also huge queues to go the other way? It could be as bad over in France as it might be in Kent.

Elizabeth de Jong: We are going to be doing a phased approach to imports for traders who are importing things, so they have time to complete customs declarations, but that is more of a back-office system. Both sides need to be prepared. There are some contingencies, however, which we should talk about today. A system called Smart Freight is being prepared at the moment for Kent. That is a system by which you log to check that you have all the paperwork and all the electronic information that you need, to make sure that you are border-ready before you go into Kent.

Q26 Ms Eagle: Who is going to be patrolling the Kent borders to make sure that no lorry goes into Kent if it has not got that passport?

Elizabeth de Jong: Yes, you will need an access permit for Kent.

Q27 Ms Eagle: Where are the border posts for going into Kent going to be? It is all very well saying you need it, but are we going to have police patrols or Kent border guards?

Elizabeth de Jong: We are hoping to have some more information on that. We have had some Q&As already about how that will work, which we are very happy to share with you. The advice, though, is that you should be filling this in before you leave your depot, to check that you have got that access permit as you go in. Then, you are right, it will need to be patrolled as well. There is a new version of the border operating model coming out next week. We are hoping to have more information about how it will work in that, too.

Q28 Ms Eagle: You have been told that there is a kind of Kent passport for HGVs, but not how it is going to be enforced at the Kent border.



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Elizabeth de Jong: We have got some Q&As at the moment with some information, but we will need some more information. For example, there has been talk about fining drivers if they do not have the right information or if they are going into Kent without a permit.

Q29 **Ms Eagle:** These may be foreign drivers who do not speak English.

Elizabeth de Jong: They could be. It could be them going back with a return load, dependent on what the arrangements are for that type of traffic.

Q30 **Ms Eagle:** Also, at the beginning, because we are phasing our approach, the rules will be different on the French side of the border than they will be on the UK side. Will that not cause massive confusion for people who are travelling across them?

Elizabeth de Jong: There is certainly an awful lot to know about. Particularly for roll-on/roll-off traffic, we need to know about everything in the country of origin and in the country that we will be travelling to and what they require, too. The knowledge about systems, data and getting the right data in the right place and at the right time, often to the driver of a truck or lorry, is very important and will require orchestration. That is why we want as much information on these systems as soon as possible and why it is not just about the system being ready but about businesses having all the data and all their process, too. It is a tall order.

Q31 **Ms Eagle:** Allie, what would be the effect of having logjams on both sides? A lot of the stuff coming through is perishable or time-sensitive. How much leeway do we have before the whole thing gets to be a bit dangerous?

Allie Renison: It depends on where any hold up would be in the supply chain. It is really important to stress that, at the end of the day, our members are traders, whereas Elizabeth's members tend to be more involved in the logistics side of it, so they understand what those trade management systems are. The biggest concern I have is, as Anna mentioned before, the liability question. The potential for this to go haywire really stems from traders not understanding what their new responsibilities are.

Q32 **Ms Eagle:** Quite high percentages of people in large and small businesses are not ready for this at the moment, if you look at surveys. If you do not think about something until you have to do it, the potential for chaos is very high, is it not?

Allie Renison: If people do not understand what their responsibilities are, the potential for chaos is significantly higher than it would be currently. You mentioned surveys, and the survey that we did over the summer showed that about one in 10 of our members think Brexit will not apply to them, and a further quarter say that they are fully prepared. That leaves a gap of about two thirds. That is across goods and services,



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having said that, and not everyone imports or exports, although the vast majority of our members do.

The concern that you have is that the need for action and impetus has not been communicated strongly enough to traders. At the end of the day, while we try to send businesses as much information as possible, as it comes out, they are struggling to deal with Covid at the moment. In terms of future horizons and timescale planning, we have a solid chunk of about 30% to 40% who say that they just cannot prepare without a full picture of detail; they will only react after the fact. If you are only reacting at the last minute, that increases the potential for confusion and chaos.

One of the things that the border operating model does is that it removes some of the financial liability that intermediaries such as freight forwarders, for example, can carry at the moment. I am sure that Elizabeth and Anna can get into that in a bit more detail. That is being removed, so a lot of the financial liability for making sure that you understand and are giving correct, new information to the people who are completing these simplifications on your behalf is now wholly and entirely with the trader, more so than it was before.

Q33 Ms Eagle: Tim, there is co-operation now on both sides of the border to do checks beforehand, with Eurotunnel as well as Dover. Is that continuing, and might that suffer if there is a huge, acrimonious breakdown of talks? Does it matter, in other words, what happens and how it happens to the readiness of people to co-operate across the border and do the checks in France for people coming in and vice versa?

Tim Reardon: The juxtaposed controls that we have in Dover and the partner controls in Calais and Dunkirk relate only to immigration processes. That is the place where drivers' and tourist passengers' passports are checked. For a driver coming into the UK, their passport will be checked by UK Border Force in Calais or Dunkirk before they get on a ferry, so that, on arrival in Dover, they can drive straight off and proceed inland to their delivery destination without needing to have their passport checked again, because it has already been checked in France. Similarly, on the way out of the country, the French police operate in Dover and they check lorry drivers' passports for people going to France.

The agreement that gives rise to that—the Treaty of Le Touquet—is a straightforward Anglo-French treaty. It is unconnected in any way whatsoever with the UK's membership or ex-membership of the European Union, so there is no reason, constitutionally, why that should be impacted.

Customs controls are another matter again. They will be performed in both directions on disembarkation. The border control process will be in two parts on either side of the Channel, and it is customs processes that we are focused on at the moment. We do not expect any change to the juxtaposed control arrangement for immigration processes—there is no



reason why there should be any—but customs processes and animal and plant health import processes are where the current focus is. Clearly, however, the spirit with which individual officers approach their duties may be coloured by the overall relationship between the UK and the French Government.

Q34 Ms Eagle: That is very delicately put, Tim. If lorries do not have the correct paperwork for entering the EU, you would regard it as absolutely essential that that lorry was stopped on the UK side from embarking to the EU, and you would expect the same vice versa. Is that correct?

Tim Reardon: The ferry operators are the entity that spans the Channel and are dealing with authorities both in the UK and in France.

Q35 Ms Eagle: Would we need to get the ferry authorities in to answer that question? Is that what you are saying?

Tim Reardon: I know what the answer is. In both directions, they will be required by the authorities at destination not to bring lorries in unless those lorries have been declared prior to the journey. In order for the passage of lorries through the gateway to function, they need to get that paperwork done before they present at check-in in either direction.

Q36 Ms Eagle: Your answer to that is that, in an ideal world, they would be stopped at the Kent border by some border guard, because they do not have the correct paperwork or the green light, if we are going to talk about the electronic system that does not quite exist yet.

Tim Reardon: In our ideal world, nobody is stopped anywhere and everybody has what they need before they set out on their journey, so that their journey is a smooth one. In relation to Smart Freight and the Kent access permit, while we would like everybody to have everything they need by the time they get to us, there is a fair question as to whether introducing another element of process to an over-complex process that people are already struggling with is the right way to go.

Q37 Ms Eagle: Elizabeth, there was coverage recently that the Smart Freight system would not be ready and that it is only in beta mode. I have not asked Anna—I am going to ask her in a minute—but as the logistics person in this conversation, what sort of problems does that cause your members?

Elizabeth de Jong: It is about having time to use the systems and to make sure that, in the complex supply chains that we run, we get the right data to the right person, on the right system and at the right time, so that we can go to Kent or any other port or airport that we use, with everything in place.

The Smart Freight system was one of the nine systems that I talked about, and it is one that is going to be available to us very late, in mid-December, for a public-use version. However, we have had discussions with the team developing it and they are now talking about having it at



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the end of November, as well as enhancing the testing for that, and that it will be a fully functioning model towards the end of November. Every week counts. We need to test and to make sure that our data processes get to the right person at the right time.

Q38 Ms Eagle: Anna, you have already said that you are worried that people are not ready and that time is getting on. What is your biggest worry about this as we approach 1 January?

Dr Jerzewska: It is all one big concern. On the IT systems that the Government need to prepare, I do not share this optimism. We will see whether it is ready by November or December.

Q39 Ms Eagle: If it is not, what is likely to happen?

Dr Jerzewska: The whole point of the Smart Freight system and the GVMS system, which the freight system is the backup to—because that one will definitely not be ready on time—is to manage traffic on our side, on the journey from the UK to the EU.

Q40 Ms Eagle: Are you worried that Kent might just become a great big lorry park?

Dr Jerzewska: There will need to be a different process put in place, and that process will probably not be another system—a third or fourth system. It will be a paper-based system or some sort of other backup process. From what I hear, there are some plans for a backup process but it is definitely not going to be smooth.

If I can just make one more point on IT systems, it is not just external IT systems. As Elizabeth mentioned, there are a number of IT systems that need to be ready on the Government/port side. There are also internal systems. Businesses have their own internal IT systems.

Coming back to what Allie was saying about this deadline and when we need the information, just to give the Committee an example, if a company needs to update something like the UK's external tariffs, we know that the current version of the UK external tariff may or may not be the final version. We also do not know whether there will be tariffs between the UK and the EU. If a company needs to update something like that and it gets the information in November, it is not, unfortunately, as easy as clicking a button and uploading this information into the internal IT systems such as SAP. It takes weeks, if not months, to update companies' internal systems. The bigger the company, the more of an issue that will be. For a number of companies—especially the big ones with a level of complexity that has to do with the number of items being traded—it might already be too late to update internal systems for 1 January or, if they have already updated the previous version of the UK tariff, it might be too late to change that. We are really running late.

Q41 Ms Eagle: Elizabeth, just finally, the border operating model seems to strongly suggest that people should get customs intermediaries. You have



said that a lot of the companies that you support from a policy point of view do not have enough staff to handle the sheer logistics of all of this. Would intermediaries help in solving the problem?

Elizabeth de Jong: Yes, I definitely think that agents have a big role to play in getting prepared for EU exit, particularly for those who had not considered themselves as importers or exporters before, because they had been trading with EU countries without having to do those formalities. Initially, many businesses will use a customs agent, because customs is a specialist area requiring specialist IT systems and specialist training. Larger traders may invest in-house but many others will be unable to do so or will choose to use a third party instead.

However, I do expect that, quite quickly, customs will become a usual, essential corporate service, perhaps along with finance, and have its own department or dedicated person running it in-house. There is funding from Government for the training and recruitment of agents. £84 million is available for that, as you will know. Yesterday, we were told in a public forum that £40 million of that has been applied for so far. With just a couple of months to go, we have a lot of money that has not yet been drawn down for that recruitment, employee training and IT.

Ms Eagle: Again, that is a worrisome lag. We have a situation here that is very front-loaded and costly, and it could cause chaos if it goes wrong.

Q42 **Chair:** I have one quick question to Elizabeth, following on from Angela. What is the capacity of the agents' market to provide the services that will be required here? Is there enough capacity?

Elizabeth de Jong: There is not yet enough capacity. The number that I have for that part of the economy is 15,000 agents, and that was around the time of the referendum. There have been some back-of-the-envelope calculations based on throughput, but we were speaking to HMRC yesterday and it thinks that is less than the number required. There has been an estimate of 50,000 being required, or sometimes 40,000 or 35,000. We think it is less than that, but there is consensus that at least double the existing number of customs agents will be required.

Q43 **Julie Marson:** I would like to follow up on a few bits already mentioned by Angela about the IT systems. Starting with Tim, how, in general, would you characterise the Government's preparedness, in terms of their IT systems, to facilitate movement at Dover and across the border?

Tim Reardon: The Government's IT systems are fairly ambitious. For us, as the port operator, the key issue is not the IT systems themselves. Once you have data in an IT system, it will move around as it is supposed to do. The key issue for us is to finalise the definition of the process that the IT system supports: who, in practice, is supposed to do what, to what vehicle and what package of goods, at what time and, as a follow-on from that, on whom does the liability lie to push information into an IT system in the first place, so that it can then go on its merry way and do what it is supposed to do?



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The discussion on IT systems, by and large, tends to get ahead of the definition of the practical process that the IT system is there to support. In the context of GVMS, for example, which has been mentioned and is the IT system to support road freight coming in on roll-on/roll-off ferries, the concept of the system looks absolutely fine and I am sure that, once built, it will function fine. However, we still need to have the clear definition from HMRC of who puts data into the system and who needs to do what with the outputs of that system at various points along the supply chain, so that the practical, physical flow of lorries continues smoothly.

Q44 **Julie Marson:** When it comes to GVMS, we have not built it but the French are up to speed and have their own system. You have commented in the past that it would be just as easy, and maybe preferable, just to license the French system. Is that still the case?

Tim Reardon: Time has moved on since I made that comment. It would have been the simple thing to do; however, HMRC has proceeded down the line of developing its own system. That is fine, but it just needs to be delivered and to function in the same way as the French one already does.

Q45 **Julie Marson:** Are you confident that it will be delivered?

Tim Reardon: At some point, for sure. It has already been suggested that it is not going to be in place for 1 January next year. It does not need to be. It needs to be in place for 1 July on the Government's current timescale. Quite when between 1 January and 1 July it is operational, we wait to see.

Q46 **Julie Marson:** How confident are you that the Smart Freight system will manage issues in relation to vehicles turning up at Dover with incorrect documents? How will that work in practice?

Tim Reardon: I am sure it will contribute to it. I am equally sure it is not going to be the be all and end all of the process. Ultimately, if you are not ready, Smart Freight does not help you to get ready; it simply denies you a permit that you will need to drive through Kent in order to get to any of the gateways in Kent. The big issue in the background is that everybody needs to be ready for the time they come, so everybody who wishes to continue going to France will need to have those declarations made and the paperwork ready, so that they can get across the Channel when they get there.

Q47 **Julie Marson:** Coming back to Anna's point that one of the main problems is the interface between Government systems and companies' own systems, would you agree that that is a great big unknown and a big issue that is not talked about a lot?

Tim Reardon: Of course. That is one facet of what I was saying a moment ago about the key definition that is missing at the moment being who precisely does what to interface with the IT systems that



Government are developing. It is very clear in France; it is less clear here.

Q48 **Julie Marson:** Elizabeth, from the industry point of view, do you find it frustrating, on behalf of the companies that you represent, that there is this degree of uncertainty? Does that concern you? Is it frustrating?

Elizabeth de Jong: In our latest Logistics Performance Tracker, 63% of respondents said that detailed advice from Government on what they need to do is the most pressing challenge for their company post EU exit. Anna talked at the beginning about it being either very detailed operating model specs that are coming out, with more detail being needed, or that Government advice is, "Get ready for EU exit." I am hoping that the next phase of comms—we are certainly pushing for this—becomes more about, "This is your call to action. This is what you need to do." Even if you are using a customs agent, for example, you need to supply lots of information to that agent, and it is about engaging and what you need to do in your organisation to be ready.

Q49 **Julie Marson:** Elizabeth, would you say that it would have been better if HMRC had just used the French system? Would that have just made life a lot easier?

Elizabeth de Jong: I do not know a lot about the French system. I can give you an update on GVMS. It is going to be used for GB-to-Northern Ireland flows first, and then all imports and exports from July next year. Our assurance is that it is progressing well. The technical specs for it have been published, followed by official user guidance shortly. As you say, for that system and Smart Freight, we still have to get all of our systems, as businesses, traders, hauliers and all parts of the logistics system, feeding in to that to make it work on the day.

Q50 **Julie Marson:** We often talk about 1 January, but 1 July sounds a lot more in advance. Is there still time? Are you optimistic and confident that it will be in place, as well as all of the other things that go with it?

Elizabeth de Jong: A number of the systems will not be needed in earnest until July 2021. I am more confident about those, as you can imagine. We have longer for those. It will be very hard. A lot of companies we know are keen and want to become compliant, and some of Allie's survey data showed this. They will be wanting to engage and there will still be a large proportion of industry that has not yet engaged. It is those people who we need to be focusing on in terms of messaging.

Q51 **Julie Marson:** Turning to Allie and focusing on IT in terms of the Northern Ireland/Ireland border, a lot is always said about technology providing the answer to some of the difficult questions when we talk about the island of Ireland and freight flows there. Have you seen progress in terms of the technology and whether that will answer some of the problems?



Allie Renison: A lot of the debate around the role for technology was probably a bigger issue in the context of whether it could solve or square the land border issue. When it comes to any new processes for movements being sent across the Irish Sea, simply because there are already processes there where vehicles have to stop, there is probably a greater degree to which technology can help facilitate or de-dramatise, to use Michel Barnier's language, what those internal controls within the UK look like. That is what is supposed to be going on right now

At the end of the day, the extent to which technology can do the heavy lifting always depends on knowing what the outcome is of formal arrangements between the UK and the EU. While, to a degree, for logistics, from a planning perspective, knowing that, whether there is a deal or no deal, a certain number of controls will apply regardless is important, it is different in the context of GB/Northern Ireland, in the sense that there is a much bigger share of companies that are potentially being caught up in this new system and that will have had no engagement at all in trading internationally, simply because this is now dealing with intra-UK movements.

For that, at the end of the day, there needs to be a substantive piece of work done first in the Joint Committee before we know how much the technological facilitations can help minimise those new controls. You need to know whether tariffs are going to be payable or rebatable on goods going from GB to Northern Ireland and potentially at risk of going into the single market. How many traders are going to get caught in that system of needing to use the rebate? Existentially, that depends on whether we have an agreement with the EU that has tariffs. There is a huge amount of chicken-and-egg in terms of traders understanding how they interact with these new controls and processes. The Joint Committee needs to do that work to identify which goods are subject to potentially paying that tariff rebate, and what the VAT arrangements are for goods movements within the UK.

At the end of the day, for goods crossing the Irish Sea, there is more legroom for technology to pick up facilitating the impact of those new controls, but to understand that in detail we first need to know what the agreement is between the UK and EU on those new controls.

Q52 **Julie Marson:** Anna, how do you think technology will play a part in resolving issues between GB and Ireland and on the island of Ireland?

Dr Jerzewska: I would completely agree with what Allie said about any new technology going forward. However, maybe one point worth mentioning is that, for these movements between GB and NI, there is already a relatively new system that is going to be used. Companies trading between these two locations will use a new system, CDS, which replaces CHIEF, the current customs system. This is an interesting point to make because the system was supposed to be in place for the entire UK several years back. There have been a number of delays in developing the system, which is a simple upgrade from the system that we have



been using for decades. That update has, so far, not been very successful.

One interesting point is that that system, even though it is an upgrade, includes certain new elements that traders will need to provide. Not only will traders between GB and NI need to provide this information on 1 January, but even if they already trade with the rest of the world, and submit and are familiar with customs declarations, there will be new data elements that they need to provide that they do not necessarily provide at the moment. Even with the system that we know is definitely going to be used on 1 January, there are some challenges. It is more about making sure that everyone knows what the requirements will be, and that they have and provide that data; otherwise, nothing can work or go smoothly.

Q53 Chair: On the numbers, I have it in the back of my mind that we have about a quarter of a million exporters, of which perhaps 100,000 or 150,000 are intra-EU only and therefore are not used to making these kinds of declarations, because they have not been trading with the rest of the world. Does any member of the panel have a sense of what those figures are? Is it possible to have accurate figures, given that we do not have a lot of data, particularly on some of the smaller exporters below the VAT threshold, which is one of the sources of establishing who these businesses are? Would anybody like to comment on that?

Allie Renison: Are you asking about the number of EU-only traders that HMRC has identified in writing to them over the last year or two?

Chair: Yes. Specifically on that point, I am asking how many we think there are and how many we think HMRC definitely has on its radar.

Allie Renison: The numbers that HMRC have that are in the public domain are about, I think, 140,000 EU-only traders, but that is only those that are VAT registered. The question is about how you reach the people who are not VAT registered and who HMRC cannot access. That is where they are relying on trade associations across the piece to take that message forward. Without knowing who is not VAT registered and who will be caught by any of the changes relating to the borders, you are trying to extrapolate how many smaller businesses have any interface with EU trade, which is a much harder thing to quantify.

Elizabeth de Jong: We have heard about 150,000 or more as well. Around 85,000 are VAT registered. We were speaking to HMRC yesterday, and it has full figures on who is trading what and where, and it is also targeting the large operators with detailed advice, support and bespoke one-to-one support.

Q54 Anthony Browne: I want to pick up on some of the questions about Northern Ireland—the only land border that the UK has with the EU—and try to reconcile having, under the Good Friday agreement, no barriers between the Republic of Ireland and Northern Ireland while retaining the



integrity of the UK internal market. Coming to Elizabeth first, what are your concerns around the Northern Ireland border, given that it is still subject to negotiation?

Elizabeth de Jong: I will explain my concerns by looking at a recap on the protocol. We know that GB and Northern Ireland are in a customs union, so there are no customs declarations either way, but Northern Ireland will need to remain aligned with specific EU rules, including customs, regulatory standards and VAT, so that there are no checks between Northern Ireland and the Republic of Ireland so there is not a hard border there. Those protocol principles then lead to a number of frictions for trade between Great Britain and Northern Ireland due to agrifood checks and safety and security checks, although there is less friction from Northern Ireland to Great Britain.

We are hoping for more clarification about the amount of checking from Great Britain to Northern Ireland and vice versa. In terms of some of the agrifood checks that have been proposed, it could be that there need to be documentary checks on 100% of these types of consignments for live animals and animal products, and physical checks on about 30%. We are hoping to hear that food products from Great Britain for which it can be proven that they are going to be sold in Northern Ireland shops, for example, will not need these checks. We want some simplified processes around those to help ease the burden.

Similarly, on the safety and security declarations, we are hoping for some simplification there. Currently, the carrier needs to do a safety and security declaration for every consignment. A lorry may have 1,000 different consignments on it, and each of these declarations has 36 data fields, so we are really hoping that the border operating model or the Joint Committee can give some easements on those. We do have concerns about the amount of checking.

Q55 **Anthony Browne:** Is that from GB to NI?

Elizabeth de Jong: That is right. The other way, there are fewer checks being proposed at the moment. The withdrawal agreement expects some form of safety and security declarations because, technically, these goods are leaving the EU single market, but we are waiting again for some more clarity about those. As you will be well versed, the Internal Market Bill looks at those requirements, too.

Q56 **Anthony Browne:** You said earlier that whether there is a deal or no deal does not make a huge difference in the Port of Dover in terms of the preparations that companies need to make. Presumably in Northern Ireland it does make a difference, because the substance of the agreement still is not there. How difficult is going to be to prepare?

Elizabeth de Jong: At the moment, we need more clarity. It will be difficult to prepare for this with the clarity that we have. There are too many unknowns at the moment for effective preparation, but we are hopeful. These issues are known, so we are hoping that work is being



done on those as well. The Trader Support Service has been set up, and the contract was announced just a few days ago. It is a free-to-use service for processing customs declarations for people in Northern Ireland, as well as safety and security checks. It will give support and guidance to traders, so that is a big help for people in Northern Ireland. There is funding for that. The contract is £200 million and there is a further £155 million available for IT development to fully digitise customs formalities, so there is support there but there are unknowns that we are waiting and hoping to know more about as well.

Q57 **Anthony Browne:** Allie, can I come to you with the same question? Given that negotiations are still going on about the GB-NI border, what are your concerns about that and how would your members like to see it working?

Allie Renison: Awareness is probably one of the key challenges. We did a survey in January, which is in the public domain, in which we wanted to get a sense of how relevant this was for our members in GB. Awareness is extremely high in Northern Ireland, simply because it has been existential for the last four years in terms of what is being negotiated. In GB, the awareness is lower but the potential for impact on Northern Ireland and the internal market is potentially higher due to that lack of awareness, in the sense that, at the moment, those movements are not imports or exports.

We are finding that the concerns that our members in Northern Ireland have, which have underpinned it from the beginning, are, following on from the old adage of “path of least resistance”, about whether businesses in GB that are bringing in goods from Northern Ireland, understanding the extent of that detail, will just replace Northern Ireland with a GB-based supplier, consumer or customer.

What we found in that survey was that a much higher share of people are involved in that goods trade than people realised. We often hear references to “a couple of large companies” but 41% of our members, directly or indirectly, are involved in goods trade with Northern Ireland in GB alone. Half of those said that, when they were made aware of the potential changes and administrative costs that the Minister for the Cabinet Office has referred to as increasing, their concern is that, because of the path of least resistance, Northern Ireland is just cut out of the supply chain or it is made more expensive to do that kind of business.

The concerns that you have there, as Elizabeth mentioned, are just in terms of readiness and the awareness challenge. The hope is that the Northern Ireland Trader Support Service, which allows businesses not only in Northern Ireland but also in GB—anyone moving goods under the protocol arrangements, even though we do not have the full details of what will be—will undertake the customs entries for them. However, coming back to the point that Anna keeps making and underlining, the liability question is the unknown in all of this. At the end of the day, if you are not sure about who is going to be liable, there is a risk of



overselling some of the work that the intermediaries can do because it can give companies a false sense of security that they do not need to understand what those processes are that are changing, and that they can just give it to the intermediary or to the Trader Support Service to deal with.

We need to have information back from the Joint Committee about what is at risk, what the arrangements are going to be and what unfettered access looks like. We know what the Government's interpretation is but it is not clear to what extent that needs to be agreed with the EU. We need to make sure that, whatever happens with controls from GB to NI, Northern Ireland businesses have that offset by having unfettered access to GB. That is where we see the EU doing a little bit of feet dragging to a certain extent. Without that detail, it makes it more likely that people are going to cut Northern Ireland out of the supply chains, because it is just less hassle. That is what the Government and many businesses across the piece are trying to ensure against.

Q58 Anthony Browne: It sounds like you are not very confident that there will be unfettered access.

Allie Renison: It depends on the direction of travel. In the protocol, it says, depending on whether you see this as a guarantee, that nothing in this protocol shall prevent the unfettered access of goods from NI to GB. The ability to guarantee that depends on the extent to which you think it is in the Government's gift to guarantee that versus needing to agree with the EU.

Dr Jerzewska: I just wanted to make one more point about the Trader Support Service. This is a good development, and it is good news that traders will get that support, but it is also, in a way, a challenge. One problem is that it is the end of September and the contract has just been awarded, so time is crucial here.

In addition, because the system will be available to traders for GB-NI and NI-GB movements, as well as the rest of the world, we are removing the incentive for the local customs brokerage service to develop or to exist in general. We are removing the need for the market to do its share, which means that, if anything goes wrong—if there is not enough capacity or if the system is delayed for any reason—these businesses that could have been hiring people and using Government grants to develop their capacity in Northern Ireland have no incentive to do it right now. They actually have the opposite incentive.

Q59 Anthony Browne: It could be counterproductive, effectively, and make things worse. One of the aspects of the agreement is that the Government want unfettered access but in a way that will take account of binding international obligations, and they have cited the movement of endangered species under CITES. Presumably, even if there is unfettered access, there will still have to be some sort of declaration process to make sure that things do not contravene international agreements.



Elizabeth, do you see how that might work?

Elizabeth de Jong: I do not know enough about how that would work, and I am not clear enough on exactly what the Internal Market Bill will be proposing. I know the principles behind it, but more detail will be needed.

Allie Renison: This goes to the heart of how both sides are reading the protocol. It has been fairly clear since the protocol was agreed that the UK and the EU have had differing interpretations about how much is ambiguous in the protocol, how much is left to be filled in and how much the FTA can wrap all that up, to a certain extent.

I will briefly give you an example of where, potentially, the outcome for declarations might have been negated or superseded by an FTA. At the moment, Norway is not in the customs union. After September 11, which is when the safety and security declarations were brought in by the EU, Norway has avoided that by incorporating part of the EU's Union Customs Code that negates their needing to supply safety and security declarations.

There was some speculation, after the protocol was agreed, around the extent to which the FTA, if the UK agreed to carry on aligning to that part of customs law, would negate the need for those exit declarations going from Northern Ireland to GB, where that unfettered access provision is particularly relevant. Because the Government have said that they do not want to align, we assume that those will inevitably be needed, because they are referenced in the protocol, but it is not clear. Particularly in some of the facilitation space, the outcome of the negotiations could impact how dramatic those controls are, if the UK takes a more whole-UK approach, even if that is not on the basis of alignment with the EU.

Dr Jerzewska: It is worth remembering that, if a customs and regulatory border is in place, there is no such thing as unfettered access. That just does not exist. You have two customs territories—or three if you count the unique status that Northern Ireland has—and you need to know what is moving between the EU and GB through Northern Ireland. If you do not have customs declarations, you need to have something else. That is just the reality. You do not have international customs borders with unfettered access. That just does not happen.

Elizabeth de Jong: I believe we are getting some more information on Northern Ireland and GB next week, when border operating model 2 is out. I believe it is going to cover Northern Ireland and GB arrangements, including the impact of the Internal Market Bill, Smart Freight, wider import and export and the staged approach to imports.

Allie Renison: At the end of the day, the Government have published their approach in the Command Paper to say what they think unfettered access should look like, but that is not something that business is going to look at and use to plan, because that is clearly an approach to the Government saying this is how they think unfettered access should work.



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If that is just more of a negotiating interpretation and we do not know if that is the settled outcome of the negotiations in terms of whether the Government's approach to the implementation of the protocol is going to be one that the EU accepts, and as long as we do not know that, it is very difficult to say that businesses can use the Government's approach to unfettered access to plan.

Q60 Alison Thewliss: I would like to ask some questions about the phased approach and your views on how that might work. Anna, do you think the phased approach to implementing customs and goods checks during 2021 is a sensible idea?

Dr Jerzewska: It is necessary. Given how late it is and how unprepared we are, it is mandatory at this point. We are slowly getting more and more information about how it is going to work in practice. There are significant challenges in terms of companies getting the right authorisation and the deferment account and all that comes with that. I have had a number of companies approach me and ask, "At this point, given that we do not know what the guidance is and what the requirements are for the simplified procedures, does it make sense for us to wait, or is it just safer to prepare for full customs declarations from 1 January and not use the simplified procedures?" It is very difficult to answer. I always have to say it is a business decision because the risk is on both sides. Even if you want to make full declarations from 1 January, we do not know whether the border will be ready or how it will work.

The phased approach is definitely helpful. Again, to stress the point I made earlier, just because we have a phased approach, it does not mean that companies do not need to do anything, that they are not liable or that they do not have any challenges between now and then. In a way, this phased approach can give a false sense of security to companies that all they need is a broker. There are a number of issues, but it is definitely helpful. I cannot imagine full checks coming into force on 1 January at this point.

Q61 Alison Thewliss: Do you know of examples of any other countries that have implemented new customs schedules and chosen to bring in implementation over this longer period of time? Are there any examples elsewhere of where this has been done?

Dr Jerzewska: You do not normally have a need to do this, so the short answer is no. This is a very unique situation. We have examples of countries implementing things over a period of time in a staged approach but the other way round, so getting more integration rather than less. Allie mentioned the Norway-Sweden border, which had a pilot for a new approach and then gradually introduced it. It always goes the other way round, because that is the normal direction of travel.

Allie Renison: It is worth briefly adding that it is not that the customs schedules or tariff lines are necessarily being phased in; it is that the controls and the duty payments are effectively being deferred. It is



important to mention that. In terms of the commercial decisions that companies will make, this is something that we have a survey out on at the moment, among other things, in order to try to understand the extent to which companies are going to avail of that and the reasons behind why they would or would not. This is quite important for Government at least to understand.

Elizabeth also made reference to having a simplified process. What are you putting in place to allow people to avail of that simplified process? There are plenty of businesses for which full customs controls will apply inbound, particularly in the excise space, so anything in controlled goods, such as tobacco or spirits. They have their own concerns at the moment around the UK's approach to changing the rules around distance-selling and representation, but that is a separate question that we could probably spend a full session on in terms of the Government's approach.

In terms of businesses looking at this, it is chicken-and-egg all over the place. If you are not sure whether you are going to have to change the trade management systems that you use with the EU to input into and to account for tariffs, you are not sure if you want to avail of these simplified declarations or not, because of the need to avoid duty. Otherwise, there are other businesses for which, because there are two sides to every import and export, particularly for a border purpose, it may be more of a hassle to avail, at least from a controls and planning perspective. The main reason that companies would probably avail of the staged approach is less to try to avoid full declarations and more around duty deferment, to a certain extent. We will probably get more of that in the guidance coming out with the revised border operating model.

Q62 Alison Thewliss: Does it make sense to postpone the imposition of tariffs and align them with the customs declarations? Would that make things simpler for people?

Allie Renison: It is funny you say that. We had an email from a member yesterday, a spirits and wine importer, who basically asked for that. A lot of this underlines that the less you do in step with the EU, the less benefit it is, to a certain extent, unless you are talking about purely postponing some duty payment. We have that but the questions remain around the fact that, for these new authorisations and facilitations that the Government are bringing in, the liability is changing to rest entirely with importers and no longer, I would argue, with intermediaries and freight forwarders.

More companies are going to have to think about setting up a DDA—a duty deferment account—which is something that they never had to think about before, because it was the customs broker or the freight forwarder who took care of all that for them. Now the liability is changing. That is a decision that the Government have made unilaterally—to shift financial liability away from intermediaries. I can certainly understand why they would benefit from that, because it is taking some of the risk away from them, but in terms of trying to manage business disruption arising from



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the end of transition, I worry that there is not enough awareness and understanding of the businesses that will now be much more liable for duty payment, et cetera. Again, it is about trying to get businesses that do not currently have to deal with these things to understand what they need to know. That is the biggest challenge in terms of readiness.

Tim Reardon: The key outcome of the decision to defer processes from 1 January next year to 1 July is in the context of the physical movement of things into the country. The practical outcome is that, for the first six months of next year, anything that reaches our port, and indeed any other port, will be able to continue on its way to delivery without anybody standing in the way. That means that critical supply chains can and will continue unobstructed, and everybody else can rely upon them.

We saw earlier this year, during national lockdown, how the country was reliant on the flow of between 6,000 and 7,000 lorries a day through our port. The key outcome of the deferral of UK processes from 1 January to 1 July next year is that that flow will continue. The focus for us now is on what happens in July, when new processes come into play.

The issue for us as a border operator is not so much tariffs; it is around what the administrative processes are, in terms of putting in declarations and presenting your load for examination somewhere, that obstruct, slow down and impede the flow of goods into the country.

The other point to note, of course, is that French controls apply in full from 1 January, so nobody has a get-out-of-jail card for a full six months.

Q63 **Alison Thewliss:** Was the Port of Dover consulted on the approach, and does this phased approach have your support?

Tim Reardon: As Anna said, it is a necessary way of dealing with the world as it is now. The key point, looking ahead at the phased approach, is that the UK needs to be ready, at the time when it has decided to impose new processes, to operate those processes, which needs administrative arrangements in place. Above all, it needs new examination infrastructure in existence before any examinations can take place at those sites.

Q64 **Alison Thewliss:** Just very shortly, were you consulted on that?

Tim Reardon: We were not consulted on what happens on 1 January or on 1 July, but we do think it is a sensible way to approach the world as it is.

Allie Renison: It is very clear that this was the Government trying to do what they could in the absence of extending transition to minimise the impact, from an inbound perspective, of 1 January. The deferment of those processes is inevitably good for trade, but in terms of understanding the degree to which business will avail of them, there are different motivations going on. If a business thinks there are too many extra new processes to avail of the simplified procedure, which is a trade-



off and a commercial decision that they have to make, they may not avail of it, but we can certainly understand why the deferment of those processes was put in place.

Q65 Alison Thewliss: Does this six-month grace period lead to the risk of an increase in smuggling? What can the UK Government do about that?

Elizabeth de Jong: I wanted to bring up your point on consultation about the implementation period. Although we were not consulted, we were one of the first trade associations to ask for an implementation period after the transition period, having realised there was so much to do. We asked again for it during the Covid crisis, as industry was so focused on that. Although Government work had continued, they had not engaged with industry on it in the same way. Some recent research from Descartes shows that two thirds of businesses have had their Brexit preparations disrupted by Covid. We absolutely welcome this approach and we recognise that it is as close to the implementation period that the UK Government could give us.

On smugglers, importers still have to account for everything that they bring into the UK, as Anna and Allie have mentioned, and then pay the correct duty. It is just a little later.

Q66 Alison Thewliss: If your vehicle is not checked and you did not have to show anything when you came in, how can you be sure that that is going to be correct?

Dr Jerzewska: That is one of the things we are still waiting for. If it is a simplified procedure and all you need to do is provide your EORI number at the border, what guarantee do we have that the traders account for everything they have brought in? I would generally say that the people who provide their EORI number and who are trying to comply are probably not the group of people we need to worry about. HMRC is also quite aware of this risk and there will be a process in place. At the moment, we are not clear what the process will be.

Tim Reardon: I just want to reassure the Committee that there is not a new smuggling risk created by this. The deferral of a declaration requirement is not going to make any difference because, by and large, smugglers do not declare their contraband in the first place. There is a significant Border Force operation that takes place in my port, as happens in all others too, to combat undeclared smuggled goods. That happens now and will continue. The debate around new processes is around compliant businesses and what new obligations regular, ordinary, law-abiding businesses will need to undertake. The smuggling issue is a different one. It is an old issue, and the answer to it is an old answer as well.

Q67 Chair: Tim, can I follow up on something that was raised there? We have this period of easements for the first six months and, for want of an expression, perhaps just waving people through even though they have



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not completed the appropriate paperwork. That is our end, and you have made the point that the French have said that they will implement their procedures in full on 1 January. To what degree, though, can people go through the French end without the appropriate paperwork for the EU, and then arrive at the UK and be waved through? Would they not, by and large, be stopped in France anyway, if the French are applying those procedures rigorously?

Tim Reardon: Yes is the short answer.

Q68 **Chair:** Irrespective of our easements, if the French decide they will play it straight down the line, the easements will not have any effect because those people will not arrive in the first place.

Tim Reardon: Anyone leaving France will need to make a French export declaration, and the departure from France will be conditional upon that export declaration being made. In order to get to the UK and through an eased UK process in the first six months, they will first have had to have gone through the French process. However, it is worth noting that that export process is, to a significant extent, self-enforcing because, in order for any export business to be able to zero rate its goods for VAT, it needs to be able to demonstrate that it has exported those goods properly, so there is a built-in incentive to make a proper export declaration. The same holds good for goods leaving the UK, too.

Q69 **Chair:** That is helpful. I have one other question, very quickly. In terms of those trucks or lorries that go to the French side—say Calais—and that have not done what they needed to do to be released through the French port, can you comment on how much of a problem the French would therefore have if they start having to pull these trucks over in the same way that we might otherwise have to if we had full procedures in place at our end? Are they also contemplating miles of queues up motorways, et cetera, or have they made other provisions that we have not currently?

Tim Reardon: They are, of course, working equally hard to avoid exactly that scenario. The French ports are in a luckier position than the Port of Dover in that they are physically and geographically bigger. They are not confined, in the way we are, by the white cliffs on one side and the English Channel on the other. They have more land and, therefore, more ability to deal with traffic when it arises. Ultimately, they are gateways in the same way as we are, and their functioning depends on all vehicles getting through smoothly, as they do now. The French are very alive to the undesirability of having lorries queued on the autoroutes in France outside the port gate, not least because those lorries then become vulnerable to attack by gangs of migrants who are waiting around for precisely that opportunity.

For lorries inbound to France, there is more space within the ports of Calais and Dunkirk. Both ports have invested heavily in new examination facilities and the facilities they will need in order to deliver the French border controls from 1 January next year. They have not designed those



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new controls to be inadequate, so there is no reason to suppose that they will not be well capable of dealing with the traffic that turns up on 1 January and subsequently.

Q70 Harriett Baldwin: My questions are for Allie, although, of course, if others want to add points, please feel free to do so. It is about the UK's new external tariff schedule lodged with the WTO. Do you think the balance has been struck correctly between the interests of UK consumers and the interests of UK producers?

Allie Renison: In a world where we did not have Brexit, it would have been pretty spot on. We have to remember that the changes that have been made potentially impact on the outcome of negotiations with the EU. Ultimately, the reaction that we are finding from a lot of our members is simply, "What does this mean for EU tariffs?" We asked for a lot of that feedback on a global tariff, and it is worth remembering that there has not been a huge amount of change, although there has been a change from the temporary no-deal tariff. They have gone up in certain areas. Some people would contend that that is because some third countries did not want to roll over the agreements that we had through the EU because, under the previous no-deal temporary tariff, it was more generous than it is currently.

If you look at the new tariff in some of those areas, if the aim is to try to get that replication of third-country agreements, that is a good thing, but you are still moving around with what they call nuisance tariffs. In terms of membership responses, there have been some from the sectors that are not hugely represented in our membership, in the agrifood space. There have been some concerns over some of the tariffs on beef, for example, changing, and asking if that would be subject to revision. By and large, the response has been, "If the global tariff does not tell me about what the tariff is going to be between the UK and the EU, I am less interested." That has been the reaction from most people.

Q71 Harriett Baldwin: In the event of no trade deal with the EU, which food producers in the UK would be most adversely affected by the new tariff schedule?

Allie Renison: Simply because of the scale of the changes, they are largely in the agrifood space, although not solely. In terms of the impact, it depends on the direction that you are looking at. A lot of businesses are also looking at the tariffs that they would face going outbound. Ultimately, if there was no trade deal with the EU, thinking of the dairy sector and the beef sector, you have to particularly keep in mind the intersection with the Northern Ireland protocol. The big question is that not only do you potentially face some of the agricultural tariffs in terms of trade with the EU, but particularly, depending on the outcome of these negotiations with the EU on the Joint Committee and on the protocol, we are finding that, in some meat sectors, there is this concern about being identified as those products going on to the Republic of Ireland and to the EU market.



The concern in terms of no trade deal and the impact from agricultural tariffs in particular is whether that is magnified even with this rebate mechanism for internal tariffs within the United Kingdom. I know that the Government are very committed to avoiding that situation, but that uncertainty is another big part of what the impact would be.

Q72 Harriett Baldwin: If we do get the tariff-free, quota-free deal that we are seeking, what impact will consumers in the UK feel with the changes to the external tariff with the rest of the world? Will we see cheaper food? Will our shopping seem cheaper to us?

Allie Renison: Because a lot of tariffs have been simplified rather than significantly cut wholesale, I do not think we will necessarily. It depends on the individual sectors. Tariffs on about 2,000 products were fully eliminated, which doubles the number of tariff-free products compared with the EU's existing most-favoured-nation schedule. A further 40% were simplified, meaning that they were tweaked or rounded down to the nearest standardised band or converted into simple percentages.

You are not going to get a significant impact, if there is a deal, in terms of consumers feeling the changes, because the Government have not really significantly altered it, to a certain extent. Again, a lot of that is for negotiating purposes with third countries with which we are doing either rollover agreements or new trade agreements.

Q73 Harriett Baldwin: With developing countries, where we want to try to increase trade, particularly perhaps in some of the food substances that we do not grow here in the UK—for example, bananas, coffee or chocolate—and where there is potential for there to be much more trade, does the new external tariff schedule set that at the right level?

Allie Renison: For the most part, the Government are importing the EU's approach to least-developed countries. At the moment, we do not have sight of huge amounts of change to that, and that is the continuity that most people wanted. In the future, once we understand what the implications of changing our external tariffs are for trade with the EU, there will be room, in particular, to look at some of the rules of origin in them. You can have a tariff and reduce it or change the quota to make it easier or more difficult to bring some of those products in, but if the products that are being exported from developing countries do not meet the criteria in terms of the amount coming from that area—i.e. if they cannot benefit from the tariff because of the rules of origin in some of those schedules—that is certainly an area that could be improved going forward. That has been something on the bucket list for the EU and the development community to move on for some time.

Q74 Harriett Baldwin: So you think there will be scope in the future for increasing trade with developing countries in a way that is a win-win for everyone?

Allie Renison: Absolutely, yes. The Government have gone for continuity in importing the EU's regime and approach to trade with



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lesser-developed countries—Everything but Arms—and developing preferences. They have really kept those at present, but there is scope to do more in the future. It is a good thing for the Government not to mess with that too much at the moment because every tweak to the MFN tariff could potentially impact on negotiations with the EU. Once the dust has settled and the lay of the land is clear on what our trade is with the EU, there is a lot of scope to go further in those areas.

Q75 Harriett Baldwin: You mentioned quotas. Which is more effective in terms of liberalisation, increasing quotas or lowering tariff rates?

Allie Renison: In a wholesale approach, it is probably going to be lowering the tariff. Very often, increasing the quota is the compromise option that we see in trade disputes or negotiations. For example, changing the quota around non-hormone-treated beef was how the EU got around its dispute with the US over hormone-treated beef. It changed the quota for a different type of category. Generally speaking, the tariff cut is the best way to do it in terms of the all-encompassing nature that is passed on through supply chains. Particularly for the agrifood space, where you have more sensitive negotiations, changing quota is very often the preferred view from those industries.

Q76 Alison Thewliss: I would like to ask some further questions about any issues that companies will face, even if the UK does agree a zero-tariff, zero-quota trade agreement with the EU. Elizabeth, what issues do you see for importers and exporters, even if a deal is struck?

Elizabeth de Jong: We talked a little about the checks. The checks will still be there. The customs checks and formalities and the safety and security checks and formalities will all still be there.

However, turning your question slightly the other way round, we are absolutely supportive of a deal. It is still possible. It will help in other ways. It will help ensure that trucks and planes can move more efficiently across borders and also remove those tariffs. The EU is our biggest trading partner and it is important that we have a deal.

Truck access without a deal could be problematic, if we are back to an old-fashioned permit scheme. We calculate that only one in four hauliers currently moving goods across the Channel will be able to continue their business in the way they do now. There is a risk of reduced air-cargo flows; you would need a separate air services agreement.

There is probably more pressure to put further checks between Northern Ireland and Great Britain, if we drift away from regulatory standards. It means there is less chance of simplifying certain regulatory requirements, reducing the number of agrifood checks, for example, that I was speaking about earlier. Without an FTA, it is also harder to deal with the unexpected. There is that goodwill feeling with an FTA where you can work through some of the unexpected details around EU exit, such as agreement on what pallets should be used and so on. There are many



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reasons why we would want a free trade agreement, outside just the ability and impact on checks and formalities.

Q77 Alison Thewliss: Would you say there is quite a difference in terms of the paperwork that companies would have to fill in between those two scenarios?

Elizabeth de Jong: That is hard to predict at the moment because we are not clear what facilitations would be involved in a deal. Potentially, it could be less but I do not know that at the moment.

Allie Renison: It is important to amplify what Elizabeth was saying. There could be a raft of facilitations coming out that will not change the presence of paperwork and new administrative processes but the extent of them, how dramatic they are and the detail of them, and trying to manage this in lockstep with the EU as we exit transition is very important.

From the detail perspective, even if the nature of the existence of those controls is not going to change, the extent to which they impact on business is quite significant. That uncertainty point is important to draw out. We believe that the UK is, in some areas, asking for things that would not necessarily be in a standard trade agreement, and we support them doing that. If it is not a single market, you have to try to square the circle in other ways.

Dr Jerzewska: I completely agree. There is scope for removing some of the paperwork. The pre-notification entry and exit declarations would not necessarily be required under a deal. To be honest, I am not entirely sure what the difficulty is of removing them from UK-EU movement; I would imagine it is more political than technical. It is definitely possible to remove them. If there was a deal and substantive customs co-operation within that deal, there would be no need for these pre-notifications. There is definitely scope to remove them.

As an obvious point, if we have a deal, there is another short piece of paperwork—certificate of origin and complying with rules of origin—that is massive internally for companies. It is not just something that you prepare for import and export; it is something that you need to keep an eye on and track throughout the year. It is an ongoing compliance requirement.

Q78 Alison Thewliss: Is complying with the rules-of-origin forms going to be quite time consuming? Will it require extra expertise for those businesses? Will they need to hire extra people to do that?

Dr Jerzewska: It is incredibly time consuming. It also depends on what rule of origin it is. We see time and time again that, with some products and some rules of origin, it is enough to determine the origin of the product once, and it stays pretty much the same unless something massive changes in the supply chain. If they change from an EU supplier to a Chinese supplier, that might change the origin. In other cases,



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especially if it is borderline and it is about margin and calculations, it changes with something as small as the amount of discount the company gives that month to one of its long-term suppliers; it changes with currency; it changes with a number of factors.

With some products, again depending on the company, origin is something that companies need to calculate and keep track of every month, because origin is not a question only for the company itself; it is also a question for their suppliers. Origin is something that needs to be monitored throughout the entire supply chain. It is an incredibly complex area, as a number of customs areas are, and very often companies have an internal team dedicated to just that. In larger companies, there are entire teams that track origin, and that is their entire job.

Q79 Alison Thewliss: Presumably, that becomes more complicated for restricted goods. I understand that restricted goods such as rough diamonds, animal products, bottled water and medicines would need further on top of that.

Dr Jerzewska: Yes, that is another thing. There are a number of regulated industries and some are very heavily regulated, such as pharma, where you need an authorisation to do anything, whether it is marketing or placing goods on the market. You need an authorisation for everything. Different industries have different constraints. The one good thing about heavily regulated industries is that, because they are so heavily regulated and are used to having to provide all these documents, they were the ones that started preparing early on, because they knew what the risk was. That is a silver lining.

Allie Renison: Excise sometimes registers differently with controlled goods, so we need to make sure that people in those controlled goods spaces understand that they have to deal with full customs controls from 1 January, not 1 July. Apart from that, the more regulated industries tend to be more on top of what they need to do to prepare.

On your question in terms of origin, everyone has to deal with origin if they are bringing in goods. Even if there are no tariffs with the EU going forward, you still have to prove that you qualify. That is not the end of the world, but in terms of trying to understand that this is an area that you need to work through the detail of, you can take steps to understand where your supply chain is and you can look, to some extent, at what the EU has agreed in terms of rules of origin with other countries, but we are not sure if that is going to be the same approach, so the question that I have, which will be interesting to see, is about the extent to which companies are waiting for the detail. Most companies do not really deal with origin, simply because, if you are doing most of your trade with the EU, most people are willing to pay the tariff for trading with other countries. All other countries are not dealt with by trade agreements. If you do not have a trade agreement, you do not have to deal with preference or preferential rule of origin to prove that you qualify for the preference.



This is a new landscape for a lot of companies and it will be interesting to see where companies end up, because we do not have that detail until the last minute. That really requires some serious supply chain adjustment, just paying the tariff, at the end of the day, for time. Even though there is a zero-tariff, zero-quota trade deal with the EU, if we get that far, it will be interesting to see what companies do. They will have the detail of what they have to do to qualify for carrying on trading tariff-free with the EU, so they may end up just paying the tariff for time purposes, which would, of course, negate the impact of the trade agreement to some considerable extent.

Q80 Alison Thewliss: At which point does it become not worthwhile for traders to go through all this hassle and to do all these things?

Allie Renison: For origin specifically, it depends on the scale of the tariff. If it is a high tariff, you are going to make sure that you qualify for that tariff. You can have what they call nuisance tariffs, which are smaller. To some extent, this would be a reason for the Government to cut tariffs in some areas to zero, but that does not remove the issue with the rule of origin. For people who are manufacturing, in terms of the reverberation, as Anna mentioned, of origin down the supply chain, a lot of companies will be reacting and adjusting to that rather than preparing for how to deal with origin.

You may see a lot more companies dealing with tariffs in the first instance until they can get their head around origin and understand how to deal with it, even if there is a cumulative cost for every shipment that they have to deal with. Keep in mind that, for some arrangements that the EU has, you do not have origin in part.

Under the customs union between the EU and Turkey, if you are trading and selling goods that are covered under that customs union agreement, because it is only partial in scope, you may not be dealing with rules of origin at all; you will have what is called an ATR form that negates you from needing it. We do not think that is going to happen in terms of the negotiations with the EU, because the Government have said that they do not want to align with any EU approach to tariffs going forward, but there may be some facilitations that come out, particularly in terms of the details around accumulation. It is a lot more difficult to plan for. It is about trying to get through it. It is the kind of area where you just need the detail first to try to understand the impact.

Q81 Felicity Buchan: My questions are on freeports. Tim, you represent the Port of Dover. Are you in favour of freeports, and will you be applying for that status? I am not asking you to say anything that is commercially sensitive, clearly, so if you want to keep it generic, please do.

Tim Reardon: We are in favour of the concept of a freeport, for sure. We have responded to the consultation exercise that the Government ran during the summer, proposing that the designation and status of a freeport should be available more broadly than has historically been the



case and, essentially, should be available in a manner that is not specific to site and geography. We have in mind the concept of, effectively, a virtual freeport, so that the economic benefits of freeport status, and stimulus of traffic that comes from it, are not confined to any one site but could be available on a nationwide basis to all traffic that comes through any particular gateway to the UK. We wait to see whether Government are up for that. If they are, we certainly look forward to developing it with them, because we have some ideas about how it could work. If they are not, then they are not, and the discussion goes a different way.

The key point for us, however, is clearly to generate as much traffic across our quays as we can. We know that trade brings benefits. We know that, beyond the UK's critical supply chains, there are clear ambitions to develop UK trade as a wealth generator, and we, as the Port of Dover, are very keen to play our part in that.

Q82 Felicity Buchan: Where do you see the value coming from freeports, whether they are limited to 10 or whether they are more nationwide? Clearly, as we talked about during Harriett's interchange, we want tariffs to be as close to zero as possible, so do you see the value not in coming from the customs exemption but more in terms of special economic zones, with potentially other tax benefits and potentially lighter regulation and planning laws?

Tim Reardon: Most definitely the latter. If the scheme were to be confined purely to temporary relief from customs tariffs, the value is likely to be substantially less than if it were to take a more holistic approach to making life easier to generate new activity.

Q83 Felicity Buchan: Clearly, Government have talked about, pre the consultation, potentially 10 free zones. You are advocating for something more nationwide. What are your concerns about limiting this to 10?

Tim Reardon: The number 10 seems entirely arbitrary. It is difficult to understand any particular basis for why it is 10 rather than nine, 11 or, indeed, 25. The scheme, in our view, should be open to those who have a good idea, and we should not be looking to limit the number of good ideas.

Q84 Felicity Buchan: If we were to have a number, whether it be 10 or any other number, are you concerned that could simply divert economic activity to those particular areas as opposed to creating new economic activity?

Tim Reardon: Clearly, that is a risk. Overall, there is no benefit in robbing Peter to pay Paul. The name of the game has to be generating genuinely new and additional activity and employment. Our view would be that a scheme is much more soundly progressed on the basis of criteria and then being open to everyone who meets those criteria.

Q85 Felicity Buchan: Anna, you have talked in the past about freeports, and I know that you have been slightly sceptical. Can you give me your



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current thinking?

Dr Jerzewska: It is difficult to say no to that. In terms of the consultation and the document that we have seen, the way it is designed, it is not necessarily purely customs. It is a merger between a freeport and a special economic zone. We know that freeports have not been successful in the UK in the past. We know there are other customs procedures, such as inward processing, that do pretty much the same thing and are preferable because they are simpler to use and require less investment. There has been some debate around whether special economic zones have delivered the benefits that they were expected to deliver.

There is definitely something to be said for providing incentives. If the problems around trading or exporting are around the ease of doing business, that is definitely one of the areas where the new version of freeports in the UK could help in terms of innovation and supporting businesses with local one-stop shops. That could definitely be a good idea. Whether or not freeports are a good idea, if we can do something positive, why not do it in general? Why does it have to be limited to freeports?

In terms of tax incentives, customs is not the area where the benefits are. One of my colleagues at the UKTPO published a paper that pointed out there are one or two products, including dog food, where we see a potential for customs benefits from that arrangement.

I am not against them; the worry for me is overstating the benefits, as well as the financial investment, because they do come with financial investment. You need to introduce processes. Standard freeports have a physical barrier around them. They are separate customs areas. If you do not have that, if you have a more virtual freeport, you have to have processes in place to control everything. You have to have people who know these processes.

My main point would be: can we not wait a couple of months, until we are done with Brexit, to introduce them? Do we need to do everything at the same time? It seems like we already have quite a lot on our plate. Businesses—and ports, too—need to prepare for other things, so perhaps we could postpone for a couple of months and not necessarily do it at the same time.

Elizabeth de Jong: We are supportive of the freeport concept. I was going to offer to send our consultation response to the Committee, which builds on a number of the points made, particularly by Tim.

Allie Renison: It certainly would help to have some clarity about the lie of the land, in terms of the end of transition, before pushing ahead with this. We certainly called for it to be consulted on as part of our regional growth and infrastructure focus over the last year or two, but it is important to understand that there are different distinctions. If you



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recalibrated what most people understand a freeport or special economic zone to be, to be more virtually focused—and we do not know the extent to which Government are willing to consider that, which is why the ports are particularly interested—it would change the game a little.

If we have parts that are going between the UK and different European countries that are subject to duty for the first time, that may help offset some of the impact on competitiveness. Having said that, we would rather have a situation where, if there are no tariffs, we would not need a special economic zone to deal with offsetting the tariff in the first place. Understanding what it would be best used to address would be clearer, at least, once the transition period has ended.

Q86 Felicity Buchan: I am hearing from the panel that you are generally supportive, but more for the ease of doing business, with the special economic zone, rather than customs being the pure rationale. You would like to think about this more broadly than just 10 ports, but more virtually and nationwide. I also hear the question on timing and that it may be best to focus on practical issues in the short term before we move on to freeports.

Finally, does anyone have concerns that freeports may encourage tax evasion or smuggling?

Allie Renison: There have been instances in the past, and this has been a dimension to look at. It would be worth looking at some of the more advanced countries in this space—for example, Singapore and the further east—where they have tried to develop a twin-track approach to dealing with some of those considerations. It is certainly one of the reasons why we have not seen a huge expansion of them, because of state aid rules, over the last 40 years. They do exist but we have not had a huge amount added since countries went into the EU with some of those concerns. The EU tends to take a fairly heavy-handed approach in terms of looking at this as part of its tax evasion and tax avoidance agenda, so it remains to be seen what kind of approach the Government will take. However, the track record means those concerns are always omnipresent.

Q87 Chair: That brings us very close to the end. I am going to finish with one final question to each of our panellists. I would like a fairly short answer, please, if that is possible. We are likely to have Government, in one form or another, before the Committee in reasonably short order to follow up on the issues that have arisen today. What would be your primary realistic—I stress “realistic”—ask of Government at the moment in the context of the conversations we have had?

Tim Reardon: There are two things: first, a rapid, clear and practicable definition of who is liable for what under their new pre-lodgement plan; and secondly, rapid, generous disbursement of funds to enable necessary new infrastructure to be built and delivered.

Elizabeth de Jong: I would like that focus on those agreed metrics by the end of the year: what does success look like? What can we deliver for



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success, so that we have agreed deliverables in every area and can say, “This has been a success”?

Allie Renison: There are two things. First, more fiscal support to help industry access the advice that it needs. It cannot go through pages and pages of text and understand. Secondly, a little more urgency in the public communications. I am just not sure that the call to action is strong enough yet in some of the comms going out today.

Dr Jerzewska: I agree with Allie. Something I have been saying is that the call to action for businesses needs to be a very clear message that they are responsible for this. That is one point, and then clarity and a bit more speed and care—although I hesitate to use that word—when it comes to implementing the Northern Ireland protocol. That is not in July, it is in January, and it is the area where clarity for businesses, as well as in terms of the work that the Joint Committee is doing, would be very helpful.

Chair: Thank you very much. That is very helpful indeed. That brings us to the end of this session. Can I thank each of our panellists for their contribution today? You have certainly reinforced what we have known for some time, that this is a very high-risk situation that we face here. Equally, it is one that, while fairly narrowly focused in economic terms, is really quite intricate and complicated in some areas. What you have helped us with today is that you have taken those complications and all those different issues, very articulately examined them with us and given us some real insight into the kinds of challenges that we face here. Once again, thank you very much indeed. You have been a particularly strong panel and the Committee is very grateful for your help.