

Northern Ireland Affairs Committee

Oral evidence: [Implications of the EU Withdrawal Agreement and the backstop for Northern Ireland](#), HC 1850

Wednesday 26 June 2019

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Members present: Simon Hoare (Chair); Mr Gregory Campbell; Lady Hermon; Kate Hoey; Nigel Mills; Ian Paisley; Jim Shannon; Sir Desmond Swayne.

Questions 609 – 696

Witnesses

I: Frank Dunsmuir, Industry Lead for Customs and Borders, Fujitsu, and Member of the Alternative Arrangements Commission Technical Panel; Bertrand Rager, Managing Director, Custax & Legal, and Member of the Alternative Arrangements Commission Technical Panel; Shanker Singham, CEO, Competere, and Chair of the Alternative Arrangements Commission Technical Panel.

Examination of witnesses

Witnesses: Frank Dunsmuir, Bertrand Rager and Shanker Singham.

Q609 **Chair:** Good morning, gentlemen. Thank you for finding the time to come to present to our Select Committee today. For the benefit of the record, if you could introduce yourselves that would be incredibly helpful. Unless you have selected a lead spokesperson, just give a minute or two in turn as an overview of your current thinking and positions. I will then throw you open to the tender mercies of my colleagues on the Committee.

Shanker Singham: Good morning. I am Shanker Singham. I am the CEO of Competere, which is a trade consultancy, and I am chairman of the Alternative Arrangements Commission technical panel. Prosperity UK has set up two bodies—a parliamentary commission and a technical panel—and I chair the technical panel.

Bertrand Rager: Good morning. I am Bertrand Rager, a lawyer in Paris. I specialise in customs law and export control. I have the rare experience of having worked both in large firms but also having spent five years as the pan-European director for customs for a large automotive, an American company.

Frank Dunsmuir: Good morning. I am Frank Dunsmuir and I work for Fujitsu. I am a member of the technical panel for the report, and look after the technology input into the report. I look after the customs and international trade part of the Fujitsu business, in particular our relationship with HMRC, with a focus on future borders and how technology can be applied to them.

Chair: I should have said that the microphones are not brilliant for amplification and—it might just be me—an incredibly loud keyboard is tapping away. I just encourage you to speak audibly; that would be very helpful, certainly to me if to nobody else. Gregory, you are top of my list for questions.

Q610 **Mr Campbell:** Gentlemen, you are very welcome. You mention in your interim report this idea of special economic zones, one of which would be in my part of Northern Ireland, which is Londonderry and Strabane. How do you see that working in practice?

Shanker Singham: I wonder if it would be helpful to set that in context, because we have a number of recommendations in the report, of which that is only one. Would it be appropriate for me to set out the context of the report? I will then answer your question directly. We commend the report to you. It is an interim report, so we are still welcoming feedback and would welcome your feedback on it.

Kate Hoey: I am sorry, Chair; I am suffering as well this morning. Could you speak up?



Shanker Singham: I apologise. I can come a bit closer. The idea of the report is to look first at the constraints that apply to all the relevant parties in this. We are saying that there is a constraint on the parties in Northern Ireland and Ireland, which is the first and primordial thing: the protection of the Good Friday agreement and the peace process. We are primarily focused on that.

Derivative of that, we need no physical infrastructure on the border, and no checks and controls on the border. We read the December report as no checks and controls on the border. If the reading of that report is no checks and controls in Northern Ireland at all, it can only be accomplished with Northern Ireland remaining in the single market and the customs union. We do not think that is either a legally correct interpretation or an interpretation on which an agreement can be reached.

There is a constraint on the UK, which is the need to maintain independent trade and regulatory policy, and a constraint on the EU, which is the need to maintain the integrity of the EU single market and customs union. All our recommendations start from that point. On the principle of consent, we heard from a number of stakeholders in Northern Ireland. We talked to at least 50 groups on this, and consent, community and identity issues are critical for us to develop.

We have looked at lessons learned from lots of other borders. This is not to say that those borders should be replicated on the island of Ireland, but there are specific lessons. The US-Canada border gives us a lesson with respect to a trusted trader programme called Customs Self Assessment, which enables you not to interact with customs at all, except through forms that look like tax returns. The Sweden-Norway border has lots of lessons on designated roads for SPS goods, and then we look at special zones, arrangements and areas.

To ensure a seamless border, there is a general case, on which this Committee has had testimony from Hans Maessen and Lars Karlsson. Hans will have talked to you about transit, and we use transit to ensure no checks at the border. That is the general case. Beyond that, you want trusted trader programmes, of the sort that Lars Karlsson talked to you about, to ensure that the very big traders do not have to deal with customs at all.

The two core areas that are difficult to deal with in the island of Ireland are SPS and small traders. When we look at special areas, we need to think about how that works for SPS and small traders. The special economic zone that we suggested in Derry, Donegal and that broad economic unit came out of a discussion that we had with the Federation of Small Businesses Northern Ireland, whose idea was to have a special economic zone for the whole of Northern Ireland. We do not necessarily think that solves the problem, but we spent time in Londonderry and Donegal, and we recognise that there is a single economic unit there. There are people going back and forth to work, and it is presented and



marketed to the outside world as the north-western region. We think it makes sense to have a special economic zone in that region. We also think the Newry-Dundalk corridor operates in a similar way.

These special areas are overlaid on top of WTO exemptions that already exist. The frontier traffic exemption allows for borders that are like the land border on the island of Ireland, where the border goes through people's gardens. It is not easy to put a physical border there. The frontier traffic exemption is designed for that case; it allows you 20 miles or so on either side in which no customs procedures are necessary at all. We have overlaid the special zone on top of that frontier traffic exemption.

Q611 Mr Campbell: Could I tease that out a little? How would you prevent that special economic zone from becoming an enlarged economic buffer border zone, almost transgressing Northern Ireland and the Republic? It would become a special economic unit that in itself becomes a border, but with a larger connotation because it straddles the border.

Shanker Singham: That is a good question. One of the conversations we had in Dublin was about this point. It is important to understand that the WTO frontier traffic exemption does not change the border; it does not push the border out. The border remains where it is. All it does is to give you the ability not to have any checks or controls inside that frontier traffic area.

We are careful in the report about how we differentiate checks and what they mean, because there are customs procedures—electronic submissions and those sorts of things that people do—when agriculture or SPS goods are moved anywhere. They are subject to TRACES, which is an electronic procedure. Actual physical checks are very rare, and are data-led and intelligence-led. Our goal is for any of those necessary checks to occur far away from the border, so there is no need for customs officers or anyone to go into areas covered by the frontier traffic exemption or the special economic zone. You are right that some procedures will be necessary elsewhere in Northern Ireland.

Q612 Mr Campbell: There is very real concern in Northern Ireland about this idea of a hard border, which is sometimes misunderstood as being what there was previously, which was a security hard border there to prevent terror. Most people took a long time to accept that, with the nature of the border and almost 300 crossing points, it would be physically impossible to provide a hard border anyway. Even if it came about by default, it could simply be avoided, as there are so many alternative routes. Did you come across an acceptance that, whatever the politics of trying to resolve this issue, the reason a hard border—as it is constantly referred to—will not be in place is because it is physically impossible to have one?

Shanker Singham: The conversations we had with communities and stakeholders in Northern Ireland were focused on what was going to change for them, basically. Maybe Bertrand can come in here. We



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explained, even in the general case, the actual process of the customs procedures we are talking about with things such as transit. All of the small traders above the VAT threshold are filling in VAT forms and SPS traders are already electronically filling in TRACES, and this is not a significant imposition above that. Yes, they would be doing something different, which is why the interim report suggests a transitional adjustment fund for small traders. It recognises that they did not ask for this and that it is going to cause a change and a cost, which we think it appropriate for the Government to underwrite.

Once we explained how the process would work, there was a lot of demystification of what it would involve. Other communities were concerned about the perception of the border and what it would do to the peace process, particularly in places such as Derry and other border communities. Key there is to explain that that part is not going to change, which is why the WTO exemption and the exemptions under the Union Customs Code, which we also talked about in the report, are important.

Q613 Mr Campbell: I have a final question. I have read in the press various estimates of job losses that could occur in the Republic in the absence of a deal. Overnight there was an estimate of 50,000 jobs. At the weekend I saw 85,000 jobs. Do you have an estimate of what that would be in the absence of a deal, in a no-deal scenario?

Shanker Singham: We had done some work in that area previously, not just for Ireland but for all member states. Clearly no deal will have a huge impact on the Irish agricultural sector, particularly beef farmers who, under almost any circumstances, will be in direct competition with beef producers from other countries that are more competitive. That will have a significant impact on them. The order of magnitude of job losses sounds in line with what we have suggested in the past. It will be very bad for Irish beef farmers.

Q614 Chair: Before I call on Desmond, I will just add a tail-on question to Gregory's. You mentioned the creation of these special areas, where there are existing cross-border corridors of trade. If they were to be created, could there be a scenario whereby—because Northern Ireland is not huge geographically—people start having distribution hubs within the special areas, moving stuff from other parts of Northern Ireland to them, and therefore having a special relationship to get stuff into the Republic and a gateway to the whole of the European Union? In essence, my question is as follows: could it not have a destabilising, tilting effect to the economy of Northern Ireland, by magnetising those areas that have a "special relationship" because of existing cross-border trading links?

Shanker Singham: You are right to focus on one thing, which is that the idea of the special economic zones we have suggested—

Chair: I am sorry; you called them zones. I called them areas. Forgive me.



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Shanker Singham: That is a technical term. I think the FSB Northern Ireland calls it an “enhanced economic zone”. There are all kinds of ways you can describe it. The point about them is we are not doing this just to solve the border issue; it is also to generate economic activity in Northern Ireland and Ireland. The Derry/Donegal area is fairly deprived, and already markets itself as a north-western region. They are already trying to sell this. We think that this zone and the ability to have manufacturing that is able to service both markets is the benefit of a border community generally. In this case, it has been a problem but, if you can do that, you can stimulate a lot of economic activity.

It does not take away from other things that might be happening. In fact, what generally happens with special economic zones around the world is that they do not take away from trade that is happening or could happen in the rest of the country; they actually bring trade to the country. We think that area is a UK asset and an Irish asset and, working together, we could generate some jobs, economic growth and opportunity in a place that those of us who saw it think would benefit.

Q615 **Chair:** There would be nothing to stop, albeit theoretically, the relocation of existing businesses in Northern Ireland to these special economic areas, thereby addressing the deprivation issue within them, but potentially creating deprivation problems and lack of economic activity elsewhere in Northern Ireland, because the market would just decide what it did.

Shanker Singham: The market would decide what it did but if all you are doing is trading across the border, you are not going to go into a special economic zone. You will use the benefits of the special zone if you are manufacturing something. It is a non-zero-sum game. It would bring people to that area who would not otherwise think of it.

Q616 **Chair:** There is nothing to stop you bringing finished goods into a special economic area, putting them in a storage warehouse that you lease and then availing yourselves of the opportunity of the special economic area.

Shanker Singham: If you are trading into Ireland or the UK, in order to satisfy rules of origin and prove origin, you would have to do something more than just warehousing. You would need to do some significant manufacturing. In some sectors—maybe Bertrand can speak to this—you would have to put in quite a lot of local content. It would not be someone simply warehousing stuff and using that as a route in. You could do that, but there would not be any benefit from doing it.

Chair: You would have access to the wider single market.

Shanker Singham: If you were able to manufacture there and we had the kinds of agreements that we have talked about in the report, yes, it would be a great advantage to be able to service both markets.

Q617 **Chair:** Without straining too much the patience of my colleagues, you will be alert to the difference between manufacturing and finishing.



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Shanker Singham: Yes. In some cases, finishing will be enough to confer origin. In many cases, it will not be.

Q618 **Sir Desmond Swayne:** The commission invested some time and effort to analyse the proposals that were brought forward by Nicky Morgan and the European Research Group, which came to be dubbed the Malthouse compromise. Are you aware of what those proposals were? If you are, what are the significant differences to and similarities with what you are proposing?

Shanker Singham: There has been an evolution from a number of people who have been trying to find answers to this problem. I was involved in the Malthouse compromise meetings with the Cabinet Office, which were fairly productive. This commission has sought to build on those basic recommendations. The Malthouse compromise and Cabinet Office meetings focused on the general case of how you make transit work for the border and what the issues are with transit. SPS issues relate to having border inspection posts. Can you push them away from the border and use mobile veterinary things? What do you do about the barcode required by the office of transit? How do you avoid having an office of transit on the border? The Malthouse compromise discussions focused on those things.

If you look at the report, in our general case we have developed that quite a lot more and talked about the derogations that you would need, on day one, to make this work. We built a lot of other things on top of that. The point of our report is that there is no one thing that will solve this. There are about 20 things you would want to do. You heard evidence from Lars and Hans, who are also members of the technical panel, which might have suggested that transit and trusted trader were two separate things that never worked together. We do not think that is the case. Transit can work better with trusted trader programmes. It can lower the requirement for bonds and some of the things that make it more expensive. Similarly, better trusted trader schemes, which is what we are talking about here, such as self-assessment schemes, can also work very effectively for the large companies such as Diageo and Coca-Cola.

Q619 **Sir Desmond Swayne:** Your proposals are looking at a three-year lead-in, as I understand it.

Shanker Singham: This has not been well covered in the media. We have laid out a series of proposals. In addition to the report and everything else, we can make some of the presentations available to the Committee, for example the PowerPoint presentation that I gave on Monday. They show that there are things you can do in the short, medium and long term, and you can get a lot of quick wins.

For example, in the short term, which is six to nine months, you can get derogation on the barcode in the Common Transit Convention. You can get a derogation on designated roads, which you would need for SPS.



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These rely on good will and an agreement with the European Union. I cannot tell you how long that will take—it depends on the negotiation—but there is no technology delay there or anything. The same is true of trusted traders. You could have a full trusted trader programme of the kind that Lars Karlsson talked to you about, we estimate, within 12 to 15 months. There are a lot of things you can do within the three-year limit. We are just saying that, within two to three years, we think you can do pretty much all of this.

Q620 Sir Desmond Swayne: When in March, it looked as if there was a possibility that we might leave without a deal, Mr Barnier announced there was no need to panic, because there would not be a hard border and the Commission would rely on other procedures. I wonder what those other procedures might have been. You may recall that Owen Paterson certainly sold the Malthouse compromise on the basis of existing procedures and technologies. What could be done in the very short term?

Shanker Singham: Making transit work could be done in the very short term. There are lots of circumstances of leaving without a deal. You could leave without any deal at all—nothing. If that were to occur, and I do not think it likely, it would be up to the UK to decide what to do on our border, and up to Ireland and the European Union to decide what to do with its border. If the Irish decided that they did not want to mirror what we were doing effectively, which is not to put infrastructure on the border at all, it goes back to the constraint on the European Commission protecting its single market and customs union. I imagine it will want checks and controls between Ireland and the EU 26. There is no other way of doing it: you either have a border on the island of Ireland, or you have a border between the EU 26 and Ireland itself.

So much of the trade goes through the land bridge—it is Holyhead, Dover, Calais, and most of it goes down through the Dover-Calais channel—and there would be checks in Calais anyway on Irish land bridge trade. That is the only thing that would happen if there was no deal at all, but I expect these little agreements on derogations from the barcode, SPS, designated roads and so forth would be the kinds of things that we could negotiate fairly quickly.

Q621 Jim Shannon: Gentlemen, thank you so far for your balanced answers to the questions. We appreciate that. I want to focus specifically on businesses and communities. What discussions have you had with the civil service in Northern Ireland and with the UK Government in relation to leaving and it still being easy and transparent for businesses to cross the border? What discussions have there been with the civil service and UK Government?

Shanker Singham: We have had discussions with HMRC on a number of occasions. We have also had discussions with the Northern Ireland Executive. We have sought to have discussions with the Irish Government, but we have not been able to. They have not wanted to engage with us. Those discussions have been quite fruitful. Frank has had



some conversations on the technology side with the UK Government, which he can speak to. They genuinely want solutions and are looking for ideas. During the conversations that I have had, all levels of HMRC have been open and receptive to these ideas.

Frank Dunsmuir: We are all aware there has been a tremendous amount of work from the various Government border agencies in particular to prepare for the EU exit scenarios, and that work is ongoing. Prior to being on the technical panel, I was part of that process, particularly within HMRC. In addition, we have also proactively thought about how technology could benefit a seamless border scenario. In my introduction, I said we are also looking at the future border. We have focused on a number of areas, particularly Dover as a pinch point. The challenge for the port will be whether it can continue to flow. Can goods continue to flow through that port, at the pace and volumes they need, post EU exit when customs processes are required?

In Northern Ireland, people talk about an invisible, digital or smart border that enables goods to move across it and deal with customs processes. We have looked at those scenarios and proactively presented ideas and thoughts about how technology can help. Bear in mind that technology is part of the answer, but we are aware that the policies need to be set first, in terms of the policies and procedures we need to adhere to. On top of them, we can overlay the technology that will help the process.

My view is that it has been very well received. There has been lots of positive encouragement from the various Departments we have spoken to, which are asking for regular contact and information about what we are doing and the ideas we are developing. We have also reached out to industry, by which I mean logistics firms, manufacturers and traders in general, to understand their challenges and how they see technology being applied at the border. Again, they are overwhelmingly supportive of ideas and initiatives in this area, because they are looking for predictability at the border. Whatever the scenario is, how can I predict the flow of my goods, in my supply chain, across that border? That is probably the most important part of their business.

Q622 **Jim Shannon:** To follow on from that, I have mentioned Lakeland Dairies to the Committee on various occasions. It is an example of a business in Northern Ireland and the Republic of Ireland, trading in two places—two factories in Northern Ireland and two factories in southern Ireland. It moves milk in liquid form across the border, which comes back in powder form and moves across the border a third time, eventually to be packaged, processed and sent out. Michael Hanley, the CEO of Lakeland Dairies, has indicated that they will work with whatever happens. That is a good attitude to have whatever the scenario may be, whenever we come to leave.

I want to ask whether you have had any direct contact with Lakeland Dairies. It is a great example of a firm trading north and south, which wants to retain its positions, with massive investment in Northern Ireland



and in the Republic of Ireland as well. They have jobs in the factory in Newtownards in my constituency, but a number of farmers also feed into the process. That is critical. It wants a seamless way of crossing the border with its products. How do you see that happening?

Shanker Singham: We have met with Lakeland Dairies, Diageo and a number of companies. Page 203 of the report shows the list of companies and other organisations we have met. Those sorts of large companies have well-established supply chains that are understood well by them. They lend themselves to an advanced trusted trader programme, and the Canada self-assessment programme is a good example of the sort of thing you can do. There are 100 companies on the US-Canada border that are so trusted that they effectively do not deal with customs agents at all. They simply file what looks like a tax return every few months. Of course, if you lie on your return, you will be punished and you will lose your status. The compliance rates are quite high because people want to retain their status.

A firm such as Lakeland Dairies, Diageo or Coca-Cola, or any of those big companies that have trusted supply chains, can become that sort of trusted trader. There is no customs problem for them. The look and feel of what they are doing now versus what they will do in the future will not change at all, if they have that kind of programme in place. The only technology you would need there is technology that already exists, which is the track-and-trace technology that Frank might want to quickly describe.

Frank Dunsmuir: That is a great example, and we will go back to see them to see that operation in more detail, and develop the initiatives and concepts we are talking about. In the trusted trader regime, organisations like them that deal with food products have to be checked and certified, with health certificates, et cetera. Under a trusted trader regime that can be done at the site or location, where there is manufacturing or collection points, so we then know it has been approved according to the right health requirements, et cetera. It will then be transported to another location. The important thing is whether we can trust that the transport has not been interfered with, gone to a different location or collected other products along the way. Technology can have a role in maintaining the integrity of that supply chain and that level of traceability, if we need to go that deep.

Q623 **Jim Shannon:** This comes back to the point my colleague Gregory made earlier. If we do not have an agreement, the impact on the Republic of Ireland will be great, as you have referred to. When it comes to the new deadline of 31 October, what elements of the proposals and thoughts that you have put together could realistically be put in place by then?

Shanker Singham: When we produce the final report on 18 July, we will come up with an alternative arrangements protocol, which could be used within or outside the current agreement of the EU to get to a negotiated settlement. If we agree that, and if there is an agreement with the EU—



and we believe that there could be, with this sort of approach—it enables us to have the transition period. The transition period would be long enough for us to put a lot of these processes together. The key thing is to ensure that this is done in such a way that the backstop or anything that looks like it would not be formed.

Q624 **Jim Shannon:** That is where I was coming to. In your opinion, is it the removal of the backstop, or is it that it will never be triggered?

Shanker Singham: Our work is technical work. We want to find a solution that works for the border in the long term. What politicians do with that, in terms of how they play that into negotiations with the EU, is a matter for them. Our view is that, if you could agree a protocol like this, it should not be impossible for the European Union to agree an alternative arrangements protocol. There are alternative arrangements in the withdrawal agreement now. There is language in the various explanatory processes that occurred after the meaningful vote was lost. The Strasbourg instruments and these sorts of things all focus on alternative arrangements. If the European Union is serious about alternative arrangements, as they appear to be from the discussions we have had, this is what would work for those arrangements. If it is not serious about alternative arrangements and in fact it just wants the backstop, the UK Government would be ill advised to go into the backstop.

Q625 **Lady Hermon:** It is very good of you to come to give us evidence here this morning. I have a number of issues, some of which have been raised and others which have not. I will start at the very beginning. Who actually funds the Alternative Arrangements Commission, for which you chair the technical panel?

Shanker Singham: Prosperity UK does. Prosperity UK has been around since the referendum occurred. It was originally set up by Paul Marshall and Jonathan Hill. Paul Marshall was a prominent leaver and Jonathan Hill, who was our former financial services commissioner in Europe, was a prominent remainer. They came together in the hope that we could bring the country together and bring leavers and remainers together. There is a board for Prosperity UK, and who the board is and all of that stuff is available on their website.

Q626 **Lady Hermon:** For the benefit of the Committee members here this morning, who funds it, instead of directing people to go away and look at it?

Shanker Singham: I do not know. There is a range of people on the Prosperity board. We are simply commissioned by them to put together the technical recommendations.

Q627 **Lady Hermon:** All three of you are paid by them.

Shanker Singham: No, some of the panel are commissioned and some are not. It depends on the amount of work. There are 25 technical panel



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members; not all of them are commissioned and paid. It depends what they do. If they go to Northern Ireland, as many of us did, expenses will be paid by Prosperity UK.

Lady Hermon: We have to look and see where the money came from.

Shanker Singham: It is all entirely transparent, but I do not focus on that part of it.

Q628 **Lady Hermon:** That is a bit disappointing, but let us move on. In the appendix to your interim report, my colleague kindly showed me earlier that there is a list of the members of your panel. In the names listed I see the leader of the Democratic Unionist Party, Arlene Foster, and the deputy leader of the Democratic Unionist Party, Nigel Dodds. Could you confirm that they endorsed and agreed all the recommendations in your interim report?

Shanker Singham: To be clear, you are talking about the parliamentary commission. I chair the technical panel, which is a separate group. In the same appendix, there is a list of the technical panel members. Commission membership is open to everyone. In fact, we would welcome additions and more people to join the parliamentary commission. Different commissioners have different views on every aspect of the report. I cannot speak for them in terms of whether they have endorsed every line and word of it. It is still an interim report and it will not be final until 18 July. I invite all of you not only to submit evidence to us, but also to join the commission. We want to have as many people on the commission as we can. At that point, we will hear what they think of the recommendations.

Q629 **Lady Hermon:** As you sit here today, you are not able to confirm whether the leadership of the DUP endorses the recommendations in your interim report.

Shanker Singham: As I said, it is an interim report. Nobody endorses an interim report until it is a final report, and we are waiting for comments and feedback from them. I will say, however, that I believe, based on previous conversations, that pretty much everything in the report is a different element of solutions that we think the Democratic Unionist Party supports. For a number of things, particularly in the SPS area, all we are doing is saying, "These are the potential things one can do to solve the problem". It is up to politicians to decide what to do with that and where to take it.

Q630 **Lady Hermon:** You recognise that the Democratic Unionist Party does not speak for the majority of people in Northern Ireland.

Shanker Singham: Yes. We understand there are a lot of voices in Northern Ireland, which is one of the reasons that we have been to Belfast, Londonderry and Newry on a number of occasions. We will be back in Belfast on 3 July to take out the interim report, and we are meeting a lot of different groups.



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Q631 **Lady Hermon:** It is excellent that you are meeting a lot of different groups. Did the different groups you have met with include the Police Service of Northern Ireland and its Chief Constable?

Shanker Singham: On the last visit we did, we were not able to meet with them.

Q632 **Lady Hermon:** Why was that? Why were they not included as being important when you are dealing with the border?

Shanker Singham: Many of our panel had already heard from them. In the context of the discussions that some of us had with the Cabinet Office, we had a briefing from the PSNI and from numerous other representatives of the police service in Northern Ireland.

Q633 **Lady Hermon:** Of the three of you, who heard directly, not as a repetition of a briefing from the Cabinet Office? Who was actually engaged in that?

Shanker Singham: The PSNI spoke to us directly. Hans Maessen and I were present for that.

Q634 **Lady Hermon:** Right. Could I just suggest it would be sensible and advisable, perhaps when you are next back in Belfast, to have as a priority a meeting with the Chief Constable of the PSNI?

Shanker Singham: I would be happy to do that.

Q635 **Lady Hermon:** There is a new Chief Constable taking up post, so I think that would be very sensible. Since we are trying to avoid difficulties on the border, it seems it should be a priority to meet with the Chief Constable.

I am sorry but let me quote Boris Johnson from yesterday; it is not my habit and I certainly do not want to make it a habit, but it was just such a striking phrase. Boris Johnson, who may become the Prime Minister in a month's time, said that, "do or die", we leave on 31 October, with or without a deal. What happens on 31 October if there is no deal? What happens to your proposals, and the time, energy and effort that you have undoubtedly spent?

Shanker Singham: Our technical work is designed for a deal. It is designed so that we will have a deal with the European Union. What politicians say is beyond our ability.

Lady Hermon: I am asking what happens to your proposals.

Shanker Singham: We also cannot predict the future. The current problem we have is that, unless we come up with alternative arrangements that solve the issues presented by the Irish border, we will not be able to advance. It is critical for us to present those proposals. We think we can present them in such a way, with the alternative arrangements protocol that we will be publishing on 18 July, that people on the European side will see this as a way of solving the problem. The



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German Government said even yesterday that they will absolutely fight to make sure that there is an orderly UK exit, which means you have to tackle these alternative arrangements.

Q636 Lady Hermon: If you do not mind, let me ask you the question again. I am not asking you to account for either of the candidates, Jeremy Hunt or Boris Johnson. I am asking about your report and recommendations. What happens to them if we do not have a deal and leave on 31 October?

Shanker Singham: That is a fair question. First, I do not think that state will exist for very long. Supposing what you just said happens and the UK exits, I assume you mean the UK exits without any kind of agreement with the EU—a hostile situation. What will happen is both the EU and the UK will rapidly come to the negotiating table looking for three critical things. They will be looking for comfort on people, money and the Irish border. We will be back to the same discussion we have been having for the last two and a half years, which always comes back to the alternative arrangements for the Irish border. I do not think work will be wasted.

Lady Hermon: You do not.

Shanker Singham: No, not at all. There will obviously be a lot of disruption on other UK borders, but this work will be necessary, because people will have to engage on these issues almost immediately, even if we leave in that way.

Q637 Lady Hermon: Your evidence earlier talked about a transitional period, if there is no deal. You know that the EU has made it quite clear that there would only be an implementation period if there were a deal, and there would only be a possibility of a backstop by the end of December next year if the EU and United Kingdom had not negotiated a close trading arrangement. All this work to avoid a backstop becomes totally academic if we do not have a deal, because we do not have an implementation period. The EU has not indicated it will change that. Where do your proposals fit into that scenario? They do not.

Shanker Singham: They do, because we think there should be a deal and that this is the basis for a deal. There are a number of ways there could be a deal. One of the ways—and I am not saying it is the way we are suggesting, but it is a possible solution—is to have the alternative arrangements protocol in the current withdrawal agreement. If that is not the agreement we are talking about, this could be an alternative protocol that stands in whatever deal we are talking about. Even if we leave on 31 October, at some point there will have to be a deal between the UK and the EU. At that point, there will have to be an understanding of alternative arrangements on the Irish border. Everything in this document will have to somehow be made real if we are in fact going to be able to solve the issue of the border.

Q638 Lady Hermon: Let me repeat that sentence back to you. You have just said everything in your interim report will have to be implemented. Did



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you say that? I think you did.

Shanker Singham: Yes. This is an important point and I am glad you have raised it. Sometimes there is a view that you can take little bits of our solutions and say, "Well, we will do this but we will not do that". That does not work. This stands as an integrated whole and fits together.

Q639 **Lady Hermon:** Lovely. I am sorry; I am not saying "lovely" to be complimentary, but it makes it easier for me to ask the next question. What on earth is the cost of all of these customs declarations, checks, mobile units and everything? What is the cost? You have obviously calculated the cost.

Shanker Singham: There obviously is a cost to this. We do not think the estimates of £13 billion and so forth are very accurate. To understand and answer your question, it is important to understand—and this is not well understood—the difference between a customs procedure or an electronic submission and a physical check. These are very different things. I think Bertrand can talk to that question.

Q640 **Chair:** Before he does, to the question Lady Hermon had, you perfectly properly said £13 billion was an overestimate. What is your collective commission estimate as to the cost of the totality of delivery, if one accepts at face value, which I think we have to, that your proposals are not a pick and mix? You have to take the whole thing. What price tag have you attached to it? Maybe Mr Dunsmuir, as the technical man, has a price tag for it.

Shanker Singham: He might have a price tag for the technology.

Lady Hermon: You must have worked out a calculation. You have just told this Committee, and people in Northern Ireland and beyond will be very interested in your evidence today. You have presented your interim report. You are expecting to deliver your final report in less than a month's time, in July. You have given us the date in July. You must have made a calculation of all of these somewhere. We have a very clear proposal about a backstop. You are coming up with alternative arrangements and a whole package of different things, but you have just told us that they have to be taken together.

Q641 **Chair:** Sylvia, I think Mr Singham knows what the question is. What is the price at the bottom of the bill? Mr Singham, can we just have a figure?

Shanker Singham: We do not have a figure. Our job, in the last four weeks, in putting together this 200-page report, was to come up with the arrangements that we think would make sense. Many of these arrangements do not entail a cost at all. For example, simply making transit work, with the elimination of or derogation from the requirements for the barcode, does not require a cost at all. There are costs in terms of guarantees, bonds and so forth, but we have suggested there should be a transitional adjustment fund for small traders.



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To answer your question on the cost, it is important to understand this issue that Bertrand can talk to, which is that many of the things that we are suggesting do not impose a significant cost, because they are electronic procedures, many of which people are already doing. A trusted trader programme not only does not cost you; it saves you money. The Brazilian AEO programme, which they put together in two years, has saved them \$1.5 billion. It is not just a question of imposed costs; there are a lot of savings.

Q642 **Lady Hermon:** Perhaps you could send the figure before you publish your final report.

Shanker Singham: We certainly can.

Q643 **Lady Hermon:** May I come to Frank, please? When he spoke, he usefully indicated that he used to work for HMRC.

Frank Dunsmuir: In my role within Fujitsu, HMRC is my main customer, so I have worked alongside HMRC for the last few years.

Q644 **Lady Hermon:** Is it correct, as appears to have been reported, that the head of HMRC, Jon Thompson, has said in evidence that the cost of the customs declarations would be £16 billion per year, every year, for businesses in the UK?

Frank Dunsmuir: I believe he said something along those lines. I would not comment otherwise on that. In terms of where he got that figure from, typically most organisations will go to a customs agent for a customs declaration; they will charge in the region of £25 to £30 per declaration. I checked with Fujitsu's customs department and, if we import and export products and use customs agents, which we do, it would be about the charge we would pay as well. It is around that figure. I believe Sir Jon worked on the total number of declarations that he thought would apply post EU exit, and did the maths on that basis.

Q645 **Lady Hermon:** Since you are focused on Northern Ireland, what is the calculation for small businesses? The majority of businesses in Northern Ireland are small businesses. What exactly would be the cost just in customs declarations, working on the figure given in public by the head of HMRC? How much of a burden would that place on small businesses in Northern Ireland, just in terms of the customs declarations?

Frank Dunsmuir: I do not have the figure for Northern Ireland, because we would have to work out a predictable number of customs declarations required a year. The complication, as the report points out, is for particular businesses, small businesses or local frontier zones, where we may see a number of areas of trade exempt from customs declarations. If we then move towards trusted trader regimes, there may be simplified declarations. The report points towards reducing that cost and overhead.

Q646 **Ian Paisley:** It is the case that the vast majority of trade in Northern Ireland is between Northern Ireland and the rest of the United Kingdom,



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so we are talking about a small percentage of customs trade anyway; it is maybe 6%.

Frank Dunsmuir: Yes, it is £2 billion in goods.

Shanker Singham: It is around 5% or 6%.

Ian Paisley: It is important to have that perspective.

Q647 **Lady Hermon:** Could I just come to the mobile inspection units? Who would team up for the mobile inspection units? Who do you envisage being involved?

Shanker Singham: SPS is the area where this is a relevant question. Our first suggested solution to this area is the single epidemiological unit there already is on the island of Ireland, which is the livestock trade. All the livestock and animal trade currently is inspected in the Port of Larne, so there would be no change to that regime at all. We have suggested that you build on the single epidemiological unit to include animal feed and grain. We met with grain traders, who are very concerned about the trade in Ireland. We think that a single epidemiological unit with products that are intended for agricultural use should also be part of an all-Ireland regime, so you would not have any changes there, no procedures and no need for anything different. We have looked at the common SPS area, which would mean no need for any SPS checks at all. We understand that is difficult to achieve politically, and we have looked at a broader British and Irish isles for SPS, which again would require no checks at all.

What you are talking about assumes all that has failed or that we are not able to get any of it. We will certainly get a single epidemiological unit, because it exists now. You are talking about the general case for SPS trade that is not covered by the exemptions that apply, which is a very small amount of that trade.

Q648 **Lady Hermon:** Forgive me for interrupting. I am going back to your original evidence. At the very beginning of your evidence today, you said there will be mobile inspection units, either at the destination or at the source or origin of the goods. That implies you would require more personnel and presumably vets. I would love to know how many vets you anticipate recruiting in Northern Ireland.

Shanker Singham: It is difficult to answer that question, because we have a cascading set of solutions and you want to focus on the general case right now, where you do not have any of those solutions in application. If you do not have any of those solutions in application, you are left with the SPS checks that you need to do. You have to differentiate between veterinary checks and classical SPS checks, which are done inland, in facility. Veterinary checks have historically had to be done at border inspection posts at the border. The UCC and border inspection post regulation allows you, in certain cases, to move the infrastructure off the border. The first step is to move the infrastructure off the border.



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Lady Hermon: You are going to move the infrastructure from the border.

Shanker Singham: The BIP regulation allows you not to have a border inspection post at the border for SPS checks.

Q649 **Lady Hermon:** Which inspection posts are going to be moved?

Shanker Singham: The point is that ordinarily when a border emerges like this, there would be a requirement to have a border inspection post at the border. We cannot do that for the island of Ireland, so we need to use the current Union Customs Code derogations that allow you to have the check or inspection post away from the border. We have taken advantage of that and also of the direction of travel of European regulation. There are new European regulations coming out that say you can do more of these veterinary checks, even outside border inspection posts. You can do them with these sorts of mobile units and veterinary teams. If you were to do that—and we think that would be a good idea—yes, you would need more vets.

Q650 **Lady Hermon:** We are agreed we would need more vets. How many more vets would we need?

Shanker Singham: We have not come up with a number for that.

Frank Dunsmuir: It is worth pointing out that a lot of these checks happen today, such as health and safety checks and conformity checks on standards.

Q651 **Lady Hermon:** Yes, but I want to know how many extra vets. This Committee had taken evidence earlier that we would require a significant number of vets, and I wanted to know how they were going to be recruited in Northern Ireland. I thought that would be something a technical panel would have looked at.

Frank Dunsmuir: It is something that we can take away and look at in more detail. My expectation is that it would not be a significant increase, because the checks happen today. There are 27,000 farms that vets visit today to check the health and safety of livestock. It is highly unlikely that there will be a significant change to the volumes.

Q652 **Lady Hermon:** You do not think there will be a significant change in the number of vets required in Northern Ireland, when the UK leaves the EU.

Shanker Singham: You would need more vets if you were to do this. If you were to do the SPS suggestions that we have, you would not need more vets at all. You also have to remember that vets are involved in the livestock checks in the Port of Larne already, so it depends which of the cascaded solutions we are able to get. One of the reasons why we think it is worth investigating some of the common SPS areas is because it eliminates the need for that.

Q653 **Lady Hermon:** When you are compiling and working towards your final



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report, which is less than a month away, in July, perhaps you would let this Committee know how many extra vets would be needed and how they are going to be recruited in Northern Ireland.

Shanker Singham: We will, yes. Do you want to talk about the direction of travel of European regulation, because it is relevant to Lady Hermon's question on checks?

Bertrand Rager: We are following the trend of what is currently going on in the EU. Yesterday, the European Union published the standards that all member states will have to align with regarding IT tools. What we propose is absolutely on trend with what is happening outside. You cannot remain technically independent from what happens in the rest of the world. Whether we want it or not, we have to adapt. We cannot say there will be no cost. The decision that has been taken of Brexit will entail costs. It would be a lie to say there will be no costs. We have no option. The vote has happened, it is there and now we have to live in a new environment. Our commission is trying to propose the best synthesis of experience and available tools to avoid a blockage situation. As Shanker said, even if there were no deal, we cannot imagine the situation would last more than a couple of weeks.

Q654 **Lady Hermon:** Why is that?

Bertrand Rager: It is because business could not stand it. Business will put pressure on everybody, on both sides. Business is small farmers, small plumbers and multinationals. We drink milk in the morning, but we also use high technology. We need all this, and these people cannot have their supply chains suddenly blocked. We have habits. I do not know; maybe we are spoilt. If you need something, you click and it is in your letterbox the next day. We have a habit of living like this, but what is behind the scenes? There are supply chains, warehouses, a lot of technology and legal parameters. These legal parameters are unknown most of the time. Usually one person in the whole organisation knows about them and integrates them in the conception of the supply chain, and then everybody takes them for granted and they work.

People realise there is customs law only when we have the odd blockage, when the custom officer blocks and says, "Hey, wait a minute. You have a sanitary infringement here", "You have a veterinary infringement", or, "You have an export control infringement". People come to our law firm and say, "We have a customs problem", but when we look at it we say, "No, you have a problem with customs authorities, but your problem is originally a veterinary problem, compliance with electronic regulations or compliance with weapons trading". It is not a customs law problem, as such.

One of the major problems I have identified through all the discussions we have had at the meetings is a problem of education. The only country in Europe that is different, generally speaking, is Germany, where they are educated in customs law. They have masters degrees and PhDs. If



you go to a German library, you will find 70 books on customs law. In France, there are zero. They will have three books only about litigation. Litigation deals with 0.2% of the flows. Who advises on and handles 99% of the normal flows? Nobody does. Southern Ireland, the Republic of Ireland, has called on me. I have been teaching the Irish Exporters Association for the last months, because it realised, "Whether there is a deal or no deal, we are in a new world. We will have to understand, optimise and reduce the costs, and the best tool to reduce the costs to start with is to know what we are talking about". Without education, forget it.

Q655 **Lady Hermon:** Could you spell out the consequences for Northern Ireland if we left without a deal on 31 October? How serious would the consequences be?

Bertrand Rager: I am not a politician or an economist.

Q656 **Lady Hermon:** I am not asking you as a politician. I am asking you as an expert in the area. As a lawyer, what would be the serious consequences for Northern Ireland if the United Kingdom left the EU on 31 October without a deal?

Bertrand Rager: The major problem would be the border with the Republic of Ireland. That would be the number one problem. It is a mixture of economics, costs, humans and politics.

Q657 **Kate Hoey:** Can I first say for the record that I am one of the many commissioners on this report? I very much welcome the expertise on the technical panel, which has brought many of these suggestions. The Brady amendment to the withdrawal agreement passed Parliament, and was clear that, with the backstop still in the agreement, it will not go through Parliament. It looked at ways of trying to get changes. Presumably you feel that is almost your bottom line; you are intending to find solutions that will avoid a backstop.

Shanker Singham: The alternative arrangements protocol that we will come up with is intended to supersede the backstop and make it unnecessary. It would almost be like a frontstop. This is what we would be doing. Whether people take it and decide to insert it into an agreement, or create a new agreement with it, is up to them. We wanted to create something that could be used for this purpose.

Q658 **Kate Hoey:** Nicky Morgan and Greg Hands, who chair the commission, in the foreword of your report clearly say what a lot of us have been saying for some time: that "with goodwill and pragmatism shown by all parties", these acceptable alternative arrangements could work. I know you have been involved with the European Union a lot in Brussels, so what do you think will make the European Union accept that the backstop is not going to work and is not going to bring about a deal? What more could be done to influence the European Union Commission?



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Shanker Singham: There are a number of different elements to that and constituencies there. The member states themselves will have an increased voice. You heard yesterday that the Germans will do everything in their power and fight to their last breath to make sure of the orderly exit of the UK from the European Union. Merkel and others, including the new German leadership, have referred to the backstop as a conundrum and a puzzle to be solved. There is greater understanding in member states that the backstop presents real problems for the politics in the UK and for people in Northern Ireland. There needs to be some sort of solution found.

Q659 **Kate Hoey:** I am sorry to interrupt, but is it not true that, a few years ago, the European Union Commission itself produced a report that said there were technical solutions?

Shanker Singham: It is generally understood in the Commission that there are technical solutions and techniques. They have also looked at the same sorts of techniques as this with respect to the GB-NI border, with the sorts of things you would put in the ports and harbours of the Irish Sea. It recognises that these sorts of techniques can work somewhere, but also business communities in member states are beginning to react to the possibility of a breakdown here. The likelihood of an accidental no deal is something that the business community in Europe is very concerned about. If a solution is on the table, lots of people will come out to try to save the situation.

We are taking this not only to Belfast and Dublin, and talking to them again, but also going to Berlin, The Hague and Brussels. As long as the constraints that I talked about at the beginning are understood by all the respected parties—so everyone understands that the European Union needs to protect its single market and customs union; that Westminster understands the need to protect the Good Friday agreement and the peace process, with no infrastructure on the border; and that the communities in both Northern Ireland and Ireland understand the UK's constraints on independent trade and regulatory policy—then you have a basic table on which you can start an actual negotiation.

Bertrand Rager: In France, we have the Federation of Electrical, Electronic and Communication Industries with 100 professional unions. This federation has an international commission, of which I am the president. I can tell you that we have reported through Business Europe to the European Commission the very high concern of industry with the backstop solution, so the business side is pushing for alternative arrangements.

Q660 **Kate Hoey:** In other words, the solution to all of this probably comes from business itself and not necessarily politicians. The effort of pushing from them can change the EU.

Bertrand Rager: When business resents that politics are not fast enough to follow business, business reacts.



Q661 **Kate Hoey:** Can you understand why many politicians feel that taking no deal completely off the table would send the signal to the European Union that we are prepared to extend and extend and extend, until such time as people get absolutely tired and say, "Let's not bother", and that that is what the European Union really wants?

Shanker Singham: Our conversations about the border on the island of Ireland, particularly our conversations in Dublin, have suggested that one of the problems and reasons we are not able to make progress on this issue is because of the view in Ireland that it is alternative arrangements or the backstop. If that is the choice that you have, you would pick the backstop in all cases. If the choice is a no-deal situation, which means a border in Ireland or between Ireland and the EU 26—if the choice is no deal versus alternative arrangements—the Irish Government would be much more constructive in this process and try to come up with and agree alternative arrangements for the border. That is not an issue for our technical panel, but it is fairly obvious to anyone who has done any negotiations that, if you say that you will take whatever deal the other side is going to offer, you will not get a good deal. That is not a controversial or remotely unusual thing to say.

Q662 **Kate Hoey:** In all your discussions with all the people you have been meeting, has anyone said that they will take responsibility for putting up a hard border if there were no deal? Who is going to physically build it—the British Government, the Irish Government or the European Union?

Shanker Singham: In our conversations in Belfast and Dublin, there obviously has been no appetite for a border from anyone. I suspect what will happen in the situation you talked about is that there will be a discussion between the Irish Government and the European Commission about how the European Commission can protect its single market and customs union. That will require a border in Ireland, or a border between Ireland and the EU 26.

Q663 **Kate Hoey:** In other words, it is a big bluff by people who are using this whole thing about a hard border as a way to make it as difficult as possible to get a deal. I do not want to put words in your mouth.

Shanker Singham: I cannot speak to that, but we recognise that there are difficulties associated with the need for customs checks and so forth across the border. There are real problems that small and larger businesses will have. Because we think they are solvable we did this work, and we think we have put something on the table that solves them.

Kate Hoey: Thank you very much for all the work that you have done and some of the solutions that you have come up with.

Q664 **Ian Paisley:** Can I start by thanking you for what appears to be a good piece of impressive work? Thank you for the sincerity and the integrity that you bring to this debate, which is helpful in coming to a rational, sensible and logical conclusion to what has been a difficult problem. Bertrand, in your earlier comments to some of the questions, you put



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your finger right on the issue: the United Kingdom took a decision to leave the EU and to have a new economic relationship or a new economic standing, but unfortunately politics has got in the way. Those political problems cause issues for businesses, but businesses are agile and will adapt to the political and economic opportunities that may arise. It is important to keep that perspective, so thank you for your interventions. Mr Singham, you made a comment to one of my colleagues that the Irish Government have refused to meet you. Is that right, or have they not met you?

Shanker Singham: They have not met us. We asked to meet the Irish revenue commissioners, and they have said they are not able to discuss this. We are not a Government body, so can only meet the people who want to meet us. I understand from talking to people there—and this goes to one of the recommendations in the report—that there needs to be much more collaboration and co-ordination between the Irish, the UK and the French authorities, because we are talking about the Dover-Calais land bridge. We think that has broken down. Not only are the Irish Government not talking to us, but I do not think they are talking to the UK and the French about customs arrangements either. That conversation needs to start right now.

Q665 **Ian Paisley:** The Irish Government are not talking to you, as independent experts, and they are not talking to the French on this customs issue. That is alarming, because there is probably more riding on this for the Republic of Ireland's trading position than for Northern Ireland's trading position, given that most of our trade is internal with the UK. We have external trade as well, but this is very significant for the Republic of Ireland. I must say that this is the first time we have had on record this silence from the Irish Government not engaging. Especially given the comments that Kate Hoey has read out, there is a desire to have good will on our part and that appears to be a breakdown of good will. That is quite alarming.

Bertrand Rager: There has been an instruction from the European Commission to all EU customs authorities not to talk to the other side. I received the same reply you got in Ireland from the French customs two days ago. I said, "I am going to London. Do you have any ideas you would like to be exposed?" They said, "We are to remain silent".

Ian Paisley: This is remarkable. It is absolutely remarkable that, at a point when we should be talking the most, there is a guillotine for the Irish not to talk and they do not want the Europeans to talk about these customs issues.

Bertrand Rager: It is deemed an era of communication.

Q666 **Ian Paisley:** So much for calls not to have a hard border. They have hard headphones on and do not want to hear or talk. It is very disappointing, but thank you for bringing that out. It indicates to me that the Republic of Ireland could unintentionally end up being in a position



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where, if the UK leaves on 31 October without a deal, it is almost forced to take actions that would lead to the Irish and the Europeans putting up some sort of border infrastructure. Is that a possibility, because of their reluctance to talk about these things?

Shanker Singham: To take your earlier point, they are concerned about east-west trade, because there is a significant amount of Ireland trade with GB. That is a big part of their trade as well, so they have a real interest in making sure that trade continues to function. An important aspect of that is what happens at Dover-Calais, because that is not just about UK trade with Europe. A significant percentage of Irish trade into the EU 26 goes through the land bridge and the Dover-Calais channel. If these conversations that Bertrand talked about are not happening and there is, as you described, a sort of accidental no deal—where we just cannot agree and leave with the legal default position—there will be checks in Calais on Irish trade into the EU 26, regardless of what else is done. There may have to be additional checks on Irish trade into the EU 26 as well.

Q667 **Ian Paisley:** The impact on the costs to the Republic of Ireland's Exchequer would be multiple billions. Have you picked up any indication that Irish businesses are saying to their politicians, "Hurry up and negotiate something that addresses our business needs. Stop talking about the politics; talk about business and customs"? Are you picking up anything like that? Bertrand, you have mentioned that you now lecture in the Republic of Ireland. Are you picking up any resistance from the business community in the Republic that wants this conversation?

Bertrand Rager: There is the mere fact that the Irish Exporters Association has decided to have people like me coming over, and people from London who also come over, to teach their medium-sized companies. Multinationals, such as Google and Amazon, are all fully equipped. They are fully aware of this and are not waiting for politicians to bring a solution, because they see it is going very slow. They are adults, so they say, "We will learn and find solutions, whatever happens". To make solutions, you must have minimal knowledge, which they are hastily acquiring.

Shanker Singham: To your question, we found it difficult to engage even Irish businesses. We have had some conversations with small businesses in Ireland, and the commission's report launch on Monday had a representative from Irish small businesses speak. We have had some reasonable engagement there, but it has been quite hard to engage any sector in Ireland, largely because the view from the Government is that it is the backstop versus alternative arrangements: "Why would we discuss alternative arrangements? Merely discussing it makes it possible".

Q668 **Ian Paisley:** Politics has polluted this whole issue. Whenever this has been an economic question, they should have kept it on the business and economic opportunities afforded to us all as a result of Brexit, not the politics of the border. That is very unfortunate.



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About 2% of all traded goods coming into the EU from the Republic of Ireland and Northern Ireland, as it currently stands, are presently spot-checked, I understand. People are also spot-checked. For example, if you get a bus from Belfast over the border to the Republic of Ireland, an Irish Republic customs officials will get on to that bus and check people's identity. The notion that there is a seamless border is really a nonsense. Students have reported to me that they have been taken off the bus when they have not had the right identity with them. Those spot checks, in a situation where the whole of the UK, including Northern Ireland, leaves the EU, are sensible and would have to remain anyway. There would not be a noticeable difference to the daily lives of people, because they happen as we exist. Vets do spot checks of all processing plants, at abattoirs and sales markets, on behalf of the Governments and the EU. Those arrangements are sensible and would stay in place. Am I right?

Shanker Singham: You have raised a lot of different issues there. Tony Smith, who is one of our technical panel, is the former head of UK borders and of Canada borders. He led the work on the common travel area and what we need to do in order to preserve it, ensuring people can easily move back and forth. I think that is the least difficult thing to do. It is pretty much in place. The problem with the common travel area is that it is not built on a very strong legal footing, so we need to improve the legal footing, but that process is moving forward relatively well.

You are saying that there are existing checks done, and absolutely there are lots of checks done. If you are moving any SPS good, you have to register that movement on TRACES, which is the European food safety operating system. There are vets who check in farms now; there are lots of these checks that are done now, and some of them are done on people for security reasons, which is why you show your passport when you are flying into Dublin. It is not a limit on your movement, but a security check. That occurs fairly regularly.

Frank Dunsmuir: We need to consider the current and future role of the border, then how the future agreement with the EU will define the terms of that border. As you say, there are checks and a border exists today in a virtual context. As we move product across the border in particular, there are VAT and excise regimes, so there is certainly a fiscal process that needs to be taken into account.

Q669 **Ian Paisley:** They are paid at point of leave, not at point of entry. Is that right?

Frank Dunsmuir: They are not paid at the border. They are declared in the systems at the point of exit and then paid at the point of delivery. That is the process that exists today. There are differences in currency, but there is very much the concept of a border there. The important point we are making with the alternative arrangements is to maintain the virtual border that exists today, with minimal changes. There will be no infrastructure at the border.



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Q670 **Ian Paisley:** People have tried to characterise that we are going to some sort of situation with staff doing this all day. That is just a nonsense, is it not?

Frank Dunsmuir: Absolutely, and we do not need that.

Shanker Singham: This is the point that I want Bertrand to talk about, which is the difference between checks and customs processes. This is a great area of confusion. There is an assumption that any customs process is an invasive physical check, but that is not what happens now. People are registering for VAT so, if you are above the VAT threshold, you are already filing VAT registrations. If you are trading anywhere else, you are filling in customs forms. That is to be differentiated from actual checks.

Q671 **Ian Paisley:** If you are selling white goods from Northern Ireland over the border to the Republic of Ireland at a higher VAT rate, you are paying VAT in both the Republic of Ireland and Northern Ireland. This currently exists, so there should not be an idea that this causes a problem.

Shanker Singham: In the report, we have looked at potential VAT solutions to make that system work better. There are things you would want to do. For example, the UK and Ireland could both go to a system of postponed accounting for VAT. The Europeans have said that Northern Ireland could be in the VAT registration system. If you put all that together, you minimise the difficulties for traders. Most of what we are trying to do is to minimise the difficulties that traders might find.

Q672 **Ian Paisley:** When the Swiss gave us some evidence, they indicated that there is a spinoff opportunity from all of this. If there were a demand for more detailed checks—I do not want to use the word “intrusive”—there would be a huge opportunity for skilled employment in this area. People in Switzerland saw that as an advantage that Northern Ireland and the UK could benefit from, whether on the Dover-Calais or the Northern Ireland side. Have you looked at that as well?

Shanker Singham: In looking at how we minimise the consequences for small traders, we recognise that we are asking people to do something that is slightly different from what they have done before. Therefore, there is a case for a transitional adjustment fund. I think those sorts of funds are a good use of Government support. You want to get traders ready for international trade by getting them to understand customs procedures. One of the things that prevent traders from trading around the world is these procedures, forms and so forth, so they need to know more about them and be ready for trade. International trade supports better and higher-paying jobs, and is better for the companies. We think getting them ready is a good investment.

Q673 **Ian Paisley:** I will ask a final question about national security issues. We currently have free movement of people on the island of Ireland and, by and large, most can freely move into GB. In a situation where the whole of the UK, including Northern Ireland, leaves the EU, we still have freedom of movement on the island of Ireland. Are you convinced that



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the national security arrangements in place at the ports of entry in the Republic of Ireland—i.e. Shannon, Dublin and Cork airports—mean that, when international travellers come in, there are sufficient and robust checks against unwanted people coming in, who would then have free access over our border and potentially into the rest of the United Kingdom? That could pose a danger. Have you looked at that or has that issue been flagged?

Shanker Singham: We have looked at that a bit in the freedom of movement, CTA and operationalising chapter of the report. The critical things in the preservation of the common travel area and making sure it continues are that Ireland cannot join Schengen. If Ireland joins Schengen, there is a huge problem. The UK cannot also require tourist visas for EEA nationals. Those two have to be satisfied. You are right; there certainly has to be effective collaboration between the Irish and UK border forces, in terms of understanding who is in the common travel area. That already happens and will continue. You are not really worried about tourists who are coming across and using the common travel area. You are worried about somebody working or doing something they should not be. With respect to violating working rules you rely, as most countries do, on national insurance checks, employers' checks and those sorts of things. You will probably want to beef those up to make sure the system works. Again, the critical part of that is that the UK and Ireland are not Schengen members. As long as that is the case, you can control the overall CTA border.

Q674 **Chair:** I am going to turn to what I will call the slightly quick-fire round, which is as unusual for me as it might be for anybody else. Some of these are yes-or-no answers. Can you confirm that the purpose of the work you have been doing, contained in this interim report, is based on the aspiration to deliver an exit from the European Union, facilitated by a deal with alternative arrangements, rather than trying to put in place something else that manages or addresses a no-deal exit?

Shanker Singham: Yes, this is designed for a deal.

Q675 **Chair:** As I say, can we do a yes or no? Thank you. The second question is whether you have stress-tested these proposals against all aspects of the Good Friday agreement. If so, can you say, hand on heart, that they respect and protect both the spirit and the letter of the Good Friday agreement?

Shanker Singham: Yes.

Q676 **Chair:** The third one takes up Mr Paisley's point. While it might be disappointing that the Republic has not engaged with you and their customs officials have been given instructions not to, do you agree with me that we should not be surprised by that and that, in essence, the Republic's view is that the EU Commission is doing the negotiations? It has effectively subcontracted the negotiations to the EU. This is about the protection of the EU single market. Therefore, while it might be



disappointing, we should not be surprised by it or, indeed, read anything into it.

Shanker Singham: This is clearly an instruction given by the European Commission. At the same time, member states have their own interests that they need to take forward, and we do not think Irish interests are being taken forward by a refusal to talk to customs authorities in the UK and France.

Q677 **Chair:** In your judgment, do the proposals you have set out, albeit in an interim report—and I appreciate it comes with that health warning—viewed from both ends of a telescope, safeguard the integrity of the United Kingdom’s single market and the integrity of the European Union’s single market?

Shanker Singham: Yes.

Q678 **Chair:** Lady Hermon asked about the costs. While I appreciate some of this will be a guesstimate, can you confirm that your final report—with the caveat that not all of your proposals will have costs and, you have indicated, some might create savings for businesses—will have some sort of figure attached of what the cumulative costs will be and who you identify as responsible for meeting them?

Shanker Singham: Yes, but it is subject to the complexity of the issue in a report that has a lot of different options. As you say, some of the things are savings and not costs. Subject to the Committee’s understanding that this is not an easy exercise, we will try to address the question.

Chair: I appreciate that and would have more sympathy with that answer if you were saying that, in essence, the proposals contained in the interim report were pick and mix, and therefore the bill would depend on what you had chosen. Effectively, you have said that this is a table d’hôte rather than à la carte. It would not be a figure that we would nail to you and say, “Not a penny more; not a penny less”. I would urge you to take this away and think about it. I do not know what colleagues think, but I think it could potentially weaken the efficacy of what you are saying if there is no pounds, shillings and pence.

Ian Paisley: Around the report there are at least four scenarios going forward, and you could calibrate the costs for each of those.

Q679 **Chair:** All of us would find some comfort in knowing what that is. Right at the start, Frank, you—or, Shanker, it may have been you—were saying that, to deliver the solutions envisaged in the report, everything would be up and running in three years. Would the concomitant suggestion therefore be that one extends the implementation period to reflect the deliverability, rather than having an abstract implementation period? That could still contain the comfort blanket—and I do not use that in the pejorative sense—of a backstop, but with the clear idea that one would never fall into it, because there was a solution deliverable within a timeframe, using existing technologies, of the three years reflected in the



IP.

Shanker Singham: We think this is deliverable within two to three years. That is what we have said, and that significant things could be done more quickly than that. The goal for an alternative protocol that is used in any kind of agreement or deal—whatever it happens to be—is that the UK would leave with the European Union with a deal of some sort, which would include an implementation or transition period. That is certainly our preferred option.

Q680 **Lady Hermon:** Can I ask if you really believe that there is sufficient time between the publication of your final report in July, a new Prime Minister coming into Downing Street before the end of July and the exit date? I am repeating again that Boris Johnson said, “do or die”, we leave on 31 October. Is there any possibility of your recommendations being implemented in that timeframe and a new deal negotiated with the EU, given that the EU will be on its summer break? How is this feasible?

Shanker Singham: Our job is not to try to predict the future. Our job is to start from where we are now, which is that we have to start this. I wish we had started this two and a half years ago, but we did not. I mean the Government did not. We just have to start from where we are. If there is an alternative protocol, such as the one that we suggest, if you take that to the EU and it is willing to consider inserting it into the agreement, it is achievable in the time period.

You will recall that, before the 29 March deadline, the European Union was very open to the idea of increasing the number of paragraphs in the political declaration, for example, and doing it in a matter of days. I have been involved in lots of negotiations and they do run up to the wire. Often the clock is stopped and things happen. It is amazing how much can be accomplished in the last 48 hours of a negotiation.

Q681 **Chair:** Our expert advisers to the Committee drafted a whole series of prompt questions for us to consider. Colleagues have been able to cover some this morning, but not all. Would you be happy for us to send them to you for you to provide short written answers?

Shanker Singham: Yes, I would.

Q682 **Chair:** Bertrand, you talked about the special economic zones, which are an interesting concept. What would the jurisdiction of the ECJ be on the special economic zones that would include the Republic of Ireland and part or all of the UK? Would the jurisdiction of the ECJ be over them?

Bertrand Rager: I do not understand the question.

Shanker Singham: It is about the European Court of Justice.

Chair: We have these newly created special economic zones. I am not debating the merits or demerits of them, but what, if any, jurisdiction would you envisage the European Court of Justice having over them?



Bertrand Rager: It is purely an economic and customs definition. I would not search for a definition or implementation from the European Court of Justice, unless there is a case. My experience is that it is an economic tool that is put in place by Governments and managed by business in accordance to the definitions and rules defined by the customs code or specific agreements. Many countries use them: Morocco and Tunisia use them and they are all over the Middle East. In Europe, several member states use them. It is really an economic tool to bring business and create employment.

Chair: There would be no jurisdiction, in your judgment.

Bertrand Rager: It would be the national jurisdiction. It remains national, in any case. It is part of a territory.

Q683 **Chair:** Which one would that be, GB or the Republic?

Shanker Singham: It depends where the final product is going. There may be a manufacturing facility inside the special or free trade zone, with a product going to the EU 26.

Q684 **Chair:** Are you talking about an internal free port?

Shanker Singham: That is one type of free trade zone, yes. If it ends in Ireland, it is subject to Irish law, which is European law.

Chair: The ECJ would have jurisdiction.

Shanker Singham: It would if it goes to Ireland. If it goes to the UK, it would be subject to UK jurisdiction and so forth.

Q685 **Chair:** Do delays to the Customs Declaration Service prevent your proposals from being realised?

Shanker Singham: You mean the conversion. Frank should answer that on delays to the CHIEF/CDS conversion.

Frank Dunsmuir: What was the specific question?

Q686 **Chair:** What impact would delays to the rollout of the Customs Declaration Service have, if any, on the delivery of your proposals?

Frank Dunsmuir: The existing CHIEF system has been upgraded to handle the increased volumes that we would expect from this situation. If CDS is not delivered in time, CHIEF is expected to handle the volumes, so we do not perceive an impact from that.

Q687 **Chair:** My final question is probably to Bertrand. Do any of the proposals contained in here require new derogations from EU law?

Shanker Singham: There are a few.

Q688 **Chair:** Will you quantify "a few"?



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Shanker Singham: I can tell you exactly what they are. In the transit case, we need the following derogations. We need a derogation from the barcode requirement in the CTC. The CTC involves not just the European Union, but Turkey, Switzerland and a few other countries, but it is basically an EU decision. That is not, in our view, a difficult derogation to give. It is the direction of travel of most customs anyway and, in the context of French no-deal planning, the barcode is not going to be used, so that should not be a difficult derogation to get from the EU.

All the other derogations are in the SPS case. You cannot have designated roads on the Irish border crossing, because there are so many roads, so you need a derogation. That derogation already exists on the Sweden-Norway border, so there is a precedent for it. You need a derogation for the notification time period of products going to the SPS area. We have suggested an exemption for small businesses below the VAT threshold. The UK Government asked for a very big exemption of all businesses under about £1.4 million, but we do not think that was ever likely to fly. A derogation for small businesses under £85,000 would not be a threat to the single market or the customs union.

Q689 **Chair:** With the exception of the VAT one you talked about in your last point, there are no derogations that need to be sought that could be characterised as unique.

Shanker Singham: There are no derogations that are either without precedent or that would present significant challenges to the Commission.

Q690 **Chair:** The VAT one is the exception and would be unique, but the others do not create a difficulty for the EU, in your assessment.

Shanker Singham: It is open to the EU not to agree anything.

Q691 **Chair:** I appreciate that. If you were to give it a percentage, how many of the derogations required would be unique and require the good will of the EU?

Shanker Singham: Of the five derogations that we have talked about in the report, the SPS notification time period derogation is probably the only one that requires that.

Q692 **Nigel Mills:** If I remember correctly, when we went to Switzerland, the German and Swiss authorities had some bilateral arrangements for how they managed the administrative processes at the border. They did not seem to offend the EU's way of doing business, so there is some potential to allow the UK and Irish authorities a bilateral agreement for how to conduct certain things.

Shanker Singham: Yes, there are a lot of things that are done by member states in customs. If we both agreed we want postponed accounting for VAT, it would be a member state decision. We could easily do that.

Q693 **Nigel Mills:** There is some precedent for tax authorities outside the



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customs union co-operating with each other on how they administer something, rather than the principles of what they are administering.

Bertrand Rager: They have created an IT tool that makes the two systems communicate, although the Swiss system is not in the European system. The information is immediately available on both sides.

Q694 **Nigel Mills:** If the Irish wanted to co-operate with HMRC and work out a joint tool, it would not offend any EU rule. It is just a question of wanting to at the appropriate time. My second question is whether, when you went through all the potential solutions, you found any solution that meant no customs declaration or compliance would be needed. Is the only way to achieve that a customs union?

Shanker Singham: As I said at the beginning, going back to the language of the December report, if there are to be no checks and controls in Northern Ireland, it can only be accomplished by the customs union—not even a customs union—and the single market.

Q695 **Nigel Mills:** Even the Chequers proposals to choose which tariff applies when you bring something across the border would require some declarations, as you would have to know everything crossing the border that comes from outside. Literally, your choice is the customs union or making the process as simple as you can, but there has to be a process for any other option.

Shanker Singham: I would say it is not just the customs union but, very importantly, the single market as well, because all the technical checks are from the rules of the single market.

Frank Dunsmuir: It is worth adding that the focus of the technology solutions is to minimise any implications like that. Where possible, the use of zones removes the need for customs declarations. If that is not possible, it uses technology to reduce the impact of any requirements. We should also look at this as a continuum—on day one, month three, month 12, et cetera. It should be something we are moving towards over a time continuum to automate as much as possible. That is the direction of travel for a lot of the technology solutions.

Q696 **Nigel Mills:** My point is that there is no half-way house or third way. Either you are in the customs union and the single market, or there has to be a compliance regime. It is just a question of how light-touch and easy to use you can make it.

Shanker Singham: That is right, and I point out that the backstop also requires checks. Particularly for European businesses, if there is any customs arrangement, the backstop would also require the issue of UK origin to be dealt with in EU external trade to countries such as Japan or Korea.

Chair: Gentlemen, thank you very much indeed for your attendance this morning and for taking our questions. Colleagues will not be aware of a



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fact I am aware of, and I hope it is not embarrassing, but I understand Bertrand has interrupted his holiday to join us this morning, for which we are grateful. I am sure there is some counselling you can get for having agreed to do it, but we are grateful to you. Thank you for the work you are doing. As we have suggested, we will send you the questions that we were not able to cover. We look forward to seeing your final report and we may invite you back to discuss it, if there are things to discuss. For the moment, I thank you very much indeed for attending this morning.