

Committee on the Future Relationship with the European Union

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

Wednesday 7 October 2020

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Members present: Hilary Benn (Chair); Lee Anderson; Mr Peter Bone; Joanna Cherry; Mark Eastwood; Sally-Ann Hart; Antony Higginbotham; Dr Rupa Huq; Seema Malhotra; Nigel Mills; Gary Sambrook; Mr Barry Sheerman; Jane Stevenson; Dr Philippa Whitford.

Questions 1144 - 1205

Witnesses

I: Rt Hon Michael Gove MP, Chancellor of the Duchy of Lancaster; Lord Frost, Prime Minister's Europe Adviser and Chief Negotiator of Task Force Europe.

Examination of witnesses

Witnesses: Rt Hon Michael Gove MP and Lord Frost.

Q1144 **Chair:** Good afternoon. Could I ask you to introduce yourselves for the record?

Michael Gove: I am Michael Gove. I am the Chancellor of the Duchy of Lancaster and Minister at the Cabinet Office. For the purpose of this Committee, I am also joint chairman of the Joint Committee with Maroš Šefčovič, Vice-President of the European Commission.

Lord Frost: I am David Frost, chief negotiator and the Prime Minister's EU sherpa.

Q1145 **Chair:** Welcome to both of you. As you know, time is extremely short because you said you could give us only an hour today. We will require succinct questions from colleagues and succinct answers from each of you. I would like to begin with preparations for the new border arrangements that will apply between the UK and the EU on 1 January.



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Mr Gove, do all UK logistics and freight companies currently have access to the final version of the goods vehicle movement service and smart freight IT systems?

Michael Gove: We have been working with a variety of stakeholders to ensure that we can refine the working of both smart freight and GVMS. I cannot tell you that every single haulier or freight forwarder has been working with us, but many have.

Q1146 **Chair:** Is the final version available to firms at the moment?

Michael Gove: With respect to the smart freight system, a number are working with us to ensure that the current system—the alpha system—works for them. Testing of the GVMS user interface for hauliers started on 7 September.

Q1147 **Chair:** It sounds like the answer to the question is that neither system is available in its final version for all goods and freight companies so that they can train their staff. That is not the case at the moment, is it?

Michael Gove: It is the case that we are working to refine it. By definition, all IT systems undergo a process of refinement to make sure that we can improve the service for users.

Q1148 **Chair:** They are still being tested, are they?

Michael Gove: They are still being refined.

Q1149 **Chair:** What is the difference between refining and testing?

Michael Gove: They are both part of the same process.

Q1150 **Chair:** Exactly, it sounds to me like they are still being tested. Do you know when the final versions will be ready so that firms can indeed train their staff? I am just looking for a date.

Michael Gove: Testing of GVMS should finish on 4 December 2020. With respect to the smart freight system, again, we hope that it will be fully ready by December 2020 or the end of November.

Q1151 **Chair:** Turning to trade between Great Britain and Northern Ireland, lots of businesses are saying, “We do not know what to plan for because we do not know what the arrangements will be.” When will you publish the full border operating model for trade between GB and Northern Ireland? I am looking for a date here.

Michael Gove: We are publishing a border operating model not for Northern Ireland, but for GB-EU tomorrow. With respect to Northern Ireland, as you know, there are still issues to be resolved in the Joint Committee.

Q1152 **Chair:** Presumably you will not be able to publish a document on the border arrangements for across the Irish Sea until you have resolved the issues you were talking about earlier in your evidence to the Lords Committee and, in particular, the definition of goods at risk. Is that



correct?

Michael Gove: Yes. Business can fairly plan for many of the aspects of the Northern Ireland protocol. It is the case, of course, that which goods are at risk of tariffs depends not just on proceedings of the Joint Committee, but on the question of whether we achieve a zero-tariff, zero-quota deal in the negotiations on the future relationship.

Q1153 **Chair:** Talking about preparations, the permanent secretary of the Northern Ireland Department of Agriculture has said, in respect of phytosanitary checks on food products moving from GB to Northern Ireland, that the successful delivery of the programme appears to be unachievable in the time available. Do you agree with that assessment? Who ultimately has responsibility for getting this right?

Michael Gove: No, I do not believe that it is unachievable. DAERA, the relevant Department, is responsible for delivery, but we are working with DAERA to ensure that it is delivered. It is certainly not unachievable. We are talking about an expansion of facilities at Larne and the provision of new facilities at Belfast port, which are certainly not unachievable. I will not deny that the timescale is challenging, but it is not unachievable.

Q1154 **Chair:** Will the falsified medicines directive still apply in Northern Ireland from 1 January? If so, will there have to be checks on medicines entering Northern Ireland from Great Britain?

Michael Gove: As we understand it, the directive will apply, but we are working to make sure that there will not be restrictions of the kind that some have drawn attention to and that are naturally a concern for us. We are addressing that matter at the moment, both in conversations with the EU and internally.

Q1155 **Chair:** Have you asked, for example, for a derogation from the directive covering the movement of medicines from GB to Northern Ireland? Have you requested that?

Michael Gove: We are taking a number of steps. We have not asked for a formal derogation, but we are discussing with the EU what we can do and looking at what our own domestic contingencies might be.

Q1156 **Chair:** Would one way of making the problem less difficult be a derogation?

Michael Gove: Yes, some sort of phasing approach would be a possible way.

Chair: That is extremely helpful.

Q1157 **Nigel Mills:** Michael, it would probably be remiss of me not to ask you my usual question at these sessions. How confident are you of successfully achieving a deal? Is it still 66%, or are you now much lower than that?



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Michael Gove: No. The number might have oscillated upwards or downwards since the last time we spoke, Nigel, but I would say that is about right.

Q1158 **Nigel Mills:** Lord Frost, do you concur with that assessment, given you are doing the negotiations?

Lord Frost: I think that a deal is eminently achievable and could be achieved but, equally, it is possible that we will not get there. We will have to see what the next few weeks bring.

Q1159 **Nigel Mills:** You would make a politician with an answer like that. Can I turn back to the question of goods moving to Northern Ireland, on which we exchanged discussions last time as well, Michael? In terms of trying to agree goods at risk, are you optimistic that that is agreeable at the Joint Committee, or do you think we are going to have to unilaterally decide that between now and the end of the year?

Michael Gove: I think we can agree it. I hope that we will. So far, the approach that has been taken by the EU and in particular by Vice-President Šefčovič has been pragmatic and reasonable. Of course, he is discussing on behalf of the whole of the EU, but his whole approach is very constructive so I am hopeful.

Q1160 **Nigel Mills:** Have you put forward proposals that you could share with us of what you would be happy with for a definition of goods at risk, or is that a private negotiating matter?

Michael Gove: The negotiation is covered by confidentiality. I have to respect the confidentiality of the EU's position as well as our own, but our approach is outlined in the Command Paper that we published earlier this year. We are pretty clear that, as far as we are concerned, it has to be a pretty high bar and it has to be hard to prove that a good is at risk.

Q1161 **Nigel Mills:** So it would be safe for traders in Northern Ireland or the UK to assume that very few goods would need to have declarations and tariffs paid. It would be a real exception to the rule, not the rule.

Michael Gove: That is the approach that we are taking, given that there is much more trade from Great Britain to Northern Ireland, and vice versa, than there is between Northern Ireland and the Republic.

Q1162 **Nigel Mills:** In terms of goods coming from Northern Ireland into the mainland, is it the Government's position that, whatever the negotiations, there will be no fetters on that, so there will be no declarations and no need to put on information other than perhaps some small stuff around food, agricultural goods or something in those areas? There will be no need to do anything at all.

Michael Gove: Yes. There are some specific exceptions for international law on things like blood diamonds as a result of the Kimberley process and CITES on trade in endangered species. Otherwise, we do not



envisage there being restrictions. We made it clear that, for example, exit summary declarations should not be required.

Q1163 **Nigel Mills:** Is that something you need to negotiate with the EU, or will we just bring it into force via the internal market Bill, the Finance Bill or whatever we need to do? Literally nothing would have to be declared anywhere electronically or in paper form to move most goods from Northern Ireland to the mainland.

Michael Gove: The EU is very clear about our position. The United Kingdom Internal Market Bill is there as a safety net, but I am hopeful that we will reach a pragmatic recognition on the part of the EU that unfettered access has to be delivered in a way that Northern Ireland's businesses and citizens would properly understand.

Q1164 **Gary Sambrook:** Mr Gove, do you agree that requiring export declarations for products moving from Northern Ireland to GB would militate against the commitment both the EU and the UK made to guarantee unfettered access? Could you explain what role they could play in policing the EU single market when they relate to goods leaving, not entering?

Michael Gove: You are absolutely spot on. I cannot see that there is any requirement for exit summary declarations. I think the Chair made this point in the Commons itself. As you quite rightly point out, it does not have any impact on the integrity of the EU single market if a good travels from Belfast to Glasgow, Cardiff or London. It would be an unnecessarily fundamentalist interpretation of the Union customs code.

Q1165 **Gary Sambrook:** What do you understand to be the purpose of export declarations?

Michael Gove: Again, the EU would require them because it would want to maintain the integrity of its single market, but here we are talking about goods moving from one part of the United Kingdom to the other. One of the reasons why the Joint Committee exists is that the Union customs code and other provisions within the protocol are applying in a unique set of circumstances in Northern Ireland. The protocol makes clear the requirement for unfettered access. The very existence of the Joint Committee is—I was going to say an acknowledgement; it is more than that—an incarnation of the fact that these issues need to be resolved because the protocol itself contains ambiguities.

Q1166 **Gary Sambrook:** Do you agree that a situation in which tariffs applied on all goods moving into Northern Ireland, as a result of a failure to reach agreement in the Joint Committee, would be an obvious breach of the requirement under the protocol to keep any impact on the lives of the communities in Northern Ireland to a minimum?

Michael Gove: Yes, 100%.

Q1167 **Gary Sambrook:** That is very succinct, thank you. In your opinion, has



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the UK Internal Market Bill impacted negatively on the negotiations so far? This is probably for both of you to answer please.

Michael Gove: Actors in the European Union have expressed their opposition to provisions within the Bill, but the facts of the matter are that the Joint Committee has met since then and is due to meet again in the future. The specialised committee is carrying on with its work and Lord Frost is carrying on with his work in the negotiations.

Lord Frost: I have nothing to add, really. They are on separate tracks. In my side of the negotiations, there is determination on both sides to keep this moving forward.

Q1168 **Gary Sambrook:** How will Her Majesty's Government be responding to the formal notice sent by the European Commission?

Michael Gove: We accept and understand the reasons why that communication was sent. In the meantime, we are seeking, through the Joint Committee and the other negotiations, which David leads, to ensure that the need for any legal action on the part of the EU disappears.

Q1169 **Mr Sheerman:** Secretary of State and my Lord, may I ask you question? I know that you have done a worst-case scenario and it caused some concern. Can I appeal to you? We all want the least possible disruption as we get to the end of the year and to the 1 January dramatic change in all our lives, but is there not a nightmare scenario? We did not realise that Covid-19 would be coming back as strongly as it has. Every indication is that this winter is going to be bad for Covid, worse than perhaps last year, and that we are going to be in a situation where there might be a flu epidemic. There might be dreadful weather in December going into January. If there was that nightmare conjunction of all the evil forces, is there a possibility—a way; a fall-back position—in which we could have some hesitation rather than have everything go wrong?

Michael Gove: I entirely understand your question. I would say three things very quickly. The scenario that we published was the reasonable worst-case scenario. One of the reasons for publishing it was to try to encourage business to let us know what more we could do to help it to become ready. If everyone takes appropriate steps—Government most of all—I think that we can mitigate many of the concerns that the reasonable worst-case scenario provided.

Secondly, any delay in the end of the transition period would work against everyone's interests. The Leader of the Opposition and the Labour Front Bench are now clear that it would be wrong to go for an extension of the transition period.

On the third point about Covid and flu, you are absolutely right. I hope that you will be encouraging other colleagues in the House of Commons to support the Government in any measures that it may take forward next week to ensure that we can continue to fight this disease effectively.



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Q1170 Mr Sheerman: You know that I support anything that would save lives and stop the infection spreading, but can I push you? I have been rooting around a little bit in Kent and talking to some Kent local authority people. They are a bit concerned about what the preparations are on the ground. They feel that they have been rather pushed around by central Government, and that they are going to get the blame when the car parks are not finished and the customs buildings are not ready, whether they are temporary or permanent. There is a real feeling of discontent that they are not ready and they are going to be blamed. Are you talking to local authorities? Whether it is Covid or leaving the European Union, those local authorities are going to bear the brunt of the hard work.

Michael Gove: I absolutely take your point. We do work with local authorities. Representatives from the Kent Resilience Forum and Kent County Council joined the Cabinet Committee that deals with these matters, XO, on Monday. I have to say that Kent police and Kent County Council, under its brilliant leader, Roger Gough, and others, have worked incredibly hard. If things do go wrong, to paraphrase Rag'n'Bone Man, put the blame on me.

Q1171 Mr Sheerman: In the evidence that we took from the port authorities and really very good people who know about customs, all were very worried. I know you have had some history with the Road Haulage Association, but what about the rest of the country? Everything seems to be Dover and Kent-centric. What about preparations for the other very large ports all around our coast that are so vital to our exports and our imports? I can understand the concentration because of London and Dover but, in the evidence that we took as a Committee, I kept chiding them: what about the rest of the country? How are the preparations there for that nightmare scenario of a bad winter that I described earlier?

Michael Gove: Again, it is a very good point. We are concentrating on Dover-Calais because the short straits are responsible for the majority of roll-on roll-off traffic between the UK and the EU. We have also launched a port infrastructure fund with £200 million of support. That support is both going to other ports on site and helping to support the creation of inland sites. Taking account of Covid, we have made clear that we are phasing in some of the import process that would ordinarily have been required. They will not come into play until 1 July 2021.

The EU is, at the moment, maintaining the principle that all the checks that may be required for a third country will operate from 1 January, but we are doing everything we can. I am always grateful when individual ports or organisations like the RHA and others get in touch, because we benefit from their close understanding of what is required to be done to allow trade to flow smoothly.

Mr Sheerman: Michael, you sound very optimistic. I see that Michel and Michael have come to an entente cordiale. I hope that is the case.

Q1172 Joanna Cherry: Good afternoon, gentlemen. Mr Gove, on 11 March this



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year, you told this Committee, "The subsidy regime that the UK proposes to put in place after we have left the EU will be one that the EU will recognise as a robust system". I am wondering whether the EU sees the Business Secretary's recent announcement that the UK will follow WTO rules and recognises that as a robust state-aid subsidy system.

Michael Gove: I think all fair-minded people would recognise that it was robust. If I may, I will pass the baton to Lord Frost briefly. Of course, I am more than happy to come back to answer your question, but it is Lord Frost who is in the negotiations. There is not much that he can say about the detail, but he can tell us a little more about the principle.

Lord Frost: The EU has been asking for some time for more clarity about the future and how we intended to handle the subsidy regime after the end of this year. That statement was intended to provide clarity that we will move to an administrative regime next year based on the WTO and any free trade agreements that we sign between now and then. We will then consult and, if necessary, have legislation.

I am sure they would wish for something firmer and clearer from us, but that is the difference between us in the negotiations. What is at stake at the moment is the discussion on precisely that point: the level of assurance we might be able to give in the future agreements about the shape of our future subsidy regime. Unfortunately, the gap is still quite wide, although maybe not quite as wide as it was a couple of months ago.

Q1173 **Joanna Cherry:** The reason I ask is that it has been reported that some EU officials see this announcement as perpetuating uncertainty. One EU official said that the lack of detail in this announcement would not sink the talks on a trade deal but was, in itself, provocative. Do you recognise those comments?

Lord Frost: Well, I remember the comments from the media at the time, if that is what you mean. I do not think they are very fair, to be honest, because, as I say, we have been asked for some time to provide clarity and that was what that statement intended to do. The statement was not a treaty. It was not a legal text. It was not going to do the same thing as a legal text, but it did set out how we were going to handle this in future. It was intended to make clear that there would be an administrative regime in the short run and probably something more robust further down the line. I think that was clear and it achieved its purpose.

Q1174 **Joanna Cherry:** I note that you recognise there will probably have to be something more robust further down the line. Is it not the case that experts in this area have said that falling back on WTO rules does not actually work as a subsidy control regime? It is not a subsidy control regime. It is just a stopgap, is it not?

Lord Frost: I am not sure I entirely agree with that, because a number of other countries around the world do have a regime that is based principally on WTO rules plus free trade agreements plus administrative



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guidance. Every country is different and has to frame it in the light of its own traditions but, if you look globally, it is the EU regime that is an outlier with its ex ante policing and quite rigid rules.

That is inevitable. They are policing a regime of 27 countries. Obviously they have to do it in a different way. The political economy of it is different. We will be out of that at the end of the transition period and we can do it differently in a way that is more internationally normal, I would say, but that is the debate that we will need to have in the consultation next year.

Q1175 Joanna Cherry: I have read—I heard you talk about it with the Lords this afternoon—that your new legal text on state aid sets out a series of high-level principles on controlling domestic subsidies. Can you give us a flavour of what those high-level principles are?

Lord Frost: We are in a negotiation, so there is a limit to the detail I can give. First, it is unusual to give any detail in a free trade agreement at all about the shape of the subsidy agreements. We are already making a significant move towards the EU's concerns in being willing to include—

Q1176 Joanna Cherry: But you have that in the UK-Japan deal, don't you?

Lord Frost: There are some very, very limited provisions, but you are right. Some of the more recent trade agreements include very limited provisions. Of course, UK-Japan is copied over from EU-Japan as a transition agreement. In this new text, we have sought to make clear some of the things that a good subsidy regime has to do: if subsidies are granted, they are on public policy grounds; they are proportionate; what you are doing is open and transparent; their aim is to bring about a change in behaviour rather than perpetuate a situation; and they are the right instrument to achieve the ends.

Chair: Lord Frost, I am sorry to interrupt you. I apologise but we are going to need to move on.

Q1177 Jane Stevenson: Good afternoon, Mr Gove and Lord Frost. I would like to turn to fisheries, where we seem to have been stuck between a rock and a hard place for some time. Your new legal text, shared with the EU this week, reportedly offers a transition period for EU fishermen. Could you briefly outline how a transition period would work?

Lord Frost: Once again, I do not want to go into the detail of this. The problem we face and the opportunity we have with fishing in future is that the EU fishes nearly half the fish in our waters at the moment. We have made clear that there needs to be a huge change in that situation in future and that is something we intend to secure. Obviously, there is going to be an effect on EU fishing communities from that. It seems entirely reasonable to us that, provided the endpoint is one that we wish to get to, there could be some glide path to get there.



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There are quite significant limits to what can be done there, because our fishermen are eager to grasp the opportunities, but we are trying to find a way of dealing with what is, politically, realistically possible here. That is the underlying principle behind that and why we have indicated it could be part of any solution.

Q1178 Jane Stevenson: Do you feel that a transition period would be acceptable to many of our fishermen in coastal communities who voted to leave four years ago?

Lord Frost: Once again, I do not want to get into the detail. We remain in very close touch with the fishing associations about the course of the negotiations. I do not think we would wish to conclude an agreement that did not satisfy the reasonable expectations of UK fishermen. That is the way we approach this. I do not want to comment in further detail as there are lots of moving parts in the negotiation that is going on, but that is our very broad approach. I think that is what you would expect at this stage.

Q1179 Jane Stevenson: Mr Gove, do you find a transition period an acceptable area of compromise?

Michael Gove: As Lord Frost pointed out, it is important to recognise that, in voting to take back control, we voted to take back control of not just our territorial waters, but our exclusive economic zone. I do not want to go into any more detail than Lord Frost has, but I know that he is a very robust negotiator with a very clear understanding of the importance of getting things right for our fishing communities.

Q1180 Jane Stevenson: Has the EU responded to proposals for a transition period yet?

Lord Frost: We are in constant discussions about fishing and the other outstanding issues. Yes, we are in discussions on that and the other elements that might, in the end, form part of a fisheries deal.

Q1181 Jane Stevenson: Can you give us some examples of where there has been flexibility both in the EU's position and in our position from the two very opposed starting points?

Lord Frost: As I say, there are a number of moving parts in this discussion. One of them is the transition we talked about; another is the quota numbers. It would be wrong of me at this point to give much detail on that, given that this is a negotiation in progress and we are trying to get the best outcome we can over the next couple of weeks. I would rather not give full details at this point for reasons of negotiating confidentiality, if that is okay.

Q1182 Jane Stevenson: Finally, one of our very firm lines was to annually negotiate a quota for fishing in our waters. Will we compromise on that, or is that still our firm commitment?



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Lord Frost: It is a very fundamental point for us that there must be annual negotiations on access to UK waters. That is not quite the same thing as quota shares, which can be more durable, but there must be annual negotiations on the total allowable catch, how that is interpreted through the quotas and access to waters. That is a fundamental point in this for us.

Q1183 **Jane Stevenson:** Extra finally, can I just ask for your percentage chances of a deal? How do you feel it is looking for an agreement on fisheries specifically?

Lord Frost: Fisheries is the most difficult issue remaining, in my view. We have been clear about that, but I would not want to suggest that any issue cannot be solved and we are working as hard as we can to solve it.

Q1184 **Sally-Ann Hart:** Good afternoon, gentlemen. Taking up Jane's point there, I would make a plea to keep our nought-to-12-mile zone sacrosanct for British fishermen. I make that plea desperately.

We hear that the EU has rejected the UK's proposals on a range of subjects, including rules of origin, access to criminal databases such as the Schengen Information System, road haulage and roll-on roll-off freight. Why do you think the UK proposals have been rejected in this way, and have they?

Lord Frost: On your first point about nought to 12 nautical miles, we are on 100% the same lines so do not worry about that. That is part of our position.

On why the EU has rejected certain positions, once again I would prefer not to go into detail on all of them, because I do not know that the EU has necessarily definitively rejected everything. Negotiations are ongoing. For example, on road haulage, there is definitely a constructive negotiation continuing. The parameters are changing a little, but I still feel we can get a good road haulage agreement out of this.

If I could just pick one, the Schengen Information System, it is known that the EU takes a firm view that it is not legally possible for a non-member, non-Schengen country to join that. That is a pity. It made that clear right from the start and it appears to be a constraint, so we have been looking at alternatives, but that appears to be a firm part of the landscape. In other areas, there is a negotiation ongoing and we continue to think good outcomes might be possible.

Q1185 **Sally-Ann Hart:** So for things like the Schengen Information System, you would be looking at some separate agreement, yes?

Bearing in mind that it is important to keep trade moving to and from the Republic of Ireland and the rest of the EU, as well as from the UK to the EU and beyond, some of the proposals, such as on trucking access, road haulage and roll-on roll-off, go beyond recent EU deals with third countries such as Canada and Japan. Is this for a practical reason



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because of our geographical location? Would you expect the EU to offer different or better terms to us than it has with the other countries?

Lord Frost: That is a very important point. It is really important to keep in mind that this is much more than a pure free trade agreement. This agreement is huge in breadth and as well as trade covers road haulage, air transport, energy, social security, law enforcement and so on. It is much, much broader and it is inevitable that, as you say, for geographical reasons and others, there simply are not precedents around the world. There are good precedents for free trade agreements. There are not necessarily good precedents for road haulage agreements, so inevitably we have had to tailor those to the specific environment.

We have made proposals on roll-on roll-off ferries to facilitate customs and other processes. Those are still in the mix and we hope for a good outcome on those. Road haulage, as I say, is still an ongoing negotiation. There is obviously a particular issue about the border between Northern Ireland and Ireland and managing that in this agreement. That is part of the outcomes we are hoping to achieve.

Q1186 **Mr Bone:** My first question is to Lord Frost. Have the EU negotiators said to you that there must be a specific date by which the comprehensive free trade agreement, if it is going to be made, is made?

Lord Frost: They have not said authoritatively that there is a specific date. In the negotiators' minds and in ours, there is a good understanding of what might be possible, because everyone can see the timescale that is necessary to ratify any agreement in the UK and the European Parliament, prepare the text, translate and so on. Those constraints are there. I think the Prime Minister has said something quite clear about how we see the timeframe. The EU might have a slightly different view, but not materially, I would say, about the urgency.

Q1187 **Mr Bone:** Could we turn to the British position? I think I am right in saying that the Prime Minister indicated that 15 October was the final date. Is that correct?

Lord Frost: Yes. You have seen the statement that he made on 7 September. We have been working hard for an agreement since then. We would prefer to have one but, if we cannot get one, we will trade on Australian terms and prosper. That is very clear and fundamental to the way we are looking at this.

I do not have much to add to what the Prime Minister said at this stage. My job is to get as far as we can before the 15th. At that point, I will have to advise the PM as to whether the basic conditions for an agreement are in place and what happens thereafter. It is really important, as the CDL was saying, that we try to bring certainty to stakeholders, given the imminence of the end of the transition period and all the preparations that need to be done. That is very much in our minds when we look at the timescale.



Q1188 Mr Bone: I was going to move on to that. Really, ever since the EU referendum, businesses have been saying to me that what they want is certainty of what is going to happen. While they would prefer, as I think everyone would, a comprehensive free trade agreement, they would work to whatever rules are agreed, but they need to have that certainty. I suppose this would be one way of looking at it. Do you have date by which, if negotiations are not going to move forward, you say, "I am sorry; we just cannot do this. We must give our businesses notice that we are going to trade on the Australian system from the end of the year"?

Lord Frost: The Prime Minister has said what he has said on that subject, and that is our authoritative statement of the position. He did say in that that our door is never closed. Even if we collectively conclude that a free trade agreement is not possible, there are obviously quite a lot of practical issues we will need to discuss. We will still need to come to some arrangements about flights, road haulage and other things. I imagine we would want to go on talking after that because that is just the reality of the situation. The Prime Minister was clear about that.

As to the framing of the timescale and significance of dates, at this point, I have nothing to add beyond his statement. We will have to take a view when the 15th approaches, which is quite soon.

Q1189 Mr Bone: Secretary of State, I am pleased that everyone in an optimistic mood about a comprehensive free trade agreement. That is good news for everyone. Look, 15 October seems to be pencilled in as the date for it to be signed, but could you do me a favour? My birthday is 19 October and it would be a really wonderful birthday present for me if you could sign the agreement on 19 October. Is there any chance of that?

Michael Gove: Making sure that birthday celebrations in the Bone household can be even more effective this year than in previous years has to be a top priority. We are doing everything we can to try to secure agreement. To return to an earlier, very important point you made with respect to business readiness, businesses should know that much of what they are required to do will be the same whether or not we secure an FTA. Whether or not we secure a Canada-style FTA, which is our shared aim, or leave without a negotiated outcome, the so-called Australian outcome, businesses will have to do very similar things to prepare because, in any case, we will be outside the single market and customs union.

Mr Bone: Thank you very much. Now that I can safely prepare my birthday celebrations, I have no further questions.

Q1190 Dr Huq: Good evening, chaps. Congratulations, your lordship, on your elevation. The Secretary of State has quoted Rag'n'Bone Man; this is more of an Eminem "cleaning out the closet" type of question. Some loose ends need tying up. First of all, how many lorry parks will we need by 1 January? Have you decided where to build them?



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Michael Gove: It is important to recognise that there are different types of border facility. When we are thinking about lorry parks, we are thinking particularly about the prospect of disruption at the border between GB and the EU in Kent. We have the chance to use the facility at Manston as part of our preparations to ensure that we can continue to have a good flow of traffic. Many of the other infrastructure sites that have been designated by some as lorry parks are not that. They are, for example, transit sites or they serve other purposes.

Q1191 **Dr Huq:** You are talking about just the Kent one as an actual lorry park.

Michael Gove: It is important to draw the distinction between sites that exist to help to manage traffic flow in the event that there is traffic disruption and sites that have another function. For example, they act as offices of departure or provide other specific customs or related functions.

Q1192 **Dr Huq:** There are different categories of them. How many have you started building? How many are complete now?

Michael Gove: We have a number of sites that are already complete: North Weald, Ebbsfleet and others, which have been prepared in the past. Ashford Sevington, the former MOJO site, is one where work is well advanced. Of course, there will be some facilities that will only be required from July next year because they relate to import requirements, not export requirements.

Q1193 **Dr Huq:** On 12 June, it was on the GOV.UK website—it has been in the *Financial Times*—that a major programme was announced: a £50 million package for the customs intermediary sector, including training new customs officers. I just wondered how many of these customs agents have been trained under that programme.

Michael Gove: The money has been made available to private sector actors. They have drawn down a significant amount of that £50 million, but not yet all. By definition, because it is a fluid market, we do not know how each individual actor within the marketplace has responded. There is a significant market opportunity because, as I mentioned earlier to Mr Bone, once we are outside the single market and the customs union, businesses will require the capacity to fulfil the new processes, either in house or through a freight forwarder or customs intermediary. A lot will depend on the individual decisions that companies take about whether to increase their in house capacity or seek to outsource the delivery of this service.

Q1194 **Dr Huq:** In that same announcement, it said 50,000 new ones were needed, so I wondered how many of them will be ready for 1 January. If it is going to the private sector, presumably there is some oversight and someone is monitoring this.

Michael Gove: It would be the private sector anyway, because these are functions in the market. The 50,000 figure is, like so many of them, a



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guesstimate, but 1,400 organisations have already applied to draw down funds from the support that we provide.

Q1195 **Dr Huq:** We do not know exactly how many will be ready.

Michael Gove: There are a million daily interactions in the market. By definition—this was the thesis of Friedrich Hayek’s *Road to Serfdom*—no Government can understand at any given time what all those market interactions are. If we attempted to second guess every single action by every market player, we would be going down an unhappy route.

Q1196 **Dr Huq:** I was just imagining it like the fast stream, where there is an intake, and they are making their way through and they will be ready. Okay, it is not that.

Michael Gove: Like what, sorry?

Dr Huq: The fast stream; the traditional civil service thing for—

Michael Gove: They are not civil servants; that is the point.

Q1197 **Dr Huq:** Okay. At the start, the Chair was mentioning the IT systems that need to be put in place. How confident are you that those will be ready by 1 January? Which IT systems are they?

Michael Gove: There is a range of IT systems. Some of them are already in place. We touched on smart freight or the system that enables you to check whether your HGV is ready for the border. We also touched on GVMS, but there are a number of other systems from CHIEF, which is the HMRC system, to IPAFFS, which is the replacement for TRACES, and so on.

Q1198 **Dr Huq:** You are confident that they will all be ready by 1 January.

Michael Gove: The majority are already.

Dr Huq: It sounds like a Gary Lineker “eat your shorts” moment.

Michael Gove: Eat your what?

Dr Huq: Remember he said he was so confident that Leicester would not win the league that he would eat his shorts.

Michael Gove: I think Leicester did win the league.

Chair: They did, but I think we will pass on from that.

Q1199 **Mark Eastwood:** Thank you, gentlemen, for coming today. I want to follow on from Barry Sheerman. Mr Gove, I have asked you in earlier meetings for assurances that the transition period would not be extended due to the coronavirus. Are there any circumstances at all where there could be an extension beyond 1 January, say if we were getting near to a deal but not quite over the line? Are there any circumstances?

Michael Gove: No.

Q1200 **Mark Eastwood:** Excellent, thank you. That is very encouraging. As we



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approach the end date, I am getting contacted by quite a large number of people via email and on social media—mainly, I have to say, those who oppose Brexit—asking me what the benefits of leaving the EU are. Mr Gove, could you outline the benefits in detail to those who have been in contact and to the majority of my constituents in Dewsbury who voted leave? What are the benefits of leaving the EU?

Michael Gove: We only have 10 minutes left in the session, so I am not sure that I can list them all. The first is that we can take back control of our borders. We can have a points-based system for migration, which means that we can have the brightest and the best. We can have a bias, for example, towards those scientists who play such a big role in improving our response to pandemics and meeting the challenges of the future, while making sure that we have confidence in our migration system because we control our borders.

We will be able to make our own laws and regulations at a time when many have reflected on the fact that the EU's approach towards innovation has often been driven by economic protectionism rather than embracing science. Setting our own regulatory framework in those areas will mean that the fourth industrial revolution and the new opportunities it brings can be better exploited here in the UK.

We will be in control of our own trade policy. That means not just the opportunity for freer trade with other nations across the globe and a chance to, as the Chancellor has done, conclude better arrangements with Japan than those that we had inside the EU applying to other countries, but we can also play our part in the CPTPP and other international fora. It is the case already that we can take an approach on sanctions and human rights that is more progressive than the EU has taken. The recent actions by Dominic Raab as Foreign Secretary in introducing sanctions against Russian and Belarus in tandem with Canada and others show that we can be a progressive figure on the world stage outside the European Union.

We can take back control of our fishing waters, our exclusive economic zone. That means not just that coastal communities can get more jobs. It also means that we can manage our marine environment in a more sensitive way. We can replace the wasteful, inefficient and anti-environmental regime of the common agricultural policy by putting our farmers in a stronger position not just to export, but to make sure that our soil restores its carbon content, and by investing in environmental benefits.

We will be able to have a more accountable political system. One of the main concerns that many people had during our time in the European Union was that the European Union had five Presidents, none of whom anyone in the UK had directly voted for. Now we have direct parliamentary accountability. The greatest symbol of democracy is not the ballot box; it is the removal van. When you vote to remove a Prime Minister, you know, outside the European Union, that that means the



policy can change. One of the problems we had inside the European Union is that, on many issues that were dear to the hearts of voters in Dewsbury and beyond, we were not able to alter course.

That means that our politics should become healthier. In the past, there has been a hiding place for politicians who would say, "Well, I would like to change the rules but I am afraid I cannot because of the EU". That undermined confidence in democracy and in elected politicians. It will be another advantage that comes about as a result of being outside the European Union.

Outside the EU, as Lord Frost has pointed out, we can have a state aid or subsidy regime that is responsive and in keeping with our broad free market principles, but that also enables us to make the change we want to make to support our levelling up agenda, as it has been called. On top of that, we can establish new freeports. Freeports are opportunities not just to change the economic geography of the United Kingdom but to stimulate investment in a way that will drive the level of innovation that our other changes will bring. I will stop just there.

Mark Eastwood: Thank you, Mr Gove, for a very comprehensive response to that question.

Michael Gove: Of course, we also get back the money that we give to the European Union—I should have mentioned that. We give more than £20 billion to the EU every year. We get back less than half that. The EU directs how that money is spent. We can now spend that money on our own priorities, like the NHS and the UK shared prosperity fund.

Q1201 **Mark Eastwood:** Thank you very much for that. Can I turn to you, Lord Frost? In your statement after the ninth round of negotiations, you said that discussions were conducted in good spirits. However, during the previous negotiation stages, both the EU and the UK have been accused of negotiating in bad faith. What would you say to that?

Lord Frost: I do not think that either side has negotiated in bad faith. I think we are both trying to get an agreement. Some forceful things have been said at some points in these negotiations and some of that has come out in recent weeks in connection with other issues. Generally, we have established a good rapport, taking account of the fact that the coronavirus has made it more difficult than normal to meet and establish informal connections. I am confident that these are constructive discussions and we are aiming to get an agreement if we can, but there is some really difficult stuff in there that is not yet resolved.

Q1202 **Chair:** Lord Frost, I think you said to the Lords Committee earlier today that a dispute resolution mechanism on state aid would be a good thing and that the UK would want to make use of that as much as the EU's side would. Presumably, that would need to include an arbitration mechanism if you could not resolve a particular dispute by negotiation. Is that part of the Government's objective?



Lord Frost: Once again, I do not want to go into the detail of everything we are discussing. One of the issues, as I said to the Lords Committee, is the scope of arbitration across this agreement. Normally arbitration covers some areas and not others. That is fairly standard. The point I was trying to make on subsidy and state aid is that, whatever the final agreement, and whatever the form of dispute settlements on subsidy and state aid, I imagine we will be at least as assiduous users of it as the EU would be.

Q1203 **Chair:** Presumably you envisage an arbitration system where, if the two parties cannot agree, the arbitration mechanism and the arbitrators would decide, one way or the other, who was right.

Lord Frost: It is precisely because of that feature of arbitration that it is so sensitive in certain areas. In its text in March this year, it emerged that the EU did not want to make certain aspects sensitive to it subject to arbitration and we are likely to do the same. In the next couple of weeks, we are trying to find a balance between those two things.

Q1204 **Chair:** Finally from me, before we run out of time, the Government set out various negotiating objectives in its February 2020 document. This was a very long list: the trade agreement and then other agreements on fisheries, which we have touched on, aviation, energy, mobility, social security, nuclear co-operation, law enforcement, asylum and so forth. If there is an agreement—if you can unlock the remaining items that you have spoken about as being as yet unresolved—what percentage of the areas of agreement that the Government were hoping would come out of this will be wrapped up in this? How much will be left for continuing discussion beyond 31 December?

Lord Frost: I have seen the percentages attributed to me on this in the last couple of months, which I do not recognise. I am always very cautious about using percentage figures. If we are able to reach an agreement, and that is an open question, although we are trying, that is going to be a very broad agreement and it will cover many—most, I would say—of the areas that were set out in our mandate document back in February. That has never really been in dispute. I am confident that, if we can reach an agreement at all, it will be a very broad-based one and will, most importantly, be in our interests.

Q1205 **Chair:** Thank you very much indeed. That brings us to the end of our time. Mr Gove and Lord Frost, it has been some time since we heard from you. We have respected your need to keep today's discussion to an hour. I hope you could give us a firm commitment to come back to us in the near future when we are clear one way or the other whether there is an agreement, because, whatever the outcome, we will need to scrutinise in our work the consequences for the country and for business. I hope you will be able to give us that commitment today so that we do not have to wait another four months. I know you have both been extremely busy, but it is very important for the Committee to do its work.



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Michael Gove: That is understood. In due course, we will definitely come back. Thank you very much.

Chair: Thanks to both of you for giving evidence today.