



HOUSE OF LORDS

European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 3616
Fax: 020 7219 6715
euclords@parliament.uk
www.parliament.uk/lords

Rt Hon Penny Mordaunt MP
Paymaster General
Cabinet Office
70 Whitehall
London
SW1A 2AS

30 September 2020

Dear Penny

Parliamentary engagement

I write on behalf of the House of Lords' EU Goods Committee to express disappointment at the lack of engagement from your department in support of the Committee's inquiry into facilitating future UK-EU trade in manufactured goods.

As you will be aware, the Committee sent a comprehensive 19-page letter to the Chancellor of the Duchy of Lancaster on 30 July with its key conclusions and requests for further information. Despite repeated requests in the run-up to the letter's publication, we were unable to question him, or any other Government Minister.

We asked for a response to our long letter by the end of August and while we are grateful that you responded to the Committee on 17 September providing some general information, your letter did not engage with most of the conclusions or questions raised.

We recognise that there are sensitivities surrounding the negotiations on the future UK-EU relationship that make it difficult to comment on the negotiations. However, we made several recommendations and asked questions that were not related to these, and the Committee would have expected to receive a response addressing them.

For example, we asked questions on the development of customs IT systems, the recruitment of customs agents and new border infrastructure. We recommended that the Government should set up a consultation mechanism to ensure manufacturers' views are reflected in any future decisions about regulatory divergence from the EU. We also recommended the creation of a new trusted trader scheme (complementary to the existing AEO scheme) that would be accessible to smaller businesses and those 150,000 businesses that have so far only traded with the EU and are unable to gain AEO status because they cannot demonstrate customs compliance.

The Committee was also surprised not to have received an acknowledgement by your department of our most recent invitation—communicated via officials on 21 September and again on 24 September—for you to give evidence to the Committee to fill the gaps in the response and to address concerns raised with us by businesses. Listening to the concerns of the business community has been a key element of the Committee's work and will be central to a successful start to the new UK-EU economic relationship. We would therefore

be grateful if you could confirm to us when you would be willing to give evidence to the Committee.

There have been some notable developments since the Committee wrote to the Chancellor of the Duchy of Lancaster on 30 July, including a Ministerial statement on the transition period and the publication of a *Reasonable Worst Case Scenario for borders at the end of the transition period on 31 December 2020*. They raise a number of questions, which we have outlined below. To these, we would also welcome a response.

1. In line with the findings of the Committee's inquiry into facilitating future UK-EU trade in manufactured goods, the Government's own assumptions in *its Reasonable Worst Case Scenario* of 23 September are based on a significant number of businesses not being prepared for the end of the transition. We welcome the guidance provided on [.gov.uk](https://www.gov.uk), but I am sure you will be aware that not all businesses know what information is available, or have been able to focus on end of transition preparations as a result of the COVID-19 pandemic. Your letter of 17 September refers to the Government preparing "another wave of communications to traders, including letters, emails, webinars and phone calls to help them get ready". Given the limited time businesses now have to get ready for the end of the transition, please provide timelines for the implementation of this new wave of communications and what specific plans the Government has in place to engage with businesses to help them be 'border ready' by 1 January and the implementation of full UK border checks from 1 July.
2. To enable businesses to prepare, businesses require further practical information on border operations. In his statement to the House of Commons on 23 September, the Chancellor of the Duchy of Lancaster said that an update to the Border Operating Model would be published "in the coming weeks". Could you confirm by what date this update will be available? Similarly, please confirm by what date the Government plans to publish its Border Operating Model for GB-NI trade.
3. Business preparedness is but one factor to affect border operations. In our letter of 30 July we urged the Government to step up its efforts to ensure the UK has a sufficient number of customs agents in time for the end of the transition. Please tell us what your assessment is of the overall number of customs agents that need to be in place by the end of the transition, the number of customs agents that are still needed, and how much of the £84 million Customs Intermediary Grant Scheme remains unclaimed.
4. Smooth border operations will rely on a functioning customs IT system. Witnesses to our inquiry universally welcomed the introduction of Smart Freight and GVMS, but also cautioned that their introduction required rigorous testing. Please provide us with an update on progress made on both these systems, including information on planned testing schedules. As per our request in our 30 July letter, please also set out what contingency measures are in place to manage any delays/failures relating to the roll-out of these systems, and their degree of interoperability and interdependency with other systems.
5. The Chancellor of the Duchy of Lancaster referred to a "Kent Access Permit" during the debate on his House of Commons statement of 23 September. Could you set out in more detail how the issuing process would work; how it would link into Smart Freight; and how the permit would be enforced?

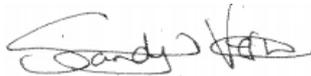
6. Infrastructure to manage traffic flows and allow checks to be carried out away from the border still needs to be built. We welcome the Government's £470 million infrastructure funding scheme, but please confirm how much of this has been allocated and what timelines are being envisaged for completing the building of border inspection posts and other infrastructure. Also, we would be grateful if you could provide a list of the confirmed locations that will be used for inland customs checks.
7. We recognise that, through Operation Stack, the Port of Dover has extensive experience of managing traffic build-ups resulting from temporary disruptions to services across the Channel. However, should there be very long queues at Dover, what assessment has the Government made of the feasibility of lorries being diverted to other ports with spare capacity? Has the Government assessed to what extent firms would be able to make last-minute changes to departure and/or arrival ports if customs declarations need to be pre-lodged?
8. It is very unclear to the Committee whether the *Reasonable Worst Case Scenario* would be different and the assumptions change depending on the UK-EU negotiating outcome and, if so, how.

Finally, your letter of 17 September states that "Our proposals also include measures to tackle barriers to trade in chemicals, automotives, medicines, and organic products. Regretfully the EU has insisted that these proposals are not in their interests, despite having concluded similar arrangements with a range of other friendly countries, such as Canada and Japan." Does this reluctance on the part of the EU also extend to proposals on data sharing arrangements for chemicals?

In view of the limited time available between now and the end of the transition, the Committee considers it important to urgently discuss with you these issues and those previously raised in our 30 July letter. I must therefore repeat the Committee's request that an oral evidence session be arranged with you, or another suitable Minister, as soon as possible. We would be grateful if you could get back to us within 10 working days.

I am copying this letter to the Leader of the House of Lords, Baroness Evans of Bowes Park, and to the Chancellor of the Duchy of Lancaster, the Rt Hon Michael Gove MP. I am also copying this letter to Cabinet Office, HMRC and BEIS officials.

Yours sincerely



Baroness Sandip Verma
Chair of the EU Goods Sub-Committee