



Treasury Committee

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Rt Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
(Sent by email)

22 October 2020

Dear Chancellor,

The Treasury Committee recently took evidence from Lord Agnew on customs preparedness for the UK's and the European Union's new arrangements on 1 January, and then on 1 July 2021. The Committee was left with a number of outstanding concerns.

Lord Agnew is only responsible for part of the border, and could therefore only give the Committee some of the answers and so I am writing to you to raise a series of concerns that the Committee feels it must raise with Government as a matter of urgency, given the new arrangements with the EU begin to come in to force in 71 days. The Committee would be grateful for a response from Government on each point raised.

In addition, I have listed the areas where Lord Agnew and his colleagues told the Committee they would provide additional responses in writing.

Information Technology

The Committee was told that the smart freight app has now been released for beta testing among some trusted stakeholders and that the new Goods Vehicle Movement Service is also undergoing "all the end-to-end testing works [...] We are testing all the system contingencies as part of the test environment over these coming weeks and months."

Lord Agnew told the Committee that requests are still being made for new functionality within the systems. He said "These are newly emerging threads of activity. You can criticise us for not putting all this stuff in place earlier. That is a free hit, probably, but these things are being worked on in real time."

It appears that the Government has left it very late to develop all the IT needed in time, with testing and changes still being made now, years after the Government had chosen to leave the EU Customs Union. For these IT projects to facilitate a smooth transition to the new customs regime in January, companies—both traders and customs agents—need to be able to use them well in advance of the go live date, so that staff can familiarise themselves with the processes.

The Committee is concerned that the IT will not be ready in time to allow companies to prepare sufficiently. Can you set out to the Committee the hard deadline by which all companies will have access to GVMS, Smart Freight (now known as Check an

HGV is Ready to Cross the Border Service) and any other system needed to trade with the EU, not limited to HMRC owned systems?

From 1 January, GVMS will be used for goods in Northern Ireland and for goods in transit under the Common Transit Convention. From 1 July, it will be used for full customs procedures. Can you set out what contingency plans have been prepared should it not be ready in time for either deadline?

Border Operating Model

The updated Border Operating Model for Great Britain was only published on 8 October. It still contains numerous gaps where more information will be provided “in due course”. Lord Agnew told the Committee that “There is an iterative discussion going on. I accept it is happening late in the day—I am not going to defend that—but it is important that we are listening to people.”

The Committee also heard that the decision on whether to use GVMS, the temporary storage model or a mixed model is “a commercial decision for the ports” and that once ports have decided which model they will adopt Government will “issue that information to traders as soon as possible.”

We are concerned that the Government has left the publication of its Border guidance late, and would be grateful if you could let us know when the remaining gaps within the Model will be resolved.

We are also concerned that as yet, traders still do not know which border operating model individual ports will use. If a company is situated near one port, it is likely they will want to use that port and will have to adapt their business model to whichever border model that port chooses. Until traders know this information, they cannot adapt. Can you please let us know to what extent Government is using its influence with the ports to make them make a decision as soon as possible, and to then provide this information to traders as soon as possible?

Northern Ireland Border Operating Model

The Northern Ireland Border Operating Model is still to be published despite being promised to the House “within weeks” in July. Lord Agnew told the Committee he was “worried about it, particularly because of the huge sensitivities around it. One could not be anything other than worried about it, but we have been very consistent in our commitment that there will not be checks at the border, and we just need to be as ready as we can.”

Lord Agnew went on to say that the reason the Government had been so late to award a contract for providing training on customs for Northern Irish firms was because the Government had concerns around “monopolising an activity that the private sector should be providing.” He said it was perfectly fair criticism to say the Government “agonised for too long.” He added that it would be a “very close-run thing to get it all up and running by 1 January. I am very worried about it.”

We share the Minister’s concerns that the Northern Ireland Border Operating Model is yet to be published. Without it, it is impossible for Northern Irish firms to know how to prepare for the changes that will come on 1 January. The impact of this delay has been compounded by prevarications over whether to provide funding for customs training for Northern Irish firms.

We would be grateful for confirmation that a Northern Ireland Border Operating Model will be published by the end of the month to give traders sufficient time to prepare.

Reliance on customs agents

The Government’s Border Operating Model places significant emphasis on traders using customs agents to navigate the new process that are to be put in place. The Committee has taken evidence from Logistics UK that “there is consensus that at least double the existing number of customs agents will be required”. Lord Agnew told the Committee that he had been “worried about capacity in the sector” but that he was now “more confident now that there is sufficient capacity”. However, Katherine Green, Director General Borders and Trade, HMRC, told the Committee that the sector would still need “some new recruits”.

Given the Government’s stated policy is to encourage firms to use third party customs agents, the Committee remains concerned that Government is relying on supply outside of its control to deliver a key element of its new customs regime. That not all the funding provided by Government to expand the sector has been drawn upon could either signal that the sector does not need it, or doesn’t have the capacity to make use of it.

We would be grateful if you could set out the Government’s a back-up plan in the instance that the market is under supplied from 1 January.

Worst case scenario emergency measures

Can you give the Committee assurances that all the necessary facilities such as toilets and washing facilities are already arranged in the event that vehicles are stuck in traffic for what the Government’s own scenario planning could last for multiple days?

Physical infrastructure

When the Committee asked Lord Agnew whether Manston Airport was ready to go, he said it was “85 per cent” complete. Sophie Dean Director General, Borders and Trade, HMRC, told the Committee that sites in Ebbsfleet, Ashford, and North Weald were in place, but that in addition, HMRC were working on sites in Sevington, with the Department for Transport, and Warrington. She also told the Committee that the traffic management element of the Border model was being handled by the Department for Transport.

When asked about whether the Smart Freight app would interlink with ANPR technology to flag vehicles that did not have the relevant paperwork, Lord Agnew told the Committee that

“We are not at the level of sophistication where you can link registration number to smart freight app readiness and then selectively stop them on that basis. [...] That is the nirvana we will work towards, I am sure, over the next months, maybe. It may take longer.

The Border Operating Model lists various sites that have not yet been completed. We are concerned that with so few days left before the new in bound and out bound customs arrangements come into force, there is still infrastructure that has not yet been completed.

Can you provide the Committee with the list of every new physical site that is required to manage the UK’s new border arrangements, regardless of which Department is responsible for their operation, and give the Committee an assessment of when the site will be completed, fully staffed and fully operational. This list should include buildings for which no physical location has as yet been identified.

We are also concerned about the proposal to use the Kent Police’s resources to pursue vehicles on motorways with incorrect customs documentation, rather than use existing ANPR technology. Can you update the Committee on when the Smart Freight App and the ANPR infrastructure in Kent will be able to communicate with one another?

Trader readiness

Lord Agnew told the Committee he was “worried” about the responses HMRC call teams were getting when contacting high value traders. He said “there seems to be a lack of urgency on the part of too many traders” and that many traders had a “head-in-the-sand approach”.

When asked about how little notice companies will be given due to the short time scale between a finalised deal, or confirmation that there will be no deal, Lord Agnew said “it is very frustrating. The Prime Minister has said that we need to know whether we have a deal or not by—I cannot remember the date—15 October, because we then have to do this preparatory work, if there is a deal.”

The Committee shares Lord Agnew’s frustration at how little time there will be between the confirmation of a deal, or the confirmation of leaving without a deal, and the UK’s new arrangements coming into force.

Within this letter the Committee has identified numerous areas where businesses cannot yet fully prepare because the Government policy or guidance is not yet complete such as:

- **Gaps remaining within the Border Operating Model**
- **IT systems such as GVMS still being in testing**
- **Lack of decision by ports as to which border model they will adopt**
- **The Government has not finalised negotiations with the EU**

Given the Government is largely responsible for all of these barriers to traders being able to prepare, the Committee thinks it is regrettable for Lord Agnew to characterise traders as having their “heads in the sand”. The Government must focus all its efforts on finalising its guidance, finalising its infrastructure, finalising its IT systems, and completing the negotiations, before it can point blame at companies for their lack of preparedness.

EU port preparedness

When the Committee asked Lord Agnew how well prepared the EU was for checks that are being implemented on 1 January, he told the Committee he did not know, nor was he able to tell the Committee whether EU ports will process vehicles from the UK at the same rate as now, nor how sensitive the UK’s Worse Case Scenario modelling was to the speed at which EU ports were going to process inbound vehicles.

He did tell the Committee that “part of the reason why we hope to get some sort of deal, [is] that will mean there is goodwill to get over the sorts of issues you are perfectly reasonably raising. We do not want to go into a hostile environment in January, because that will make life even more difficult.”

Can you confirm whether the EU ports are fully ready for their new checks coming into operation on 1 January, and if so, why the EU side is ready, when the UK side is not?

Can you confirm what assumptions the Government is currently working under with regard to the speed at which EU ports will be able to process inbound vehicles?

Do you agree with Lord Agnew that by agreeing a deal with the EU, it will allow there to be more goodwill, and less of a hostile environment, which would “make life even more difficult?” for EU side customs checks?

HMRC staffing

The Committee was told that HMRC estimate it needs “just over 7,000 additional staff for 1 January” and that “just under 6,000” had been recruited and trained.

Will you agree to provide us with fortnightly updates on how many of the final 1,000 vacancies have been filled, and will be fully trained and ready to work by 1 January?



Rt Hon. Mel Stride MP
Chair of the Treasury Committee

Annex – Extracts from Transcript citing questions where the Committee is still seeking further information.

Q.102: There is a very good schedule of each of the sites, with the number of lorry movements it is capable of handling on a daily basis. We will attach that to the minutes of this hearing,

Q. 111: The Government's reasonable worst-case scenario says, "Schengen passport controls at the juxtaposed controls could continue to cause disruption until the French relax checks or add more capacity to undertake checks." Are we relying on the French to relax checks or to add more capacity, or do we not know?

Lord Agnew: I do not know. I am focusing on our readiness here at the HMRC level. Your questions are perfectly reasonable and important, but you are asking the wrong person. I am sorry to duck the question.

Q. 112 What assumptions have we made of how quickly the French process paperwork? What sensitivity analysis have we done on that?

Lord Agnew: This is outside my area of expertise entirely.

Q120/121: Lord Agnew: Then the GVMS system has been out in beta with traders since about August this year. Rushanara Ali: If others want to write in to provide more detail, that would be helpful.

Q139. When—in each instance where the Border Operating Model states that more information will be available in due course—will the appropriate information be provided? [...] For the sake of time, will you send us extra information about those 13 and when they are expected to be resolved? If you could send us written information, that would be very helpful.

Lord Agnew of Oulton: Yes.

Q144 When will further guidance on exporting and importing plants be issued? At the moment there is none.

Lord Agnew of Oulton: I know you think I am the chief ducker of questions, but that is a Defra question. I will ensure we give you a written response in our follow-up document.

Q163 Can you update us on what you are hearing from colleagues on the numbers of vets?
Sophie Dean: We are hearing that positive progress is being made, but I suggest that we write to you with the specifics. We will consult with our Defra colleagues to make sure we have the precise numbers for you.

Q166 Harriett Baldwin: Can I ask about the prioritisation of day-old chicks, fish and shellfish from Scottish harbours to make sure they reach the relevant markets without any impediment? Do you have an update on your confidence level of that being achieved?
Lord Agnew of Oulton: It is called colloquially "fish and chicks," and it is a matter of high priority.

Rather than ad lib on it, I would rather give you a written response, because I know these are considered areas of particular sensitivity for obvious reasons. Let us give you a proper written response on that.

Q167 Harriett Baldwin: Will that written response include the power to compel French authorities to let shellfish and day-old chicks skip the queues? Lord Agnew of Oulton: That was discussed in the XO meeting I was part of in the last few days, but I cannot give you a specific answer on that. I will make sure we give you as clear an answer as we can.

Q176 Harriet Baldwin: : In your follow-up to us in writing, it would be helpful to know your perception of the current state of play in terms of customs agents compared to when Elizabeth de Jong gave us her evidence,

Q180 I am going to have to defer to DfT. I know there was a discussion in an XO meeting recently about special cameras that were going to be set up on the entrance to the M20, from memory. That is exactly the sort of thing you have in mind, but it would only be fair to you that we give you a bit more information in the written response.

Q181 Siobhain McDonagh: How will the smart freight system pick up people taking goods in vehicles other than lorries? : We will get you the full details from our colleagues in BPDG, who are leading on smart freight and “check an HGV is ready to cross the border”.

Q182 How will the smart freight system deal with false negative flags, when lorries do not have a smart freight permit because they are entering Kent but are not heading to the Dover border? The best idea is for us to give you that in written form from the Cabinet Office.