Lord Agnew Kt
Minister of State
HM Treasury and Cabinet Office
1 Horse Guards Road London SW1A 2HQ

Rt Hon Mel Stride MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

Our reference: MC2020/21500

By email

15 December 2020

Dear Mel,

Thank you for your letter of 22 October to the Chancellor regarding the Committee hearing on 13 October, at which I provided evidence. I have been asked to respond on the Chancellor's behalf. I am sorry for the delay.

You have asked for information on a number of issues relating to the border after the end of the transition period. As discussed during the hearing, the Chancellor of the Duchy of Lancaster has responsibility for cross-government EU Transition preparations for 31 December and I am working with the Financial Secretary to the Treasury to ensure HMRC's preparedness for the end of the transition period.

Information technology

The 'Check an HGV is Ready to Cross the Border' service is led by the Cabinet Office. A demonstration version of the web service has been made widely available so that companies and hauliers who will need to use it at the end of the transition period can practice with it in advance and offer further feedback. The service went live on 14 December 2020.

The government is prioritising delivery of a number of systems for GB trade for January, including:

- **CHIEF:** this will be the primary system for GB declarations and has already been scaled and tested to sufficient levels. To build in additional capacity we are further performance testing CHIEF to c.400m declarations per year. For January 2021 this will need to be used only by importers of controlled goods (c. 10% of trade) and for exporters.

- **S&S 20 (Safety & Security):** For January 2021 S&S declarations will not be required for goods moving from the EU but will continue to be submitted for existing ROW movements. External readiness is a residual, but manageable risk for existing

ROW declarations. Small changes are needed to existing external IT products and changes from the Software Developer community.

- **Transit (GVMS and NCTS):** To apply customs controls without impacting flow, and to support transit movements digitally at border locations. For GVMS, registration was opened to hauliers on 8 December, with communications guidance being published in advance of this on 2 December. The GVMS service will be launched on 23 December 2020.

- **EMCS:** For traders moving goods subject to excise duty within the UK. There is a medium risk that external software developers and Community Service Providers will not be ready, but their customers will be able to use the HMRC system until they have completed the changes. The delivery of CHIEF (the main customs declaration system for GB), S&S 20 (safety and security system), NCTS and EMCS systems are all on track for the key changes to be made by HMRC and software developers.

GVMS is a new service that, by integrating with carrier and HMRC systems, will apply customs controls (from July) without impacting flow and allow transit movements to pass through digitally at border locations (from January). Some ports may not want to offer the digital solution and can offer traditional paper processes. If GVMS delivery is delayed (either by HMRC or carriers/ports) then ports that want to offer Office of Transit will need to revert to a paper process.

HMRC is on track to complete delivery of the GVMS core service requirements needed for the end of the transition period on 31 December 2020. Further incremental releases will be delivered up to July 2021 when full controls are introduced in GB.

All priority ports, 24 in total, have formally responded to confirm their operating model at January of which 23 have confirmed that GVMS is the model of choice (Teesport has confirmed it will not be using GVMS). Where GVMS is the model of choice, we are working with the Ports and their Carriers to co-develop their technology and operating plans. Internal delivery confidence is high, but HMRC continues to develop contingencies in case GVMS is not fully delivered on time.

Border Operating Model

The Border Operating Model was published in July 2020, with an update on 8 October 2020. This update reflects an extensive programme of engagement with industry to understand where they felt detail was still required. The positive feedback received since publication demonstrates the extent to which this document provides extensive and detailed guidance that businesses can use to prepare for the end of the transition period.

HMG is working to resolve the small number of minor outstanding issues, however none of these should be considered barriers preventing traders and businesses from taking the necessary steps for the end of the transition period, and the comprehensive Border Operating Model will help them do that.

HMRC continues to work closely with industry to ensure they are engaging with the new requirements and can take the necessary steps to prepare, including through the latest public information campaign, cross-Government industry steering groups, webinars and events. BPDG also continue to deliver events in the EU in order to ensure businesses in Member States are clear on the new requirements.

The Government appreciates the need to provide traders with this information and is working with ports to expedite these commercial decisions. It is expected that Government will be able to publish this information later this month.

This information includes a UK Customs Office list that will detail locations available for transit, a list of non-inventory linked ports where controls for imports will not be needed January-July, and a list of locations implementing GVMS for Offices of Transit.

Northern Ireland Border Operating Model

The Border Operating Model covers trade between Great Britain and the EU only.

The Northern Ireland Protocol covers goods movements between Great Britain and Northern Ireland. Those movements are within the same customs territory, not across a border. However we are committed to providing detailed guidance for businesses on the arrangements for those movements. We began that process through the publication of detailed guidance in August. We are issuing further guidance on an ongoing basis as arrangements are finalised, including through discussions in the UK-EU Joint Committee. Indeed we have published more than 50 pieces of guidance over recent weeks, on important subjects such as GB-NI VAT arrangements and food labelling. We can certainly ensure that these materials are collated together and made available in a consolidated way.

As to the broader point raised, the Government has been clear in outlining its approach to implementing the Protocol in a pragmatic and proportionate way. That includes recognising Northern Ireland's integral place in the United Kingdom and its customs territory. To that end, the proposals we have set out will ensure that there are no tariffs payable on internal UK trade; that there is truly unfettered access for NI businesses to the whole of the UK market; and that Northern Ireland will benefit from the trade deals that the UK strikes with third countries. Trade to and from Northern Ireland and the EU will continue as it does now. The Protocol, and the underpinning principles that will guide its implementation, applies whether or not there is a free trade agreement between the UK and the EU.

The Government has also underlined its ongoing commitment to providing support for businesses in adapting to new arrangements. This includes the launch of the Trader Support Service to provide end-to-end support to traders, backed by £200m in funding. Those who sign up for the scheme will be able to receive guidance and support; it will also be able to record electronic information on goods movements so that traders do not have to engage directly with new digital customs systems or processes. Further measures of support are also being considered as regards agrifood trade, as set out in the August business guidance.

Further guidance will continue to be issued as required.

Reliance on customs agents

The end of the transition period will provide a market opportunity for the customs intermediary sector, but we recognise that the scale of the capacity increase needed is significant. The Government has therefore made over £80m of support available for businesses to help the sector scale up to meet the market demand. The grant scheme is being applied for at record levels and we have received over £32m of applications for the recent £50m tranche of funding since it opened on 29 July.

Recent direct engagement with the sector suggests the market is scaling significantly, with a number of those spoken to expecting around a 4-fold increase in their capacity. However, the Government continues to work with the industry to understand the support it needs and keeps this under constant review.

The staging of import controls on non-controlled goods will have a significant impact on managing flow at the border at the end of the transition period and gives both traders and the intermediary sector time to prepare for the full implementation of controls in July. Government continues to work closely with businesses to monitor capacity and will take further action if necessary.

Worst case scenario emergency measures

DfT and HMRC delivery plans ensure that all Inland Border Facilities will have adequate toilet facilities for drivers and any driver companions to use, including accessible and children toilets.

Kent Resilience Forum's (KRF) Driver Welfare plan is a multi-agency arrangement to consider the 'reasonable and proportionate' distribution of food water, medicine, warmth and sanitation to all traffic after they have been in a traffic queue for 4 hours. This timing is based on advice from Public Health England and the NHS. The KRF will also pre-deploy toilets to enhance the facilities at some of Kent's supermarkets.

Physical infrastructure

Within Kent, sites and buildings are up and running, with additional work underway to ensure additional facilities, such as inspection sheds, are in place to get these sites operational for January 2021. Two additional inland sites in strategic locations outside of Kent are being delivered in Birmingham and Warrington to provide extra capacity for January 2021. Work is progressing on these sites to be ready for the end of the transition period.

The number of inland sites required for January 2021 was reduced from previous plans as ports have been able to confirm they have the capacity to build the required infrastructure for January and July 2021, utilising the Port Infrastructure Fund. The Port Infrastructure Fund launched on 2 October 2020 and closed to applications on 30 October 2020.

Import controls for EU goods will be introduced in stages, which means that compliance and sanitary-phytosanitary (SPS) infrastructure will not be needed until July 2021.

The following is a list of every new physical site that is required to manage the UK's new border arrangements for January and July, as well as those still to be confirmed. They will all be operational by the dates indicated and together will meet the requirements for managing the UK's new border arrangements, as specified in the Border Operating Model.

Facility	Port Served	Site Go-Live Date
(Ashford) Sevington (DfT)	Dover & Eurotunnel	January 2021
Manston (DfT)	Overflow Site for Kent (When open, only Dover outbound will be diverted here)	January 2021
(Ashford) Waterbrook (HMRC) *Expected to only operate if Sevington is not fully operational e.g. an incident*	Dover & Eurotunnel	January 2021
Ebbsfleet (HMRC)	Dover & Eurotunnel	January 2021
North Weald (HMRC)	Dover & Eurotunnel	January 2021
Warrington (HMRC)	Contingency for Kent traffic (travelling that way), Holyhead & Rest of GB	January 2021
Birmingham (HMRC)	Contingency for Kent traffic (travelling that way), Holyhead & Rest of GB	January 2021
Stop 24 (HMRC)	Eurotunnel	January 2021 (TBC) *This is a commercially run site for customs clearance within which HMRC will be securing additional capacity.*
Dover Western Docks (HMRC)	Dover	January 2021 (TBC) *This is a commercially run site for customs clearance within which HMRC will be securing additional capacity.*
Dover Whitecliffs (DfT)	Dover	July 2021
Holyhead (HMRC)	Holyhead	July 2021

The Driver and Vehicle Standards Agency (DVSA) is installing two ANPR Weigh-In Motion Sensors (WIMS) sites in Kent to support enforcement of both Operation Brock and the ‘Check an HGV is ready to cross the border’ (C-HGV) service. The installations have commenced and are running to plan for delivery by early December. DVSA and Highways England are currently working to bring the delivery date forward of both sites so they can hopefully be operational earlier.

The connection work between DVSA ANPR, data capture systems and the C-HGV service is advanced, with DVSA's pathway built and tested awaiting the data flow from the Border, Protocol & Delivery Group in Cabinet Office. There are no known current issues and both parties are engaged several times a week to monitor progress.

Trader readiness

Border Operating Model

As set out above, the Border Operating Model was published in July 2020, with an update published on 8 October 2020. A comprehensive engagement and communication campaign is under way to raise business awareness and signpost support, including via social media, letter, 'phone calls, webinars and through industry representatives.

IT Systems in testing

IT systems are being tested by HMRC and trader test environments are available for the core systems (CDS, CHIEF and ICS) which allows traders to prepare. For GVMS, a 'sandbox' has been made available to traders since September to facilitate their development. From 14 December we have been working with carriers, operators and hauliers on end to end live testing.

As discussed in more detail above, HMRC is on track to complete delivery of the GVMS core service requirements needed for the end of the transition period on 31 December 2020.

Port Border Models

HMRC has been working with ports to understand their intentions to adopt GVMS and the pre-lodgement model. Work is also in train to confirm which ports wish to offer the Office of Destination or Departure function.

These are commercial decisions. It is expected that Government will be able to publish this information later this month.

Of the 24 major Roll-on Roll-off (RoRo) ports, all but one intends to use GVMS. Of those 23, there are eight where their level of confidence for 1 January is not yet where they want it to be, and they plan to operate a manual Office of Transit process for a temporary period, before moving onto GVMS. Whilst transit is well established, most locations do not currently operate an Office of Transit (as this takes place at points of entry into the EU customs territory). A manual Office of Transit process is more resource intensive and Border Force have confirmed that they will only be able to operate this process for up to three months, after which transit volumes will exceed their planned resourcing capability. The manual process will also add cost to the traders as ports charge for the added handling of containers/unaccompanied units

The phasing in of GVMS in these eight ports is due to the following:

- For 3 of these ports, it is because their carriers are not able to integrate with GVMS in time. We are confident they will do so within the first quarter of 2021.

- For the remaining ports, they are all inventory linked ports and at present GVMS does not have the functionality to link into their inventory management system. This would mean they would have to run GVMS and their inventory linking system in parallel. Their CSPs (Community Systems Providers) are working with us to complete this integration.

EU port preparedness

The readiness of EU ports, and the controls they will implement, is a matter for individual Member States which the UK Government has no control over. To help mitigate the risk on any impact on flow the UK Government is engaging with border industry colleagues in both the UK and EU to provide guidance on UK requirements as well as with the EU to secure similar clarity. We are also working to ensure systems minimise any disruption to the flow of freight between the UK and EU and limit traffic congestion caused by traders not having the correct documentation for customs controls.

Officials have held working and technical level discussions with colleagues in key Member States, including with France, who also have advanced preparations in place for the end of the transition period. This includes new infrastructure and recruitment of customs officers, immigration officers and vets to deal with increases in processing requirements.

HMRC staffing

HMRC is hitting key milestones within our internal recruitment and operational training schedule and are confident resources will be in place by 1 January 2021 as planned. In preparation for the end of the Transition Period, most permanent staff who were deployed onto business-as-usual activities are moving back into training for EU Transition work.

Where demand is short term or specialist HMRC are using a range of supply routes to meet resource requirements, including contingent labour and contractors. HMRC will be happy to provide updates on staffing. Internal reporting schedules are carried out on a monthly basis, and November and December figures can be provided from this.

I am copying this letter to the Chancellor of the Duchy of Lancaster and the Chancellor of the Exchequer.

Yours Sincerely,

Lord Agnew Kt