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Alex Chisholm
Civil Service Chief Operating Officer
and Cabinet Office Permanent Secretary
19 January 2021

Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
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Dear Chair

Response to PAC letter dated 1 December to Alex Chisholm

I write to you further to your letter of 1 December following the Public Accounts Committee's evidence session on the NAO's report, *UK Border 2020: Preparedness* on 23 November and my letter of 11 December responding to your specific points on readiness. Since you wrote, the transition period has of course ended.

I can confirm that our preparations for the end of the transition period were executed as planned. The necessary IT systems, infrastructure and staffing were in place on 1 January 2021, together with the necessary arrangements for managing and mitigating disruption. You will be aware that some of these arrangements were brought into early and effective action in dealing with the extreme traffic disruption in Kent before Christmas caused by the French closing the border completely for a period of 48 hours, and in supporting the subsequent requirements for hauliers to have a negative COVID test before crossing into France.

Due to the hard work of many in the haulage and trader community, as well as colleagues across Government, we have, so far, seen minimal actual disruption since the end of the transition period in terms of queues at ports, including at the Short Straits. However, it is inevitable that for a change of this scale there will be, and have been, specific issues that require work and resolution. There is much still to do to embed new systems and processes arising from our departure from the customs union as well as from new requirements for COVID testing - especially as volumes of flow start to return to normal. Since the end of the transition period we have been working round the clock to monitor flow and to identify and tackle issues and challenges as they have arisen as well as supporting businesses using the new systems and processes. For those businesses who had not prepared before the end of the transition period, we continue to offer help and support to make those preparations now. We continue to talk to the border industry every day, and we are listening to the 'on the ground' feedback they provide to make sure we can resolve any issues as soon as possible.

I have provided responses to your remaining recommendations below.

Improving trader readiness

You recommended that the Government step up engagement with traders, to help traders prepare for the end of the transition period. We agree with this recommendation and the Government has run extensive engagement and communication campaigns, produced guidance, and developed educational resources, working in collaboration across government departments.

We have now entered another crucial period where we recognise the need to work closely with industry partners. As a result, BPDG have invited stakeholders to daily calls during the first half of January in order to provide industry with ample opportunity to raise any concerns as well as providing partners with situational reporting from our command, control and communication system.

HMRC is engaging regularly with a wide range of stakeholders through a range of established communication mechanisms, delivering webinars and educational products such as videos, and will continue with social media and stakeholder communication campaigns. The next trader letter will go out to over 200k GB traders that trade with the EU only, or EU and RoW, towards the end of January.

HMRC continues to encourage traders to hire an intermediary to help with their new obligations and has published a list of customs agents and parcel operators on gov.uk and has developed a webinar on using an intermediary and a video is available on Youtube. Support has been provided to the intermediary sector through the customs grant scheme of £81m and a trader training grant of up to £1000 per organisation was also made available to support traders new to customs and who have therefore likely been exclusively trading with the EU.

Expanding the customs intermediary market

You recommended that 'Government should continue to monitor the customs intermediaries' market.' We agree with this recommendation and I am pleased to tell you that we continue to monitor both how the sector is responding, and the support on offer to help it further scale. We have regular engagement with the sector to understand how they are expanding, and how they are experiencing the changes due to the end of the transition period. Moreover, we have already commenced a second wave of surveying of the sector with Ipsos MORI to provide us with a clear and detailed sense of the sector's expansion and current work. This means that we are building a robust, continuous picture of the customs intermediaries market.

Regarding further immediate actions the Government can take to support expansion on the basis of its research, the Government has adopted a market-led approach to help the sector to scale as it meets the commercial opportunity arising from new customs controls. We continue to work with the sector to understand if further support is needed.

On new entrants to the market that are able to perform the role appropriately, the intermediary market is not regulated and clients are free to choose a provider that best delivers the service for them, including on quality and cost.

Regarding the value for money of the money spent so far, as stated above, we have made available over £80m to the sector through the customs grant scheme. All support provided to the sector has been managed and paid out in line with government procurement rules to ensure value for money. All grants have required proof of expenditure, and there are tight eligibility criteria and a rigorous multi-level and risk-based due diligence assessment process undertaken by the administrator and HMRC for each application submitted. It appears that intermediaries have responded well to the grant scheme funds by scaling significantly.

Managing disruption in the South East and its impact

You recommended clarity on the arrangements for hauliers travelling through Kent. We agree with this recommendation. Ahead of the end of the transition period the Government implemented an online “Check an HGV is ready to cross the border” service to enable hauliers planning to leave the country to clarify the requirements resulting from the new border arrangements, which was supported by measures to aid hauliers including a network of information and advice sites. The closure of the border by the French government on 21 December 2020 created new challenges.

The Kent Resilience Forum’s traffic management plans for the end of the transition period were implemented sooner than anticipated. The KRF deployed Operation Brock with HGVs held on the M20; Manston Airfield was opened to hold HGVs bound for Dover. The Government initiated messages to hauliers to avoid travelling to France through Kent during this period. This reduced the number of HGVs joining the queues in Kent.

The UK worked rapidly with the French government to agree a Protocol which would enable traffic between the UK and France to resume. The Government and the Kent Resilience Forum, with crucial assistance from the military, worked at pace to adapt Kent traffic management plans to the requirements and provide Covid testing, to clear the backlog. At the time of writing (15 January), the requirements for freight drivers to have negative Covid tests to enter France remain. The Government and the KRF continue to work together to adapt plans to these new circumstances, including providing Covid testing at the haulier information and advice sites. At the same time the requirements for hauliers to have the right border documentation for the goods they carry remain.

In the event of significant disruption, we are ready to deploy a contingency to prioritise goods based on specific criteria focusing on “high perishability”, “animal welfare concerns”, and a “disproportionate economic impact on a geographical area of the UK”. This would prioritise single loads of fresh and live seafood for human consumption and day-old chicks, utilising our Ebbsfleet site.

There is a separate contingency on which we have recently consulted to expedite empty food trucks returning to the EU to reload and return to the UK (the expedited return scheme). This scheme would only be operated in the event of significant disruption and a significant threat to UK food supply, where expected deliveries to major UK supermarkets fall below 75% of expected volume. This scheme would allow up to 300 empty trucks per day, which are border ready, to use the Brock contraflow between M20 J8-9.

The additional costs of new border requirements

On the additional costs to businesses as a result of the new border requirements, we agree with this recommendation which is why the Government published on gov.uk in October 2019 an impact assessment on the impact on businesses and individuals of introducing new customs legislation and amendments to existing VAT and excise legislation. This provides the position on costs for the new requirements.

The Northern Ireland Protocol

You recommended publication of guidance to enable traders moving goods into Northern Ireland to prepare. We agree with this recommendation. Since receiving your letter, there have been significant developments within the Withdrawal Agreement Joint Committee (JC). As the Chancellor of the Duchy of Lancaster set out in a statement to the House on 9

December, an agreement has now been reached on the implementation of the Northern Ireland Protocol. This agreement was formalised in a meeting of the JC on 17 December and reflects the constructive and collaborative discussions between both sides over recent months.

On 10 December, the Government's Command Paper, ‘The Northern Ireland Protocol’, was laid in Parliament. This provides details of the agreement reached regarding the implementation of the Protocol, as well as further information on the UK Government’s work to implement the Protocol and support businesses as it comes into force.

As you will recall, business guidance was first published in August and the Government has continued to update this throughout the transition period as arrangements were finalised. All outstanding pieces of guidance have now been issued and finalised and can be found at gov.uk. The guidance takes account of the UK-EU agreement at the Joint Committee on the implementation of the Northern Ireland Protocol.

In addition, HMRC has the systems in place to deliver the NI Protocol and successfully implemented a functioning model for the end of the transition period which facilitates the flow of trade between Great Britain and Northern Ireland.

HMRC has also procured a new Trader Support Service (TSS) which is educating traders on what they need to do and recording electronic information on goods moving from Great Britain to Northern Ireland on their behalf so that traders do not have to engage directly with new digital customs systems or processes. A supportive approach is being taken to businesses that are trying to get it right and taking reasonable care. We recognise that errors can occur, particularly when businesses are faced with new processes, as they are now.

We are continuing to work with stakeholders to ensure the smooth flow of trade.

Alex Chisholm

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