

HOUSE OF LORDS

European Affairs Committee

4th Report of Session 2021–22

One year on—Trade in goods between Great Britain and the European Union

Ordered to be printed 7 December 2021 and published 16 December 2021

Published by the Authority of the House of Lords

The European Affairs Committee

The European Affairs Committee was appointed to consider matters relating to the United Kingdom's relationship with the European Union and the European Economic Area, including the implementation and governance structures of any agreements between the United Kingdom and the European Union; to consider European Union documents deposited in the House by a minister; and to support the House as appropriate in interparliamentary cooperation with the European Parliament and the Member States of the European Union.

Membership

The Members of the European Affairs Committee are:

<u>Baroness Couttie</u>	<u>Earl of Kinnoull</u> (Chair)	<u>Lord Purvis of Tweed</u>
<u>Lord Faulkner of Worcester</u>	<u>Baroness Jolly</u>	<u>Viscount Trenchard</u>
<u>Lord Foulkes of Cumnock</u>	<u>Lord Lamont of Lerwick</u>	<u>Lord Tugendhat</u>
<u>Lord Hannay of Chiswick</u>	<u>Lord Liddle</u>	<u>Lord Wood of Anfield</u>
<u>Lord Jay of Ewelme</u>		

Further information

Publications, press notices, details of membership, forthcoming meeting and other information is available at: <http://www.parliament.uk/hleu>.

General information about the House of Lords and its Committees is available at: <http://www.parliament.uk/business/lords/>.

Committee Staff

The current staff of the Committee are Nick Boorer (Clerk), Dominic Walsh (Policy Analyst), Tim Mitchell (European Legal Adviser), and Samuel Lomas (Committee Operations Officer).

Contact Details

General correspondence should be addressed to the Clerk of the European Affairs Committee, Committee Office, House of Lords, London, SW1A 0PW. Telephone 020 7219 6083. Email hleuroaffairs@parliament.uk.

Twitter

You can follow the Committee on Twitter: [@LordsEUCom](#).

CONTENTS

	<i>Page</i>
Summary	3
Chapter 1: Introduction	5
Background	5
This inquiry	5
Chapter 2: Economic context	8
UK-EU trade flows	8
Fig. 1: UK imports of goods from EU and non-EU countries, excluding precious metals, August 2018 to August 2021	8
Fig. 2: UK exports of goods to EU and non-EU countries, excluding precious metals, August 2018 to August 2021	9
The impact of the COVID-19 pandemic	10
Fig. 3: Percentage of currently trading businesses that have reported experiencing challenges, weighted by count, December 2020 to April 2021	12
Labour shortages	13
Additional economic risks: Northern Ireland and fisheries disputes	14
Chapter 3: The TCA and the end of the transition period: impact to date	15
Overview	15
Adjusting to the new trading landscape	16
The varying impact on different businesses	16
Rules of origin	18
Concerns and adjustments	19
Sanitary and Phytosanitary (SPS) requirements	20
General concerns	21
Specific concerns	21
Potential solutions	22
Customs	23
Customs intermediaries	24
Further customs facilitations	25
VAT	25
Transporting goods	27
Market access	27
Groupage	28
Guidance and support	28
The SME Brexit Support Fund	29
EU Member State implementation of the TCA	30
Chapter 4: Delays to import controls	33
The decision to delay	33
Merits of the decision	34
Timing of the decision	36
The reasons for the decision	36
COVID-19	36
Government readiness	37
The consequences of the decision	37
Fiscal consequences	37

Asymmetric border	38
Business planning	39
Further delay	40
WTO compliance	42
Chapter 5: Preparedness for January and July 2022	44
Overview	44
January 2022: customs and rules of origin	45
Customs	45
Rules of origin	46
July 2022: SPS checks and controls	47
Cross-cutting issues	49
Government guidance and communications	49
Infrastructure, IT systems and staffing	50
EU trader readiness	53
Chapter 6: Longer-term questions	55
The UK's long-term approach to border controls	55
A lighter-touch border	55
The 2025 UK Border Strategy	56
Box 1: The 2025 UK Border Strategy	56
Digitisation and technology	57
Regulatory divergence	57
Conformity assessment	59
Summary of conclusions and recommendations	60
Appendix 1: List of Members and declarations of interest	68
Appendix 2: List of witnesses	69
Appendix 3: Call for evidence	71

Evidence is published online at <https://committees.parliament.uk/work/1508/trade-in-goods/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

SUMMARY

In his announcement of the signing of the Trade and Cooperation Agreement with the EU on 24 December 2020, the Prime Minister promised that UK companies would face “no non-tariff barriers to trade” with the EU and that the Agreement would enable even more business to be conducted between the UK and EU. Nearly one year on, this report examines the extent to which trade in goods between Great Britain and the EU has been supported by the framework provided by the TCA so far, and the challenges remaining.

There is early evidence in the available trade data of an initial reduction in trade with the EU following the implementation of the TCA on 1 January 2021, although there have been signs of some recovery in recent months. It is very difficult at this time to disentangle the impact of the end of the transition period from that of the COVID-19 pandemic. The falls in UK-EU trade are greater than those seen in trade with the rest of the world over the same period, though trade with the rest of the world has not had to cope with the same significant changes as trade with the EU. On the other hand, there is evidence that businesses face new and significant real-world challenges in trading with the EU that cannot be attributed to the pandemic, even if the two issues are difficult to distinguish at a macroeconomic level.

Despite the aspirations of last December, businesses have been faced with significant additional administrative burdens and, in some cases, delay affecting trade with the EU since the end of the transition period. These include compliance with rules of origin, complex Sanitary and Phytosanitary (SPS) and customs requirements, new VAT requirements, and haulage restrictions. Although there has undeniably been some adjustment over the year as initial “teething problems” subsided, many of these challenges and costs are inherent in the new relationship with the EU and are unlikely to be eliminated with further time or experience. However, we do identify several areas where processes could be smoothed through further dialogue with the EU. This is particularly important in the SPS area, where we call on both the UK and EU to show flexibility in order to reach a more comprehensive agreement.

These burdens have fallen particularly heavily on small and medium-sized enterprises (SMEs), who have fewer resources to draw upon in adjusting to this structural reconfiguration of the trading landscape. While Government guidance has improved after taking business feedback on board, we are concerned that what little financial support for adjustment that was available, through the SME Brexit Support Fund, has now been withdrawn. We urge the Government to reinstate the fund, with wider eligibility criteria to ensure small businesses can access the support they need.

British exporters are also concerned about the inconsistent application of the new rules by different EU Member States. This requires significant extra time and resources to navigate effectively, the burden of which again falls disproportionately on SMEs. We urge the Government to continue to engage with the EU and the Member States to reduce the impact of these disparities.

A further area of interest to our inquiry was the delay to the introduction of many of the UK’s own import controls, which are now scheduled for 1 January 2022 and 1 July 2022. There is disquiet among some GB businesses about the ongoing asymmetry in the border regimes, with GB exporters to the EU facing

a far more rigorous import regime than that faced by EU business sending goods to GB. Additionally, the repeated delays risk giving some businesses the impression that these controls may never be implemented, risking widespread non-compliance, and have interfered with the planning process, costing both time and money.

The Committee investigated the level of preparedness for the ultimate introduction of these import controls and found some nervousness about whether the necessary port infrastructure would be ready in time. Ahead of the imminent introduction of full customs declarations and additional paperwork requirements for rules of origin, we are also worried about business compliance with the new requirements when they are introduced. We therefore support the Government's intention to take a pragmatic and supportive approach to enforcement as the new systems bed down.

Looking to the long-term, the Government has signalled its intention to implement a lighter-touch border regime in its drive to operate the “best border in the world” under its 2025 UK Border Strategy. We welcome this approach and share the Government's hope that this will lead to reciprocal simplification of the border regime on the EU side. This is but one area in which the Government has indicated its desire to diverge from the EU's regulatory framework. Although businesses are not opposed to this approach in principle, we note that support for divergence varies from sector to sector. We welcome the Government's undertaking to consider the impact on trade before diverging from the EU.

The Committee finds that, so far, trading with the EU has become more complex and burdensome for businesses since the implementation of the TCA on 1 January 2021. We note the difficulties in drawing definitive conclusions from the available UK-EU trade data. We recognise also the Government's efforts to date to find solutions and support business to adapt. But it is clear that there is still much to do if the UK is to develop a mutually beneficial and efficient trading relationship with its neighbours in the EU.

One year on—Trade in goods between Great Britain and the European Union

CHAPTER 1: INTRODUCTION

Background

1. The EU-UK Trade and Cooperation Agreement (TCA)¹ was agreed on 24 December 2020 and entered into force on 31 December 2020, four and a half years after the result of the UK's referendum on EU membership. The TCA established the foundation for a trading relationship between the UK and the EU, among other matters. This reflected the UK's status as an independent third country following its departure from the EU on 31 January 2020 and the end of the subsequent transition period on 31 December 2020.²
2. Announcing the agreement of the TCA on 24 December 2020, the Prime Minister stated that “there will be no non-tariff barriers to trade” and that it was “a deal which will if anything ... allow our companies and our exporters to do even more business with our European friends.”³

This inquiry

3. In January 2021, the predecessor to this Committee, the House of Lords EU Select Committee, launched a coordinated series of inquiries analysing the TCA and its implications for the future of UK-EU relations. Among these was a report entitled ‘Beyond Brexit: Trade in Goods’⁴ based on an inquiry undertaken by the EU Goods Sub-Committee, which concerned trade in goods and connected issues between January and March 2021.
4. This subsequent inquiry into trade in goods between Great Britain (GB) and the EU was conducted by the European Affairs Committee between September and December 2021. The Committee launched the inquiry and issued a call for evidence on 20 September, receiving 17 written submissions. The Committee held five oral evidence sessions, hearing from a total of 13 witnesses, including the Paymaster General, Rt Hon Michael Ellis QC MP, for the Government. During this period, Rt Hon Lord Frost, Minister of State at the Cabinet Office with responsibility for EU relations, also appeared before the Committee to provide a general update on the UK's relationship with the EU; the Committee took the opportunity to ask him questions

-
- 1 Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (24 December 2020): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf [accessed 30 November 2021]
 - 2 A detailed explanation of the background and implementation of the TCA can be found in European Union Committee, *Beyond Brexit: the institutional framework* (21st Report, Session 2019–21, HL Paper 246)
 - 3 Prime Minister's Office, 10 Downing Street, ‘Prime Minister's statement on EU negotiations: 24 December 2020’, (24 December 2020): <https://www.gov.uk/government/speeches/prime-ministers-statement-on-eu-negotiations-24-december-2020> [accessed 1 December 2021]
 - 4 European Union Committee, *Beyond Brexit: Trade in Goods* (24th Report, Session 2019–21, HL Paper 249)

relevant to this inquiry, and his responses have also been included in this report where appropriate. A full list of the evidence we received can be found in Appendix 2. We are grateful to all who contributed.

5. This inquiry commenced some nine months after the implementation of the TCA and specifically examined the general consequences of its implementation on GB-EU trade to date; successive delays to the implementation of checks and controls on EU imports into Great Britain, most recently on 14 September 2021; the effect of this ongoing ‘asymmetry’ in the regimes applied to goods imported from the EU versus those exported to the EU; how consistently checks and controls on exports from Great Britain have been applied by the 27 individual EU Member States; and general preparedness at all levels and across all stakeholder groups for the delayed introduction of import checks and controls from 1 January and 1 July 2022.
6. This report does not cover trade between the EU and Northern Ireland, which is governed by the Protocol on Ireland/Northern Ireland (the Protocol) under the Withdrawal Agreement and faces a very different set of issues. Nor does it cover trade between GB and Northern Ireland. Issues concerning the Protocol and its implementation are primarily the domain of this Committee’s Protocol on Ireland/Northern Ireland Sub-Committee and fall outside the scope of this inquiry.
7. Neither does the report consider the wider impact of the UK’s withdrawal from the EU beyond trade in goods, for example the new restrictions on trade in services, or the ending of the free movement of workers between the UK and the EU. Although we offer some brief analysis of the relationship between the recent labour shortage problems and the trade in goods, considerations of the impact of other UK-specific, as well as wider continental and global labour trends in this area, similarly fell outside the scope of this inquiry.
8. Government responsibility for the issues covered in this report is diffuse and complex. In his letter dated 25 November 2021, the Paymaster General explained the different departmental competencies:

“The Cabinet Office plays a central convening role in respect of the border, in recognition of the fact that the border is a complex system encompassing the interests of many departments. Departments whose Ministers exercise responsibility for different aspects of the border include HM Treasury / HM Revenue and Customs (customs policy and administration), the Department for the Environment, Food and Rural Affairs (the regime for Sanitary and Phytosanitary checks, and for chemicals and other controlled goods), the Home Office (security and immigration policy, and operational delivery at the border through Border Force), the Department for Transport (transport issues related to border disruption), and the Department for International Trade (export promotion).”⁵
9. **We note the complexity and diversity of Government departmental responsibilities for matters related to GB-EU trade in goods. It is vital that the coordinating role played by the Cabinet Office is**

5 Letter dated 25 November 2021 from Rt Hon Michael Ellis QC MP, Paymaster General, Cabinet Office to Lord Kinnoull, Chair, European Affairs Committee: <https://committees.parliament.uk/publications/8030/documents/82745/default/> [accessed 1 December 2021]

exercised effectively to prevent this diffuse spread of competencies from causing practical problems.

10. This inquiry took place against the backdrop of ongoing tensions between the UK and EU over both the operation of the Protocol on Ireland/Northern Ireland, and specifically the Government's indications that it may be prepared to invoke Article 16 of the Protocol; and, separately, the implementation of the fisheries arrangements introduced by the TCA.
11. We did not take significant evidence on these two disputes, which remain unresolved and have yet to have systemic impact on the flow of goods between the EU and GB—and may not do so for several months, if at all. However, if these issues are not resolved, either of them could ultimately lead to future disruption to the trade in goods between GB and the EU, for example, through the imposition of tariffs or even the suspension or termination of the TCA.
12. Regarding the dispute over the Protocol, the Paymaster General said that he did not think “the purported suspension of the TCA [by the EU] is very likely”, but added that the Government had “robust contingencies” in place.⁶ In a letter to the Committee dated 25 November, he further added that these contingencies included “verifying that the continuity of supply for critical goods... is maintained,” as well as existing contingencies such as Operation Brock, a traffic management system which was deployed during the COVID-19 related disruption at the border in December 2020.⁷

⁶ [Q 87](#) (Michael Ellis MP)

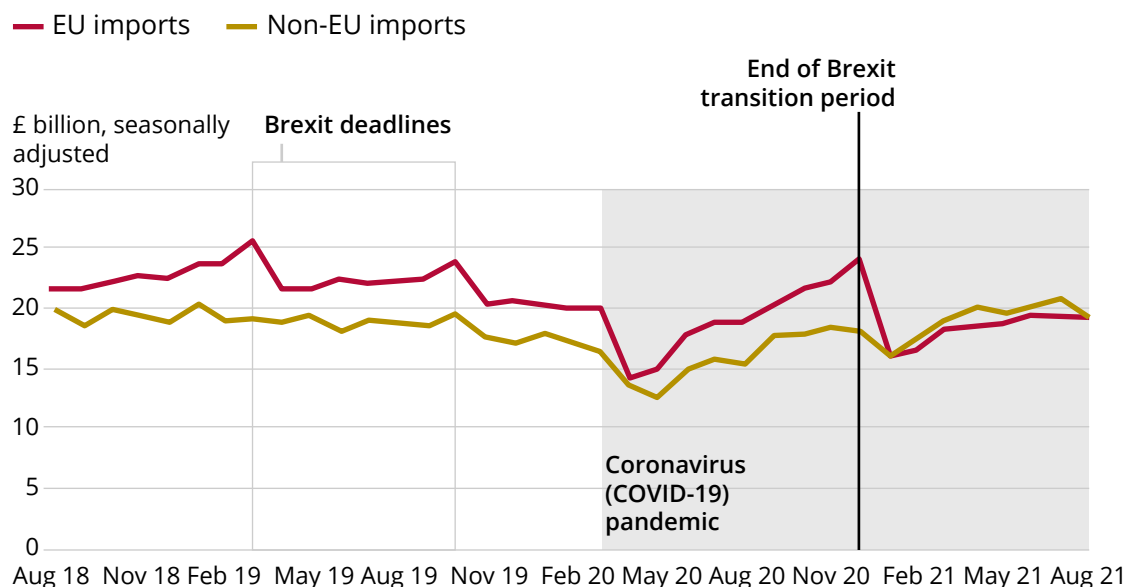
⁷ Letter dated 25 November 2021 from Michael Ellis MP, Paymaster General, Cabinet Office to Lord Kinnoull, Chair, European Affairs Committee: <https://committees.parliament.uk/publications/8030/documents/82745/default/>

CHAPTER 2: ECONOMIC CONTEXT

UK-EU trade flows

13. In terms of the impact of the transition period and the implementation of the TCA on trade flows, official trade statistics show that there was a sharp drop in UK-EU trade immediately after the end of the transition period, with a partial recovery since.⁸ This is illustrated by the graphs below (Fig.1 and Fig. 2), submitted to us in evidence by the Office for National Statistics (ONS).⁹
14. As the National Audit Office (NAO) has concluded in a report published on 5 November 2021, these statistics demonstrate that “The UK’s trade with the EU fell significantly during the first quarter of 2021 but had partially recovered by the second quarter.”¹⁰ Elly Darkin, Senior Associate at Global Counsel, saw this sharp drop and incomplete recovery as evidence that the TCA had had “a chilling effect on EU-UK supply chains” as a result of the TCA and the end of the transition period.¹¹

Fig. 1: UK imports of goods from EU and non-EU countries, excluding precious metals, August 2018 to August 2021



Source: Written evidence from the Office for National Statistics ([TIG0012](#))

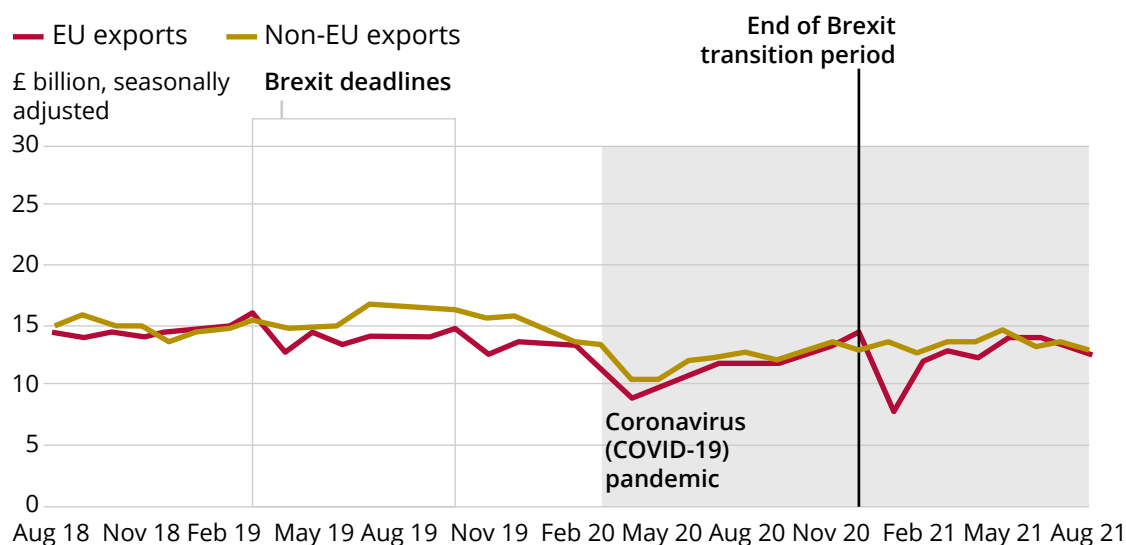
8 Although this report focuses on trade between specifically Great Britain and the EU, the available trade statistics are for UK-EU trade (that is, including Northern Ireland). Given Northern Ireland’s small economic size within the UK, however, it seems unlikely that its different trading relationship with the EU will have a significant effect on the UK-wide figures. Analysis of HMRC trade data collated by the House of Commons Library suggests that in 2019, Northern Ireland made up 3.2% of UK goods exports to the EU and 1.9% of UK goods imports from the EU. See House of Commons Library, Statistics on UK-EU trade, [Briefing Paper 7851](#), 10 November 2020

9 Written evidence from the Office for National Statistics ([TIG0012](#))

10 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021), p 10: <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

11 [Q 1](#) (Ellie Darkin)

Fig. 2: UK exports of goods to EU and non-EU countries, excluding precious metals, August 2018 to August 2021



Source: Written evidence from the Office for National Statistics ([TIG0012](#))

15. The ONS has previously highlighted evidence that firms stockpiled goods in the run-up to the end of the transition period, creating a sharper rise and then fall in UK-EU trade; as such, they stress that “the decreases seen in Quarter 1 2021 should be taken in the context of the increases seen in Quarter 4 2020”.¹²
16. The ONS data also appears to show that the reduction in trade flows has been more long-lasting for imports from the EU than exports to the EU, with exports recovering further and faster—despite hitherto facing greater trade barriers due to the asymmetry of checks and controls. According to the Office for Budget Responsibility (OBR)’s October 2021 Economic and Fiscal Outlook, which is based in part on ONS statistics, UK exports of goods to the EU fell by 45% in January 2021 and had recovered to a level 15% below the end of the transition period by August 2021, whereas UK imports of EU goods only fell by 30% in January 2021 but were still down by 20% by August 2021.¹³ The ONS also highlighted to us that UK imports of goods from the EU were consistently lower than UK imports of goods from outside the EU from January to August 2021, having been consistently higher throughout 2018, 2019 and 2020.¹⁴
17. Different explanations were posited for this uneven recovery and the varying impact reported in the evidence we received:

12 Office for National Statistics, *The impacts of EU exit and the coronavirus on UK trade in goods* (25 May 2021): <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/theimpactsofeuexitandthecoronavirusonuktradeingoods/2021-05-25> [accessed 30 November 2021]

13 Office for Budget Responsibility, *Economic and fiscal outlook – October 2021* (27 October 2021), p 58: <https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/> [accessed 30 November 2021]

14 UK exports of goods to the EU have also been lower than UK exports of goods to non-EU destinations for 7 out of the 8 months from January to August 2021, but unlike for imports this is not a new development, as exports of goods to non-EU destinations were also higher than those to the EU for most of 2018, 2019 and 2020. See written evidence from Office for National Statistics ([TIG0012](#)).

- UK firms have no choice but to work with the additional barriers if they wish to continue trading with the EU whereas EU traders have a far wider choice of alternative markets.¹⁵
 - Alternatively, Dr Anna Jerzewska, Director of the Trade and Borders consultancy, said that the disparity between the recovery of imports and exports was “not consistent with what I have seen”, and may simply be “one of these questions where we have a bit of a disconnect between the macroeconomic level and what we are seeing on the ground.”¹⁶
18. There are also additional confounding factors, which further complicate analysis of the trade data:
- As discussed in paragraphs 20–31, and as has been stressed by the ONS and the OBR, it is extremely difficult to disentangle the impact of the COVID-19 pandemic from that of the UK’s departure from the EU, or to assess the extent to which current trading disruption may reflect long-term supply chain adjustments.¹⁷ The data sets and evaluation metrics vary between different sectors and organisations.¹⁸
 - The data is collected at different points in the year, reflecting varying trade flows throughout the year.¹⁹
19. Such a complex and rapidly changing trading environment adds weight to the prediction made by Sam Lowe, Senior Research Fellow at the Centre for European Reform, that “there will come a time when comparing pre-TCA and post-TCA is not helpful”.²⁰

The impact of the COVID-19 pandemic

20. As alluded to in the first section of this chapter, the task of analysing the economic impact of the TCA and the end of the transition period has been complicated by the impact of the COVID-19 pandemic. William Bain, Head of Trade Policy at the British Chambers of Commerce, explained, “We had a huge shock to global demand ... we had problems such as global shipping costs ... There has been a perfect storm caused by Brexit and COVID coming together at the same time.”²¹
21. For the ONS, this has made it “difficult to fully detangle [sic] the impact the coronavirus and EU exit had on UK and international trade while they are still having an influence.” The ONS also stresses that 2021 trade trends are

15 [Q 1](#) (Joe Marshall)

16 [Q 50](#) (Dr Anna Jerzewska)

17 Written evidence from Office of National Statistics ([TIG0012](#)); Office for Budget Responsibility, Economic and fiscal outlook – October 2021 (27 October 2021), pp 59-60: <https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/> [accessed 8 December 2021]

18 To give one example, the Centre for European Reform think-tank has modelled the economic impact of Brexit against a hypothetical ‘doppelganger UK’ which remained in the Single Market and customs union. Its most up-to-date modelling, including figures for September 2021, shows a reduction of 11.2% in the UK’s trade in goods with the EU compared to the ‘doppelganger UK’, equivalent to £8.5 billion.

19 [Q 3](#) (Ellie Darkin)

20 [Q 1](#) (Sam Lowe)

21 [Q 21](#) (William Bain)

best compared with 2018, “the most recent period in which relatively stable trade patterns were observed.”²²

22. Comparisons between EU and non-EU trade during 2021 are one possible way of shedding light on the subject. Citing ONS trade data, the OBR’s October 2021 Economic and Fiscal Outlook noted that while goods trade with the rest of the world had recovered to 7% below 2019 levels by August 2021, trade with the EU was still 15% down over the same period. The OBR concluded, however, that while “the evidence so far suggests that both import and export intensity have been reduced by Brexit, with developments still consistent with our initial assumption of a 15 per cent reduction in each”, it is “too early to reach definitive conclusions” given the pandemic, delays in the full implementation of the TCA (notably the introduction of full UK import controls), the time needed for businesses to adjust, and the general volatility of trade data.²³
23. Similarly, the NAO has noted that the fall in EU trade has been greater than the fall in non-EU trade but agreed that “it is not possible to disentangle the extent to which these changes related to EU Exit and the effect of the pandemic”.²⁴ Several witnesses agreed with this analysis.²⁵
24. Nevertheless, the ONS’ Business Insights and Conditions Survey shows that businesses perceived the end of the transition period as a much more significant factor than the pandemic in terms of the challenges they faced in importing and exporting in the early months of 2021. This is reflected in the chart below, submitted to us in evidence by the ONS.²⁶

22 Office for National Statistics, *The impacts of EU exit and the coronavirus on UK trade in goods* (25 May 2021); <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/theimpactsofeuexitandthecoronavirusonuktradeingoods/2021-05-25> [accessed 30 November 2021]; see also Q 21 (Luke Hindlaugh).

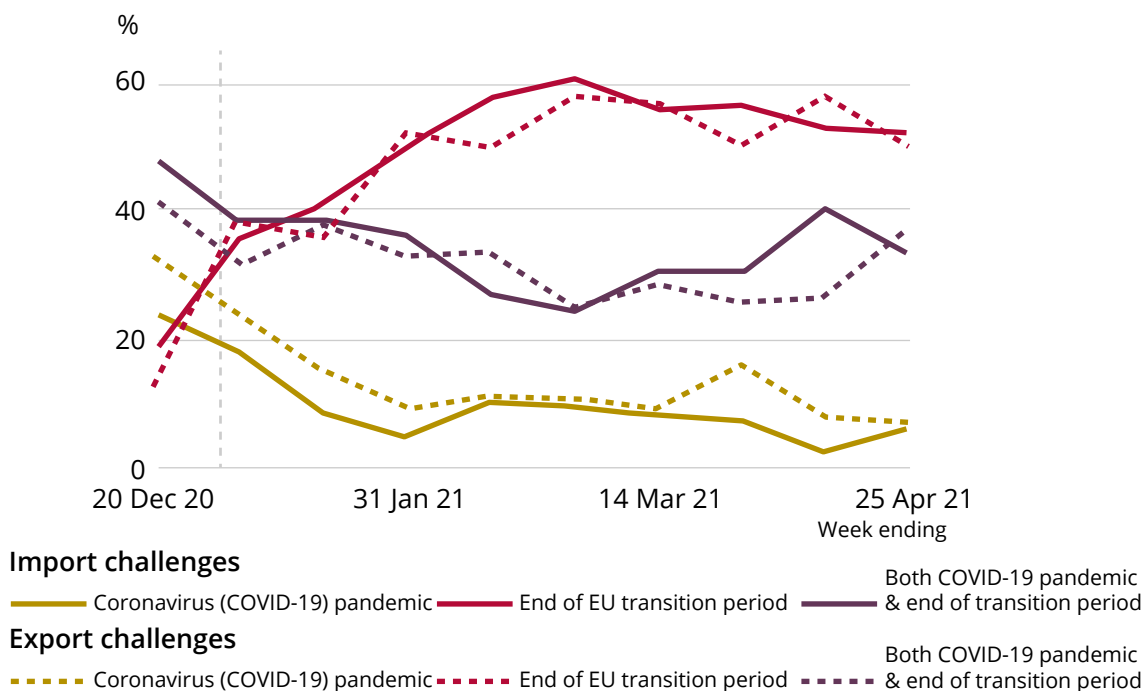
23 Office for Budget Responsibility, *Economic and fiscal outlook — October 2021* (27 October 2021): <https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/>, pp. 59-60 [accessed 8 December 2021]

24 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

25 Q 1 (Joe Marshall); Written evidence from Dr Terence Huw Edwards and Dr Mustapha Douch (TIG0001)

26 Written evidence from the Office for National Statistics (TIG0012)

Fig. 3: Percentage of currently trading businesses that have reported experiencing challenges, weighted by count, December 2020 to April 2021



Source: Written evidence from the Office for National Statistics ([TIG0012](#))

25. Not all sectors have been equally affected, however. ADS, which represents the aerospace, defence, security, and space sectors, had seen “no significant disruption to production or flow of goods ... due to COVID suppressing demand over the last year and a half.”²⁷
26. The difficulties in disentangling the impact of Brexit and COVID-19 in the trade data, however, should not obscure the challenges companies are facing on the ground, the causes of which are easier to identify. James Sibley, Head of International Affairs at the Federation of Small Businesses, said that “structural issues” such as rules of origin requirements and VAT issues “are things that, obviously, are not related to COVID.” Similarly, Dr Anna Jerzewska, Director of the Trade and Borders consultancy, drew a distinction between the “macroeconomic perspective”, where distinguishing Brexit and the pandemic was “difficult and problematic”, and areas such as customs, where “it is very, very clear what is Brexit related ... and what is not.”²⁸
27. A further complicating factor is that the pandemic’s effect on trade has not been universally negative. For example, there have been spikes in the trade of certain products, such as pharmaceuticals and personal protective equipment.²⁹ Emma Churchill, Director-General of the Border and Protocol Delivery Group in the Cabinet Office, even suggested that the pandemic, rather than Brexit, could also explain the disparities between EU and non-EU trade:

“It is the case that non-EU imports have been higher than EU imports for a number of months. If you look at what the ONS has to say about that,

27 Written evidence received from the ADS ([TIG0003](#))

28 [Q 36](#) (Dr Anna Jerzewska, Sarah Laouadi).

29 [Q 1](#) (Sam Lowe) and [Q 59](#) (Sophie Dean)

though, we think some of it might be just that the types of goods that were being imported during the pandemic period—PPE, for example—also had an effect on where those goods might be originating [from].”³⁰

28. In terms of the Government’s view of the situation, the Paymaster General, Michael Ellis MP, said it was “axiomatic that the effect of the pandemic will have had a deleterious effect on trade and industry”, and also cited “global supply chain issues” seen in other countries, concluding that he did not think it was “possible to disaggregate” these issues from one another.³¹
29. **We note that the available Office for National Statistics (ONS) trade figures suggest that there was a sharp fall in UK-EU trade immediately after the end of the transition period, with a partial recovery since. However, this trade data should be interpreted with caution, given the complications created by the COVID-19 pandemic, stockpiling before the end of the transition period, and the general difficulties in interpreting volatile trade data shortly after the fact. While it seems clear that the imposition of trade barriers had a pronounced initial impact on trade flows, more time is needed to fully assess the macroeconomic impact of Brexit on UK-EU trade in goods.**
30. **We agree with our witnesses that, at a macroeconomic level, it is very difficult to fully disentangle the impacts of Brexit and the COVID-19 pandemic on UK-EU trade so far. We do note that the falls in UK-EU trade seen this year are greater than those seen in UK trade with the rest of the world, but trade with the rest of the world has not had to cope with the same significant changes as EU trade. It will take time before a proper comparison can be made.**
31. **Nevertheless, difficulties in interpreting macroeconomic trade data should not obscure the challenges and extra costs that some companies have faced on the ground, which are little to do with the pandemic and are instead a direct result of the new non-tariff barriers associated with the end of the transition period.**

Labour shortages

32. As well as the impact of COVID-19, our inquiry took place amid concerns over serious labour shortages in the UK economy, regularly reported in sectors such as road haulage, hospitality, and tourism, which have had a concomitant effect on supply chains. The causes of labour shortages are myriad and a full analysis of them is beyond the scope of this inquiry. However, in this section we make some brief comments on the linkages between the labour shortages and GB-EU trade in goods.
33. Sarah Laouadi, Head of International Policy at Logistics UK, took the view that the labour shortages on the one hand and the TCA’s erection of barriers to trade with the EU on the other “are two distinct issues, but they are affecting the logistics industry simultaneously.”³² Joe Marshall, on the other hand, said that while “the most obvious effect of Brexit is around the availability of labour,” non-tariff barriers could also be exacerbating the problem:

30 [Q 59](#) (Emma Churchill)

31 [Q 83](#) (Michael Ellis MP); see also [Q 59](#) (Emma Churchill).

32 [Q 54](#) (Sarah Laouadi)

“We have heard anecdotal evidence that, where EU drivers have a choice of operating into the UK or EU, it is less attractive to operate into the UK now because you have to deal with all the different customs requirements when moving goods, particularly back into the EU but also some going into Great Britain ... Risks of delay affect some parts of the haulage sector, as some driver pay is based on distance travelled, not just time spent.”³³

34. In the same vein, Sam Lowe asked, “if you [as a haulier] are operating in a tight labour market and you are able to choose the jobs you take on, why would you choose the one that comes with a very large, additional administrative burden ... ?”³⁴
35. Sarah Laouadi, however, said that it was “difficult to distinguish the weight of Brexit” from “other reasons” for which EU drivers might have left the UK; for example, “because they wanted to spend the pandemic closer to their family in their home country.” She also stressed that, as “in any profession”, people have retired or left the industry for personal reasons, and that the pandemic “interfered with driver testing” and thus exacerbated labour shortages.³⁵
36. In terms of the effects of these labour shortages on UK businesses (in addition to the visible impact on supply chains), Logistics UK saw these as “creating significant challenges for companies to maintain their day-to-day operations, thus using up resources that could otherwise be dedicated to preparations for the upcoming import controls.”³⁶ Dr Anna Jerzewska argued that it further disincentivised EU investment in the UK economy: “when EU companies are deciding whether they want to extend contracts with UK clients or suppliers ... this becomes an overall picture of how difficult it is to trade with the UK at the moment.”³⁷
37. **The ongoing labour shortages add additional complexity to the multiple challenges facing supply chains and may have been further exacerbated by the new non-tariff barriers to trade. The Committee welcomes the Government’s efforts to address these problems in the short term but urges continued focus and attention to ensure that it does not further hinder business in adapting to trading as a third country with the EU.**

Additional economic risks: Northern Ireland and fisheries disputes

38. Ongoing disputes between the UK and the EU over the implementation of the Protocol on Ireland/Northern Ireland and over fisheries matters present additional areas of potential economic risk for trade in goods. However, as discussed in paragraphs 10-11, this inquiry did not take significant evidence on these matters.

33 [Q 11](#) (Joe Marshall)

34 [Q 11](#) (Sam Lowe)

35 [Q 54](#) (Sarah Laouadi)

36 Written evidence from Logistics UK ([TIG0010](#))

37 [Q 55](#) (Dr Anna Jerzewska)

CHAPTER 3: THE TCA AND THE END OF THE TRANSITION PERIOD: IMPACT TO DATE

Overview

39. Although the TCA allows for goods to be traded between Great Britain and the EU without tariffs,³⁸ traders have faced significant non-tariff barriers since it came into force on 1 January 2021. The November 2021 report from the NAO states that, “as a result of leaving the EU Single Market and customs union, businesses face additional burdens, which will increase further as full import controls are phased in.”³⁹
40. There was a strong consensus among our witnesses that the new requirements had made GB-EU trade in goods more difficult. Dr Anna Jerzewska of Trade and Borders summarised the position succinctly: “it is now more expensive and more complicated to trade with the EU, both ways”.⁴⁰ Indeed, certain business groups warned us that the new requirements risked discouraging GB-EU trade in both directions, particularly for small businesses. William Bain of the British Chambers of Commerce said that these new non-tariff barriers “have acted as major disincentives to cross-border trade that simply were not there before 1 January”.⁴¹
41. Emma Churchill from the Cabinet Office acknowledged that the TCA “meant major changes for those who are moving goods in and out of the country.”⁴² She did, however, stress that the “reasonable worst-case scenario” that the Government prepared for had not materialised—a point which was also highlighted in evidence we received from business groups.⁴³
42. The verdict of the NAO was that, in “a very challenging set of circumstances”, it was “a significant achievement” by the Government and third parties to collectively deliver “the initial operating capability needed at the GB–EU border.” They added, however, that “this capability was achieved in part using temporary measures”, such as delaying import controls, implementing other easements, and providing financial support.⁴⁴
43. The Paymaster General, Michael Ellis MP, told us that “thanks to the excellent work” done in preparation for the end of the transition period, “the situation was a very satisfactory one”, though he added, “that does not mean that there are no issues ... these are systemic changes”.⁴⁵ The Minister believed, however, that the “initial outlay of cost in order to help businesses

38 Provided that the TCA’s Rules of Origin criteria are met –see paragraphs 60–66.

39 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021], p. 10

40 Q 33 and Q 35 (Dr Anna Jerzewska)

41 Q 16 (William Bain); see also written evidence from the Institute of Directors (TIG0007).

42 Q 56 (Emma Churchill)

43 Q 56 (Emma Churchill); see also National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021), p. 9: <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021], Q 16 (William Bain); written evidence from Logistics UK (TIG0010).

44 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021), p. 16: <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 8 December 2021]

45 Q 82 (Michael Ellis MP)

acclimatise” would ultimately be recovered by the “myriad opportunities” of Brexit.⁴⁶

Adjusting to the new trading landscape

44. It became clear during this inquiry that some of the problems experienced in the first few months of 2021 had subsided, as businesses adjusted to the new trading landscape. Logistics UK, for example, told us that as businesses had acquired more experience, “some of the issues that were labelled as ‘teething problems’ subsided during the first quarter of the year.”⁴⁷
45. Equally, however, it was clear that this adjustment could only go so far. Several witnesses drew a distinction between short-term ‘teething’ problems related to readiness, which had largely passed, and long-term ongoing costs, which had not.⁴⁸
46. Logistics UK emphasised that these long-term costs “won’t be eliminated with time or experience”,⁴⁹ as they are “part of the new post-Brexit trading landscape with the EU”.⁵⁰ The Institute of Directors, citing member survey data, told us that 68% of businesses surveyed in September 2021 said they had experienced increased costs in trading with the EU, somewhat down on the corresponding figure for January 2021 (79%).⁵¹
47. Some witnesses also stressed that it was still too early to fully judge the impact of the end of the transition period, as the delays to the introduction of GB import controls on EU goods (see Chapters 4 and 5) meant that GB-EU trade was “not yet at a steady state”.⁵²
48. The Government’s characterisation of the degree of adjustment was similar. Emma Churchill said that there was “no doubt” that there had been “a whole range of what you might call teething problems” in January, and that the Government had “worked very intensively” to address these. She added, however, that some businesses had “continued to face challenges”, and that these were “certainly connected to the new processes that are new requirements under the new system”.⁵³

The varying impact on different businesses

49. We also heard that the impact of the end of the transition period and the TCA on different businesses had varied considerably. Joe Marshall summarised this as follows: “The impact varies a lot between firms based on the sector they are in, their size, their experience of... [non-EU] trade previously and how much they have been exposed to some of the COVID and supply chain disruption.”⁵⁴
50. It became clear that smaller businesses had generally fared worse. James Sibley of the Federation of Small Businesses said that trading under the

46 [Q 82](#) (Michael Ellis MP)

47 Written evidence from Logistics UK ([TIG0010](#)); see also [Q 33](#) (Sarah Laouadi), [Q 35](#) (Dr Anna Jerzewska).

48 [Q 2](#) (Joe Marshall); [Q 31](#) (Luke Hindlaugh)

49 Written evidence from Logistics UK ([TIG0010](#))

50 [Q 33](#) (Sarah Laouadi); [Q 4](#) (Sam Lowe)

51 Written evidence from the Institute of Directors ([TIG0007](#))

52 [Q 1](#) (Joe Marshall); see also [Q 19](#) (Luke Hindlaugh).

53 [Q 58](#) (Emma Churchill)

54 [Q 1](#) (Joe Marshall); see also [Q 1](#) (Elly Darkin).

TCA had been “very challenging” for smaller firms, citing survey data that “about a fifth of our members who export to the EU, or previously exported to the EU, have stopped that activity since the beginning of this year.”⁵⁵

51. Smaller businesses had also, we heard, been slower than larger businesses in adjusting to the TCA.⁵⁶ James Sibley stressed that the impact on SMEs had varied, as “the micro and small end of the SME spectrum quite often lacks the resource to make the necessary adjustments”, whereas “businesses more at the medium end ... seem more able to adjust”.⁵⁷
52. We also heard significant evidence of variations between sectors, with the agri-food sector among the hardest hit due to the new Sanitary and Phytosanitary (SPS) requirements (discussed in further detail in paragraphs 67–80). Luke Hindlaugh, Senior EU and International Trade Executive at the Food and Drink Federation, said that these changes had been “disruptive” for the food and drink sector.⁵⁸
53. The impact to date has varied within sectors too. For the food and drink sector, we heard that trade with the EU in alcohol and other high-value, non-perishable products had remained strong, whereas “the biggest impact has been ... those animal products that are either low margin or fresh, or just simply a bit more complicated.”⁵⁹ Luke Hindlaugh gave the example of exporting lasagne, where “you might have anywhere between six and nine different products of animal origin in it that you have to trace back.”⁶⁰ HMRC trade statistics, highlighted to us by the Food and Drink Federation, show significant variation in trade flows for different food exports to the EU.⁶¹
54. Similarly, we heard of specific issues in the fish sector.⁶² Richard Ballantyne, Chief Executive of the British Ports Association, explained: “some 80% of the fish we land are exported. The vast majority of that is exported to ... Europe by truck, and we have seen a big impact on that sector with the introduction of new controls on arrival into European ports”.⁶³
55. Dr Anna Jerzewska told us that she had heard “a very broad spectrum of responses” from businesses, ranging (even within the same sector) from no longer being able to trade to not being affected at all, though she stressed that “the side of the spectrum that is having difficulties ... is much larger.”⁶⁴ She added that for some businesses, additional costs were “quite easy to absorb,” whereas for others “that cost might be difficult to absorb, and in

55 4% of business respondents to the FSB’s survey said that they had stopped trading with the EU permanently, while another 17% said they had stopped doing so temporarily. A further 6% said that they had temporarily stopped trading with the EU in Q1 of 2021 but had resumed by Q3 of 2021. See [Q 16](#) (James Sibley) and written evidence from the Federation of Small Businesses ([TIG0017](#)).

56 [Q 17](#) (Luke Hindlaugh)

57 [Q 17](#) (James Sibley)

58 [Q 16](#) (Luke Hindlaugh); see also [Q 1](#) (Elly Darkin); [Q 17](#) (William Bain); written evidence from the Agricultural Industries Confederation ([TIG0002](#)).

59 [Q 17](#) (Luke Hindlaugh); see also [Q 1](#) (Sam Lowe).

60 [Q 17](#) (Luke Hindlaugh)

61 Written evidence from the Food and Drink Federation ([TIG0016](#))

62 Even within the fish sector, however, there are variations—exports to the EU of salmon, a high-value good that is often smoked and therefore less time-sensitive, increased by 50% in the period between January and August 2021 compared with the equivalent period in 2018. See written evidence from the Food and Drink Federation ([TIG0016](#)); see also [Q 17](#) (Luke Hindlaugh).

63 [Q 33](#) (Richard Ballantyne)

64 [Q 34](#) (Dr Anna Jerzewska)

this case you can either pass it on to someone [else] ... or you can change your business model.”⁶⁵

56. The Government also acknowledged the varying impact of the new requirements. The Paymaster General accepted that “there are challenges for some SMEs.”⁶⁶ Emma Churchill also told us that “it is clear that agri-food and the fish sector had more administrative changes to the processes that they needed to go through”.⁶⁷
57. **Since the agreement of the TCA and the end of the transition period, businesses trading goods between Great Britain and the EU have faced challenges as a result of new non-tariff barriers. Although the worst-case scenario of widespread disruption did not come to pass, GB-EU trade in goods is now more complicated and expensive than it was before January 2021.**
58. **There has been some business adjustment to the new trading landscape as the year has progressed, with initial ‘teething problems’ subsiding. Nevertheless, traders continue to experience challenges and costs. In many cases these appear to be inherent in the new relationship with the EU and are, therefore, unlikely to be entirely eliminated with more time or experience, although they may be absorbed, passed on to consumers, or diminished.**
59. **The impact of the new trade barriers on business has been uneven. Smaller businesses, which often lack the resources to adjust to new costs, and the agri-food sector, which faces an additional set of trade barriers in the form of SPS requirements, have been particularly hard hit. Any additional Government support for business must take this uneven impact into account.**

Rules of origin

60. Tariff-free trade from one country or bloc to another is conditional on a traded product meeting rules of origin, a complex set of criteria which establish a product’s ‘economic nationality’. The TCA includes both general provisions applying to all products, and product-specific rules of origin.⁶⁸ Rules of origin define and establish thresholds for ‘local content’. Products which do not meet the ‘local content’ thresholds—for instance, products assembled in

65 [Q 35](#) (Dr Anna Jerzewska)

66 [Q 82](#) (Michael Ellis MP)

67 [Q 56](#) (Emma Churchill)

68 A product can be considered ‘originating’, and thus eligible for zero tariffs, if it has been exclusively obtained or produced in the territory of one country, or if it has been substantially transformed (for example, through processing) in line with the relevant product-specific rule.

the UK that are substantially made up of components originating in a third country—face tariffs on export to the EU.^{69 70}

61. Under the TCA, compliance with rules of origin can be proven in one of two ways:
- The importer’s knowledge that the product is originating. This is self-certified, but the importing customs authority may require verification.
 - A Statement on Origin, from the exporter, that the product is originating. This requires the supplier to submit a supplier’s declaration. However, thanks to an agreed grace period, this proof will not be required until 1 January 2022. The imminent expiry of this grace period is discussed further in Chapter 5.

Concerns and adjustments

62. As Sophie Dean, Director General of Trade and Borders at HMRC told us, rules of origin have “an inherent level of complexity”.⁷¹ The Federation of Small Businesses told us that the administrative requirements associated with rules of origin “can often be beyond the capabilities of smaller firms”.⁷² In its March 2021 report, the EU Goods Sub-Committee had concluded that rules of origin were “among the biggest issues facing traders following the TCA’s implementation”.⁷³
63. Our inquiry received some evidence that rules of origin continue to present difficulties for firms.⁷⁴ Competere, a trade law and economic consultancy, said that rules of origin were causing “trader issues”, adding that the non-qualification of some goods for tariff-free treatment “significantly lessens the value of the TCA”.⁷⁵
64. Other witnesses characterised rules of origin as something which had caused major problems early on but to which firms had now somewhat adjusted.⁷⁶ In particular, witnesses referred to the issue of goods imported from the EU, stored at distribution hubs in GB, and then re-exported to the EU—commonly to Ireland. These goods often do not meet the processing requirements required to qualify as originating from the UK, and therefore risk tariffs on re-export.⁷⁷ William Bain said that, in adjusting to this problem, “companies

69 The World Trade Organization’s General Agreement on Tariffs and Trade establishes the ‘Most Favoured Nation’ (MFN) principle, which states that countries should not discriminate between partners (for example, by applying tariffs at differing levels) unless the countries in question have a free trade agreement or are in a customs union together. In the context of the TCA, the MFN principle means that non-originating goods face tariffs at the same level as goods from countries with which the UK and EU do not have a free trade agreement.

70 The [Trade and Cooperation Agreement](#) also allows for ‘full bilateral cumulation’, allowing the UK and EU to count inputs from the other Party when assessing origin. In simple terms, if raw materials or parts from the EU are imported into the UK, and then used to manufacture another product that is re-exported back into the EU, that product is deemed to have originated in the UK, and thus benefits from a zero tariff. However, this is subject to other relevant requirements, such as on processing (see paragraph 64).

71 [Q 58](#) (Sophie Dean)

72 Written evidence from the Federation of Small Businesses ([TIG0017](#))

73 European Union Committee, [Beyond Brexit: trade in goods](#) (24th Report, Session 2019–21, HL Paper 249), para 62

74 Written evidence from the Institute of Directors ([TIG0007](#))

75 Written evidence from Competere ([TIG0004](#))

76 [Q 2](#)

77 For further detail on this matter, see European Union Committee, [Beyond Brexit: trade in goods](#) (24th Report, Session 2019–21, HL Paper 249), pp 71–75.

have ... had to look at offshoring some of their distribution functions into the European Union in order to avoid tariffs.”⁷⁸

65. Overall, the biggest set of concerns we heard on rules of origin related to the imminent expiry of the grace period for suppliers’ declarations on 1 January 2022. This is outlined in further detail in Chapter 5.
66. **Rules of origin are an important part of any free trade agreement as they allow a trader to claim tariff-free access, and have an inherent level of complexity. Although the TCA’s rules of origin requirements posed a significant challenge for traders at the start of the year, there is some evidence that businesses have since been able to adjust to them, for example by absorbing the costs or by moving aspects of their distribution infrastructure to the EU. However, with the expiry of the grace period for suppliers’ declarations on 1 January 2022 fast approaching, we are concerned that there may be a further wave of short-term difficulties in this area in the new year.**

Sanitary and Phytosanitary (SPS) requirements

67. As a result of the UK’s departure from the Single Market, GB-EU trade in food and other products of animal or plant origin is subject to a series of Sanitary and Phytosanitary (SPS) requirements, which may include health inspections, certification requirements and physical checks at the border. Sam Lowe of the Centre for European Reform told us that the reason SPS controls are generally “so intrusive” and “nearly always happen at the border” is because of the unique risks associated with these types of product: “you are guarding against pestilence and disease.”⁷⁹
68. Both the former EU Goods Sub-Committee and the former EU Environment Sub-Committee heard evidence at the start of 2021 that the TCA’s SPS provisions do very little to minimise trade friction compared to a ‘No Deal’ scenario.⁸⁰ Similarly, Elly Darkin of Global Counsel told our inquiry that the outsized impact of the TCA in the agri-food sector (discussed in paragraphs 52–54 above) was a “direct consequence of the UK falling outside the EU’s SPS region without any deal to provide a mutual recognition or equivalence framework.”⁸¹
69. So far, these requirements have been more stringent for GB exports to the EU than for imports from the EU into GB, due to the UK’s decision to delay the introduction of many SPS requirements until January and July 2022 (see Chapters 4 and 5). However, some UK SPS requirements have applied to imports from the EU since January 2021, particularly on products deemed to be ‘high-risk’.⁸²

78 Q 19

79 Q 7 (Sam Lowe)

80 European Union Committee, *Beyond Brexit: trade in goods* (24th Report, Session 2019–21, HL Paper 249), para 111; European Union Committee, *Beyond Brexit: food, environment, energy and health* (22nd Report, Session 2019–21, para 24.

81 Q 1 (Elly Darkin)

82 HM Government, *The Border with the European union: Importing and Exporting Goods* (November 2021) pp 70–89: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034308/20211117_November_BordersOPModel_Final.pdf [accessed 30 November 2021]

General concerns

70. Witnesses stressed the complex and onerous nature of current SPS controls on GB exports into the EU. Luke Hindlaugh described the requirements as “very time-consuming and resource-intensive”, adding, “just going through the documentary ID and physical checks at Border Control Posts adds time and complexity and it makes your exports less competitive”.⁸³ Overall, SPS requirements were “overwhelmingly the biggest issue” for members of the Food and Drink Federation.⁸⁴
71. Similarly, the Horticultural Trades Association, which represents the UK gardening industry, told us that “red tape and barriers to trade” were making their members “less competitive and less efficient”. By way of example, they said that “to buy and sell plants from the EU into Great Britain it now takes a business 60 steps to get that plant across the border, when previously it was 27.”⁸⁵ For the National Farmers’ Union, high levels of physical checks on GB meat exports had caused “very lengthy delays to perishable products”.⁸⁶
72. While EU SPS controls apply to most third countries, we heard from the National Farmers’ Union that the nature of the existing trading relationship meant the UK was uniquely exposed to additional trade friction compared to other countries:

“We are trading with our closest neighbours in high volumes and value perishable fresh products ... Most trading systems, and the focus of EU rules in particular, are set up for shipments of frozen product arriving in containers. UK agri-food trade centres on perishable product using high speed roll-on/roll-off ferries, where it is not feasible for consignments to sit around waiting for hours or days to clear border procedures.”⁸⁷

Specific concerns

73. Particular concerns were raised over the difficulties in processing Export Health Certificates (EHCs), official documents which are required to export live animals or animal products from Great Britain to the EU.⁸⁸ The National Farmers’ Union also added that the requirement to submit hard copies of EHCs exacerbated the administrative burden further, and called on the Government to develop a “fully digital system” for EHCs in conjunction with the EU.⁸⁹ The Paymaster General informed us that electronic certification had been explored in discussions with the EU on the Trade Specialised Committee on Sanitary and Phytosanitary Measures.⁹⁰
74. The costs of these additional requirements can make certain export practices economically unviable, forcing companies to adapt. The Horticultural Trades Association gave the following example:

“To send even the smallest packet of sunflower seeds to customers in the EU, businesses now have to obtain a phytosanitary certificate ... This costs a minimum of £50 to obtain a certificate, plus all the other costs of

83 [Q 16](#) (Luke Hindlaugh)

84 [Q 29](#) (Luke Hindlaugh)

85 Written evidence from the Horticultural Trades Association ([TIG0009](#))

86 Written evidence from the National Farmers Union ([TIG0015](#))

87 *Ibid.*

88 [Q 16](#) (Luke Hindlaugh)

89 Written evidence from the National Farmers Union ([TIG0015](#))

90 [Q 92](#) (Michael Ellis MP)

export, ... [meaning] that a £2 packet of seeds costs over £100 to send. As this is not commercially viable, many companies have either stopped exporting small quantities, or send them over in bulk to the EU and then adding a distribution centre into the supply chain to handle getting the product direct to the customer.”⁹¹

Potential solutions

75. A number of witnesses expressed a strong preference for a further agreement between the UK and the EU to streamline SPS requirements. Two potential precedents were highlighted: a ‘Swiss-style’ agreement based on alignment, which “would see the UK effectively move into the EU Sanitary and Phytosanitary territory”, or a ‘New Zealand-style’ agreement based on equivalence, which would “reduce the frequency of physical inspections but not remove the need for identity checks or document checks”.⁹²
76. It should be noted that the merits of these two distinct options have been well-rehearsed, including in past negotiations between the UK and the EU (both in the context of the TCA and in the context of the implementation of the Protocol on Ireland/Northern Ireland).⁹³ The differences between the two sides on this matter (with the UK favouring the ‘New Zealand-style’ approach and the EU the ‘Swiss-style’ approach) have, to date, not been resolved.⁹⁴
77. While aware of this dichotomy, those witnesses who called for an SPS agreement did not seem to express a strong preference either way, though they did note that the ‘Swiss-style’ model “presents red lines for the UK Government”.⁹⁵ William Bain said that the British Chambers of Commerce’ top priority for negotiated improvements on trade in goods was “some form of veterinary agreement”, whether based on equivalence or alignment.⁹⁶ Luke Hindlaugh said that “an SPS equivalence deal ... would help massively”, and highlighted how the EU-New Zealand model would provide for both a reduction in physical checks and simplifications for EHCs.⁹⁷ The National Farmers’ Union also called for the UK and EU to “continue negotiations... to simplify and streamline border procedures.”⁹⁸

91 Written evidence from the Horticultural Trades Association ([TIG0009](#))

92 [Q 4](#) (Sam Lowe); see also [Q 32](#) (Luke Hindlaugh, William Bain).

93 This Committee’s Sub-Committee on the Protocol on Ireland/Northern Ireland has previously concluded that a “UK-EU SPS/veterinary agreement” would be “one of the most significant single measures to alleviate the regulatory and administrative burden of the Protocol” and is “manifestly in the interests of Northern Ireland”. The Sub-Committee expressed regret that the UK and EU have so far been “unable to reach a compromise” and called on the Parties to “intensify the search for an agreed SPS/veterinary solution”. See European Affairs Committee, *Report from the Sub-Committee on the Protocol on Ireland/Northern Ireland: Introductory report* (2nd Report, Session 2021–22, HL Paper 55), paras 230–235, 245–246.

94 The EU has previously suggested that a ‘Swiss-style’ veterinary agreement based on alignment could be agreed on a temporary basis, and “could be reviewed once the UK concludes new trade deals.” European Commission, ‘Examples of flexibilities identified by the European Commission in an effort to ensure the full implementation of the Protocol on Ireland/Northern Ireland’. (9 June 2021): https://ec.europa.eu/info/sites/default/files/20210607_flexibilities_public_version_df_002-final.pdf [accessed 8 December 2021]

95 [Q 32](#) (Luke Hindlaugh, William Bain)

96 [Q 32](#) (William Bain)

97 [Q 25](#), [Q 32](#) (Luke Hindlaugh); see also written evidence from the Food and Drink Federation ([TIG0016](#)).

98 Written evidence from the National Farmers Union ([TIG0015](#))

78. The Paymaster General was circumspect about the prospect of negotiating a further agreement in this area, explaining that, while “we will always be open to agreeing further arrangements”, for now “the key focus is on implementing the deal that we have just struck ... and supporting industry to adjust to those changes.” He also stressed that “we are not going to trade our sovereignty for easier market access.”⁹⁹
79. **Sanitary and Phytosanitary (SPS) requirements have continued to present a major barrier to GB exports of agri-food products since the agreement of the TCA. The administrative complexity of these requirements is exacerbated by the perishable nature of many agri-food products, and the volume and nature of existing trade flows. As a result, GB exports of agri-food to the EU have become slower, less competitive, and more costly.**
80. **Unless the UK and the EU are able to reach a more comprehensive agreement, which will require flexibility on both sides, SPS checks and controls will continue to be a serious barrier to agri-food trade. Notwithstanding the long-standing and well-rehearsed differences between the Parties’ preferred outcomes in this area, we call on the UK Government to seek an agreement on SPS rules with the EU as an urgent priority. The Government should provide further detail on its efforts in this regard in their response to this report.**

Customs

81. The UK is no longer in the EU customs union. Since 1 January 2021, traders from both Parties have been subject to certain customs formalities, such as filling in customs declarations. The TCA provides for some customs facilitations, as against the baseline for third country trade with the EU.¹⁰⁰
82. Customs procedures are not standalone, often interacting with other requirements—for example, providing information on the origin of goods is one of the requirements when filling in customs declarations. In addition, Dr Anna Jerzewska pointed out that one key difference between customs formalities and other non-tariff barriers, such as SPS controls, is that “compliance with customs does not necessarily happen at the border ... Most of it is done inland after goods have been imported.”¹⁰¹
83. As with SPS, customs requirements for GB-EU trade have been asymmetrical to date. Whereas the EU introduced full customs controls from the outset, the UK has permitted most traders to defer customs declarations (and with them, payment of import VAT and any tariffs) by up to 175 days after import.¹⁰² As discussed in Chapters 4 and 5, this temporary easement will end on 1 January 2022.

99 **Q 92** (Michael Ellis MP)

100 European Union Committee, *Beyond Brexit: trade in goods* (24th Report, Session 2019–21, HL Paper 249), para 124; see also written evidence from ADS (**TIG0003**).

101 **Q 43** (Dr Anna Jerzewska)

102 There are exceptions where full customs declarations have been required for imports since 1 January 2021—notably for controlled goods, such as alcohol and tobacco. HMRC also reserves the right to tell traders to provide full customs declarations, for example if they have a poor compliance record. See HM Revenue and Customs, ‘Delaying Declaration for EU goods brought into Great Britain’, (28 June 2021): <https://www.gov.uk/guidance/delaying-declarations-for-eu-goods-brought-into-great-britain> [accessed 30 November 2021]

84. The existence of this easement has not prevented importers from having to deal with customs formalities altogether. Speaking for the Government, Lord Frost told us, “there is a sort of myth that we are not doing customs controls. We are doing them. What we are not doing is absolutely every aspect of them.”¹⁰³ In any event, Joe Marshall said that “many firms have not been taking advantage” of the option to defer customs declarations and are already submitting full declarations.¹⁰⁴
85. Customs formalities add a further layer of expense and complexity to GB-EU trade. James Sibley and Luke Hindlaugh both told us that the volume of paperwork, the data required to complete declarations, and the associated costs were a significant challenge for many businesses.¹⁰⁵ The Federation of Small Businesses also raised separate concerns about “delays and increased costs associated with using fast parcel operators or intermediaries to ship goods between GB and EU.”¹⁰⁶

Customs intermediaries

86. Because of the complexity of the customs regime, traders often seek the assistance of a specialist customs agent or intermediary in order to complete the necessary formalities—indeed, Sophie Dean informed us that “most businesses” use these intermediaries.¹⁰⁷
87. In March 2021, the EU Goods Sub-Committee had concluded that the intermediary sector “does not have the capacity to meet increased demand.” Our inquiry heard some ongoing concerns in this area; ADS warned that some intermediaries “were turning away the business of new clients (particularly SMEs) owing to them reaching their capacity.”¹⁰⁸ Hiring customs intermediaries is also an additional financial outlay, which smaller businesses may struggle to meet.¹⁰⁹
88. Other witnesses, however, indicated that customs intermediary capacity had improved over time. Sarah Laouadi of Logistics UK said that intermediaries had indeed been “overloaded” at the start of the year but added that, “since January ... we have not received the same degree of concern about intermediary capacity.”¹¹⁰
89. Sophie Dean told us that, in response to business concerns about customs intermediary capacity, the Government had set up grants to bolster the industry, as well as establishing a register of intermediaries on GOV.UK.¹¹¹ This register allows intermediaries to highlight whether they have capacity to take on new clients, and whether they are willing to take on small businesses; Sophie Dean told us that “over 90%” of registered intermediaries had declared that the answer to both these questions was yes.¹¹²

103 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 12](#) (Lord Frost CMG)

104 [Q 10](#) (Joe Marshall)

105 [Q 16](#) (Luke Hindlaugh, James Sibley)

106 Written evidence from the Federation of Small Businesses ([TIG0017](#))

107 [Q 58](#) (Sophie Dean)

108 Written evidence from ADS ([TIG0003](#))

109 [Q 10](#) (Elly Darkin)

110 [Q 45](#) (Sarah Laouadi)

111 HM Revenue and Customs, ‘Search the register of customs agents and fast parcel operations’, (30 November 2021): <https://www.gov.uk/guidance/list-of-customs-agents-and-fast-parcel-operators> [accessed 30 November 2021]

112 [Q 58](#) (Sarah Dean)

Further customs facilitations

90. We heard some calls for further negotiated steps to reduce the burden of customs formalities. The Food and Drink Federation called for the Government and relevant EU Member States to “pilot or replicate at roll-on roll-off crossings the customs model that applies across the Norway and Sweden border”, explaining:¹¹³
- “This [model] allows for a single customs office, that reduces the customs requirement ... into a single submission of a customs declaration (rather than both an export and import declaration, as well as entry and exit summary declarations) ... This would greatly reduce the customs documentation required and reduce the data duplication that currently exists on the import and export declaration.”¹¹⁴
91. We also heard from Competere that the TCA’s provisions on customs and trade facilitation “have not been fully explored and they should be fully explored”—and indeed, the TCA’s Specialised Committee on Customs Cooperation and Rules of Origin only met for the first time on 7 October 2021. Sophie Dean told us that, as of this first meeting, the UK and EU were discussing “how we can bring to life the facilitations that are possible.”¹¹⁵
92. **New customs formalities have added additional complexity to GB-EU trade, which will increase further with the requirement for full customs declarations for imports from 1 January 2022. However, we received evidence that issues around customs intermediary capacity have improved since the start of the year, and we welcome the action the Government has taken in this area.**
93. **There are further steps the UK and EU could take to reduce the customs burden on traders through co-operation. We regret the fact that the TCA’s Specialised Committee on Customs Cooperation and Rules of Origin did not meet until October, and we urge the Government to utilise the platform that this forum provides to the fullest extent. In particular, this could include exploring with the EU the possibility of implementing a single customs office model, similar to that currently operational on the Norway/Sweden border (albeit within the context of the European Economic Area).**

VAT

94. There is no explicit provision in the TCA for VAT charges,¹¹⁶ but the UK’s departure from the EU’s VAT area on 1 January has meant administrative changes for VAT on goods trade with the EU.¹¹⁷
95. The Federation of Small Businesses told us that for their members, “increased costs and administrative requirements that result from the UK leaving the EU VAT area are one of the biggest concerns for small businesses.”¹¹⁸ We

113 Norway is a member of the European Economic Area (EEA), and therefore has a different economic and political relationship with the EU to that of the UK. Like the UK, however, it is outside of the EU’s customs union.

114 Written evidence from the Food and Drink Federation ([TIG0016](#))

115 [Q 65](#) (Sophie Dean)

116 The TCA does, however, contain a separate Protocol on combatting VAT fraud.

117 European Union Committee, *Beyond Brexit: trade in goods* (24th Report, Session 2019–21, HL Paper 249), paras 160–176.

118 Written evidence from the Federation of Small Businesses ([TIG0017](#))

heard that these concerns are particularly acute for e-commerce retailers and for those engaging in business-to-consumer sales.¹¹⁹

96. By far the biggest concern raised during our inquiry related to a change in EU rules on e-commerce, which came into force on 1 July 2021.¹²⁰ The changes are as follows:
- All commercial goods imported into the EU from third countries are subject to import VAT (previously, goods under €22 in value were exempted).
 - The establishment of an Import One-Stop Shop (IOSS), a digital portal which businesses conducting online sales of goods valued at €150 or less can use to comply with their VAT obligations. The IOSS allows businesses to register on an EU-wide basis, rather than in each Member State where they have a turnover above a certain threshold as was previously the case.
 - Most non-EU businesses using IOSS need to appoint an EU-established intermediary or fiscal representative in order to fulfil their VAT obligations. Third countries can be ‘listed’ as exempt from this requirement, but to date the EU has only listed Norway.¹²¹
97. The Federation of Small Businesses told us that “in theory, IOSS should make the lives of SMEs exporting to the EU a lot easier”, particularly as it meant traders no longer needed to register in multiple EU Member States.¹²² They added, however, that the requirement for a fiscal representative was “prohibitively expensive for many small firms ... both in administrative burden and securities paid towards VAT liability.”¹²³ The British Chambers of Commerce raised similar concerns.¹²⁴
98. Business groups said they would like to see the UK listed by the EU, as Norway has been, thus removing the requirement for traders to hire a fiscal representative in the EU. This change, we heard, “could be a game changer when it comes to VAT.”¹²⁵
99. Sophie Dean told us that the issue of fiscal representatives were the most frequent business complaint in the VAT area, and that the Government was discussing the matter with the EU.¹²⁶ In his letter to the Committee of 25 November, the Paymaster General explained the current state of play

119 [Q 17](#) (William Bain, James Sibley); [Q 49](#) (Dr Anna Jerzewska)

120 Commission Implementing Regulation (EU) 2021/265 of 9 June 2021 amending Implementing Regulation (EU) 2020/194 as regards the exchange of records held by taxable persons or their intermediaries and the designation of competent authorities responsible for coordinating administrative enquiries, [OJ L 214/1](#), 17 June 2021

121 The European Commission justifies the listing of Norway on the grounds that the agreement between the EU and Norway on administrative cooperation, combating fraud and recovery of claims in the field of VAT, which entered into force on 1 September 2018, is “similar in scope” to the relevant EU legislation. See Commission Implementing Decision (EU) 2021/942 of 10 June 2021 laying down rules for the application of Council Directive 2006/112/EC as regards the establishment of the list of third countries with which the Union has concluded an agreement on mutual assistance similar in scope to Council Directive 2010/24/EU and Council Regulation (EU) No 904/2010, [OJ L 205](#), 11 June 2021.

122 [Q 32](#) (James Sibley)

123 Written evidence from the Federation of Small Businesses ([TIG0017](#))

124 [Q 18](#), [Q 32](#) (William Bain)

125 [Q 32](#) (James Sibley); see also [Q 32](#) (William Bain).

126 [Q 57](#) (Sophie Dean)

in these discussions: that the EU did not view the TCA's VAT and Debt Protocol agreement as equivalent to the EU's Mutual Assistance Recovery Directive; that the UK had therefore proposed amending the TCA VAT and Debt Protocol to resolve this; and that the EU had so far refused to do so.¹²⁷

100. **The recent change to EU rules on VAT has been a significant concern for smaller businesses and e-commerce retailers exporting into the EU, in particular the need to hire an EU fiscal representative when using the EU's Import One-Stop Shop (IOSS).**
101. **We welcome the Government's raising of these matters with the EU, and we urge them to continue to do so. Given the evidence we have received regarding the burden placed on small firms, we hope that the Government is successful in persuading the EU to adopt the same 'listing' approach to the UK as it has done with Norway, so that GB businesses can export goods via IOSS without a fiscal representative. We look forward to an update from the Government on this matter when it responds to this report.**

Transporting goods

Market access

102. Under the TCA, road haulage access between the UK and the EU on a point-to-point basis is unlimited, with no permit requirements. UK lorries are limited to two laden journeys between different Member States (cross-trade) and one laden journey within a single Member State (cabotage).^{128 129} EU lorries may carry out two cabotage operations in the UK under the TCA.¹³⁰
103. Logistics UK told us that these rules on market access “work reasonably well for general haulage companies”. However, they added that because of the limitations on cross-trade and cabotage, the TCA “[does not] offer any sustainable solution to UK touring companies carrying equipment on pan-European cultural tours”, such as performing musicians, where “the same load needs to be moved to different successive locations across Europe.” This, they said, “constitutes a gap in the TCA and requires a jointly agreed solution with the EU.”¹³¹
104. The Committee has previously highlighted the issue of haulage restrictions for touring as part of its separate work on the movement of creative professionals. In a letter to Lord Frost, dated 19 October 2021, the Committee warned

127 Letter dated 25 November 2021 from Rt Hon Michael Ellis QC MP, Paymaster General, Cabinet Office to Lord Kinnoull, Chair, European Affairs Committee: <https://committees.parliament.uk/publications/8030/documents/82745/default/>

128 Lorries from Northern Ireland, however, may carry out two cabotage operations in Ireland. See *Trade and Cooperation Agreement*, Article 462

129 Before the end of the transition period, UK hauliers were subject to EU rules allowing unlimited cross-trade and up to three cabotage journeys in the territory of another Member State. See European Union Committee, *Beyond Brexit: trade in goods* (24th Report, Session 2019–21, HL Paper 249), para 197.

130 On 28 October 2021, in light of the shortage of HGV drivers, the Government temporarily and unilaterally extended road haulage cabotage to allow, until 30 April 2022, unlimited cabotage movements of HGVs within Great Britain for up to 14 days after arrival in the UK. See HM Revenue and Customs, *Temporary extension to road haulage cabotage* (27 October 2021): <https://www.gov.uk/government/publications/temporary-extension-to-road-haulage-cabotage/temporary-extension-to-road-haulage-cabotage> [accessed 30 November 2021]

131 Written evidence from Logistics UK ([TIG0010](#))

that continued UK participation in the music haulage market is rendered “practically impossible” by the restrictions in the TCA, and highlighted the UK’s previous dominance of the European music haulage market, meaning that this is “not a sector in which the shortfall could be picked up by EU operators”. Committee correspondence with the Government on this matter is ongoing.¹³²

105. **Although the TCA’s provisions on road transport work well for most hauliers, they are wholly inadequate for those whose business model relies on the temporary movement of goods to multiple locations in the EU, particularly to large sections of the performing arts sector. We retain a close interest in this matter and intend to continue pursuing this in correspondence with the Government.**

Groupage

106. We also heard ongoing concerns about groupage—the transportation of multiple consignments of goods on a single lorry. As Logistics UK told us, these operations are “inherently complex as they require evidence of customs formalities for each consignment ... One missing or incorrect document prevents the whole truck from being cleared.”¹³³ Luke Hindlaugh told us that this is an issue that primarily affects smaller businesses, as groupage is “how most SMEs export; they do not have the volumes to be able to fill up lorries.”
107. **We are concerned by the continuing issues that smaller businesses have faced with exporting via groupage. We invite the Government to set out how it intends to address this issue in their response to our report.**

Guidance and support

108. The Government has produced extensive guidance seeking to help businesses navigate the new requirements introduced by the TCA and the end of the transition period.
109. We received mixed reviews from business groups about the quality of government guidance to date:
- Logistics UK highlighted “a number of positive developments” where guidance had been consolidated or made more user-friendly.¹³⁴
 - The Federation of Small Businesses welcomed the level of detail and the Government’s responsiveness to business feedback but warned that the guidance was “often not easily applied by smaller firms to their particular circumstances”.¹³⁵

132 Letter dated 19 October 2021 Lord Kinnoull, Chair, European Affairs Committee to Lord Frost CMG, Minister of State, Cabinet Office: <https://committees.parliament.uk/publications/7510/documents/79296/default/>; Letter dated 2 November from Lord Frost CMG, Minister of State, Cabinet Office to Lord Kinnoull: <https://committees.parliament.uk/publications/8188/documents/83760/default/>; Letter dated 18 November 2021 from Lord Kinnoull, Chair, European Affairs Committee to Lord Frost CMG, Minister of State, Cabinet Office: <https://committees.parliament.uk/publications/8189/documents/83761/default/>; Letter dated 26 November 2021 from Lord Frost CMG, Minister of State, Cabinet Office to Lord Kinnoull: <https://committees.parliament.uk/publications/8190/documents/83762/default/>

133 Written evidence from Logistics UK (TIG0010); see also Q 17 (Luke Hindlaugh).

134 Written evidence from Logistics UK (TIG0010)

135 Written evidence from the Federation of Small Businesses (TIG0017)

- The National Farmers’ Union described the guidance as “generally of a good standard” but added that the sheer quantity was “overwhelming” and that it had been “woefully late” at the start of the year.¹³⁶
 - The Institute of Directors was more critical: “General feedback from members is that government guidance has been very confusing. They have had to filter through too many links before arriving at the relevant information”.¹³⁷
 - Both the National Farmers’ Union and the Institute of Directors also highlighted a lack of consistency and coordination in guidance across the many government departments with responsibilities for trade in goods (as outlined in paragraphs 8–9).¹³⁸
110. Government officials highlighted the recent launch of the Export Support Service, a new cross-department online and telephone helpline for exporting to the EU. Sophie Dean explained: “We had SMEs with questions on customs, and SMEs with questions on DEFRA and SPS, so we thought we could have an Export Support Service they can ring up and get a single answer, as a single first line of contact”.¹³⁹ Business groups we heard from were optimistic that the Export Support Service might address the issue of uncoordinated guidance across departments.¹⁴⁰
111. Emma Churchill also pointed us to a separate and new “smart guidance service” accessible to both importers and exporters, which was deployed in response to feedback about the difficulties in locating relevant guidance. She added, “we will keep getting feedback on it so that we can improve it.”¹⁴¹
112. **Business feedback on government guidance to date has been mixed, with praise in some quarters but concerns over a lack of consistency and coordination between government departments. This may be a consequence of the diffuse and complex division of responsibilities across government departments.**
113. **We are encouraged, however, that the Government appears to be receptive to business feedback about improving its guidance and we hope that this continues. We particularly welcome the creation of the new Export Support Service as a single point of contact for exporters to the EU.**

The SME Brexit Support Fund

114. The Government previously operated a £20m SME Brexit Support Fund, designed to help traders adjust to the new rules. SMEs whose only foreign trade was with the EU could apply for grants of up to £2,000 “to pay for practical support including training and professional advice”—for example, a customs intermediary to assist with completing customs declarations, as

136 Written evidence from the National Farmers Union (TIG0015)

137 Written evidence from the Institute of Directors (TIG0007)

138 Written evidence from the Institute of Directors (TIG0007) and from the National Farmers Union (TIG0015)

139 Q 59 (Sophie Dean)

140 Written evidence from the Institute of Directors (TIG0007) and from the Federation of Small Businesses (TIG0017)

141 Q 65 (Emma Churchill)

recommended by the Government. However, the Fund closed for applications on 30 June 2021 and has not since reopened.¹⁴²

115. When asked why the Fund had been closed, Sophie Dean cited low take-up as the primary reason. Only £8.4m of the £20m pot had ultimately been spent, and decision to end the scheme was taken because “we had gone out to all the businesses that we could ... and the applications were drying up”.¹⁴³
116. Business groups, however, told us that the reason for this low take-up was that the Fund’s eligibility criteria were “much too narrow”. As the Fund was only open to businesses who traded solely with the EU, it “excluded businesses that had previously traded with countries outside the EU Single Market, even those that had exported on a very limited or ad hoc basis”—despite the fact that such businesses were “facing the same obstacles as other businesses when trading with the EU.”¹⁴⁴ The Institute of Directors cited survey data showing that 87% of its members were either not eligible for the Fund or did not intend to apply.¹⁴⁵
117. Both the Institute of Directors and the Federation of Small Businesses therefore called for the Fund to be reinstated, with wider eligibility criteria to “help small businesses access the relevant private sector expertise and training.”¹⁴⁶
118. **The Government closed its £20m SME Brexit Support Fund because of low take-up, but we heard that this reflected the Fund’s limited eligibility criteria, not low demand among small businesses. Our evidence suggests that SMEs have been disproportionately affected. We therefore recommend that the Government restore a version of the Support Fund, but with wider eligibility criteria, so that businesses who trade mostly but not entirely with the EU are also eligible. If the Government does not accept this recommendation, they should explain their reasoning when they respond to this report and, in doing so, outline the other steps they are taking to help small businesses access professional support.**

EU Member State implementation of the TCA

119. There was general consensus among the witnesses that goods exported to the EU faced variable and inconsistent treatment across the Member States. Elly Darkin told us that “there is really no other topic that you can raise with UK businesses ... that will get them as hot under the collar as the issue of variable treatment [by Member States].”¹⁴⁷ Logistics UK agreed that for GB exporters, “the most persisting grievance is about the inconsistencies in how these requirements are applied by different EU countries.”¹⁴⁸

142 HM Revenue and Customs, ‘Apply for a grant to help small and medium-sized businesses new to importing or exporting’, (15 April 2021): <https://www.gov.uk/guidance/grants-to-help-small-and-medium-sized-businesses-new-to-importing-or-exporting> [accessed 30 November 2021]

143 [Q 59](#)

144 Written evidence from the Federation of Small Businesses ([TIG0017](#)) and from the Institute of Directors ([TIG0007](#))

145 Written evidence from the Institute of Directors ([TIG0007](#))

146 Written evidence from the Federation of Small Businesses ([TIG0017](#)) and from the Institute of Directors ([TIG0007](#))

147 [Q 10](#) (Elly Darkin)

148 Written evidence from Logistics UK ([TIG0010](#)); see also written evidence from the Agricultural Industries Confederation ([TIG0002](#)); ADS ([TIG0003](#)) and the National Farmers Union ([TIG0015](#)).

120. These inconsistencies have significant consequences for businesses and consumers. As Sarah Laouadi explained, they resulted in “additional costs for UK exporters, and when those costs are not passed on ... this can result in margin erosion for exporters”.¹⁴⁹
121. By way of an anecdotal example, Sam Lowe cited Germany as “a country that [businesses] have the most problems with” due to “a very strict interpretation of the rules.” Additionally, the “food industry reports that there have been quite big SPS issues in Spain because ... Spain checks everything at the border, including the labelling, whereas other countries will deal with that via market surveillance.”¹⁵⁰
122. A further underlying reason for the difficulties that exporters face with the various Member States, as Sarah Laouadi explained, “is the diversity of different expectations coming into force all at the same time ... combined with the novelty of those requirements at the beginning of the year.”¹⁵¹ As Luke Hindlaugh stated, “a lot of these processes are [not only] quite new for traders, they are new also for those enforcing them. A lot of ports have probably never done these checks before”.¹⁵²
123. We did, however, hear evidence that the situation had improved. Luke Hindlaugh explained that “in the early days there were a lot of inconsistencies, which have gone away”, although there were still “different approaches to enforcement”.¹⁵³
124. Sam Lowe argued that a degree of inconsistency was to be expected: “while the EU has shared customs rules, they are interpreted differently by different Member States, and this is true of imports from anywhere else in the world. It was true while the UK was a member [of the EU]”.¹⁵⁴
125. There was little indication that the inconsistencies witnessed were either deliberate targeting of UK businesses or breaches of the TCA. For the Government, Lord Frost said that the inconsistencies were “certainly not characteristic”, and that he did “not think many, if any, countries are doing this as a matter of policy ... it is more the way the rules get interpreted”.¹⁵⁵ Similarly, Emma Churchill stressed that “it is not necessarily the case that if a Member State does something slightly differently it is outside the [TCA] framework.”¹⁵⁶
126. A number of witnesses called for action to address the problem of inconsistencies across the Member States. Elly Darkin said that “If there is a genuine sense that there has been unjust treatment ... the forum to take that up in is the TCA Specialised Committees ... the UK Government need to engage seriously with those committees.”¹⁵⁷ Representatives of individual Member States have the right to attend meetings of the Specialised

149 [Q 33](#) (Sarah Laouadi)

150 [Q 10](#) (Sam Lowe); see also [Q 30](#) (Luke Hindlaugh).

151 [Q 48](#) (Sarah Laouadi)

152 [Q 30](#) (Luke Hindlaugh)

153 [Q 30](#) (Luke Hindlaugh); see also written evidence from Logistics UK ([TIG0010](#)).

154 [Q 10](#) (Sam Lowe)

155 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 14](#) (Lord Frost CMG)

156 [Q 57](#) (Emma Churchill)

157 [Q 10](#) (Elly Darkin); see also written evidence from the Institute for Government ([TIG0014](#)).

Committees.¹⁵⁸ Lord Frost agreed that “if UK companies are not being treated as they should be under the TCA” these matters would be taken to the Specialised Committees, but stressed that “we cannot do that for every single problem”.¹⁵⁹ Emma Churchill explained that government officials met their counterparts in EU Member States regularly to address problems and would only take them to a Specialised Committee if it was a “really significant issue”.¹⁶⁰

127. In addition to pursuing solutions through the TCA’s institutional structure, Elly Darkin also called for the Government to “develop a tool as a way for companies to report back in those instances of variable treatment” and to be “transparent about the fact that there is variable treatment at EU member state levels” to enable businesses to prepare.¹⁶¹ On this point, Emma Churchill suggested that the new Export Support Service would perform precisely these services, as it would “help with discussions with Member States ... [and could] collect the kind of front-line intelligence that is coming from businesses and business representative organisations.”¹⁶²
128. The Government’s support in this regard did not go unremarked. Joe Marshall told us that, “while the UK Government could not control” the issues exporters were facing with the various Member States, it deserved credit for “identifying those issues, raising them with the member state authorities, trying to work out what was going on and feeding back to firms on how they might be able to avoid some of those problems.”¹⁶³
129. **We received considerable evidence of inconsistent treatment of GB exports by authorities in different EU Member States, which has been a source of major frustration, uncertainty, and cost for businesses exporting goods to the EU. However, neither our witnesses nor the UK Government viewed these inconsistencies as being a targeted and deliberate policy, or a breach of the EU’s obligations under the TCA.**
130. **We welcome the ongoing work in government to identify these issues and raise them with the relevant Member States, including through the TCA Specialised Committees where necessary. We encourage them to continue this work.**
131. **We heard calls for further government action in this area, particularly by facilitating intelligence gathering and monitoring of instances of inconsistent treatment. In their response to this report, the Government should set out in detail the steps that they intend to take in this regard, including the role that the new Export Support Service will play in facilitating the monitoring of inconsistent treatment.**

158 See Article 2 of Council Decision 2021/689 on the conclusion, on behalf of the Union, of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, and of the Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland concerning security procedures for exchanging and protecting classified information, [QJL 149/2](#), 29 April 2021

159 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 14](#) (Lord Frost CMG)

160 [Q 57](#) (Emma Churchill)

161 [Q 10](#) (Elly Darkin)

162 [Q 57](#) (Emma Churchill)

163 [Q 10](#) (Joe Marshall)

CHAPTER 4: DELAYS TO IMPORT CONTROLS

The decision to delay

132. In contrast to the EU, the UK Government has taken a phased approach to introducing checks and controls on goods imported from Great Britain from the EU. Some checks and controls, notably those on tobacco and alcohol, were introduced immediately. Others, notably SPS checks and controls on agri-food products, were originally scheduled to commence from 1 April and 1 July 2021. The Government also introduced an easement allowing most traders to defer customs declarations (and with them, payment of import VAT and any tariffs) by up to 175 days after import, originally until 1 July 2021.
133. On 11 March 2021, the Government announced that it was delaying the introduction of these checks and controls until 1 October 2021 (for certain SPS controls), 1 January 2022 (for full customs declarations and most of the remaining SPS controls) and 1 March 2022 (for SPS checks on live animals).
134. On 14 September, two weeks before the scheduled date for the introduction of the first set of checks, the Government announced a further delay, with many controls now not due to come into force until July 2022. Notably, however, the 1 January 2022 deadline for the expiry of the ability to defer customs declarations remained in place. The Government's revised timetable is as follows:
 - From 1 January 2022:
 - Pre-notification requirements introduced for goods subject to SPS controls. This was previously due to be introduced on 1 October 2021.
 - The scheme allowing deferral of customs declarations to end, unchanged from the schedule previously announced.
 - From 1 July 2022:
 - Certification requirements (initially due to be introduced on 1 October 2021) and physical checks (initially due to be introduced from 1 January and 1 March 2022) introduced for regulated animal by-products, regulated plants and plant products, meat products, and high-risk food not of animal origin. Physical checks will also need to take place at Border Control Posts (BCPs).
 - Existing physical checks on high-risk plants to take place at BCPs, rather than at the point of destination. These were previously due to be introduced on 1 January 2022.
 - Live animal physical checks to take place at BCPs "where a facility is operational at the point of entry"; if not, these checks will continue to take place at the point of destination. This was previously due to be introduced from 1 March 2022.
 - Safety and Security Declarations, which require the pre-arrival collection and risking of information for all consignments entering a territory, to be introduced for imported goods. These were previously due to be introduced on 1 January 2022.

- Beyond July 2022:
 - 1 September 2022: certification and physical checks extended to all dairy products.
 - 1 November 2022: certification and physical checks extended to all remaining regulated products of animal origin.

135. Lord Frost explained that the Government’s decision to delay some controls (primarily SPS) but not others (primarily customs), “essentially depended on what we felt the burden on business of the next step was and how far down the road we already were.” For customs, the Government “felt the extra burden ... was not going to be significantly onerous compared to where we were”, whereas “SPS controls are different—you need veterinary certificates and a different set of processes—and we felt that businesses needed a bit longer to get ready for that.”¹⁶⁴

Merits of the decision

136. The decision to delay the introduction of these checks and controls has varied both between and within different sectors. Logistics UK said that the delay “has been met in the logistics industry with mixed feelings”; some in the industry had been relieved at the delay, while others felt that it penalised companies that had taken the trouble to prepare for the deadline.¹⁶⁵
137. A number of witnesses broadly supported the delay, particularly in the context of ongoing pressures on supply chains.¹⁶⁶ Some cautioned, however, that this could not be a long-term solution and that ultimately, it was important that the checks were implemented.¹⁶⁷ Speaking for the Federation for Small Businesses, James Sibley “welcomed the delay as probably a sensible decision, considering the supply chain crisis”, but stressed that “this cannot be a long-term solution. There is disquiet in our membership about the asymmetric nature of import controls.”¹⁶⁸
138. Richard Ballantyne of the British Ports Association saw the decision to delay as “generally quite welcome” among port operators, although some ports “were somewhat frustrated that they had got ready and then found that the goalposts had been moved.”¹⁶⁹
139. Other groups were less equivocal in their support for the delay: Sam Lowe from the Centre for European Reform was clear in his opinion that “the Government [had] made the right decision”¹⁷⁰, and both Joe Marshall of the Institute for Government¹⁷¹ and the ADS¹⁷² pointed to relieving the pressure on firms as a clear benefit of the decision. Speaking for the British Chambers of Commerce, William Bain also supported the “pragmatic” decision to delay. He added that the new July 2022 deadline for SPS controls had

164 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 12](#) (Lord Frost CMG)

165 Written evidence from Logistics UK ([TIG0010](#)) ; see also [Q 41](#) (Sarah Laouadi, Richard Ballantyne).

166 [Q 5](#) (Sam Lowe and Joe Marshall)

167 Written evidence from the Agricultural Industries Confederation ([TIG0002](#)); see also, written evidence from ADS ([TIG0003](#)), [Q 22](#) (William Bain), and written evidence from the Horticultural Trades Association ([TIG0009](#)).

168 [Q 22](#) (James Sibley)

169 [Q 41](#) (Richard Ballantyne)

170 [Q 5](#) (Sam Lowe)

171 Written evidence from the Institute for Government ([TIG0014](#))

172 Written evidence from ADS ([TIG0003](#))

specific seasonal benefits: “In the summer period the UK is less dependent on imports of food from the EU ... If you will introduce a very big change such as identity and physical checks on SPS products, it would seem a more logical time to introduce them [compared to the winter].”¹⁷³

140. However, some stakeholders were significantly more critical. The Institute of Directors did “not agree with the decision to delay the introduction of checks, because it shows that government is feeling hesitant, and businesses need certainty.”¹⁷⁴
141. The Food and Drink Federation has also been deeply critical of the decision to delay. Speaking for them, Luke Hindlaugh viewed it as an indication of a lack of drive on the part of the Government, telling us that exporters “have felt that the Government have not really pushed for replicating what they are doing with the imports”, with the knock-on effect of removing “leverage around getting some of the easements that were agreed when the TCA was first in place.” He also did not see disruption to supply chains as sufficient grounds for delay: they “are not short-term” and “delaying these checks does not make them any easier.”¹⁷⁵ The National Farmers’ Union was also critical of the decision to delay.¹⁷⁶
142. In addition, the specific decision to further delay the introduction of Safety and Security Declarations seems at odds with the statement in the Border Operating Model that the requirement for these Declarations “protects the UK against potential threats such as terrorism and the trade from illicit goods such as guns and drugs”. Asked if this meant the UK had faced, and would continue to face, a heightened threat in the meantime, the Paymaster General, Michael Ellis MP, described Safety and Security Declarations as “incredibly important” but said he did not “anticipate any issues”, as the Declarations would “improve on an already good system” as far as border security was concerned.¹⁷⁷
143. In its report, the NAO highlights the “ongoing risks in not having a full import control regime in place”: the latest delay “means a continued disadvantage for UK exporters compared with EU exporters” and “leaves the UK open to potential challenge that it is not complying with international trading rules.”¹⁷⁸
144. **The Government’s decision to further delay the introduction of import controls has both real advantages and real disadvantages, which were reflected in the evidence we received. We note that the decision allows businesses additional time to prepare for the new requirements at a challenging time. However, we also note the concerns of some businesses, particularly in the agri-food sector, that the additional delay undermines business certainty and does not resolve the issues at hand.**
145. **Despite the Minister’s confidence otherwise, we remain concerned that the delay to the introduction of Safety and Security Declarations**

173 Q 22 (William Bain)

174 Written evidence from the Institute of Directors (TIG0007)

175 Q 22 (Luke Hindlaugh)

176 Written evidence from the National Farmers Union (TIG0015)

177 Q 90

178 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

could undermine UK border security. As the Government's own Border Operating Model states, the requirement for these Declarations "protects the UK against potential threats such as terrorism and the trade from illicit goods such as guns and drugs"—yet these will not be required until 1 July 2022, 18 months after the end of the transition period. We call on the Government to clarify what steps it is taking to protect the UK border from these potential threats in the absence of Safety and Security Declarations.

Timing of the decision

146. While the reaction to the decision to delay itself was mixed, the reaction to the timing of the decision was largely negative. For Joe Marshall, "both the timing of it and the fact that we have had repeated delays [risked] damaging [the Government's] relationship with traders and business groups."¹⁷⁹ This sentiment was echoed by Sam Lowe who, "would have absolutely made the same decision but ... would have perhaps not taken so long to tell everyone I was going to do it."¹⁸⁰ Luke Hindlaugh explained that "the lateness meant that businesses had to keep preparing right up to the wire, at a cost ... You could not take the risk of not preparing, despite all the rumours that were going round around a possible delay."¹⁸¹
147. However, Emma Churchill of the Cabinet Office did not agree that the Government had "left it till the last minute ... we regrouped and took into account the strains on supply chains that were emerging over the summer as soon as it was practicable to do so."¹⁸²
148. **Notwithstanding the merits or otherwise of the decision itself, we regret the fact that that the Government only announced the delay to import controls less than three weeks before the first set of controls were due to be introduced. Announcing the decision at this late stage undermined business planning and may have reinforced the impression among many businesses that these checks and controls will never be introduced. Any further changes to the timetable, if they are needed, should be announced at the earliest possible opportunity.**

The reasons for the decision

COVID-19

149. In explaining the reasons for delaying the implementation of these checks and controls, Lord Frost focussed on COVID-19's impact on business, telling us that "the last year and a half in the economy has been so unusual ... that we have not wanted to add to the burdens, and therefore thought that the right thing was to move these back."¹⁸³
150. Emma Churchill of the Cabinet Office expanded on the pressures caused by COVID-19 and other supply chain factors, adding that "Ministers were particularly influenced by ... the strains that were currently on supply chains, particularly in relation to the agri-food sector, which is why the SPS controls were particularly delayed."¹⁸⁴

179 Q 5 (Joe Marshall)

180 Q 5 (Same Lowe)

181 Q 23 (Luke Hindlaugh)

182 Q 61 (Emma Churchill)

183 Oral evidence taken on 26 October 2021 (Session 2021–22), Q 11 (Lord Frost CMG)

184 Q 61 (Emma Churchill)

151. Her assessment was therefore that COVID-19 was a major factor in the decision to delay, with “businesses ... saying to [the Government] that the impact on them of the pandemic was going on longer, and they were asking for more time to adjust”¹⁸⁵, with which a number of our witnesses agreed.
152. However, while acknowledging the effect of COVID-19 on businesses and supply chains, Sam Lowe did not agree that this provided a satisfactory reason for the late timing of the delay: “COVID disruption has played a part in it, but that disruption was known for a long time in advance ... It was entirely foreseeable.”¹⁸⁶
153. For other witnesses, COVID-19 did not provide the whole explanation. Elly Darkin cited the “supply chain crisis”, which she described as “a multifactor-caused crisis of which the pandemic was inevitably a contributing factor but not, in my view, the key one. Far more crucial were Brexit-related labour shortages.”¹⁸⁷

Government readiness

154. The Government’s position is that its own readiness was not a factor in the delay to import controls; Lord Frost told us that “we were confident that, as regards government preparations, we were ready on the original timetable.”¹⁸⁸
155. Several witnesses, however, identified the Government’s readiness for the introduction of the checks and controls as one of the primary factors behind the decision to delay. Regarding the 1 October 2021 deadlines, the Agricultural Industries Confederation, which represents the agricultural supply sector, wrote that “it was clear that government authorities and EU Member States were not ready to implement the requirements.”¹⁸⁹
156. The NAO’s verdict on government readiness is that “most of the systems, infrastructure and resources needed for January 2022 were on track but there were elements of delivery which were at risk and where departments might have had to deploy contingency plans”, particularly the completion of government-funded infrastructure at a small number of ports.¹⁹⁰
157. **The Government argues that its preparations were on track for the original timetable and were not a factor in the decision to delay import controls. However, we note the scepticism of several of our witnesses regarding this claim, particularly with respect to physical infrastructure.**

The consequences of the decision

Fiscal consequences

158. We sought evidence on the impact on government finances of the decision to delay the implementation of the various checks and controls, seeking clarity on the possible loss of duty and VAT revenue. Sophie Dean of HMRC

185 *Ibid.*

186 [Q 5](#) (Sam Lowe)

187 [Q 5](#) (Elly Darkin)

188 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 13](#) (Lord Frost CMG)

189 Written evidence from the Agricultural Industries Confederation ([TIG0002](#)); see also [Q 5](#) (Joe Marshall) and [Q 41](#) (Richard Ballantyne).

190 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

explained that the OBR had “looked at just that question and estimated a risk of £50 million for the first six months of [2021] and an additional £35 million at risk for the six-month extension.”¹⁹¹

Asymmetric border

159. The delayed introduction of controls and checks on imports to Great Britain has resulted in a significant asymmetry between the treatment of imported goods and of those exported to the EU. In their evidence, Dr Enrico Vanino, Professor Jun Du and Dr Mustapha Douch wrote that this asymmetry had caused “significant uncertainty among traders regarding the new arrangements under which goods can be traded between the two markets.”¹⁹² The Agricultural Industries Confederation (AIC) wrote that “94% of [member] businesses have experienced delays or friction on exports to the EU since 1st January” whereas only “25% of AIC Member businesses had noticed issues on importing goods from EU to GB since 1st January.”¹⁹³
160. The strongest criticism of this asymmetry came from the National Farmers’ Union, who wrote that since January, “UK agri-food exporters to the EU have lost more than £1.8 billion [yet] ... EU competitors have been given extended grace periods”, adding that while “Further delays to controls ... may go some way to keep supermarket shelves stocked”, the “current production and supply issues are largely due to workforce availability ... delay to controls on EU imported products will do little to address [these]”.¹⁹⁴
161. The National Farmers’ Union added that repeated delays “make it harder each time to have genuine engagement and see the necessary resource allocation amongst EU traders.”¹⁹⁵
162. However, not all witnesses identified the ongoing asymmetry as a cause for concern. Elly Darkin said that it “really depends on the level of complexity of the supply chain and how frequently your goods might cross the border with the EU and the UK”.¹⁹⁶ Prof Jun Du and Dr Oleksandr Shepotylo saw the delays as having “mitigated potentially even larger disruptions in the UK supply chains,” adding that “the evidence of an asymmetric trade effect due to the asymmetric checks across the UK-EU border is weak.”¹⁹⁷
163. Indeed, some witnesses even saw specific benefits in the ongoing absence of many checks and controls at the GB border. Elly Darkin saw risks in introducing import controls: “I do not think that a switch from the current situation to one where there would be more controls, more paperwork and more bureaucracy for business will make the status quo more sustainable in the future.”¹⁹⁸ Sam Lowe went further, explaining that “many UK producers import to export, so having low-cost imports from the EU is in the interests of many UK firms ... I do not think the argument that it is unfair and bad for UK business is the full one because it really depends on what you do.”¹⁹⁹

191 Sophie Dean’s understanding was that the reason for the decline in the forecast risk for the extension period was that many businesses had already started to submit full customs declarations, despite the delays. See [Q 60](#).

192 Written evidence from Dr Enrico Vanino, Professor Jun Du and Dr Mustapha Douch ([TIG0008](#))

193 Written evidence from the Agricultural Industries Confederation ([TIG0002](#))

194 Written evidence from the National Farmers Union ([TIG0015](#))

195 *Ibid.*

196 [Q 6](#) (Elly Darkin)

197 Written evidence from Professor Jun Du and Dr Oleksandr Shepotylo ([TIG0011](#))

198 [Q 7](#) (Elly Darkin)

199 [Q 6](#) (Sam Lowe)

164. For the Government, Emma Churchill acknowledged that asymmetry had “certainly been raised by some businesses in some sectors.” However, she saw this as a temporary issue and “the window where ... [asymmetry] is persisting, in any event, is a very short one.”²⁰⁰

Business planning

165. A further effect of the repeated delays to the introduction of these checks and controls is that, in the words of Elly Darkin, the shifting of deadlines “really impacts business planning”. Businesses need to make decisions, such as recruitment and resourcing, that have financial implications. The perception that there is “a possibility that the timeline gets extended or pushed back again” means that “they will probably hold off on doing it, which means that there is more disruption and uncertainty when those deadlines eventually expire.”²⁰¹
166. As Luke Hindlaugh of the Food and Drink Federation stressed, business certainty over the deadlines themselves is an important factor in terms of preparedness: “the biggest incentive you can give to prepare is the absolute clarity that this [introduction of controls] is going to happen. That is the single biggest intervention Government can make”.²⁰²
167. Nonetheless, there was some consensus with the view, as expressed by Logistics UK, that the repeated delays “penalised those companies that invested time and money to be ready”. Logistics UK also stressed that “it is now crucial that Government sticks to the latest timeline to allow stakeholders in the UK and the EU to plan confidently”.²⁰³
168. Sam Lowe also stressed this ambiguity. While he reiterated his belief that the Government had made the right decision in delaying further, he agreed that this meant that “you end up punishing those that have sought to comply and have probably paid premiums to get the advice they need ... vis-a-vis their competitors, who perhaps did not bother.”²⁰⁴
169. Luke Hindlaugh was more critical, pointing to the wasted investment that had resulted: “There will inevitably be some knowledge that people retain about the processes ... However, things have been invested and wasted ... that is resource that could have been spent elsewhere had it not been for such a late delay on this.”²⁰⁵
170. Conversely, William Bain was more positive, stating that “the preparations that have been done by our members were certainly not wasted and can be stood up again.”²⁰⁶ For the Government, Emma Churchill also pushed back against the argument that preparations had been wasted: “If businesses have taken the necessary steps to prepare, they will still be ready for when the other controls come in.”²⁰⁷
171. Joe Marshall, however, believed that the effects went further than simply penalising the well-prepared, seeing also “a risk that, for some firms, it sends

200 [Q 60](#) (Emma Churchill)

201 [Q 1](#) (Elly Darkin)

202 [Q 23](#) (Luke Hindlaugh)

203 Written evidence from Logistics UK ([TIG0010](#))

204 [Q 5](#) (Sam Lowe)

205 [Q 22](#) (Luke Hindlaugh)

206 [Q 23](#) (William Bain)

207 [Q 61](#) (Emma Churchill)

the message that checks are never coming. It cements the idea that the status quo will last for ever.”²⁰⁸

172. **There is clearly a concern among some UK businesses that the asymmetry in the import controls applied by the EU and the UK has placed GB exporters to the EU at a competitive disadvantage compared to EU businesses exporting to GB. However, some UK businesses import to export, meaning that less paperwork and fewer controls may have helped them and may also have mitigated more severe disruptions in UK supply chains. We recognise the very real supply-chain imperatives that have driven this state of affairs and note that the current level of asymmetry is temporary, and ought to be rectified by the scheduled introduction of full import checks and controls from January and July 2022.**
173. **With respect to the longer term, we ask the Government to explain how it will take a calibrated and strategic approach to its use of asymmetry at the border, in such a way as to maximise the UK’s competitive strength as a trading nation.**
174. **We heard concerns over repeated delays damaging business confidence in the Government’s timetable, with a risk that they send the message that import controls will be delayed again or never be implemented at all. It is vital that the Government takes steps to address this. Ensuring the 1 January 2022 deadline for customs controls is adhered to and goes as smoothly as possible would build confidence ahead of the later deadlines from July.**
175. **We also heard that the decision to delay had penalised those who prepared, at a cost, for the original deadlines. Although these preparations for the original deadlines were not wasted entirely, it would have been preferable in terms of business certainty if the Government had set out a realistic timetable at the outset and stuck to it rather than repeatedly moving deadlines.**

Further delay

176. Lord Frost was adamant that the Government would “stick to the dates that are now in place unless we get another terrible wave of the pandemic.”²⁰⁹ It was notable, however, that the Paymaster General was much less willing to be drawn into committing to this timetable.²¹⁰
177. Witnesses varied in the extent to which they had faith in the Government’s intention not to delay further. Sarah Laouadi believed that the Government was taking the new deadlines “seriously”²¹¹ and James Sibley did not see any benefit in exploring alternatives, explaining that the “Government are telling us that it is coming in on 1 January or 1 July, and we can only go with that. It does not help our members to speculate, so we have to work to that timetable.”²¹²

208 [Q 5](#) (Joe Marshall)

209 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 11](#) (Lord Frost CMG)

210 [Q 86](#) (Michael Ellis MP)

211 [Q 42](#) (Sarah Laouadi)

212 [Q 24](#) (James Sibley)

178. Richard Ballantyne believed that the Government was broadly committed to the current deadlines but suspected that “you might find that the major deadlines are honoured but there may be one or two easements that the Government introduce.”²¹³ Joe Marshall was also reluctant to rule out the possibility of a further delay, but did acknowledge that the Government’s decision to retain the January 2022 deadline for full customs controls “shows that they are making progress and edging towards full controls.”²¹⁴
179. In terms of the desirability of any further delay, there was widespread agreement, even from some who supported the most recent delay, that this should be avoided if at all possible. Competere not only viewed such a delay as ultimately futile because “the history of the easements in both the GB-EU and GB-NI context shows that traders do not use the time to get ready when easements are extended,” but also saw border security implications: “As long as the easement is in place, the UK border is not secure ... While this was acceptable for a temporary period, any further delay would not be welcomed.”²¹⁵
180. Sarah Laouadi stressed the importance of taking care “not to undermine the confidence that businesses and their EU counterparts, supply chain partners, suppliers and customers, have in this country’s plans regarding the upcoming import requirements.”²¹⁶ Dr Anna Jerzewska of Trade and Borders had seen increasing “deadline fatigue when it comes to all these deadlines being pushed and extended time after time. There is a little bit of a sense of lack of urgency,” adding that “it is very easy for a company to miss a deadline just because there are so many of them.”²¹⁷
181. ADS was concerned that the “level of acceptance for the current asymmetric model in the industry is ... likely to decline over time.” On this point, Luke Hindlaugh provided a concrete supporting example, telling us that the Food and Drink Federation had supported the first delay, tolerated the second, but strongly opposed the third.²¹⁸
182. ADS also argued that “additional delay to the introduction of import controls would create adjustment costs, increase uncertainty and undermine the level of trust required for businesses to invest in readiness.”²¹⁹ This sentiment was echoed by Richard Ballantyne, who explained that port operators were “nervous that there could be further delays for which they still have to pay the operating costs, pay the staffing, pay energy usage, pay sometimes business rates, for those facilities with no opportunity to raise revenue from charging operators to use those BCPs.”²²⁰
183. The National Farmers’ Union had similar concerns: “It is vital that the UK Government uses the time wisely between now and the next key dates to ensure that we do not simply see any further delays announced.”²²¹ For its part, however, the Agricultural Industries Confederation was more relaxed about the potential for further delay. It recognised that the eventual introduction

213 [Q 42](#) (Richard Ballantyne); see also [Q 9](#) (Sam Lowe).

214 [Q 9](#) (Joe Marshall)

215 Written evidence from Competere ([TIG0004](#))

216 [Q 41](#) (Sarah Laouadi)

217 [Q 41](#) (Dr Anna Jerzewska)

218 [Q 22](#) (Luke Hindlaugh)

219 Written evidence from ADS ([TIG0003](#))

220 [Q 41](#) (Richard Ballantyne)

221 Written evidence from the National Farmers Union ([TIG0015](#))

of import checks would be preferable but cautioned that “given the current pressures in the agri-supply chain relating to inputs and labour shortages, we must keep this timetable under review as circumstances change.”²²²

184. **Although we view the arguments for and against the most recent delay to import controls as finely balanced, we agree with the majority of our witnesses that there should not be a fourth delay. Now that it has set out its new timetable, we urge the Government to stick to it.**
185. **We note that the deadline for the Government to respond to this report will fall after 1 January 2022, when full customs controls are due to be introduced. If either these controls or those scheduled for 1 July 2022 are delayed in the interim, we will expect the Government’s response to address the reasons and impact of such a decision in detail.**

WTO compliance

186. A further potential consequence of the Government’s delays to the introduction of import controls was the impact this could have on the UK’s compliance with its other international obligations. One potential concern was the possibility of legal action against the Government under the auspices of the World Trade Organization, on the grounds that the failure to implement controls and checks on EU imports meant that these goods were given preferential treatment compared to those from non-EU WTO members (a potential breach of the WTO’s most-favoured-nation principle). The NAO has warned that the delay “leaves the UK open to potential challenge that it is not complying with international trading rules.”²²³
187. Sam Lowe accepted that “[the] UK [was] discriminating positively in favour of imports from the EU” but saw little practical risk. Even if one accepted that this could not be justified under the TCA and “therefore you are discriminating positively against [sic] the EU without good reason”, he added that “the follow-up question is: who cares? Does any other country care enough to bring a dispute against you, and are they able to prove harm?” He concluded, “Once you make your way through all those questions, my opinion is that, at least in so far as the Government are saying that these easements are temporary, they have nothing to worry about.”²²⁴
188. On this point, Emma Churchill did not see cause for concern. She told us that the Government had fully considered this issue “when [it] made the decision to have a short, further time-limited delay to some controls” and it was “confident that it is in line with [the UK’s] WTO obligations.”²²⁵
189. **The National Audit Office (NAO) has warned that, in delaying the introduction of import controls, the UK risks the possibility of legal action under the auspices of the World Trade Organization (WTO) for a potential breach of the latter’s ‘most-favoured-nation’ principle. The Government told us, however, that it was confident that its decision to employ a short, time-limited extension was in line with the UK’s WTO obligations. We agree that, so long as the situation is**

222 Written evidence from the Agricultural Industries Confederation ([TIG0002](#))

223 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]; see also written evidence from the National Farmers Union ([TIG0015](#)).

224 [Q 8](#) (Sam Lowe)

225 [Q 60](#) (Emma Churchill)

time-bound, there is a low risk of adverse legal consequences flowing from this delay. We remain to be convinced, however, that this would remain the case if the status quo persisted indefinitely, without these checks and controls being introduced.

CHAPTER 5: PREPAREDNESS FOR JANUARY AND JULY 2022

Overview

190. This chapter sets out the evidence we received on preparedness for the introduction of import controls from January and July 2022, including how the Government might use the additional time afforded to it by the decision to delay the introduction of these controls. Some areas are specific to either the January deadline or the July deadline, whereas others are of relevance to both; we have structured our analysis accordingly.
191. The NAO has called on the Government to use the additional time to “address current risks, particularly relating to infrastructure and trader and haulier readiness”, and to “provide the focused and detailed support and guidance that ports, hauliers, traders and passengers need to allow them to adapt to the new rules when these are introduced.”²²⁶
192. We heard some concerns over additional spikes of temporary disruption as new controls are phased in. Sarah Laouadi of Logistics UK warned that “it is likely that we will see another decline in compliance and an increase in the potential mistakes, issues and disruptions that could result”.²²⁷ Richard Ballantyne of the British Ports Association said that the introduction of import controls “is where we could see the most physical disruption and intervention at our ports.”²²⁸
193. Luke Hindlaugh of the Food and Drink Federation also predicted that the same inconsistencies of implementation seen between EU Member States would happen “between port health authorities” in Great Britain when SPS checks are introduced and said that the Government should stand ready to “stamp that out and make sure there is a consistent application where possible”.²²⁹
194. However, the extent of any disruption will depend on a number of factors. Logistics UK cited “the level of readiness of UK and EU businesses, [and] ... official vet capacity in EU countries for movements of agri-food goods from the EU to the UK”, as well as “the enforcement approach UK authorities will adopt towards the inevitable errors that will initially occur in the immediate aftermath of the two deadlines.”²³⁰ Both the National Farmers’ Union and the Food and Drink Federation called on the Government to extensively test procedures with traders ahead of the deadlines to minimise disruption.²³¹
195. The Institute for Government noted that the new timetable created “a greater separation between the introduction of full customs controls and full agri-food controls”. According to business groups they had spoken to, this separation could reduce “the risk of possible ‘spill over’ effects in January, whereby firms not subject to agri-food controls could have been caught up in possible disruption at the border caused by unprepared agri-food traders.”²³²

226 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

227 [Q 35](#) (Sarah Laouadi); see also written evidence from the Agricultural Industries Confederation ([TIG0002](#)).

228 [Q 33](#) (Richard Ballantyne)

229 [Q 30](#) (Luke Hindlaugh)

230 Written evidence from Logistics UK ([TIG0010](#))

231 Written evidence from the National Farmers Union ([TIG0015](#)) and [Q 25](#) (Luke Hindlaugh).

232 Written evidence from the Institute for Government ([TIG0014](#))

196. **There may be some temporary disruption when new import controls are introduced from January and July 2022, as traders adjust to a further set of new requirements. However, the extent of this disruption will depend on Government and business readiness, and on the Government’s approach to enforcing compliance after the deadlines pass. The Government should extensively test and trial procedures with traders ahead of the deadlines to help keep any disruption to a minimum.**

January 2022: customs and rules of origin

Customs

197. From 1 January 2022, the current easement allowing for deferred customs declarations will end, and importers of goods from the EU will need to submit full customs declarations at the point of import.
198. The Government’s Border Operating Model warns that “Customs declarations are complex” and recommends that traders seek the assistance of a customs intermediary. Completing a customs declaration requires a GB Economic Operators Registration and Identification (EORI) number, the Commodity Code of the goods, the value of the goods, the origin of the goods, and access to HMRC systems.²³³ Elly Darkin of Global Counsel said that the Government’s recommendation that firms hire an intermediary was “a valid one” but added that “there is a cost to that” which smaller companies might struggle to meet.²³⁴
199. Luke Hindlaugh described the move to full customs declarations as “quite a big one”, which will “probably be a shock” to traders.²³⁵ However, Joe Marshall of the Institute for Government pointed out that as some traders did not use the option of deferred declarations this year, “not all firms are facing a cliff edge.”²³⁶

Compliance and enforcement

200. Several witnesses raised concerns about the potential for compliance problems once full customs declarations are required.²³⁷ We heard that smaller firms are at particular risk, as large-scale businesses are more capable of outsourcing compliance functions to customs intermediaries or consultants.²³⁸
201. Dr Anna Jerzewska of Trade and Borders also warned that poor customs compliance, such as filling in declarations incorrectly, could be a long-term risk for traders: “my biggest worry is not getting the goods into the country. It is finding out three years from now that you have been doing something wrong and that all the customs duties that you have not paid over the last three years are now due.”²³⁹

233 HM Government, *The Border with the European Union: Importing and Exporting Goods* (July 2021), p. 125: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004070/2021_July_BordersOPModel_Publishing_2_.pdf [accessed 30 November 2021]

234 Q 10 (Elly Darkin)

235 Q 27 (Luke Hindlaugh)

236 Q 10 (Joe Marshall)

237 Q 46 (Dr Anna Jerzewska)

238 Q 10 (Elly Darkin, Joe Marshall)

239 Q 47 (Dr Anna Jerzewska)

202. Sam Lowe of the Centre for European Reform stressed, however, that “what happens as a result of non-compliance is up to the British Government. The enforcement environment on day one does not have to be very strict.”²⁴⁰ James Sibley of the Federation of Small Businesses said that, in the initial period at least, the Government should be “helping small companies in particular towards compliance ... before coming down with the hammer immediately.”²⁴¹
203. A so-called ‘light-touch’ approach to customs enforcement, however, would not be cost-free. Dr Anna Jerzewska told us that while “a light-touch approach will have to be [the] answer”, this also posed a dilemma for HMRC: “how do you promote compliance without a stick—without enforcement?”²⁴² Sarah Laouadi agreed: “a rule that is not enforced can penalise compliant businesses”.²⁴³ Joe Marshall raised questions about how a light-touch approach would be communicated, as “some firms are a little bit nervous about relying on informal messaging”.²⁴⁴
204. HMRC’s Sophie Dean told us that as “the majority of non-compliance ... is not going to be deliberate”, the Government would be taking “a supportive approach” to enforcement, “focusing on education, certainly in the early days”. She did not offer a timescale for how long this supportive approach might last, although she did add that the Government was “not going to be overly heavy-handed” in terms of enforcing compliance retrospectively.²⁴⁵
205. **Business compliance with the new requirement for full customs declarations from 1 January 2022 is a source of concern and could have long as well as short-term consequences. Much will depend, however, on the approach that the Government takes to enforcement.**
206. **We are encouraged to learn that HMRC intends to take a supportive approach that seeks to help and educate non-compliant traders, rather than punish them. However, we call on the Government to clarify how this approach has been communicated to traders, how long it will last, and how they intend to balance a ‘light-touch’ approach to enforcement with the need to incentivise compliance in the medium-term.**
207. **Given that the Government’s response to this report will not be due until after the deadline for full customs declarations is due to expire, we ask that an assessment of how businesses are adjusting to the new requirements is included in the response.**

Rules of origin

208. Alongside the TCA, the UK and EU negotiated a one-year grace period which temporarily waived the requirement for traders to submit a suppliers’ declaration when seeking to claim zero-tariff treatment on the basis of a statement on the product’s origin.²⁴⁶ As a negotiated easement, this grace

240 [Q 10](#) (Sam Lowe)

241 [Q 28](#) (James Sibley)

242 [Q 46](#) (Dr Anna Jerzewska)

243 [Q 43](#) (Sarah Laouadi)

244 [Q 10](#) (Joe Marshall)

245 [Q 66](#) (Sophie Dean)

246 European Commission, ‘Supplier’s declaration’: <https://trade.ec.europa.eu/access-to-markets/en/roo-explain-term/origin/GB/destination/IT/term/supplierDeclaration> [accessed 30 November 2021]

period applies to traders in both directions (unlike the phasing in of customs and SPS controls, which only apply to imports into GB from the EU).

209. From 1 January 2022, traders will need to submit suppliers' declarations when claiming tariff-free treatment. This proof may also be required retrospectively for goods traded during the grace period, meaning that firms will need to have maintained accurate records.²⁴⁷
210. Several witnesses raised concerns over trader compliance when the grace period expires. Sam Lowe said the grace period essentially meant "firms are not being asked to provide evidence" that their products qualified for zero tariffs, adding, "my suspicion ... is that lots of firms, especially smaller firms, are currently trading tariff free when they should not be".²⁴⁸ Dr Anna Jerzewska described the grace period was "one of the most misunderstood simplifications out there".²⁴⁹ William Bain of the British Chambers of Commerce said that the expiry of this grace period was "the big concern for January", and called for an "extensive comms campaign over the autumn" to improve trader awareness.²⁵⁰
211. Sam Lowe stressed that, as with customs, much would depend on the approach the Government takes to non-compliance after 1 January: "You can either choose to punish these firms or choose to help them comply."²⁵¹
212. **We have significant concerns about the imminent expiry of the grace period for suppliers' declarations on rules of origin. Firms that have misunderstood the grace period, or are unaware of its expiry, risk facing tariffs from 1 January 2022. We urge the Government to do all it can to communicate this deadline to businesses, especially SMEs. As with customs controls, the Government should take a pragmatic and supportive approach to enforcing compliance.**
213. **We note that this grace period will already have expired by the time the Government's response to this report is due. In its response to this report, the Government should set out the approach it is taking to monitoring and enforcing compliance, as well as its assessment of how businesses are adjusting to the requirement for suppliers' declarations.**

July 2022: SPS checks and controls

214. Following the Government's decision to further delay the introduction of certain SPS controls, the main deadline in this area is now 1 July 2022 (although there are a few exceptions where controls will be introduced earlier or later, as set out in paragraph 134).
215. The July deadline for SPS affects fewer traders than the January deadline for customs (as all goods will be subject to the requirement for full customs controls, whereas only some goods, primarily agri-food, are subject to SPS processes). However, the Institute for Government told us that for those affected by both sets of changes, "the introduction of agri-food controls is

247 European Union Committee, *Beyond Brexit: trade in goods* (24th Report, Session 2019–21, HL Paper 249), para 53

248 [Q 1](#) (Sam Lowe)

249 [Q 46](#) (Dr Anna Jerzewska)

250 [Q 25](#) (William Bain)

251 [Q 1](#) (Sam Lowe)

likely to be more challenging, given these involve more complex paperwork, [and] may require physical inspections and goods to proceed through a designated Border Control Post.”²⁵²

216. Despite the delay, concerns remain over the levels of readiness for the July 2022 deadline, particularly regarding Border Control Posts (BCPs), where physical checks on products subject to SPS requirements will take place. The Horticultural Trades Association was “concerned that not all BCPs will be operational”, especially to handle goods that are perishable or need to be temperature controlled.²⁵³ Indeed, the Government’s updated Border Operating Model also hints that not all BCPs will be operational on time, stating that physical checks on live animals will only take place at BCPs “where a facility is operational at the point of entry”.²⁵⁴ Where there is no designated BCP, checks will remain at the point of destination until sufficient BCPs are operational. Logistics UK, meanwhile, called for further detail on the operating models that would be used at different BCPs (not all BCPs are designated to check every type of product, and government guidance instructs traders to “make sure the BCP you are using is designated to check your shipment’s commodity”).²⁵⁵
217. We also heard concerns from the agri-food sector that there was a lack of clarity over the fees that would be charged by ports for inspections at BCPs.²⁵⁶ The National Farmers’ Union called on the Government to “ensure commercial operators do not abuse their power to set fees for a service which is a regulatory requirement.”²⁵⁷
218. Finally, we heard support for “pragmatic” application of the new SPS controls, both from July and in the medium-term. William Bain, for example, cited “the proportion of consignments that have to be opened up” at BCPs as one area where such an approach would be welcome.²⁵⁸ These matters are discussed in further detail in Chapter 6.
219. **The delay to the introduction of SPS controls provides the Government with extra time to ensure that the introduction of the new requirements on 1 July 2022 goes as smoothly as possible. We retain an interest in these matters and will monitor the implementation of the new controls closely.**
220. **In particular, the Government should ensure that sufficient Border Control Posts (BCPs) are operational in time, and that contingencies are in place if not. Clarity should also be provided on how each BCP will operate and the fees that will be charged for BCP inspections. We request that the Government provides an update on its progress in operationalising BCPs when it responds to this report.**

252 Written evidence from the Institute for Government (TIG0014)

253 Written evidence from the Horticultural Trades Association (TIG0009)

254 HM Government, *The Border with the European union: Importing and Exporting Goods* (November 2021), p. 9: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034308/20211117_November_BordersOPModel_Final.pdf [accessed 30 November 2021]

255 Written evidence from Logistics UK (TIG0010)

256 Written evidence from the Horticultural Trades Association (TIG0009)

257 Written evidence from the National Farmers’ Union (TIG0015)

258 Q 32 (William Bain)

221. **The Government should also prepare to ensure that each port applies the controls consistently, and to introduce procedures to resolve difficulties as soon as they arise.**

Cross-cutting issues

Government guidance and communications

222. As discussed in Chapter 3, the Government has produced a considerable amount of guidance to date to help businesses navigate the end of the transition period. It has also produced guidance to help businesses prepare for and adjust to the new import controls.
223. One of the most comprehensive pieces of government guidance for the new controls is the 314-page Border Operating Model, which sets out the UK Government's approach to importing and exporting goods across the GB-EU border and the varying requirements for different traders at each stage of the process.²⁵⁹
224. The Border Operating Model has been updated several times to reflect delays to the timetable for import controls. Although the most recent delay was announced on 14 September, the Government did not publish an updated Border Operating Model reflecting these changes until 18 November, more than two months later.²⁶⁰
225. Giving evidence to us shortly before the updated Border Operating Model was published, Cabinet Office official Emma Churchill played down the importance of this delay in publication: "the key change, of course, is the dates ... The details of what is going to happen and how it is going to happen are all ... in the [existing] operating model." Sophie Dean of HMRC pointed out that, as only some of the timetable had been changed, not all of the guidance was out of date: "What is in the Border Operating Model for January for customs is there now".²⁶¹
226. However, if the update was indeed primarily to the dates, it is not immediately clear why this took over two months. In written evidence prior to the publication of the update, Logistics UK was critical of this delay, pointing out that "updating and maintaining all sources of information is crucial to avoid confusion."²⁶²
227. **The Government should use the additional time ahead of the introduction of import controls to further update, consolidate and publicise its guidance to traders, in response to stakeholder feedback. It is vital that guidance is accessible and user-friendly, with the level of detail differentiated according to target audience.**
228. **We welcome the publication in November 2021 of the updated Border Operating Model. It would have been preferable if this had been done much more rapidly following the announcement of the new timetable in September 2021, rather than more than two months later, to avoid any confusion in the interim. We do not expect this**

259 HM Government, *The Border with the European union: Importing and Exporting Goods* (November 2021): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034308/20211117_November_BordersOPModel_Final.pdf [accessed 30 November 2021]

260 *Ibid.*

261 **Q 63** (Emma Churchill, Sophie Dean)

262 Written evidence from Logistics UK (**TIG0010**)

delayed publication to cause any major difficulties, as most of the latest updates are in relation to the July 2022 deadlines. Nevertheless, a prompter approach to updating guidance would be good practice for the Government in future.

229. We were also told of the importance of government communications with traders. James Sibley called for a “focus[ed] campaign for getting importers ready” for the new controls, while Luke Hindlaugh added that communicating potential problems would help as “a lot of problems that will happen with traders once the checks start will be common ones.”²⁶³
230. Emma Churchill told us on 9 November that the Government would shortly be relaunching the “Check, Change, Go” communications campaign that ran, ahead of the end of the transition period, in the autumn of 2020, focusing this time on the introduction of import controls.
231. **Government communications are an important tool in ensuring businesses are ready for the new controls. It was therefore welcome to learn that the Government is relaunching its “Check, Change, Go” campaign ahead of the new import requirements.**

Infrastructure, IT systems and staffing

232. As well as providing guidance and communications to assist business readiness, there are also steps the Government needs to take to ensure its own preparations are in order. Elly Darkin told us that, as an “urgent priority”, the Government should focus on these matters, which she identified as “digital infrastructure, physical infrastructure at ports and BCPs [Border Control Posts], and human resourcing with regard to staff recruitment and training.”²⁶⁴ In his letter to the Committee dated 25 November 2021, the Paymaster General, Michael Ellis MP, told us that the Government has allocated a total of £705m to fund infrastructure, jobs and technology at the GB-EU border, of which £470m was on infrastructure and £235m on staffing and IT systems.²⁶⁵
233. Some physical infrastructure was in place in time for the end of the transition period, but further infrastructure will be needed for the introduction of the remaining controls. Facilities for customs compliance checks will be needed from January 2022, while BCPs for physical SPS checks will need to be operational by July 2022.
234. Responsibility for this infrastructure varies. Richard Ballantyne explained that “typically border infrastructure is provided by the port operator”, although in this case, “given the short notice and the extreme circumstances”, the Government provided some financial support to ports in the form of the £200m Port Infrastructure Fund.²⁶⁶
235. Separately, the Government is responsible for the construction and operation of inland infrastructure sites, to support ports which do not have space for additional facilities. The Government has allocated a further £270m in

263 Q 25 (James Sibley, Luke Hindlaugh)

264 Q 9 (Elly Darkin)

265 Letter dated 25 November 2021 from Rt Hon Michael Ellis QC MP, Paymaster General, Cabinet Office to Lord Kinnoull, Chair, European Affairs Committee: <https://committees.parliament.uk/publications/8030/documents/82745/default/>

266 Q 38 (Richard Ballantyne)

funding for these inland sites.²⁶⁷ Emma Churchill told us that several sites, including Sevington in Kent, “were fully operational from 1 January and remain operational”, but will carry out additional functions from January and July 2022.²⁶⁸

236. The NAO’s November 2021 report warned that “there is still uncertainty regarding elements of the Government’s infrastructure programme,” and our inquiry heard similar concerns. As outlined in Chapter 4, several witnesses cited insufficient infrastructure readiness as a factor behind the decision to delay import controls. Richard Ballantyne said that while most of the infrastructure is “either ready or about to be ready”, there was still “quite a lot to do”, and that preparations felt “a bit last minute”. He added that port operators had found dealing with the Government on infrastructure “more frustrating” than on other matters.²⁶⁹
237. Although government officials were “very confident” about their preparations for new infrastructure,²⁷⁰ it is already clear that temporary arrangements will be needed in some areas. For example, with respect to inland infrastructure sites for Welsh ports (which are the responsibility of the Welsh Government), Emma Churchill told us that “It is likely that the permanent sites will not be in place until a bit later in 2022 or even 2023. There will need to be some interim arrangements, temporary facilities, from 1 July in respect of those [traders] coming through Welsh ports.”²⁷¹
238. **In terms of Government preparations for the new border requirements, physical infrastructure is by far the area of greatest concern, despite £470m in allocated funding. The Government must use the extra time to ensure that these preparations are on track or, where they are not, that sufficient mitigations are in place. The Government should provide this Committee with an update on its infrastructure preparations when it responds to this report, including information on how much of the £470m in allocated funding for infrastructure has been spent to date.**
239. **We also call on the Government to provide further clarity on the interim inland arrangements that will be in place to support Welsh ports next year, informed by engagement with the Welsh Government as necessary.**
240. New border processes also rest on the operation of government IT systems, such as the Customs Handling Import and Export Freight (CHIEF) system for submitting electronic customs declarations,²⁷² and the Goods Vehicle Management System (GVMS) for moving goods through customs. GVMS has been operational since the end of the transition period for goods moved under transit but, from 1 January 2022, will be needed to get any goods

267 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021), p 4: <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

268 Q 62 (Emma Churchill)

269 Q 38 (Richard Ballantyne)

270 Q 62 (Emma Churchill)

271 *Ibid.*

272 The CHIEF system has existed for around 25 years (previously for non-EU trade only) and is due to be replaced over 2022/23 by a new system, the Customs Declaration Service (CDS). National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021), p 78: <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 30 November 2021]

through customs at ports using the service.²⁷³ The Government confirmed to us that total HMRC spending on border IT systems during 2020–2021 was £294m.²⁷⁴

241. As the National Audit Office has pointed out, most of the changes to border-related systems were introduced ahead of 1 January 2021.²⁷⁵ Sophie Dean explained that the systems needed for January are “already live and running” but that, ahead of the deadline, the Government would be scaling up, testing, and improving existing systems.²⁷⁶
242. Unlike physical infrastructure, IT systems did not appear to be an area of major concern ahead of the January and July 2022 deadlines for most of our witnesses. However, trade associations in the agri-food sector were worried specifically about the transition to a new system for pre-notifying imported plants and plant products. The old system was described by the Horticultural Trades Association as “aging” and “outdated”, yet the transition to the new system “has already been delayed three times”.²⁷⁷
243. **In terms of government IT systems, most of the major changes have already been introduced. However, implementing and expanding IT systems carries an inherent level of risk, and we will continue to monitor the Government’s progress in this area.**
244. Introducing new import controls also requires the recruitment and training of new staff, particularly HMRC officials, Border Force, and veterinarians and port health staff for SPS checks.
245. We did not hear major concerns from our witnesses about levels of staffing for customs checks, and the Government expressed confidence that recruitment in this area was on track. Emma Churchill told us, “Border Force needed 1,500 for the end of the transition period. They were all in place. Border Force is on track to increase that to 2,000, which is what it needs for 1 January.” Speaking for HMRC, Sophie Dean added, “We have sufficient staff for January ... [and] we have trained several hundred more staff should they be needed.” The Paymaster General also cited £14m in funding from DEFRA to local authorities to support port health authorities in recruiting and training “hundreds more staff.”²⁷⁸
246. However, some witnesses did raise concerns about the additional port health and veterinary staff needed for SPS controls. The City of London

273 HM Revenue and Customs, ‘Register for the goods vehicle movement service’, (28 October 2021): <https://www.gov.uk/guidance/register-for-the-goods-vehicle-movement-service> [accessed 1 December 2021]

274 Letter dated 25 November 2021 from Rt Hon Michael Ellis QC MP, Paymaster General, Cabinet Office to Lord Kinnoull, Chair, European Affairs Committee: <https://committees.parliament.uk/publications/8030/documents/82745/default/>

275 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 1 December 2021]

276 **Q 63** (Sophie Dean)

277 Written evidence from the Horticultural Trades Association (**TIG0009**) and from the National Farmers Union (**TIG0015**). Currently, pre-notification of plant imports is done via the PEACH system (Procedure for Electronic Application for Certificates from the Horticultural Marketing Inspectorate). The new system will build on IPAFFS (Import of Products, Animals, Food and Feed System), which is currently used for other agri-food products (such as products of animal origin).

278 **Q 86** (Michael Ellis MP)

Corporation, in its capacity as the London Port Health Authority,²⁷⁹ raised concerns about “short timescales to recruit and train new port health staff” in the context of potential “overwhelming demand on and beyond 1 July 2022”. The Corporation called for additional support from the Government in this area, and for a temporary relaxation to non-EU import controls to ease the pressure on staff capacity.²⁸⁰

247. **Government recruitment of additional staff appears to be on track with respect to customs, but we heard some concerns over staffing levels with respect to the veterinarians needed for SPS controls. We invite the Government to explain the steps it is taking in this area in further detail when it responds to this report.**

EU trader readiness

248. As well as GB importers, the success of the upcoming stages of the timetable for import controls relies on the readiness of exporters in the EU—for instance, EU exporters of agri-food products will, from July 2022, need to arrange for export health certificates to be issued before their goods arrive in Great Britain.²⁸¹
249. The NAO’s November report raised concerns about EU trader readiness, warning, “It will be a significant challenge for the UK Government and EU Member States to make sure businesses across 27 countries understand what they need to do and when.”²⁸²
250. Our inquiry heard similar concerns—indeed, William Bain described trader unreadiness in the EU as “the greatest problem” ahead of the forthcoming deadlines.²⁸³ Logistics UK raised concerns that delays to import controls could exacerbate this lack of readiness, as, unlike UK exporters, “EU exporters have not felt the full impact of the end of the transition period yet.”²⁸⁴
251. The National Farmers’ Union were pessimistic that these issues could be solved, arguing that “the UK Government has very little influence over EU trader readiness.”²⁸⁵ However, the Government has already been engaging with EU traders on readiness matters, setting up teams of civil servants to “disseminate information and collect feedback from EU stakeholders” and holding “industry day” events with businesses from specific Member States.²⁸⁶
252. Elly Darkin recommended that the Government take further steps to encourage EU trader readiness, particularly by engaging with specific EU Member State authorities and businesses. She stressed that, “If a German exporter to the UK is looking to obtain an export health certificate, they do

279 The remit of the London Port Health Authority includes the ports of London Gateway, Tilbury, Purfleet, Thamesport and Sheerness, as well as London City Airport.

280 Written evidence from the Office of the City Remembrancer, City of London Corporation ([TIG0006](#)); see also [Q 5](#) (Joe Marshall and Sam Lowe).

281 Written evidence from Logistics UK ([TIG0010](#)) (Logistics UK)

282 National Audit Office, *The UK border: Post UK-EU transition period* (5 November 2021): <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period.pdf> [accessed 1 December 2021]

283 [Q 25](#)

284 Written evidence from Logistics UK ([TIG0010](#)) and from the National Farmers Union ([TIG0015](#))

285 Written evidence from the National Farmers Union ([TIG0015](#))

286 [Q 63](#) (Emma Churchill); see also written evidence from Logistics UK ([TIG0010](#))

not go to a website managed by the European Commission; they go to one managed by the German health authorities.”²⁸⁷

253. **Readiness and awareness among EU exporters will be crucial to ensuring the implementation of import controls goes smoothly, and this is currently a major area of concern. While this is not directly within the Government’s control, it must take all possible steps to engage with EU traders and the relevant Member State authorities in a targeted manner ahead of the forthcoming deadlines. Some work is already being done in this area, which we welcome.**

287 [Q 9](#) (Elly Darkin)

CHAPTER 6: LONGER-TERM QUESTIONS

The UK's long-term approach to border controls

A lighter-touch border

254. During his appearance before the Committee, the Cabinet Office Minister Lord Frost said he “would be surprised if, when we finally bring in these controls in January and July, we do exactly the same thing as the EU does.”²⁸⁸ Similarly, in his speech given in Lisbon on 12 October 2021, he said that even when border controls are fully in place, “we are never going to adopt the same levels of checks and controls required by EU systems because we don’t believe the level of risk requires them.”²⁸⁹
255. In terms of the specific measures that might be implemented to realise this ambition, there was general support among our witnesses for a lighter-touch border with fewer checks and a higher risk-tolerance, particularly for EU goods. Sam Lowe of the Centre for European Reform told us that in “the long run, there is probably an economic argument to be made that the UK should have a higher risk tolerance permanently for imported goods ... than it might have done as an EU member.”²⁹⁰ For the British Chambers of Commerce, William Bain did not “see a problem with [the UK] wanting to have a lower proportion of physical checks than the EU.”²⁹¹
256. Sarah Laouadi set out Logistics UK’s support for “a risk-based approach to border controls and border requirements.” To that end, she hoped and was confident that “the UK Government will adopt a pragmatic approach towards those genuine errors that do not have any effect on the actual level of risk posed by a consignment.”²⁹²
257. Richard Ballantyne also stressed the need for “consistency ... we cannot have certain routes being prioritised over others so that there is a commercial advantage or disadvantage for certain operators.”²⁹³
258. Sam Lowe noted the lack of detail in the Government’s proposals: “If [a future light touch regime] is the case, the UK Government should start telling people now what that will be so that they can prepare for it because, at the moment, it has just been alluded to rather than being set out in a solid proposal.”²⁹⁴
259. The Government did give some examples of areas where a light touch approach might be pursued; Lord Frost and the Cabinet Office’s Emma Churchill both cited the proportion of SPS consignments that would be subject to physical or documentary checks, with the former suggesting that the UK “might well come to a decision that [the EU’s approach] is disproportionate compared with the actual risk.” However, Emma Churchill stressed that this work was only just beginning in government, and that it was therefore not possible to provide further details.

288 Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 11](#) (Lord Frost CMG)

289 Cabinet Office, ‘Lord Frost speech: Observations on the present state of the nation’, (12 October 2021): <https://www.gov.uk/government/speeches/lord-frost-speech-observations-on-the-present-state-of-the-nation-12-october-2021> [accessed 1 December 2021]

290 [Q 6](#) (Sam Lowe)

291 [Q 25](#) (William Bain)

292 [Q 43](#) (Sarah Laouadi)

293 [Q 44](#) (Richard Ballantyne)

294 [Q 6](#) (Sam Lowe)

260. **We welcome the Government’s ambition to implement a light-touch border regime with a higher risk tolerance than the EU. While we see the ability to do so as being a potential benefit of the UK’s exit from the EU, the Government’s plans in this area currently lack detail. We urge the Government to set out its approach in full as soon as possible.**
261. **We share the Government’s hope that the EU will choose to emulate the UK’s light-touch approach to border arrangements in the future. However, we encourage the Government to engage in an active dialogue with the EU on these matters, with the aim of agreeing mutually beneficial simplifications as soon as possible, rather than hoping that this will be achieved passively in the future.**

The 2025 UK Border Strategy

262. During his appearance before the Committee, Lord Frost spelled out the Government’s “aspiration to have the best border in the world by 2025” as set out in the Government’s 2025 UK Border Strategy (see Box 1). Lord Frost expressed the hope that a “well-managed, light-touch border that applies to all third countries, EU and non-EU alike” might also encourage the EU to look at its own border regime and adapt accordingly.²⁹⁵

Box 1: The 2025 UK Border Strategy

The 2025 UK Border Strategy, published in December 2020, sets out the Government’s vision for the UK border to be “the most effective in the world” by 2025, by creating, in partnership with industry, a border which “embraces innovation, simplifies processes for traders and travellers and improves the security and biosecurity of the UK.”

The Strategy sets out a number of programmes to achieve these aims, including:

- The development of a Single Trade Window, allowing traders to submit all relevant import, export, and transit related regulatory requirements and data into a single government digital portal;
- Implementation of an Electronic Travel Authorisation to speed passenger journeys through ports;
- A major review of the agencies and checks that occur at the border, “to rationalise these wherever possible”.

Source: Cabinet Office, 2025 UK Border Strategy (17 December 2020): <https://www.gov.uk/government/publications/2025-uk-border-strategy> [accessed 13 December 2021]

263. There was widespread support for the 2025 UK Border Strategy among the witnesses. Luke Hindlaugh of the Food and Drink Federation thought that it was “an excellent strategy by the Government. There are a lot of great things in there,” adding that his organisation strongly supports “the UK doing things differently in its imports regime. Although we criticised the move to delay [import controls], we are not against the UK Government making innovations.”²⁹⁶ Logistics UK and Dr Anna Jerzewska of Trade and Borders also spoke favourably about the Strategy.²⁹⁷

²⁹⁵ Oral evidence taken on 26 October 2021 (Session 2021–22), [Q 11](#) (Rt Hon Lord Frost CMG)

²⁹⁶ [Q 25](#) (Luke Hindlaugh)

²⁹⁷ Written evidence from Logistics UK ([TIG0010](#)); [Q 52](#) (Dr Anna Jerzewska)

264. Richard Ballantyne of the British Ports Association was also very supportive of the Strategy but cautioned that further work was needed to achieve: “If we want the best border in the world, we are going to have to introduce some targets for government ... there is a bit to be done on the trade facilitation points and making sure that we are competitive and open for business.”²⁹⁸
265. The Institute for Government expressed similar sentiments, noting that the Strategy is “a significant programme of work for government and means that processes at the border will continue to evolve over the coming years, even once post-Brexit full import controls are in place.”²⁹⁹ They also warned that while “full implementation of the 2025 Border Strategy should also make compliance with some border formalities simpler for traders ... it will not remove non-tariff barriers”.³⁰⁰
266. **We welcome the UK Government’s 2025 Border Strategy, which is strongly supported by industry and contains some excellent innovations to the UK’s future border regime. While the Strategy itself will not remove non-tariff barriers, it will simplify processes for traders. It does mean, however, that the UK’s border regime will continue to evolve for some years beyond the immediate deadlines in 2022.**

Digitisation and technology

267. A further avenue for improvement at the border is the use of technology. Dr Anna Jerzewska observed that “the fact that we still use paper in international trade is unfortunate.”³⁰¹ Richard Ballantyne also recognised that “there is a lot more we can do to embrace technology and automation and digitalisation in our flow of logistics and customs.”³⁰²
268. However, while there was general support for improved technology, Sarah Laouadi stressed that “we have to be careful to introduce technology where it makes sense”—for example, by focusing on areas such as certification rather than direct interactions with hauliers at the border.³⁰³ Dr Anna Jerzewska echoed this theme: “Any trade facilitation measures should be encouraged. What is a bit concerning sometimes is the expectation for technology to solve everything.”³⁰⁴

Regulatory divergence

269. EU legislation has so far largely been retained in UK law by virtue of the European Union (Withdrawal) Act 2018. The UK’s exit from the EU and the end of the transition period has opened the door to the UK’s divergence from EU law and regulations. To that end, the Government received recommendations on 16 June 2021 from 10 Downing Street’s Taskforce on Innovation, Growth and Regulatory Reform (TIGRR)³⁰⁵, chaired by Rt Hon

298 [Q 43](#) (Richard Ballantyne)

299 Written evidence from the Institute for Government ([TIG0014](#))

300 *Ibid.*

301 [Q 53](#) (Dr Anna Jerzewska)

302 [Q 53](#) (Richard Ballantyne)

303 [Q 53](#) (Sarah Laouadi)

304 [Q 53](#) (Dr Anna Jerzewska)

305 Prime Minister’s Office, 10 Downing Street, ‘Taskforce on Innovation, Growth and Regulatory Reform independent report’, (16 June 2021): <https://www.gov.uk/government/publications/taskforce-on-innovation-growth-and-regulatory-reform-independent-report> [accessed 1 December 2021]

Sir Iain Duncan Smith MP, the Rt Hon Theresa Villiers MP, and George Freeman MP. The recommendations set out a framework for regulatory reform with innovation and proportionality at its heart.

270. Lord Frost responded to the Taskforce’s recommendations, on 16 September 2021, expressing the Government’s intention to “begin a new series of reforms to the legislation we inherited on EU exit, in many cases as recommended by the TIGRR report.” In his statement to the House, Lord Frost cited two examples: the replacement of the General Data Protection Regulation (GDPR) with a “pro-growth, trusted data rights regime, more proportionate and less burdensome” than the EU’s;³⁰⁶ and “to overhaul our clinical trial frameworks, based on outdated EU legislation, giving a major boost to the UK’s world-class R&D sector and getting patients access to new lifesaving medicines more quickly.”³⁰⁷
271. It was clear from the evidence that divergence is an area of interest and potential concern for many stakeholder groups. Elly Darkin of Global Counsel told us that, in her experience, “businesses ... are now looking at horizon scanning for regulatory divergence issues”.³⁰⁸ For the Federation of Small Businesses, James Sibley was positive about divergence, recognising an “opportunity to review the overall body of regulation and assess where there are duplicative requirements and unnecessary regulatory burdens placed on SMEs”³⁰⁹ and highlighting “lots of things that we think could be done differently ... how the EU deals with e-commerce and low-value consignments could be dealt with a lot more liberally by the UK.”³¹⁰
272. There was, however, by no means a consensus that divergence was desirable. William Bain was reticent: “Although clearly the UK will plough its own furrow in terms of regulating new industries ... we see the benefit in keeping regulation on industrial goods the same as it is at the moment”,³¹¹ adding that in “relation to agri-food [regulation], it is hard to think of any areas at this point that you would want to see immediate divergence ... you would surely need to do an impact assessment to see what the costs on business would be”.³¹² From an aerospace and defence perspective, ADS could see “no benefit in divergence of safety requirements between GB and EU border controls or wider regulatory standards”.³¹³

306 In his appearance before the Committee on 26 October, Lord Frost was asked whether the Government’s intentions to diverge from the GDPR would jeopardise the stability of the UK’s data adequacy decision, which was agreed by the European Commission in June 2021 and permits the cross-border transfer of personal data from the EU to the UK without additional safeguards. Lord Frost suggested that it was possible that the adequacy decision might be withdrawn in these circumstances but said that it “would certainly be our aspiration” for the UK to retain adequacy as it diverged (Q 15). The Government has previously said, “Imports and exports of both goods and services heavily depend on the free flow of personal data between the UK and the EU.” Department for Digital, Culture, Media and Sport. (2020), *Explanatory framework for adequacy discussions: Section A: Cover Note*: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872228/A_-_Cover_Note.pdf [accessed 8 December 2021]

307 Cabinet Office, *Lord Frost statement to the House of Lords: 16 September 2021* (16 September 2021): <https://www.gov.uk/government/speeches/lord-frost-statement-to-the-house-of-lords-16-september-2021> [accessed 1 December 2021]

308 Q 2 (Elly Darkin)

309 Q 18 (James Sibley)

310 Q 25 (James Sibley)

311 Q 18 (William Bain)

312 Q 25 (William Bain)

313 Written evidence from ADS (TIG0003)

273. For the Government, Emma Churchill sought to provide reassurance: “I am absolutely sure that as the process goes on the implications for businesses that are trading, not just with the EU but with the rest of the world, will be fully considered.”³¹⁴ Similarly, the Paymaster General, Michael Ellis MP, said that although “the whole point” of Brexit was the “ability to set our own laws”, this “does not mean that we want to change our rules just for the sake of it.”³¹⁵
274. The question of regulatory divergence is not, however, solely in the hands of the Government as the EU will continue to legislate and enact new regulations governing trade in goods which, now that the UK has left the EU, do not have effect in GB.³¹⁶ As James Sibley observed, even “if the UK stands still, the EU is going to move.”³¹⁷ The Committee has received separate evidence from UK in a Changing Europe regarding its analysis of recent legislative and regulatory divergence between the UK and the EU. A tabulated summary tracking all developments can be found on the Committee’s website.³¹⁸
275. **It is clear that most businesses are not, in principle, opposed to divergence. We welcome the Government’s assurance that it will consider the impact on trade before it takes any steps in this regard, and request that it explains how this impact will be considered in further detail in its response to this report.**

Conformity assessment

276. In addition to the customs and SPS checks and controls that we have examined in this inquiry, there is also the further deadline of 1 January 2023, the delayed date for the mandatory requirement for businesses to use the UK’s own conformity assessment markings. These markings were introduced on 1 January 2021 but, until 1 January 2023, businesses may also continue to use the EU CE marking.³¹⁹ Elly Darkin saw this as an “important date for many businesses” and an example of the type of timeline that would “be hidden for different sectors in different ways”.³²⁰
277. Additionally, recognising the potential problems posed by the existence of two competing conformity assessment regimes, James Sibley strongly encouraged “exploring the potential, perhaps via specialised committee, for mutual recognition in conformity assessment”, which “would be very, very valuable”.³²¹ It should be noted that the UK previously sought this in the negotiations that led to the TCA, but that its proposals were rejected by the EU.

314 [Q 69](#) (Emma Churchill)

315 [Q 88](#) (Michael Ellis MP)

316 Under the Protocol on Ireland/Northern Ireland, Regulations enacted by the EU within the scope of the Protocol, primarily pertaining to trade in goods, continue to apply to Northern Ireland.

317 [Q 18](#) (James Sibley)

318 UK in a Changing Europe, *UK-EU regulatory divergence tracker* (9 September 2021): <https://committees.parliament.uk/publications/7515/documents/79274/default/> [accessed 1 December 2021]

319 Conformity assessment is the procedure for ensuring a product meets necessary regulatory requirements before it is placed on the market.

320 [Q 1](#) (Elly Darkin)

321 [Q 32](#) (James Sibley)

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Introduction

1. We note the complexity and diversity of Government departmental responsibilities for matters related to GB-EU trade in goods. It is vital that the coordinating role played by the Cabinet Office is exercised effectively to prevent this diffuse spread of competencies from causing practical problems. (Paragraph 9)

Economic context

The impact of the COVID-19 pandemic

2. We note that the available Office for National Statistics (ONS) trade figures suggest that there was a sharp fall in UK-EU trade immediately after the end of the transition period, with a partial recovery since. However, this trade data should be interpreted with caution, given the complications created by the COVID-19 pandemic, stockpiling before the end of the transition period, and the general difficulties in interpreting volatile trade data shortly after the fact. While it seems clear that the imposition of trade barriers had a pronounced initial impact on trade flows, more time is needed to fully assess the macroeconomic impact of Brexit on UK-EU trade in goods. (Paragraph 29)
3. We agree with our witnesses that, at a macroeconomic level, it is very difficult to fully disentangle the impacts of Brexit and the COVID-19 pandemic on UK-EU trade so far. We do note that the falls in UK-EU trade seen this year are greater than those seen in UK trade with the rest of the world (Paragraph 30)
4. Nevertheless, difficulties in interpreting macroeconomic trade data should not obscure the challenges and extra costs that some companies have faced on the ground, which are little to do with the pandemic and are instead a direct result of the new non-tariff barriers associated with the end of the transition period. (Paragraph 31)

Labour shortages

5. The ongoing labour shortages add additional complexity to the multiple challenges facing supply chains and may have been further exacerbated by the new non-tariff barriers to trade. The Committee welcomes the Government's efforts to address these problems in the short term but urges continued focus and attention to ensure that it does not further hinder business in adapting to trading as a third country with the EU. (Paragraph 37)

The TCA and the end of the transition period: impact to date

Adjusting to the new trading landscape

6. Since the agreement of the TCA and the end of the transition period, businesses trading goods between Great Britain and the EU have faced challenges as a result of new non-tariff barriers. Although the worst-case scenario of widespread disruption did not come to pass, GB-EU trade in goods is now more complicated and expensive than it was before January 2021. (Paragraph 57)

7. There has been some business adjustment to the new trading landscape as the year has progressed, with initial ‘teething problems’ subsiding. Nevertheless, traders continue to experience challenges and costs. In many cases these appear to be inherent in the new relationship with the EU and are, therefore, unlikely to be entirely eliminated with more time or experience. (Paragraph 58)
8. The impact of the new trade barriers on business has been uneven. Smaller businesses, which often lack the resources to adjust to new costs, and the agri-food sector, which faces an additional set of trade barriers in the form of SPS requirements, have been particularly hard hit. Any additional government support for business must take this uneven impact into account. (Paragraph 59)

Rules of origin

9. Rules of origin are an important part of any free trade agreement as they allow a trader to claim tariff-free access, and have an inherent level of complexity. Although the TCA’s rules of origin requirements posed a significant challenge for traders at the start of the year, there is some evidence that businesses have since been able to adjust to them, for example by absorbing the costs or by moving aspects of their distribution infrastructure to the EU. However, with the expiry of the grace period for suppliers’ declarations on 1 January 2022 fast approaching, we are concerned that there may be a further wave of short-term difficulties in this area in the new year. (Paragraph 66)

Sanitary and Phytosanitary (SPS) requirements

10. Sanitary and Phytosanitary (SPS) requirements have continued to present a major barrier to GB exports of agri-food products since the agreement of the TCA. The administrative complexity of these requirements is exacerbated by the perishable nature of many agri-food products, and the volume and nature of existing trade flows. As a result, GB exports of agri-food to the EU have become slower, less competitive, and more costly. (Paragraph 79)
11. Unless the UK and the EU are able to reach a more comprehensive agreement, which will require flexibility on both sides, SPS checks and controls will continue to be a serious barrier to agri-food trade. Notwithstanding the long-standing and well-rehearsed differences between the Parties’ preferred outcomes in this area, we call on the UK Government to seek an agreement on SPS rules with the EU as an urgent priority. The Government should provide further detail on its efforts in this regard in their response to this report. (Paragraph 80)

Customs

12. New customs formalities have added additional complexity to GB-EU trade, which will increase further with the requirement for full customs declarations for imports from 1 January 2022. However, we received evidence that issues around customs intermediary capacity have improved since the start of the year, and we welcome the action the Government has taken in this area. (Paragraph 92)
13. There are further steps the UK and EU could take to reduce the customs burden on traders through co-operation. We regret the fact that the TCA’s Specialised Committee on Customs Cooperation and Rules of Origin did not meet until October, and we urge the Government to utilise the platform

that this forum provides to the fullest extent. In particular, this could include exploring with the EU the possibility of implementing a single customs office model, similar to that currently operational on the Norway/Sweden border (albeit within the context of the European Economic Area). (Paragraph 93)

VAT

14. The recent change to EU rules on VAT has been a significant concern for smaller businesses and e-commerce retailers exporting into the EU, in particular the need to hire an EU fiscal representative when using the EU's Import One-Stop Shop (IOSS). (Paragraph 100)
15. We welcome the Government's raising of these matters with the EU, and we urge them to continue to do so. Given the evidence we have received regarding the burden placed on small firms, we hope that the Government is successful in persuading the EU to adopt the same 'listing' approach to the UK as it has done with Norway, so that GB businesses can export goods via IOSS without a fiscal representative. We look forward to an update from the Government on this matter when it responds to this report. (Paragraph 101)

Transporting goods

16. Although the TCA's provisions on road transport work well for most hauliers, they are wholly inadequate for those whose business model relies on the temporary movement of goods to multiple locations in the EU, particularly to large sections of the performing arts sector. We retain a close interest in this matter and intend to continue pursuing this in correspondence with the Government. (Paragraph 105)
17. We are concerned by the continuing issues that smaller businesses have faced with exporting via groupage. We invite the Government to set out how it intends to address this issue in their response to our report. (Paragraph 107)

Guidance and support

18. Business feedback on government guidance to date has been mixed, with praise in some quarters but concerns over a lack of consistency and coordination between government departments. This may be a consequence of the diffuse and complex division of responsibilities across government departments. (Paragraph 112)
19. We are encouraged, however, that the Government appears to be receptive to business feedback about improving its guidance and we hope that this continues. We particularly welcome the creation of the new Export Support Service as a single point of contact for exporters to the EU. (Paragraph 113)
20. The Government closed its £20m SME Brexit Support Fund because of low take-up, but we heard that this reflected the Fund's limited eligibility criteria, not low demand among small businesses. Our evidence suggests that SMEs have been disproportionately affected. We therefore recommend that the Government restore a version of the Support Fund, but with wider eligibility criteria, so that businesses who trade mostly but not entirely with the EU are also eligible. If the Government does not accept this recommendation, they should explain their reasoning when they respond to this report and, in doing so, outline the other steps they are taking to help small businesses access professional support. (Paragraph 118)

EU Member State implementation of the TCA

21. We received considerable evidence of inconsistent treatment of GB exports by authorities in different EU Member States, which has been a source of major frustration, uncertainty, and cost for businesses exporting goods to the EU. However, neither our witnesses nor the UK Government viewed these inconsistencies as being a targeted and deliberate policy, or a breach of the EU's obligations under the TCA. (Paragraph 129)
22. We welcome the ongoing work in government to identify these issues and raise them with the relevant Member States, including through the TCA Specialised Committees where necessary. We encourage them to continue this work. (Paragraph 130)
23. We heard calls for further Government action in this area, particularly by facilitating intelligence gathering and monitoring of instances of inconsistent treatment. In their response to this report, the Government should set out in detail the steps that they intend to take in this regard, including the role that the new Export Support Service will play in facilitating the monitoring of inconsistent treatment. (Paragraph 131)

*Delays to import controls**Merits of the decision*

24. The Government's decision to further delay the introduction of import controls has both real advantages and real disadvantages, which were reflected in the evidence we received. We note that the decision allows businesses additional time to prepare for the new requirements at a challenging time. However, we also note the concerns of some businesses, particularly in the agri-food sector, that the additional delay undermines business certainty and does not resolve the issues at hand. (Paragraph 144)
25. Despite the Minister's confidence otherwise, we remain concerned that the delay to the introduction of Safety and Security Declarations could undermine UK border security. As the Government's own Border Operating Model states, the requirement for these Declarations "protects the UK against potential threats such as terrorism and the trade from illicit goods such as guns and drugs"—yet these will not be required until 1 July 2022, 18 months after the end of the transition period. We call on the Government to clarify what steps it is taking to protect the UK border from these potential threats in the absence of Safety and Security Declarations. (Paragraph 145)

Timing of the decision

26. Notwithstanding the merits or otherwise of the decision itself, we regret the fact that the Government only announced the delay to import controls less than three weeks before the first set of controls were due to be introduced. Announcing the decision at this late stage undermined business planning and may have reinforced the impression among many businesses that these checks and controls will never be introduced. Any further changes to the timetable, if they are needed, should be announced at the earliest possible opportunity. (Paragraph 148)

The reasons for the decision

27. The Government argues that its preparations were on track for the original timetable and were not a factor in the decision to delay import controls.

However, we note the scepticism of several of our witnesses regarding this claim, particularly with respect to physical infrastructure. (Paragraph 157)

The consequences of the decision

28. There is clearly a concern among some UK businesses that the asymmetry in the import controls applied by the EU and the UK has placed GB exporters to the EU at a competitive disadvantage compared to EU businesses exporting to GB. However, some UK businesses import to export, meaning that less paperwork and fewer controls may have helped them and may also have mitigated more severe disruptions in UK supply chains. We recognise the very real supply-chain imperatives that have driven this state of affairs and note that the current level of asymmetry is temporary, and ought to be rectified by the scheduled introduction of full import checks and controls from January and July 2022. (Paragraph 172)
29. With respect to the longer term, we ask the Government to explain how it will take a calibrated and strategic approach to its use of asymmetry at the border, in such a way as to maximise the UK's competitive strength as a trading nation. (Paragraph 173)
30. We heard concerns over repeated delays damaging business confidence in the Government's timetable, with a risk that they send the message that import controls will be delayed again or never be implemented at all. It is vital that the Government takes steps to address this. Ensuring the 1 January 2022 deadline for customs controls is adhered to and goes as smoothly as possible would build confidence ahead of the later deadlines from July. (Paragraph 174)
31. We also heard that the decision to delay had penalised those who prepared, at a cost, for the original deadlines. Although these preparations for the original deadlines were not wasted entirely, it would have been preferable in terms of business certainty if the Government had set out a realistic timetable at the outset and stuck to it rather than repeatedly moving deadlines. (Paragraph 175)

Further delay

32. Although we view the arguments for and against the most recent delay to import controls as finely balanced, we agree with the majority of our witnesses that there should not be a fourth delay. Now that it has set out its new timetable, we urge the Government to stick to it. (Paragraph 184)
33. We note that the deadline for the Government to respond to this report will fall after 1 January 2022, when full customs controls are due to be introduced. If either these controls or those scheduled for 1 July 2022 are delayed in the interim, we will expect the Government's response to address the reasons and impact of such a decision in detail. (Paragraph 185)

WTO compliance

34. The National Audit Office (NAO) has warned that, in delaying the introduction of import controls, the UK risks the possibility of legal action under the auspices of the World Trade Organization (WTO) for a potential breach of the latter's 'most-favoured-nation' principle. The Government told us, however, that it was confident that its decision to employ a short, time-limited extension was in line with the UK's WTO obligations. We agree that,

so long as the situation is time-bound, there is a low risk of adverse legal consequences flowing from this delay. We remain to be convinced, however, that this would remain the case if the status quo persisted indefinitely, without these checks and controls being introduced. (Paragraph 189)

Preparedness for January and July 2022

Overview

35. There may be some temporary disruption when new import controls are introduced from January and July 2022, as traders adjust to a further set of new requirements. However, the extent of this disruption will depend on Government and business readiness, and on the Government's approach to enforcing compliance after the deadlines pass. The Government should extensively test and trial procedures with traders ahead of the deadlines to help keep any disruption to a minimum. (Paragraph 196)

January 2022: Customs and rules of origin

36. Business compliance with the new requirement for full customs declarations from 1 January 2022 is a source of concern and could have long as well as short-term consequences. Much will depend, however, on the approach that the Government takes to enforcement. (Paragraph 205)
37. We are encouraged to learn that HMRC intends to take a supportive approach that seeks to help and educate non-compliant traders, rather than punish them. However, we call on the Government to clarify how this approach has been communicated to traders, how long it will last, and how they intend to balance a 'light-touch' approach to enforcement with the need to incentivise compliance in the medium-term. (Paragraph 206)
38. Given that the Government's response to this report will not be due until after the deadline for full customs declarations is due to expire, we ask that an assessment of how businesses are adjusting to the new requirements is included in the response. (Paragraph 207)
39. We have significant concerns about the imminent expiry of the grace period for suppliers' declarations on rules of origin. Firms that have misunderstood the grace period, or are unaware of its expiry, risk facing tariffs from 1 January 2022. We urge the Government to do all it can to communicate this deadline to businesses, especially SMEs. As with customs controls, the Government should take a pragmatic and supportive approach to enforcing compliance. (Paragraph 212)
40. We note that this grace period will already have expired by the time the Government's response to this report is due. In its response to this report, the Government should set out the approach it is taking to monitoring and enforcing compliance, as well as its assessment of how businesses are adjusting to the requirement for suppliers' declarations. (Paragraph 213)

July 2022: SPS checks and controls

41. The delay to the introduction of SPS controls provides the Government with extra time to ensure that the introduction of the new requirements on 1 July 2022 goes as smoothly as possible. We retain an interest in these matters and will monitor the implementation of the new controls closely. (Paragraph 219)

42. In particular, the Government should ensure that sufficient Border Control Posts (BCPs) are operational in time, and that contingencies are in place if not. Clarity should also be provided on how each BCP will operate and the fees that will be charged for BCP inspections. We request that the Government provides an update on its progress in operationalising BCPs when it responds to this report. (Paragraph 220)
43. The Government should also prepare to ensure that each port applies the controls consistently, and to introduce procedures to resolve difficulties as soon as they arise. (Paragraph 221)

Cross-cutting issues

44. The Government should use the additional time ahead of the introduction of import controls to further update, consolidate and publicise its guidance to traders, in response to stakeholder feedback. It is vital that guidance is accessible and user-friendly, with the level of detail differentiated according to target audience. (Paragraph 227)
45. We welcome the publication in November 2021 of the updated Border Operating Model. It would have been preferable if this had been done much more rapidly following the announcement of the new timetable in September 2021, rather than more than two months later, to avoid any confusion in the interim. We do not expect this delayed publication to cause any major difficulties, as most of the latest updates are in relation to the July 2022 deadlines. Nevertheless, a prompter approach to updating guidance would be good practice for the Government in future. (Paragraph 228)
46. Government communications are an important tool in ensuring businesses are ready for the new controls. It was therefore welcome to learn that the Government is relaunching its “Check, Change, Go” campaign ahead of the new import requirements. (Paragraph 231)
47. In terms of Government preparations for the new border requirements, physical infrastructure is by far the area of greatest concern, despite £470m in allocated funding. The Government must use the extra time to ensure that these preparations are on track or, where they are not, that sufficient mitigations are in place. The Government should provide this Committee with an update on its infrastructure preparations when it responds to this report, including information on how much of the £470m in allocated funding for infrastructure has been spent to date. (Paragraph 238)
48. We also call on the Government to provide further clarity on the interim inland arrangements that will be in place to support Welsh ports next year, informed by engagement with the Welsh Government as necessary. (Paragraph 239)
49. In terms of government IT systems, most of the major changes have already been introduced. However, implementing and expanding IT systems carries an inherent level of risk, and we will continue to monitor the Government’s progress in this area. (Paragraph 243)
50. Government recruitment of additional staff appears to be on track with respect to customs, but we heard some concerns over staffing levels with respect to the veterinarians needed for SPS controls. We invite the Government to explain the steps it is taking in this area in further detail when it responds to this report. (Paragraph 247)

51. Readiness and awareness among EU exporters will be crucial to ensuring the implementation of import controls goes smoothly, and this is currently a major area of concern. While this is not directly within the Government's control, it must take all possible steps to engage with EU traders and the relevant Member State authorities in a targeted manner ahead of the forthcoming deadlines. Some work is already being done in this area, which we welcome. (Paragraph 253)

Longer-term questions

The UK's long-term approach to border controls

52. We welcome the Government's ambition to implement a light-touch border regime with a higher risk tolerance than the EU. While we see the ability to do so as being a potential benefit of the UK's exit from the EU, the Government's plans in this area currently lack detail. We urge the Government to set out its approach in full as soon as possible. (Paragraph 260)
53. We share the Government's hope that the EU will choose to emulate the UK's light-touch approach to border arrangements in the future. However, we encourage the Government to engage in an active dialogue with the EU on these matters, with the aim of agreeing mutually beneficial simplifications as soon as possible, rather than hoping that this will be achieved passively in the future. (Paragraph 261)
54. We welcome the UK Government's 2025 Border Strategy, which is strongly supported by industry and contains some excellent innovations to the UK's future border regime. While the Strategy itself will not remove non-tariff barriers, it will simplify processes for traders. It does mean, however, that the UK's border regime will continue to evolve for some years beyond the immediate deadlines in 2022. (Paragraph 266)

Regulatory divergence

55. It is clear that most businesses are not, in principle, opposed to divergence. We welcome the Government's assurance that it will consider the impact on trade before it takes any steps in this regard, and request that it explains how this impact will be considered in further detail in its response to this report (Paragraph 275)

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Baroness Couttie
 Lord Faulkner of Worcester
 Lord Foulkes of Cumnock
 Lord Hannay of Chiswick
 Lord Jay of Ewelme
 Baroness Jolly
 The Earl of Kinnoull
 Lord Lamont of Lerwick
 Lord Liddle
 Lord Purvis of Tweed
 Viscount Trenchard
 Lord Tugendhat
 Lord Wood of Anfield

Declarations of Interest

Baroness Couttie
Non-Executive Director at Mitie
Commissioner with the Guernsey Financial Services Commission
Vice-President of the Local Government Association
 Lord Faulkner of Worcester
No relevant interests to declare
 Lord Foulkes of Cumnock
No relevant interests to declare
 Lord Hannay of Chiswick
Member of the Advisory Board of the Centre for European Reform
Chair of the Senior European Experts Group
 Lord Jay of Ewelme
Trustee, Thomson Reuters Founders Share Company
Ownership of a shop in Oxfordshire with rental income from flat above
Member, Senior European Experts Group
Chairman, Advisory Council, European Policy Forum
 Baroness Jolly
No relevant interests to declare
 The Earl of Kinnoull
No relevant interests to declare
 Lord Lamont of Lerwick
No relevant interests to declare
 Lord Liddle
No relevant interests to declare
 Lord Purvis of Tweed
No relevant interests to declare
 Viscount Trenchard
No relevant interests to declare
 Lord Tugendhat
No relevant interests to declare
 Lord Wood of Anfield
No relevant interests to declare

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/work/1508/trade-in-goods/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

**	Joe Marshall, Institute for Government	QQ 1–15
*	Elly Darkin, Global Counsel	QQ 1–15
**	Sam Lowe, Centre for European Reform	QQ 1–15
**	Luke Hindlaugh, Food and Drink Federation	QQ 16–32
*	William Bain, British Chambers of Commerce	QQ 16–32
**	James Sibley, Federation of Small Businesses	QQ 16–32
*	Richard Ballantyne, British Ports Associations	QQ 33–55
*	Dr Anna Jerzewska, Trade and Borders	QQ 33–55
**	Sarah Laouadi, Logistics UK	QQ 33–55
*	Emma Churchill, Cabinet Office	QQ 56–69
*	Sophie Dean, HMRC	QQ 56–69
*	Rt Hon. Michael Ellis QC MP, Cabinet Office	QQ 80–92

Alphabetical list of all witnesses

	ADS	TIG0003
	Agricultural Industries Confederation	TIG0002
*	William Bain, British Chambers of Commerce (QQ 16–32)	
	British Food Importers and Distributors Association	TIG0005
	Richard Ballantyne, British Ports Associations (QQ 33–55)	
*	Emma Churchill, Cabinet Office (QQ 56–69)	
	Office of the City Remembrancer, City of London Corporation	TIG0006
	Competere	TIG0004
*	Elly Darkin, Global Counsel (QQ 1–15)	
*	Sophie Dean, HMRC (QQ 56–69)	
	Dr Mustapha Douch, Edinburgh University Business School	TIG0001 TIG0008

	Professor Jun Du, Aston University	<u>TIG0008</u>
		<u>TIG0011</u>
	Dr Terence Huw Edwards, Loughborough University	<u>TIG0001</u>
*	Rt Hon. Michael Ellis QC MP, Cabinet Office (<u>QQ 80–92</u>)	
**	James Sibley, Federation of Small Businesses (<u>QQ 16–32</u>)	<u>TIG0017</u>
**	Luke Hindlaugh, Food and Drink Federation (<u>QQ 16–32</u>)	<u>TIG00016</u>
	Horticultural Trades Association	<u>TIG0009</u>
	Institute of Directors	<u>TIG0007</u>
*	Dr Anna Jerzewska, Trade and Borders (<u>QQ 33–55</u>)	
**	Sarah Laouadi, Logistics UK (<u>QQ 33–55</u>)	<u>TIG0010</u>
**	Sam Lowe, Centre for European Reform (<u>QQ 1–15</u>)	<u>TIG0013</u>
**	Joe Marshall, Institute for Government (<u>QQ 1–15</u>)	<u>TIG0014</u>
	National Farmers' Union	<u>TIG0015</u>
	Office for National Statistics	<u>TIG0012</u>
	Dr Oleksandr Shepotylo	<u>TIG0011</u>
	Dr Enrico Vanino, University of Sheffield	<u>TIG0008</u>

APPENDIX 3: CALL FOR EVIDENCE

The House of Lords European Affairs Committee, chaired by Lord Kinnoull, has launched an inquiry into trade in goods between Great Britain (GB)³²² and the EU. The launch of this inquiry follows the decision on 14 September 2021 by the UK Government to further delay the introduction of new import controls on goods entering GB from the EU, many of which will now not be introduced until 1 July 2022. The Committee is interested in your views on this delay and on preparations for the new controls, and the implications for you, your business or your policy area. The Committee is also interested in the overall impact to date of Brexit and the Trade and Co-operation Agreement (TCA) on GB-EU trade in goods in both directions, in the UK's first year outside the Single Market and Customs Union.

The Committee invites interested individuals and organisations to submit written evidence to this inquiry by 29 October 2021. Public evidence sessions are expected to take place in October and early November, and the Committee aims to report to the House by early December.

Background

Following the conclusion of the UK-EU TCA and the end of the transition period on 31 December 2020, the UK formally left the Single Market and Customs Union.³²³ This led to the introduction of a series of new non-tariff barriers to trade between GB and the EU, including checks and controls on goods crossing the GB-EU border.

The UK Government adopted a phased approach to the introduction of checks and controls on goods imported into GB from the EU. Some checks and controls, particularly on controlled goods such as alcohol and tobacco, were introduced on day one. Others, particularly on food and animal products, were originally scheduled for introduction in April and July 2021. These were subsequently pushed back to October 2021, January 2022 and March 2022, and, more recently, delayed further to July 2022 in the case of many Sanitary and Phytosanitary (SPS) requirements. In announcing this delay, the Government stated that its “own preparations, in terms of systems, infrastructure and resourcing, remain on track to meet” the original timetable, and that the delay instead reflected the impact of the pandemic and wider pressures on supply chains.

In contrast to this approach, the EU introduced full import controls from 1 January 2021—leading to an asymmetry between GB exports to the EU and GB imports from the EU, with the former facing more checks and controls than the latter. The Government's latest timetable for the introduction of additional import controls is set out below.

- (a) From 1 January 2022:
 - (i) Pre-notification requirements introduced for Products of Animal Origin (POAO), certain animal by-products (ABP), and High Risk Food Not Of Animal Origin (HRFNAO). This was previously due to be introduced on 1 October 2021.

³²² Please note that goods trade relating to Northern Ireland is within the remit of the Sub-Committee on the Protocol on Ireland/Northern Ireland and is therefore beyond the scope of this inquiry.

³²³ However, under the Withdrawal Agreement's Protocol on Ireland/Northern Ireland, most EU Single Market goods regulations and customs legislation continue to apply to Northern Ireland.

- (ii) The scheme allowing deferral of customs declarations to end, as previously announced.
- (b) From 1 July 2022:
 - (i) Export Health Certificate requirements introduced for POAO and certain ABP. These were previously due to be introduced on 1 October 2021.
 - (ii) Physical checks introduced for products subject to SPS requirements, to take place at Border Control Posts (BCPs). These were previously due to be introduced from 1 January and 1 March 2022.
 - (iii) Pre-notification requirements and documentary checks, including phytosanitary certificates, introduced for low-risk SPS products. These were previously due to be introduced on 1 January 2022.
 - (iv) Existing physical checks on high-risk plants to take place at BCPs, rather than at the point of destination. These were previously due to be introduced on 1 January 2022.
 - (v) Safety and Security Declarations introduced for imported goods. These were previously due to be introduced on 1 January 2022.

Although the introduction of many SPS checks and controls has now been delayed to 1 July 2022, the requirement for full customs declarations from 1 January 2022 remains a significant milestone. As such, both the January and the July deadlines are of interest to the Committee's inquiry. 1 January 2022 is also the expiry date of a separate grace period waiving the requirement for traders to submit a Supplier's Declaration when seeking to claim zero-tariff treatment on the basis of a statement on the product's origin; this deadline is also of interest to the Committee's inquiry.

The Committee is interested both in the impact of the further delay to the introduction of import controls, and in preparedness for their introduction from January and July 2022, particularly in the context of the current challenges facing supply chains due to labour shortages. The Committee is also interested in the overall impact to date of Brexit and the TCA on GB-EU trade in goods in both directions, in the UK's first year outside the Single Market and Customs Union. The Committee would welcome views on areas of interest that are cross-cutting and may impact a large number of sectors, as well as specific sectoral implications.

Diversity comes in many forms, and hearing a range of different perspectives means that Committees are better informed and can more effectively scrutinise public policy and legislation. Committees can undertake their role most effectively when they hear from a wide range of individuals, sectors or groups in society affected by a particular policy or piece of legislation. We encourage anyone with experience or expertise of an issue under investigation by a Select Committee to share their views with the Committee, with the full knowledge that their views have value and are welcome.

If you wish to contribute your experience and expertise to the inquiry, please respond to the questions below. There is no obligation to answer every question.

1. What have been the overall consequences to date of the implementation of the Trade and Cooperation Agreement and the end of the transition period for GB-EU trade in goods, in the UK's first year outside the Single Market and Customs Union?

- (a) What have been the key challenges of existing border controls for GB-EU trade in goods so far? To what extent have these challenges improved or worsened over the course of 2021, and how might they be mitigated further?
2. Do you agree with the Government's decision to delay further the introduction of certain checks and controls on imports of EU goods into GB? What are the advantages and disadvantages of this decision?
 - (a) In your view, what were the key factors underpinning the decision to delay the introduction of import controls?
3. What are the implications of continued 'asymmetry' between GB and EU border controls, for example on the competitiveness of GB businesses, on border security, and on customs revenue? Are these asymmetric arrangements sustainable?
 - (a) What, if any, are the legal implications of delaying the introduction of import controls with respect to the UK's international obligations, both under the TCA and as a member of the World Trade Organisation?
 - (b) Have the UK authorities applied existing checks and controls consistently to imports from different EU Member States?
 - (c) To what extent are businesses, ports, hauliers, the customs intermediary sector and other relevant groups ready for the introduction of full customs controls, and the expiry of other relevant grace periods, from 1 January 2022, and for additional SPS controls from 1 July 2022? Are there any particular challenges or concerns ahead of these deadlines? How do current levels of preparedness compare to previous preparedness for the end of the transition period on 31 December 2020?
4. Ahead of these changes, what is your assessment of the quality of existing Government communications, guidance, advice, funding and support for traders and ports? If there are any shortcomings, how should these be addressed?
 - (a) Having made the decision to delay the introduction of certain checks, how should the Government best use this extra time?
 - (b) Do you have confidence that the Government's revised timetable for the introduction of checks will be delivered on time?
5. Is disruption to trade flows or supply chains expected from the implementation of additional checks and controls from January and July 2022? If so, what form might any disruption take, and can it be mitigated by Government action?
6. What, if any, is the relationship between the timetable for the introduction of new checks and controls and the current challenges facing supply chains due to labour shortages?
7. How would you assess the checks and controls that GB exports to the EU have faced since January 2021, such as Sanitary and Phytosanitary requirements, customs formalities, Rules of Origin, and VAT?
 - (a) What has been the impact of these checks and controls on British traders and hauliers?

- (b) Have these controls on GB exports been applied fairly, proportionately and consistently across EU Member States?
- 8. Are there any other concerns or issues relating to GB-EU goods trade, either to date or in the future, which you would like to highlight?