Government response to the European Affairs Committee's report
One year on - Trade in goods between Great Britain and the European Union

Introduction

The Government welcomes the report on Trade in Goods between Great Britain and the European Union, conducted by the House of Lords European Affairs Committee. We are grateful to the Committee and to those who provided evidence for the report and have considered the evidence, findings and recommendations carefully. The Government remains committed to ensuring that trade between Great Britain and the European Union remains strong and that any barriers are minimised as much as possible.

Key Committee Conclusions and Government Responses

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)

The Government agrees with this recommendation.

The Cabinet Office exercises a convening role in respect of the border, with the Paymaster General as lead Minister. This is in recognition of the complexity of the border as a system and the significant number of Departments, Devolved Administrations and other public bodies with an interest. The Cabinet Office manages the delivery of the necessary controls on trade in goods pursuant to the UK's departure from the Single Market and Customs Union. It is also accountable for the design and delivery of a modernised border as set out in the 2025 Border Strategy. Issues relating to the border are overseen by the Global Britain (Operations) Cabinet Committee, supported by official level governance.

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)

The Government agrees with the Committee's conclusion in paragraph 30 that it is very difficult to fully disentangle the impacts of Brexit and the COVID-19 pandemic on UK-EU trade. ONS have also made their view clear that it is not possible to draw conclusions on the impact of specific underlying drivers, to disentangle COVID and EU Exit factors, or to say which changes may be temporary or permanent.

The Government notes the Committee's comment with regard to the relative fall in UK-EU trade compared to UK-RoW trade. The trade data shows that imports from the RoW have overtaken imports from the EU in 2021, up by 7 percentage points and accounting for 52 per cent of all UK goods imported in January to November 2021 when compared to 2020. However, it is important to note that COVID continued to influence trading patterns in 2021. Between January and November 2021, UK exports with EU Nations are 5 per cent above the equivalent period in 2020 and 13 per cent below the same period in 2018.

Some of the increase in imports from the RoW reflects 'new trade' due to the pandemic, for example sourcing of PPE.

There has also been an increase in manufactured goods sourced from Rest of World markets, particularly China. By contrast, some of the decrease in imports from the EU can be attributed to the pandemic. For example, there has been a fall in imports of cars from Germany caused by reduced production due to a global shortage in semiconductors, and due to demand being impacted by lockdowns. Furthermore, in the most recent trade statistics, rising fuel prices are leading to an increase in imports from RoW which cannot be attributed to EU exit.

In conclusion, with the effects of Covid and post-EU Transition changes still filtering through, more time is needed to fully assess the macroeconomic impact of Brexit on UK-EU trade in goods. Although the latest ONS Trade Statistics for November 2021 show the gap in value of goods imported from EU and RoW has widened during the latter half of 2021, January-June 2021 showed the average monthly value of goods trade imported to UK from RoW accounted for 50 per cent compared with 53 per cent in July-November 2021.

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)

The Government appreciates that it has been challenging for some businesses, and in particular those of small to medium size, to adjust to the changes already introduced at the border.

The Department for International Trade (DIT) launched the Export Support Service (ESS) from 1 October, specifically to help businesses to export to Europe. See also our answer to paragraphs 21-23 below.

The Government has put in place a range of measures to support businesses throughout the process of introducing changes. See our answer to paragraphs 6-8 below.

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)

As the global economy has rebounded from this pandemic, we have seen pressures placed on supply chains across sectors and across countries. This is why we used our G7 Presidency to shine a light on these pressures, including raising the issue at Finance, Trade and Foreign Ministerial meetings and at advisory panels, to ensure that we work together with our closest allies to tackle global supply chain pressures, building on the action being taken at home.

The Government has taken quick and decisive action to ease these pressures when immediate interventions have been required. The Government announced a strictly time limited and temporary visa scheme, allowing extra poultry workers, pork butchers and HGV drivers to enter the UK to support the supply chain. The intention of these temporary immigration arrangements we announced was to help to provide relief for the food and fuel industries and ensure the stability of the UK supply chain particularly in the run up to Christmas.

The Government has taken over 30 measures to ease pressures in the haulage sector; including deploying the MOD's Defence Driving Examiners to increase the country's HGV testing capability and writing to existing HGV licence holders to ask that they consider returning to the haulage sector, where we are seeing better pay and working conditions.

However, the long-term, sustainable solution is to invest in our domestic workforce and improve the pay and conditions in the haulage sector, so the Government is also working to correct the structural problems in the industry. The Government is increasing testing capacity by 90 percent compared to pre-pandemic levels and improving HGV testing availability by 50,000 extra tests per year and streamlining the process. It is also delivering 4,000 skills bootcamp places this year to train HGV drivers, which are free for prospective HGV drivers, and investing £34 million in the boot camps.

Further, the autumn Budget and Spending Review expanded opportunities for adults to retrain into in-demand sectors. The Government is quadrupling the scale of employer-led skills bootcamps to provide more retraining opportunities for adults in high growth sectors. Adults will be able to access funding for a first Level 3 qualification in high value areas, including those experiencing a skills shortage such as construction, hospitality, health and social care and digital. We are also delivering the first increase to employer-led apprenticeships funding since 2019-20 and extending the £3,000 apprentice hiring incentive for employers to the end of January 2022. However, training alone cannot solve labour market shortages; in our move to a high wage, high skills economy, no longer reliant on low-skilled migration, employers must play their part in improving conditions and pay to attract workers.

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).

The Government recognises that we have entered a new relationship with the EU which will contain many benefits for individual businesses; but that this involves some change. From an early stage, we have taken a number of steps to ease the transition for businesses, including:

- **Staging the introduction of border import controls** to give businesses more time, especially given the pressures caused by the pandemic
- Running a **paid public communications campaign ("Check Change Go"),** focused on import controls and particularly SMEs and micro businesses.
- Cabinet Office has, so far, led 36 **webinars**, translated into five languages on a range of commodities with a further 140 webinars planned over the next six months, expected to reach around 20,000 EU and GB businesses moving goods from the EU to GB.
- **Engaging at a technical level with key border industry bodies, both in the UK and EU**. For example:
    - On 8 November, Cabinet Office ran a technical event for users of the Short Straits, jointly designed with the French authorities, with around 2,000 present. On 8 December we worked with HMRC to deliver a Goods Vehicle Movement Service (GVMS) step-by-step walk-through webinar with approximately 650 attendees.
    - Cabinet Office ran 10 EU-facing Industry Days between September and November 2021 with over 4400 registrations in total. 2500+ participants attended the events over the course of the programme, with a further 1800+ views of the recorded events on Youtube.
- **Producing easy to understand material and targeted advice.** All our events feature simple step by step case studies from the perspective of the trader. This material is also available on the Gov.uk website. The Cabinet Office has recently launched a leaflet specifically about taking goods through the Short Straits while DfT has a digital platform with a chat function to provide support.
- **Offering an "Import Goods into the UK Step by Step" online service**. This is an early deliverable of the Single Trade Window.
- Creating a **customs intermediary register** on GOV.UK to help traders find an intermediary appropriate to their needs. The register lists c.1500 intermediaries,

whether they are taking on new clients, and the services they provide. It currently shows that over 880 have capacity to take on new clients, the majority suited to smaller traders and to deal with complex declarations such as for Sanitary and Phytosanitary (SPS) goods.

- Holding in depth conversations with key **high value traders**; and working closely with **Business Representative Organisations** to help them get the message about import controls out to their members.

HMRC is continuing to support business following the customs changes on January 1 2022. They are carrying out daily engagement with border industry, are publicising the relevant guidance products actively, and have put in place a comprehensive Customer Support Model. HMRC has also increased its support for businesses who need help with customs processes for goods moving across the border, offering a service that is available 24/7. A robust support and resolution process is in place to ensure the smooth flow of goods in the event of any disruption, congestion or other issues affecting customs controls.

The Government is mindful that some sectors and businesses will need more support in adjusting than others. For example, small and medium-sized enterprises (SMEs) make up 97.8 percent of food and drink manufacturing businesses. Whilst they are vulnerable to changes to trading rules, the government continues to support industry to adapt.

The Government continues to provide tailored support to those industries most impacted:

- It has provided £20 million via the Brexit SME Support Fund to help SMEs adjust to new customs, rules of origin, and VAT rules when trading with the EU.
- To strengthen our reach to this diverse group of businesses, the Government's SME team is prioritising building relationships with individual SMEs, along with business representative organisations (BROs). Through these links our stakeholders report a collective reach to more than 43,000 businesses across the UK. Moreover, the Government has identified SME representatives to attend forums across government, including the Food and Drink Sector Council and Brexit Business Taskforce. SMEs and SME representative organisations have welcomed this support and have shared that it has enabled SMEs to respond more quickly to changing policies, most notably in relation to trade and the pandemic.
- HMRC's Customs Grant Scheme paid out over £69m to support businesses with recruitment, employee training and IT to help with customs declarations.
- All the other work that we have done around business readiness is also available to SMEs.
- The refreshed Export Strategy will focus on the range of barriers to exporting reported by SMEs, from costs and lack of knowledge to constraints in capacity and lack of contacts. It will target interventions across the exporter journey as part of a new single integrated eco-system of export support built around the new Export Support Service that was launched in October.
- Finally, the Government welcomes SME stakeholders to a monthly SME Forum. This forum provides a valuable platform through which to disseminate key information to SMEs, and also to seek their feedback on any upcoming policy changes. This includes our monthly food and drink SME Forum, weekly eBulletin and other digital media to disseminate government communications.

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)

The Government recognises that moving to a new relationship with the EU has presented challenges for some businesses, including around Rules of Origin (RoO). We welcome the Committee's recognition that businesses have been progressively adapting to the RoO requirements under the TCA since the start of 2021. The Government has been engaging extensively with businesses across sectors on RoO throughout the year to increase their understanding and support them as they adapt to the new requirements.

To help customers understand the complex RoO, HMRC has worked with GDS, HMT, Defra and BEIS on new and amended guides, supported by cross-government communications and engagement campaigns. RoO has been added to the online Trade Tariff tool, which has been called a "big step forward" by external trade bodies. Businesses can obtain support from the Export Support Service. So far, rules of origin issues have not caused any noticeable increase in difficulties for cross-border trade since 1 Jan.

We remain committed to engage with businesses to monitor and address any short-term difficulties resulting from the end of the easement period.

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.1 (Paragraph 80)

Throughout 2021, the Government continued to work closely with exporters and the authorities in EU Member States, at both a national and Border Control Post level, to resolve any issues that exporters have experienced or may be facing.

Exporters and authorities are adapting; in January 2021 French Border Control Posts were reporting large numbers of non-compliant product of animal origin export consignments from Great Britain. Six months later, French Border Control Posts reported non-compliance rates for the same Great British exports at less than 1 per cent with French authorities standing down reporting as a result.

The TCA Sanitary and Phytosanitary (SPS) chapter includes commitments from both Parties to limit unnecessary barriers to trade, whilst also establishing the UK's full autonomy over our public, plant, and animal health regime. The TCA commitments ensure Great Britain and the European Union take a risk-based approach to their respective SPS border controls. The TCA also provides mechanisms for ongoing cooperation between Parties on regulation to minimise SPS barriers to trade in agri-food goods. It establishes a Trade Specialised Committee on SPS Measures, which has a specific remit to regularly review the Parties' SPS measures, including certification requirements and border clearance processes, and their application, to facilitate trade between the parties.

These cooperation mechanisms have already begun to facilitate constructive dialogue between both parties. For example, the UK is working with the EU to take forward electronic certification. The introduction of electronic certification will enable greater volumes of goods to flow with ease between EU and GB through reducing delays, improving supply chain data, reducing business administration, securing shared borders and improving internal security.

The UK will continue to raise with the EU incidents in which SPS checks or controls are unjustified or disproportionate to the risk that commodities represent, such as the prohibition on exports to the EU of Class B Live Bivalve Molluscs and seed potatoes, in line with our mutual commitments in the TCA. We continue to have amongst the highest standards of biosecurity and food safety in the world.

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)

We welcome the Committee's recognition that the issues around customs intermediary capacity have improved since the start of the year. The Government has provided £84 million to support the expansion of the customs intermediary sector. We continue to engage with the top 40 external stakeholder organisations for customs via the Joint Customs Consultative Committee (JCCC), consulting on policy development for the longer term work as well as immediate readiness issues including trader feedback for the end of staged customs controls.

Since the TCA has been in place, UK officials and ministers have used, and will continue to use, both informal channels and formal committee structures to their fullest extent jointly to secure mutually beneficial objectives with the EU. This includes: effective TCA implementation; supporting traders, particularly in preparing for full customs controls; and pursuing further joint opportunities to reduce traders' administrative burdens and administer our customs regimes securely and efficiently.

For example, informal and ongoing engagement with the EU Commission has contributed to the timely development of clear and consistent guidance for traders on Rules of Origin procedures. This has directly supported traders in understanding the rules and has already helped to resolve some issues that businesses have raised with the UK or with EU Member States. In October's Specialised Committee on Customs Cooperation and Rules of Origin, we held a discussion to identify areas where the UK and EU could cooperate on future initiatives and heard from EU officials on their ambitions for building a Single Window. We closed the committee with a commitment to explore these themes through further technical dialogues, including exchanging best practice on operational implementation and potential for interoperable systems.

The joint customs offices with the EU, operational on the Norway/Sweden border, have been considered extensively, in particular in the context of Northern Ireland. Implementation of these offices in Norway and Sweden was extremely complex, despite those countries being part of the legal frameworks underpinning the European Economic Area. No such legal frameworks exist for such integrated cooperation between the UK and EU; the TCA alone does not currently provide the legal basis for those offices and the extensive level of cooperation and data sharing requirements needed to underpin such arrangements.

The Government remains committed to working with international partners to reduce the burden on traders. Our 2025 Border Strategy sets out an ambitious plan for transforming how our border operates and we are driving forward delivery of this, for example through the £180m investment in the UK Single Trade Window announced at the Spending Review. Implementing the Strategy will reduce burdens on all traders, whether they are trading with the EU or the rest of the world.

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)

The UK has formally written to the EU on 6 July 2021 and 12 August 2021 to request the debt recovery threshold in the TCA be lowered to an amount equivalent to EUR1500. The UK considers this to be a simple solution and of beneficial interest to EU consumers and UK businesses.

Furthermore, the UK formally requested to amend the debt recovery threshold at the EU-UK Trade Partnership Council in November 2021 and at the first Trade Specialised Committee on VAT Administrative Cooperation and Recovery of Taxes under the TCA in December 2021. On both occasions the EU noted the UK's request but stated they were not open to amending the debt recovery threshold contained within the Protocol at this time until more progress has been made implementing the TCA in its current form.

The Government will continue to actively press the EU for the condition to appoint a fiscal representative to not apply to UK businesses.

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)

The Government acknowledges that touring is a vital part of musicians' and performers' careers, providing not only an income stream, but also enriching opportunities for cultural exchange across the world. We also appreciate that the strength of the touring sector has clear implications for the associated supply chain, such as hauliers who transport equipment for tours and concert venues, which are market leaders in Europe.

During UK-EU negotiations, the UK put forward proposals for specific market access rights for specialist hauliers servicing tours for cultural events, arguing that the nature of their work was different from other haulage activities. The EU was unable to agree to those proposals. It is also worth noting that forthcoming measures already agreed by the EU will constrain intra-EU activity in this sector.

This is a complex issue for which there are no simple solutions. Last year the Department for Transport issued a Call for Evidence on unilateral steps and the Government will announce its next steps shortly. DfT are continuing to work across Government and with the sector to explore potential solutions.

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)

The Government is aware of the challenges faced by SMEs regarding groupage exports, and has issued the following guidance to facilitate movements:

Logistics Hubs

A logistics hub is a premise, approved under food hygiene regulations and listed by the EU for export purposes, which can act as a consolidation point for consignments prior to certification and dispatch to the EU. Consolidation at a hub enables the groupage of consignments onto a smaller number of EHCs. The Government has published guidance on the process for certification of POAO and plants / plant products at a logistics hub. The Government has conducted extensive industry engagement to establish the strategic position of new hubs to reduce certification burdens and costs, particularly for SMEs, and the time taken for border processes at EU border control posts, covering fish, meat, dairy, and plant products. There are currently six operational hubs for fish and fisheries products, and the Government continues to encourage hubs as a solution for other industries.

Groupage Export Facilitation Scheme (GEFS)

One of the challenges exporters face is accessing the information needed to certify consignments, especially where there are long or complex supply chains. To address this issue, with the agreement of the Royal College of Veterinary Surgeons (RCVS), the Government established the Groupage Export Facilitation Scheme (GEFS), a membership scheme enabling a certifying officer to make use of time-limited attestations as a form of evidence when signing an EHC for certain products of animal origin that are packaged for the final consumer and originate from stable supply chains.

The scheme applies to both GB-EU exports and GB-NI movements and has more than 80 members including most of the major supermarkets that undertake GB-EU exports. In a recent review of the scheme, stakeholders reported that it had allowed for trade that would have otherwise not occurred and supported millions of pounds worth of trade during 2021. The success of the scheme facilitated RCVS agreement to an extension for a further two years until the end of 2023 as well as an expansion of the scope to cover a wider range of products.

In addition to the above, the Government has also provided £20 million via the Brexit SME Support Fund to help support SMEs adjust to new customs, rules of origin, and VAT rules when trading with the EU.

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)

[18-19 together]

We welcome the Committee’s view that the Government has taken into account business feedback as it continues to improve its guidance. We continue to work with businesses to ensure that they are in the best possible place to take advantage of our new relationship with the EU.

The Government has worked collaboratively to ensure guidance meets user needs. On 13 July 2020, the Government published the first iteration of the GB-EU Border Operating Model. This was a coordinated piece of government guidance that set out the core model that all imports and exports will need to follow in simple and easy to understand terms. This included guidance for standard goods and more specialised products and processes. The document has been regularly updated to reflect the latest announcements on the EU-GB border process: since initial publication there have been four major updates.

Alongside the Border Operating Model, the Government has conducted a wide range of engagement to reach out to traders and communicate the latest changes in as timely a manner as possible. We are continually working with other government departments on reviewing guidance, including having further discussions with stakeholders to understand specific challenges. For example, on the basis of comments that customers made on the Rules of Origin guidance, we made a number of significant changes last year and have seen a significant reduction in customer contact as a result of the changes.

The Government has been responsive to business needs, listening to feedback and where necessary creating additional products to assist users. This includes the creation of case studies, showing full end to end journeys, and 'how to' guides to assist businesses in understanding the exact processes that they need to follow on a step by step basis. We continue to be responsive to business needs and welcome all feedback on guidance, products or additional assistance that would help industry.

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)

The scope of the SME Brexit Support Fund was developed in consultation with business representative groups who also assisted us in advertising the grant to traders. The decision was taken to restrict the grant to those who had not previously carried out international trade transactions outside the EU, and who therefore had no experience of customs controls.

The SME Grant Fund closed as planned on 30 June 2021. It supported over 4000 SMEs. Many applied for both types of support – training and professional advice. Over 2300 grants were dispensed to help with training, and a further 3000 helped applicants get professional advice. Before the scheme closed in June 2021, nearly £6.9m of grants were paid. Although only about a third of the fund was dispensed there is no evidence that the limit of £2000 per applicant impacted this as the average grant was £1250.

The SME Grant Fund was one of a number of ways the Government supported SMEs. Nearly 5000 intermediaries were given around £80m of grant support to help with new IT systems, recruitment, and training, as well as an apprenticeship scheme to help recruitment and training. In total, via the SME Brexit Support Fund and the Intermediaries Grant the

Government has made over £100m available to help businesses adapt to new rules. Across both schemes we have made over £100m available with over £83m dispensed to date.

There are no current plans to restart the SME scheme. HMRC will of course consider the impact of the changes of January 2022 changes on traders and consider interventions where needed.

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)

The Government agrees with the Committee that we will continue to work with relevant Member States, including through the TCA Specialised Committees, to identify and resolve examples of inconsistent or unnecessarily onerous treatment of UK exports.

The Export Support Service provides a single point of contact for exporters to Europe. The new service brings together well-established government support and helps SMEs navigate existing sources of information, such as HMRC's Customs and International Trade helpline and Defra's Rural Services helpline. It sits alongside DIT's wider package of support for exporters, helping UK businesses export more and with more confidence. The Export Support Service will initially focus on questions businesses have about trading with Europe but may expand to cover more global markets in the future.

The Export Support Service's online and telephone helpline provides a central government service to address exporters' queries, including concerns about inconsistent EU Member State treatment. Most queries require straightforward replies and signposting to UK government or EU Member States' official sources of guidance. To answer more complex queries and investigate instances of EU Member States' inconsistent treatment, the Export Support Service also seeks the input of other relevant UK government departments and the Department for International Trade's network of Market Access Officers in British embassies across the EU. The latter deliver in-market assistance, analysis and advocacy in support of UK businesses – responding to enquiries, gathering business intelligence, and identifying and addressing issues that hinder UK exports.

The Export Support Service will also monitor and analyse any emerging trends in UK exporters' queries, other sources of business intelligence including from business representative organisations and trade associations, and trade data. Where it identifies issues hindering UK exports it will prioritise them and, working with the lead UK government departments for any given issue and British embassies across the EU, seek to understand the policies and processes which cause them and consider how best to ameliorate or remove them. Wherever possible, it will seek to resolve them through other UK government department lead officials' and British embassies' bilateral interactions with their EU Member State counterparts. If it identifies significant issues where UK exporters are not being treated as they should be under the UK-EU TCA, our Government will address these in the TCA's Specialised Committees.

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)

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 initial decision taken by the Government to phase the introduction of border import controls was a response to the unprecedented situation faced by business as a consequence of the pandemic. Subsequent decisions responded to the fact that the pandemic lasted longer and had a deeper impact than was initially expected. The arguments for holding to the original timetable were considered carefully at the time.

The Government has communicated actively with business throughout regarding our plans for border import controls, in particular through the publication of the comprehensive Border Operating Model. All updates to the timetable were communicated as soon as the decisions to change the timetable were taken.

The Government has robust anti-smuggling controls and dynamic intelligence capabilities which will continue to prevent, deter, and detect illegal movements of goods and enable us to enforce criminal and civil sanctions against those responsible for those movements. Safety and Security declarations are only waived in cases where they were also waived prior to our departure from the EU – namely, for EU imports to the UK. So, when we do introduce these declarations, they will provide an extra tool in our security processes.

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 Government reaffirms that key systems and infrastructure required would have been sufficiently operational to meet the original date for introduction. The Government provided £470 million for new physical infrastructure to carry out customs and biosecurity checks after the end of the transition period.

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)

The Government delayed the introduction of import controls given the impact of Covid 19 on global supply chains and business preparations for the UK leaving the EU.Custom import controls have now been introduced and remaining controls for SPS goods will be introduced later this year. We continue to look at how controls can be implemented in the most effective way, as set out in the 2025 Border Strategy

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)

As per our response to paragraph 28, custom import controls have now been introduced and remaining controls for SPS goods will be introduced later this year.

The Cabinet Office will continue to ensure that design and delivery of the 2025 Border Strategy is aligned to create a world-leading, user-centric UK border to make it the most effective in the world - a system which uses, in full, the flexibility that we have outside the EU. We continue to examine our approach to border controls. As part of our approach to strengthening the UK's competitiveness, we will develop a UK Single Trade Window - a single data portal into which traders and intermediaries can submit any required data only once and reduce the cost of importing and exporting goods for businesses. We will also test the use of technology, real time data and trusted relationships to enhance the competitive strength and traders' experience of the UK border.

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)

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)

Remaining customs controls were successfully implemented with the EU on 1 January 2022. The Government intends to implement all remaining border controls with the EU as set out in the EU-GB Border Operating Model and previously announced.

On the balance of argument in terms of the phasing of import controls, see our answer to paragraph 26 above.

The majority of controls have been introduced and those outstanding will be introduced later this year, therefore businesses that already took steps to prepare will be ready for when those requirements come into effect. Businesses that have not taken those steps will still need to prepare for further controls when they are implemented.

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 Organisation (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, timelimited 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)

The Government intends to introduce border import controls in full during 2022, and is therefore confident that no question of WTO challenge will arise.

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)

The Government agrees with this recommendation. The Cabinet Office undertook a series of operational tests targeted at testing the full end-to-end process in key supply chains and locations in preparation for the changes due on 1st January 2022. This proved effective in terms of industry feedback and readiness as well as highlighting some issues that required rectification. The Cabinet Office will be coordinating a parallel approach for the changes planned from July 2022, working closely with DEFRA, HMRC and Border Force to lead full end-to-end testing.

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)

HMRC's customs strategy is to facilitate cross-border trade, whilst at the same time maintaining customs controls and preventing illegal imports and exports. These are not mutually exclusive objectives, and HMRC is conducting well-targeted enforcement activities where there is deliberate non-compliance and smuggling, whilst providing education and support to the majority of businesses who want to get things right. The Government's overarching priority is to keep goods moving and avoid delays at the border. As the customs authority, HMRC will act to ensure that border processes are as smooth as possible, whilst targeting cross border threats.

Following the introduction of full customs controls, HMRC continues to employ a fair and proportionate approach to tackling customs risks. This includes educating traders and the border industry to support trade and help everyone meet their obligations, as well as pre- and post-clearance checks, and regular monitoring of riskier traders and their supply chains to address any risks of illicit trade. This is being undertaken through communication campaigns. We are urging all traders to engage with these activities so that they can meet their obligations and avoid disruption. We welcome the Committee's support in this.

At the time of this response, the new requirements have only been in force for a matter of weeks, so it is too early to assess in any detail how businesses are adapting. Initial indications are that, building on the extensive support provided to businesses to prepare, compliance with the new customs declaration processes for EU trade is good and businesses are, on the whole, adjusting well. There are, of course, some issues arising, but they have been localised and HMRC and Border Force are working closely with hauliers, carriers and importers to resolve them.

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)

The Government continues to work closely with businesses, including SMEs, to help them adjust to the new RoO requirements. We have put in place a range of actions to increase traders' understanding of what they need to do to comply with the rules and increase motivation to act. This includes comprehensive GOV.UK guidance, webinars, letters, emails, social media, stakeholder engagement, events and roundtable discussions.

SMEs are traditionally hard to reach, so departments have been focussing on this group in their extensive efforts to educate and support traders throughout 2020 and 2021.

On compliance, the Government is taking a pragmatic approach to goods from overseas businesses exported to the UK. Our approach will be risk-based, continuing to be fair and proportionate, whilst focusing on education and aiming to help the businesses be compliant and successfully trade. However, deliberate non-compliance and fraud will be treated firmly and fairly. Through this approach, HMRC will aim to protect the UK's domestic producers from overseas exporters seeking to undermine the rules of origin negotiated in UK trade agreements. In parallel, HMRC and HMT have engaged with the European Commission and EU member state counterparts to stress the need for a proportionate approach to any compliance activity carried out on UK exports, and will continue to engage as needed.

Departments are continuing to work closely and gather feedback from businesses and their representative bodies through their regular engagement channels, such as HMRC's Joint Customs Consultative Committees and the Export Support Service (ESS). Departments have not reported any significant upturn in the level of queries on rules of origin since 1 January but are continuing to monitor this policy area closely and will respond to any issues that may arise.

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)

The Government is working closely with Port Health Authorities (PHAs) and port operators to ensure operational readiness for the controls that will be introduced from 1 July 2022.

The Government expects all currently planned Border Control Post (BCP) facilities funded by the Port Infrastructure Fund to be operational, or to have pre-planned contingencies in place, for the introduction of additional SPS controls from 1 July 2022.

All 22 PHAs receiving funding under the Port Health Transition Fund are monitored regularly for their readiness progress towards the July 2022 implementation timeframes. At the time of preparing this response all 22 PHAs were on track for implementation of the new SPS controls.

The Government is also developing new inland BCPs in Kent to accommodate goods moving through the Short Straits. A list of current BCPs, including how they will operate, is available on GOV.UK and is updated as and when new ones are designated.

Sanitary and Phytosanitary (SPS) infrastructure is a devolved matter. The Government understands that neither Wales nor Scotland will have permanent BCPs available from 1 July 2022. Interim solutions are being developed and we are working closely with the devolved administrations to ensure we have a consistent approach to biosecurity throughout Great Britain.

On charging, the Official Controls Regulations (OCR) requires competent authorities to charge for the official controls undertaken at a BC, by the PHA. The OCR requires that the fees and charging structure be based on a full cost recovery model unless the throughput of consignments is sufficiently low to make full cost recovery uneconomical.

The Fees and Charges for the checks carried out by a PHA are set as minimum charges in the OCR; Article 79 sets out the principles of the fees and charging regime; Article 81 sets out the cost which can be included in the calculation of the fees and charges; Article 82 sets out the options in calculating and making the charges – i.e. flat fee applied to call consignments regardless of checks undertaken or targeted charging; and Annex IV chapter 2 sets out the minimum charges to be applied for the checks.

All port health authorities are required to publish their fees and charging structures on their websites.

On inland BCPs, normal statutory charges for checks will apply at these sites as at other points of entry. As for charging for the facilities themselves, the Government recognises the potential impact the charging rate levied could have on customer flows at different ports. The Government hopes to make an announcement as soon as possible this year regarding a fair approach to charging that does not distort the market. In the meantime, it continues to engage with ports and their representatives.

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)

The Government has implemented a robust framework for engagement, monitoring and support of port health authorities. Cabinet Office are focusing on port operations, to ensure a consistent and aligned approach to operational readiness and enforcement for the new regime of SPS checks on EU-GB imports of animal products. This readiness framework includes regular individual Port Health Authority (PHA) engagement meetings, PHA capability working groups, PHA capability delivery forums and PHA/Trader communications working groups, all aimed at achieving operational readiness for July 2022.

In addition, the Government is producing relevant SPS controls guidance, together with comprehensive online and practical training programmes for all PHA staff to provide the foundation for consistent operating practices. The PHAs operate as the competent authority responsible for the enforcement of SPS controls at each BCP. Each individual PHA may employ different operating practices that importers will need to be aware of. Additionally, veterinary officers employed to carry out these checks by PHAs are highly qualified and will apply their professional judgement when carrying out SPS checks, within the framework of requirements set by the Government.

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)

The Government agrees with the Committee's comments.

In 2022, our work on trader readiness will include a further 140 webinars, the publication of simple animations on moving goods between the EU and GB, and a raft of new guidance - including further 'how to' guides and updated case studies. We will continue to engage with industry to get feedback on the range of different user needs and where we can provide additional support and guidance. We will also be working closely with trade associations and key industry stakeholders to develop bespoke webinars to address key issues. The government's Border Operating Model consolidates guidance from across departments and we continue to work with stakeholders to ensure this reflects their requirements

The guidance on GOV.UK has continued to be extensively user-tested and improved throughout the last few months ahead of 1 Jan and will continue to be reviewed as feedback is gathered. GOV.UK provides a good level of detail and where businesses need more tailored guidance, Cabinet Office has worked with sectoral partners to ensure they have the information they need and that it can be tailored to those sectors so it is most relevant.

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)

The revised Border Operating Model was published as soon as technically possible. The Government notes and agrees with the Committee's comments about the importance of prompt updates to guidance.

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)

As flagged in the report, the 'Check, Change, Go' campaign was re-launched in November 2021. Cabinet Office used extensive insight and audience analysis to tailor the campaign to those audiences who were least likely to be ready for further changes. Our objectives were to get people ready for the changes to ensure they didn't try to move goods into GB without having done all the right preparation. We tested our approach in focus groups to ensure our messaging and creatives would trigger a response in our audiences.

Across all activities we will be measuring our reach, engagement, and the in-kind value that we can measure from this.

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)

The Government's confidence that the relevant infrastructure would be in place and operational for full customs declarations and controls to be introduced on 1 January 2022 was well founded as there has been no reported disruption to the flow of imports. The physical infrastructure required for customs controls has been delivered both at ports, and at purpose-built Inland Border Facilities (IBFs) at Holyhead, Birmingham, Warrington, Ebbsfleet, North Weald and Ashford Sevington. A further IBF, which is not immediately needed, is in development at Dover, due to be completed in 2023.

As set out in the response to paragraph 41 of this response, the Government remains confident it will have sufficient capacity at BCPs to carry out necessary sanitary and phytosanitary checks from 1 July 2022, both at ports across the UK and at inland Border Control Posts (BCPs) in Kent and Holyhead.

As regards spending, in July 2020 the Government announced a £705 million package of investment in border infrastructure, staff and technology to ensure Great Britain border systems would be ready for the transition period. This included the £200 million Port Infrastructure Fund (PIF) and £270 million for inland infrastructure.

As of early December 2021, £95.5 million in grants from the PIF had been disbursed to ports to cover verified expenditure to date, with the remainder of the £195 million allocated from the PIF to be paid out following evidence of completion of the relevant infrastructure. Government forecasts that the whole of the funding allocated from the PIF will be disbursed to ports in line with their allocated grants.

Additionally, by December 2021, the Department for Transport had spent £292.2 million on inland border infrastructure (Sevington Inland Border Facility, Dover Inland Border Facility, Manston Airport Inland Border Facility and Waterbrook Inland Border Facility) and the running of Information and Advice sites; and HMRC had spent £77 million on IBF development.

Since departments have border-related funding built into their baseline budgets, it is not straightforward to provide the total cost to the Government of all new border infrastructure to date. Spending is ongoing and will be accounted for by departments in the usual way.

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)

Sanitary and Phytosanitary (SPS) infrastructure in Wales is a devolved matter.

However, our latest discussions with the Welsh Government indicate that Wales will not have permanent Border Control Posts (BCPs) available from 1 July 2022.The Welsh Government has identified a site for facilities to carry out biosecurity checks to serve the port of Holyhead. This is on land owned by the Welsh Government and close to a site being developed by HM Revenue & Customs for customs checks. The Welsh Government has received tenders for designing and building a BCP at Holyhead, with the expectation that it will be operational by early 2023.

The South Wales site (serving both Pembroke Dock and Fishguard) has yet to be confirmed and is therefore unlikely to be available until 2023.

Options for temporary solutions for biosecurity controls are currently being finalised for all three ports to cover the period from July 2022 until the facilities are fully operational.

The Government advised the Committee to request further updates from the Welsh Government directly.

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)

The Government notes the Committee's comment. As noted in the Committee's report, the new systems enabling the changes to import controls are already in situ and operational. We established robust mechanisms for monitoring any issues arising at the border from 1 January 2022. The number of issues reported since 1st January has been comparatively few and so far, there have been no major issues caused by defects in government systems.

It is expected that a similar approach will be taken by government for the changes due to take place from July 2022

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)

Public Health Agencies (PHA) received £14m in late 2020 to allow them to recruit staff to support implementation of the new regime of SPS checks on animal products imported from the EU to GB. As a result of the delay in implementing checks, in December 2021 the Government provided an additional £17.5m to ensure PHAs can maintain in post the staff already recruited, and in some cases, continue recruiting.

The Government is in the process of forecasting any additional recruitment needs for the financial year 2022-2023 and the financial implications, accounting for the phased implementation of checks on animal products and the planned introduction of fees by PHAs to ensure they can recover their costs.

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)

The Government welcomes and agrees with the Committee's comments.

Cabinet Office officials continue to operate bilateral technical co-operation groups with officials from the relevant EU Member States in terms of border controls - Belgium, France, Ireland, the Netherlands and Spain. These technical cooperation meetings are also attended by trade associations, who have the opportunity to raise issues and concerns.

Alongside this, the Cabinet Office ran ten “Industry Days” for EU traders between September and November 2021, jointly organised with UK Diplomatic posts. Over 4400 people registered for updates, with 2500 participants attending the events over the course of the programme and over 1800 views of the recorded events on Youtube.

In addition, Cabinet Office has offered 36 webinars in five European languages. This included a Short Straits specific webinar, targeting EU based hauliers and agents who use the short straits routes between the Pas-de-Calais and Southeast Kent coast. This event attracted over 1200 attendees, spread across over 30 EU and non EU countries and has been viewed over 1700 times on YouTube. A further 140 webinars are planned over the next six months. These are expected to reach around 20,000 EU and GB businesses moving goods from the EU to GB.

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)

The Government has been clear that its ambition is to ensure that controls are proportionate and we are considering options and will report in due course. The Government is committed to working with our EU partners through the mechanics of the TCA in order to address any issues as they arise.

The Government welcomes the Committee’s support for the 2025 Border Strategy, and agrees with the Committee’s comments about industry support for the strategy and the scope for the strategy to drive the transformation of the border.

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)

We recognise that most businesses are not in principle opposed to divergence. However their view will depend on, among other factors, how it impacts their costs relative to their international competitors and ultimately trade. The Better Regulation Framework already requires policy makers to consider the impact on international trade and investment when producing regulatory impact assessments.

There is no set format for how policy makers should assess these impacts as the specific approach will depend on the particular regulation in question. However, there is guidance (the Better Regulation Framework Guidance) as to points to consider (working with the Department for International Trade if appropriate). This includes an assessment of whether the measure introduces different requirements for domestic and foreign businesses, and how the measure is consistent with international obligations for equal treatment. Other factors to be considered include, for goods regulations, an assessment of whether the measure could create a technical barrier to trade; and, for services regulation, amongst other factors, whether it can significantly affect trade in services and impact competition. For both goods and services, this includes an assessment of whether the measure introduces different requirements for domestic and foreign businesses or different requirements for businesses from different foreign countries and a demonstration of how the measure is consistent with the UK's international obligations for equal treatment.