

Supplementary written evidence submitted by the Institute for Government (BBP0020)

Government preparations for the end of the transition period are not yet complete. This supplementary evidence provides a non-exhaustive list of business-related issues that the government needs to address before and after January 2021. In November 2020, the Institute for Government published *Preparing Brexit: How ready is the UK?*, which includes more detailed analysis of the government's preparations for the end of the transition period.¹ Since the publication of the report, and our oral evidence session on 8 December, the UK and EU have reached agreement 'in principle' on a number of issues related to the Northern Ireland protocol through the UK-EU Joint Committee, the UK government then published further details in a Command Paper on 10 December.²

On 11 December, the Institute for Government held an event with business representatives from the British Chambers of Commerce, EY and Sage group (who also supported the event), covering business readiness for the end of the transition period. A number of issues relevant to the committee's inquiry were raised. A video recording is available:

www.instituteforgovernment.org.uk/events/three-weeks-go-business-ready-brexit.

Business groups have also published information about issues they believe the government must resolve before the end of the transition period, including the British Chamber of Commerce, which has published a list of 24 unanswered Brexit questions.³

Outstanding business-related issues that the government needs to address before the 1 January 2021

Key actions	Key issues
Deliver IT systems to manage GB-EU border processes and the Northern Ireland Protocol	<p>Multiple IT systems are required to ensure the GB-EU border works effectively. Progress on some IT projects, such as upscaling the CHIEF system to handle additional customs declarations, is well advanced. More work is needed on others.</p> <p>The Goods and Vehicle Movement Service (GVMS) will need to be ready to handle GB-NI roll on-roll off traffic and the GB-EU border for the Common Transit Convention from January. This is expected to be delivered in time but is only due to undergo full end-to-end testing on 14 December.</p> <p>The government has also had to upscale and adapt the new Customs Declarations Service (CDS) for GB-NI trade. While the government is confident the service is on track, the First Permanent Secretary to HMRC told the Public Accounts Committee on 23 November that there is a 'much lower level of confidence' that businesses will have the software and processes in place to</p>

¹ Marshall J, Thimont Jack M, Sargeant J, Jones N, *Preparing Brexit: How ready is the UK?*, *Institute for Government*, November 2020, www.instituteforgovernment.org.uk/sites/default/files/publications/preparing-brexit-how-ready-uk.pdf

² Cabinet Office, *The Northern Ireland Protocol*, 10 December 2020, retrieved 14 December 2020, <https://www.gov.uk/government/publications/the-northern-ireland-protocol>.

³ British Chambers of Commerce, *Brexit: 24 days – 24 huge unanswered business questions*, 7 December 2020, retrieved 11 December 2020, <https://www.britishchambers.org.uk/news/2020/12/brexit-24-days-24-huge-unanswered-business-questions>

	<p>interact with CDS directly, and so will need to use the trader support service as an alternative.⁴</p> <p>The government plans to use the new “Check an HGV is ready to cross the border service” to limit traffic disruption at ports- especially in Kent, where lorry drivers will need a ‘Kent Access Permit’ showing they have the correct border paperwork before entering the county. The system has recently opened to registrations. It must be accessible for EU drivers, which make up around 85% of the haulage market across the short straits. It is therefore welcome that the government has made the service available in a number of languages. The government will also need to ensure its manual contingency plans to manage traffic in Kent are fully ready and communicated to industry in case the ‘Check an HGV’ service fails to work as intended.</p>
Deliver GB-EU and GB-NI border infrastructure	<p>This includes sites to manage traffic disruption at Ashford (Sevington) and Manston. Additional sites at North Weald, Ebbsfleet and Warrington (and potentially Waterbrook) will also be needed to carry out customs processes such as those needed for goods moving under the Common Transit Convention (Sevington will also be used for these purposes). The government passed legislation to speed up planning approval and work is underway, but additional work is needed to ensure all infrastructure is in place by the end of the year.</p> <p>Expanded infrastructure for agri-food checks will also be required in Northern Ireland ports. The permanent secretary of the Department of Agriculture, Environment and Rural Affairs in the Northern Ireland Executive told a Northern Ireland assembly committee on 5 November that “it is clear that full facilities will not be in place by January 2021.”⁵ The UK and EU have agreed a 3-month grace period for SPS certificates for supermarkets and their suppliers to ease the burden. But the Northern Ireland Executive will need to continue contingency work to ensure it can meet the level of demand for checks on 1 January 2021, and ensure full facilities are in place when the grace period ends.</p>
Recruit GB-EU border staff	<p>Staff need to be in place to run new border systems and processes being introduced in January. Recent evidence given to the Public Accounts Committee by senior government officials indicates that around 335 Border Force officers needed to be ‘onboarded’ before January and, as of the end of October, around 1500 HMRC officials still needed to be ‘onboarded’ – including around 1000 to operate inland border sites.⁶</p>
Build capacity in the private customs and veterinary sectors to support GB-EU border checks	<p>The government needs to work with business to ensure the capacity of the private customs and veterinary sectors is sufficient to meet demand created by new border procedures. Officials have already suggested that the government may need to take contingency measures, such as more closely targeting funding to increase the size of the private customs sector or relying on vets from the Animal and Plant Health Agency.⁷</p>

⁴ Public Accounts Committee, *Oral Evidence: UK Border 2020: Preparedness*, HC 691, 23 November 2020, retrieved 11 December 2020, <https://committees.parliament.uk/oralevidence/1345/default/>

⁵ Northern Ireland Assembly Committee for Agriculture, Environment and Rural Affairs, *Official Report, EU Exit Preparedness: Department of Agriculture, Environment and Rural Affairs*, 5 November 2020, retrieved 14 December 2020 <http://data.niassembly.gov.uk/HansardXml/committee-24048.pdf>

⁶ Public Accounts Committee, *Oral Evidence: UK Border 2020: Preparedness*, HC 691, 23 November 2020, retrieved 11 December 2020, <https://committees.parliament.uk/oralevidence/1345/default/>

⁷ Ibid.

<p>Provide certainty to business</p>	<p>Most of the preparations businesses need to take to trade with the EU on 1 January are necessary deal or no deal. This includes new customs formalities and regulatory checks, and actions to comply with separate regulatory frameworks and oversight regimes in the UK and EU in areas like product standards, chemicals and financial services.</p> <p>However, there are crucial aspects of business preparations that cannot be completed until the outcome of negotiations is known. For example, in order to benefit from a zero-tariff FTA, business will need to demonstrate that they meet new rules of origin requirements. This will only become clear very close to the end of the transition periods so many firms will not be in a position to take advantage of zero or reduced tariffs from 1 January, unless transitional provisions are agreed.</p>
<p>Provide certainty to Northern Ireland Businesses</p>	<p>Many key issues regarding the implementation of the Northern Ireland have been clarified by the UK-EU Joint Committee’s ‘agreement in principle’ and the subsequent UK Government Command Paper, however, there remain a number of areas where further information is needed:</p> <ul style="list-style-type: none"> - How businesses can register for the UK Trader Scheme for tariff free access GB-NI, and how the UK will reimburse traders who are subject to tariffs - Which supermarkets and suppliers will be eligible for the three-month grace period from having to complete Export Health Certificates - Arrangements for parcels moving GB-NI - Arrangements for VAT on second-hand goods sold in Northern Ireland but imported from Great Britain
<p>Develop trade support schemes for businesses trading across the Irish Sea</p>	<p>The UK government has established the Trader Support Service (TSS) to help businesses trading across the Irish Sea with new customs requirements. It must ensure this has sufficient capacity to meet demand on 1 January. The UK government will need to establish its recently announced Movement Assistance Scheme to help businesses comply with SPS requirements, which will also cover costs of new paperwork. This will need to be in place for 1 January, when at least some businesses moving goods GB-NI will need to comply with new SPS requirements, and scaled up ahead of April 2021 when the three-month grace period expires.</p>
<p>Communicate changes to businesses and the public</p>	<p>The Government will need to communicate clearly with businesses about what changes are coming and the timeframes for action. The public communications campaign has been hampered by the government’s reluctance to spell out the practical consequences for businesses of the decision to leave the single market and customs union, or to use clear language – such as the terms ‘Brexit’ and ‘no deal’. In the time that remains, the government should focus its communication campaign on outlining the urgency of the situation and the consequences of not being ready. It should use clear, non-politicised language.</p>
<p>Roll over trade deals</p>	<p>The UK currently benefits from 38 trade deals the EU has with other countries or trade blocs, but these will lapse from the end of the transition period. To avoid this, the government has entered negotiations to ‘roll over’ these existing agreements. As of 11th December, 27 agreements have been signed (an agreement with Vietnam also made in principle).⁸ Japan did not agree to</p>

⁸ Department for International Trade, *Existing UK trade agreements with non-Eu countries*, Guidance, 11 December 2020, www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries

	<p>roll over its deal with the EU, but a new UK–Japan Comprehensive Economic Partnership Agreement has been signed to replace it.</p> <p>But there are still 11 EU agreements left to roll over – including with large markets like Turkey – which will lapse if this is not done in time. Any businesses that currently take advantage of the agreements that have not yet been rolled over need to understand what failure to do so will mean for them.</p>
No deal contingencies for transport connectivity	<p>If no deal is agreed with the EU, there could be major consequences for transport connectivity between the UK and EU. For example, without additional measures, road haulage firms would have to fall back on the more onerous and costly ECMT permit system, with permits only available for around ¼ of the firms that currently operate between the UK and EU.⁹ In practice, however, the UK and EU are likely to put in place alternative contingency arrangements.</p> <p>The EU has already announced that it intends to introduce measures to ensure ‘basic road connectivity’ for up to 6 months, so long as the UK reciprocates, as the ECMT system would create ‘unmanageable disruptions’.¹⁰ It also offered similar measures to ensure basic air connectivity for up to 6 months, also contingent on the UK reciprocating. The UK government has yet to confirm what measures it might adopt in response, but providing clarity would be helpful for business.</p>

Outstanding business-related issues that the government needs to address beyond 1 January 2021

Key actions	Key issues
Phase in full border checks on GB important	<p>The government has decided to phase in customs checks on imports from the EU to Great Britain in three stages over a six-month period, to provide more time to for both the government itself and businesses to prepare. It will need to ensure that businesses are ready for new requirements; making clear that some border obligations are only being suspended, not removed, during the first half of next year.</p> <p>Border IT systems will need to be ready to work at full capacity. Critically, GVMS must be ready to handle roll-on roll-off traffic at the GB-EU border from July, in order to ensure new import border processes can be applied without causing major disruption at the main channel ports.</p> <p>By July, additional infrastructure to check compliance with new customs requirements and to handle sanitary and phytosanitary checks – border control posts – will need to be complete. Some will be located at private ports, but the government also plans to build new posts to serve Dover, Holyhead and the South West Wales ports. It has yet to provide full details on where these (potentially very large) new sites will be located or how long they will take to build.</p>

⁹ Merrick R, Brexit food shortage fears as three quarters of UK hauliers face being locked out of EU, *The Independent*, 20 July 2020, retrieved 14 August 2020, www.independent.co.uk/news/uk/politics/brexit-no-deal-uk-hauliers-food-goods-shortages-eu-a9627716.html

¹⁰ European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on targeted contingency measures in the absence of any agreement with the United Kingdom on a future partnership*, 10 December 2020, ec.europa.eu/info/sites/info/files/brexit_files/com_831_1_en_act_part1_v2.pdf

	Additional staff will also be needed to support the imposition of full import checks in July, including a further 330 Border Force officers (beyond those that are required for January). ¹¹
Transition to new regulatory frameworks	<p>The government has adopted unilateral measures in many sectors to provide businesses more time to adjust to new regulatory regimes. The government will need to ensure businesses continue to prepare for these changes next year and beyond. This includes:</p> <ul style="list-style-type: none"> - UK REACH: The government has given businesses additional time to provide information to support new UK authorisations. The Chemical Industries Association has said the chemicals industry could face more than £1 billion in costs to duplicate existing EU registrations in the new UK system if firms have to pay to access EU-held data.¹² - 'UK Conformity Assessment' (UKCA): The government has also announced it will continue to recognise the EU's CE marking (printed on products to demonstrate that they comply with EU health, safety and environmental standards) until the end of 2021, and allow the replacement UKCA marking to be printed on a label or accompanying document, rather than directly to the product, until the end of 2022. - UK approvals for medicines: The Medicines and Healthcare products Regulatory Agency (MHRA) plans to carry over some existing EU approvals for medicines to the new UK scheme and provide time for businesses to provide the information required to support new UK approvals. It also intends to allow those importing medical devices to rely on some EU certifications until 30 June 2023 and provide a grace period before firms have to comply with new requirements to register certain products with the agency. - UK authorisation for financial services: The government and the financial services regulators have established a 'temporary permissions regime', which will allow eligible EU firms currently using their EU authorisation to continue operating in the UK for up to three years while they secure full UK authorisation.
Deliver a scheme for 'qualifying status' for Northern Ireland Businesses	The UK government has put in place interim arrangements to allow all goods in free circulation in Northern Ireland 'unfettered access' to Great Britain. However, it intends to deliver a long-term scheme in the second half of 2021 to allow traders with 'qualifying status' to 'check-in' at ports and airports to avoid controls and tariffs, including a specific and more stringent regime for agri-foods. This will allow the border officials to distinguish between 'qualifying' Northern Ireland goods, and non-qualifying goods from elsewhere, that will be subject to full checks and controls.

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¹¹ Public Accounts Committee, *Op Cit.* <https://committees.parliament.uk/oralevidence/1345/default/>

¹² Foster P, 'UK chemical industry wars of £1bn cost to duplicate EU regime', *Financial Times*, 3 August 2020, retrieved 3 August 2020, www.ft.com/content/a1c4a5dc-f627-4689-97ae-909d4aaf6162