



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 18 February 2021

Session 5



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**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
6th Meeting 2021, Session 5**

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

- *Kenneth Gibson (Cunninghame North) (SNP)
- *Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP)
- *Ross Greer (West Scotland) (Green)
- *Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Dean Lockhart (Mid Scotland and Fife) (Con)
- *Stewart Stevenson (Banffshire and Buchan Coast) (SNP)
- *Beatrice Wishart (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Martin Reid (Road Haulage Association)
- Paul Sheerin (Scottish Engineering)
- Mags Simpson (Logistics UK)
- Mark Thomson (Dumfries and Galloway Council)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

Virtual Committee

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 18 February 2021

[The Convener opened the meeting at 09:00]

European Union-United Kingdom Trade and Co-operation Agreement

The Convener (Joan McAlpine): Good morning, and welcome to the sixth meeting in 2021 of the Culture, Tourism, Europe and External Affairs Committee. We have received apologies from Beatrice Wishart MSP.

Our first agenda item is evidence on the EU-UK trade and co-operation agreement. Our first panel comprises Paul Sheerin, the chief executive officer of Scottish Engineering, and Martin Reid, the director for Scotland and Northern Ireland of the Road Haulage Association. Thank you for joining us today.

We will move straight to questions, and I will ask the first one. We heard from both of you in the run-up to the agreement being struck, and you raised a number of concerns. Could you give us a feel for where we are now, two months into the agreement? Do you want to start, Mr Sheerin?

Paul Sheerin (Scottish Engineering): Yes, I would be glad to start. Unfortunately, the experience since we reached the end of the transition period has not been good. I sent you a written paper, which you have, no doubt, circulated. I would like to update you on our survey, which has now closed. It does not make for good reading. More than 100 members responded to our survey. Only one in four of the companies reports that there has been no impact since the end of the transition period. Unfortunately, that just reflects the companies in manufacturing engineering that do not export at all, which suggests that almost every exporter in the manufacturing engineering space is suffering detriment as a result of the end of the transition period and the move to the new processes.

The survey shows that 45 per cent of companies are experiencing detriment due to the unavailability of logistics, which has had a major impact on inbound and outbound shipments; 50 per cent are experiencing detriment due to the increased administrative costs of logistics and delays that have taken capacity out of the system; and 56 per cent are experiencing detriment due to

the additional administrative costs relating to customs and logistics processes. Even companies that are not exporting are experiencing detriment through their import processes. One company stated that it has had a tenfold increase in its administration costs associated with the logistics process post-Brexit. Finally, 42 per cent of companies reported experiencing a detriment due to the post-Brexit admin costs.

I mentioned that only one in four companies is experiencing no impact. The most significant impact on companies is from export documentation processes. The impact of import documentation processes comes just behind that, and the impact of country of origin evaluation and the resulting tariff implications is a close third. I am afraid that there have been significant impacts across the industry.

You might think from that that the biggest concern for companies is that they are experiencing additional costs, but that is not what worries them most. The thing that worries them most is that they are delivering late to their customers. That is because parts are coming in late and they cannot build quickly enough, which is resulting in a capacity constraint. Then, when they go to book transport to get the goods out, the goods are delayed either because of the lack of logistics capacity or because of the processes. Ultimately, that means that customers receive their goods late, and the question in our members' minds is how long customers will look at that situation before they ask whether it is worth the hassle of working with a company that is based in the UK when they can go somewhere else without those barriers.

The Convener: That is worrying. I should have thanked you at the outset for the paper that you circulated, which is useful. Thank you for updating the statistics in the paper. Do you have any illustrations of how the agreement works for companies on the ground?

Paul Sheerin: I will give you some examples. The worst aspect is the lack of capacity and what the additional burden means for some of our largest companies. Two or three weeks ago, one company had to send 200 factory staff home because it did not have enough parts. The same company, which is one of the larger manufacturers in Scotland, has had to charter seven aircraft to bring in freight, at a cost of £1.75 million, to keep its supply chain of parts going and to keep up with its commitments to customers.

The Convener: That is worrying.

Mr Reid, when we spoke to you last November, your big concerns were about licences—you feared that there would not be enough licences—and the issue of cabotage. I understand that both

of those aspects were addressed in the agreement, but your paper suggests that you have enormous difficulties. Could you address those two issues?

Martin Reid (Road Haulage Association): I clarify that I did not attend that meeting. Unfortunately, I had Covid-19 at the time and one of my directors attended in my place.

Thank you for inviting me to attend today. I can report a picture very similar to the one that you have just heard about from Paul Sheerin. Our pre-Brexit concerns were largely around the lack of preparation time that businesses had in which to consider what the requirements were. Unfortunately, come 1 January, any mistakes or system errors that were going to be made were happening in real time, which has had a knock-on effect throughout the supply chain.

Effectively, the supply chain has had to re-learn from top to bottom how to do the basics in moving goods, and it has taken quite some time to get even the simplest steps in place. I echo what your other witness said: it has been a difficult time for logistics.

The systems that we have inherited—the new way of working—have largely been set up around one product being picked up from one site and moving to one venue through one transport medium. Unfortunately, few goods move in that way in Scotland. The main issue that we have faced is around the groupage model. Seafood has been highlighted as one of the main sufferers in that area, but the impact is felt across the board because we, as a nation, are quite small and a lot of our manufacturing is not on a massive scale. Our model is based on multiple pick-ups from multiple sites being consolidated into one load and then moved on. However, unfortunately, the systems that have been put in place do not allow that to happen.

I attended the food sector resilience group with representatives from many different areas, and one quote stood out for me. One of the manufacturers' bodies said:

“One load getting through is newsworthy.”

That was only last week.

That highlights the issues that we are dealing with in a supply chain that is still trying to find its feet. Some of that will definitely be teething issues, which will ease as time goes by, but there are some fundamental issues that we need help with, and the groupage model is certainly one of them. There have been some trials. I believe that this week—even one week makes a difference—some movements have been happening but at nowhere near the volumes that we were used to pre-Brexit.

I think that it will be a long while before we get back to those volumes.

The Convener: By groupage, you mean a truck carrying different types of loads from different exporters.

Martin Reid: Yes.

The Convener: That issue has already been raised with the committee by food and drink industry representatives when they were before us. Are you saying that Scottish exporters rely on the groupage model more than the rest of the UK and that, therefore, although everybody has huge problems, Scotland has particular problems?

Martin Reid: I would not say that we have particular problems with the groupage model compared with the rest of the UK, because it is the same for everybody. However, as I have outlined in my written paper, what is peculiar to Scotland is the number of international operators' licences that we have compared with the rest of the UK, which is partly because we are so far away from major ports.

What we move is time critical and of high value. The groupage model that Scottish logistics are looking at tends to be time critical. We already operate—or did operate—a just-in-time industry, so any delay to time-sensitive loads is critical. That applies right the way through the supply chain; it is not just the end point that is delayed—there is a knock-on effect all the way through from the start to the end point.

The Convener: Mr Reid, I should have thanked you, too, for the useful paper that you circulated to us, to which I will now refer. You mentioned a survey of yours that suggested that

“in week 3 of January compared with a ‘normal’ pre-Brexit week full loads to Europe were down by 68%. Loaded and empty trucks together showed a reduction of 51%.”

Those figures are enormous.

Martin Reid: Yes. We have separate subsets of membership, and that survey was done with our international group of hauliers. That group is predominantly, but not exclusively, from the south-east. We found two things. First, the complications that were involved in moving goods through the Dover straits—the short straits—were making matters so problematic that a lot of time-critical goods were not being moved to start off with, because the risk of losing the entire load was too great.

Secondly, we found that the European hauliers who bring the goods into the UK would rather go back empty than bring our goods out, because of the potential for time delays. If you were a European haulier, would you be keen on sending your guys into Britain knowing that they might not

get back within 28 or 48 hours to take the next load? A lot of them have been taking a risk-averse approach.

That was a survey of our members, but the numbers that are coming out from the French side show that between 50 and 55 per cent of lorries are still returning empty to Europe.

The Convener: That is worrying.

In response to the trade movement figures that you published, the UK Government took quite an unusual step in issuing a statement that disputed your evidence. The statement said:

“there are no queues at the Short Straits, disruption at the border has ... been minimal”.

The UK Government also challenged some of your figures. For example, on the question of how many lorries were returning empty to the EU, which you have just mentioned, it said:

“This does do not reflect the data from our French counterparts, which put the figure closer to 50%.”

How do you feel about the UK Government’s rebuttal?

Martin Reid: I guess that that is a fairly rare step for the Government to take. There have been frustrations on both sides, I guess. Nobody is suggesting that the UK Government is not trying to help or to solve the issues. Our chief executive has spent a lot of time with Michael Gove and his associates, trying to point out the issues that the industry has been facing. Perhaps there has been frustration on both sides. However, at the end of the day, we have to report what our members are saying, because they are the ones we fight for.

09:15

Some businesses have thrived. Those who move one type of good from one venue can take it straight through with limited hassle. However, for others, particularly those who rely on consolidated loads, it has been an incredibly difficult time. That has to be balanced with the double whammy that came with Covid and businesses losing money last year because of lockdowns and so on. There is no family silver sitting in the background to bail the companies out.

Mr Sheerin mentioned the on-cost to businesses of compliance with the new systems, and our sector is feeling that acutely. In my paper, I mentioned the lack of qualified customs agents, which is, again, something that the UK Government denies. We have seen that that is definitely the case. Hauliers are having to become their own customs clerks. They are having to take on admin people and train them up on systems that are still in their infancy—and that we are still learning about—in order to cope with the

additional paperwork that is required. Nobody is saying that it is an easy time for the UK Government, but it is not an easy time for anybody in the current environment.

The Convener: You are being quite polite about the UK Government. The UK Government said that, in the first week of February,

“outbound and inbound flows (across all UK ports) were close to normal”.

Is that right or wrong?

Martin Reid: One of the issues that we are facing is that, for some reason, the UK Government is talking about flow—the number of trucks or the lack of queues—as a metric. The bottom line is that we have many stranded goods that should be in the supply chain but are not in the supply chain. Our members would not necessarily agree that traffic flows are normal—we are not saying that. The other side of the coin is that, even if traffic flows were normal, depending on who you speak to—even if you take the UK Government’s view of things—50 to 55 per cent of trucks are returning empty. That is not normal.

The Convener: Thank you very much. That is very helpful, Mr Reid. We will move on to questions from the deputy convener, Claire Baker.

Claire Baker (Mid Scotland and Fife) (Lab): Thank you, convener, and good morning to the panel.

Paul Sheerin set out the challenges to the supply chain, the increased costs and the risk of reputational damage for the businesses that your organisation represents. At the moment the import system is not fully operational and will come in in March and April. What concerns you? What impact do you think it will have, and how are your businesses preparing? Are they aware of the changes?

Paul Sheerin: The honest answer is that I do not profess to be expert enough to know. We have a weekly call among organisations in the four nations: the Road Haulage Association, Make UK—whose membership is predominantly in England—the Engineering Employers’ Federation Wales and Manufacturing Northern Ireland. Our colleagues in Northern Ireland, who I believe are operating under the conditions now, gave us a heads up to say, “Watch out”: they said that, if we are looking at Northern Ireland and thinking that they seem to be having it even tougher than us, it is because of the system, which is coming to us in the timeframe that has been mentioned. I have not had a chance to dig into that with staff here to understand why that is or how it will impact on us. It has been hard enough to keep up with giving answers and support to our members. The comment was made to me two days ago.

I need to get an understanding of the matter; it is of deep concern because we have not climbed out of the issues that the UK Government refers to as “teething problems”. I hope that the Government is right, but I am concerned—more than hope is needed for things to change from we are now.

Claire Baker: At the start of this, before the new year, the Government was using slogans including, “Are you ready?”, “Get ready for Brexit” and so on. The situation is quite concerning: I do not think that it is your responsibility to work out what the changes will be. Is the Government giving businesses enough support to understand what is likely when we come to March and April?

Paul Sheerin: That is a fair question. Remember that a raft of things were agreed just six or seven days before the year end—*[Inaudible.]* We were concerned because a number of companies were not as prepared as they could have been, but they were definitely in the minority. In phone calls that I have had since 1 January, it has been interesting to hear about the number of companies that were really well prepared. They had put in a lot of effort and had done risk assessments so that they understood things. They told us what they had found out and what things were going to be like.

I will go back to Martin Reid’s point about groupage in shipments of, say, 20 exporters’ pallets on a truck. One company has said that its goods were held up for three and a half weeks going out because one of the 20 consignments on the truck was deemed to have incorrect paperwork. It took a week for a response to come back saying that the paperwork was, in fact, correct, but had showed up an anomaly in the new software. It then took about two and a half weeks for the goods to get moving again.

To underline that I say that one of our big concerns is that from the public’s point of view there are no queues at the ports or on the waterways, and the truck parks in Kent are not full. I will repeat what one of our members said, which was that the reason for the policy is that the queues are at the back doors of the factories. The impact, as Martin Reid said, is that companies are risk averse about taking on goods that might tie up their assets, and about not being able to move them on elsewhere. That is causing queues at the back doors of factories—where the queues are not visible, so it looks as though we have not had the impact. I am sorry to say that we have. I quoted some figures earlier; more than 50 per cent of companies say that they have experienced significant detriment. That is the reality.

Claire Baker: Thank you. I will move on to road haulage. In your last answer to the convener, you talked about the difference between what might be

“teething problems” and what might be more fundamental and longer-term issues. Could you say a bit more about the longer term, and about the difference between issues that can be resolved and fundamental issues that you think will be more challenging?

Martin Reid: *[Inaudible.]*—there is additional paperwork required, whether it be electronic or physical. People will get used to that, but it will take time. We have to remember that the final iteration of the border operating model came in only about five hours before the Brexit transition period ended on 1 January. There will inevitably be teething problems while people find out about the system and about what is required.

Numerous paperwork mistakes are still being made, as Paul Sheerin pointed out. With groupage, one mistake on one consignment’s paperwork stops the whole load, which is a massive problem. People will learn the paperwork side of things as time goes on, but as I pointed out, in relation to the requirements for using the groupage model we can either find a systemic solution for moving consolidated loads or we will need to relearn how to move goods. For an entire supply chain to find a way, other than what we have been doing for a number of years, to move goods is a systemic problem, not a “teething problem”. That is one of the major issues.

The other major issue is, as Paul Sheerin mentioned, the additional cost burden that is placed on everyone in the supply chain. A recent example is that of goods moving to Northern Ireland. At the outset, when the trader support service was set up, rightly or wrongly the inference was that people would need to fill in supplementary declarations only for goods that were at risk of going to Europe via Northern Ireland. However, it has turned out that that is necessary for all goods going to Northern Ireland. With a good tailwind, and in an ideal world, it takes about 40 minutes to make a supplementary declaration. Some companies are moving 80 to 100 consignments per day; basic maths will tell you that they will need to take on eight or nine new staff to cover the paperwork for what they previously did without any difficulty. If they have to take on eight or nine additional staff but there is no extra money coming in from the processes, that is a big hit to the business.

I will illustrate by pointing out that in early January the big supermarkets told the Prime Minister that they would struggle to get their houses in order before 1 April, when the grace period will end. Companies of such size, with their turnover and resources, are struggling to make it for 1 April, but our industry and Paul Sheerin’s had to try to be ready for 1 January. Many of our

businesses are, of course, not of the scale of the big supermarkets.

It is a difficult thing for everybody to be dropped into. I do not know what more I can add, other than to say again that these are not “teething problems”. They are systemic issues, particularly in respect of how we move goods of animal-based or plant-based origin, for which we need sanitary and phytosanitary—SPS—checks, veterinary checks and so on. Those cause delay, and the system is new. Some of the problems will be teething problems, but other things, considering the amount of goods that we move, mean that we need help. We need easements and we need the UK Government to keep the dialogue with the EU going in order to find common ground that would at least let the backlog of goods that are not in the supply chain now, because their movement has been stymied at the back door—as Paul Sheerin rightly said—to flow through.

Claire Baker: Other members wish to come in, so I will conclude there.

The Convener: Thank you very much, Claire.

A number of members are indicating that they wish to ask supplementary questions. Given the time constraints and the constraints of the virtual meeting, I will not be able to let them all in and still ensure that everybody can ask their main questions.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning to the panel. I want to ask about paperwork issues that have been highlighted by other groups during our evidence sessions and in other committees that I sit on. The paperwork that you need to provide for EU exports has increased considerably. How is that different from the paperwork that is required for non-EU exports—that is, exports to the rest of the world? Is it more, less or about the same? Also, we have talked about some of the problems and the additional costs. Has there been any beneficial support either with the costs or with completing the paperwork?

Paul Sheerin: It is fair to say that companies that are used to exporting outside the European Union have probably been best placed to adapt. Having said that, however, even for them there have been issues with the lack of readiness and a lack of the tried and trusted in the new processes. Previously, they had entirely smooth processes, but the situation has changed. There is an opportunity to fix that, and that must be where the focus goes.

09:30

It is not just about those companies and their actions in getting goods out; it is also about

companies getting goods in—we have talked about that. One of our members that contributed to the survey that we circulated responded:

“As a company, we are very familiar with export processes. The problem often lies with our customers sending us goods because they are not used to working with these processes resulting in inbound delays.”

So, it is not just about the company managing its own outbound processes. Its suppliers across the European Union also now have to wrestle with these processes, and that is having an additional impact.

Jamie Halcro Johnston: That is an interesting point. There is a dispensation at the moment, which means that goods that are flowing into the UK flow more freely than goods that are going out. Do you see greater problems for UK companies in importing parts when that dispensation ends? Will that also put greater pressure on the European Union to ensure that there is action to address blockages in areas that it controls? The European Union will not want its own businesses to suffer—to lose out on trade with the UK—if, for example, there are more barriers to trading into the UK once the dispensation ends.

Paul Sheerin: I can go only on the advice that was given honestly by Manufacturing NI, that we have another headache coming down the road. So yes, I am deeply concerned about that. You are right in saying that European exporters do not want to lose business, so they will do what you see happening across the UK just now, where companies are frantically scurrying to find ways to improve things so they can get over the issues.

My concern is about the balance. It is important that UK companies ensure that their customers in Europe do not walk away, because those customers have a choice within the largest free trade area in the world, economically. We are just one small supplier. The UK is sitting in the position whereby, yes, you can bring a product from somewhere else, but selections have often been made because they are absolutely right for the product. One of the impacts of the decision to leave the European Union is that we do not have that balance any more, because the market within the European Union is so much larger and there are wider options. It is Hobson’s choice for companies in the UK, and that needs to be fixed.

On the other side, yes, the European Union will not want to lose the market, but the problem is not of the same size and impact as it is for UK companies. That is why we are having calls about the imperative to find ways to fix things and improve them.

Jamie Halcro Johnston: Thank you. Does Martin Reid want to come in on any of those points before I move to my next question?

Martin Reid: I think that Paul Sheerin was spot on. We already know of European businesses that are saying that—at least temporarily, but in some cases permanently—it is just too difficult to do business with the UK now, so they are sitting on their hands when it comes to fixing things.

Another issue, which I think has been touched on, is that, if delays for us in moving things to Europe become too problematic, companies will look elsewhere for suppliers. That is a concern, but, at the minute, nobody is benefiting from that. However, when the period of easements ends, in April and July, they will be faced with the same issues that we have been faced with since 1 January.

I do not think that it is necessarily helpful to go down a them-and-us route. We are not talking about politics; we are talking about trade. What we had before was relatively seamless. We will not get that again, so we have to try to make the process as seamless as possible within the new constraints and the new frameworks, not make more barriers than we already have.

Jamie Halcro Johnston: I agree, and that is also the evidence that has been given in other sessions. There is a problem now and there is potentially a problem coming up on the import side, but we do not want to wait to get that resolved, although it might take pressure for action from both sides.

My final question is about where some of that easement or improvement might happen. We have heard from the seafood sector about issues that are causing blockages when they get to Calais or other external customs areas when they are trying to export or import into other countries. There are cases of inexperienced staff and of some officials being overly technical or even just wrong about what paperwork is needed. Have you seen that? It is not necessarily a Scottish or a UK issue, but there are barriers once the goods have left the UK and are going into the EU. What can be done about that, and what is your general experience of how goods are being treated once they have left the UK?

Martin Reid: There has been a period of learning on all sides. At yesterday's food sector resilience group meeting, we heard from salmon producers who said that one of the loads that they got through was delayed for a substantial number of hours because one box on page 2 of a 20-page document that should have been ticked was not ticked. That level of bureaucracy is causing problems, because what could have been a perfectly innocent mistake delayed an entire load.

I spoke recently to a company in Aberdeen that moves bacon not just to Northern Ireland but to Europe. It said that some of its customers in

Gibraltar have got together and are chartering a ship to move goods directly from the UK to Gibraltar, to avoid getting involved with transit through Europe.

As I have said previously, the current situation is affecting everybody, and it will definitely get worse when the period of easement finishes and we start doing inbound checks. I hope that the Government is not waiting for Europe to experience the pain that we have gone through. I listened to James Withers from Scotland Food and Drink giving evidence a couple of weeks ago, and he used a phrase that stuck with me. He said that even large companies that have exporting in their DNA have struggled with what has happened since 1 January. The experience will be the same throughout Europe. The big companies—even the ones that think they have a handle on everything—will be faced with surprises that will cause delays and add cost.

Jamie Halcro Johnston: Thank you. Does Paul Sheerin have anything to add?

Paul Sheerin: Yes. It is always useful to hear from companies. One company told us:

"Export documentation is our biggest issue. We now experience challenges where individual countries within Europe are interpreting requirements differently. So we would ask the UK Government to work with the EU to get member countries to understand the new regulations consistently."

It goes back to what can be done to help. I read that comment and it feels exactly like the phone calls that we receive here every day. The UK Government has done its best to put up digital resources, but the fact is that most of the phone calls we get are from people who have read the guidance and say, "I don't understand. I have interpreted it in this way; is that right?" More importantly, there is nobody they can phone about it.

One ask that came out, to remove the lack of clarity, was for somewhere that companies can go to ask their questions. I have become something of an expert in going round the UK Government's transition web portal to find all the various pieces of guidance, and I know that you can go down rabbit holes. I say that with the best of intentions. The people who put the guidance together have done their very best, but this is a hugely complex subject that varies widely and has many threads that can go in many different directions.

I think it would be unfair to characterise European Union countries as interpreting the requirements differently for anything other than the same reasons as companies here are interpreting the requirements differently. One company will come up with one reading and another company will come up with another reading, and people like

us are trying to understand and help with that. However, because the UK Government departments are so hard pressed, it is very difficult to speak to a human being and ask, "What is the real deal with this? What is the correct interpretation of this finer point?"

Jamie Halcro Johnston: I have a very quick question on that point. When we have spoken to other sectors, there has at least been some appreciation of the fact that the Department for Environment, Food and Rural Affairs has done its best and has a hotline to help people. Is your concern that a similar dedicated line is not available for the sectors that you deal with?

Paul Sheerin: Yes. I do not doubt that a ton of people who provide support are having a very difficult time in finding a work/life balance just now, and we see best efforts being made to put useful information up on the website. Also, when you go round the site enough times, you do get better at navigating it. My point is about the need to remember that this is new for companies that have previously exported to the EU without thinking about it, and some level of escalation whereby companies could speak to an expert in the subject matter would be very helpful.

Jamie Halcro Johnston: Thank you both for your answers.

Ross Greer (West Scotland) (Green): I will follow up the points that Martin Reid made about the issue of hauliers that are based in mainland Europe bringing a load in but returning with an empty lorry because it is not worth the hassle or cost of potential delays and so on.

I do not have much knowledge of your industry, but I imagine that that situation is having a pretty significant impact on the financial viability of the haulage firms and that it is taking quite a chunk off their margins. Can you outline the financial impacts on a haulage firm if it is now doing only that kind of one-way business? Is the situation putting haulage firms that are based in mainland Europe off trade with the UK? Are you picking up that those firms are beginning to diversify their businesses, working elsewhere in mainland Europe and trying to avoid trade with the UK because of the financial implications?

Martin Reid: The way that European hauliers earn their money from coming into the UK is by being paid a certain amount per kilometre. Prior to Brexit, it would have been around €1.50 per kilometre. Post-Brexit, those that are prepared to come to the UK are charging between €10 and €11 per kilometre. You are right in saying that there is a financial impact, but those hauliers that are coming are mitigating the impact on themselves by upping their rates to a point at which they can accommodate delays. Whereas

they would ordinarily get paid per kilometre, they are now being compensated by being paid for waiting time.

A number of companies do not want to come into the UK at all, because of the hassle. I mentioned having spoken to a company in Aberdeen that moves bacon, and one of its normal by-products is a mountain of trimmings. I am not an expert on the meat side of things, but that company produces trimmings that were normally bought by a German company. However, the German company has said it is no longer dealing with the UK, so the UK company now has a problem in that it has so many tonnes of bacon trimmings for which it no longer has an outlet.

A number of companies are sitting on their hands, waiting—probably until March—to decide whether they want to re-enter the market. However, some have decided that the UK is not a massive part of their business model and that they can pick up 5 or 6 per cent elsewhere in the market without the hassle, just as Paul Sheerin pointed out.

It is a very real issue, and not just for hauliers. I have listened to a number of businesses from different sectors, and they say that they, too, have concerns in that area.

09:45

In answer to the other part of your question, there are not many alternatives to using the short straits for road haulage, although there are some other ferry crossings. I heard—I am sure that you heard it as well—from the seafood sector that, particularly in the early days, fishing boats were looking to load in Denmark and move goods from there instead of moving them through the UK and on to Europe. I cannot comment on another sector that is not in my sphere, but I heard that that was happening.

Ross Greer: Thank you. I would be interested in hearing Paul Sheerin's thoughts about the impact on UK manufacturers and exporters of European hauliers avoiding the UK.

Before that, though, I have a brief follow-up question for Martin Reid about the impact on domestic hauliers. I imagine that it is not a huge amount of fun at the moment if you are regularly trying to drive a lorry into mainland Europe and are getting stuck for extended periods. Even in an economic situation in which there is not a wide range of other opportunities for someone who is looking to make a career change, are you seeing any workforce impact on UK haulage firms? Are some of your drivers looking elsewhere at other career options because it is becoming too much of a hassle, or are we in a situation in which it is not viable to try to make a career change?

Martin Reid: There are two answers to that question. First, the industry suffers greatly from a driver shortage—depending on who you speak to, that shortage varies between 35,000 and 50,000. We also have an ageing population and there are quite high barriers to entry for anybody who is looking to acquire a licence to start out. A lot of hauliers are not running at capacity anyway, due to a shortage of drivers.

Secondly, the impact of Brexit on drivers, in particular, but also on warehousing staff and so on is on the pre-movement side of things. There are no haulage-related or logistics-related jobs on the shortage occupation list in the Migration Advisory Committee's report, and that is problematic for us because, like so many other industries in the UK, our industry has been underpinned for quite some time by eastern European workers. For some time, we have been pushing to get drivers, at the very least, on the shortage occupation list, but our pleas have, so far, fallen on deaf ears. It is an ongoing issue.

There was an issue with staff shortages in the industry pre-Brexit. Brexit has certainly not helped, but I would not necessarily blame Brexit for the shortage of drivers. That has been a problem for quite some time. The issue that has arisen is the fact that the free movement of workers that we had before, whereby European workers could come and work here, has largely been taken away.

Ross Greer: That is really useful. Paul, I mentioned a moment ago the impact on your sector and manufacturing—in relation to both importing parts and exporting products—of what Martin Reid has just mentioned. We have heard that hauliers from mainland Europe are looking to avoid the UK, but I have no idea to what extent folk in your sector are using UK-based firms compared with Europe-based ones. What will be the impact on the sector if there is a shortage of European firms that previously worked with your folks but are not willing to take those loads any more because they are looking elsewhere?

Paul Sheerin: There are two impacts. The first is here now, and it is cost. Martin Reid talked about the cost per mile, and we are regularly being told about that. A manufacturer who makes a couple of pallets-worth of finished, high-value metal manufactured goods faces a sixfold increase in the pallet rate to get their goods to a customer in Europe. Our members tell us, "We don't ask about the costs right now—the cost is what it is, and we simply have to live with that and hope that this comes out of it before it does damage to the business."

The bigger and more worrying impact is something that I mentioned before—the delays. Many trucks are going back to Europe empty

because people are saying, "I'm not taking the risk of moving goods back," and that is causing a lack of capacity. That is why we are late in getting goods to customers and it is the factor that leads to the risk that the customer sitting in Europe will say, "You're a good supplier and I like the quality and the cost, but it's not worth the hassle. I'm going to get a European supplier to provide the goods for us."

That is a massive risk, and it is probably our members' biggest concern. They can live with increased costs—not for ever, but for a while. Their biggest concern is the loss of customers.

Kenneth Gibson (Cunninghame North) (SNP): Mr Reid, you say in your submission that goods are not being moved because

"somewhere in the chain, someone is unsure of what paperwork is required and is not confident enough to move the goods in fear of incurring the additional costs for delay."

You say that even major supermarkets are impacted and that they wrote to the Prime Minister

"to tell him they were not confident that they would have their processes ready by the 1st of April"

despite their "scale and resource". However, the UK Government has responded that all IT systems and infrastructure were ready in time and are operating effectively. Is that correct? Are the IT systems and infrastructure working correctly?

Martin Reid: We had systems imposed on us, and there was a period when there was uncertainty about which systems spoke to others. We also had people using systems for the first time. There was no opportunity to test the systems, play around with them and get used to them beforehand. Problems are magnified when we are trying to do such things in real time.

I do not claim to be an expert on this, but we have had feedback that the TSS side of things for Northern Ireland is a bit clunky and resource intensive given the amount of detail that is required and the time that it takes to make submissions. As I said, I would not claim to be an expert on TSS, but that is what we have heard.

The Government will have had to look at testing the systems beforehand, but nothing is as good as live testing. The teething problems with the systems will undoubtedly resolve themselves, as they have been doing over time. However, there is an issue with the time that it is taking to do the declarations and the paperwork that is required, be it online or in physical paperwork that drivers carry with them in their trucks. Paul Sheerin talked about that pretty eloquently. We have heard that submissions that would ordinarily take 20 minutes were taking five to six hours at the beginning of January. That might have come down to two to three hours, but all of that work comes with a cost

and delay, and in our sector, unfortunately, it is the haulier who is taking the pain.

I know of a number of companies that have said they can take the pain just now—they will sit on it—but they will look to make a decision at the end of March as to whether certain business practices are still viable.

Kenneth Gibson: My next question is for Mr Reid first, but then I would like Mr Sheerin to comment as well. It is about confidence. I always think that business is a bit like football in that people have to be confident in order to be successful. Both the Scottish and UK Governments have tried for years to encourage and support exporting. If you ran a company that was not involved in exporting but you had considered dipping your toe in the European market, how do you think all of this would impact on your thought processes?

I ask that question from a practical point of view. In my constituency, I have an employer that employs over 350 people and is a significant manufacturer of steel products, yet it has told me that it would not consider exporting. I am thinking about the long-term implications for both the haulage industry and manufacturing.

Martin Reid: I would suggest that, if someone is looking to change their business model, the first thing that they should do is a cost benefit analysis. They should also think about whether there is easy access into a new market. I would suggest that, at the moment, the barriers to entry are quite significant.

I go back to a point that struck me when James Withers made it. If major companies that have exporting in their DNA are struggling just now, it would be very difficult for somebody from outwith that background to come in and make a success of it straight away without having significant resource behind them.

Paul Sheerin: Your point about optimism is a good one, Mr Gibson. It is often clear why we go into an economic downturn—there is usually a lever, and in the current situation the reason was the coronavirus—but what happens as we come out of it is sometimes less clear.

Speaking personally, I believe that there is no doubt that the end of the Brexit transition period could not have come at a worse time. We saw an upward curve in the general mood at the beginning of December. We saw companies appreciating the fact that vaccination programmes were coming, there was a general pick-up in business, and there was a more optimistic mood. The arrival of the new variant virus in late December was a real blow to that confidence, and on top of that, the reality of the impact of Brexit has been a further blow. That is a concern.

Our optimism figure will be in our report that will be published a week tomorrow. We expect it to be negative—that is the early indication—but it will be firmed up more objectively in a week's time.

Kenneth Gibson: Okay. Thank you. We have heard that hauliers from Europe who are prepared to come over are upping their rates from €1.50 per kilometre to over €10 per kilometre in some instances. Raw material costs are obviously very important for manufacturing. You touched on costs earlier, but what impact could that have on those input costs?

You said in July 2020:

“an estimated 400 million extra customs declarations could average up to £13 billion per year additional cost to UK businesses.”

Will you talk about costs and say how you believe that the viability of Scottish and UK companies is being impacted?

Paul Sheerin: On costs, I go back to the quote from the company that talked about a tenfold increase in the administrative resource that is required to keep up. We can then fast forward that and add the administration charges every time a company makes such a declaration. If we do the maths, we can see where the costs are.

There is no doubt that there have been reports of increases in supply chain costs. I need to be fair here. There is a fair part of that, because so much of our manufacturing is based on steel prices and there has been a worldwide increase in those due to shutdowns of major facilities because of the coronavirus. That is a worldwide issue. It becomes difficult to separate out the two things, so I am a bit cautious about lumping them together.

There is something happening on both sides. Both suppliers and customers are doing what they can to keep the costs down, because everybody is in the same situation where they do not want to lose custom.

Kenneth Gibson: Yes. We need to take into account that not everything is due to Brexit. There is also a Covid impact, to be fair about how we assess what is happening.

My final question is for Mr Sheerin. How do rules of origin impact on the paperwork and processing issues that we talked about earlier? It is obviously an important issue for Scotland and one that we have to try to get over.

10:00

Paul Sheerin: If there was an exam question to be asked in this area, it would probably be on rules of origin. It is a really complex area and one of the issues that our members are struggling with the most. You might remember that I said that it

was a close third behind import documentation processes and export documentation.

Some of the issues here are due to the complexity of supply chains. I will try to remember and get this correct. Let us say that a company is bringing something in from outside the European Union, so it is importing it, but the part then bounces and goes to the European Union. What happens now is that there is a consideration that the company pays the duties on it on its way in from wherever in the world it comes from. Unless an additional complex process is used, when the company moves the part to the European Union, it declares the origin as being substantially not within the UK, and duties become due again, so there is a double hit. The first hit comes directly to the importer in the UK, and, when it moves the part to its customer, they get an additional cost, which, in effect, makes the part more expensive.

We are now in a situation in which the importer—the UK business—has to consider inbound processing relief or go to the expense of setting up a customs duty warehouse so that it can hold the parts duty free and pass them on, subsequently passing on to the customer the saving that it made on the inbound duty, so that the overall price looks the same to the customer.

Working out which of those approaches can be applied and how much substantive processing should go to the part is another ice cream headache. It is something that manufacturers have to do that they did not have to do before, and we can see the burden of administration that is involved. Some of the calls are pretty close. For example, if a company takes in a part and combines it into something, it may become a 51 per cent UK origin manufacture. That is okay, but what happens when the exchange rate fluctuates and that changes to 49 per cent? Does the company change its approach? Does it flip-flop backward and forward?

Those are some of the complexities that simply did not exist for manufacturers before, and they all add to delay. Errors can be made because of the complexity and they can cause some of the issues that we have heard about.

Kenneth Gibson: To refer back to the question that I started with, that will again dissuade many companies—particularly small and medium-sized enterprises—from entering the export market in the first place, will it not?

Paul Sheerin: Unfortunately, that is so. It is off-putting for those companies and it acts against our goal, which is for Scotland and the UK as a whole to be a larger net exporter of manufactured goods.

Dean Lockhart (Mid Scotland and Fife) (Con): In a previous answer, Martin Reid said that he is seeing some progress as people are getting used

to the new system. I want to explore that in a bit more detail and get a sense of where you are seeing progress. Specifically, what more can the UK and Scottish Governments do to help your sectors and exports in general? We will start with Martin Reid.

Martin Reid: The improvement is basically that people are starting to get used to what is required of them. I mentioned groupage, which has been an incredibly difficult process for anybody who is involved in it. We are now seeing some groupage movements, although not in anywhere near the volumes that we were used to or that we need.

On what is required and where we can get help, as other people who have been in front of this committee have said, we need the UK Government and the EU to look at the potential for groupage and the number of checks that are required to ease the flow. I noticed that George Eustice said the other week that there was a proposal for some sort of agreement with Europe for SPS and vet checks and so on. Things like that would definitely help to reduce the admin problem and the time that it takes to move goods. The priority should be to make sure that the dialogue between the UK Government and the EU does not become a them-and-us situation, because both sides would benefit from trade flow. We need that dialogue to happen, particularly before we look at the additional requirements that will come in April and July.

Dean Lockhart: Paul Sheerin, what more could the UK and Scottish Governments do to help?

Paul Sheerin: I echo Martin Reid's comments, which are absolutely spot on. That dialogue is number 1 on the list. Second is additional training and support for customs agents to help them get through the learning curve as quickly as possible and smooth the flow of goods at borders. Co-ordination is happening, but support needs to be extended to logistics, supply and exporters.

It is a complex area, and it is tricky to find all the answers on the web portal. That requires constant clarification and updates, as well as an escalation process through which people can get direct advice where there is ambiguity. That would be really helpful.

Dean Lockhart: I take it from that that there needs to be more understanding of the new border measures and trading measures on the European side. We need to make sure that there is common understanding between the UK and the European nations of what is required for free flow. I am getting the sense that you are getting enough help from the UK Government and the Scottish Government with the number of vets and officials helping with trade on the ground. Is it more that the bigger-picture issue needs to be resolved, or

would more personnel help? Would it help if more vets or more customs officers were put in logistics hubs in Scotland?

Paul Sheerin: My concern is that, for understandable reasons, if ever there is a choice of who goes first, our sector is unlikely to get priority. The manufactured goods that the bulk of our members are making, such as metal manufactured goods, are not time limited. Nobody ever wants to see shortages on supermarket shelves, and there is a responsibility on us all to prioritise the movement of fresh or live goods.

Adding capacity can only help. That will push us up the list and make sure that not only are the essential goods moving but the things down the line that will not go off because they do not have a sell-by date on them are moving. There is a sell-by date on the customer relationship, and that is the one that we want to look after. I might have missed a bit there, so please follow up if you need to.

Dean Lockhart: No, your answer was bang on.

I put the same question to Martin Reid. To summarise, we cannot change how our European neighbours implement the new arrangements, as that is not under our control for the time being. What is under the control of the Scottish and UK Governments is to help with detailed logistical support and make sure that the necessary officials are on the ground. On the question of what the UK and Scottish Governments can do on the ground, are you seeing enough practical help?

Martin Reid: More vets, customs agents and customs clerks would be great. One of the issues that we face—it will be faced on the other side of the water as well—is that it has been impossible to recruit the number of qualified and experienced customs agents that are needed in such a short time. Even with the best will in the world—and, as I said, with a good headwind—if you are recruiting a new-start who does not have experience in the field, it takes a long time to get them up to speed for even basic movements.

As we pointed out, some really complex movements are happening now. We have to remember that there will be very few, if any, people working nowadays who were in these positions before we entered the EU, so that level of expertise just is not there. People on the customs side are starting from scratch in the same way. We highlighted that a long time before 1 January, and it still holds true.

I feel for those people, because they are being dropped into a scenario and they probably have not had the training that is required to do the complex movements that take place now. However, more customs agents, customs clerks and vets would definitely be a great help.

Dean Lockhart: That is very helpful.

Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP): I am going to challenge the panel. The Scottish Fishermen's Federation also stated that this is not political. However, all of it is political. Leaving the EU was political, and the trade deals are political. This is to do with the economy and the business of the various nations, but all those decisions are political. The UK Government says that the lorry parks are empty so all is well with the world, but you have told us that the lorries are not bothering to go. That is political. I will park that.

I find it very sad that all that we are talking about is mitigating difficulties on leaving the EU. My concern is that the public are not yet aware of the impact of all the dreadful stuff that is happening in the road haulage industry and other industries, because Covid is covering that up a bit. You are telling us that you, like the Scottish Fishermen's Federation, think that there will be more of a level playing field when the regulations on imports from Europe to Scotland and the rest of the UK are phased in. From 1 April, in importing products of animal origin, officials must be pre-notified and there must be the appropriate paperwork and, by 1 July, all goods will be liable for customs declarations on safety and security. However, I have concerns that that level playing field will not happen.

Do you share my concerns? Are empty shelves in supermarkets the last thing that the UK Government wants? People are not noticing the empty lorry parks, what is happening to your members or what happened to the 200 people who lost their jobs when the supply chain fell. However, they will notice empty supermarket shelves almost immediately. I know that this is hard, but do you have concerns that the UK Government will not be as tough on imports from the EU, especially fresh goods, as it cannot afford the political backlash if those shelves are empty?

Martin Reid: Is that a question for me or—

Christine Grahame: That is my concern. I am not interested in party political points; I am interested in the concern that you are relying, quite rightly, on there being a change once all those regulations start to hit imported goods. My concern is that the UK Government will not be as tough because of empty supermarket shelves. We know what happens when people panic on seeing empty supermarket shelves.

10:15

Martin Reid: I cannot comment on whether the Government will be as tough on that, because I do not know the answer to that. However, it is

inevitable that there will be delays to goods getting in with the new checks.

As I mentioned, the Government seems to be using queues at the ports as a metric. It always tends to use the food on the shelves as a metric, but we have already heard from Paul Sheerin about the hidden costs of Brexit in machinery parts and bits for factories, for example—things that are perhaps not sexy in the public view but that are a knock-on effect and that affect employment.

As I have said, I cannot hazard a guess about what the UK Government will do with those checks, but the concern is that there will be inevitable issues. The committee has heard from Scotland Food & Drink and the seafood associations, which have their concerns, but I do not think that anybody who is involved in manufacturing or logistics will be unaffected by the restrictions on movements of incoming goods later on. That will affect every sector. It will affect how ingredients for food come in, and it will certainly affect anything of plant or food origin. It is inevitable that there will be difficulties at the end of the easement periods.

Christine Grahame: Notwithstanding the fact that 62 per cent of the Scottish people voted to remain in the EU, we are where we are, and we have to accept that—for the time being anyway. What benefit have you seen from Brexit so far?

Martin Reid: For the logistics sector, if we are talking specifically about exports, anybody who moves a solitary good from a solitary source using a solitary mode of transport to one solitary venue will have had things reasonably easy. However, as I have pointed out, that is not how goods in the UK move. Nobody will have had any benefit from Brexit in moving goods to Europe, because we had seamless movements through ports and through most of Europe, but that is no longer the case. That has certainly not helped the logistics sector to move goods through Europe. There has not really been any tangible—[*Inaudible.*]

Christine Grahame: Nobody is in a silo. You deal with road haulage, and you do that for manufacturing businesses, either to supply them or to transport for them. With your expertise, what concerns do you have about the impact on all the other businesses and industries that you deal with and which you serve as a profession? [*Inaudible.*] You have already given the example of 200 people being laid off in a business. That is a heck of a lot of people. You know more than I do about this, so perhaps you could enlighten me. This is on the public record. I would like you to put your case so that the public begin to understand the hidden costs and losses. I am not just talking about when the supermarket shelves get empty but about what is happening right now.

Martin Reid: Okay. If goods are not moving through the supply chain in the way that they should, there will be a knock-on effect for the end user—the customer—who goes into the shops to buy whatever. That can be traced all the way back to whoever manufactures the goods. As I mentioned before, we have scenarios in which there are stranded goods that would normally be in the supply chain. Those goods could still be in the warehouses or sitting at the ports. Paul Sheerin mentioned that the knock-on effect is at the back door. Something might not be getting built yet because the goods have not been received. Seafood might not have been caught, and there is very little point in putting out the fishing boats because there is nowhere to store it for its journey forward.

The entire supply chain is affected. As I said in my opening comments, an entire supply chain is having to re-learn how to do things. Not many aspects of the supply chain will be unaffected. Most of the conversations have been about exports, but even the hauliers who are moving goods within the UK will be subject to delays at places where they would normally have seamless pick-ups, such as ports or distribution centres.

All of that adds time, and time has a cost. We are a low-margin industry that operates under just-in-time principles. Every single delay has a knock-on effect on the cost for the business. The business might absorb that or try to pass it on to its client. Most times, a client will not pay for that, so the business has to absorb it. If a business runs at a 2 or 3 per cent margin, every cost is unwelcome.

There are delays at ports with trucks not moving, and there is a cost because they are not moving. There is the drivers' time that is used as they sit at a port, wait for a delayed ferry, do not get a slot on a ferry, or because of the checks. Somebody's time is being paid for while they are not being productive.

All of that comes back to the business. It has to absorb the cost. With the additional administration burdens and the additional administration staff who are being taken on to complete the procedures, this is a very difficult time for anybody in the supply chain who is looking to move goods throughout the EU.

Christine Grahame: You have made that very clear. Thank you very much.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I suspect that a great deal of the questioning has covered the ground that I might have gone onto, but I have one area that we might briefly explore. One of my nieces, who manages a pharmacology lab, lived in Norway for a number of years and commuted daily into the EU because

she worked in Sweden. She found that that border worked perfectly well for her. She crossed the border twice a day, and commercial traffic was able to freely move across it in a much more seamless way than we are experiencing currently and are expecting to experience in future. It is clear that countries that are independent and outside the EU can have relationships for trading purposes that are fundamentally different from the one that the UK has chosen to have. Switzerland has a different model from Norway and a different model from the UK.

I think that this is a question for Martin Reid of the RHA. Do you think that we can get to a position that is similar to the one that exists at the land borders between Norway and Sweden and between Switzerland and the EU, or are we going to be stuck forever with a more onerous burden than either of those independent countries outside the EU has?

Martin Reid: Thank you for the compliment that I might be able to answer that question. I suggest that it goes back to my original point about the importance of the dialogue between those nations. We cannot afford to get into a them-and-us situation, because everybody suffers if we do. We are not in a position to rule out anything to get trade flowing across the borders as quickly and seamlessly as is humanly possible. I am sure that our industry, along with Paul Sheerin's and all the other industries that have been before the committee, would say that quicker access and egress through the customs procedures would benefit everybody. Dialogue that enabled that would be very welcome for UK, Scottish and European business.

Stewart Stevenson: Thank you. I make the observation that the formal relationships that those small independent countries have with the EU is rather different from the hard Brexit that the UK Government chose to have with the EU.

Paul Sheerin, I think that there was some reference to the price of steel. Steel is an important Scandinavian product that moves across borders, and it is one example of many. Do you have any experience that would lead you to comment on the borders that the EU has with other countries, of which I have chosen to exemplify Norway and Switzerland?

Paul Sheerin: In a former life, I was in a business that exported sunglasses around Europe. We had an alert set up in our enterprise resource planning computer system for exports to Norway and Switzerland, because we chose to have those goods set aside for a third-level check on all the paperwork and how they were packaged. Those two countries were simply our largest headache in northern Europe—and that was with the kind of collaboration and agreements

that they had. I think that manufacturers would give their left arm to have only the level of hassle of the Norway or Switzerland model. Unfortunately, it comes with a level of compromise that is closer to what the manufacturing and engineering industries wanted in the first place, and that seems a long way away for the UK Government.

Stewart Stevenson: That is all that I wanted to ask. We heard that the UK Government simply was not prepared to compromise in the interests of industry in the way that Norway and Switzerland have.

The Convener: We are coming to the end of our evidence session. Our next evidence session is on the Northern Ireland protocol. Martin Reid, we have not gone into the Northern Ireland protocol specifically with this panel, but is there anything that you want to flag up about the trade route between Cairnryan and Larne and Belfast? Are you noticing any particular problems or any issues with the infrastructure there?

Martin Reid: Not specifically on the route from Cairnryan to Belfast and Larne. That route seems to be operating pretty well, and I congratulate the Government, through Transport Scotland and the various other parties that were involved there, on setting up operation Overflow to ease any problems at the turn of the year. That seems to have worked very well, so the Government needs to be congratulated on that. We are not reporting many problems on that trade route. There are discussions with Stena and P&O. Although, as you would expect, non-compliance issues were at a higher level to start with, they are dropping off as people get the paperwork and so on right for the ports. I have not heard anything to suggest that that has changed. I do not think that trade route has suffered as much as those from England and Wales and so on.

The Convener: I guess that that is a small chink of light in what has been a rather depressing evidence session from both of you. It has been very useful today, because there has been a lot of emphasis on the food and drink industry and agriculture, which are clearly suffering, but you have shown us that exporters are suffering right across the board. Every industry is suffering as a result of this. What message would you like the committee to take away from our session today and send to the UK Government?

Martin Reid: It goes back to the point about the continuing dialogue with the EU to try to make things easier for businesses on both sides, to mitigate some of the paperwork hassle and the cost that is attached at that, and to look at the processes to see what is absolutely necessary and what is not necessary. I am sure that some of those processes could be streamlined to help

businesses. There is also an issue with some of the metrics that people would traditionally look at to raise concern. Many invisible effects are happening in the supply chain that are not getting to the public eye, but they are things that need to be resolved.

Paul Sheerin: Our message would be the same as Martin Reid's. If ever there was a time for looking for ways to agree on things and compromise to get some of the systemic issues that Martin has talked about this morning out of the way, it is now. That needs to be done before it is too late.

The Convener: Thank you very much, Mr Sheerin and Mr Reid, for attending and for your evidence today and also for your very helpful written evidence. The committee will shortly hear from a further panel of witnesses and I will suspend the meeting for a few moments to allow those witnesses to join us.

10:30

Meeting suspended.

10:32

On resuming—

The Convener: Welcome back to the meeting. We will continue with item 1 and will take further evidence on the Northern Ireland protocol. I welcome the second panel to the meeting this morning. We have Mark Thomson, the resilience and community safety manager at Dumfries and Galloway Council, and Mags Simpson, the head of policy for Scotland and the north of England at Logistics UK. I thank our witnesses for attending today at short notice—we really appreciate your being able to come.

We will move straight to questions from members. I will open the questions by asking you about your experience. We are now a couple of months into Brexit. How are things working with crossings between Scotland and Northern Ireland? Mags Simpson, do you want to go first?

Mags Simpson (Logistics UK): Thank you for inviting me along to the committee. I hope that you all received a copy of our post-Brexit transition survey, which we completed with our members between 29 January and 4 February. It has highlighted some of the key issues that our members are facing, which fall into three categories—the customs issues, sanitary and phytosanitary checks, and safety and security declarations. Those issues have clearly impacted the volumes of traffic that have been moving. More than half the respondents are now saying that they are trading at normal values or that they expect to go back to normal. On the flipside of that,

however, a significant proportion—about 42 per cent—of those that responded do not expect to go back to normal levels.

The survey asked members about movements between Northern Ireland and Great Britain and between Great Britain and the EU, and the detail is in the report. Overall, 62 per cent of the respondents were starting 2021 with lower volumes than they had in 2020, and 37.5 per cent of those respondents were specifically talking about movement between GB and NI. It is also important to say that some of the reductions in volumes were planned. You will have heard that some stockpiling was done, particularly in Northern Ireland, because hauliers and manufacturers anticipated potential issues and because it was clearly going to take time for everybody to get their heads around everything in all the new rules and regulations.

We have a regular meeting with Transport Scotland, and the number of vehicles going across to Ireland from Stranraer specifically is reported to be about normal. The specific route between Stranraer—I should say Cairnryan—and Larne has perhaps not been as badly affected as some of the other routes. Maybe that is a good place to start.

Mark Thomson (Dumfries and Galloway Council): Good morning. It was a relatively soft landing come 1 January as a result of the very late deal having been agreed, which may have mitigated some of the worst risks of a no-deal Brexit. However, during the first period, we saw some disruption and turning away of goods vehicles from ports due to their not having paperwork. That became more apparent after the end of the seven-day grace period between 1 and 7 January, when significant enough numbers of lorry drivers were being turned away because their paperwork was not in order. Thankfully, that seems to have settled down during January, and the numbers are now quite low.

In conjunction with Transport Scotland, we had the overflow site ready either for large-scale disruption or as a temporary lorry park for goods drivers who had issues with their paperwork, and it was used by a number throughout January for that purpose, to help to resolve their issues. As things stand, there are no checks on incoming goods on that route now, but we will see those checks later in the year.

I agree with Mags Simpson on the traffic issue. It was quite clear that traffic was significantly down early in January. It has recovered, but Covid is obviously having an impact, given that we are also in lockdown, which perhaps masks some of the reality of the traffic figures. Interestingly, during January, the number of goods vehicles coming across from Ireland seems to have been up very

slightly. There was a noticeable decrease in the movement of goods vehicles along the A75, heading towards the ferry ports, but that also seems to have corrected itself.

The Convener: Can you explain exactly what checks are taking place at Cairnryan, where they are taking place and who is conducting them? Is every lorry checked?

Mark Thomson: Mags Simpson might be in a slightly better position to answer that question, given her familiarity with the industry. My understanding is that the goods vehicle movement service really needs to be in order before the drivers are allowed into the port itself, but there are no other regulatory checks on our side of the border. There is also no activity from any UK national agencies. Drivers need to make sure that their paperwork is in order before they make the crossing over to Ireland. Perhaps Mags Simpson can elaborate on that for you.

The Convener: I just want to know where the checks take place and who is conducting them.

Mark Thomson: The port operators check the paperwork.

The Convener: Do you want to add to that, Ms Simpson?

Mags Simpson: As Mark Thomson says, the truck operator has to register the vehicle with the goods vehicle movement service. The goods movement reference number is checked by the ferry company and it checks that the SPS seals are on the vehicle. When the consignment gets into the port in Northern Ireland, the vehicle is opened and the SPS is checked against the mandate for the vehicle, making sure that it says precisely what is on the vehicle and that the products are sealed if they are of animal origin.

The Convener: Mark Thomson, you mentioned, quite rightly, that we have breathing space for goods coming into the UK until April, and then, in July, we will have to conduct checks. From the council's point of view, how much pressure is there for infrastructure to be in place for that date? What have you been told about the infrastructure you need? What have you been told about your role and any costs that are involved for the council?

Mark Thomson: Discussions are on-going about that. The council's understanding is that the designation process for an inland border control post is under way but has not yet been completed.

There are a couple of challenges for us as a local authority. Historically, this has been a domestic crossing. There has been no need whatsoever for the local authority to have a port health authority team, so we will have to create and develop one from scratch. However, we do

not yet have port health authority status and, given how close we are to 1 April, that is a significant challenge not only for creating the framework for that but for the recruitment process. That is hugely challenging. It means recruiting additional staff and is therefore a major consideration.

We have made some representations about the funding associated with that because this will be a significant additional cost that will need to be addressed in the short term. In the longer term, the costs that are associated with such a team could be recouped through the charges associated with the SPS paperwork and physical checks, but in the short term we are not able to do that. We are aware that DEFRA made funding available for port health authorities in England and Wales, to start that. We have had no confirmation of any funding in Scotland yet, so we are awaiting further details on what funding support the council will receive to help to implement the team. There is a lot of uncertainty still, but the dates that have been referred to are coming ever closer.

The Convener: That is very worrying indeed. How many people do you need to recruit? What kind of jobs are they?

Mark Thomson: That is partly where the challenge arises. I refer back to the fact that this has historically been a domestic crossing. Although there will be some EU goods in there, a significant number of Northern Ireland goods will obviously be coming across with no checks and very little in the way of records on the nature of the goods. The size of the team will be predicated on the number of checks that will be required during a working week, for example. However, at this stage, we do not know—and I do not think that any party involved with us at this stage knows—what the split will be between qualifying and non-qualifying goods or goods that are of Northern Ireland origin that will not be subject to checks versus goods of EU origin that will be subject to checks. Until we have that proportion and we can look at the percentage of checks that will be required on those goods, it will be difficult to build up a picture of the staffing levels required and the staffing profile of a 24-hour operation or a shorter period of operation. As you will know, the ferries operate throughout the day, all week, and staff have to be ready to undertake the inspections as the goods come over. There are a number of challenges with that.

The Convener: I assume that a lot of the staff are quite specialised and might be in professions that are in short supply or that will require training.

10:45

Mark Thomson: Yes, indeed. They are environmental standards and trading standards

officers, but they are very specialised. They are almost a niche within a niche, because the port health authority role is different from the normal environmental standards and trading standards roles and the significant amount of work that those teams undertake daily across Scotland. They need additional training over and above their more general qualifications and experience.

In addition, veterinary staff will be required. There is quite a limited professional pool to recruit from, and it is fair to say that ports right across the UK and in Ireland are also actively recruiting these skilled workers now, so recruitment will be a challenge. We need to look at the short-term challenges and longer-term challenges. We hope that we can have systems in place in the longer term to grow our own staff to safeguard the future of the team.

The Convener: Correct me if I have got this wrong, but you are competing with other UK ports to recruit these highly specialised staff, and those ports have been given indications of money from the UK Government but you have not.

Mark Thomson: Yes. The whole issue is devolved. Regulatory processes are devolved, so the funding streams for this might well have to come from Scotland rather than from the UK. The DEFRA funding that was available to English and Welsh ports reflects that, so we are working with colleagues in the Scottish Government to get clarity on the routes for funding to support the changes. You are right, however, that there will be challenges in that.

The Convener: Thank you very much. That sounds very complex and challenging, so good luck with it. I will now pass on to Claire Baker, the deputy convener.

Claire Baker: The evidence so far has been interesting. The previous witnesses said that the route between Scotland and Northern Ireland is working quite smoothly and is different from other routes. Will you say a bit more about why that is? It is a domestic crossing. Do you see its status changing? Is it operating differently because it is the Scotland and Northern Ireland trade route, or is it perhaps looking like a more attractive route to other exporters and importers?

Mark Thomson: That is an interesting aspect. In the next six to 12 months, we will build up a picture of whether there are behavioural changes in businesses and hauliers in the use of the route. Much of that might be predicated on issues elsewhere, and we have always factored that in. It could be as significant as people avoiding the short strait crossings in Dover and choosing to go through Ireland and up to Cairnryan or Larne and Belfast to come over. Similarly, if there are issues at the Dublin-Holyhead crossing, that might mean

that the Cairnryan crossing is a more attractive prospect. There is a large number of variables, so we need to see how it pans out. The indications are that we are seeing a bit more EU traffic, but only time will tell whether that is a short-term blip or a long-term trend.

Claire Baker: You talked about qualifying and non-qualifying goods, depending on where their point of origin is. How does that impact on what decisions might be made about using Cairnryan, which might then become a more popular route?

Mark Thomson: I do not think that it will impact on anybody's choice, apart from the fact that some Northern Ireland traders or hauliers who would normally go from Dublin to Holyhead might choose, as a result of unfettered access, to come across at Cairnryan and then drive to their onward destination. Some hauliers of Northern Ireland origin might just continue that or move to that route. For goods of EU origin, it might be an attractive route while the border control post is not in operation and regulatory checks are not being undertaken but, once those are place, the goods will be treated in the same way as they would be at any other point of entry to the UK, so I do not think that there will be a change either way.

Claire Baker: I ask Mags Simpson whether she would like to respond to those questions. One request in her written submission was about the trusted trading partners. We took evidence on that earlier in the inquiry, before we left the EU, and the issue has been talked about. Has any progress been made on that model?

Mags Simpson: I will backtrack ever so slightly, because it is important that we are clear on what we are talking about. We have the likely impact of the phased introduction of checks of imports from the EU—that is, products coming from the EU into Britain. From January to April, comparatively few things are being checked, apart from tobacco and alcohol. From April, border checks will apply for some additional agri-food products and then, from July onwards, full controls will apply to all goods.

However, the Stranraer—forgive me; I keep saying that because I remember when the port was there. The Cairnryan to Northern Ireland route is specific and is affected by the Northern Ireland protocol. The UK Government does not want a border for imports from Northern Ireland into Great Britain so, right now, it is not entirely clear what checks will be put in place. It might be that no checks are put in place, but we need to be really careful about what we understand as the rules at the moment.

It is important to point out that there is a clear differentiation between goods from the EU going to UK, because we know that there will always be a full set of requirements on that. The EU has

been clear about the set of rules. Those are dictated by the EU, and that is where all the SPS checks come in and so on. From that point of view, we need to be careful.

Claire Baker: I am sorry to interrupt, but I want to be clear about that. The crossing is described as a domestic one, and you have talked about the goods that come from Northern Ireland over to Scotland, but goods from the EU can come all the way round and use that crossing.

Mags Simpson: Different elements of different products have different rules, and that is where we need to be careful. For example, when the grace periods end, we will have a real problem with, for example, parcels going over to Ireland, because of the customs regulations that will kick in. That is a big nightmare, and it is a separate issue that we need to look at. We also have the issue that, in theory, after July, chilled meat will no longer be allowed to ship from Britain to Ireland, because it is a third country going to Europe. There are all sorts of specific elements. Mark Thomson is absolutely right that, until we get complete clarity on what it means for all the different elements, we will not know what the checks will be.

Will it be necessary to build an entire border post at Cairnryan, as is happening in Northern Ireland? We do not know, which is probably why the funding has not been allocated. We know that it has to happen at Holyhead, and I know from previous work that I have done that the Welsh Government has concerns that no work has started there and yet, in July, we should be doing full checks.

Forgive me, because I do not feel that I am being terribly helpful, but there are so many elements. The situation is complex, and we need to understand that the Cairnryan crossing is further complicated because it is part of the Northern Ireland protocol, which the Government is currently negotiating.

Claire Baker: That is helpful. Cairnryan is operating fairly smoothly. There were a few issues at the beginning, but it is now quite smooth. However, there are a lot of unknowns and a lot to be decided about how the port operates. We will find out at some point during this year.

Mags Simpson: Yes.

The trusted trader system has moved forward in certain ways. At the moment, the supermarkets and their trusted suppliers have become associated traders and they have taken advantage of that. If you get on to the DEFRA list as one of the trusted traders, you are allowed to take advantage of the grace period, so the checks are not happening now. However, as I said, that is about to end. One of our big asks of the UK Government is that the grace periods be

extended, because we have to come up with a long-term solution.

A lot of the issues are linked to groupage, which I daresay the committee will have heard about. In particular, there is an issue with groupage of supermarket lorries that have lots of different types of food products in them that all have different rules. It is easy if you fill a truck with apples and move them all over—that is no problem—but, as soon as you start mixing bananas or meat products in with those apples, it becomes incredibly complex. Each individual consignment has to be sealed before it can be moved, and that seal has to be checked when it crosses the border.

We are pushing Government to extend the grace periods and give us all a chance to work out what the long-term solution is for some of the specific issues. We need something similar to the trusted trader system for supermarkets to apply to parcel delivery, and perhaps to specific manufacturing. Many elements of the economy will be affected in many ways, so we need time to figure out what the solutions could be.

I hope that that helps.

Claire Baker: It does—thank you.

The Convener: Mark Thomson, do you want to respond to Claire Baker's points?

Mark Thomson: Yes. I want to offer a point of clarification. My reference to a domestic crossing was focused on the historical perspective. Prior to EU exit and the end of the transition period, the crossing was domestic, but Mags Simpson is absolutely correct in pointing out that the north channel crossings now face a very complex and almost unique position, with different measures in place for checks on goods going in various directions and a blend of UK and EU traffic. That is quite unlike any other location in the UK in that regard. It is a complex position, but I stress that we certainly do not now view the crossing purely as a domestic one, and we cannot do so, given the regulatory checks that will be needed.

The Convener: Thank you for that clarification.

Dean Lockhart: Mark Thomson mentioned that DEFRA funding has been used elsewhere in the UK to help with some of the issues. Could you give us a bit more detail on how that funding has been spent? How would you like the money to be spent if there is an equivalent funding stream in Scotland? How could it be spent most effectively to help with any challenges that you face?

Mark Thomson: I was talking specifically about funding for port health authorities to put their new framework in place. Largely, that has been associated with staffing and setting up the actual team. That is what we as a local authority are

looking for. As I referred to earlier, we are starting from a point of zero, in that we are not a port health authority now and we do not have a port health authority team. We will have to recruit and pay for staff in the short term until we get clarity on the income that we can receive from undertaking checks on goods that need to be checked.

There will be a short-term start-up cost for staffing, equipment and the infrastructure associated with the team. Also, because of the complexity of and uncertainty about the north channel crossing and the level of checks that will need to be undertaken, there has to be a tail to that support funding. It is critical that the council does not operate at a loss as a result of creating the team and then finding that the situation changes further down the line. We are looking for an assurance that we will be supported until we reach a point of financial stability at some point further down the line.

11:00

Dean Lockhart: That is useful. Have you heard anything from the Scottish Government or any agencies that equivalent funding might be in the pipeline? Can the committee perhaps help to move that along or is that in progress?

Mark Thomson: I have had a number of productive conversations with Scottish Government colleagues, and we are moving in the right direction. However, from a local authority perspective, I would rather have an absolute assurance, so any help that we get from SG officials or from the committee would be more than welcome.

Dean Lockhart: That is great. I am sure that we can follow that up.

Mags Simpson mentioned that things in general are getting back to normal. You mentioned the stockpiling that happened before the end of the year and obviously Covid is an on-going factor. Are you continuing to see progress? Are things heading in the right direction? Similarly to my question to Mark Thomson, what additional support would you like from the Scottish Government and the UK Government?

Mags Simpson: The challenges that the industry is facing can be put into three clear categories. First, there are the educational issues about understanding the process. Clearly, that involves an awful lot of parties, from the person wanting to move the goods, to the person who physically moves the goods and then to the person who receives them. There are so many moving parts, so that was very tricky at the beginning.

It is important to point out that the survey found that the majority of issues were a result of an initial misunderstanding or misinterpretation of the new rules, whether that was on the part of the person moving the goods or the person selling the goods. The situation seems to be getting better although, do not get me wrong, there is still a raft of paperwork with many elements.

The second area involves specific systems elements. When different industries have tried to use the systems—whether it is the customs systems or the TSS system for moving into Ireland—there are specific technical issues, depending on which industry is involved. Issues have been raised and, slowly but surely, they have been worked through. In the beginning, there was an awful lot of repetition on forms although, as I say, individual industries have picked out issues and worked with DEFRA or the relevant authority to try to improve that. Slowly but surely, that is getting better.

The third element is the process element, which is perhaps more complicated. I will again use SPS groupage as an example of that. Initially, along with our members, we worked with DEFRA and the department of agriculture, environment and rural affairs to work on individual consignments being sealed on one vehicle. In the past, if you had a sealed load, you had to seal the vehicle, but we have come up with a process where you can put individually sealed loads on a truck. The truck can then be opened and the different loads checked.

That is the beginning of a solution for the process element, but we need to further streamline that and make it more efficient because, ultimately, that is what logistics and transport are all about. They are about moving goods in the most efficient manner possible. If more paperwork is required and more barriers are put in place, that increases the time that it takes to move the goods, which increases costs. That is ultimately where we are moving to.

On what support the UK Government or Scottish Government can give, I mentioned that we have asked the UK Government for an extension to the grace period. With specific on-the-ground issues, when guidance is produced, our members have found that it tends to involve lists. We want operational-specific guidance. That will depend on what industry is involved. The more that we can make the guidance operationally focused, the easier it is for an operator—whether it is someone selling a good or someone moving a good—to go into that guidance and read it. Unfortunately, at the beginning, partly because of the late timing of everything, there were reams and reams of information that nobody had a hope of trying to understand.

On Scottish Government guidance, we would like funding for one-to-one support for industries, if at all possible. Rather than just have people go to a website to try to understand the data, the Government could offer a telephone service—again, it would be sector specific—to give businesses one-to-one support to help them to understand the issues. That would be a bit like what the Scottish Government has done previously in focusing on trying to get businesses to export more. Scottish Enterprise has set up support relationships, and that is the sort of thing that we would ask for.

Dean Lockhart: I have just one follow-up question. You mentioned reams of paperwork, which we have heard about in other evidence. To what extent are you seeing automation of the paperwork? Is it possible to some extent—or to a large extent—for that to become an automated process over a period of time and, therefore, less of a burden?

Mags Simpson: Yes. The UK Government's future border strategy document, which I believe was published at the end of December, talks about the development of a single trade window, which would be a single gateway for electronic information to get to the relevant department in Government. We support that whole-heartedly, and there is a lot more detail within that. We have pushed the UK Government on that and said that we need it in place by 2022, rather than 2025, to streamline the systems. I will not bore you with the detail but an exporter moving goods out to Europe potentially has to work with 27 different systems. That does not make sense. It needs to be a one-way system for information. With my hand on my heart, I cannot tell you that it is going to happen overnight but, over time, surely sense will be seen and the process will be made more straightforward.

Dean Lockhart: I thank Mags Simpson and Mark Thomson for their answers. It sounds like progress is being made, and I wish them the best of luck in future.

Stewart Stevenson: I have only one little question to ask, because the answers so far have been quite comprehensive. Are there any lessons to be learned from the ferry route from Denmark to the Faroes, which operates about 70 times a year, and the route from Portugal to Madeira, which operates more or less on a weekly basis. Those services are very small in scale compared with those across the North Channel, but they are like them in that they operate from one part of a state to another, one part of which is in the EU and one part of which is not. Are there lessons to be learned from how those routes operate and the associated administrative and practical processes that can inform us with regard to how things might

be done more effectively between Northern Ireland and Scotland, given that, in effect if not in law, one is in the EU and one is not but they are part of a single state? Perhaps we could start with Logistics UK.

Mags Simpson: Forgive me, but I do not know the routes that you are talking about, although my parents love going to Madeira on holiday when they are allowed to. I suspect that it is a case of—forgive me for using this phrase—not teaching your granny to suck eggs. The port operators and the companies in the industry that use the route know how to work it well and, to be fair, it is working well.

There are reports of some traffic moving from Holyhead to Cairnryan. Therefore, it is clear that the Scottish Government wants that route to become more viable. All I can say is that the industry should work together with the ferry operators to improve facilities. We should also not forget that Cairnryan is not the only port in Scotland.

Stewart Stevenson: Indeed. You said that some traffic is moving from Holyhead. Why is that happening? Is it simpler administratively to use Cairnryan, or is it simply to do with the commercial offer?

Mags Simpson: Dublin port became quite congested, and I think that there was a period of time when trying to get to Ireland through Dublin was a problem. Some traffic has moved temporarily. It should not be forgotten that there is now a lot of traffic going on ferries directly from Dublin to Europe and completely avoiding the land bridge. If that suits a company's product, that is great. The big thing about the Dover strait is just-in-time delivery, which is why the fish industry uses it. If a company's product has a longer shelf life, it can move it from Ireland on a longer crossing directly to Europe, and we have seen a huge uplift in use of that route.

Stewart Stevenson: I believe that a new ferry route from Cork to Boulogne-sur-Mer has just started or is just about to start. That is one of what I understand are four routes from Ireland directly to various ports in Europe. Unfortunately, of course, the Scotland Act 1998 prohibits the Scottish Government from providing any financial support for international ferry routes, so we have to rely on a commercial case being made.

I turn to Mark Thomson. Are there any lessons that can be learned from elsewhere that would be of value? The two examples that I gave are much smaller in scale than the operation between Cairnryan and Northern Ireland, so the answer might be no, but I would like to check whether that is the case.

Mark Thomson: It is fair to say that there are undoubtedly many lessons to be learned from locations right across the UK and further afield. We are actively doing that, as are colleagues in the Scottish Government who are leading on the development and implementation of the physical border control post. When it comes to processes and the nature of the infrastructure, those are key things on which we can learn from people who have been doing it. On many such occasions, there is no point in trying to reinvent the wheel. The point that you make is a fair one, as is Mags Simpson's point about the ferry operators. P&O and Stena are significant international operators with broad experience of ferry operations in many different settings, and I think that they will be well placed to use that experience.

When it comes to the regulatory aspects specifically, there are lessons that we can learn, and we are actively looking at practice elsewhere to make sure that whatever model we arrive at locally is one that is fit for purpose and sustainable.

Stewart Stevenson: There are also the ferry routes across to the Channel Islands, which are already in the UK and outside the UK.

That is all that I want to ask at the moment, convener.

Ross Greer: A lot of what I am interested in has already been covered, but it would be useful to hear your thoughts on the debate that is raging in Northern Ireland at the moment around altering the current arrangements to a Swiss-style sanitary and phytosanitary arrangement, which would involve alignment on agri-health et cetera, to avoid the need for sanitary and phytosanitary checks. In that debate, people have taken a range of very similar positions, with some people arguing that the UK should approach the EU now for a permanent arrangement, separate from any wider renegotiation of the protocol, and others advocating that we should approach the EU for a time-limited Swiss-style arrangement until a wider—[Inaudible.]

The Convener: I think that we have lost Ross Greer.

Ross, you cut out completely there, so could you repeat your question?

11:15

Ross Greer: I hope that you can hear me now. Do interrupt me again if you cannot.

I was asking about the situation in Northern Ireland, where a fierce debate is taking place between people who seem to have strikingly similar positions within the Executive but who disagree strongly about the potential for a Swiss-

style deal on sanitary and phytosanitary checks, which would remove the need for those in the way that happens under the arrangement with Switzerland. Those positions are, roughly, that the UK should immediately ask for that to be brought in now on a permanent basis or that it should be requested only on a temporary basis until a wider renegotiation of the protocol and other arrangements is agreed. The third position is that the UK should not seek a Swiss-style SPS arrangement yet, and that that should come into force only as part of a wider negotiation of the protocol at some point in the future, if that happens.

I would be interested—this question might be more for Mags Simpson—to hear your thoughts on what impact a Swiss-equivalent SPS arrangement for Northern Ireland would have and which of the three options is the most sensible one for the UK Government to be pursuing immediately.

Mags Simpson: First and foremost, I make the point that I do not do our work in Ireland; my colleague, Seamus Leheny, who was initially invited to come to the meeting, does. He would give you a much better answer on that, and if you write to me, I will get your question to him. He is off this week.

However, there are a couple of related points to mention. First, the grace periods are about to stop. As I think I mentioned earlier, one element of that is that, ultimately, it will not, in theory, be possible for chilled meat to be moved from Great Britain into Northern Ireland after 1 July. Clearly, that is not a situation that anybody wants to see. There will also be a big issue around parcels and customs, which will affect all parcels that go across to Ireland; there are a great deal of them. Another element is the fact that around 65 per cent of goods from Great Britain go to Northern Ireland as retail products. Therefore, we are talking about supermarket shelves not being filled. All of that will kick in in July, so something has to happen sooner rather than later.

Forgive me, but I do not know whether a Swiss-style deal is the correct one. Seamus Leheny would give you a much better steer on that. However, something has to be done sooner rather than later, otherwise goods are not going to get to Ireland. That is the situation at its most basic. That is not scaremongering; it is simply to do with the fact that the goods need to keep moving.

Ross Greer: I am sure that we can speak to the clerks about sending over that request in writing.

I do not know whether Mark Thomson has any thoughts on the issue that I raised. I know that it is quite a specific political point, so it might not be something that the council has considered.

Mark Thomson: I was going to offer up the view that it is probably not appropriate for a local authority officer to make comment or to express a preference at this moment in time, other than to say that it is really for the relevant competent authorities to make representations on that. Those are national organisations within Scotland and the wider UK.

Notwithstanding that, whatever position we arrive at, I think that it is a case of arriving at it as quickly as possible so that we have some stability and clarity and can ensure that there is the appropriate movement of goods back and forth.

Ross Greer: Thank you. That is all from me, convener.

Kenneth Gibson: Earlier, Mark Thomson talked about the need for stability of funding. It is important that the Dumfries and Galloway Council receives 100 per cent of the funding that is required, but how much are we talking about and who should it come from? Dean Lockhart suggested that it should come from the Scottish Government, but Brexit is a UK imposition, so one would hope that it would come through that route. How much do you believe that the council will need once stability has been achieved? Obviously, we do not want a situation whereby the council gets funding in the short term but loses out in the long term.

Mark Thomson: It is a bit of an intangible at the moment, but if we want to have a size of team that is broadly equivalent to that of other ports with a similar level of movement of goods, we estimate that we could be talking about staffing costs of £1.8 million to £2 million per annum, which is a significant amount of money. That does not necessarily include any of the equipment or software-related costs. We would obviously need to invest in new software systems. Therefore, substantial costs would be incurred in year 1.

We hope that, in years 2, 3, 4 and 5, there would be as much cost recovery as possible through the imposition of fees for paperwork checks and for any of the physical checks that we need to undertake. However, a challenge arises because of the on-going uncertainty about qualifying and non-qualifying goods and the volumes of such goods, which means that we do not know how much income we will be able to generate to offset the costs of the team. That is why we have a concern about costs, not just in year 1 but for the first few years of establishment. We need to make sure that there is a safety net in place.

Kenneth Gibson: Yes, I think that that is important. You also have up-front infrastructure costs. I do not think that anyone feels that

Dumfries and Galloway Council should be bearing the brunt of the impact.

Mags Simpson, your short but excellent report says that 48.4 per cent of respondents to your survey have had operations postponed or cancelled since Brexit was imposed. It says that

“There has been a reduction in trade volumes ... and a large majority have experienced issues with customs, sanitary and phytosanitary and safety and security declarations”,

and that

“a significant proportion do not expect to return to these levels, with some citing use of alternative routes, relocation, or changing suppliers”.

That is obviously of real concern.

The UK Government has basically said that the customs situation is much better than the Road Haulage Association said it was. It said that it does not recognise the Road Haulage Association’s claim that 50,000 extra customs agents would be required, and it did not touch on the association’s claim that many customs officials who have been recruited are

“semi trained, unexperienced agents trying to cope with massive volumes of e-paperwork required in a world where one mistake on one consignment can stop a whole load.”

In your report, you said that, in 88 per cent of cases in which your members had had lower volumes or had their operations postponed, that was due to customs issues, so it is clear that customs is a major issue. How can we resolve that matter? We have a situation in which we are hearing from hauliers—for example, 44 per cent of your members—that there is a real issue with customs, while the UK Government seems to think that the situation has more or less been resolved. Indeed, it is even saying that, to an extent, there is an excess of capacity. Can you talk us through that?

Mags Simpson: I cannot give you a definitive answer on that; we would need to ask our members a specific question to get to the bottom of the situation. I think that there is a lot of complication around what people mean by “customs agents”. Some people will interpret that as meaning as one thing, while others will interpret it as meaning another. The fact that there are so many different parts of the customs process means that certain companies will have issues with one part of it, while other companies will have issues with a different part of it. I am not dodging the question, but it is extremely difficult to get a definite number on this.

We have representation in Europe, and we have heard that some European customs agents might have refused to do work for a British company because the terms and conditions of employment are not correct. Whereas that could be reported as

a lack of availability of customs agents, in reality there are agents available; it is just that the company in question was not successful in signing them up to do the work.

Going back a few steps, it is important to recognise that, in the industry, we talk about the fact that we have not had customs agents for a generation, because the European Union agreement was put in place and everything was straightforward. It has been 35 years since we have had a requirement for customs agents when moving into Europe. It is a matter of fact that we now need customs agents to do that but, again, it is very difficult to put a precise number on that. I believe that it is a question that we will ask our members as we go forward, so we hope to have more clarity on the issue, but you must forgive me, as I cannot give you a black-and-white answer on that.

Kenneth Gibson: The issue about customs is obviously how it impacts on your members and how it affects the Scottish economy, jobs and the ability and willingness of companies to export in the future, which is an issue I pursued with a previous panel. In your submission, you also note that your members said:

“even though everybody knew how to apply the new rules properly, they are incompatible with our activities/business model’, indicating that substantial changes in processes were required across the business or their usual business is not facilitated by the Trade & Cooperation Agreement.”

How do you address that? We clearly have a situation in which people want to export and do business, but the structures that have been put in place are not compatible with that, as your members say. How can we change that in order to smooth things over?

Mags Simpson: It is incredibly difficult to say, as Logistics UK represents so many different types of business. I will give you a current example. We have found that, as Brexit has happened, slowly but surely, different industries and different businesses have been affected. First and foremost, the fishing industry has been affected, because it is all about just-in-time deliveries. It has now become apparent that farmers and the meat industry are going to be affected, too.

Another industry that is affected—I suppose that it is quite relevant to the work of this committee—is the touring industry. Touring is a very specific British industry that has very specific types of vehicles moving tours or music acts around the country. It moves formula 1 racing teams around Europe and it moves the London Philharmonic Orchestra, the City of Glasgow Philharmonic Orchestra and the Royal Scottish National Orchestra. It is a specific type of business that,

because of the new rules that have come in, basically cannot operate. That is because of two things: visas and the cabotage rules. Businesses are allowed to make only two movements in Europe when they get there, so the business model does not work any more. As an industry, it is having to lobby the UK Government to try to get some common ground.

We have talked about the fishing industry in the past. Its business model of getting product just in time, within a 24-hour window, from A to B in Europe is incredibly tight already. As soon as you start putting extra checks in place, it becomes more difficult to do that.

As I say, each industry is trying to get its head around how the rules work and, unfortunately, there is no magic wand that makes it work for everybody. Each individual industry has to consider how it operates with Europe and what it is going to do going forward. I feel that I am being terribly negative, but I am trying not to be. Businesses will work out how to do it, but I do not think that the Government can suddenly say, “Do that. It is going to fix everything for everybody.” It is not.

We need to simplify the red tape as much as we can, make IT systems talk to each other and give as much guidance as we can to each individual sector to help it to make sense of it. Does that answer all of your question?

Kenneth Gibson: It is almost an impossible question to answer, so I appreciate your efforts to do so. You have made some positive suggestions. You have talked about the need to simplify UK red tape and boost the uptake of trusted trader schemes. You also talk about bringing forward delivery of the 2025 border strategy. How will that make a difference in encouraging more people to trade and making it easier for those who are currently trading?

Mags Simpson: Ultimately, it is about simplification of the process. The Government talks about the development of a single trade window that creates a single gateway for all data from traders into Government. Let us take customs, for example. The information would all go in via one route whereas, at the moment, there are potentially several different websites where information has to go in.

Another example is electronic travel authorisation, which is more about speeding up journeys through ports. If we can do that for goods and have a complete review of the agencies and checks that occur at the border, rationalising them wherever we can, that will make movement through ports easier. At the moment, getting checks done is a big barrier to going through a port, for two reasons. First, the people who are

moving the goods do not understand it properly. Secondly, everybody is trying to learn what should be checked and what should not be checked, and ultimately delays are created. If the delay gets big enough, businesses are not going to go anywhere near that port, because they cannot guarantee their goods being delivered to the customer.

It is about simplifying the process and helping businesses to navigate the process in order to continue to do their job efficiently.

11:30

Kenneth Gibson: I should have said that the committee also took evidence from the Musicians Union, which concurred with a lot of what you have said.

I have one final question. In your submission, you say that the UK Government needs to relaunch

“a business communications campaign in advance of the introduction of full border checks on imports from the EU from 1 July.”

You obviously have issues at the moment. You will face further hurdles on 1 April, and now you will face others in July. What issues and concerns do you have about 1 July? I will ask the same question of Mark Thomson.

Mags Simpson: There are all sorts of elements to it, but I will try to encapsulate it in one statement. We are one country exporting to 27 countries. The checks are going to be coming from the other direction, so it will be 27 different countries with 27 different interpretations of the rules. It should be only one interpretation, clearly, because it is Europe, but there is going to be friction there. Another issue that we have picked up is that the number of vets who are available at this end is a problem, and it is an even bigger problem in Europe because that is a much bigger area.

There are all sorts of different elements involved—forgive me if I keep saying that, but the issue is very complicated—and we need to make sure that everybody understands what they are doing. Customers who are receiving goods in this country need to be talking to the importers and making sure that there is two-way communication. We need to encourage businesses in Britain and Scotland that are receiving goods from Europe to talk to their suppliers to make sure that they are sharing the information, and we need to streamline that as much as possible.

Mark Thomson: I want to go back and touch on the point that Mags Simpson made about the UK border strategy. I absolutely agree that simplification of what are quite disparate processes and agency systems at the moment will

be hugely important. That is not to take anything away from the fact that certain types of customs and regulatory checks will still need to happen, but the overarching framework could be far more streamlined. We would welcome that, and I think that all agencies would welcome that going forward.

In response to your question, there are two aspects to it. One is readiness in terms of businesses, systems, infrastructure and staffing. It is a very complex system, and a whole host of things need to be in place and ready to go on that date. The other aspect is the need for clarity for competent authorities, stakeholders, businesses and their customers, so that there is absolute certainty and understanding of what is required going forward.

You are absolutely right in saying that the communications around that are going to be particularly significant. Although the UK Government has a significant role to play in those communications, I think that all agencies and the public sector will have a role to play in promulgating that information to the various sectors.

Kenneth Gibson: Thank you very much.

Jamie Halcro Johnston: Good morning. Mark Thomson’s question goes back to the issue of port health authority status. You talked about staffing costs of £1.8 million to £2 million for the first year of operations. Were you including in that figure any set-up costs? Obviously, some of the work will be starting and will be on-going. You did not include the costs of things like IT, software and that kind of thing. Can you give us an estimate of the set-up costs and when you would hope to start getting income from those using the port?

Mark Thomson: There are two aspects to that, the first of which is the physical infrastructure and the border control post. The border control post will be constructed by the Scottish Government. It will be a Scottish Government facility, at least in the initial period, and it will be used not only by the local authority but by colleagues from Advocates for Animals, for animal-related matters, and by Food Standards Scotland. There will be a range of agencies operating from it, but we are not factoring that in because those costs will be addressed by the Scottish Government through the existing project team that is looking at that.

In addition, there will be our staffing cost, which is the cost that I relayed to you, but we also have to factor in the costs of software and the IT infrastructure associated with that. We could be looking at a low six-figure sum to make that happen, in terms of the initial costs. Because of the type of role that that team will take on, there will be significant costs related to personal

protective equipment and the physical equipment they will need to undertake the checks. Initially that might be a not insignificant amount of money, and there will then be on-going operational costs.

As soon as we start undertaking checks, we will be generating income, because there will be a fee associated with every check that is undertaken, whether it is a paperwork-related check or a more onerous physical check. The challenge is that we are not wholly clear exactly how many checks we will need to undertake, because there is no clarity at the moment about what will be qualifying and non-qualifying goods.

Jamie Halcro Johnston: I understand that. So, you are not sure exactly how much is going to be coming in. Are you able to say how much you are asking the Scottish Government for at the moment? Do you have a figure that you are able to give us?

Mark Thomson: At this stage, we are preparing for an ask of between £2 million and £2.5 million. We will obviously need to work through the detail of that once we get a better idea of what we expect to come through the ports and we know what the framework is going to be.

Jamie Halcro Johnston: So, that figure may go up or down as things become a little bit clearer. Clarity is a big issue in all of this, and it is a word that has been much used.

Mark Thomson: Absolutely, and that would be in year 1. As I said earlier, there might be additional costs in the years beyond that as well.

Jamie Halcro Johnston: When did discussions with the Scottish Government on this start? Such information did not become available just at the beginning of this year or when the deal was signed; there were always concerns that this sort of thing might happen. When did those discussions start, and how confident are you that the Scottish Government will deliver?

Mark Thomson: Specific conversations on this took place just in advance of the end of the transition period, but I am well aware that significant discussions were going on within the Scottish Government at official level. That is entirely understandable, given that the period for negotiation between the UK Government and the EU ran right up until immediately before Christmas. There was no clarity or certainty of what the outcomes would be or what the onward implications would be for points of entry, particularly regarding Cairnryan and the North Channel crossing. I am relatively comfortable in saying that the Scottish Government involved and engaged with the local authority at the appropriate time, once it had some certainty about the way forward.

With regard to my comfort about Scottish Government officials delivering, I highlight that there is a wider stakeholder group involved in some of the discussions and scoping work. Scottish Government officials were very quick to recognise that it was not something that they could do on their own, and a range of industry partners, local authorities and other organisations have all been involved in the discussions. I do think it is challenging.

Given the lack of clarity, it is going to be difficult for port health authorities and agencies right across the UK to meet the timescales that have been set. I would not be surprised if there were some slippage in these matters across the UK.

Jamie Halcro Johnston: Thank you. I have a final question for Mark Thomson—unless, of course, the answer gives rise to another question. The Scottish Government has been provided with £200 million for Brexit preparedness. If the Scottish Government does not meet your ask, either in full or with a substantial amount, who will end up having to pay for this?

Mark Thomson: That is a consideration at local authority level as well. We are looking at legal services. It is perhaps not so much about who pays as about what level of service we can provide. Although we might have a statutory obligation, as a port health authority, to undertake the checks, we do not have the necessary funding or, as a knock-on from that, the necessary staffing cohort to undertake the checks, which puts us in a challenging position.

More important than who pays is what happens if they do not pay. If the funding is not available to us, how can we undertake the activity? That is where we will be coming from. We want to be able to do it. We want to make it a successful and smooth operation, because we absolutely want to encourage economic activity and the movement of goods, but we need support to deliver that.

Jamie Halcro Johnston: That would have big implications going forward, I imagine. Thank you for that.

I have a quick question for Mags Simpson. Your organisation, Logistics UK, covers not just road transport but other types of freight as well. Has there been any increase in air freight from Scotland? When there was almost a complete ban on air travel, it seemed that the only planes in the sky were freight planes or post planes. Has there been any increase in that traffic, and might we see an increase in air freight?

Mags Simpson: There are a few things to make you aware of. Ninety-five per cent of air freight moves in the belly hold of passenger planes, which are now grounded, and some of the air freight that you have seen moving is some of the

passenger carriers trying to keep some planes moving. Amazon had the parcels strapped into the seats like passengers, I think. It was quite bizarre, but it was to try to keep the planes moving around the world.

Air freight is incredibly expensive. As part of the food resilience group, we looked at moving fish by plane. At one point, it was 10 times as expensive as moving it by road. To be fair, the Scottish Government and Transport Scotland did some work on that and got it down to about four times the cost, but it is prohibitively expensive to move goods by air unless they are electronic parts.

Jamie Halcro Johnston: I appreciate that there was a huge role for passenger airlines, but it was unusual to be seeing planes coming in. Those of us who can be slightly geeky and use things like flight radar saw planes coming in and out, and they were always freight planes.

Mags Simpson: I believe that a lot of PPE for the Covid crisis was moved by plane, so that is probably what was being moved.

Jamie Halcro Johnston: That is very interesting. Thank you.

The Convener: I have a couple of extra questions that I want to put to you. First, Mark Thomson, you talked about how you might be able to recoup some money through the processing charges of the port health authority. Have you made any calculations as to how much you might recoup in that way? I imagine that you would have to balance that with keeping the port competitive if it is competing with other ports. Is that something that you have had to take into your calculations?

Mark Thomson: Yes—not me directly, but my colleagues in the environmental health team and the manager who is responsible have been looking at that. It goes back to the need for some clarity about what goods will be coming through that will be eligible for checks. That is where there is uncertainty. Whatever staffing level is arrived at must be balanced with the number of checks, wherever possible. That is how it operates in other ports across the UK, and it is what we will try to achieve.

Your point about the actual fees that will be allocated is well made. My understanding is that some fees are set through statutory instruments so that there is no variation, whereas others will be the choice of the local authority. We will have to make sure that the fees are competitive, because it is important to encourage the movement of goods. That is obviously very important for Dumfries and Galloway, too.

The picture will hopefully become clearer in the coming weeks, but there are some key pieces of information about the movement of EU goods—

non-qualifying goods, in particular—that we need to bottom out.

11:45

The Convener: You will be running a business that is competing against ports that have been operating that business for many years. That is quite a challenge for you.

Mark Thomson: It is, and colleagues in the Scottish Government do recognise that. The North Channel crossing and Cairnryan are in a unique situation because of our starting point. We are going to have to get up to speed, but we will have the support of the wider peer community. We have had many offers of support from ports elsewhere and from colleagues in Food Standards Scotland. We are in a good place, but it is going to be a challenging couple of years. For the port health authority team, it will be a quick learning process, but we are hopeful that we will make a success of it, because it is important for the region generally.

The Convener: Yes—absolutely. I wish you luck with that.

Mags Simpson, you mentioned several times the complexity of the regulations that will kick in after April and July. You mentioned the issue around chilled meats, which we have talked about before in the committee. You also talked about parcels. For anyone who is listening, can you elaborate on the implications for parcels?

Mags Simpson: Sure. Forgive me—I am just finding my notes on that.

On the parcel delivery service between Great Britain and Northern Ireland, we have asked the UK Government for a trusted trader scheme to enable authorised parcel operators to use truck-level safety and security declarations. At the moment, the declaration is at consignment level, which means at the level of individual parcels. As you can imagine, there are up to—I do not know—2,000 parcels on one lorry, which would need 2,000 bits of paper to make it a legal crossing. We believe that authorised economic operator status could be adapted for that purpose, as it is mutually recognised by the EU and the UK.

It is a big challenge that is coming down the line, and it is something that we have been speaking to the Government about for some time, because the post cannot stop going between Northern Ireland and Britain. It needs to be sorted out.

The Convener: Do you have any sense that it will come to some agreement?

Mags Simpson: I cannot speak on behalf of the Government, but it is going to have to do something.

The Convener: Thank you very much. My final question repeats a question that Christine Grahame put to our previous panel: what have been the benefits of Brexit so far?

Mags Simpson: Are you asking me that question?

The Convener: Yes.

Mags Simpson: Gosh. I need to think carefully before I answer that one. It is difficult. Forgive me, but my brain has gone blank. It is a real challenge. Industry is working to find the solutions. Industry is understanding the process and coming up with solutions, and goods are still moving, but could we say there is an individual benefit to Brexit? Probably not.

The Convener: Mark Thomson, have you seen any benefits in Dumfries and Galloway so far?

Mark Thomson: I will answer slightly differently from answering that question directly. As a council, we recognise the numerous challenges that EU exit has brought. We have always looked to mitigate those, but, at the same time, it is important to recognise and try to move forward with whatever economic and job creation opportunities, infrastructure and investment will come from it. The creation of a border control post will bring valuable professional-quality jobs to the Wigtownshire area, which you know so well, convener.

Going forward, there will be benefits there as well. In conjunction with South of Scotland Enterprise, ferry operators and other partners, we will be looking to take forward a green port bid to maximise and further enhance the economic opportunity. However, we have had a lot of challenges in the past year, and we have a number of challenges to deal with this year.

The Convener: Christine Grahame has pressed her button. I think that she wants to ask another question.

Christine Grahame: It is just a supplementary to the question that you asked, convener. The creation of border control posts and, as was mentioned in the previous sessions, the employment of more vets are administrative measures caused by Brexit. What are the advantages of Brexit to the wider economy? Those are, in a way, costs rather than benefits. Can we hear from you? The councillor has to be a bit more circumspect, but the other panellist does not. No wonder you took a long time to answer that question—I do not blame you. I have sat through many of these sessions, and everything is mitigation. Could you just develop it a bit?

Mags Simpson: It is an incredibly difficult question to answer. In the past few months—and bearing in mind the impact of Covid as well—as

an industry, we have been focused on trying to work through this to keep the goods moving. As I said, different parts of the economy have been working through solutions, and we have been doing our best to support everybody to come up with the answers.

It is going to be difficult for Europe to continue to do business with us, as well. At the end of this grace period, we will start seeing the impacts and, as a country, we will need to work better with Europe. Referring back to the touring issue, we need to come up with a solution to that, because touring is of mutual benefit to both parties. We are doing what we can. Are there benefits to the wider economy? We will need to wait and see, I suspect. Industry has been working very closely with lots of different parties to come up with solutions, and it has to be a good thing that industry is working better together to come up with mutually beneficial solutions.

The Convener: There are no further questions from our members. It just remains for me to say thank you very much to both our panellists, Mr Thomson and Ms Simpson, for attending and for their evidence today.

That concludes the public part of this morning's meeting. I will allow a couple of minutes for members to have a comfort break and to move to Microsoft Teams before we resume in private session.

11:53

Meeting continued in private until 12:20.

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