



Department
for Exiting the
European Union

Rt Hon Steve Barclay MP
Secretary of State for
Exiting the European Union
9 Downing Street
SW1A 2AG

correspondence@dexeu.gov.uk
www.gov.uk

Rt Hon Nicky Morgan MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

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Dear Nicky,

I am writing to draw the Committee's attention to the Written Ministerial Statement which I laid in the House this morning regarding EU Exit negotiations:

The Government is committed to working at pace with the EU to have a future relationship in place by the end of December 2020, ensuring that the "backstop" solution to Northern Ireland is never used. However, the Prime Minister set out to the House of Commons that the Government's objective is to ensure that, even if the full future relationship is not in place by the end of the implementation period, the backstop is replaced by alternative arrangements. The Withdrawal Agreement and Political Declaration already set out the shared determination of the UK and the EU to replace the backstop solution in Northern Ireland by a subsequent agreement establishing alternative arrangements.

President Juncker has already confirmed with the Prime Minister that the EU will give priority to the specific workstream intended to replace the backstop with alternative arrangements. There have been further discussions on how to take forward this commitment with the EU - between the Prime Minister and President Juncker, and between Michel Barnier and myself. The Government expects to give more shape to how the UK and EU will take these commitments forward in due course.

The Government expects that joint UK-EU work on alternative arrangements will be an important strand of the next phase of negotiations. In anticipation of this, and to ensure that the UK is ready to move at pace in the next phase, the Government is putting in place the UK's arrangements to support this work, with a team drawing in all the relevant departments including DExEU, HMT, HMRC, BEIS, DEFRA, Home Office, and the NIO. This will report directly to the UK's negotiating team.

In this context, the Government intends to establish three advisory groups to help inform the UK's negotiations with the EU, with the UK's work coordinated by the Secretary of State for Exiting the EU and the Financial Secretary to the Treasury (FST), who has responsibility for customs policy and administration:

- an expert advisory group of technical experts in trade and customs - such as from academia, think tanks, and customs brokers, to ensure those with specialist expertise are involved in developing options;

- a business and trade union engagement group - to ensure that the views of those trading with the EU and the rest of the world inform the ongoing work; and
- a parliamentary engagement group - to allow Government to consult with Members of Parliament from across both Houses with an interest in the work. The Government will discuss with parliamentarians how best to constitute this group. This will not affect the Government's ongoing engagement with your and other committees.

The new groups will be constituted following the passing of the Meaningful Vote, and first meet in advance of the commencement of the next phase of negotiations between the UK and the EU. In the immediate-term, the Government will look to engage with these groups on developing the UK's understanding of alternative arrangements to inform negotiations with the EU, and ensure that the UK's input is informed by a broad and inclusive range of voices domestically. Over the longer-term, the Government will also consider how best these groups can contribute to its goal of ensuring that the UK is at the cutting edge of global customs policy, facilitating the greatest possible trade between the UK and the rest of the world. The Government will make available £20m of funding, to support the development, testing or piloting of ideas that emerge from these groups where the Government believes it would be helpful.

Specifically, the technical advisory group will have a remit to support the Government on exploring approaches to reduce the risk associated with the movement of goods and for simplifying processes for businesses trading in goods. The Government will also seek the input and views of the business advisory group and parliamentary engagement group to the proposals that are brought forward, and will ensure they have the opportunity to contribute their views on how proposals might be developed.

Ministers will be supported in their engagement by the Civil Service. Ministers will attend the meetings, supported by those civil servants leading the work on alternative arrangements with the EU.

In the first instance, the technical advisory group will consider work drawing on, but not limited to, the following issues. The Government will also invite views from the other groups on potential areas for exploration.

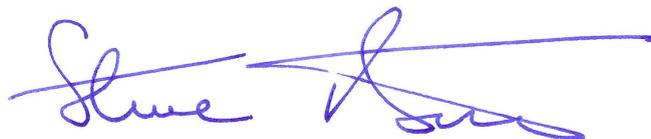
- **Facilitations and simplifications for businesses** - building on global precedents and best practice to develop the most ambitious possible trusted trader programmes, in addition to considering the scope for checks and controls to be conducted at a broader range of premises, and making processes easier for smaller traders to ensure schemes are accessible and affordable to them.
- **Advanced use of data and IT systems** - seeking effective, secure data-sharing to provide for general customs and regulatory cooperation to anticipate and manage risk, combat customs fraud and other illegal activity, and support the recovery of claims related to taxes and duties. This includes the scope for big data to enable more advanced risk assessments and technologies.

- **Transit** - including looking at global precedents for transit schemes, and considering how existing transit processes can be streamlined and modernised to reflect evolutions in goods movements.
- **Cutting-edge technologies** designed to streamline and modernise border controls and support engagement with customs and regulatory processes, including:
 - Radio-frequency identification (RFID) technology - which has potential to identify the movement of relevant vehicles / consignments, and log where they have passed specific points;
 - App platforms - including the scope to use apps and other technologies to enable the tracking of goods movements across borders, in a way that can address legitimate concerns about data gathering and retention; and
 - Single windows - assessing the scope for allowing traders to lodge all information relevant to the movement of goods in one place, rather than across different platforms, and considering the scope for interoperability between the UK and the EU and other partners; and
 - Machine learning and automatic intelligence to allow traders to automate the collection and submission of data.
- The **minimisation and simplification of processes surrounding trade in commodities which are prohibited or restricted**, including those associated with requirements for regulatory checks and controls. This will include an assessment of their interface with customs proposals.

All three groups will have a particular focus on how any arrangements take into account the UK's commitments to protect respective legal orders and markets, and avoid a hard border on the island of Ireland. They will also take into account how arrangements can apply more broadly beyond the specific focus on how they would operate in the unique circumstances of Northern Ireland, to include how they could also help facilitate trade between the UK and EU.

The Government will provide a further update to Parliament, including on the membership of the respective groups, at the earliest opportunity in the coming weeks.

I trust the Committee will find this update helpful. I am copying this letter to the Chancellor of the Exchequer and the Financial Secretary to the Treasury.



RT HON STEVE BARCLAY MP
SECRETARY OF STATE FOR EXITING THE EUROPEAN UNION