

Keep Britain trading

A focus on EU-UK trade and logistics after Brexit



FTA policy priorities for a successful Brexit

Eight urgent priorities for seamless EU-UK trade



50%

FTA members operate more than 200,000 lorries - almost half the UK fleet.



90%

FTA members deliver over 90 per cent of freight moved by rail.



70%

FTA members consign 70 per cent of UK visible exports by sea.



70%

FTA members consign 70 per cent of UK visible exports by air.



EU-27

workers in the UK



14% of HGV drivers



12% of van drivers



25% of warehouse operatives



19% of forklift drivers



The logistics sector contributes over £121 billion Gross Value Added (GVA) to the UK economy, equating to 11 per cent of the UK non-financial business economy.



Its value to the UK's economy goes much beyond this. Logistics is an enabler, underpinning all segments of the economy, and making both international trade and local deliveries possible.



The annual turnover for the UK logistics sector is £1 trillion.



The UK remains a leader in logistics at a global level, and is ranked in the top 10 in the global logistics performance index of the World Bank for 2016.*



14% of HGV drivers, 12% of van drivers, 25% of warehouse workers and 19% of forklift drivers in the UK are EU nationals.

*This index ranks 160 countries across the world based on the efficiency of their international supply chains: <http://lpi.worldbank.org/international/global>

Legend

Action for:

EU and UK negotiators

UK Government and agencies

EU-27 and UK Government and agencies

1 Transition and implementation period



- ➔ Industry on both sides need certainty and predictability regarding the terms and duration of the transition/implementation period, beyond the political agreement reached in March 2018
- ➔ This period should be long enough to allow industry, as well as ports/airports and authorities to adapt to new requirements, and continued access to EU agreements with third countries should be guaranteed

Industry needs urgent confirmation of the terms and duration of the transition/implementation period. Both sides have agreed that there should be a transition/implementation period, which will protect the status quo (on the basis of continued single market and customs union membership) until the end of 2020. However, 'nothing is agreed until everything is agreed', meaning that this will only be certain once an agreement is reached on all other withdrawal topics. Without this agreement, industry and consumers face a No Deal Brexit on 30 March 2019 for which the UK and EU-27 alike are ill prepared.

UK companies should continue to benefit from EU agreements with third countries throughout the transition period. Trade facilitation measures agreed with third countries should continue to apply to the UK during this period. These include sanitary and phytosanitary agreements reducing the percentage of physical checks on EU/UK products and products from third countries and AEO (Authorised Economic Operator) mutual recognition agreements. Transport agreements, such as the EU-US aviation agreement, or the land transport agreement with Switzerland should continue to apply. Full cumulation of rules of origin needs to continue so that UK products' content may count towards EU content, and vice versa. This will ensure that manufacturers on both sides may be able to meet the thresholds set in these trade agreements with third countries and keep benefiting from preferential tariff levels throughout the transition/implementation period.

2 Customs

2.1 What needs to be agreed between the EU and the UK

The UK has indicated its desire to leave the customs union and single market after Brexit, which has a number of implications in terms of customs processes and documents required. Solutions will need to be agreed both on the fiscal and security/safety side of customs – both of which imply new requirements for traders, but also transport companies. FTA has adopted a list of 10 customs recommendations that would make a significant difference to industry. Amongst these, the following are a matter of priority in the EU-UK negotiations.

- ➔ The UK and the EU must negotiate a complete security and safety waiver, removing the need for entry and exit summary declarations, modelled on similar agreements with Switzerland and Norway
- ➔ The UK and the EU must conclude a Mutual Recognition Agreement for the AEO status, enabling companies accredited on one side to benefit from the same easements on the other side. The EU already has such agreements with China, Japan, the US, Norway and Switzerland

2.2 What authorities could do (unilaterally) on both sides of the borders

- ➔ In the short to medium term, set up an approved exporter system to enable companies to avoid producing documents for each consignment and strive to act as 'One Government at the border'



➔ Speed up the EORI¹ number allocation process and the review of applications to AEO and other vital customs facilitations such as simplified customs procedures – including these under the Common Transit Convention

➔ Provide **practical support to traders**, especially companies with no prior customs experience, for instance through online frequently asked questions and answers and other guidance material

➔ Longer term, **develop one-stop-shop services or a single window** for companies for all administrative requirements related to trade and customs, enabling traders to submit documentation and data required for import, export, or transit to a single entry point

2.3 What the UK needs to do and decide

➔ The UK should initiate the process of seeking accession to the Common Transit Convention² in its own right, as soon as possible, to reduce pressure on the point of entry in the EU customs territory

➔ The UK Government must provide urgent clarification to industry regarding:

- what **customs model** business should be planning for and **what businesses who are new to customs activity need to do to prepare**
- **future customs procedures, including for special procedures**. The Government's intention for these procedures to continue to be based on the Union Customs Code should be communicated more explicitly
- **the UK's customs classification system**
- **the UK's schedule of tariffs**
- **whether VAT and Excise arrangements will change and if so what are the implications for business**

➔ The UK must ensure that HMRC, Border Force and other agencies are properly resourced to deal with forthcoming changes without compromising traffic fluidity and the flow of trade

➔ Ensure that CDS (Customs Declaration System) is ready, robust enough and properly tested. The UK should also retain the Low Value Consignment Relief for at least 5 years following Brexit, to avoid adding a huge amount of declarations into the CDS

1 EORI: Economic Operator Registration Identification

2 The common transit procedure is used for the movement of goods between the 28 EU Member States, the EFTA countries, Turkey, the former Yugoslav Republic of Macedonia and Serbia. It provides for customs and excise duties, VAT and other charges on goods to be suspended during their movement from the customs office of departure to the customs office of destination, minimising procedures at the point of entry in the EU.

3 Borders, other types of checks and trade facilitation



➔ The UK and the EU must negotiate a mutual recognition agreement recognising the validity of product conformity checks on each side and removing the need for import controls at the customs office of import

➔ The UK and the EU must negotiate an SPS (sanitary & phytosanitary) agreement removing the need for identity and physical sanitary and phytosanitary checks at the borders, similar to the agreement concluded with Switzerland

➔ There should be no tariffs or quotas for trade with the EU. **Non-tariff barriers, such as administrative formalities or regulatory barriers to trade, could be just as damaging as tariff barriers, and should be reduced to a bare minimum.** Supply chains are complex and deeply integrated, with many components of UK products being sourced in the EU, and vice versa: due consideration should be given to **rules of origin** to ensure that complex, integrated supply chains are not disrupted

➔ **The need for other types of checks at the borders** (other than those currently conducted) **should be assessed carefully** and they should be **moved to inland premises, the point of production or the roadside as much as possible**

Fiscal checks only represent a minority of checks that have to be performed at the border or at the point of import. Under EU rules, security and safety controls might have to be performed at the border. For instance, EU rules make border checks of live animal, food and feed imports mandatory, with a high percentage of identity and in some cases physical checks. In addition, checks on non-food products might be required as part of import controls and market surveillance, or for specific categories of highly regulated products. Finally, additional checks might be required to ascertain the ability of a haulier to operate on the EU territory.

Controls, trade procedures and agencies/departments responsible in the UK
This is a non-exhaustive list

Activity	Functions performed	Responsible departments and agencies
Revenue collection	<ul style="list-style-type: none"> Collection of customs dues, excise dues, and other indirect taxes Payment of dues and fines Management of bonds and other financial securities 	HMRC, HM Treasury, Border Force
Safety and security	<ul style="list-style-type: none"> Security and smuggling controls Dangerous goods Vehicle checks Immigration and visa formalities Import and export licences 	HMRC, MCA, Border Force/Home Office, DIT, Export Control Organisation, Health and Safety Executive, Environment Agency, etc
Environment and health	<ul style="list-style-type: none"> Phytosanitary checks Veterinary checks Food hygiene controls 	DEFRA, FSA, Animal & Plant Health Agency, Port Health authorities, etc
Consumer protection	<ul style="list-style-type: none"> Product testing Labelling Standards conformity, market surveillance and import controls 	Local Trading Standards, MHRA, etc
Trade policy	<ul style="list-style-type: none"> Administration of quota restrictions Agriculture refunds Trade defence Customs agreements 	HMRC
Road transport	<ul style="list-style-type: none"> Driving documents Control and licensing of road transport in and out of the UK 	DfT, DVSA, DVLA

Sources: Institute for Government, FTA

4 Road transport market access arrangements

➡ **The UK and the EU should agree a comprehensive land or road transport agreement, providing for the free passage of commercial vehicles on similar terms as is the case currently, on the basis of a mutually recognised operator licence and without additional costs, administrative burden or restrictions**

International road haulage is not liberalised by default, and there is no such thing as a WTO fall-back option for road transport. Yet, just-in-time production chains and perishable products rely on the speed and efficiency of the roll-on roll-off model, which requires a road transport or land transport agreement between the EU and the UK to secure the continuous passage of trucks.

Such an agreement should preserve liberalised market access arrangements for international transport, including cross-trade, without the need for a cumbersome and costly system of permits, not suited to the needs of modern logistics. Market access should be based on possession of a valid operator licence, mutually recognised, and provided for a duration of 5 years, as is the case today, in line with the requirement of multi-annual logistics contracts. Cabotage should continue to be allowed on the basis of existing criteria.



5 Driver licences and qualifications



➔ The UK and the EU must reach an agreement on continued recognition of driver licences and qualifications (driver CPC and transport manager CPC)

Post Brexit, driver licences and qualifications could no longer be recognised automatically across the border. The UK must confirm at the earliest opportunity what mutual arrangements will be in place for holders of vocational licences who are employed by a business where the holder is not normally resident.

Signing up to the Vienna Convention should largely solve the issue of vocational driving license recognition. However, it does not provide a solution for licences which have been exchanged.

Drivers operating in the EU need a certificate of professional competence. It is essential that any agreement on mutual recognition of qualifications, or any land transport agreement provides for the continuous mutual recognition of the driver CPC and transport manager CPC. This agreement should cover certification acquired pre-Brexit and valid after Brexit and beyond the transition/implementation period, and should also allow drivers to operate internationally without difficulties.

6 Type approval for new vehicles



➔ A solution is needed between the UK and the EU so that vehicles type-approved in one jurisdiction can continue to be used in the other

Currently, the UK type-approval authority (VCA) checks a significant percentage of commercial motor vehicles (mainly vans) before they are placed on the EU market to ensure they meet relevant environmental, safety and security standards. The UK's departure from the European Single Market without a replacing agreement and no transition could result in type-approval certificates issued by the VCA no longer being considered valid in the EU27.

7 Access for other modes of transport

7.1 Air freight

➔ The EU and the UK must negotiate as a matter of priority an air transport agreement and an aviation security and safety agreement protecting connectivity between the EU and the UK



➔ **The UK should seek to replicate air transport agreements signed by the EU with third countries, such as the aviation agreement with the US**

Air freight represents more than one third of the value of our total UK imports and exports. The highest value goods, most essential shipments and most sensitive commercial documents are flown across the world, for safety, security and essential speed. Global shippers pay the UK airfreight industry over £3bn to carry two million tonnes of goods a year.

The most pressing concern for the aviation sector relates to market access for operators to operate services to and from the UK. A no deal scenario would provide no safety net to aviation, affecting both flights to and from the EU as well as flights with the rest of the World.

7.2 Rail freight

➔ **The EU and the UK should agree a land transport or rail agreement preserving existing conditions of market access for cross-border freight operators. The agreement should also provide for the continued recognition of driving licences and rail standards so that cross-border rail freight services may continue to operate**

Cross-channel rail freight volumes are limited, for various reasons. However, much like road freight or aviation, market access in rail freight also requires an agreement. While cross-channel rail freight services do not represent the majority of flows to and from continental Europe, they would be put at risk with a no-deal scenario that would not replicate current market access conditions for rail freight operators. Indeed, in such a scenario, freight trains would by default not have access to the continental market. In a no deal scenario, there is also no guarantee that driving licenses or rail standards would be recognised on both sides of the Channel, which could further complicate cross-border operations.

8 Skills

➔ **The UK government needs to ensure that the political agreement reached in December 2017 on citizens' rights is implemented in full, regardless of whether a withdrawal agreement can be agreed in time.** This is essential to ensure that the logistics sector and other important sectors of the economy do not suddenly have to face a significant gap in human resources

➔ **A solution should be found for workers not covered by the draft withdrawal agreement and employed on a temporary basis in the UK, to deal with peak times during the year.** The previous Seasonal Agricultural Worker Scheme could be a model for this, so long as it is not age-limited

14% of HGV drivers, 25% of Warehouse workers and 19% of Forklift Drivers in the UK are EU nationals. Considering the sector already has a HGV driver shortage of 52,000, the impact of losing EU workers would be felt significantly across the sector. While the political agreement on EU and UK citizens' rights reached in December 2017 is welcome, it is not yet formally set in stone and will need to be adopted in a binding format, through the withdrawal agreement.

The agreement reached in December does not cover EU workers who are not resident in the UK and only work in the UK on a seasonal basis. Due to the nature of logistics these seasonal peaks require short term and temporary contracts, with workers either seeking employment in other EU countries or within the UK in an alternative sector during the low season. There will need to be an agreement reached around access to seasonal workers. This could be in a similar form to the previous Seasonal Agricultural Worker Scheme, but not age limited. This type of system could allow EU workers to cover driving and warehouse roles during the peak periods, which logistics businesses are struggling to fill.

The UK has received significant sums from the European Social Fund to help with training, the Apprenticeship Levy will need to see significant improvements to the system to help replace this previous investment. FTA has always argued that this should be a training levy, and post-Brexit, there will be an even greater need for shorter term training funding. Training for logistics does not come in a one-size-fits-all and developing apprenticeship programmes takes too long to be able to react to current training needs. Funding of other vocational training will be important to logistics.



Tel: 01892 526171*

Fax: 01892 534989

fta.co.uk



Freight Transport Association Limited
Hermes House, St John's Road, Tunbridge Wells, Kent TN4 9UZ • Registered in England Number 391957

© Freight Transport Association 2018. All rights reserved.
This information is correct at the time of going to print but is
subject to change without notice.

*Calls may be recorded for training purposes

06.18/PB