



Freight Transport Association

FTA Customs Policy: Revised Position following British Shippers' Council on 6th July 2017

Implications of the UK Leaving the Customs Union

- The UK government has signalled that it intends to withdraw from the EU Single Market and Customs Union once it leaves the European Union, and instead will seek a comprehensive Free Trade Agreement with the EU and a new customs agreement.
- If neither of these new trading arrangements are in place when the UK leaves the EU then businesses will face a number of challenges. These include tariffs (customs duties) and non-tariff measures such as the need to make customs declarations; the need to demonstrate compliance with various EU trade rules; and to provide details of how the goods are being transported.
- HMRC estimates that in the region of 255 million additional customs declarations would be required. This will put a high degree of stress on the new Customs Declarations System which will be operational by 2019. The cost of making declarations is also high, with costs of using an agent ranging from £30-£100 per declaration.
- The most pressing issue is the potential for customs checks to cause delays at the busiest UK-EU trade routes such as Dover-Calais, which handles 10,000 HGVs per day. Even minor delays can have major knock-on effects, as the problems in 2016 due to the shortage of French border staff demonstrated. Many sectors such as food, flowers, pharmaceuticals, and flight trucks moving air cargo to Heathrow rely on dependable express movement across the Channel.
- However, as a non-EU country, remaining in the Customs Union may not be the optimal outcome. Doing so would require the UK to comply with EU external tariffs and other trade related rules and standards, without having the power to influence them. In addition, the UK would not be able to set up independent trade agreements with other non-EU countries.
- In addition the partial Customs Union with Turkey does not offer an appropriate solution as this does not remove the requirement to make customs declarations, which is one of the key concerns of FTA members. If the UK does agree to be in a Customs Union of some form with the EU, this must remove the need for customs declarations.
- The FTA encourages the UK government to work with industry to carry out a fast yet thorough assessment of the costs and benefits of leaving and remaining in the Customs Union, to aid decision making.

Long term solution - Free Trade Deal with the European Union

- The UK government is committed to developing a comprehensive Free Trade Agreement with the European Union. FTA members fully support this objective, which is the only way to reduce or eliminate tariff and non-tariff barriers to trade, and their associated costs.

Bridging the Gap: Transition Agreement

- A Free Trade Deal is likely to take several years to agree, and the EU and UK negotiators have confirmed that trading relationships are not likely to be discussed in detail until the UK leaves

the EU in 2019. This raises the concern that the UK would leave the EU in with no trade agreement or replacement customs agreement in place

- FTA members strongly support a transition arrangement to bridge the gap, allowing seamless trade to continue under current arrangements while a new agreement is made. Specially, FTA calls for the continuation of the existing trade and customs relationship with the EU for a period of 5 years on a transitional basis, while new trading relationships are negotiated.

Making it Work: Eight suggestions for a new customs agreement

Several FTA member companies have specialist expertise of trade facilitation and customs, and FTA staff have worked closely with them to develop a set of practical proposals to help ease friction at the UK-EU border, summarised below. Taken together these measures could form the basis of a new customs agreement.

They could be negotiated relatively quickly, introduced in advance of a comprehensive Free Trade Agreement, and then incorporated into such an agreement at a later date. This is not an exhaustive list, and the FTA is developing several other ideas based on member feedback.

1. Make E-Declarations and pre-clearance standard practice

- The government should set a goal where close to 100% of declarations are submitted electronically and pre-cleared by customs and security authorities before the consignment reaches the border. To achieve this, the following measures (among others) are required:
- The new HMRC Customs Declaration System (CDS) should enable companies to make their declarations online. The FTA applauds the extensive efforts already being made by HMRC to engage with business in the run up to Brexit, and urges all government departments to ensure traders have the support and training they need.
- Business must be given sufficient lead time to ensure their systems are Brexit-ready. For example, many companies will need to integrate Intrastat data reporting into the supply chain management system, and ensure they can generate all the trade compliance information required. A clear signal from the UK government on the likely trading relationship from Brexit is vitally important.
- The new CDS must be able to cope with the additional volumes of declarations, and scalable, while processing speed must not be compromised. This is critical in a new environment where almost all declarations should be pre-cleared.

2. Reduce the volume of declarations: Retain Low Value Consignment Relief

- Low Value Consignment Relief, currently set for goods below £15, should be maintained for all types of low value consignments for a period of at least 5 years following Brexit. This will avoid adding hundreds of millions of additional declarations into the CDS.
- The level of LVCR should be assessed and potentially raised in line with inflation to reduce pressure on CDS during this period. Following this 5-year stability period LVCR should be reviewed to ensure fiscal control is balanced with trade facilitation.

3. Physical clearance and inspections should be carried out away from the border

- The small minority of vehicles carrying consignments that have not been pre-cleared electronically should be dealt with at “Clearance Zones” to reduce the pressure for space at busy sites which lack space, such as the Port of Dover.
- These Clearance Zones would be located away from the border. Paperwork would be checked and any required inspections carried out. Once approved the vehicles would be granted fast passage through border control at the port.

4. Juxtaposed customs controls should be considered

- To facilitate quicker exit from Ro-Ro ferries, the UK should explore the potential for Juxtaposed Customs Control agreements with France and potentially other neighbouring EU countries. This would allow for any checks or inspections to be carried out before ferries or Eurotunnel services cross the Channel.

5. Create “Fast Track Lanes” at busiest border points

- The risk of border delays at the busiest Ro-Ro trade routes such as Dover-Calais can be mitigated by allowing vehicles carrying consignments that have been pre-cleared by customs and security authorities to cross the border quickly using a “fast track” system.
- In a trading environment where close to 100% of declarations are filed electronically and cleared in advance this should be achievable, provided a means can be found of linking specific vehicles to the pre-cleared consignments they are carrying.
- An option for the government to consider would be the creation of a new IT solution to enable any vehicle to access the Fast Track Lane, if it is possible to demonstrate electronically that all consignments on board have been pre-cleared. However, there is a fundamental concern with this approach, namely how to assure government that all the consignments in the vehicle have been cleared correctly.
- To address this concern many countries have introduced customs compliance schemes to allow fast border crossing for authorised traders, based on the Authorised Economic Operator (AEO) framework, established by the World Customs Organisation. The AEO framework enables companies that can demonstrate regulatory compliance and good governance to gain fast border crossing and other simplifications.
- Currently over 500 UK businesses are already approved under the AEO scheme established in the Union Customs Code. This scheme allows EU member states to grant simplifications such as fast border crossing, customs self-assessment, periodic reporting, advance notification of inspection, and simplified customs declaration procedures to approved companies, for their trade with non-EU countries.
- If the UK were to adopt an AEO scheme equivalent to the existing EU scheme then it should be relatively straightforward to negotiate a Mutual Recognition Agreement with the EU to enable AEO traders on both sides of the border to benefit from the simplifications listed above – in particular fast border crossing.

- However, FTA members with experience of the AEO scheme have raised doubts as to whether it is suitable for adoption across the UK supply chain. It currently takes businesses over a year to become authorised, despite a government target of 120 days. The application and re-authorisation process is complex; benefits for non-EU trade have not compensated for these problems and the HMRC team dealing with enquiries and applications is under-resourced.
- Based on this member feedback the FTA believes that the AEO scheme as currently operated in the UK may not be suitable for many UK businesses trading primarily with the EU, many of whom are SMEs with little experience in trade compliance.
- The FTA therefore support the development of a new industry-government customs compliance, or “Trusted Trader” type scheme, based on AEO principles, that would to enable trusted industry partners to benefit from faster border crossing and other simplifications in return for guaranteeing the correct application of government fiscal and security policy – i.e. taking responsibility for ensuring that the consignments carried on board have been pre-cleared prior to crossing the border.
- The ability to move through a “Fast Lane” would be a significant incentive for take-up and compliance of such a scheme. Neighbouring EU states, in particular France and the Republic of Ireland, have a strong incentive to support mutually recognition for this scheme, to avoid delays at busy border points
- This scheme could be limited geographically to busy routes, and provide a limited range of simplifications compared to full AEO. Companies accredited to AEO should receive Fast Lane and additional simplifications, as listed above. Details of this scheme should be developed in partnership with industry as soon as possible.

6. Greater use of Simplified Declarations and Self Assessment

- Simplified customs returns is currently open to approved companies for non-EU trade, who are able to submit a simplified return at point of import then have 30 days to complete the full declaration. The UK government should create a straightforward approval process for UK-EU trade perhaps linked to the “Trusted Trader” scheme noted above, to enable more companies to benefit from simplified declarations.
- More generally, self-assessment and periodic returns should also be more widely used by business. This authorisation could be linked to a Trusted Trader scheme with straightforward application procedures taking account of the fact that many UK-EU traders are SMEs.
- A related but important point is that HGV Drivers with European Union passports should not require travel visas to enter the UK, reducing business costs and time spent at UK immigration control points. This may require legislative or policy change to enable HGV drivers to travel visa free, depending on broader immigration policy decisions.

7. Frictionless Transit: Join the Common Transit Convention

- Transit of goods to and from the EU must be frictionless – i.e. no goods in transit across the UK to the EU should be held for inspection at the UK-EU border. This is particularly important for the Republic of Ireland, which relies on the “land bridge” across the UK for a significant proportion of its goods.

- To achieve this the UK should seek accession to the Common Transit Convention. This combined with a clear marking scheme for trailers will enable frictionless transit of goods between the Republic of Ireland and other EU destinations via the UK.
- As an emergency measure, greater use could be made of the TIR Carnet scheme. However, this involves additional paperwork, cost, development of improvement IT systems, and only applies for goods moved at least partly by road transport. It is also untested at these volumes of trade.

8. Border control should efficient and government policy set jointly with industry

- Border Force and HMRC must have sufficient resources to analyse data and target vehicles for inspection. Interventions must be targeted and intelligence-led, making full use of the increased data on UK-EU consignments that will be available post-Brexit.
- A new “Trade Facilitation Agency” should be created to create more joined-up decision making and enhanced business engagement on customs and trade facilitation. Currently business engagement is spread across separate committees organised by HMRC, Border Force, BEIS and DIT.
- Consideration should be given to creating a new non-departmental government agency run in partnership with business, to ensure a joined-up approach is being taken, and enabling the UK to fulfil its requirement under the WTO Trade Facilitation Agreement to create a Trade Facilitation Committee.