LOGISTICS UK

2025 UK Border Strategy

August 2020

Summary of Logistics UK View

Logistics UK welcomes the objectives of the 2025 border strategy as well as the transformations envisaged to increase the efficiency of our borders. These are crucial to minimise friction and facilitate international trade. The concepts of upstream compliance, e-documents and single window to avoid duplication of data submission are particularly important in this regard.

However, we would like to see increased ambition in the timeframe for these changes. They should be brought forward as much as possible -while minimising the number of successive changes- so the logistics industry and, in turn, the end consumers can reap the benefits of a more efficient, more joined-up approach to the borders before 2025.

Our border must be as efficient as possible for all trade flows and trading partners. However, the circumstances are about to change dramatically for borders being used for Ro Ro traffic as the EU Exit transition period comes to an end. Taking stock of the experience of post-transition Ro Ro traffic will be crucial to refine the longer term border strategy.

Government should carry out a "red tape review" to minimise burdens on business. For example, government should remove the planned requirement for businesses to carry on providing Intrastat declarations (a statistics database for EU members) after the transition period ends. More detailed data on trade will be readily available from this point via custom declarations, making Intrastat data redundant.

About Logistics UK

Logistics UK (the new name for FTA) is one of Britain's largest business groups and the only one providing a voice for the entirety of the UK's logistics sector. Our role, on behalf of over 18,000 members, is to enhance the safety, efficiency and sustainability of freight movement throughout the supply chain, across all transport modes. Logistics UK members operate over 200,000 goods vehicles - almost half the UK fleet - and some one million liveried vans. In addition, they consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight.

Response to the consultation

Strategic Vision, Objectives and Outcomes

1) To what extent do you agree with the vision and objectives for the UK border?

We agree with and support the vision and objectives for the UK border.

2) To what extent are the draft strategic outcomes listed above those that will deliver the most benefit to the UK? Are there any other changes you would suggest?

We support the draft strategic outcomes.

Goods

3) As a trader, what part of the user journey do you think the UK border delivers particularly well?

Based on member feedback on existing non-EU trade, the UK government currently delivers borders that work well for traders most of the time. However, we are writing this shortly before the end of the EU Exit Transition Period, and we have significant concerns about how the UK borders using Ro-Ro traffic will perform after this time. We therefore encourage government to re-engage with industry in 2021 to refresh the strategy and see what has or has not worked well.

4) As a trader, what part of the user journey, illustrated above, do you find most difficult or frustrating?

Based on member feedback from existing non-EU trade, there are frustrations around upstream compliance, with authorisations to use facilitations (eg, CFSP and AEO) taking too long. There is also currently poor communication and data sharing inside border authorities, leading to situations where companies applying for additional simplifications frequently need to duplicate information already provided to government. This situation will become significantly worse after the end of the transition period if it is not addressed, as tens of thousands of additional businesses will seek to use simplifications (eg, customs guarantees, EIDR and SDP).

5) Where could government work with industry to improve processes for traders (potentially learning from other countries)?

There should be a "digital customs dashboard" available to traders and government as part of the company's Government Gateway account to show the customs authorisations held by the trader (if any) and other key information relevant to international trade. The details of what information is shown could be agreed by a separate consultation.

6) As a trader what are the key drivers of cost for you in moving goods across the border?

In addition to transport and trade compliance costs, these would usually be tariffs applied to imports or exports. As representatives of the logistics sector, we do not take a view on tariff levels across different product sectors, although in general we support low tariffs and free trade as a driver of economic growth.

Transport costs vary depending on mode, on the distance of the route and other parameters (eg, contract rates that are secured over a longer period of time vs. spot rates that are very dynamic). Trade compliance costs cover a wide range of costs, from upstream requirements, to audit and administration costs relating to accreditation schemes and the cost of non-tariff barriers (see below).

Each supply chain would have a different cost structure, with certain subsectors facing specific costs. For example exporters of animals, products of animal origin and plant products face veterinary costs in relation to the issuance of export health certificates, costs for sanitary/phytosanitary inspections in Border Control Posts, and possibly costs for storage of consignments if additional laboratory tests are required before the goods can be cleared by SPS authorities.

7) As a trader, what are the key non-financial barriers to moving goods across the border?

The key non-financial barriers include (but are not limited to):

- Rules of Origin certifications, required to take advantage of lower tariffs
- Phyto-Sanitary rules, which in turn require certifications on product standards e.g. Environmental Health Certificates
- Checks on consignment, particularly where these are not risk-and-intelligence based, but made on an overall percentage of goods.

As a signatory to the WTO Trade Facilitation Agreement, the UK government should take all necessary measures to reduce or remove non-tariff barriers to trade.

8) As a trader, do you move goods across the border at various places in the UK or do you focus on a particular route? If so, what drives your choice of port?

This question is aimed at individual traders and so we are unable to respond as Logistics UK.

9) As a trader, have you used, or tried to use, an intermediary for your interaction with the border? Why and what was your experience?

This question is aimed at individual traders and so we are unable to respond as Logistics UK

10) To what extent are supply chains able to adapt in the face of major disruption at the border (i.e. flexing between different routes or modes of transport)?

The Covid-19 pandemic and lockdown has illustrated the resilience and flexibility of the logistics sector, with several innovations including the repurposing of passenger aircraft as freighters, and an increased willingness by government and industry to accept e-documentation. The widespread use of e-documentation proved effective and reliable and demonstrated a high potential to support frictionless movements of goods. The option to use digital procedures and documents should be made permanent and should be underpinned by robust and reliable IT infrastructure.

The UK has several routes and mode choices available for international trade. The choice of mode and route to use is ultimately a commercial one, depending on the distance, value and time sensitivity of the consignment. Experience also shows that in case of significant and persistent disruptions in a given port, alternative routes can quickly become saturated as many businesses redirect their flows to bypass the disruption hot spot.

11) In what ways might government facilitate the adaptation of supply chains and so enhance their resilience?

Government should focus on ensuring that their own systems and resources are flexible enough to cope with disruption; able, for instance, to divert staff to alternative ports and airports where needed. Government should also ensure that the inland connections are effective. Government should refrain from taking a central planning approach e.g. deciding which specific routes should be used; the commercial marketplace is the most effective means to ensure efficient supply chains, with Government providing the core services to enable this marketplace to function.

One of the challenges of complex supply chains is the interdependence of all supply chain partners. The ability of one player to fulfil its role relies on formalities carried out by other entities further up or down the supply chain. Moving to digital processes based on data rather than documents would facilitate real-time updates and thus increase flexibility and resilience.

The exchange of documents by email or post -where original hard copies are required, e.g. export health certificates-should be replaced with data-centric IT systems that centralise data and evidence of the completion of formalities. The status of a consignment should be accessible for consultation in real time. Access could be differentiated between user types to address concerns around commercially sensitive information but any entity involved in the movement of goods should be able to verify that all formalities that are required for them to perform their role in the supply chain have been carried out.

Robust e-signature and authentication processes are necessary to create the level of trust required for industry and authorities to recognise electronic evidence rather than hard copies of documents. Solutions implemented during the Covid19 crisis demonstrated the feasibility of digitised documents and processes. Government should build on this experience and streamline such solutions across all relevant areas.

Major transformations to deliver the 2025 border

16) To what extent do you agree that these six transformations are the required major changes in border delivery, to realise the vision and objectives for the UK border by 2025?

We fully support the transformations proposed in this document; however, we would like to see increased ambition in the timeframe for these changes. EU Exit is increasingly showing the importance of these transformations; there should be a review to see how many can be pulled forward to 2021. The timescales for any changes should be integrated into the transition period and subsequent implementation period to fit in with businesses' preparation for EU Exit. While bringing forward the implementation of optimised border systems and processes would be beneficial, it is of the utmost importance to minimise the number of successive changes.

17) To what extent do you believe the proposed transformations would decrease the costs and overall burden on legitimate businesses and passengers crossing the border

Upstream compliance, improved government data sharing, creating a user-centric approach, the other transformations mentioned would all contribute to the reduction of burdens on logistics businesses, which in turn can increase costs for end customers.

Policy and Legislation

18) Which policy and legislative changes would be required for the delivery of these major transformations in the way the border operates?

On transformation 1, we are delighted to see the increased priority being given to upstream compliance. This is arguably the single most important measure, because it will alleviate a large proportion of pressure on the port.

To deliver this will require significant improvements in government management of trade simplifications. Currently government take a laissez-faire approach, providing detailed guidance but not actively promoting the benefits of becoming authorised to use simplifications such as AEO, CFSP, Transit. As well as customs, Defra should do much more to publicise and improve simplifications related to border documentation such as Environmental Health Certificates.

To deliver this, government will also need to dramatically improve its data handling to ensure businesses only need to submit data once. There should be an online "customs hub" where it is clear to government which authorisations businesses they already possess. We are pleased to see a commitment to data handling in transformation 4.

We are similarly very pleased to see the commitment to a digitised and automated border, which is described in transformation 2. We strongly encourage government to build from the lessons from Covid 19, where government and industry made strong progress in improving and increasing the use of e-documentation.

Transformation 3, the user-centric approach, is also vitally important and builds from the concept of upstream compliance. The term "single window" is often used in international logistics and should be a guiding vision for this work. A specific example of where government action is required is the 4 separate UK hauler IT systems being developed for EU Exit (Smart Freight, S&S EU, S&S NI and GVMS), which are not joined-up and require separate interfaces.

In addition, there are also at least four other systems that international hauliers will need to be aware of and use, which are being implemented in the major Ro Ro trading nations of Republic of Ireland, France, Belgium and the Netherlands. Currently none of these systems are linked; there is no single interface planned; and at the time of writing there are not even discussions underway between technical teams working on the different national systems. This is clearly an area where government intervention is needed: UK government should work with other government partners to seek consistency among the systems and potentially join them into an integrated user interface.

Transformation 5, around staff development and transformation 6 around global engagement are also important areas. Government policy and regulatory structures are adequate in this area; these transformations are more a question of government decisions on resources and priorities.

19) What adjustments may be needed to specific international instruments, conventions or standards to enable the UK to deliver fully on its 2025 Strategy?

Rather than adjustments we would encourage the government to fully implement instruments such as the WTO Trade Facilitation Agreement, which provides an excellent global framework for action in this space, with over 91% of WTO members having signed it. Government should also review its policy and guidance related to regulation to ensure it is not "gold plating" requirements, for example by producing overly long, bureaucratic documents and forms, and by requiring traders to complete Intrastat declarations despite the UK having left the EU Intrastat system. We encourage government to carry out a "red tape review" of all its activities in the trade arena to ensure that unnecessary burdens are removed wherever possible.

The Role of Industry

20) How can the Government best support and incentivise industry to work with the public sector to deliver the 2025 border?

Engagement with the logistics industry is good. As noted earlier in this response however, government could do a lot more on upstream compliance, by taking a more proactive role to encourage businesses to act and improving guidance and support. The industry should also be involved in early testing of prototypes of future systems. These systems should be accessible prior to their launch to give businesses ample time to organise training and anticipate any repercussions on those of their own systems and processes that may interact with government's platforms.

Government should also look at reducing red tape and unnecessary burdens wherever possible; for example VAT-registered traders will still be required to submit Intrastat declarations after EU Exit; this is unnecessary duplication, given that the same data will be provided through customs and safety and security declarations

21) How can the Government help the border industry and users of the border to innovate to develop better border processes, systems and technology (for example by setting standards, creating APIs, or putting in place test-beds and other enablers of innovation)?

Government is already doing this in some areas, e.g., the developer hub and APIs on GVMS that have been made public by HMRC, and the engagement currently on the GVMS web interface. However, engagement in development phases has been more limited on other systems, notably the Smart Freight and Safety and Security declaration systems.

We call on government to commit to early and open industry involvement in the development of all future systems. This is vitally important as we progress to the 2025 "world-leading border". A collaborative approach will help users of the border and third parties to design innovative services and applications around these systems to optimise border flows.

22) Are you able to access the skills and information that you need to trade effectively across the UK border? If not, what are the biggest barriers?

Skills is a key area in the logistics sector. We are campaigning for reforms to the Apprenticeship Levy to drive more take-up of this from industry. This includes reforming the rules on off-the-job training and increasing the number of fundable courses and will drive long-term and large-scale increases in the number of high-skilled trade compliance specialists.

There have been positive moves already in this space; the development of a more structured set of Customs courses has been positive, and the funding provided to support access to training is welcome. We also welcome the Trader Support Service initiative to support businesses in Northern Ireland.

23) Please suggest any ways you believe government and the border industry could build the capability of frontline staff (both public and private sector) who support users of the border.

There could be greater interaction between frontline staff; potentially more use of secondments, or work-shadowing. We have experienced first-hand the positive role that is played by ex-industry professionals moving into government engagement roles, and similarly the mutual benefits that have arisen from our own staff or members taking up secondment opportunities in government. We would be delighted to work with government and other industry parties to develop a more structured framework for government/industry secondments, work shadowing and other steps to increase and improve engagement.

24) How might the role of intermediaries (e.g. customs agents, freight forwarders, customs bureaus) need to evolve in response to future changes in trade, business and the UK's border strategy?

There is highly likely to be significant growth in the intermediary sector to provide support to businesses who are adapting to new trading conditions after EU Exit. How this sector evolves through to 2025 is unclear, although over time we would expect and hope upstream compliance to increase, reducing the pressure on intermediaries to provide detailed support. This point should be reviewed in a future refresh of the strategy. A key point as mentioned above is to reform the Apprenticeship Levy to enable a greater proportion of this funding stream to be used for Customs and other trade compliance courses.

Technology

25) What technological solutions would improve the experience of trading across the UK border, enabling swift and secure clearance for legitimate goods?

This could include interfaces between disconnected IT systems e.g. the eight systems for Ro Ro (see above). The Aviation sector has useful innovations in this space, particularly the ONE Record programme being led by IATA. Government should continue to engage with industry on technological developments.

Data

27) Are there opportunities to change the way data is shared across supply chains and with government to improve the operation of the border? Are there any legal or commercial barriers to this?

While the UK was a member of the EU, border agencies in the government repeatedly reached out to business to try and access international freight data, to improve their risk-based targeting of interventions. The barriers to this were legal and commercial; freight operators were simply unable to provide much of the data requested.

This situation will change completely during 2021, because the government will, from 1 July 2021, have accessed to a vastly increased data set on cross-border freight movements, from customs and safety and security declarations. We do not see a case for any additional information that would be needed to improve border operations. However, a more

joined-up approach between similar data sets that are required for several distinct purposes through several systems would avoid duplication, reduce the administrative burden on businesses and allow them to focus on optimising their operations.

Improving the way data is provided and shared by the industry could help to improve trust between border agencies and border users. Streamlining, simplifying and improving operations at the border has the opportunity to develop more positive relationships between users and agencies.

28) How do you see the technologies for sharing and validating data within supply chains changing between now and 2025? How might this affect the operation of the border?

As noted earlier, the ONE Record project is a good example of industry-led work looking at secure data flows between commercial parties and governments. The UK government should investigate this and other similar concepts and projects to establish what can be built on and implemented here.

Border Checking Facilities and Infrastructure

31) What do you see as the advantages and/or disadvantages of moving border checking facilities away from the physical border crossing point? How could this be improved across the country to support the Government's levelling up agenda?

This point is broadly covered under upstream compliance; however, in general we support moving border checking facilities away from the physical border where possible to relieve pressure at ports. This must of course be done with security in mind and the appropriate authorisations obtained by operators. The location of inland facilities owned and/or operated by government agencies must be carefully selected to minimise detours from the shortest route from the border crossing point to the end destination. In addition, and in aviation in particular, any facilitation measures creating more opportunities for co-loading or 'campus codes' for freedom of movement within a certain area, away from the physical border, could improve efficiency and strengthen trade.

32) How could border checking facilities be designed to reduce delays for legitimate goods and people, whilst still facilitating secure and safe interventions?

This point is outside our expertise.

Other

33) Please provide any other feedback on the development of the 2025 UK Border Strategy not specifically addressed by any of the questions above.

Logistics UK would welcome clarity on how work on Freeports will work with the 2025 UK Border Strategy. It is important that proposals for Freeports are integrated into border systems. Please see our separate consultation response on this issue.