

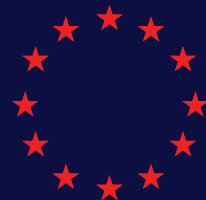
Keeping the UK and the EU trading

Produced by FTA Policy

The UK and the EU are important trading partners and will continue to be so due to the interconnectedness of their supply chains, geographical proximity and the economic value of trade between them; reaching an ambitious trade agreement is essential for industry on both sides of the border. As the future relationship develops, new trading and transport provisions need to be tested with industry and communicated early so it has enough time to adapt.

This document sets out the key priorities that need to be addressed to keep the UK and EU trading as seamlessly as possible:

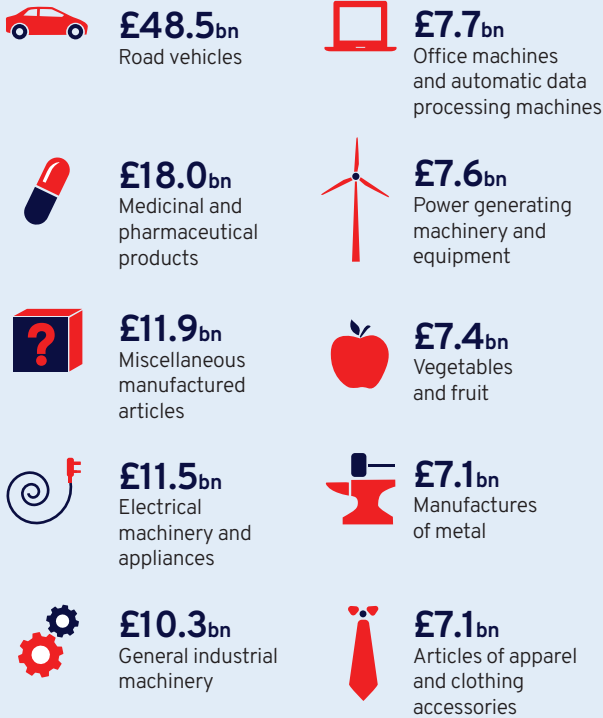
- Engage with logistics from the start.
- Minimise friction, red tape and costs for industry.
- Mitigate the risk of disruption at the border.
- Provide training, and support capacity building.
- Maintain road, air and rail freight connectivity.
- Preserve essential staff mobility.



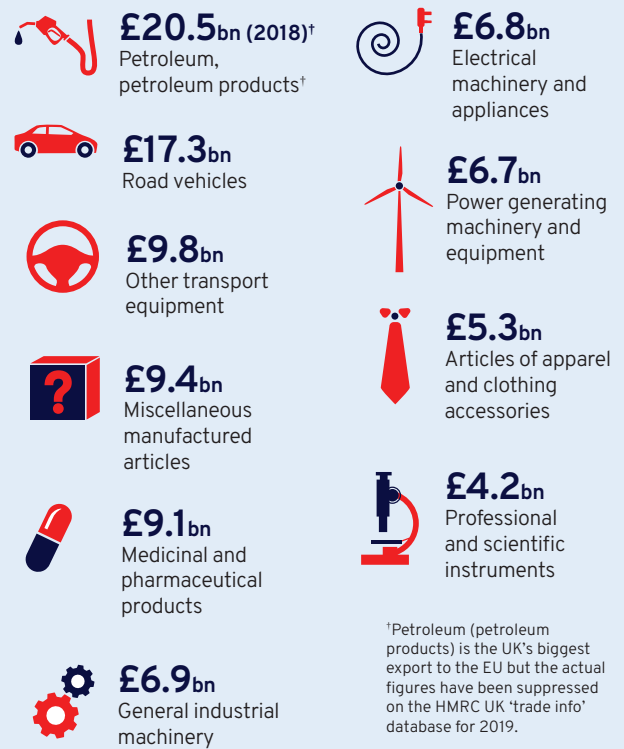


Trade between the EU and the UK

Top 10 EU exports to the UK in 2019



Top 10 UK exports to the EU in 2019



Source: Overseas Trade Statistics, uktradeinfo, HMRC, February 2020

The analysis is based on two-digit Standard International Trade Classification (SITC) code

Engage with logistics from the start

The UK government and the European Commission need to involve logistics every step of the way as they develop their trading relationship – from the definition of their respective negotiating mandates to implementation of new rules. This is the best way of ensuring new trade and transport arrangements will work in practice.

Logistics is an agile industry, which strives to adapt to changing circumstances, new risks and opportunities. However, to achieve this it needs advanced notice of the changes that are to come. On both sides of the border, companies need to have early clarity on operational requirements and new processes so they have enough time to implement them.

Minimise friction, red tape and costs for industry

Trade facilitation measures can help reduce additional requirements and red tape for traders and their logistics providers, even though the UK is outside the EU's Single Market and Customs Union. Our industry needs:

- A safety and security agreement, removing the need for entry and exit summary declarations.
- A mutual recognition agreement for Authorised Economic Operator (AEO) status, to provide AEO-accredited businesses with access to AEO benefits on both sides, including additional facilitations at the UK and EU border.

- A Sanitary and Phytosanitary (SPS) agreement, removing the need for physical checks on agri-food products and other plant products and products of animal origin, or at least dramatically reducing their number, as in the EU-New Zealand SPS agreement.
- Zero tariffs and quotas for UK products in the EU and EU products in the UK.
- Preferential rules of origin (which goods must comply with in order to be eligible for zero tariffs and quota provisions in an EU-UK trade agreement) must be transparent and not overly complex.

They must at least allow for 'bi-lateral cumulation', so that products partly produced in the EU and partly produced in the UK can benefit from zero tariff and quota access to both the EU and UK markets. Whenever possible, 'diagonal cumulation' should be negotiated with key trading partners. This would allow products partly produced in the EU and partly produced in the UK to benefit from preferential access to third countries when these countries have trade agreements in place with the EU and the UK, so allowing diagonal cumulation.

The UK should become a contracting party to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) as this will mean the UK can continue to be part of complex, integrated supply chains across the EU.

UK/EU trade in goods in 2019



Source: UK Trade: December 2019, ONS

UK/EU exporting and importing businesses

EXPORTING



Of these exports...

119,301 businesses exporting to the EU
(77% of exporters, excluding services)

7.4mn employees (72% of exporter employees) **generating**

£171bn worth of goods (or 47% of goods exports)

IMPORTING



Source: UK Trade in Goods by Business Characteristics 2018, HMRC, November 2019

Mitigate the risk of disruption at the borders

Disruption at the busiest UK–EU border points continues to pose a serious risk because of the high volume of goods moved through areas that have limited physical capacity. The need for physical checks should be reduced and they should take place away from the border whenever possible. External clearance facilities should be away from the border, with greater use of, and faster approval process for, authorised consignee and consignor status under the Common Transit Convention (which can allow clearance at business premises).

Guidance and instructions for logistics companies and traders about border processes and formalities should be as clear as possible, to further minimise the risk of disruption. Additional support (such as border readiness checks) should be provided close to industrial and distribution centres using a network of pop-up sites, at least in the first few months after the end of the transition period.

Provide training, and support capacity building



Businesses on both sides of the border will face significant challenges, as many will need to complete customs documentation and other formalities for the first time when the transition period ends. There is a substantial customs agent shortage in the UK and in several European countries that

trade significantly with the UK, including Ireland and, to some extent, France. Member states (supported by the European Commission's Directorate-General for Taxation and Customs Union (DG TAXUD)) and the UK government need to urgently address this shortage of customs agents. Sufficient co-funded training should be provided for those new to completing customs and other declarations, as well as for experienced businesses and for intermediaries who will be handling a significant increase in declarations and other new administrative requirements. Current UK funding provision is a useful start but is not enough to meet this need.

Maintain transport connectivity by road, air and rail

Road goods vehicles^s travelling from Great Britain to the island of Ireland in 2019



Of which...



^sSource: Road goods vehicles travelling to Europe: 2019, Department for Transport, February 2019

For **road** transport, the UK and the EU must negotiate an agreement allowing for the free passage of commercial vehicles on similar terms as at present. This includes cabotage rights



On the busiest days, up to 16,000 trucks a day go through the Dover Strait
(Port of Dover and Eurotunnel).

Country	Allocation of ECMT base permits	This number applies if all permits are allocated to Euro VI trucks
UK	174	2,088
Ireland	166	1,992
France	173	2,076
Germany	229	2,748
Netherlands	150	1,800
Belgium	118	1,416
Poland	322	3,864
Romania	189	2,268
Spain	113	1,356

Many countries, such as Poland, pre-divide their quota according to country of destination, to maintain trade with countries east of the EU, so the actual number of permits available is much lower.

that can support transport decarbonisation by reducing empty running. Access to the UK and EU road transport markets should not depend on a limited number of restrictive permits which will be largely insufficient to cover the needs of both UK and EU road freight operators (see table above). Particular thought needs to be given to movements on the island of Ireland, as the Protocol in the withdrawal agreement does not address road freight connectivity. Clear and enforceable rules, providing for

non-discrimination of all operators, should be in place. Transport Manager and Driver Certificates of Professional Competence, as well as driver licences, should be mutually recognised without the need to retake tests or exchange qualifications.

Rail connectivity needs to be protected to allow freight continued use of the Channel Tunnel for UK-EU trade. Mutual recognition of EU and UK train driving licences and of safety and other technical authorisations for international operations is also crucial, especially between London and Coquelles.

Preserving **air** freight connectivity should be a priority for negotiators on both sides. This needs to include:

- Guaranteeing continued connectivity between the EU and the UK.
- Access to the fifth freedom; allowing UK/EU operators to operate flights from the UK/EU to partner third countries – and vice versa.
- Preserving cabotage rights, and securing long-term mutual recognition arrangements for safety and security authorisations.

Code sharing and other cooperation arrangements should continue to be allowed.

Preserve essential staff mobility

Companies on both sides of the border should retain the flexibility to allow their employees to move between business units that are established in the EU and the UK for short periods of time. It is also essential that freight operators' staff, including drivers, crossing UK and EU borders do not face lengthy immigration checks which would have a detrimental impact on the flow of goods.

About FTA

FTA is the voice of the sector with over 18,000 members, supporting, shaping and standing up for efficient logistics. We are one of the biggest business organisations and the only organisation in the UK that represents all of logistics, with members from the road, rail, sea and air industries, as well as the buyers of freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods.

FTA campaigns on behalf of our 18,000 members who operate in road, rail, sea and air industries including buyers of freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods.

For further information, please contact **Elizabeth de Jong**, Director of Policy, edejong@fta.co.uk



50% FTA members operate more than 200,000 lorries – almost half the UK fleet



70% FTA members consign 70% of UK visible exports by sea



90% FTA members deliver over 90% of freight moved by rail



70% FTA members consign 70% of UK visible exports by air

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