

Brexit preparedness guide for logistics



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Brexit Information Service

From day one FTA has acted as the voice of logistics on Brexit, whether talking to the UK Government, EU negotiators, or offering robust and well-informed advice to its members.

This puts us in a unique position of being able to help you:

- understand the implications of political decisions related to Brexit for your operations
- prepare for a range of scenarios
- develop adapted contingency plans and solutions tailored to your needs

Whether you trade with the EU, operate in the EU or rely on companies based there, our **Brexit Information Service** should be a solution of choice to keep you updated with all Brexit-related developments in the logistics industry and to make your operations as Brexit-proof as possible.



Our range of solutions are tailored to the specific needs of anyone in the logistics industry, from transport operators to 3PLs, retailers to manufacturers.

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To learn more or to enquire about FTA's Brexit Information Service get in touch with Member Services at [fta.co.uk/Brexit-service](mailto:memberservices@fta.co.uk), email us memberservices@fta.co.uk or give us a call **0371 711 2222***

*Calls may be recorded for training purposes

Brexit: what do we know



With only four months to go before Brexit and persistent uncertainty, knowing how to prepare can be a daunting task. While there are indeed different potential scenarios, there are already some relatively reliable elements you can focus on to prepare for Brexit whether or not a deal gets ratified. Below you will find a list of 10 elements you can use to plan for Brexit.

- 1 The UK intends to leave the European Union (EU) on 29 March 2019, 11pm CET.** Any extension of the negotiating period will require the unanimous approval of the UK Government and EU-27. At this stage, the Government's position is that the UK should leave as planned, with or without an agreement.
- 2 The transition period is not a guarantee:** it will only become a reality if the withdrawal agreement is finalised and ratified by the EU and the UK, which the EU will only do if there is an agreement on the Irish border in the form of a legally binding and enforceable treaty. At the time of writing, the two sides have reached an agreement on a draft withdrawal agreement, which needs to be finalised and ratified – including by the UK Parliament.
- 3 There is no guarantee that the status-quo like transition could be extended beyond the end of 2020.** There is no guarantee that a free trade agreement or more specific agreements on transport would be in place at that time. The draft withdrawal agreement would only provide a long-term solution for Northern Ireland and long-term customs simplifications, but no solution for regulatory matters or transport.
- 4 The Government's official position is that the UK will leave the Single Market and Customs Union.** What would change is the timing of this departure. This could happen in December 2020 (if the withdrawal agreement is ratified) or a few months later (if both sides decide to extend the transition), or in March 2019 (in the absence of a ratified withdrawal agreement). At this point, the UK will become a third country, with some possible customs facilitations based on the concept of 'combined customs territory' of the draft withdrawal agreement, meaning all the transport, trade facilitation and free trade agreements the UK currently benefits from will have to be re-negotiated and/or replaced by new agreements.
- 5 In a no-deal situation, tariffs would apply** (based on Most Favoured Nation levels). The EU schedule of tariffs would not change. The UK submitted its draft schedule of tariffs to the World Trade Organization (WTO) on 24 July 2018, and at the time of writing approval is pending. The UK's intention is to replicate the concessions and commitments currently applicable to the UK as an EU member. Should the withdrawal agreement be ratified, the UK and EU external tariffs would remain identical.
- 6 The UK's Facilitated Customs Arrangement model has been rejected by the EU-27, meaning that being out of the Customs Union will result in new obligations for industry,** including the obligation to submit customs declarations, as well as entry summary and exit summary declarations (an obligation stemming from the events of 09/11). FTA is confirming with Government whether any of these formalities would be required should the UK be in a 'Combined customs territory' with the EU after the end of the transition period, as foreseen in the draft withdrawal agreement.
- 7 Leaving the Single Market will impact market access, trade procedures & documents required, the ability for UK economic actors to fulfil certain roles towards EU regulators on behalf of their EU supply chain and what happens at the borders in terms of documentary and physical controls.**
- 8 Border delays and disruptions are likely in a no deal situation.** All roll-on roll-off routes are likely to be impacted, not only in the short to medium term, and industry should plan accordingly. Delays and disruptions could vary from one day to the other, making it difficult to provide an accurate estimate.
- 9 International haulage, aviation and rail freight are dependent on agreements being concluded and could face serious restrictions.** The UK Government is seeking to negotiate such agreements with the EU and/or member states, but there is no guarantee that they will be in place at the point of Brexit. **The only readily available solution for international haulage, in the absence of a transition period, are European Conference of Ministers of Transport (ECMT) permits. Applications for 2019 will be open from 26 November to 21 December 2018. Drivers with a UK licence will also need to obtain an International Driving Permit (IDP).** Maritime transport and unaccompanied roll-on roll-off should not be affected by these restrictions in the event of no deal, but all UK trailers used on the continent will need to be registered with the Driver and Vehicle Licensing Agency (DVLA).
- 10 The UK Government has pledged to protect the rights of EU workers currently residing in the UK, but post-Brexit immigration rules are likely to be more restrictive.** Agency workers who are not residents in the UK would be impacted much in the same way as newcomers, in the absence of a preferential scheme for logistics. **European IDs might no longer be accepted at the border and passports with a minimum of six months validity might be required.**

Possible scenarios and what to plan for

Various scenarios will remain possible until a deal is reached and ratified (possibly beyond 2018). While this might discourage some from taking steps towards preparedness or deciding to make certain investments, such as recruiting customs experts, it is worth bearing in mind that not all scenarios are equally probable and that the most likely ones at this point share certain features. With only four months left and likely prolonged uncertainty, leaving it to the last minute also presents significant risks.

Scenario	Date	Borders & Transport	Trade procedures	Likelihood
'No-deal' Brexit	23:00 29 March 2019	<ul style="list-style-type: none"> • Full customs and border controls • Serious restrictions to aviation, road haulage and rail freight (in the absence of contingency agreements) • High-friction trade 	<ul style="list-style-type: none"> • No facilitations; no recognition of Authorised Economic Operator (AEO) status; tariffs • No access to existing EU Free Trade Agreements (FTAs) and other agreements with third countries • Customs declarations and summary declarations • Additional paperwork for products (health certificates, import/export licences, etc) • Additional paperwork for vehicles and drivers (ECMT permits, International Driving Permits, etc) 	<ul style="list-style-type: none"> • High if the withdrawal agreement is not ratified by both sides
'Hard' Brexit – Canada-style agreement	31 December 2020 unless the transition period is extended (status quo transition until then)	<ul style="list-style-type: none"> • Full Customs controls • Reduced frequency of regulatory-related border controls possible • Possible restrictions to movement of planes and vehicles (eg cabotage); permits likely for road haulage • High-friction trade 	<ul style="list-style-type: none"> • No tariffs and some trade facilitations if FTA negotiated on time • No access to existing EU FTAs and other agreements with third countries after end of 2020 • Mutual recognition of AEO status • Customs declarations and summary declarations • Additional paperwork for products (health certificates, import/export licences, etc) • Additional paperwork for vehicles and drivers (bilateral and International Driving Permits might be required) 	<ul style="list-style-type: none"> • Low in the short term: would require the UK to ratify the withdrawal agreement but later accept a customs border between Northern Ireland and Great Britain.
'Soft' Brexit – Norway + Customs Union/ combined customs territory or Chequers agreement	2023–2028 (?)	<ul style="list-style-type: none"> • Reduced or no border checks (not possible with only a combined customs territory) • No restrictions to movement of planes, vehicles and trains (with the possible exception of cabotage under Chequers) • Near-frictionless trade (Norway +) or facilitated trade with some frictions due to red tape (Chequers) 	<ul style="list-style-type: none"> • In principle, no declarations if the UK and EU formed a combined customs territory, although other documents might be requested (ie movement certificates) • Maximum simplifications/ easements (eg mutual recognition) • Red tape for some traders under FCA; reduced red tape under a combined customs territory model, little or no additional red tape under Norway + 	<ul style="list-style-type: none"> • Low without significant political movement in the UK (does not respect UK Government red lines and/or EU red lines)

Given political sensitivities in the UK Parliament in particular, our advice will mainly concentrate on the 'no-deal' and 'high-friction' scenarios, which seem the most probable at the time of writing. We advise members with more limited planning capabilities to do the same.

How can you start planning for Brexit?



There are some simple steps you should be taking as a matter of urgency if you have not started planning:

1 The first step is to assess the impact of Brexit on your business

You should have completed this phase already: if this is not the case, we urge you to do so as soon as possible, in conjunction with your suppliers and service providers or, if you are a sub-contractor, with your clients.

2 The second step is to develop your contingency plans and start training your staff

This second phase should be well advanced, or ideally completed, at this stage, and you should have a reasonable understanding of your options as a business, including timelines and deadlines for putting in place specific actions. You should ensure your clients, suppliers, service providers and sub-contractors have reached this stage too and are well aware of your plans. Training/recruitment should have been budgeted for at the very least. Many options will no longer be available at this advanced stage if you have not considered them previously – at least in the event of a ‘no deal’.

3 The final step is to execute your contingency plans and implement any agreed actions

There is no right or wrong timing for this last step: timing largely depends on the deadlines for performing specific actions. If you are considering rerouting options, you should talk to your providers and partners as soon as possible (or have already done so, ideally). You will need to prioritise actions on the basis of the consequences if not implemented under a no-deal scenario and based on the time you have left and your resources (eg if you are a haulier and depend on the international market, you should make sure not to miss the short time window during which ECMT permits can be purchased from 26 November to 21 December. Bear in mind that potential disruptions/restrictions after no-deal could last for some time, and that steps required now under a ‘no-deal’ scenario will anyway come in handy in less than two years under a ‘hard-Brexit’ scenario. Avoid last-minute changes and actions, likely to be particularly costly or no longer feasible.

Five steps to assess the implications of Brexit on your supply chain and logistics operations

If you are unsure where to start, here are **5** simple steps you could follow to assess the implications of Brexit on your supply chain and logistics operations. For best results, we advise you involve your service providers, suppliers and, if possible, your clients and business partners in this exercise, if only to test your assumptions and analysis and ensure you have not missed any risks and opportunities.

1 Review your level of exposure (direct and indirect)

2 Work on the basis of worst-case scenario (no deal)

3 Work with suppliers, clients and service providers

4 Review logistics, sourcing, regulatory, customs, tax and HR implications

5 Consider any opportunities

What shippers and logistics buyers need to plan for

If you are a shipper (retailer, manufacturer or wholesaler) or logistics buyer on behalf of a client, FTA recommends you consider the following.

- How resilient is your supply chain to potential and unpredictable border delays?
- How can you and your logistics partners/suppliers best manage disruptions?
- Have you assessed transport options with your service providers?
- Have you considered possible access point restrictions for certain types of products (eg agrifood)?
- Have you brought your processes and data keeping in line with international trade standards?
- Will you have the correct certificates/documents for your products?
- Have you planned for additional costs/cash flow difficulties or the need to take up customs guarantees?

You can have a look at the section on managing border delays for some suggestions, and use FTA's checklists for shippers and logistics buyers to ensure you do not forget anything.

FTA recommends that you might want to reconsider both the routes used and transport solutions in light of new regulatory obligations and access point restrictions (eg

products subject to sanitary checks, such as dairy products, meat, fish or honey will need to enter the EU territory through a Border Inspection Post, which neither Eurotunnel nor the Port of Calais possess at the moment), possible restrictions for certain modes of transport (affecting both EU and UK providers), the estimated resilience and capacity available on specific routes and your production and delivery requirements.

Trade Barometer



There is no doubt the ongoing uncertainty about the outcome of the Brexit negotiations makes life more complicated for both British companies already trading internationally and those with aspirations to begin exporting. But while the latest edition of the Santander Trade Barometer confirms such businesses are anxious about Brexit, it also suggests many are planning ahead to mitigate risk.

Currency volatility, for example, is a significant concern for businesses trading internationally; the Trade Barometer suggests this is an issue for businesses in every sector of the economy. But while fluctuations in the value of sterling can damage exporters' profit margins – and the ups and downs of the Brexit negotiations have the potential to exacerbate volatility – there are financial products and services that can provide valuable protection, lessening the impact on margins even for businesses locked into longer-term contracts with their customers.

Similarly, the Trade Barometer reveals exporters' concerns about the potential for delays at UK borders if the UK and the EU are unable to agree a deal before Brexit takes place on 29 March 2019. In particular, customs delays at key cross-channel transit points have the potential to cause real headaches for businesses operating with 'just-in-time' supply chains.

One remedy could be to hold more stock to be sure of meeting contractual commitments to customers; in which case, businesses will need to think carefully about whether their current levels of working capital are sufficient to manage the increased pressure on their cash flows, particularly given that the UK's limited warehousing capacity may increase their costs. If not, the Brexit planning process should include an action plan for improving liquidity.

Equally, Brexit will create opportunities as well as challenges. The Trade Barometer suggests international companies – and those planning to internationalise – tend to be more optimistic about growth than their domestic counterparts. Many will want to look at how to seize the initiative: the UK's freight and logistics sector, in particular, has a real opportunity to lead its customers through the headwinds of Brexit as they continue trading internationally, both in the EU and with the rest of the world.

As Brexit draws ever closer, there are bound to be bumps in the road. And the final outcome next March will not necessarily be complete continuity or a no-deal 'cliff-edge' Brexit; there is plenty of scope for all sorts of variations in between these two extremes. The evidence of the Trade Barometer is that smart businesses are planning accordingly – focusing on the potential risks of Brexit and plotting a path through the uncertainty.

For more information about the Santander Trade Barometer please visit www.santandercb.co.uk

Last but not least, if you already trade with countries outside of the EU, we recommend you use these data and processing standards as reference for your EU trade and movements.

If you only trade within the EU at present, we can help and offer recommendations on steps you could take to improve your understanding of international trade requirements.

What transport and logistics companies need to plan for

If you are a transport and logistics company, FTA recommends you consider the following

- ↓ Are you an FTA European road transport information subscriber?
- ↓ Which transport solutions do you offer, and do you rely on cross-trade and/or cabotage?
- ↓ Are you familiar with the process for market access post Brexit and related deadlines (eg for ECMT permits for international road transport)?
- ↓ Do you have a plan to manage potential delays/disruptions?
- ↓ Do you know you could have new responsibilities post-Brexit (eg customs)?
- ↓ Do you have all the data/documents needed to fulfil your obligations? If not, who has the information?
- ↓ Ensure all your EU drivers have full passports with six months, validity
- ↓ Ensure all your drivers with UK licences have an International Driving Permit (1949 and/or 1968)
- ↓ Do you have green cards from your insurance providers?
- ↓ Consider emergency backup solutions or alternatives in case of market access restrictions

You can have a look at the section on managing border delays for some suggestions and use FTA's checklists for logistics providers to ensure you do not forget anything.

If international road haulage is part of your activities, we strongly encourage you to become an FTA European road transport information subscriber. This will allow you to remain up to date with all new requirements and to have access to services such as Transport International Routier (TIR) carnets, which could prove useful in the absence of alternative transit solutions for customs.

We also encourage you to consider obtaining an ECMT permit, if access to the European road haulage market is essential for your business (international operations only). These permits might also be needed for own-account services in some countries including if you are transiting through France. ECMT permits will be on sale from Driver and Vehicle Standards Agency (DVSA) until 21 December. Permits will cost £123 each plus £10 application fee, and will not be refundable or exchangeable. Last but not least, you should ensure your drivers with a UK driving licence obtain the correct type of International Driving Permit, depending

on the countries they cross (1949 one for Spain and Ireland, 1968 one for most other EU countries). 1949 IDPs can already be purchased now, while 1968 ones, valid in most countries (except Ireland and Spain) will be available as of 1 February 2019, from 2,500 Post Office branches.

As aviation, international haulage and rail freight could experience serious restrictions in the event of no deal, you might want to consider potential alternatives depending on the nature of your business, such as unaccompanied solutions. You need to make sure the ports and ferry operators you intend to work with can handle this type of traffic and your volumes, and find a company able to handle the continental or Irish section of your delivery. If you intend to do this yourself, we advise you register as a haulage company in the EU-27 to retain a community licence post-Brexit under any scenario. The same advice is valid for the UK part of the transport journey: you should make sure that you have a valid UK operating licence to do this. If you are active in the field of unaccompanied transport, you will need to register all trailers used on the continent before Brexit with DVLA.

Customs implications and actions

The UK Government has indicated its willingness to leave the Customs Union after Brexit (find detailed implications in the Brexit scenarios section). You need to ask yourself the following questions, or pass them on to the relevant department or your logistics provider:

- Are you able to submit customs declarations and fulfil other customs procedures in-house? If not, have you approached a customs agent or is your logistics provider able to help you? Can you recruit new staff or train existing staff?
- Do you know how to classify your products?
- Are you familiar with rules of origin? If not, you can use the following webpage: <https://bit.ly/2MoH4IE>. Where do you source your products and can you provide proof of origin? Do you know where your suppliers source their materials/ingredients?
- Are you or your staff familiar with the Union Customs Code (ie customs procedures for international trade to and from the EU)?
- Have you considered becoming AEO accredited and/or using an AEO accredited logistics company/freight forwarder? While it might be too late to contemplate this in time for March 2019, it could be useful under a 'hard-Brexit' scenario.
- Do you currently benefit from any customs special procedures? Are you familiar with them and the benefits they could offer to your business (eg temporary storage, inward/outward processing, AEO, Customs Freight Simplified Procedures (CFSP))? Will you be able to raise guarantees to benefit from these easements if needed? Are you familiar with Attestation Temporaire/Temporary Attestation (ATA) and TIR Carnets?

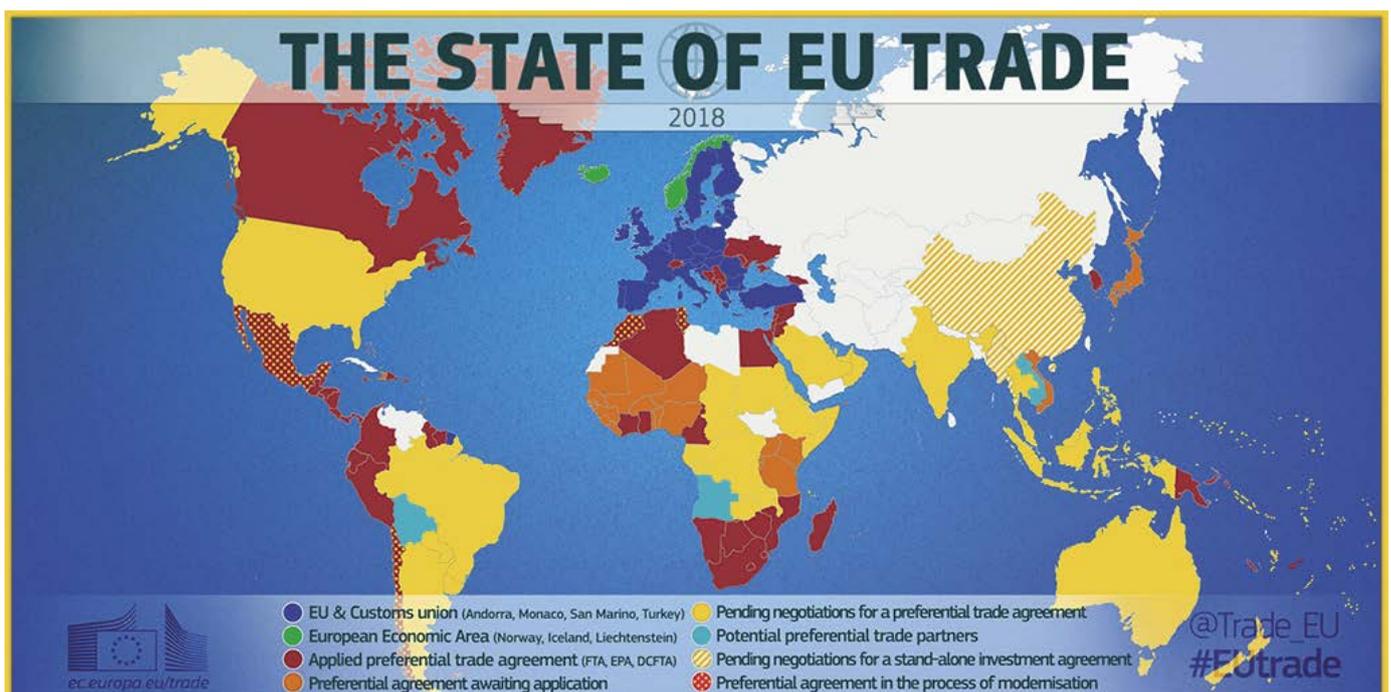
Regulatory, tax and cashflow implications

Regulation

- Are you familiar with rules applying to third-country entities in your sector?
- Would new documents be needed (health certificates, certificates of compliance, import and export licences, etc)?
- Would there be restrictions in place?

Tax and cashflow

- Assess the cashflow and financial impact of Most Favoured Nation (MFN) tariffs, new VAT rules, rules of origin etc
- Factor in any costs related to regulatory compliance (inspections, certificates)
- Consider applying for a deferment account



Impact of Brexit on 'rest of the world' trade

After Brexit, the UK will need to replicate EU trade agreements with third countries or sign new ones. The UK will also need to replicate the Generalized System of Preferences (GSP), GSP + and Everything But Arms (EBA) schemes, which allow UK companies to import goods from developing countries at a very low or no tariff.

Managing border delays and disruptions

Border delays and disruptions could become quite frequent and unpredictable under a 'no-deal' and a 'hard-Brexit' scenario. We recommend you take the following steps to manage these and mitigate the impact on your supply chain or those of your clients.

- ↓ Do you need to increase your inventory or buy additional storage space?
- ↓ Put cashflow contingencies in place for additional inventory costs
- ↓ Review your storage options and consider investing in warehousing
- ↓ Understand customs facilitations and easements under the Union Customs Code
- ↓ Understand time constraints (for your supply chains and clients) and stay tuned

FTA has produced a series of guides which can help you go through these steps. Please contact pbastidon@fta.co.uk or jlucy@fta.co.uk for more information.

Managing your EU workers

Post-Brexit immigration rules could be more restrictive than existing ones, especially for categories of workers considered 'low-skilled' by Government (eg warehouse operatives and drivers). While the Government has pledged to protect the rights of EU citizens residing in the UK, non-residents (ie individuals spending less than six months in the UK every year) will not be covered. You should register to get regular updates from the UK Government and seek legal advice when necessary.

Review and assess

- Review your percentage of UK workforce from EU-27
- Do you employ any agency workers? Are they residents in the UK?
- Do you employ any non-UK residents?

Understand and communicate

- Follow official UK Government guidance
- Register for updates from the UK Government:
<https://bit.ly/2oYnvhz>

Take action

- Review your training and recruitment needs (eg customs)
- Consider options to retain existing workforce and attract new talent
- Make use of apprenticeships



Important information for all UK hauliers

UK hauliers operating in EU countries may require new paperwork following EU Exit.

The Government's ambition in negotiations with the EU is to reach an agreement which maintains the existing liberal access for commercial hauliers. This would benefit both sides and allow UK hauliers to continue to operate as they do today.

However, as a responsible Government we are preparing for all potential outcomes in these negotiations. This includes the unlikely scenario in which no mutually satisfactory agreement can be reached.

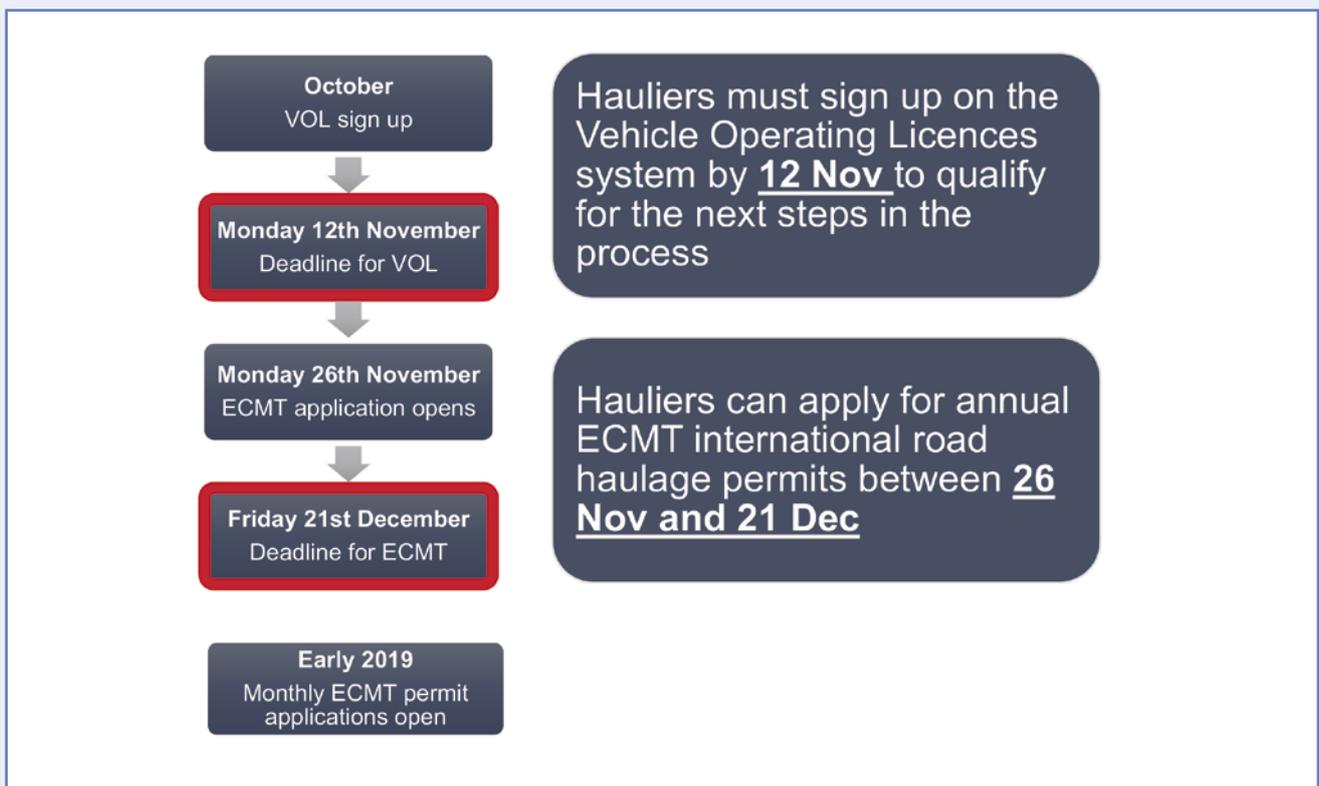
One possible scenario is that UK hauliers are no longer able to rely on automatic recognition by the EU of UK-

issued Community Licences. Even if this happens, the Government is confident we will be able to put in place agreements with the EU as a whole or with individual member states to ensure continued market access.

But one option that we know many hauliers will be interested in making use of is the ECMT (European Conference of Ministers of Transport) international haulage permit system. We are putting in place a new automated system for the application and issue of those permits, which will open for applications in late November

So we want to share the below information so hauliers will be ready for the ECMT application system, and are also aware of new requirements for the registration of commercial trailers with a gross weight over 750kg:

Over the coming months haulage operators can take the following steps to ensure minimal disruptions following EU exit



- UK hauliers may no longer be able to rely on automatic recognition by the EU of UK-issued Community Licences after we leave the EU

- To ensure continued normal operations in the EU, UK hauliers can apply for an ECMT international haulage permit.

- Applications for an annual ECMT permit for 2019 will need to be made in a time-limited window between **Monday 26 November** and **Friday 21 December**.

Please note that permits will not be allocated on a first-come, first-served basis. Operators have the whole window to put in an application.

- ECMT international haulage permits are issued to an operator licence holder. That operator can use the permits for different vehicles at different times but the permit must be carried in a vehicle whilst it is making an international journey. The permit can be used for journeys between ECMT member countries, including transit journeys, whether laden or empty.

- ECMT international haulage permits will be available to enable journeys to the EU, but they are limited in number and allocated according to certain criteria such as intensity of use

- Hauliers will find out if they have received an annual permit early in 2019.

- There will also be some monthly ECMT permits available in 2019. Applications for these will also be open at a later date and we will provide more guidance for hauliers ahead of this.

- Further information about the process for issuing ECMT permits can be found here: (www.gov.uk/euexitdriving).

- In all Brexit scenarios, there are also new requirements for the separate registration of commercial trailers with a gross weight over 750kg used for international haulage to, or through, foreign countries who have ratified the 1968 Vienna Convention from next March. Trailers should be registered from January on the new DVLA Trailer Registration system – further information will follow

The dates for ECMT permit applications have been selected to ensure that hauliers have certainty and adequate time to make preparations ahead of EU exit in March. ECMT permits run for a calendar year – January to December, which is why applications need to open in November.

Hauliers may also need to take other steps to ensure they can operate in the EU after exit, such as applying for an International Driving Permit (IDP). The Government will continue to provide information about the further steps required.

The requirement for separate registration of commercial trailers with a gross weight over 750kg used for international business in, or through, foreign countries who have ratified the 1968 Vienna Convention will ensure UK operators driving on the continent can comply with the requirements of those EU countries which require the registration of certain trailers travelling on their roads.

Over the coming months haulage operators can take the following steps to ensure minimal disruptions following EU exit.



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