

Keep Britain trading

10 ways to make customs borders work after Brexit



This paper summarises FTA proposals to make UK-EU trade after Brexit as frictionless as possible.

Background

Implications of leaving the Customs Union

The Prime Minister signalled in January 2017 that the UK intends to withdraw from the EU Single Market and Customs Union on departure from 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 trade barriers including tariffs (customs duties) and non-tariff barriers such as the need to make customs declarations; the need to demonstrate compliance with EU trade rules; and to provide details of how goods are being transported to border authorities.

FTA members have serious concerns that these non-tariff barriers will give rise to delays on busy ro-ro trade routes, particularly Dover-Calais, where delays of even a few more minutes per HGV would create major delays and threaten supply chains. It is vital to introduce efficient, fast, border controls that facilitate both import and export.

Long-term solution

Free trade deal with the European Union

The best way to reduce or eliminate tariffs and ease non-tariff barriers to trade in the long term is for the UK to enter into a comprehensive Free Trade Agreement with the European Union, with substantial trade facilitation measures. The UK Government is already committed to this in principle. The challenge is that such an agreement may take several years to finalise, and will certainly not be agreed by the end of the Article 50 process. This raises the concern that the UK would leave the EU with no trade agreement or replacement customs agreement in place – the so-called 'cliff edge' that business wishes to avoid.

Bridging the gap

Transition agreement

FTA members strongly support a transition arrangement to bridge the gap between leaving the EU and entering into a Free Trade Agreement. However, business must only change systems once. FTA members are strongly opposed to changing systems during a transition period, then again for a final trade agreement. In addition, businesses need a minimum of two years to implement changes of the scale required due to Brexit.

Therefore, FTA calls for the continuation of the existing trade and customs relationship with the EU for a minimum period on a transitional basis. This should be set out in two parts (see below).

- A negotiation period, to allow the UK and EU to agree long-term arrangements
- A minimum two-year implementation period, to give business time to adapt, bearing in mind that authorities on both sides of the border will need time to adapt as well.

Transition period FTA proposal



Status quo trading relations retained throughout five-year transition period.



10 ways to make customs borders work after Brexit

FTA members with expertise in international trade facilitation and customs propose the following set of practical, deliverable proposals to reduce friction at the busiest UK-EU borders. These measures should be developed and incorporated into any future UK-EU trade agreement and if a transition period is not agreed, then some could be negotiated relatively quickly, in advance of a full trade agreement.

Please see the Annex for graphics illustrating how these facilitations could help move trade through the border (examples shown are a general export process and goods in transit).

1 No customs paperwork presented at the border

An essential condition as the UK prepares for Brexit is to ensure that all customs and security documentation is paperless. In practice, this means ensuring the new HMRC Customs Declaration System (CDS) can process the estimated 250 million additional declarations required, and that traders are able to access it (EORI number – see below) and use it (training – see below) from day one.

FTA applauds the efforts being made by HMRC to ensure CDS will be fully functional, and to understand and engage with businesses. FTA offers its full support to work with its members to help them prepare for Brexit.

2 Documentation: one-stop-shop service

In addition to customs, traders will need other types of certificates to be able to export to the EU, for example Certificates of Origin if they are claiming preferential tariff rates under a future free trade agreement, and proof of compliance with product standards. Transport operators may simply refuse to take products from traders which do not have all the required documentation.

Looking forward, the Government and trade community should develop a 'one-stop-shop' trade service for companies, and set up an approved exporter system recognised by the EU, to enable authorised companies to avoid producing documents for each consignment.

3 Ensure traders have EORI numbers

Currently any trader doing business outside the EU must have a specific ID known as EORI (Economic Operator Registration Identification). It is vital that traders have these numbers as they are needed by the trading partner (buyer/seller) on the EU side for their paperwork.

It currently takes between one and three days for HMRC to process EORI applications. With over 100,000 additional UK traders requiring EORI numbers after Brexit, HMRC should urgently introduce a faster authorisation process. FTA members support a simplification whereby either an EORI or company VAT number could be used, which would reduce the number of applications.

4 Waiver for safety and security declarations

The UK should seek a waiver from the requirement to submit entry and exit summary declarations for goods being moved between the UK and the EU. This would remove a time-sensitive administrative requirement (for example, for ro-ro shipments, these declarations must be submitted at least one hour before departure). This proposal is made in the Government policy paper *Future customs arrangements* and is strongly supported by FTA.



5 Negotiated solution for ro-ro ports

In the *Future customs arrangements* paper the UK Government proposes the “bilateral implementation of a technology-based solution for roll-on, roll-off ports which could consist of pre-arrival notification of consignments on a port IT system, linked to customs declarations and vehicle registration numbers so that vehicles were not required to stop at the border, enabling traffic to flow smoothly.”

This proposal, while ambitious, could be the best approach to achieving low-friction trade through ro-ro ports. FTA offers support to engage through our members across the supply chain to explore this proposal in more detail.

6 Mutual Recognition Agreement for AEO Security

Many countries have introduced compliance schemes to allow authorised traders to benefit from border facilitations on the Authorised Economic Operator (AEO) framework, established by the World Customs Organization. The AEO concept enables companies that can demonstrate regulatory compliance and good governance to gain priority treatment when inspected, and to have advance notification of inspection. This can speed up the border process in countries that have high inspections rates.

Currently over 500 UK businesses are already approved under the AEO Security scheme established in the Union Customs Code. If the UK were to adopt an AEO scheme equivalent to the existing EU scheme then it should be straightforward to negotiate a Mutual Recognition Agreement (MRA) with the EU to enable AEO Security traders on both sides of the border to benefit from border facilitations. This could be a significant benefit for UK exporters to the EU after Brexit, because several EU countries have high inspection rates for consignments. This proposal is made in the Government policy paper *Future customs arrangements* and is strongly supported by FTA.

The UK should also create MRAs with other countries who have adopted similar schemes, notably the US and China, both of whom already have an MRA with the EU.

7 Transit: join the Common Transit Convention, with TIR as a back-up plan

Transit of goods to and from the EU must be frictionless – ie 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 (CTC). 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. This proposal is made in the Government policy paper *future customs arrangements* and is strongly supported by FTA.

As a back-up measure, greater use could be made of the TIR Carnet scheme. However, this involves additional paperwork (TIR is still largely paper-based), cost and only applies for goods moved at least partly by road transport. It is also untested at these volumes of trade. That said it does have the benefit of facilitating both import and export trade and is available without additional political negotiation as the UK is already a member of the TIR Convention in its own right. The UK may see a dramatic rise in TIR Carnet approval applications should there be no progress on joining the CTC.

8 Juxtaposed controls with France?

The possibility of extending the agreement on juxtaposed controls to customs has been mentioned by several stakeholders in the UK, and such a solution could potentially remove the need for customs' checks at arrival. It could, however, increase the length of checks at departure, and there would be significant legal and political challenges to resolve.

A more pressing issue, however, is a lack of infrastructure. Space constraints at Dover are well known, but Channel ports on the French coast face similar challenges. For instance, the Port of Calais is already going through a major expansion, which was planned pre Brexit: any further expansion would

require the purchase of additional land. There is urgent need for a dialogue with authorities at national and regional level on both sides of the Channel, to assess what adaptations would be required and how these could be made to facilitate trade post-Brexit.

9 Retain Low Value Consignment Relief

Low Value Consignment Relief, the threshold at which goods can enter the UK without taxes and duties, currently set at £15 for VAT and £135 for duties, should be maintained for all types of low value consignments for a period of at least five years following Brexit. This simplified customs process will avoid adding hundreds of millions of additional declarations into the CDS, with knock-on effects on the wider economy. It is also in line with the OECD/G20's recommendation that it should not cost more to collect revenue than the taxes and duties themselves.

10 Border agencies must be fully resourced and better coordinated

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, with a particular focus on SMEs unused to trade compliance issues. Currently business engagement is spread across separate committees organised by HMRC, Border Force, Department for Business, Energy and Industrial Strategy (BEIS) and Department for International Trade (DIT).

Contacts for further information:

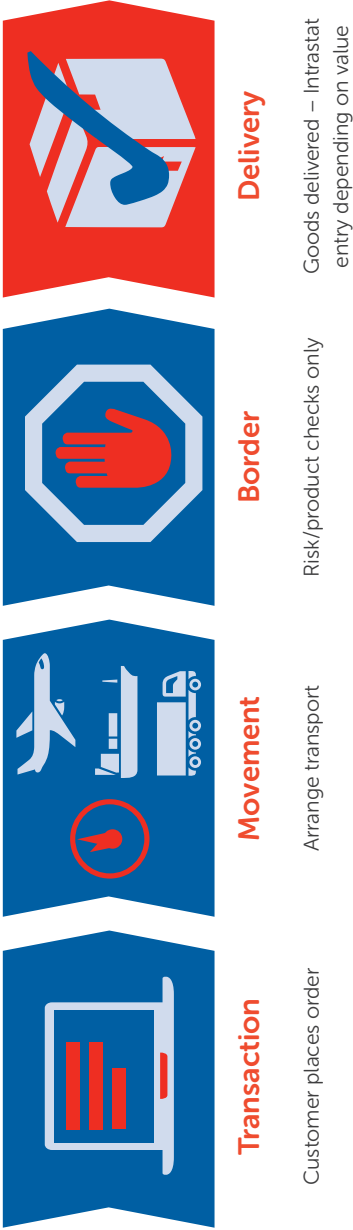
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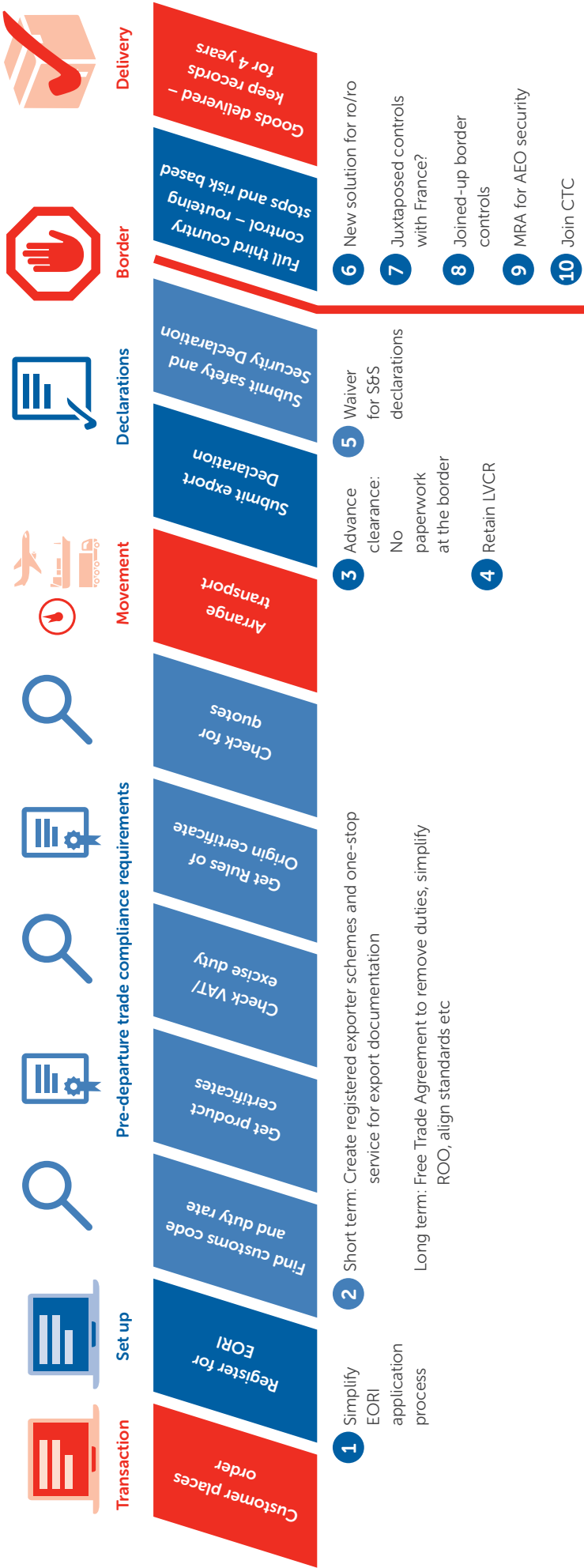
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Exports to EU
Current process



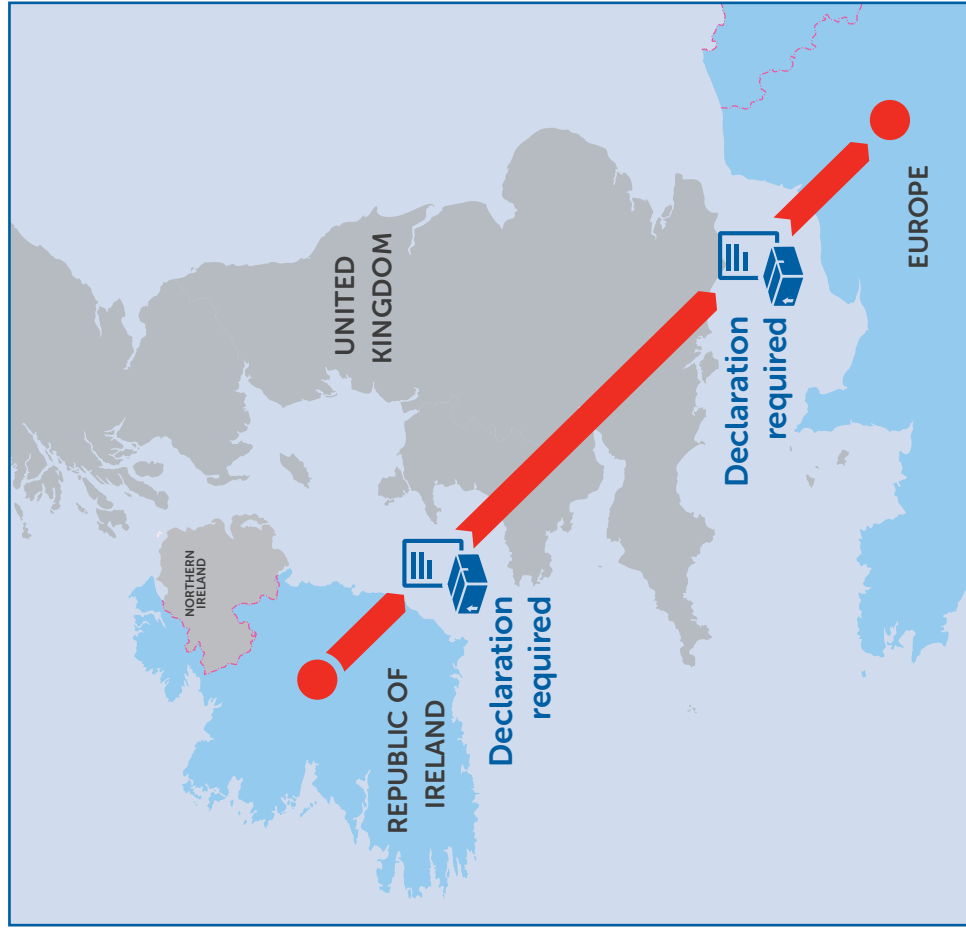
Exports to EU
Likely process after Brexit and FTA 10 point plan



Transit

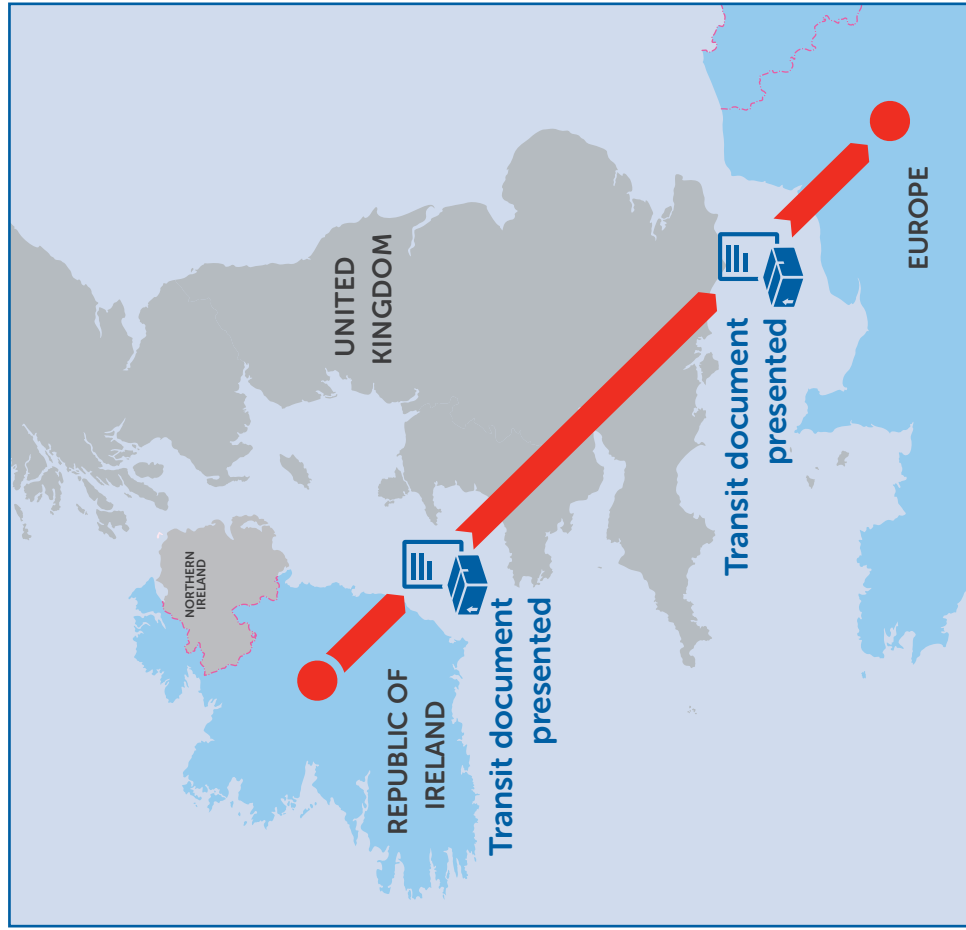
Helping Irish trade flow

Land bridge through Great Britain: This is currently the main point of access to the rest of the EU, as well as the most efficient route from a financial and time-competitiveness point of view. Typically, trucks will cross by ferry to Holyhead and go to Dover where they will take a ferry or use Eurotunnel facilities to cross to Calais. A Transit Agreement is crucial to facilitate this trade.



No Transit Agreement

Traders make a full declaration on entry to, and departure from, the UK



Transit Agreement (Common Transit Convention)

Traders produce a single Transit Document which is presented at the border

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