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LOGISTICS UK

Introducing a voluntary standard for customs intermediaries

Summary

Logistics UK has engaged with members on this issue and this consultation response is informed by their feedback.

- Logistics UK agrees to the principle of introducing a voluntary standard, to ensure quality and consistency is upheld. Introducing a standard would help to root out 'rogue' operators and startups looking to make quick money at the expense of those exporters/importers with vast experience in the customs area.

- However, the new voluntary standards need to fully acknowledge the existing Authorised Economic Operator (AEO) standards and their equivalents to avoid unnecessary duplication. The new policy must be evidence-based and recognise the role that AEO approved standard applies to operators, processes, staff training and management controls that already exist. Significant cost and effort has been invested in attaining and maintaining AEO status. There is a clear risk of potential overlap and duplication between AEO and a voluntary standard with this initiative.

- A voluntary standard for customs intermediaries' verification should be granted through third party organisations, provided that they have comprehensive knowledge of the sector, with a proven track record. Any verification that is conducted by a third-party should themselves be subject to audits to ensure that they are upholding the standard at which certification is granted to customs intermediaries. If this is not being carried out, it is likely to undermine the quality of the standard

- Logistics UK agrees with the key principles for the design and implementation of this consultation to ensure the standard is credible, has a collaborative approach between government and stakeholders, thus ensuring that it is freely and readily accessible. However, it is critical that it is continuously monitored for usage and effectiveness. A collaborative approach is essential. A standard cannot be imposed without fully, properly resourced engagement and co-design as otherwise it will not fit the UK intermediary market and existing business models, and as a result will not be adopted widely.

- The introduction of a voluntary standard could have unintended consequences with regards to insurance cover, high administrative costs, the schemes interaction with other initiatives such as Single Trade Window and limited sector interest due to existence of AEO.

About Logistics UK

Logistics UK is one of the country's largest business groups, representing the entire logistics industry and supporting, shaping and standing up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the buyers of freight services, such as retailers and manufacturers. As an organisation, we deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the country.

What we represent

Logistics is a sector delivering an increasingly safe, sustainable and efficient system of national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, water and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.

- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes. It is becoming ever more innovative and integrated – within businesses and between logistics sites and transport modes. Its key hubs provide a catalyst for further growth and investment, helping places to thrive.
- Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year.

1. Voluntary Standard Objective

The objective of a voluntary standard is to ensure that customs intermediaries inform service users of their legal responsibilities, take specific instructions and act upon those instructions. As such, we would expect intermediaries to be educated as part of their job training. Some members believe that promoting quality is not of equal importance as informing and educating. Moreover, they believe that whatever is deemed as "quality" would need to be detailed in the standard, informing what is required to be a quality intermediary, which in turn is likely to indicate what education their staff would need.

Introducing a standard would help to root out 'rogue' operators and startups looking to make quick money at the expense of those exporters/importers with vast experience in the customs area. This helps to ensure those offering the services are aligned and those seeking the services have some assurances on the quality offered.

Logistics UK agrees that this initiative should promote quality and consistency. However, new voluntary standards need to fully acknowledge the existing Authorised Economic Operator (AEO) standards and their equivalents to avoid unnecessary duplication. The new policy must be evidence-based and recognise the role that AEO approved standard applies to operators, processes, staff training and management controls that already exist.

We have members who are AEO approved and significant cost and effort has been invested in attaining and maintaining AEO status. AEO continually audits these members to ensure their AEO status can be confirmed, which includes reviewing staff training, customs competence, systems, audit processes and management controls. These are key factors which drive standards and is one of the objectives of this new initiative. There is a clear risk of potential overlap and duplication between AEO and a voluntary standard with this initiative.

AEO is a globally recognised standard and is known as the "gold standard". AEO must be recognised by HMRC in parallel to any new policy thinking in this area. If government was to continue with a voluntary scheme, it should also promote AEO status alongside the scheme so that traders can assess intermediaries' standards and understand that the AEO scheme has prominence. This should be done throughout the development and promotion of any new standard for customs intermediaries (e.g. in government communications, announcement of any new voluntary standard).

Recognition of the existing AEO status must be the norm and actively acknowledged wherever reference is made to this new voluntary standard. Any new standard must be shown in the context of AEO and AEO must not be in any way downgraded, hidden or superseded by these new standards.

Adding a voluntary standard could create additional and duplicate administrative burdens versus AEO with limited real-world benefit to trade. With the existence of AEO, some of our members would argue they are not convinced of the need for a voluntary standard. Members recommend that an up-to-date trade survey is conducted to further understand why traders have concerns about the intermediary market and to ensure that this policy is evidence based. Any introduction of a voluntary standard should also be subject to a formal impact assessment.

2. Independent Third-Party Verification

A voluntary standard for customs intermediaries' verification should be granted through third-party organisations, provided they have comprehensive knowledge of the sector and a proven track record. Any verification that is conducted by a third-party should themselves be subject to audits to ensure that they are upholding the standard at which certification is granted to customs intermediaries. If this is not being carried out, it is likely to undermine the quality of the standard. One suitable model could be the British Standards Institution (BSI) and how it deals with quality standards. If the third-party is not held to an adequate standard, then it is open to failure and operators writing their own standard.

Some of our members have concerns that any outside body may lack the necessary depth of expertise, competence, insight and knowledge of the intermediary sector to be able to effectively design and verify the standard. It is possible that a range of generic customs competencies could be designed and verified by a third party; however, there is concern that HMRC and any co-designers may not have fully recognised the wide range of roles, business models and specialities in the border industry and the demands this will create in designing and then assessing any standard. This could result

in a burdensome and complex list of elements and options that may or may not apply to certain businesses adding cost and making simple comparisons meaningless.

Therefore, to ensure external verification has merit then the certification body itself must be accredited. Any potential body must be rigorously challenged and tested during the tender stage to ensure they can address concerns. It is imperative that they are checked and held to a higher standard, and HMRC must make sure that costs and certification processes for intermediaries do not become a barrier to participation.

If third party verification is correctly delivered, it will give traders more certainty of the quality of service they should expect to receive. However, the downside is there will be increased costs to the intermediary for being certified, and maintaining it, which will need to be passed on to traders in the form of higher charges.

3. How a voluntary standard could be designed and implemented

Logistics UK agrees with the key principles for the design and implementation of this consultation to ensure the standard is credible, has a collaborative approach between government and stakeholders, thus ensuring that it is freely and readily accessible. However, it is critical that it is continuously monitored for usage and effectiveness. A collaborative approach is essential. A standard cannot be imposed without fully, properly resourced engagement and co-design as otherwise it will not fit the UK intermediary market and existing business models, and as a result will not be adopted widely. Simple guidance designed by HMRC could be issued to service users at first contact and periodically through the relationship. HMRC could maintain on their list, customs intermediates which have signed up to the voluntary standard.

To encourage the usage of the voluntary standard, it needs to be clearly defined as well as clearly demonstrating the benefits from getting the accreditation. However, some of our members feel the existing standard of AEO C accreditation meets both their needs and the needs of their customers. Therefore, as AEO C is already internationally recognised by the sector, there must be clear difference between the two to comprehensively attract more customs intermediaries to want to undertake this additional standard. The standard can only be useful if it is seen as a true measure of quality by traders and the intermediary sector. HMRC must undertake further high-quality research to verify that there is real-world demand for change before proceeding. We need to further understand the analysis from the 2022 call for evidence, and the root cause analysis of why some respondents (and government) believe this is a solution to a particular problem. Using a certified customs intermediary is likely to help traders remain compliant with their customs obligations, and raise the profile of customs intermediaries, as well as their staff, demonstrating that they are professionals in their field. Our members are well aware that AEO is available to all traders, therefore, it needs to be clearly demonstrated how this standard for customs intermediaries would be different to AEO and what the benefits over AEO would be. It must clearly demonstrate why they would want both.

The scope and practical design of any new standard is essential. If the voluntary standard is deemed too wide or generalised, it will be a meaningless tick box exercise – therefore, not providing a meaningful comparison for traders - and the intermediary market will not take it seriously. If it is too specific or onerous, it risks excluding certain business models and operators from participation, becomes increasingly costly, and achieving the standard could become too much effort for the return and ultimately the scheme will not be utilised. For success, the fullest range of trade stakeholders possible must be seen to engage with and adopt or accept the standard as necessary, workable and needed.

Publicity to raise awareness among traders will assist the implementation of any potential role out to the intermediary sector. Once traders are aware that there is a standard and what it means, they will start asking intermediaries if they are certified, and may weigh up quality versus cost when choosing an intermediary, which in turn will encourage more intermediaries to become certified.

4. The potential content and consequences of a voluntary standard

Logistics UK does not believe that any of the components set out in the consultation should be removed as they are all relevant to the customs intermediary sector, however we would prefer a greater emphasis on knowledge. Furthermore, we do not believe that there are any components missing; nevertheless, the elements are very closely aligned with existing AEO requirements. This again leads one to question the role of the standard and its position alongside AEO and the work some of our members have already done. The standard must be clear to explain exactly what is being measured, how, and what evidence would be required to support it; all accreditation bodies need to be working to the same rules.

Whilst we do agree with the suggested components, we would want further classification on origin preference rules, both EU and ROW trade to be specific areas under competence and education component. Guidance would be required on how to conduct post clearance checks and error correction, as well as best practice aimed at managing customs activities for specific products. This could take the form of word documents and flow charts as well as links to key resources such as tariffs, sample clearance instructions and key contacts for HMRC. This could all be published on gov.uk so it can become standardised and a helpful reference for both customs intermediaries and traders. There could be an opportunity

to have sector specific modules, as most intermediaries will not be experts in every different sector or procedure (e.g. excise, military, cultural, automotive). These modules could be elective to the goods the customs intermediary deals with. Additionally, there needs to be greater recognition of the difference between small and large organisations in respect to a proposed voluntary standard.

We would strongly urge HMRC to ensure that the design recognises the different business models in our sector and the wider market. AEO already covers these competences and existing staff training, qualification, in house training and on-the-job training must be fully recognised in their current state and additional conversions/correlations to any new standard should be simple, transparent and of minimal effort. HMRC needs to be mindful of creating another level of admin/bureaucracy, requiring additional people to be employed just to deal with it.

Some of our members do believe the introduction of a voluntary standard could have unintended consequences. Some of the questions members have raised include, will there be insurance to cover customs intermediaries available? If so, what level of cover does it provide? The value of goods can range from £100 to £100 million, so one size does not fit all unless the cover is limited. Members have indicated that other industries that require insurance cover have highly qualified staff (lawyers, accountants, financial advisers); if customs intermediaries are not qualified to these levels would an insurer want to take on the risk? Traders may feel this policy does not address their concerns, as the root cause/concerns may not be diagnosed accurately. The design and deployment of a scheme to fit the market and reflect all stakeholders' concerns and functions with an accredited body requirement takes too long. The impetus could be lost, and the market could move on without the scheme being implemented or adopted widely. The cost of administration could be too great, and therefore put customs intermediaries off achieving the voluntary standard. The introduction of this scheme alongside other initiatives - such as Single Trade Window - and potential changes in processing means that the timing is not ideal, and only adds to the burden facing the sector. Some members believe that AEO already covers their customer needs efficiently and take up of the new standard could be very limited in the sector.

5. Training and educational offerings for the intermediary sector

The continent already insists on accreditations and minimum qualifications for customs brokers so it would at least put us on a level playing field. Accreditation of the individual clerk by successful completion of customs academy courses would also underpin the standards. In addition, these high standards and accreditation for individuals will, in some cases, attract talent to the industry; talent that customs intermediaries can struggle to encourage into the environment.

The standard should identify the particular customs topics that staff working for a certified customs intermediary should know; they need to be relevant to the practicalities of making declarations. Some topics would be compulsory, some may need different levels (standard or advanced), and others optional. There could be individual courses on particular topics, so that more experienced staff can build up new capabilities to become fully trained. For newer or more junior staff there could be an all-encompassing qualification covering all topics to meet the standard. Courses should confirm they meet the standards for a certified customs intermediary. Possibly, there may be a need for these courses to be certified too.

Some of our larger member organisations in-house provisions are in a highly developed states to attract, retain and train their customs workforce. Therefore, there is little requirement for external training support. All existing training must be recognised no matter the source. Adoption of previous training into the new standard should be carefully considered and any correlation exercise must not be onerous or costly. On-the-job experience for our members' staff is highly valued and an essential part of how they train their staff. It must be recognised in a new standard, in addition to any proposed requirements. Logistics UK would also urge HMRC to ensure the current AEO approved operator's training offer is automatically granted equivalent to any new standard, as the sector does not want two different standards for demonstrating customs competence.

HMRC could design bitesize tutorials aimed at both intermediaries and service users covering incoterms, responsibilities, pre and post clearance activities. The government would need to determine what combinations and levels of training/qualifications they would deem sufficient as a proportion of the service in order to meet the standard. Having a framework of different combinations would ensure that different providers are not disadvantaged by having alternative competencies.

Members have fed back to us that they have not had any problems booking their staff onto courses. However, there seems to be quite a number of training providers, so members suspect there probably is adequate training available. Conversely, there continues to be a chronic shortage of experienced customs staff in the country so they may be very busy. Our members do have difficulty in knowing how good customs agents are, and therefore, they tend to stick with the ones they have experience of.

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