Draft Border Target Operating Model - Feedback

18 May 2023

Summary

Trade, facilitated by simple borders and regulations, is a key driver of innovation and productivity. Logistics UK co-signed the 2025 UK Border Strategy and welcomed its ambitious proposals. Our members support the government's intention under the draft Border Target Operating Model to create the most effective border in the world, which reduces friction and facilitates trade and investment, but our members have raised serious concerns in the following areas which we are urging government to address in the final Border Target Operating Model.

- **Lack of detail, cumulative impact of change and challenging timescales**
- **Impacts on supply chains**
- **Potential inflationary impact and market distortion**
- **Windsor Framework and TOM**
- **EU and Rest of World readiness**
- **Meaningful engagement with the logistics industry**

About Logistics UK

Logistics UK is one of the country's largest business groups, supporting, shaping, and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector.

We represent a sector delivering an increasingly innovative, productive, and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses, and public services rely on every day, and is supporting the UK's transformation for the future. Our membership of over 20,000 includes global, national, and regional businesses and SMEs spanning the road, rail, sea, and air industries as well as the buyers of freight services, such as retailers and manufacturers.

Response to consultation

In 2021, the UK exported £320 billion goods and imported £476 billion, trade made possible by the logistics sector. Our sector has enabled increased international trade, is developing global supply chains, and creating efficient ways to transport goods around the world.

Trade, facilitated by simple borders and regulations, is a key driver of innovation and productivity. Logistics UK co-signed the 2025 UK Border Strategy and welcomed its ambitious proposals. Our members share the government's ambition to create the most effective border in the world, which reduces friction and facilitates trade and investment. Upon publication of the draft Border Target Operating Model (TOM), we have extensively engaged with our members and this response is based on their feedback, queries and concerns and reinforces the points we have been making at government hosted sessions during this six-week feedback period.

Lack of detail, cumulative impact of change and challenging timescales

Insufficient detail and guidance has been provided by government to date to enable logistics businesses to prepare and ensure a state of readiness to meet the requirements of the new border model under very tight deadlines. Members will be submitting direct responses on the specifics of the detail their businesses require but examples include:

- visibility of the new simplified European Health Certificate
- commodity code level confirmation of risk categorisations, publication of non-EU risk categorisations and clarity on the process to inform businesses of risk categorisation changes

- clear definitions, including confirmation of responsibilities and liabilities, particular under Safety and Security requirements
- confirmation of changes in excise duty structures
- details of the charging and operating model at ports and in-land border facilities
- details on transit movements and processes
- timescales for implementation of physical checks and Safety and Security declarations on goods being exported from the Republic of Ireland to GB
- details of the systems that will be in place to protect commercial information sharing among competitors

In addition to requiring specific details for necessary adaptation of business operations and models, our members have advised that developing, testing, and operationalising a new IT system requires a minimum of 6-12 months which is very challenging against the timescale for implementation of the new Border Target Operating Model.

Our sector is agile and resilient, but with CDS, NCTS5, shared first stage implementation dates of October 2023 for the Windsor Framework and Border Target Operating Model, STW, and ICS2, our members are having to adapt to, and implement, significant change to their business models all at once. The cumulative impact of this change is significant and logistics businesses urgently need clear technical and operational guidance on both the Windsor Framework and TOM.

Without urgent action to address these issues and those set out throughout this submission, our members have serious concerns about the achievability of the deadlines of the TOM.

Impacts on supply chains

There is an urgent need for detail on how groupage movements, with mixed loads of mixed risk categories from consolidation hubs and multiple pick-up locations, will operate under the TOM and what support and flexibilities will be provided. Action is also needed to address the difficulties that will be faced by carriers, logistics operators and SME traders in identifying and providing necessary Safety and Security data from across the supply chain. Members operating under the groupage model are concerned about its viability going forward and in addition to cost concerns, are also concerned about environmental impacts if more freight movements are required to maintain current levels of operation under segregated loads. Our members have also raised concerns about the impact on supply chains and the environment if physical certificates and physical checks are required for unaccompanied freight and this results in operators moving away from short sea container freight to road freight. Members are also seeking assurances from government that there will be sufficient capacity at border facilities and through key corridors to ensure there is no delay to the movement of goods when physical checks are introduced in January 2024.

Potential inflationary impact and market distortion

New import control processes, and potentially different charges across border facilities, means new business costs at a time when logistic businesses have had to absorb higher costs and are operating under tight profit margins. Our members are very concerned that this will result in higher prices and reduced product choice for UK consumers as they already face exceptionally high inflation, and food inflation in particular. We are calling on government to set out its modelling of the cost to businesses of these new processes in the final published TOM and to ensure cost and administrative burdens are reduced as much as possible.

Members welcome the development of cross government Trusted Trader Schemes but have highlighted the need for further detail on the operation of, and benefits from, the schemes and the need to avoid potential market distortion in their roll out. While in principle these schemes are open to all, the threshold for meeting the criteria for access will require investment which is likely to benefit larger businesses as opposed to SMEs. It is important that HMRC has sufficient capacity to process applications to the schemes in a timely manner and there is no potential market distortion in favour of those businesses able to join a Trusted Trader Scheme early in the application process.

Windsor Framework and TOM

Our members are seeking urgent details of how the Windsor Framework and TOM will interact in a way which understands the unique and complex nature of Northern Ireland (NI) supply chains, protects NI's unfettered access to the UK Internal Market and delivers a robust system for tackling back dooring.

EU and Rest of World readiness

It is essential that our trading partners are fully engaged and prepared for these new changes. Our members are seeking details from government on its engagement with EU and Rest of World suppliers and relevant authorities, visibility of the

concerns and queries being raised by our trading partners and how these are being addressed and the government's assessment of their state of readiness to implement all requirements under the published timescales.

Meaningful engagement with the logistics industry

Given the impact of these new border import controls on businesses and trade, the logistics industry had anticipated a formal consultation process following publication of the draft TOM. Members have expressed disappointment at the short duration of this more informal feedback process, the limited facilitation of face-to-face engagement and lack of detailed follow up responses to queries raised at webinars hosted by government. Members feel full day, sector specific, in person roundtable meetings were warranted and would have added value to this process of engagement.

Our members share the government's ambition contained in the 2025 UK Border Strategy and TOM and want to work in partnership to make this work for UK PLC. We are therefore calling for a meaningful engagement mechanism to be established now so that the logistics industry can work closely with government throughout the implementation stage to quickly identify operational difficulties and the solutions needed.

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