DEFRA Consultation: Charging arrangements at government-run Border Control Posts

7 July 2023

Summary

Logistics UK has consulted our members on DEFRA's proposals to apply a single Common User Charge on every SPS consignment which is eligible for Border Control Post checks and enters through the Port of Dover or LeShuttle, whether selected for a check or not.

Our members are strongly opposed to these proposed charges and approach given the impact on inflation, businesses, and trade. We have encouraged our members to respond on an individual basis to this consultation but collectively their key concerns can be summarised under the following areas:

- Lack of sufficient detail
- Need for greater transparency in cost modelling
- Inflationary impact
- Disproportionate impact on smaller operators
- Supply chain disruption and market distortion
- Potentially anti-competitive or discriminatory impact

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 June, Logistics UK published the Logistics Report 2023 which provides an up-to-date assessment of the size and activity of the logistics industry in the UK. The latest data available (for 2021), demonstrated that logistics businesses added £163 billion to the UK economy and generated £1 trillion in revenues. The logistics sector has responded with agility to challenges such as EU exit, Covid-19 and the war in Ukraine. However, barriers to trade, declining international connections and high inflation are impacting the UK's innovation and productivity, and the logistics industry which underpins the economy. There is also a risk of these barriers growing as a result of new border and import proposals.

The Connecting to Compete 2023 Report by the World Bank, published in April 2023, shows the UK's Logistics Performance Index has fallen from an average ranking of 6th globally between 2012 and 2018, to joint 19th position in 2023. This decline needs to be reversed. The logistics sector is calling for trade to be backed as a driver of progress, ensuring it is as frictionless as possible and so that the UK can enjoy improved international connectivity.

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 but they have a number of concerns, particularly regarding the impact of these charging proposals if introduced by DEFRA as part of the Final Border Target Operating Model (which is yet to be published).

Lack of sufficient detail

This short consultation document provides limited additional information on the charging proposals beyond what was contained in the draft Border Target Operating Model. On the issue of Trusted Trader Schemes, which are a key aspect of the new border model, there is no detail on how scheme membership will deliver benefits in this area. The only reference states: "membership may exempt certain consignments from CUC". There is also no detail on the approach for Transit.

Further detail and clarity is required on the charging mechanism, particularly when large volumes of goods are involved. For illustration, there is no detail at all in the consultation document to answer any of the queries set out in this real world example provided by one of our members:

"*The current method of charging at inventory ports for a number of port related costs such as inspections, exams, energy costs are back to the broker that created the entry. So, for example, I have a CDS badge that allows me to place entries for arrivals via Felixstowe using Destin8. As part of the arrangement with Destin8, I have to have an account with Port of Felixstowe and for any entry that attracts costs on the port these will be charged by Port of Felixstowe to us. If I fail to pay, then my Destin8 facility to use Felixstowe is blocked. There is no inventory in Dover, so I can use any badge (one direct with HMRC or via Destin8 or CNS for example). I select to create an import entry that can be linked to a GMR. If we are told this entry is going via Dover then it should only work via Dover but we have seen that it is possible with a port of arrival via Dover for the unit to route via Tilbury, Harwich or Hull using a GMR and still clear. So if we use a direct badge to customs, do they charge us, but if via Destin8 or CNS badge do they charge us instead? Does the charge follow our IPAFFS declaration and come from DEFRA or via the local Port Health Authority? Or will the charge go back to the ferry company for recovery? If the load diverts elsewhere and it is tied to the entry how do Customs/Destin8/CNS know not to charge it?"*

In addition to providing insufficient detail across a range of issues, it is also disappointing that the duration of this consultation is so short, for only four weeks, given the significance of these proposals. As with the draft Border Target Operating Model, this approach falls short of the meaningful engagement by government that our members had hoped for.

Need for greater transparency in cost modelling

The calculation method used to determine the range of charges out for consultation (annual estimated BCP operation costs divided by estimated annualised SPS consignments) is crude. Members expressed very serious concerns about the proposed charges, the scale of charges and justification for such exceptionally high costs. It is important that DEFRA urgently clarifies what the examination charges will be and publishes the costing model used to substantiate the operational costs to be recovered and the scale of charges proposed. Given the proposed charging range extends to £43 per consignment, it is also important that DEFRA sets out what action it is taking to ensure efficiency of BCP operations given examination costs seem to be so high.

Further detail is also needed on the proposal to apply a £10 'discounted rate' for low risk animal product consignments. Given the level of checks on these consignments is expected to be so low and there is no cost currently, members are seeking evidence as to why it is now to be deemed a cost.

Inflationary impact

The range of proposed flat rate charges is exceptionally high. It is more than double the charge per lorry currently applied by the Port of Dover and is in addition to all other charges by the Port Health Authority and Animal and Plant Health Agency (APHA) for inspections and other charges, such as any customs checks. This comes at a time when many of our members are operating under very tight profit margins having absorbed higher inflation and operating costs for some time. It is inevitable, given the pressures on businesses to date, that this additional cost from government will be passed to the consumer, contributing further to inflationary pressures, and at a time when tackling inflation is a top priority for government.

There is also the very real possibility that this estimated charging range and any subsequent introduction of a high charge at government run BCPs could encourage a review of, and increase, in charges by other ports including non SPS related per unit charges, further increasing costs to businesses and consumers.

Disproportionate impact on smaller operators

As set out above, this new charge will increase business costs, and this will have a disproportionate impact on smaller businesses importing smaller volumes of lower value products. Even at the lower end of the proposed scale, £20 per consignment for a groupage operator would mean multiple charges per vehicle/container which may well be unaffordable for small businesses importing as well as for the haulage operators.

Supply chain disruption and market distortion

EU countries continue to be the main source for Food, Feed and Drink (FFD) imports and are therefore essential to the UK's food security. 39% of FFD imports by value were despatched from 4 EU countries (the Netherlands, Republic of Ireland, Germany, and France) in 2020. Data on imports shows the continued importance of the EU for food imports and the importance of the Short Straits as a key trading route. The importance of EU imports for UK businesses and consumers is particularly significant in winter in terms of fruit and vegetables and the nutritional value and consumer choice those products provide. With costs already high, there is a real concern that these additional, cumulative costs will create a trade barrier, resulting in supply chain disruption and market distortion, and ultimately reduced product availability on UK shelves and higher prices for consumers. We are calling on government to publish the impact assessment it has carried out of these charging proposals on trade, routes and markets.

Potentially anti-competitive or discriminatory impact

These new proposed animal and plant controls are a National Control Regime. These proposals raise the question of potential discrimination and anti-competitiveness if differential pricing is applied at points of entry on what is a national control regime.

Nichola Mallon
Head of Trade and Devolved Policy
Logistics UK
Nmallon@logistics.org.uk