# UK-EU implementation review of the Trade and Cooperation Agreement (TCA)

## 1 November 2024

### Summary of Logistics UK View

- Logistics UK is calling for the UK to have a new sanitary and phytosanitary (SPS) agreement with the EU to streamline trade of SPS goods and to boost the UK's economic growth. Furthermore, Logistics UK is requesting mutual recognition of standards and qualifications to allow nationals in the UK and EU to work in each other's countries. Amendment is also required to rules of origin, customs arrangements and transport rules in respect of the 90 in 180-day requirement. To reduce friction, there should be an avoidance of unnecessary regulatory divergence. Logistics UK would ask that any change of terms in the TCA, includes direct involvement of businesses, who have the trading expertise and experience of market access barriers, to maximise the opportunities EU trade can bring to GB through increased economic growth.

**About Logistics UK**

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand 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. 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.

Logistics UK members operate over 200,000 goods vehicles - almost half the UK fleet - and some one million liveried vans. In addition, they consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight.

**National logistics sector**

The logistics sector underpins the economy, safely and efficiently delivering for its households, businesses and public services, every day. It is critical, national infrastructure, comprising road, rail, maritime and air transport, together with warehousing, ports and other logistics hubs.

There is widespread consensus that UK productivity and growth is too low. By putting logistics first, with the right partnerships, regulations and investment, government can deliver productivity gains that will supercharge the UK economy by up to £8 billion per year by 2030.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on, every day. This strengthens connections between businesses and their customers, facilitating market expansion, boosting competition, and encouraging innovation.

- Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive.

- Logistics has transformed the UK and is now delivering for the future. It helped deliver the country's canals, roads, railways, airports and ports, has driven revolutions in global trade and e-commerce and is now innovating to deliver decarbonisation and even greater efficiency.

**Welsh logistics sector**

As set out in Logistics UK's policy document, Logistics: underpinning the Welsh economy, The logistics sector's role driving sustainable growth we highlighted how logistics underpins the Welsh economy, safely and efficiently delivering for its households, businesses and public services, every day. More than 90,000 people are employed in logistics roles and there are over 8,000 logistics businesses in Wales, making, selling and moving goods. Wales consists of 8,410 logistics enterprises, 92,089 logistics employees which equates to 6.7% of the Welsh workforce. Wales exported goods to the value of £20.5 billion in 2022, enabled by the logistics sector[1]. Wales's top five goods exports in 2022 were:

1. Petroleum, Petroleum Products and Related Materials
2. Power Generation Machinery and Equipment
3. Other Transport Equipment
4. Iron and Steel
5. Medicinal and Pharmaceutical Products

To unleash the power of logistics to drive sustainable growth, Wales needs:

- A public-private partnership to unlock investment and enable logistics to maximise the benefit it can deliver. This should be backed by the appointment of a dedicated minister for logistics and supply chain who can deliver across the Welsh government.

- Innovative and integrated infrastructure, with Wales playing a key part in a UK logistics network, connecting it to domestic and international markets. This must be based on long-term infrastructure plans and the development and adoption of new technologies to deliver goods in the most productive, strategic and green way.

- A fair transition to a green economy that keeps costs down and supply chains resilient, underpinned by a public-private roadmap for logistics decarbonisation and investment in infrastructure to support modal shift.

- Skills partnerships to support a thriving sector, with careers in logistics backed by effective strategies, increased skills funding and a sustained commitment to attracting people, ensuring businesses have a strong pipeline of talent to draw from and nurture.

**UK-EU Trade**

According to the Office for Budget Responsibility's economic and fiscal outlook published in October 2024, "weak growth in imports and exports over the medium term partly reflect the continuing impact of Brexit, which we expect to reduce the overall trade intensity of the UK economy by 15 per cent in the long term"[2].

Brexit reduced overall EU-UK goods trade flows by almost one-fifth, according to the Economic and Social Research Institute in October 2022. UK to EU goods trade was down by 16% and trade from the EU to UK was down by 20% relative to the scenario in which Brexit had not occurred. Improvements to the TCA can help reduce this gap. By volume 68% of our trade is with Europe and, by value, 57% is. As such, Europe is a critical trading partner for the UK.

The UK's importance as an EU trading partner declined between 2017 and 2022, with the UK exporting less to Europe, compared to other countries exporting to the EU. In 2017, the UK's non-energy exports to the EU represented 4% of total imports to EU countries. However, in 2022, this was just 3.1%, which equates to a decline of over 20%.

**The logistics sector's priorities for the UK EU TCA Review.**

The UK government should press for early agreement with the EU on the parameters, process and priorities for the review, including agreement that this will be an expansive rather than a limited, technical review. The UK government should consider an enhanced partnership and cooperation in respect of the trading of critical minerals to support supply chain resilience.

The following is not an exhaustive list but sets out key barriers to the trade and movement of goods being experienced by the logistics industry, and recommended actions to improve the flow of trade and supply chain resilience. Some can be progressed within the current EU-UK trade agreement. Others will require renegotiation. From the perspective of the

[1] Labour Force Survey, Office of National Statistics Q3 2022 and Q1 2023. Logistics: delivering a solution to the UK's productivity puzzle, Oxford Economics, 2023. https://www.gov.wales/welsh-international-goodstrade-2022-html
[2] Office for Budget Responsibility. Economic and fiscal outlook (October 2024)https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_Oct_2024.pdf

logistics sector, all of the actions proposed below will bring benefit to UK EU trade. Logistics UK is seeking the Welsh government's support on the matters set out below.

*Rules of Origin.*

To avail of zero tariffs under the UK EU TCA, businesses must comply with rules in respect of the origin of their goods. This means there must be a qualifying level of processing in the UK or EU to access zero tariffs. There is a lack of clarity when it comes to Rules of Origin and Processing Rules which is impacting goods which can legitimately qualify for zero tariffs.

Action needed from UK and EU:

- Publish clear and detailed guidance for traders on definitions and the evidence levels required to demonstrate that sufficient processing, and by implication bilateral cumulation requirements, have been met, particularly around the current definition of 'simple' processes e.g. simple cutting, simple placing in bottles etc.

- Ongoing, close monitoring of the potential economic impact of Rules of Origin changes, with learning from the experience of battery electric vehicles, to avoid future cliff edges detrimental to UK EU supply chains. Close attention to be paid to the UK EU battery electric vehicle supply chain to ensure it is developed sufficiently to avoid significant tariff liabilities when delayed changes to the Rule of Origin take effect on 1 January 2027.

- Urgently agree shared guidance on the definition of Active Cathode Materials for the purposes of Rules of Origin for batteries and battery manufacturing, which has been pending since the Trade Specialised Committee mandated the parties to agree on the guidance in 2022.

*Customs*

Customs arrangements under the TCA are not being implemented or are not being implemented in a consistent manner and there is a lack of clear guidance for UK and EU traders, all of which is adding friction to UK EU trade.

Action needed from the UK and EU:

- Much closer engagement between UK and EU customs authorities.

- Greater consistency in TCA interpretation and application by Member State customs authorities on GB and NI exports to reduce customs delays and misapplication of VAT.

- Sufficient staffing capacity and training of EU and UK border and customs staff.

- Greater clarity and targeted guidance from UK government on implementation of the Border Target Operating Model with a clear timetable on when SPS checks will be scaled up to the full regime.

- Greater alignment on Safety and Security controls to remove the need for Entry Summary Declarations (ENS). In the meantime, cooperation to ensure the new EU Safety and Security Declarations regime, the Import Control System (ICS 2), facilitates smooth and undisrupted GB-NI trade across the Irish Sea.

- UK government to create an accessible, easily digestible one stop shop of up-to-date information and guidance on requirements for GB exporters trading with the EU.

- Ensure interoperability of the UK Single Trade Window and EU Single Window Environment for Customs to streamline future trade.

- A pilot programme for joint customs offices initiated.

*Trade and movement of Sanitary and Phytosanitary (SPS) goods.*

Controls and charges on SPS trade have significantly increased the bureaucratic and cost burden on smaller traders and logistics providers, and groupage operations in particular, with delays, especially to perishable goods, resulting in financial losses to traders.

Actions needed from the UK and EU:

- UK government action to address concerns of GB importers and logistics providers in relation to implementation of the Border Target Operating Model.

- Greater harmonisation of SPS clearances across the EU to reduce delays and costs.

- An end to the EU ban on seed potato imports from GB with a derogation based on demonstrating equivalence of regulations. A reciprocal arrangement may benefit EU states equivalence applications for UK market access.

- Agreement on a comprehensive SPS and Veterinary Agreement to remove and reduce barriers in both GB - EU and GB to NI trade.

*Transport arrangements.*

The TCA chapter on the Mode 4 category of contractual service suppliers does not cover artists and cultural professionals. As a result, artists, associated technical support staff and transport providers are not allowed to stay in Europe for more than 90 in 180 days without a visa. This is not a realistic or workable situation for the arts and music industry.

Actions needed from the UK and EU:

- A Cultural Touring Agreement to:
    - allow artists and associated technical support staff to travel visa-free for more than 90 in 180 days and
    - exempt companies and organisations transporting material carried under an ATA carnet (i.e. the stage, sound, lighting equipment, instruments etc required to facilitate a performance) from cabotage regulations contained within the TCA to allow the most efficient use of a vehicle on cross-border tours.
- Extension of the EU cabotage exemption to include UK HGV drivers and land-based maritime transport workers working in short-sea, high frequency UK-EU maritime routes (e.g. France, Belgium, Netherlands, Denmark, Spain) who need to travel very frequently (often on the ships themselves) for shipping operational reasons.

*Regulatory divergence*

As the TCA allows for largely tariff free trade in goods between the EU and UK, enhanced regulatory cooperation provides the biggest opportunity to improve bilateral trade relations. While the EU and UK pursue their respective regulatory agendas, divergence poses a significant and live threat to the free flow of goods and services.

Actions needed from the UK and EU:

- Mutual recognition for conformity assessment (CA) and product marking labelling, or unilateral recognition by both sides of the other's CA processes linked to international standards.

- Monitoring and management of active and passive divergence.

- Alignment between the UK and EU Carbon Border Adjustment Mechanism (CBAM) alongside Emissions Trading Scheme linkage as envisaged within the TCA to reduce the burden on businesses.

- Alignment on legislation related to deforestation and trade with clarity provided to businesses on how to comply.

**Conclusion**

Logistics UK is calling for the UK to have a new sanitary and phytosanitary (SPS) and veterinary agreement with the EU to streamline trade of SPS goods and to boost the UK's economic growth. Furthermore, Logistics UK is requesting mutual recognition of standards and qualifications to allow nationals in the UK and EU to work in each other's countries. Further areas for reform include rules of origin, customs arrangements, transport rules for 90 in 180-day requirements and the avoidance of unnecessary regulatory divergence. Logistics UK would ask that any change of terms in the TCA, includes direct involvement of businesses, who have the trading expertise and experience of market access barriers, to maximise the opportunities EU trade can bring to the UK through increased economic growth.

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