

FTA submission to the Welsh Assembly External Affairs & Additional Legislation Committee
Follow up inquiry on how the Welsh government is preparing for Brexit - Ports
September 2018

The Freight Transport Association (FTA) is one of Britain's largest trade associations, and uniquely provides a voice for the entirety of the UK's logistics sector. Its role, on behalf of over 17,000 members, is to enhance the safety, efficiency and sustainability of freight movement across the supply chain, regardless of transport mode. FTA members operate over 200,000 goods vehicles - almost half the UK fleet - and some 1,000,000 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.

FTA welcomes the opportunity to respond to this follow up inquiry on the preparations for ports in Wales prior to Brexit. To come to its expert opinion, the Association holds regular discussions with members and has also established a 'Customs Working group', comprised of experts in trade arrangements drawn from a cross section of the membership, that has examined the plans put forward by the UK government in the White Paper – known as the Facilitated Customs Arrangement (FCA).

• **FTA's view on the proposals for the new UK-EU customs arrangement**

Facilitated Customs Arrangement (FCA)

As per the UK government's White Paper, the key elements of the Facilitated Customs Arrangement (FCA) are as follows:

- As if in a combined customs territory with the EU, the UK would apply the EU's tariffs and trade policy for goods intended for the EU.
- The UK would also apply its own tariffs and trade policy for goods intended for consumption in the UK.
- Mirroring the EU's customs approach at its external border would ensure that goods entering the EU via the UK have complied with EU customs processes and the correct EU duties have been paid.
- This would remove the need for customs processes between the UK and the EU, including customs declarations, routine requirements for rules of origin, and entry and exit summary declarations.
- Together with the wider free trade area, the FCA would preserve frictionless trade for the majority of UK goods trade, and reduce frictions for UK exporters and importers.

The UK government is now seeking negotiation on this with the EU, who have made their initial thoughts clear that it would be a challenging negotiation. Quite specifically Michel Barnier said the EU cannot – and will not – delegate the application of its customs policy and rules, VAT and excise duty collection to a non-member, who would not be subject to the EU's governance structures.

We have engaged with our members to seek their views on the FCA, taking advantage of our position as the only trade body whose members represent the entire supply chain given.

All our members share the aspiration of frictionless UK-EU trade. In particular members involved in the transportation of goods between the UK and the EU welcomed the proposal as, if agreed with the EU and combined with the wider free trade area, it would essentially retain today's frictionless trade routes.

However, FTA members involved in Rest of World trade have noted that the FCA would, in effect, place the administrative burden further up the supply chain, to the importer/exporters rather than the transporters of goods, and have raised a number of concerns and questions about the practicalities of the FCA scheme.

Our detailed comments will be shared directly with UK government officials. However in summary our concerns include:

Set up and operation: Under the FCA, Trusted Traders would be able to choose for themselves the correct duty to pay. This will require IT investment to match supply chain data to CDS, however as we understand it, CDS is currently not planning to produce this functionality, and there are no IT solutions ready for traders to use either. Further information is also required on how companies would become authorised to become Trusted Traders.

Supply chain tracking: The most significant concern is how Trusted Traders would be able to track goods to the point at which they are finally consumed. International supply chains are complex, with goods crossing multiple borders before being sold to their final market. We have made detailed comments on this to government to ensure our members' concerns are fully understood.

There are a number of other areas where detailed information is required, including but not limited to issues related to VAT and Excise and clarifications on the reimbursement arrangements between the EU and the UK.

In summary, the goal of frictionless trade as envisaged in the White Paper is supported by the supply chain, however our members have expressed concerns about the practicalities of the FCA proposal. This is a productive starting point for negotiations with the EU and we look forward to close engagement with government to address our members' concerns as the proposal evolves during negotiation on the future UK – EU relationships.

In terms of impacts on Wales, the FCA would, as we understand it, mean that broadly speaking the impact on ports, airports and other infrastructure would be Business As Usual, however Welsh companies involved in Rest of World trade would have to ensure they were compliant with the FCA rules and if necessary make investments in IT infrastructure, training and/or use of specialist customs brokers to support their work.

Alternative Models

Following the White Paper, the decision as we understand it is now between the FCA (or some version of it after negotiation with the EU), and the UK trading as a Third Country with the EU (i.e. the No Deal scenario). There are, as we understand it, no other models currently under active consideration especially as the UK government's continued public position is that the UK will be leaving the Single Market and the Customs Union, which rules out a number of alternative models (e.g. EEA, CU)

That said, "No Deal" may not be strictly accurate. For example, we understand that the UK should be able to accede to the Common Transit Convention prior to the withdrawal date. It may also be possible to negotiate some other "quick-win" measures to ease friction at the Border; staying in the European security zone for example in order to avoid the need for Entry and Exit Summary Declarations.

- **What needs to happen to ensure the readiness of Welsh ports and businesses for new customs arrangements with the EU?**

As noted above, if agreed with the EU, then the FCA would essentially mean very few or no impacts on ports/airports. However, there would be impacts on any Welsh businesses carrying out Rest of World and EU trade. These impacts are summarised above, and our more detailed comments have been shared directly with the UK government.

In the event of a No Deal scenario, there would be extensive work required by both ports and businesses to cope with the extra regulatory and physical challenges that could arise due to the conditions that a hard border with the EU would pose.

The EU has made it very clear that all inbound goods exported from the UK, in a 'no deal' situation, would be subject to the same levels of checks as other current 3rd countries. These checks would be both formal customs checks but also would include the full range of sanitary and phyto-sanitary checks if the vehicles were carrying plant/animal based products. This could result in port congestion in Ireland as lorries are checked as they enter the EU territory. One possible means of resolving this would be to slow down sailings across the Irish Sea, with the result being possible congestion on the UK/Welsh side. At present, Irish Sea facing ports do not have the space available to hold waiting traffic as they have been built around the Ro-Ro Just In Time business model.

It is vital for Welsh and other UK ports that they are given clear guidance from the UK government as quickly as possible as to the future trading arrangements between the UK and the EU.

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