

Written evidence submitted by Logistics UK (NIP0003)

Logistics UK has produced a briefing on the Northern Ireland Protocol which it has shared with the Committee to inform the Committee's inquiry on *Brexit and the Northern Ireland Protocol*. That briefing is contained in Annex A below.

November 2020

Annex A

NI Protocol: Urgent Action Required to Safeguard NI Communities

Circulation:

- Chancellor of the Duchy of Lancaster
- Border Protocol Delivery Group
- Northern Ireland Affairs Committee
- Northern Ireland Office
- Northern Ireland Executive

BACKGROUND: GB AND NI ECONOMIES AND SUPPLY CHAINS

Northern Ireland is an important trading partner of Great Britain which will continue, due to the interconnectedness of supply chains, geographical proximity and the economic value of trade. There was a total of £8.1bn in sales of Northern Irish goods to Great Britain in 2017. In the same year, NI wholesale and retail businesses purchased £6.8bn or 65% of all goods purchased from GB.

The logistics sector is busy and congested, with just-in-time deliveries of food, post, parcels all vitally important to provide NI communities with their needs. In 2019 there were just over 850,000 Ro Ro movements between GB and NI. Supply chains are also closely integrated across the island of Ireland; a NI Dept for Economy study shows 20% of NI trade with GB ships via Dublin Port, while NI Ports handle 45% of all Irish Sea RoRo traffic.

It is vital that the NI Protocol preserves these integrated supply chains. The joint EU/UK determination in the preamble to the Protocol states that it should, "impact as little as possible on the everyday life of communities". This paper sets out issues that threaten the delivery of this goal and sets out mitigations to help achieve this.

ISSUES

CDS is untested and there is no contingency

Customs IT experts have expressed a lack of confidence that the CDS system will be ready and able to deal with the volume of work for GB-NI transactions from 1st January 2021. CDS is untested for this scale of work and there are concerns if can remain operational in the event of a large volume of error codes which is a viable risk in the first few weeks or months of operation. We understand that CHIEF is not available as a contingency option because it is unable to handle two different tariffs for a product, which is an essential business requirement because depending on the end destination of goods entering NI, there will be different tariff implications. Additional implementation time would allow for appropriate testing and user training to avoid disruptions.

Government infrastructure for SPS is not ready

Government infrastructure is incomplete. Border Control Posts (BCP's) planned for Larne, Belfast and Warrenpoint Ports have not begun construction yet. This combined with traders not having confirmation around labelling and conformity criteria, means that a phased implementation of SPS controls on GB to NI trade is necessary to ensure food products can still be transported and sold in NI.

Comprehensive business guidance documentation is required

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The government has confirmed that unlike for EU-GB trade, there will be no Border Operating Model for GB-NI trade. Importers, exporters and logistics sector responsible for moving goods between NI and GB urgently require guidance on the following areas:

- What and how goods entering NI from GB are categorised as being 'at risk' for entering EU/ROI and therefore must pay a tariff
- Clear instructions of data that traders must provide their carriers and/or the Trader Support Service (TSS) to ensure goods can continue to move.
- Process for transit between (a) GB to ROI via NI and (b) NI-GB via ROI

Trader Support Service is welcome, but more is needed

The Trader Support Service (TSS) is welcomed and will be highly utilised, but is not enough, alone to ensure goods continue to move easily between GB and NI. The TSS will only offer advice and guidance combined with a digital service for declarations. Following engagement with TSS, both directly and via our members, we would like to draw your attention to the following concerns

- TSS will offer no assistance with non-standard documentation such as SPS (agri-food)
- TSS will not be able to support larger business or provide personalised advice
- The service will only launch on 21 December 2020 leaving 9 days to solve issues
- No data required for customs or S&S declarations
- The service will not provide support for NI-GB movements which transit Dublin Port

Covid is hampering business capacity to prepare

Member feedback is consistent that the time needed for business to prepare for the Protocol's implementation is not aligned with political aspirations for it to be fully operational, without any easements by 1 January. With Covid 19 wreaking havoc on cash flows, businesses of all sizes are reporting that they have neither the financial nor human resource to have their preparations completed in the time envisaged. This includes major supermarkets and pharmaceutical firms delivering critical supplies to NI from GB.

PROPOSED MITIGATIONS

Retail Movement System: Intra-company transfers from GB to NI

A risk raised by the EU in the negotiations on the NI Protocol is that goods brought into NI may be declared into the UK customs territory, paying lower rates of customs duty than those imported into the EU, then subsequently moved to the Republic of Ireland by unscrupulous parties. Before the end of the transition period, the special UK/EU Joint Committee will establish the criteria to determine which goods brought into Northern Ireland from outside the EU are at risk of subsequently being moved into the EU. We propose a new intra-company transfer system to mitigate this risk.

A Retail Movement System (RMS) would enable friction free movement of goods destined for NI retail outlets from GB distribution centres. This should be established as a robust "Trusted Trader" scheme acceptable to the EU under the terms of the NI Protocol, including stringent qualifying criteria and regular audits.

The RMS should include robust but practical procedures to prove that goods are destined for sale or use in NI and so present no smuggling risk and that products meet all EU product standards, so that no SPS or trading standard checks are required. This could include retail products (e.g. food) which are clearly for direct sale in NI – e.g. food products priced in pounds not Euros. It could also include low-value goods for which the tariff value provides very little impact on the final price

RMS firms should also benefit from simplified Safety and Security declarations by providing "truck level" rather than "consignment level" declarations, which would reduce red tape and transport costs (see below) and a "green lane" at ports to allow quicker movement.

Post and Parcels: Simplified S&S Declarations for AEO S companies

The post and parcel sector move thousands of items from GB to NI every day, for example.

- Hermes send 11.5 million consignments to NI from GB every year
- Yodel send 6 trailers daily to NI from GB, each trailer has 5,000 consignments totalling 30,000 consignments daily.

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The UK government is currently planning that S&S declarations be required for each of these consignments. If implemented this policy will increase transport costs, which in turn will increase the cost to consumers for everyday post and parcel items. It could also lead to some operators withdrawing from the market, creating supply side restrictions and higher prices. It could even mean the withdrawal of some online retailers from the NI market entirely

A simpler but equally secure approach would be to put in place strict safety and security controls at logistics firms' premises and vehicles under the existing security scheme set up under the UN SAFE framework known as AEO S which is also established under both UK and EU customs law. Accredited firms must meet high standards of security for both the storage and transportation of goods and are subject to regular audits as well as stringent qualifying criteria.

AEO S would be recognised by both the EU and the UK and would provide a high-security, safe system. Under the NI Protocol, AEO S firms would be allowed to present "truck level" S&S declarations, dramatically reducing the cost and subsequent impact on consumer prices and a "green lane" at ports to allow quicker movement.

Simplified Transit controls for Northern Irish goods sent to Great Britain via Republic of Ireland

Current guidance from HMRC states that NI goods moving to GB via Dublin will have to complete Export formalities at Dublin and Import formalities upon arrival in Holyhead. This would lead to cost and delay implications. This issue could be resolved by incentivising the large-scale adoption of the Customs Transit facilitations Authorised Consignee and Consignor, to enable businesses to clear goods at their distribution centres and transport them in secure HGVs.

Access to International Markets

To protect and support the continued operation of the all-island economy, the Joint Committee should agree an accommodation of Northern Ireland under the operation of EU Free Trade Agreements and tariff rate quotas. A failure to do so would be unduly disruptive to highly integrated all-island supply chains that are, and will continue to be, bound by EU customs rules and standards.

Additional Time to Adjust

Given the many problems with preparations summarised above, and the need for consideration on trusted trader schemes to reduce supply chain impacts, additional time is required to implement the trade procedures for GB-NI trade.

CONCLUSION: PROTECTING NI COMMUNITIES

The joint EU/UK determination in the preamble to the Protocol that it should, "*impact as little as possible on the everyday life of communities.*" we would urge both the UK and the EU to consider this as the highest priority issue, and to agree appropriate mechanisms and allow sufficient time to adjust to our new framework.