

Logistics UK – Written evidence FUU0011

About Logistics UK

Logistics UK (the new name for FTA) is one of Britain's largest business groups and the only one providing a voice for the entirety of the UK's logistics sector. Our role, on behalf of over 18,000 members, is to enhance the safety, efficiency and sustainability of freight movement throughout the supply chain, across all transport modes. 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.

Summary of Logistics UK View

- Supply chains and the logistics sector need clarity on future GB-NI processes to ensure we avoid a cliff edge at the end of grace periods on 1 April. In under two months, the extension of the SPS grace period and the extension period for no customs declarations on parcels from GB to NI will expire. We encourage government to negotiate an extension to the current grace periods to be announced as soon as possible to allow time for long-term solutions to be developed.
- Logistics UK believes a long-term solution such as a Retail Movement Scheme is needed for GB to NI food shipments; this would be an auditable and certified supply chain to simplify SPS requirements as well as customs formalities for authorised business. This would allow the free flow of wholesale goods to retailers in Northern Ireland and simplify the largest trade flows into NI.
- For parcel delivery services from GB to NI Logistics UK believes that a trusted trader scheme is required to enable authorised parcel operators to use 'truck level' safety and security declarations rather than consignment-level declarations. The Authorised Economic Operator scheme could be adapted and used for this purpose because its rules are mutually recognised by both the EU and UK.
- For UK and EU trade our priority ask is for Government to negotiate enhanced HGV market access. UK hauliers that require many stops within the EU such as those carrying musical touring equipment, servicing F1 teams and exhibitions, must not be limited to just two additional stops before returning to Britain. Under current conditions

the logistics sector is concerned that significant amounts of UK operator business will be lost.

Response to inquiry

1. As opposed to other possible outcomes, what does the presence of an EU-UK free trade agreement mean for trade in goods?

Logistics UK welcomed the EU-UK free trade agreement but believes that there is still much to be done to protect the nation's supply chains. The sector was pleased the agreement removed the risk of tariffs being placed on almost every item imported from the EU, which would have raised prices and slowed the rate of economic growth. HGVs continue to have access to the EU market (albeit with some exceptions), and aircraft are still be permitted to fly to and from the EU, which safeguards the UK's highly interconnected supply chains and protects jobs. Unfortunately, due to the lateness of the deal being signed the logistics sector had limited time to prepare for the end of the transition period and members are still bedding down the new processes required. In particular, the new trading relationship has brought in the introduction of customs declarations and additional checks on food and livestock but the delay in UK declarations to July has helped. Whilst not perfect the deal provides a base from which future negotiations can take place. To fully take advantage of the zero-tariff conditions negotiated as part of the TCA, importers and exporters are facing significant challenges to understand and use Rules of Origin. While initial Government guidance on rules of origin was published just hours before the entry into force of the new trading relationship, we welcome efforts displayed by HMG to provide more user-friendly resources.

2. What is your assessment of the relevant provisions in the TCA and their impact on your business or policy area?

Leaving the EU Customs Union and Single Market means that there are now additional requirements to trade with the EU. Four of the main issues are:

Customs declarations and checks

Although there is a deal to provide zero-tariffs, customs declarations are still required, and a percentage of shipments are routinely checked to ensure these have been done correctly. Customs declarations must be

submitted by specialist customs agents with the right IT system and knowledge of how to do it.

Safety & Security Declarations

These are separate and additional to Customs declarations; with over 30 data fields providing info on what the consignment is, who is the consignor and consignee, what mode of transport is used and many more issues.

Rules of Origin

To claim zero tariffs, importers must produce a special declaration that the products was manufactured in either the UK or the EU. From 1 Jan 2022 the exporter will need to have signed documents from suppliers that they are also based in the UK or EU. Goods produced outside the UK or EU cannot claim zero tariffs – e.g. handbag made in Thailand and sold from an EU company to a UK customer would require customs duties to be paid.

Agri food (Sanitary and Phyto Sanitary) rules and checks

Perhaps the most complex non-tariff barrier for EU trade are the rules on food and agricultural products, covering a wide variety of products, from sandwiches to pet food to rare plants. So far compliance with these complex rules has caused some issues with moving goods from GB to NI, but individual non-compliance cases have not translated into major systemic impacts on trade flow between the UK and the EU; in large part because currently the UK is not carrying out certification or checks for food products arriving from the EU. This will change later this year (1 April for some products and 1 July for everything), so it is vital for EU governments and food producers to be aware and to plan. Adequate facilities must also be ready in time for these SPS checks on inbound trade.

3. What do those provisions achieve?

As noted above, the provisions provide for a stable framework of trade between the UK and EU, with zero tariffs for goods manufactured in these countries. The deal also introduces several administrative procedures to trade with the EU and take advantage of zero tariffs, including customs declarations, SPS certification and checks, and Rules of Origin requirements. The deal also provides for transport connectivity on both Road and Air.

4. What, if any, challenges arise because of those provisions? How should these challenges be addressed and what support is needed, if any?

5. What do you identify as the most important issues that the TCA leaves for further negotiation? What would represent a best-case resolution of these issues?

GB-NI

From 1 April 2021, an agreed three-month grace period expires therefore requiring all products of Plant & Animal origin to have an Export Health Certificate when exported from Great Britain to Northern Ireland. This will result in high levels of administration that require significant time and money to complete thus adding costs to what is often low margin food destined to retail outlets in Northern Ireland.

In addition to this, from 1 July 2021, an agreed six-month grace period enabling Prohibited and Restricted products of animal origin such as mince and sausages to enter Northern Ireland from Great Britain will expire. This means that those listed goods cannot legally be sent to Northern Ireland therefore meaning the retail and hospitality sector will either have to source alternative products from Northern Ireland or the EU or be unable to offer such products to their customers from 1 July.

Logistics UK believes that the UK Government should seek significant extensions to the grace periods to enable businesses to properly prepare, enable government to put into place support mechanisms and lastly allow traders to re-configure supply chains if necessary.

UK Government must also agree with the EU a Retail Movement Scheme. This would be an auditable and certified supply chain to simplify SPS requirements as well as customs formalities for authorised business. This would allow the free flow of wholesale goods to retailers and food service providers in Northern Ireland and simplify the largest trade flows into NI: 65% of trade by value into NI from GB is for wholesale & retail.

UK-EU road transport

As per the transport provisions the Trade and Cooperation Agreement UK road transport companies are limited to two journeys within the EU before having to return to the UK. This limits the numbers of journeys abroad and this is incompatible with certain business models, i.e. when the same load needs to be moved to different successive locations across Europe and returning to the UK between these deliveries is unnecessary and inefficient. This mostly affects touring companies moving equipment between concert venues but also other cultural events and "entertainment transport" (theatre, orchestras, sports events and certain exhibitions).

Currently, the UK is the main hub for US artists who start their Europe tours in the UK because they find all the services and expertise, they need in one place. It is not sustainable for UK based hauliers to service the events sectors and could result in significant work being lost to EU operators.

Should EU operators step into this market segment, the loss to the UK economy would not only affect these touring companies which have demonstrated unparalleled expertise and experience, but other related industries (e.g. lighting industry; public address, i.e. microphones, amplifiers and loudspeakers; video companies, etc). The risk of this relocation affects the whole of this ecosystem. It is worth noting that the UK music industry contributed £5.8 billion to the UK economy in 2019 and the income from all foreign tours for orchestras brought in revenue of £14.4m.

Logistics UK believes it is vital that a solution is found for touring companies as the two-journey limit in the Trade and Cooperation Agreement is an existential threat and a British success story is at risk.

Air transport

Aviation needs confirmation of a long-term, sustainable plan for 5th freedom operations going forward. Whilst work is ongoing on bilateral agreements with individual Member States these are only temporary arrangements and the sector requires reassurance on permanent solutions.

Rules of Origin

UK importers of goods from the EU will need to demonstrate to HMRC that the products have been manufactured in the EU to claim zero tariffs. This is a significant administrative burden although there is clear guidance from the government on how to do this. Records must be kept for three years. From 1 January 2022, importers must get "Supplier's Declarations" from their EU exporter, adding to the cost of sale as there can be multiple suppliers from multiple countries for some products. This process is also required for EU importers buying from UK exporters which has the potential to dampen UK exports going forward.

6. Within the parameters of the TCA, what should the UK seek to accomplish with the EU in relation to your industry or policy area in the short, medium and long term?

In the short term the UK must seek an extension to the grace periods for the movement of sanitary and phytosanitary goods from GB to NI to ensure business has sufficient time to prepare. In the medium to long term the UK must find solutions to HGV market access for two or more

journeys in the EU before returning home. For aviation a permanent solution is needed for the 5th freedom operations.

Logistics UK also urges Government to make use of all the joint coordination bodies that form the governance structure of the TCA, including all relevant specialised trade committees, to anticipate and address any difficulties that may arise from the implementation of the agreement as regulations are being revised both on the UK side and in the EU. It is crucial to identify and avoid any unintended consequences that would have detrimental effects on transport, trade and logistics.