Written evidence submitted by British Retail Consortium (BRC) (FRE0028)

Executive Summary

- The BRC favours a zero-tariff, zero-quotas deal accompanied by strong customs and other trade facilitation measures for UK-EU trade from these negotiations.
- We urgently need details of the UK's future import processes to ensure our suppliers are ready on 1 January 2021
- We would prioritise agreements on mutual recognition of conformity assessment for electrical and industrial products, facilitative processes for cross-border trade in chemicals and pharmaceuticals, on reducing the incidence of physical checks for sanitary and phytosanitary (SPS) reasons, and securing a safety and security agreement with the EU.
- We require generous rules of origin which allow for diagonal cumulation with content from the EU's and UK's existing free trade agreement (FTA) partners.
- We must achieve a zero-tariff deal with the EU. Otherwise, consumers would face substantially higher costs under those applied tariffs compared to a zero-tariff, zero-quotas deal.
- We are concerned at the lack of progress in negotiating a veterinary agreement even on the New Zealand model between the parties. This would reduce the incidence of physical SPS checks for products of animal origin on arrival at a Border Control Post (BCP).

Introduction

1. The British Retail Consortium (BRC) is the UK trade association for retailers. Our members include online and non-food retailers, including household furniture and home improvements, clothing, footwear, textiles, medicines, cosmetics, and many of the major food retailers, who between them account for over 60% of the UK's grocery sales, as well as several food-to-go companies.

2. Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail industry and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our society. The BRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference.

3. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3Cs.

4. In addition to publishing leading economic indicators on UK retail sales, footfall and shop vacancies in town centres, our policy positions are informed by our over 100-strong membership and determined by the BRC Policy Board.

5. We welcome the opportunity to contribute to the House of Commons Select Committee on the Future Relationship with the European Union inquiry on the Progress of the Negotiations. The BRC's focus through our campaign A Fair Deal for Consumers has been

to ensure UK consumers, prices, quality and availability are at the heart of the negotiations on the future relationship. Our research demonstrates why achieving a satisfactory future relationship deal is vital for consumers served by the retail industry.

Responses to the Committee's questions:

- To what extent do the Government's negotiating aims meet the needs of your sector? What would you have preferred to be different? On which areas do you believe it should prioritise reaching an agreement?

The UK Government's negotiating positions meet our objectives on zero-tariff, zero-quotas trade with the EU, which is vital both in terms of goods inbound to the UK and exports to the EU. 80% of our food imports are from the EU and the vast majority of those would have a tariff applied. This would put significant pressure on food prices for all UK consumers. we believe ensuring on a zero-tariff, zero-quotas outcome should be the primary focus of the remaining negotiating period.

We would also prioritise agreements on mutual recognition of conformity assessment for electrical and industrial products, facilitative processes for cross-border trade in chemicals and pharmaceuticals, on reducing the incidence of physical checks for sanitary and phytosanitary (SPS) reasons, securing a safety and security agreement with the EU to eliminate entry and exit summary declarations, an agreement on mutual recognition of organic food, and generous rules of origin which allow for diagonal cumulation with content from the EU's existing free trade agreement (FTA) partners (of major importance for clothing, footwear and textiles retailers).

We would have favoured negotiating objectives which afforded more frictionless trade in goods than is now on offer. This would have allowed for fewer checks on goods (particularly chemicals, medicines, and products of animal origin) at ports and airports and maintained the speed, quality and efficiency of supply chains from the EU to the UK which have been a feature of the recent COVID-19 outbreak in Europe.

- Given the UK and the EU's starting positions, are there any areas of reported disagreement that particularly concern you or your organisation? If so, what are they and why?

We would be deeply concerned with a deal which had tariffs. Given the UK Government's recent UK Global Tariffs retailers and consumers would face substantially higher costs under those applied tariffs compared to a zero-tariff, zero-quotas deal.

We are concerned at the lack of progress in negotiating a veterinary agreement even on the New Zealand model between the parties. This would reduce the incidence of physical SPS checks for products of animal origin on arrival at a Border Control Post (BCP). An agreement on the Norway or Switzerland models would have allowed for the maintenance of no SPS checks between the EU and UK and indeed between GB and NI and prevent major compliance costs to food retailers in terms of export health certificates, which will likely be a requirement even if an agreement is now reached.

We would also seek a security and safety agreement on either the Norwegian or Swiss

models which would eliminate the need for any exit or entry summary declarations which will involve additional costs for retailers, freight forwarders and customs agents.

We would also seek an agreement on mutual recognition and facilitation of trade in organic foods on the EU-Chile model.

We would also seek an agreement on mutual recognition on conformity assessment of particular importance for electrical and industrial goods.

We would also favour rules of origin between the EU and UK which allow for full cumulation of qualifying content between the UK, the EU and their present free trade agreement (FTA) partners to ensure supply and sourcing chains are not disturbed at the end of the transition period. We would favour this approach over cumulation between the UK, the EU and some of their present FTA partners to be on the basis of the Pan-Euro Mediterranean (PEM) Convention.

• The Government said it would "invite contributions about the economic implications of the future relationship from a wide range of stakeholders via a public consultation", and that this process would "begin later this spring". What are your views on this consultation? What was positive and negative about the Government's overall strategy to engage with business in advance of publishing its approach to the negotiations?

The BRC was consulted by UK Government officials in the winter on our priorities for the future relationship negotiations. A wider consultation would be effective in making the public case for a zero-tariff, zero-quotas deal with as little additional red tape as possible on the cross-border movement of goods.

Despite the huge focus on managing the supply chain during the COVID-19 outbreak we have consistently called for greater engagement with the UK Government on preparations for trade after January 2021. Having dealt with the disruption of the COVID-19 outbreak we are acutely aware of the potential disruption to UK consumers of a thin deal with the EU or a lack of preparations to reduce border friction. We are now beginning discussions again with the UK Government, but retailers and their suppliers now face a rush to ensure supply chains are functioning by the end of the year.

• Since the negotiations began, to what extent have you been kept abreast of developments? Have you found the updates from negotiation rounds helpful in assisting your sector to plan for the remainder of the Transition Period? If so, how?

We have had some engagement from officials on the areas of discussion in the negotiating rounds and gleaned more information on likely positions from a comparative reading of the two initial negotiating texts from the UK Government and the European Commission. Work on preparedness within our industry has come from our analysis and advice rather than government briefings. There have been no preparedness notices for steps to take in advance of the end of the transition period issued by the UK Government for UK companies to date.

• What steps are you taking to prepare for the end of the Transition Period? Do you have the necessary information and resources to prepare effectively? How long do you need

once the final nature of any deal affecting your sector is known to prepare for new arrangements?

Our members have continued to work with us to ensure they are as well prepared as possible. However, it is impossible to prepare effectively when we have no visibility of the regulations we will face at the borders. Time is running out quickly for our members as they need to make appropriate changes to their systems and ensure their suppliers are also ready for next January. Whilst they had prepared for no deal that was never going to mitigate the huge problem they would have faced and currently they find themselves in a similar situation.

It is clear that with or without an agreement that customs declarations will be required and that EU-GB goods transactions will be treated as imports for VAT purposes. We still have no clarity on the precise forms, paperwork or databases or fields in software to be used to be compliant with new cross-border trading rules. On other areas there is even less clarity, such as on the requirements for SPS controls at the EU and UK borders, rules of origin, safety and security arrangements on goods, Common Transit Convention processes, and of course tariffs. Adjustment periods for each specific regulatory or border change will vary, but across the piece a period of at least 6 months appears necessary to bring IT, training, and company processes into the place to make the exit from the transition period arrangements work.

- How prepared is your business for the possibility of leaving the Transition Period without a trade deal in place on 1 January 2021? What discussions are you having with EU business partners in order to make contingency plans?

Preparations for leaving without a deal are limited. Although all retailers prepared for this several times before they were also aware issues outside their control, such as huge delays at the borders would mean they could only mitigate the problem. The problem remains that most food travels across the short straits and the likely disruption at those ports of leaving without a deal would have a significant impact on UK consumers. Difficulties in relation to VAT and customs duties are acute in relation to delivery duty paid modes of goods supply.

- How much progress would you need to see at the high-level summit in June to give confidence that a deal will be done? If it appears in June that a trade deal looks unlikely, how do you expect this to affect business behaviour? How important is an FTA to your sector versus trading on WTO terms?

If there is no extension to the transition period (as appears to be the UK Government's position) we would anticipate no agreement until at least October. Our member companies will therefore have to prepare for expiry of the transition period with the strong possibility that a deal may not emerge until two or three months to go until expiry. Prudent firms therefore have to assume the worst-case scenario and prepare as best as possible for that. If an agreement or a no agreement scenario with mitigations makes trading terms easier that would be a bonus but would still involve additional preparation time until the new agreement could be properly implemented.

WTO terms would mean a major reduction in customs, chemicals, pharmaceuticals, intellectual property trade facilitations compared with the transition period terms and those of recent EU FTAs. This would be difficult for business to adjust to in a very short period.

- How, if at all, are you seeking to influence the EU in these negotiations? What engagement have you had with the Commission, European Parliament or any other EU organisation?

We had engagement with the EU institutions prior to EU exit in January. The Northern Ireland Retail Consortium engages with the UK Taskforce of the European Commission on issues of mutual interest of relevance to implementation of the Protocol on Ireland/Northern Ireland.

- How has the COVID-19 crisis affected your ability to prepare for the end of the Transition Period? Have you learned any lessons for contingency planning and supply-chain preparedness from your experiences with COVID-19 that could be applied to preparations for the end of the Transition Period?

EU and other supply chains into the UK remained strong and efficient during the COVID- 19 outbreak in Europe, despite the devastating outbreaks in countries such as Italy and Spain, food and other products continued to be exported to the UK with limited problems. Leaving the transition period arrangements without a future relationship agreement in place in line with our recommendations could well result in a supply chain shock affecting retailers and consumers alike in terms of choice, availability, and quality.

In essence the problem in moving food to stores during the COVID-19 outbreak was a UK logistical one, not a supply issue, as supplies remained good. Leaving without a deal in January could be a bigger problem for the supply chain as we are heavily reliant on EU imports of fresh fruit and vegetables at that time of the year, alongside other all year round imports. That would mean disruption to the supply chain retailers could not influence in the same way as the COVID-19 outbreak where they have increased staff rapidly in storage and distribution in the UK to cope with unprecedented consumer demand.

- Considering the Coronavirus pandemic, is your business calling for an extension to the duration of the Transition Period? If so, why? If not, why not?

We have made it clear to the UK Government the consequences of not achieving a good deal but believe there is still time to achieve this and implement adequate preparations. We hope to see progress in June and will work closely with the UK Government to ensure our sector is as well prepared as it can be.

May 2020