

Aston Chemicals Ltd – Written evidence (FFT0009)

Introduction:

Aston Chemicals Ltd is a UK distributor of speciality chemicals. We import chemicals from all around the world into our UK headquarters and warehouses. We then supply these chemicals to manufacturers of Personal Care products in the UK, and also export them to manufacturers based in the EU. Over the past 30 years we have grown from nothing to a medium sized company, employing people in the UK and Poland, supporting UK manufacturers, and contributing to the UK economy and public services. The trade barriers caused by Brexit have already damaged our business and led to manufacturers leaving the UK. The future looks even more bleak without a sensible UK-EU trade agreement and close alignment on chemical regulations. The UK government's current plans appear likely to cause immense disruption, increased costs, duplication of animal testing, the destruction of previously thriving industries, and the resultant failure of businesses, job losses, reduction in UK tax revenues and negative impact on UK public services, and the UK population. I am therefore speaking about the damage we see happening, and asking the House of Lords and Parliament to do everything possible to prevent Brexit from causing a long-lasting catastrophe for the UK.

1. What are likely to be the key non-tariff barriers affecting future UK-EU trade in goods and how could these affect the operations of UK businesses?

For our business there are two main non-tariff barriers:

UK REACH:

The UK government's plan to leave the EU Chemicals Agency (ECHA) and require all chemicals to be REACH-registered again, under UK REACH, will cause huge additional costs and complexity for UK importers, exporters and manufacturers. This will lead to manufacturers moving out of the UK (this is already happening), some chemicals and products being unavailable to UK consumers, increased prices for all chemicals imported into the UK, and decreased competitiveness of UK companies exporting into the EU. It will also lead to the duplication of animal testing. UK REACH, in its present form, will cause insurmountable costs and problems for many UK companies, and will destroy many UK businesses. Some more detail on why this is, here:

Most REACH-registrations of chemicals used in the UK were conducted and paid for by the manufacturers of the chemicals. These manufacturers paid huge amounts of money and spent years organising the registrations, including many animal tests. The costs were worthwhile because the reward for registration was access to the whole EU market including the UK.

To give some background on the size of the costs involved:

- Aston Chemicals is a relatively small distributor and supplies about 300 chemicals which already have EU-REACH registrations to UK manufacturers. Each single substance registration has cost each legal entity between €50,000 and €250,000.
- Manufacturers are unlikely to pay to repeat the testing and registration process for UK REACH, and so if we want to continue to supply these chemicals in the UK Aston Chemicals would have to manage and pay for UK REACH, including any animal testing. Aston Chemicals is an SME, our turnover and headcount have been significantly reduced by the effects of Brexit and Covid-19, and we cannot afford to do this.

Many of these manufacturers will not repeat the process for UK REACH because the UK sales alone do not warrant the duplication of expense and work. Their products will therefore not be available in the UK in the future. In some cases this will result in that chemical not being available for UK manufacturers, although it will still be available for EU manufacturers. In other cases it will mean a reduction in the number of suppliers of a chemical, hence reducing competition in the UK, and probably increasing prices. In all scenarios, the chemical manufacturers doing the UK-REACH-registration will need to recoup the costs of registration, and will do so by increasing the prices of their products in the UK.

Personal Care manufacturers who want to continue to use these chemicals to manufacture products for sale in the EU will move manufacture from the UK into the EU, where they are still available with no extra cost or work. Several of our customers are already doing this.

Aston Chemicals also currently exports chemicals from the UK into the EU. These chemicals are currently imported from around the world into the UK, before being exported to the EU. This allows us to consolidate freight and warehousing, and pay our Customs duties to the UK government. UK REACH will make this impossible, and instead all chemicals destined for the EU will bypass the UK and be shipped from around the world direct into the EU. The UK will lose their share of our Customs duties for these products, our UK freight and warehousing partners will lose our business, and administration work will move from the UK into the EU.

UK REACH will reduce the availability of UK-manufactured products, because their chemical ingredients are no longer available in the UK. In theory these products could be manufactured in the EU and imported into the UK. But, if UK-REACH works in the same way as current EU-REACH does, then any chemical brought into the UK with a total volume of over 1,000Kg per year, either in the form of the chemical itself or included in a finished product, would need to be registered. There would therefore still be a limit to the amount of the finished product that could be imported into the UK – this would lead to shortages in availability of all finished Personal Care products.

It is also clear that HSE and DEFRA do not have the budget or manpower to manage UK REACH. It also does not seem to have a working IT system yet, which would be necessary to manage thousands of UK REACH registrations.

The costs of UK-REACH are huge. Some include:

For Chemical Manufacturers:

- Re-registration
- Re-purchase of test data from companies/groups that have performed it.
- Repeat of animal tests
- Administration costs (huge, multiple people, over a long time)
- Costs of constant monitoring of volumes brought into the UK
- All costs are duplicated, as this has already been done while UK was in the EU.
- Or loss of sales to UK if above costs not considered worthwhile.

UK Personal Care Manufacturers:

- Re-formulation of products to remove non-UK-REACH chemicals
- New safety testing, artwork, labelling etc

- Costs of lost work, as products that cannot be made without lost ingredients are made in the EU instead of the UK, and Global Brands move manufacture from UK manufacturers to EU manufacturers.

Consumers:

- Fewer Personal Care products available in the UK.
- Prices of Personal Care products increase due to increased prices of chemical ingredients, increased costs of importing products from the EU instead of making them in the UK, and reduced competition for chemical ingredients and final products increasing prices.

Delays at ports:

We ship products between the EU and the UK by road every day. Any delays cause disruption to freight organisation and manufacturers' production schedules, cause additional costs, and reduce the competitiveness of UK companies compared to EU-based importers and manufacturers.

The U.K.'s draft Brexit border plan has no detail on how Dover-Calais lorry traffic would work after transition, and there is still no confirmed plan for how lorries will be able to seamlessly cross between the U.K. and EU. There also appears to be no working IT system, and not enough border personnel. This will affect the speed and cost of both imports and exports. The EU says it will impose full customs controls on UK exports from Jan 1, 2021, so reducing the speed and ease of exports from the UK to the EU, and again reducing the competitiveness of UK companies.

Additional checks and delays at borders will slow down UK manufacturers and increase their costs, making UK-made products less competitive in the EU and losing business for UK companies.

Aston Chemicals will address this problem by bypassing the UK as much as possible, and shipping products from around the world direct into the EU. However this will increase our costs and reduce our competitiveness versus our EU-based competitors, thus increasing the likelihood of business being lost by UK companies and gained by EU companies. It will also mean that we do not pay Customs duties to the UK government, and UK freight partners lose our business.

2. What are likely to be the most important technical barriers to UK trade with the EU? How could these be addressed in the future UK-EU trade agreement and what precedents exist in other trade agreements?

UK REACH, as detailed above:

For our business, leaving ECHA and replicating EU REACH with UK REACH is the most important technical barrier to UK trade with the EU. This could be addressed by:

- i. The UK seeking to remain a member of ECHA, and recognising all current and future EU REACH registrations. This would remove all of the costs to UK businesses listed above, and remove the impetus for manufacturing to move from the UK into the EU. It would also remove the need to duplicate animal testing for both current and future REACH registrations, which is likely to be popular with the public.

OR, if the UK is determined to set up UK REACH:

- ii. ALL current EU REACH registrations to be accepted and recognised by the UK chemicals agency. The current proposal is for only current EU REACH-registrations that continue to be held by a UK legal entity to be grandfathered into UK REACH. We are already

seeing many companies moving their registrations away from UK legal entities so as to protect their EU-27 REACH registrations. As all current EU REACH registrations were conducted to the same standards and assessed by the same agency (ECHA), all current EU REACH registrations should be treated the same by the UK. This would save a huge amount of duplication of work, and its attendant costs in time, money and animal testing requirements.

- iii. New EU-27 REACH registrations to be recognised and accepted by the UK. EU-27 registrations will continue to be conducted in the same way that they have been, which has been acceptable in the UK up to now. This will allow UK companies to register chemicals in the EU-27 via an Only Representative (OR), and so to continue to export these chemicals into the EU-27 countries. If the UK then also recognised EU-27-REACH registrations, UK companies could also then continue to supply in the UK. This would allow continuity of supply in both the UK and EU-27 without the complete duplication of each new REACH registration and the attendant doubling of costs, manpower, and animal testing.
- iv. For new chemical registrations, companies could send the same data for new registrations to ECHA and the UK chemicals agency at the same time and at no extra cost.

The above proposals would save UK companies time and money, while ensuring continuity of supply of chemicals to UK manufacturers and making it unnecessary for manufacturers to move out of the UK and into EU-27 countries to ensure they can obtain the chemicals they need. It would also drastically reduce the number of employees needed by a UK version of ECHA and reduce the requirement for a very large and complicated new IT system to manage UK REACH registrations, (ECHA had 11 years to prepare for the implementation of REACH).

Technical Delays at Ports:

As described above.

3. What form of regulatory cooperation should there be between the UK and EU, including cooperation with EU agencies?

As described above, ideally the UK should seek to remain a member of ECHA, and recognise all current and future EU REACH registrations. This would remove all of the costs to UK businesses listed above, and remove the impetus for manufacturing to move from the UK into the EU. It would also remove the need to duplicate animal testing for both current and future REACH registrations, which is likely to be popular with the public.

The UK should also seek to remain in the Customs Union and Single Market, to avoid the delays and costs associated with freight between the UK and EU after Transition.

4. How could the UK and EU minimise the costs and disruption associated with any testing and compliance processes that will be required, including conformity assessments? How effective would mutual recognition be in keeping these to a minimum?

As described above, the UK and EU could minimise costs and disruption by the UK remaining a member of ECHA. This would be extremely effective at removing all additional costs and disruption.

5. How could customs processes and documentation be simplified to support UK-EU trade? What role could new technology play in this regard?

If the UK leaves the Single Market and Customs Union there is no process or documentation that can simplify the customs processes to be as fast and cheap as the system we had when we were in the EU. The most effective way to keep customs simple is for the UK to remain in the Customs Union.

6. What improvements should be made to existing customs facilitations, such as trusted trader schemes, particularly for the benefit of small and newly-established businesses?

We do not find existing customs facilitations to be helpful.

7. Are there any other areas where the UK or EU should be more ambitious in reducing the costs associated with non-tariff barriers?

- Seek continued membership of ECHA
- Seek continued membership of the Customs Union
- Seek continued membership of the Single Market

8. What impact would the absence of a UK-EU trade agreement at the end of the transition period have on non-tariff barriers and, consequently, UK businesses? How prepared are UK businesses for this situation and what should they be doing to get ready?

The absence of a UK-EU trade agreement would be a catastrophe for UK businesses. The non-tariff barriers would be as harsh as possible, without any further opportunity for collaboration with EU agencies in order to reduce their impact. UK businesses are not ready for this for several reasons:

- i. We still don't know what we should be preparing for. In our case, we still don't know what the situation will be for REACH, and anyway we cannot start preparing for a UK REACH system as it has not yet been set up and there is still no working IT system.
- ii. We do not have the money or manpower to "frivolously" spend time and money preparing for something that may not happen. We cannot afford to waste time and money making preparations that may turn out to have been unnecessary, or the wrong ones.
- iii. Due to Covid-19 we have reduced manpower due to furloughs and redundancies, and reduced cashflow due to the closure of many businesses and the collapse of many industries.
- iv. Due to Covid-19 we have not been able to travel to the EU to make essential physical inspections of potential new warehouses and partners in order to maintain our EU export business post-transition. This has severely limited our ability to maintain our business after transition.
- v. It will never be possible to be "ready" for a no-deal Brexit because its effects are so damaging and costly. They are also unnecessary and pointless, and burden UK companies with new costs, bureaucracy and problems while reducing their global competitiveness and opportunities for growth, for absolutely no gain. No matter how hard businesses try to "prepare", nothing will change the fact that no-deal Brexit will damage UK businesses, the UK economy, UK tax revenues and the public services that depend upon them.

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