

Lords Select Committee: European Union Committee

EU Goods Sub-Committee

Future UK–EU relations: trade in goods

Submission by the Chartered Institute of Transport and Logistics (CILT)

February 2021

Introduction

- 1 The Chartered Institute of Logistics and Transport (CILT) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be widely disseminated and adopted. The Institute has specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. CILT can provide a witness to cover all the issues in this note or, if required by the Committee, specialists in particular modes.

Questions

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

- 2 The original intent of the FTA set out to ensure an enduring agreement that although outside the EU Single Market and Customs Union would promote quota and tariff-free trade between the UK and the EU including goods and services. This would have allowed EU and UK business to continue to trade profitably whilst accepting the UK requirements for restricted mobility of EU labour, termination of influence of the European Court of Justice over UK law and the freedom of the UK to enter into free trade agreements globally outside EU jurisdiction. This was not approved after four years of negotiation.

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

- 3 The eventual outcome of the prolonged Transition negotiations turned out not to be a Free Trade Agreement after all but the UK-EU Trade and Co-Operation Agreement (TCA) which although a definition of HMG's interpretation of sovereignty, is not a free trade agreement. There is still a backlog of HMRC and DEFRA compliance for industry adherence and the completion of import inspection facilities which are required first in April and in more volume and detail in July. The scale of work in hand is contained in the accompanying BPDG slide pack Moving Goods via ports in the Netherlands and Belgium 27.01.21 (submitted separately). Updates from gov.uk are being issued daily as the TCA is interpreted by the relevant Government departments and agencies. A significant area of policy that slipped through the net is product specific rules of origin (TCA Annex Orig-1) which is complicating Northern Ireland trade and which is adding complexity and cost to supply chains relying on cross border work in progress.

What do those provisions achieve?

- 4 The road transport sector has benefited from DfT's support within the Brexit negotiation in turn supported by CILT UK's four year program of advice on behalf of its membership through its place on the Logistics Steering Group of BPDG, incorporating the agency of HMRC, DEFRA, and Border Force. Of key importance is maintaining the freedom for UK hauliers to travel through EU and beyond without ECMT permits. Two journey cabotage has been retained (not quite as free as before), p246-256 of the TCA, drivers' hours and rest periods are clearly set out p848 as well as the "posting of drivers", the sharing of HGV drivers between UK and EU be it for limited periods and subject to visa rules of course, helping to resolve the UK's driver shortage. There are similar accommodations for bus and coach operators travelling to/from UK into the EU, with pick-up and drop-off rights but not quite so generous as when we were in a single community. AEO(S) trusted trader status is recognised between UK/EU as compatible including parity of treatment, p533, which will speed movement through ports of entry and exit.

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

- 5 Although at face value the TCA saved UK traders from quotas and tariffs it does not remove the requirement for every cross border freight movement including empty pallets and packaging from customs entries, estimated as an additional burden of 255 million entries per annum, an administrative cost to UK traders of £7.5 billion (NAO 2020).
- 6 The Northern Ireland Protocol has had a less successful introduction. The TCA resolved a number of former confusions (NI was excluded from the Border Operations Model for political reasons) by confirming that NI as far as freight movements are concerned remains within EU, but not fulfilling the promise that no documentation burden would result. Rules of origin and SPS documentation result in an administrative burden in both directions adding to supply chain cost, the implementation of which, though assisted by the Trader Support Service (TSS) at time of writing is still confusing many transporters resulting in turn-backs particularly for the organic and perishable sectors on both sides of the Irish Sea. An on-going situation.

What do you identify as the most important issues that the TCA leaves for further negotiation?

- 7 **ISPM15 pallet impregnation:** DEFRA lost the argument by supporting the EU and WTO pallet standard at UK supply chains' expense, which is likely to result in UK becoming the main source of supply for impregnated pallets into the EU at a premium of about £10 per pallet with no reciprocal test arrangement for inbound non-conforming unit load devices.
- 8 **The air services agreement** TCA p221 is helpful by UK air carriers being able to fly in and out of EU destinations with assumed compliant airworthiness and maintenance standards: for this UK sacrificed our hard won fifth freedom rights for passenger services (pick-up transfer passengers at EU destinations for ongoing sectors). Although fifth freedom rights have been retained for air cargo complete with freedom to truck air freight between territories as current practice p235 (a bonus for supply chain evolution) it is important that 5th freedom rights are re-established for passenger services or London Heathrow Airport risks losing its status as an international hub.
- 9 **Professional qualifications transfer.** The TCA excludes the right of transfer for UK airline pilots and international train drivers with automatic parity of professional qualification: this is hampering UK flight and rail operations between UK and EU and requires immediate resolution. The transfer of professional qualifications outside road transport is a much broader topic for resolution, outside the scope of this call for evidence. **Rail transport** is excluded from the TCA.

As the only rail link with the EU is French owned as is the passenger and truck carrying rolling stock the ongoing operation is out of UK hands no doubt subject to the more general terms of communications and cooperation. But it is important that HMG supports the link for international travel and particularly in freight developments such as intermodal trailer trains to de-load the focus on short straits trucking.

What would represent a best-case resolution of these issues?

- 10 There is much more to discuss in the 1286 page document influencing supply chain management, particularly the sections on product specific rules of origin (2A), statements of origin (4), motor vehicle parts (TBT1), organic products (TBT4), and a large section on customs matters from p1062 – 1126. BPDG working with the UK mission to the EU should continue to rebuild trusted relationships with the 27 member states all of whom exhibit variations in detail in regulation and operational tradition under subsidiarity now that the negotiation of the heads of agreement with the EU Commission has ended. This program should receive immediate robust and sustained HMG support through all relevant ministries and agencies.

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?

- 11 **The immediate term.** The TCA has highlighted short falls in agreement on the rules for HMRC and DEFRA certification of origin and the imposition of single and double duties which at the time of writing is hampering work in progress movements in both the automotive and apparel industries and particularly in the food processing industry. This is hindering UK export performance. The operation of RoRo and the move to substitute Lolo (maritime short sea unaccompanied trailer and short sea container services) is being hampered by EU port performance as a result of mistakes in UK documentation and a shortage of ongoing wheeled traction, though rail services have an opportunity to expand to fill the lacuna. Meetings organized by BPDG with French, Belgian, Netherlands, German and Spanish port, customs and public health authorities should continue at pace to iron out UK export hold-ups. **UK ports readiness** away from the congested Short Straits route, HMG only released tenders for the ports to apply for the investment needed for the installation of additional port facilities for this change in traffic pattern in November 2020, the results released in December not giving sufficient time nor level of investment before the end of Transition. Urgent resolution required.
- 12 **Medium term. Redesign of supply chains. UK port development outside Short Straits.** Since CILT's first Brexit round table, we have been advocating the opportunity for traders to redesign their supply chains, often thirty years old, which were put in place to exploit the single market and customs union. Progressively this resulted in the focus of the Short Straits for driver accompanied road freight (Dover and the Channel Tunnel) handling about 90% of RoRo movements with 90% EU traction, 6000 HGVs per day in each direction. Although high on the risk register for congestion on either side of the Channel, from weather, IR and insurgent activity, the predictability of ferry/shuttle services combined with increasingly tightly controlled Just In Time supply chains on low margins won over. Although CILT and others have worked with Government to minimize port friction it was inevitable that Brexit would result in additional focus on delays to Short Straits operations. This is stimulating the substitution of unaccompanied trailer services from Zeebrugge, Dunkirk and ports in the Netherlands and Germany to Tilbury, Purfleet, Poole, Portsmouth, Plymouth, Newhaven and the East Coast ports including Teeside and Humberside. New services are being added all the time. UK and EU to promote ongoing projects for container and trailer trains through the Channel Tunnel towards a joint endeavour to reduce transport carbon.

- 13 **Long term.** A return to business as usual in the trading and transport sectors by re-establishing trust between UK and EU member states. This can be achieved within the spirit of the TSA as recommended in paragraph 5A with a positive coordinated political initiative.

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