

**Culture, Tourism, Europe and External Affairs Committee**

**Inquiry - Article 50: Preparedness**

**Written submission from Freight Transport Association**

The Freight Transport Association (FTA) is one of Britain's largest trade associations, and uniquely provides a voice for the entirety of the UK's logistics sector. Its role, on behalf of over 17,000 members, is to enhance the safety, efficiency and sustainability of freight movement across the supply chain, regardless of transport mode. FTA members operate over 200,000 goods vehicles - almost half the UK fleet - and some 1,000,000 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.

FTA welcomes the opportunity to respond to this call for evidence on the preparations for Brexit. To come to its expert opinion, the Association holds regular discussions with members and has also established a 'Customs Working group', comprised of experts in trade arrangements drawn from a cross section of the membership, that has examined the plans put forward by the UK government in the White Paper – known as the Facilitated Customs Arrangement (FCA).

The following are the questions posed by this call for evidence with

*What impact the Article 50 negotiations have had upon your business / organisation to date?*

The Freight Transport Association represents over 17,000 members across the UK. As an industry involved in the movement of goods, much of it across the EU and Rest of World.

All our members share the aspiration of frictionless UK-EU trade. In particular members involved in the transportation of goods between the UK and the EU welcomed the proposal as, if agreed with the EU and combined with the wider free trade area, it would essentially retain today's frictionless trade routes.

However, FTA members involved in Rest of World trade have noted that the FCA would, in effect, place the administrative burden further up the supply chain, to the importer/exporters rather than the transporters of goods, and have raised a number of concerns and questions about the practicalities of the FCA scheme.

In summary our concerns include:

**Set up and operation:** Under the FCA, Trusted Traders would be able to choose for themselves the correct duty to pay. This will require IT investment to match supply chain data to CDS, however as we understand it, CDS is currently not planning to produce this functionality, and there are no IT solutions ready for traders to use either. Further information is also required on how companies would become authorised to become Trusted Traders.

**Supply chain tracking:** The most significant concern is how Trusted Traders would be able to track goods to the point at which they are finally consumed. International supply chains are complex, which goods crossing multiple borders before being sold to their final market. We

have made detailed comments on this to government to ensure our members' concerns are fully understood.

There are a number of other areas where detailed information is required, including but not limited to issues related to VAT and Excise and clarifications on the reimbursement arrangements between the EU and the UK.

*What preparations, if any, are being made by your business / organisation for the range of scenarios which may result from the Article 50 negotiations?*

In terms of impacts on Scotland, the FCA would, as we understand it, mean that broadly speaking the impact on ports, airports and other infrastructure would be Business As Usual, however Scottish companies involved in Rest of World trade would have to ensure they were compliant with the FCA rules and if necessary make investments in IT infrastructure, training and/or use of specialist customs brokers to support their work.

The FTA are examining the potential outcomes from the different scenarios that Brexit could deliver. This includes impact on recruitment of EU nationals, costs of tariffs and documentation for different customs procedures and Sanitary checks and the impact on supply chains caused by delays in the movement of goods between the UK and the EU. Congestion at Dover is a primary concern and something that would impact valuable Scottish exports that rely on the Dover Calais RoRo route for efficient route to market in Europe.

*What you consider the impact of a no-deal outcome would be for your business / organisation?*

Details of whether or not the country will have a Transition/Implementation Period are still unclear, there is still no decision on what Customs arrangements we will have from March 2019 onwards.

Government has advised that all food and agricultural exports to the Continent and Ireland will be checked at EU ports - but there is nowhere to check them, and the system to check them does not exist. We still don't know if we will be able to employ the 43,000 truck drivers in the UK that are nationals from another member state – that's 13% of our driver workforce. There is no clarification on whether UK drivers' qualifications are to be recognised, so they could well be barred from driving their own vehicles on the Continent.

Another major concern is, under European law, unless an agreement is reached, there will only be 103 international haulage Permits to cover the 300,000 journeys made by British trucks to Europe each year. The logistics industry is being asked to decide who would get a Permit to Drive if there are not enough to go around – in effect, being asked to destroy the businesses of its international haulage members.

A transition period will be vital for the logistics industry. This is required for necessary time to implement software systems, staff training and recruitment and possibly the re-structuring of supply chains, this cannot be done at short notice or a cliff edge exit from the EU without a deal on transition period.

*To what extent, the guidance issued by the European Commission and UK Government has been helpful in helping you to prepare for the UK's withdrawal from the EU?*

Advice to date issued by The European Commission and the UK Government has helped the transport industry stress test some proposals such as the FCA however much guidance from both bodies can conflict and contradict.

Without clear proposals and examples of the type of future relationship the UK will have with the EU post Brexit, it is very difficult for the Transport Sector to clearly plan and prepare for the UK's withdrawal from the EU.

Guidance must also be forthcoming regarding the potential for a backstop regarding Northern Ireland. This could result in some loads having to be checked at Cairnryan prior to sailing to Belfast and Larne. If a backstop is agreed, then clear guidance on procedures and capacity at Cairnryan must be made available as soon as possible to enable shippers and hauliers to plan accordingly.

*What further support or guidance you consider the Scottish Government, UK Government and / or European Commission should be providing to enable individuals, businesses and organisations in Scotland to prepare for the UK's withdrawal from the EU?*

If agreed with the EU, then the FCA would essentially mean very few or no impacts on ports/airports. However, there would be impacts on any Scottish businesses carrying out Rest of World and EU trade.

In the event of a No Deal scenario, there would be extensive work required by both ports and businesses to cope with the extra regulatory and physical challenges that could arise due to the conditions that a hard border with the EU would pose.

The EU has made it very clear that all inbound goods exported from the UK, in a 'no deal' situation, would be subject to the same levels of checks as other current 3rd countries. These checks would be both formal customs checks but also would include the full range of sanitary and phyto-sanitary checks if the vehicles were carrying plant/animal based products. This could result in port congestion as lorries are checked as they enter the EU territory.

It is vital for Scottish and other UK ports that they are given clear guidance from the UK government as quickly as possible as to the future trading arrangements between the UK and the EU.

Many businesses involved in the movement of goods with the EU may also require assistance in training provision for specialist customs procedures and use of software. This could be enabled via a specialist Logistics Apprenticeship scheme.

Clarification from Government on workers' rights after Brexit must also be confirmed as soon as possible. Around 15% of HGV and 25% of warehouse workers are EU nationals. The transport industry must have assurances that involved in this work will retain the right to work in the UK after Brexit and businesses should also have assurances that they can continue to recruit EU nationals. There is already a shortage of HGV drivers in Scotland and to restrict the ability to recruit EU nationals would have a devastating impact on the ability of transport operators to move goods efficiently.

FTA members involved in the Wines and Spirits sector would welcome further details on Excise movements. There is no clarification regarding the retention of EMCS. Only EU Member States have access to EMCS and the SEED database. Are the UK proposing that the UK are still allowed access and if so how would that work with the Excise Directive? This is especially important for the Whisky trade in Scotland.

Our members also stressed that removal of tax checks alone is not sufficient for fluid borders and therefore welcomed proposals to have no Phyto-Sanitary or security checks either, provided these can be negotiated with the EU. However the proposal does not guarantee long-term certainty, as if the UK diverge or the EU introduce new rules that the UK don't agree with, the whole agreement is in jeopardy. How would government reassure business on this issue?