

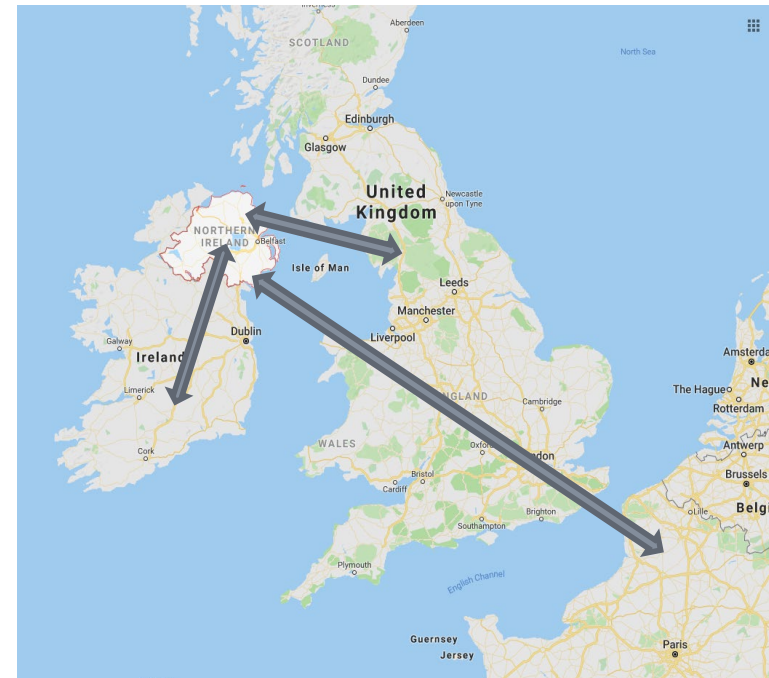
Transport, Logistics & Brexit



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Context for Presentation

- Harmonisation of differing national regulations, such as labelling, health and safety requirements or product standards, mean that goods do not need to undergo checks when travelling across the EU's internal borders.
- The UK's decision to leave the Customs Union and Single Market means that the land border will change from an internal to an external EU customs border, and there will be similar impacts at channel ports.
- Regulatory differences can create barriers to trade, because the greater the variance in regulations the more checks are required on goods traded between countries.
- Logistics is on the front line:
 - Administration
 - Delays
- We will assess the likely logistical impact on your business whether you are trading with GB, ROI or mainland EU.



What should you expect post-Brexit?

Impact will depend on factors including:

- Nature of Brexit – prepare for the worst (hope for a better outcome!)
- Your inbound/outbound supply chain
 - Are you already trading with 3rd countries?
 - Do you anticipate possible changes to supply/markets?
- Extent of trade with ROI/EU
 - Number of shipments, value of goods, etc.
- Companies have unique logistics requirements depending on:
 - Origins of raw materials,
 - Customer locations,
 - Delivery quantities,
 - Service requirements,
 - Sales margins,
 - Temperature regimes, etc.



Brexit – Logistics Challenges

Issues Raised by Invest NI Clients

Impact of delays at ports/borders
Requirement to hold strategic stock
Alternative shipping routes
Inbound supply chain
Possible additional haulage costs
Customs documentation and procedures
Tariffs/ Regulation
Administration/Resourcing /Admin costs

Can be put into 2 baskets:

- Administration
- Delays



RED TAPE ROAD

CURRENT ROAD

As a member of the EU, the UK uses the Single Administrative Document (SAD) as the customs declaration for all products. It is the key tool for customs clearance purposes.



WITHOUT A STRONG CUSTOMS DEAL

In order to complete an SAD correctly if we exit the customs union, a range of new supporting documents will be required.

1

CERTIFICATE OF ORIGIN

Necessary to ensure right duties paid and satisfy EU Rules of Origin.

2

SECURITY CERTIFICATES (UNLESS AN AEO)

Required to prove safety of goods being imported across customs frontier.

4

COMMERCIAL INVOICE

Required for customs declaration and calculation of tariffs.

3

TRANSIT PERMIT (UNLESS AN AEO)

All third country operators without agreement on transit with EU will require documentation.

5

FREIGHT DOCUMENTATION

If no third country agreement with EU will need haulage or shipping permits.

6

VAT CERTIFICATION

Without co-operation with EU on VAT, additional forms will be required.

8

HEALTH AND VETERINARY CHECKS

Additional documentation is required for food covering health and veterinary checks.


7

CUSTOMS VALUATION DOCUMENTATION

Required for calculation of customs duties payable at border control.

Brexit – Logistics Challenges - Administration

- Administration and resourcing
 - Shortage of skills and experience
 - Outsource to 3PL's/Freight Forwarders
- Regulatory divergence – alternative registrations and labelling
- Supply Chain IT systems



A detailed image of a customs declaration form, likely a UK Single Administrative Document (SAD). The form is divided into several sections, including "1. Identification of goods", "2. Description of goods", "3. Classification", "4. Origin", "5. Value", "6. Duties", and "7. Other information". It contains numerous fields for data entry, such as "Commodity code", "Quantity", "Value", and "Duty rate". The form is filled with text and numbers, representing a typical customs declaration document.

Brexit – Logistics Challenges - Delays

- Recommendation to Invest NI – focus on clients with tight lead times and specific service requirements
- Sophisticated Supply Chains
 - Feeding retail CDC's
 - Fresh/chilled products
 - JIT environments
- Scenarios to consider:
 - Consolidating orders
 - Holding stock in ROI/EU
- Will depend on regulatory regime

	Low enforcement	High enforcement
Low regulation	Minimal friction Regulation reverts to the status quo, and customs checks are kept to a minimum, away from the ports	Slow trade Enforcement is undertaken either at ports, or on a random checks basis. However, the number of staff involved increases substantially, and many consignments are subject to lengthy checks, even though there are few changes to regulations
High regulation	Uncertain passage Enforcement is undertaken on a risk basis, intercepting lorries only where necessary. However, the prospect of goods being deemed non-compliant is high, reducing the appetite for import and export	High friction Increasing levels of enforcement are combined with extensive new regulation of products

Impact on Logistics – NI/GB

- “Belfast Harbour continually assesses Brexit risks, and in view of the preponderance of intra UK trade through the Port, together with developed processes for handling WTO trade, traffic impacts are likely to be manageable.”
- One third of the freight arriving in Holyhead from Dublin originates in Northern Ireland.
- NI Goods transiting ROI en route to GB likely to require Transit Accompanying Document.
 - Currently used within EU to transit through Switzerland.
 - Usually prepared by the haulier, the holder of the procedure will indicate by lodging a transit declaration to carry out a transit operation.
 - The holder is responsible for the production of the goods and Transit Accompanying Document at the customs office of destination within the prescribed time limit.
 - The holder of the procedure is responsible for payment of duties and other charges which may become due in the event of an irregularity occurring.



Impact on Logistics – NI/GB

At Dublin Port, provision is being made for infrastructure including:

- 33 inspection bays for trucks coming off ships.
- Parking for 270 trucks to ensure that trucks awaiting inspection do not halt other port traffic.
- A dedicated Border Control Post (BCP) for live animals.
- A public office with 8 counters/hatches and accommodation for staff.
- Office accommodation for an additional 144 staff will be required within the port area.
- A new traffic management system will be developed to manage traffic to/from ferries.

Not all ports are prepared:

- Welsh ports lack the physical capacity to accommodate new customs and border checks.
- Although a technological solution will need to be sought to overcome aspects of this, nothing we heard during our inquiry suggested that it will be possible to achieve these technological solutions within the current timetable for Brexit.
- We foresee a risk that physical constraint and capacity issues at Welsh ports cannot be overcome through technology alone, and a failure to adequately plan for Brexit will likely have knock-on effects on our infrastructure, particularly in terms of congestion on our roads.

Impact on Logistics – NI/ROI

- Currently, goods and services are traded on the island of Ireland at present without restriction because the UK and Ireland have the same EU standards.
- Irish Revenue Commissioners estimate 177,000 heavy goods vehicles and 208,000 vans cross the border every month.
- In 2016, the total value of export sales from Northern Ireland to Ireland was £3.4 billion.
- Businesses in Northern Ireland with fewer than 250 employees accounted for 80% of the cross-border sale in goods.
- In 1993, Britain was the main market for NI outbound goods, 54.5pc as against 10.6pc to ROI.
- In 2015, ROI accounted for 34pc of NI total exports, and 61pc of its exports to the EU.
- The open border has encouraged the creation of all-island supply chains.
 - The food and drink industry between the UK and Ireland is fully integrated and treated as a single trading unit by businesses.
 - North-South cooperation on agriculture means the island of Ireland has become “a single epidemiological unit for the purposes of animal health and welfare”.
 - Agricultural goods in different stages of production cross the land border for processing and sale.

Impact on Logistics – NI/ROI

- We don't have any special insights into the likely outcomes, but trade in goods across the Irish land border must be considered within the context of international trade rules.
- In the event of a no deal scenario, World Trade Organisation (WTO) rules would apply to trade across the land border.
 - Under these rules, every WTO member is required to treat all other members equally.
 - If the UK chose not to enforce a border with the EU in Northern Ireland, it would have to not enforce a border with “the entirety of the WTO membership.”
 - Similarly, if an EU member state such as Ireland did not impose tariffs on exports from the UK, it could be in breach of WTO obligations, as well as the rules of the EU customs union.
 - If Northern Ireland continued to send goods and services to the Republic, without an alignment of standards, and via the Republic to other EU countries, checks on goods and services leaving the Republic for other EU countries could follow.
- The Norway-Sweden border is over 1,600km in length, there are 57 crossings and 11 customs offices. In Norway everyone declaring goods “has to stop at the border” and must “cross the border where there is a customs office”.
- Commercial goods entering Switzerland must use designated crossings and complete customs clearance at offices on the border.
 - Full customs automation is still some way off.
 - The Swiss emphasise the importance of having border officials with local knowledge and experience to make customs checks.
 - Border officials are far better than machines at spotting suspicious behaviour.

Impact on Logistics – NI/ROI

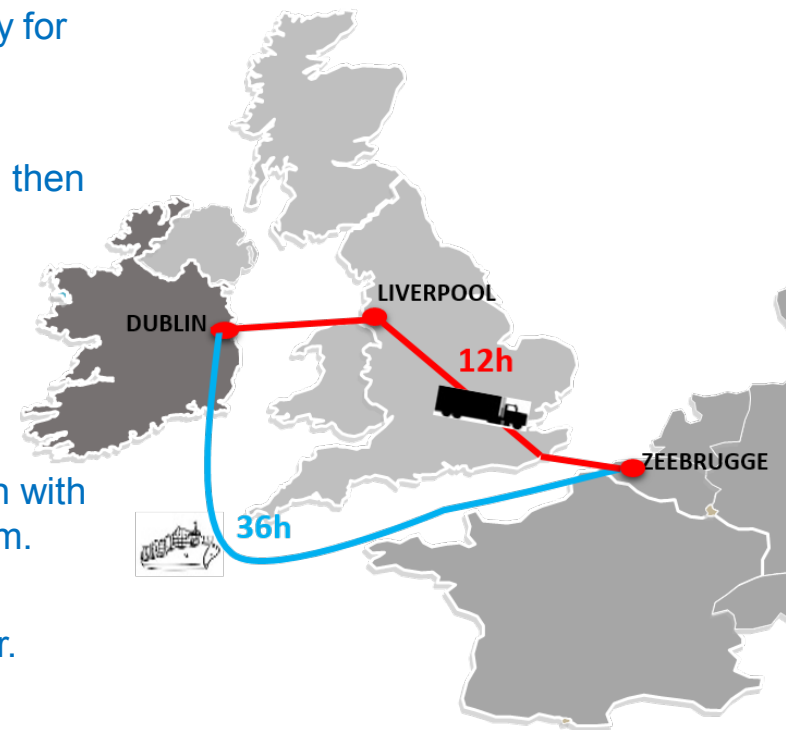
- Delays at frontiers can be further complicated by non-tariff barriers.
 - EU law would not allow health and safety inspections for food and animal products arriving from a third country (like the post-Brexit UK) to take place very far inland.
 - They have to be carried out at designated Border Inspection Posts (BIPs), at the first point of entry into the single market, on 100% of products.
- However, without clarity on the final shape of Brexit and a future trading relationship between UK/EU, it is impossible to anticipate the nature of the border and the likely impact of delays.

Impact on Logistics – NI / Mainland EU

- The majority of imports and exports move directly between Ireland and Europe primarily on containers, but the bulk of “roll-on, roll-off” lorry and road freight traffic uses the GB landbridge.
- According to the Port of Dover, lorry-loads of goods entering Dover from outside the EU (around 3% of the total) are subject to checks that take 45 minutes on average, having been subject to the same checks on entering the EU.
- To reduce further delays, the UK and EU will need to strike deals on the movement of trucks or lorries, vehicle registration, and the ability of drivers who are EU nationals to drive vehicles into the UK and vice versa.
- In the event of a no-deal Brexit, Northern Ireland will be issued with just 60 haulage permits to operate on the EU continent.
 - Department for Infrastructure (DfI) has given assurances that Northern Ireland will have an exemption for journeys to the Republic. However, FTA understood this deal with the Dublin government "has not yet been finalised".
 - "Regardless of such an agreement, 60 permits will still not be sufficient for those NI hauliers responsible for transporting valuable exports to the continent," Freight Transport Association (FTA) .

Impact on Logistics – NI / Mainland EU

- Lorries can reach continental Europe destinations in less than 20 hours by travelling the landbridge compared with up to 40 hours via slower direct sea routes to France, making the GB transit route more effective in terms of cost and transport times, particularly for “just-in-time” and fresh/chilled products.
- Post-Brexit, four checks (at an Irish port, at two GB ports, and then at a French one) will apply to goods.
- Two “mega vessels” on new direct freight routes linking Dublin with the Belgian port of Zeebrugge and the Dutch port of Rotterdam.
- New service between Cork and the Spanish port of Santander.
- 10-fold increase in capacity between Dublin and Cherbourg. Weekly freight capacity on the route from 120 to 1,155 trucks.
- NI goods would need to clear EU customs before entering ROI as well as a Transit Accompanying Document.



Summary

- Map inbound/outbound supply chains to identify potential touchpoints.
- Engage with hauliers, customs brokers, suppliers and customers.
- Decide whether to manage administration in-house or outsource.
- Consider strategies to minimise costs/risks:
 - Stockholding
 - Consolidating orders
 - Customs procedures
- Engage with Invest NI.

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