

## **Ambitious post-Brexit partnership should minimise disruption to EU-UK trade**

*European Express Association (EEA) position on the future EU-UK partnership after the UK withdrawal*

**For the express delivery sector, and its customers, it is essential that the future partnership between the EU27 and the UK ensures minimal disruption in trade flows. The EU27 and UK should therefore work towards an ambitious and mutually beneficial future relationship and ensure a smooth transition. The EEA urges the negotiators to ensure:**

- 1.** Continued connectivity between the UK and EU by maintaining status quo in terms of access for road transport operators through a sectorial road transport agreement;
- 2.** Continued air connectivity between the EU and the UK through a comprehensive air transport agreement (including seventh freedom rights for cargo);
- 3.** Continued alignment on aviation security through mutual recognition of the application of regulations;
- 4.** Continued alignment on aviation safety through continued participation of the UK in EASA;
- 5.** Simplified and cost-efficient customs processes built on the principles of the Union Customs Code (UCC) to ensure continued trade in goods and limit administrative burdens.

### **Introduction**

The express delivery sector is a key driver of economic growth through rapid and reliable delivery services. The industry has developed into an important enabler as well as a cornerstone for large businesses and SMEs' supply chains in the EU27 and the UK. 96% of companies in Europe use express delivery services because they need next-day and guaranteed delivery, for instance, for the delivery of parts that are crucial in manufacturing processes or time-sensitive medical and pharmaceutical products.

After the UK withdrawal becomes effective, the EU and the UK will continue to remain indispensable trading partners. In 2016, bilateral trade in goods was valued at 450 billion EUR. The EEA therefore welcomes the commitment by the European Council, in its adopted guidelines of 23 March, to work towards "a balanced, ambitious and wide-ranging free trade agreement" and the Union's determination to have as close as possible a partnership with the UK in the future. The EEA appreciates that this is the outcome of the UK's decision to leave the EU Single Market and Customs Union. The UK's continued participation in the Single Market and Customs Union would have mitigated the impact of Brexit on the European express industry considerably. An enhanced partnership would do justice to the significant economic relationship and geographical proximity between the EU27 and the UK and is essential for citizens and companies in the EU27 and UK.

With this paper, the EEA wishes to highlight key priorities for our sector that underline the importance of a strong future partnership between the EU27 and the UK and should be taken into consideration in the forthcoming discussions in that regard.

### **1. Continued connectivity between the UK and EU by ensuring status quo in terms of access for road transport operators**

The EU's regulatory framework currently guarantees rights for road transport operators to carry goods between and within EU Member States. It harmonises, for example, rules on access to the market and to the profession, requirements for drivers, weight and dimensions of the vehicles, licensing requirements, and vehicle roadworthiness. In the absence of an EU-UK agreement ensuring full access and continued connectivity, the transport sector will no longer be able to operate without disruption at the border.

Maintaining the status quo for road transport operators is hence essential for ensuring the efficient movement of goods.

In the future EU-UK partnership, the EEA therefore calls for maintaining the status quo regarding access for road transport operators operating between the EU and the UK. The EU and UK should secure as soon as possible a sectorial road transport agreement that grants territorial and access rights for EU operators to the UK and reciprocal rights for UK operators to the EU, both for international road transport and transit operations. Such an agreement should:

1. maintain status quo in terms of access to each other's transport market based on the principles of reciprocity and free choice of mode of transport;
2. bar the EU and the UK from taking discriminatory measures;
3. maintain a level-playing field when it comes to social legislation (including resting time, professional competence certificates), and rules on state aid;
4. allow the carriage of goods between the EU and the UK (international carriage) to take place under the EU authorisation for EU carriers and under a similar UK authorisation for UK carriers;
5. ensure that the procedures for issuing and renewal of the authorisations are transparent and based on well-defined criteria;
6. allow for status quo for cross-trade, goods in transit, and cabotage;
7. be complemented with strong provisions in the framework for the future relationship on mutual recognition of professional qualifications for drivers and auxiliary road transportation services;
8. include provisions on the facilitation of border controls, ensuring the availability of the necessary infrastructure (including priority lanes for trucks) and avoiding the introduction of any measures or formalities which would restrict or impede international transport.

The EEA advocates for an EU-level road transport agreement with the UK to avoid fragmentation of the road transport market.

The EEA strongly opposes the imposition of the European Conference of Ministers of Transport (ECMT) bilateral quota system. ECMT permits are restricted in number and would not be sufficient for market demand. Moreover, such a system would add a layer of complexity for both EU and UK operators and enforcement authorities.

## **2. Continued EU-UK air connectivity and alignment of aviation policy safety and security**

The Single Aviation Market, set up in the 1990s, has been an important contributor to the growth in air transport in Europe. An unregulated Brexit would mean that airlines are no longer free to operate air services between any point in the EU27 and the UK. This would cause tremendous disruption to the flow of goods and trade relationship between the EU27 and the UK. Because air transport is not covered by the WTO, there is no fall-back option to an existing international agreement.

The EEA calls on the negotiators to ensure in time continued connectivity through an EU-UK air transport agreement, coming as close as possible to the status quo. This should include preservation of current

ownership and control provisions between the EU and the UK and the exchange of 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 7<sup>th</sup> freedoms for all-cargo aircraft combined with an article providing for operational flexibility. An open and liberal EU-UK air transport agreement will provide assurance to the air transport sector and its users - whether citizens or businesses – that EU27-UK air connectivity will be preserved.

More generally, it is essential to ensure that international connectivity with third countries is preserved by a liberal and open framework, allowing our sector (and the aviation sector in general) to continue operating global networks. Failing to achieve this goal would have an enormous impact on international trade and EU competitiveness. Therefore, it should be ensured that the status quo regarding international air connectivity is preserved by concluding the necessary air transport agreements with third countries in parallel.

In addition to an air transport agreement, there is a solid European framework which regulates aviation security and provides common rules and basic standards for risk assessment and screening. In the absence of a future agreement, the UK would be placed outside this regime. Given the critical importance of maintaining continued security cooperation, parties should prioritise negotiating a robust successor agreement involving at least mutual recognition for security procedures and continued harmonization of security equipment and screening regulations. As recognised by the European Council, continued air connectivity needs to be underpinned by an aviation security agreement.

Moreover, the UK is currently an EASA Member State. EASA develops harmonized aviation safety, airworthiness and certification among its Members. The EEA considers that it is in the best interest of aviation safety to maintain the UK's membership in EASA (which ensures full compliance with EASA regulations). As a general rule, maintaining the highest level of aviation safety should be a priority in the negotiations on the future relationship.

### **3. Continued trade in goods and limited administrative burden through simplified and cost-efficient customs processes**

The withdrawal of the UK from the EU, including the Customs Union, would mean that goods would need to be declared and would no longer move between the EU27 and UK in free circulation. This would result in an excessive volume of customs declarations that would need to be submitted and processed by the customs authorities in the EU27, both for import as well as export. It is questionable whether the necessary systems, infrastructure and customs officials will be in place to properly cope with this significant additional burden on both sides. The industry is particularly concerned about the delays that these additional processes and limited capacity could cause along with the additional costs that they could generate, including for the collection of duties that would become payable. Delays in delivery times could lead to serious disruptions in manufacturing processes and economic activity in general.

Current customs processes between the UK and the EU are outlined in the Union Customs Code (UCC). However, with the UK leaving the Customs Union, existing customs processes will need to be reviewed and new measures must be agreed as part of any future relationship. Agreeing on simplified and cost-efficient customs processes should become a priority in any future relationship between the EU and the UK as it will have an impact on trade in goods but also on safety and security of EU citizens and European supply chains. Important simplified customs processes have already been introduced in the UCC and the EU and UK have invested in preparing for its implementation.

The future EU-UK customs relationship, building on the achievements of the Union Customs Code, should include simplified customs procedures, such as:

1. self-assessment of goods, enabling importers to replace individual declarations with a system of periodic returns;
2. advance electronic submission and processing of import documentation and other information, including manifests, before physical arrival of goods;
3. mutual recognition of Authorised Economic Operator (AEO) status to facilitate simplified import declarations and procedures and automatic release;
4. authorisation for the operation of temporary storage facilities (confer art 148 UCC);
5. inclusion of the UK in the EU Common Transit Convention;
6. advance rulings relating to binding tariff information, or decisions relating to binding origin information;
7. the establishment of a single window in the EU and the UK, enabling traders to submit documentation and data required for import, export, or transit to a single entry point;
8. expedited customs procedures for express delivery shipments;
9. deferred tax and duties payments, with payment at quarterly intervals or longer;
10. de minimis provisions:
  - a. de minimis threshold at 800 GBP/EUR;
  - b. shipments with an intrinsic value below the de minimis threshold should be released based on a limited data set without any supplementary declaration;
11. provisions to allow shipments below 1000EUR to be released by customs upon presentation;
12. identical data set requirements for customs declarations in UK and EU;
13. acceptance of the export declaration in the EU as the import declaration in the UK ('my import is your export'), and vice-versa;
14. simplified rules of origin and cumulation;
15. complete waiver of safety and security information, similar to current EU-Switzerland and EU-Norway relationship;
16. remote release: by separating the flow of the physical goods and the data linked to the goods, the goods can be cleared at the point of arrival without physically presenting the goods to the customs office of destination.

Further details on post-Brexit scenarios for customs processes, their expected impact and related EEA recommendations, are provided in the annex to this paper.

## ANNEX: detailed position on customs measures and processes for the future EU27-UK relationship

With Brexit edging closer, the express sector must prepare for all outcomes. Whilst a transitional period would ease the initial impact of the UK leaving the EU, a future relationship with the EU needs to be defined in order to give Member States and businesses an environment to prepare for. The EEA believes that a future relationship should be based on existing customs processes; practices that simplify and expedite trade whilst simultaneously ensuring the safety and security of EU and UK citizens and businesses. Customs processes on import and export should build on processes outlined in the Union Customs Code (UCC), which creates an electronic, paperless environment that eases administrative burdens and costs. Similarly, safety and security procedures should remain simple, and efficient to ensure the safety and security of the European and UK public, whilst allowing mutual trade to flourish.

The following sections provide further details on the EEA position on key industry-relevant issues. Each issue describes the 'Post-Brexit Process' scenario, the expected impact and EEA recommendations.

### Customs safety and security measures

Whilst the simplification of customs processes is a high priority for all, the safety and security of EU and UK citizens and European supply chains is another essential concern. Current customs safety and security measures followed by the UK and EU are outlined in the Union Customs Code (UCC). It must therefore be recognised that both the EU and the UK have developed and implemented similar security and safety requirements. As a result, to ensure the highest level of safety and security is maintained, whilst simultaneously facilitating trade, existing safety and security provisions should be extended to the future relationship between the EU and UK.

- **Declaration prior to the entry and exit of goods**

*Post-Brexit process:* Entry Summary Declarations (ENS) and Exit Summary Declarations (EXS) would be required for security purposes for goods travelling between the EU27 and UK and vice versa if no future deal is found. An ENS would have to be submitted before entry of the goods, whilst an EXS would have to be submitted before exit of the goods. The submission of ENS/EXS creates an additional administrative hurdle that would have to be cleared before goods could travel between the UK and EU27.

*Impact:* The potential impact of having to provide ENS/EXS declarations for goods travelling between the EU27 and the UK is significant, both financially and administratively. Likewise, the submission and processing of millions of ENS/EXS declarations would come at a great cost to both customs administrations and intermediaries/freight forwarders. Furthermore, the requirement to submit ENS/EXS declarations for goods moved between the UK and the EU27 would slow the expedition of trade at the borders by creating delays in time-definite services provided by intermediaries.

*Recommendations:* A provision that would achieve the balance between the facilitation of trade and the safety and security of the supply chain would be the ability to declare goods electronically prior to their entry or exit into or out of the customs union of the EU. In practice, this means providing the ability to waive ENS/EXS submission on entry or exit of goods moving between the UK and the EU27.

- **Prohibitions or restrictions on the import, export or transit of goods**

Likewise, to the measures outlined above, any provisions on prohibitions or restrictions on the import, export or transit goods between the EU and the UK should similarly reflect the provisions outlined in the UCC.

### **Customs Processes**

Customs processes between the UK and the EU must be agreed as part of any future relationship. No customs declarations are needed for most intra-community trade, whilst simplified customs procedures are outlined in the UCC for trade with 3rd countries. Once the UK has left the EU, and if no deal is agreed, both parties will treat each other for trade purposes as 3rd countries. It is therefore vital that the simplified processes for import and export outlined in the UCC are included in any future agreement between the EU and the UK. Without such simplified procedures, each individual Member State will have to manage an increase in administrative customs processes at their borders when trading with the UK (and vice versa). The increase in formal declarations will not only slow the movement of goods but vastly increase the cost of processing cross-border trade.

- **Import processes and possible simplifications**

Movement of goods between EU Member States is known as ‘intra-community trade’ and require little to no administrative work or customs controls. For example, a company based in the UK, could order goods from another company based in another EU Member State e.g. Germany. The consignment from Germany can then be shipped to the UK without being subject to customs clearance. During the shipment of the goods little or no checks are carried out at any EU member state border. This means that throughout the whole process, no formal import/export customs declarations or burdensome procedures and controls are required.

*Post-Brexit process:* In a post-Brexit scenario, the EU and UK would consider each other ‘third countries’, which would result in burdensome and costly customs processes such as formal customs declarations.

Using the same example as above, the scenario would play out a lot differently. Firstly, a pre-departure declaration containing information such as number of pieces, weight, type of good etc. would have to be submitted to the customs office of departure. Along with the pre-departure information a more detailed commercial invoice is also required. Once loaded onto any means of transport, pre-arrival information, such as ENS and an AirWayBill, would then be sent to the customs office of arrival or first point of entry into the customs union of the EU. A customs declaration will be provided either in advance or on arrival at the customs office of entry. The national customs administration will clear the goods for free circulation once all necessary formalities are completed.

*Impact:* Without a simplified customs procedure for import, EU Member States and the UK will experience significant increases in customs declarations and customs controls. A rise in customs declarations and customs controls has an impact on EU Member States, the UK and trade. Firstly, an increase of customs declarations on import will significantly increase time at the border through administrative delays, which will significantly slow the facilitation of cross-border trade. Secondly, a rise in customs declarations will come as a significant cost to customs administrations, freight forwarders and intermediaries; a cost that is ultimately borne by the consumer and tax payer. Costs would accrue as national customs administrations would have to find additional resources in order to process the sharp increase in customs declarations; not to mention the customs duties that would now be charged on import.

*Recommendations:* Simplified and cost-efficient customs processes should become a priority in any future relationship between the EU and the UK. The EEA believes that a number of provisions must be agreed in

a future relationship between the EU and the UK to ease administrative needs at the borders. The UCC provides an extensive regulatory framework from which any future relationship should be built, especially given that both EU Member States and the UK have invested in preparing for the implementation of the UCC. Furthermore, the UCC already outlines simplified provisions that minimise administrative burdens and costs at the border for trade with 3rd countries and should as such be included in any future relationship. In particular, additional provisions such as a common set of data elements required for customs clearance and safety and security and periodic reporting should similarly be agreed for import processes between the UK and the EU (and vice versa).

- **Export processes and possible simplifications**

*Post-Brexit process:* Likewise, to the import process outlined above, the export process to a '3rd country', without simplifications, encounters further layers of administrative processes and customs controls.

Using the same example as for import: firstly, the German company would have to submit a pre-departure declaration and export declaration to the competent customs authorities. In addition, an ENS must be lodged with the customs office of arrival, in this case the UK, who will then perform the necessary import processes (see above).

*Impact:* Once more, without vital export simplifications to 3rd countries, such as the provisions outlined in the UCC, both national customs administrations and trade could encounter significant administrative burdens and costs. A rise in customs declarations and formal customs controls comes with a number of impacts for both EU member states, the UK and trade. Firstly, an increase of customs declarations on export will significantly increase time at the border through administrative delays, which will significantly slow the facilitation of cross-border trade. Secondly, a rise in customs declarations will come as a significant cost to customs administrations, freight forwarders and intermediaries; a cost that is ultimately borne by consumers. Costs would accrue as national customs administrations would have to find additional resources in order to process the sharp increase in customs declarations.

*Recommendations:* Any future agreement on customs processes between the EU and the UK should include simplified export procedures to ease both costs and administrative burdens at the border; such as the simplified procedures for export to 3rd countries outlined in the UCC. The EEA therefore recommends that these provisions are included in any post-Brexit agreement between the EU and the UK. Both the EU Member States and UK have invested significantly in implementing the new code, and therefore should continue the provisions to the future EU-UK relationship. Additional provisions such as a common set of data elements required for customs clearance and safety and security and periodic reporting, should similarly be considered for export processes between the EU and the UK.

- **Transit**

The ability to move goods between two points in the customs union, through a number of various other member states without checks at the internal EU border is an integral part of the express business model. The seamless movement of goods from our European hubs to the doors of our customers enables express operators to offer time-definite services that are essential to European trade. For this reason, transit procedures are essential in any future relationship.

*Post-Brexit process:* Presently, for example, goods arriving in continental Europe and destined for the Republic of Ireland, can be transported in transit through the UK to Ireland with no additional customs controls. However, in a case whereby a future agreement is not agreed, and both the UK and EU see each other as third countries, this drastically changes. The goods arriving in the continent destined for the

Republic of Ireland would be subject to two separate customs checks, once on entering the UK and once on entering Ireland (or vice versa with the continent).

*Impact:* Transit goods travelling from the Irish border through the UK to the European continent or goods travelling from the UK border to continental Europe (or vice versa) will encounter significant increases in administrative burdens and time at the border if a solution to transit procedures is not found.

The increased customs checks would have a detrimental impact on transit times between the European continent and Ireland and will essentially create a non-tariff barrier for Irish businesses.

*Recommendation:* The EEA therefore believes that it is vital for the express industry that the UK should remain within the Common Transit Convention. Remaining in the Common Transit Convention would allow the UK to not only maintain the current status quo of customs transit procedures at the borders but facilitate the opportunity for further growth.

- **Goods re-entered after repairs or alteration or returned goods**

With the evolution of e-Commerce and its projected continued growth, an increase in goods re-entering the customs union or the UK for repair, alteration or return is only natural. It is therefore imperative that a simplified electronic process is found for such an occurrence.

*Post-Brexit process:* Goods sent between the UK and European Member States will follow the import/export processes described above if no future relationship is agreed post-Brexit. Consequently, this means that goods re-entering the customs union (or the re-entering the UK from the EU customs union) for repair, alteration or return will be subject to a second process of customs checks.

*Impact:* Return and repairs transactions will ultimately slow down as a result of requirements to complete customs checks twice. The slowing down of these transactions could potentially have adverse effects on eCommerce trade between the EU Member States and the UK. Quick and easy return and repair services are significant tools for businesses to gain consumer confidence and trust. Trade links between the UK and EU member states could experience detrimental effects if these processes become tiresome and difficult for both the consignee and consignor.

*Recommendations:* A simplified, electronic solution for goods re-entering the customs union for repair, alteration or return is the only way to not only develop the already established trade links between the UK and EU but to likewise ensure consumer satisfaction and confidence. A simplified electronic process for goods re-entering the customs union would reduce administrative burdens and costs, which would allow for expedited trade at the borders.

**The European Express Association (EEA)** is the representative organisation for the express industry in Europe. The express industry provides a fully “integrated” service that accelerates the process of transporting goods across the globe. At the point where express shipments cross international borders, the express industry plays a unique and crucial role. Members of the European Express Association represent over 30% of customs clearances and some of the largest customs brokerage operations in the EU. Not only does the express operator handle the customs clearance of a given shipment, it also looks after the payment of duties and taxes as required by the relevant geographical jurisdiction. The express industry employs over 250,000 people across the EU and supports a further 175,000 indirect jobs. The trade volume in goods between the UK and the EU equals €450 billion per year (Eurostat, 2016 data).