SMART BORDER PARTNERSHIP PROGRAMME

TRADE FACILITATION COMMISSION

Policy and Practicality in Partnership

This report advocates for a Smart Borders approach to UK trade, utilising data and technology to streamline border processes and boost economic growth. It highlights the urgent need for improved trade facilitation given current economic challenges and increased global trade complexity.

One Government at the Border

Governance of the UK Border is complicated. Although the UK Border Force (in the Home Office) has primary responsibility for clearing people and goods at the UK Border, there is a myriad of different Departments and Agencies involved in the process which can lead to confusion over priorities and governance.

The “One Government at the Border (OG@B)” Programme was an initiative led by HMRC in collaboration with the Cabinet Office in 2015/2016, which sought to address this. The programme ran an initial ‘Discovery’ phase, followed by a series of technology and operational pilots. However, after the EU referendum in 2016, it became clear that the work required to support the UK’s exit from the EU would have to take priority over the evolution and delivery of the OG@B initiative. The work done by the OG@B programme was documented and passed to the Cabinet Office Border Delivery Group, eventually being used as a source of information and evidence as the UK Border Strategy developed.

OG@B was supported by the Permanent Secretaries at HMRC and the Home Office (HO), and by the Cabinet Office (CO) Minister at the time.

The programme included HMRC, Border Force, HO, CO, BEIS (Department for Business, Energy and Industrial Strategy), DEFRA, FSA and the DfT (Transport).

As now, there was a compelling case for change in the way Government Departments operate at the UK Border and the business case centred on the following:

- Operations for managing the UK border are complicated and challenging with over 11,000 miles of coastline, over 200m movements of people in and out of the UK and £700+bn worth of international trade every year.
- The UK border is a complex matrix of multiple modes of transport (maritime, rail and air) and juxtaposed control points. Government resources are stretched across over 150 ports and airports and thousands of small airfields and marinas.
- The UK Government faces a challenge to facilitate legitimate international trade, which is vital to support economic growth, whilst at the same time protecting society from increasing threats of terrorist attack and organised crime.
- The UK Border Force is answerable primarily to the Home Secretary. As such the main focus of its activity relates to immigration control and border security. The Home Office has several key Departments and Agencies involved in this area in addition to UKBF including the Homeland Security Department, the National Crime Agency, the Small Boats Operational Command, Immigration Enforcement, and the Security Services (including the establishment of the new Border Security Command to tackle human smuggling gangs). Inevitably, areas such as Customs and Trade Facilitation have received less attention given other pressures on the Border.

The first step of the OG@B initiative in the discovery phase was to assess views from traders and civil servants working at the UK border.

The OG@B team consulted 40 businesses (large and small and a mix of buyers, sellers, intermediaries, software developers, CSPs); and 160 civil servants from a range of Government Departments and from policy, operations and technology delivery disciplines.

The terms of reference set out to identify problems and solutions; identify opportunities that could be exploited to benefit trade without compromise to compliance or border security; bring together border-related strategies, processes, policies and technologies to deliver integrated border controls and a single, secure service experience for people moving goods in and out of the UK to:

- Support the UK's economic growth agenda;
- Improve border security;
- Increase revenue collection; and
- Deliver operational efficiencies.

The key findings were:

- 26 Government Departments and Agencies were operating at the UK border;
- over 80 isolated systems owned by different Departments; over 400 regulations, statutory instruments and laws governing the UK border and generating policies developed by individual Departments (this included EU legislation at the time and therefore the number of regulations is now being reduced. However, we do still see policies being developed within individual Departments, even under the overarching UK Border Strategy 2025).
- 3,000 pages of guidance for businesses to navigate to ensure compliance with legislation.
- 60 authorisations (including permissions, registrations, licences, certificates and notifications required to import and export goods). 17 border processes were identified that require action by the border industry and Government Departments.

These were:

Business planning	Universal guidance	Tailored advice
Permissions and Entitlements	Sales agreement	Commercial assurance
Notifications	Port management	Logistics management
Shipping	Intelligence gathering	Data architecture
Directing and targeting	Inspections	Sanctions
Revenue collection	Consumer protection	

OG@B consultation with traders revealed the following:

- **Complexity abounds –** multiple legal provisions cover the work of multiple government departments/agencies operating at the border, which is converted to thousands of pages of guidance on gov.uk and is a minefield to navigate for inexperienced international traders. Some small businesses give up trying to export their products simply because of their fear of not being compliant with government regulations, considered too complicated to understand.
- **Submission of the same data multiple times** – a major challenge for business is having to deal with several government departments/agencies There was a strong voice for a Single Trade Window to reduce business costs and time delays (this was first identified as a need 10 years ago).
- **A shift from transaction-based declarations at the border to enhanced trusted trader schemes** - effective Customs and Border Authorities should operate as part of a connected ecosystem along with traders, carriers and ports, aligning capabilities to the services required to deliver a seamless and integrated customer journey.

At the same time, Government Departments operating at the UK border were looking to access and analyse data from across supply chains to reduce burden on trade whilst improving intelligence and targeting capabilities to enable more precise and efficient interventions for compliance and law enforcement purposes.

The OG@B programme generated a very real desire within Government Departments to join-up their approach to border management and the following opportunities for future border change projects were identified:

- **Trusted relationships** – rewarding businesses and border operators for compliance.
- **Data and transparency** – improving, sharing and making more effective use of better data.
- **Simplify the experience** – make regulatory processes and border controls less complex for all users and provide better support for modern commercial practices.
- **Joined-up operations and capabilities** – removing duplication and improving capability to respond to security threats, driven by new technologies.
- **Intelligence and targeting** – sharing quality data and intelligence for more effective targeting and border interventions.
- **Business confidence** – encouraging small businesses to trade internationally by making it easier for them to understand what to do and how to do it.

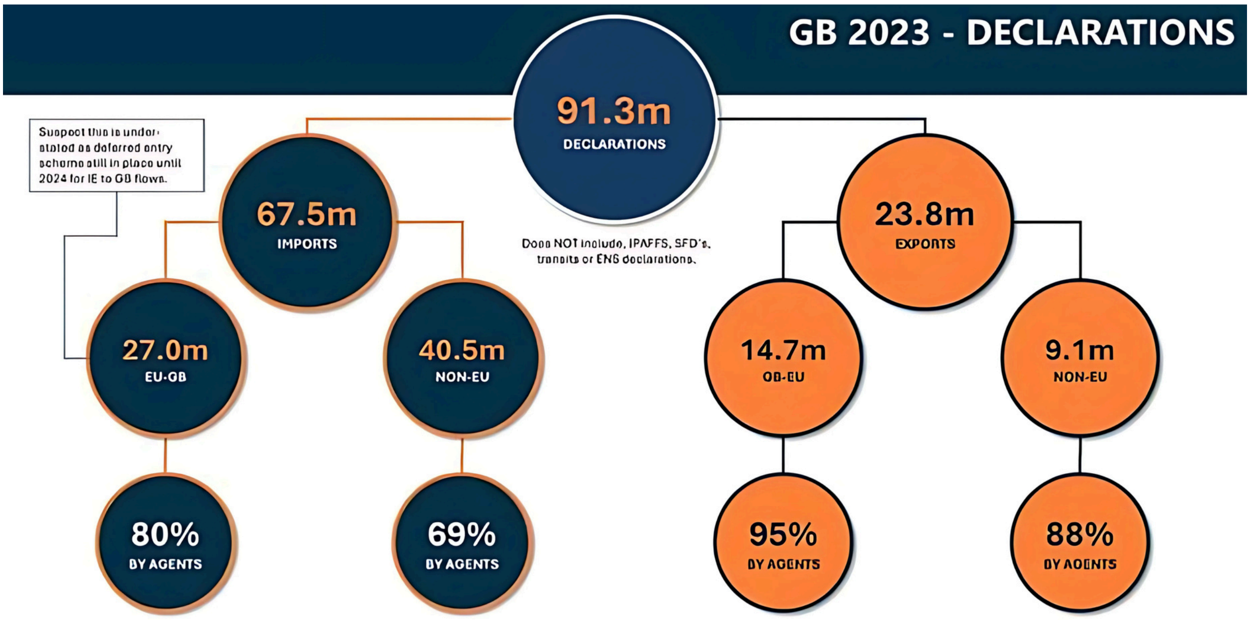
This paper covers each of the above and offers ways in which these objectives can be achieved using practical and extensive experience offered by The Trade Facilitation Commission.

Customs and Border Single Windows

Many countries already have single windows for customs and border processes. Fifty countries or so have Single Windows of one kind or another in place, but the number of countries which have fully interconnected all systems is still quite low. They are a proven way for trade to be expedited, and therefore for economic growth to be derived. It is for these reason that the customs and trade facilitation chapters of almost all modern trade agreements contain hortatory language recommending the countries adopt single windows. The UK's move to single window has been slow and fitful at best. However, there is a real opportunity now with the development of a Single Trade Window in the UK.

The UK Single Trade Window

The STW is an integral component of the UK Border Strategy; without it, the transformation objectives set out in the strategy are at risk. Before studying the costs and benefits it might be worth setting the scene by looking at the current customs and trade environment.



The Government is committed to delivering a world leading STW to enable UK traders to take advantage of business opportunities following the UK's exit from the EU, including the evolution of Freeports and the trade facilitation provisions within newly signed free trade agreements.

The STW will eventually provide a secure gateway to traders to allow them to meet their border obligations by submitting information to Government in one place. The target completion date is 2027.

The STW will unify border-related data sets and will continue to draw in additional data sets over time, including Entry Summary Declarations (ENS) for safety and security purposes and used by the UKBF for targeting purposes.

The World Customs Organisation (WCO) defines an STW as a

- *facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements.*

Single window can be a critical component of international border and trade modernisation programmes. They can assist in promoting economic growth by enabling greater trade facilitations while reducing administrative burdens.

The UK has initiated a programme to develop and introduce a STW as an essential component of its plans to deliver its future Border Target Operating Model.

The risk, as already highlighted in this report, is that the opportunity to modernise the processes themselves is lost within the project. Digitising processes which were created in the 1990's is not the way forward – had we done that in Northern Ireland the ports would have been full and the ferries empty.

Similarly it is essential that any of these projects maintains an effective responsibility matrix in the back-end. For example, the ability to upload data once and create, for example:-

1. An export declaration
2. A transit document
3. An import declaration
4. An ENS safety and security declaration
5. A port pass, be that GVMS, PBN, PortBase etc

The concept is good (although one wonders why a declaration is required at transaction level) but the party responsible for the process is not the same. The import for example, is the responsibility of the importer (who might not be established in the UK), the export is down to the exporter (who might be the same as the UK importer but only if the incoterms® are DDP (delivered duty paid), the ENS, transit, GMR etc are the responsibility of the carrier. This obviously begs the question: who is the STW for? If it is for the trader (at least mostly) one needs to consider the control and influence that the carrier has.

The below table illustrates these points.

INCOTERM	WHO IS THE EXPORTER?	RESPONSIBLE FOR EXPORT CUSTOMS CLEARANCE	RESPONSIBLE FOR EXPORT HEALTH CERTIFICATE	RESPONSIBLE FOR LOADING ON TRUCK	CARRIAGE TO PORT OF EXPORT	TRANSIT DOCUMENT, IF REQUIRED	SAFETY & SECURITY DECLARATION (ENS)	EXIT PORT SYSTEM (eg PBN)	ENTRY PORT SYSTEM (eg GMR)	FREIGHT or FERRY TO PORT OF IMPORT	WHO IS THE IMPORTER?	RESPONSIBLE FOR IMPORT HEALTH DECLARATION IPAFFS or TRACES	RESPONSIBLE FOR IMPORT CUSTOMS CLEARANCE	WHO IS RESPONSIBLE FOR IMPORT INSPECTION FEES AT BORDER	WHO IS RESPONSIBLE FOR IMPORT DUTIES	WHO IS RESPONSIBLE FOR IMPORT VAT	CARRIAGE TO DELIVERY
EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Carrier	Carrier	Carrier	Carrier	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Seller	Seller	Seller	Buyer	Carrier	Carrier	Carrier	Carrier	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Carrier	Carrier	Carrier	Carrier	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
CIP	Seller	Seller	Seller	Seller	Seller	Carrier	Carrier	Carrier	Carrier	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
DAP	Seller	Seller	Seller	Seller	Seller	Carrier	Carrier	Carrier	Carrier	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
DPU	Seller	Seller	Seller	Seller	Seller	Carrier	Carrier	Carrier	Carrier	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
DDP	Seller	Seller	Seller	Seller	Seller	Carrier	Carrier	Carrier	Carrier	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller

In the event of full load vehicle movements, the trader can often choose who and how to do the customs paperwork (but not always). We have many examples where the LSP (Logistics Service Provider) are carrying full load movements but insists on including the customs paperwork so they can control the trailer effectively. This also has routing complications, for example, the trader expects the trailer to arrive, driver accompanied, via a GVMS port such as Dover – whereas the carrier is planning to ship the trailer unaccompanied via a North Sea port, perhaps using a port inventory process. Wrong import declaration. This leads to the wrong location and wrong import declaration.

When the trader is shipping part loads or groupage they rarely have the power to choose who does the customs paperwork. The carrier decides, otherwise, it is almost impossible to complete the GMR if/when there are multiple agents involved. Similarly, the carrier will soon have to complete an ENS declaration also – they need data for this so often control all aspects of the border – including the customs declaration(s).

A good example of this is the ferry industry (including Eurotunnel) – their account customers are not traders. They work almost exclusively with the carrier. The only exception is perhaps when the trader also owns the freight vehicle but this is normally only when specialist vehicles are involved (computer carriers for example).

The carrier has considerable power over the process (more than the trader often). This is exacerbated if the groupage trailer is consigned to an inland clearance location (TSF – Temporary Storage Facility) where a particular badge is required for that inventory system. The trader is almost forced to use the carrier as they cannot access the goods location without using the owner (the carrier) or without setting up new badges, which takes time, money and effort. We have seen pricing tariffs from LSP's that include a fee of £95 for a C21 inventory release should the trader wish to handle the import documentation themselves. It would be cheaper to have the LSP handle the clearance.

Efficiencies come from the effective movement of data rather than the effective creation of a declaration.We will cover this more in the Digital Trade Corridor section.

Target benefits of STW

The UK government intends that the STW will bring benefits to traders, government and the wider economy. The STW is targeted to deliver quantifiable benefits of £2.77 billion, which include

- £2.48 billion in direct benefits to UK traders and hauliers through a decrease in the administrative effort required to move goods across the border, and
- £250 million in benefits to the government through better data collection and sharing.

The STW will provide a new IT platform for Traders that will reduce bureaucracy and provide easier access to trade simplifications, such as EIDR.

The STW services will include;

- Reducing time and cost to complete trading documentation and procedures;
    - Fully digital service for all declarations and licencing requirements a Single sign-on to access all government trading systems, enabling data to be entered once and shared as required across multiple systems to avoid multiple repeat entries of the same data. For example, Declarations (from Commercial Invoices) -> Permits & Licences -> Safety and Security -> GVMS etc.
    - 'Smart' online guidance to guide traders through requirements for imports /exports which is specific to each submission, derived from key consignment attributes such as Origin, Commodity Code and seller/buyer locations and details.
    - Support for 'Self-Service' capability where businesses may complete their own trading documentation from commercial invoicing information using smart front-end systems - likely cover the majority of trade requirements and guide traders to additional support for more complex consignments.
    - And in addition to the business the STW will facilitate greater coordination of Government border agencies and departments to optimise actions and interventions on goods movements.

The last point is probably the most important. One of the benefits of a joined up STW approach is that it creates a catalyst for Government agencies to indeed become more joined up. This probably has more value than a process designed to replace existing customs software and customs clearance procedures – particularly considering our points above.

In the lead up to BREXIT, Sir Jonathan Thompson, the then Permanent Secretary of HMRC was asked what this would all cost. He replied “£7billion”. His calculation was simple : 200 million (being the estimated increase in customs declaration volume) multiplied by £35 being the average customs clearance charge. Last year HMRC reported 100m declarations overall, meaning the additional BREXIT volume is closer to 50million. Thus the correct figure should have been more like £2billion. This is the context for analysing potential STW benefits.

That said, the concept is good – only, at the moment, it is not configured correctly. The front end should be data and decision engine modules rather than a declaration led approach. The objective to make authorisations and approvals easier to access and manage is very welcome and should not only allow traders to apply for simplifications and authorisations but also to suggest facilitations based on their trading data and requirements

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Whatever the saving STW should not be analysed in a vacuum but is part of a much wider concept, that of Smart Borders which we analyse in the next section.

Smart Borders

In 2017, the European Parliament Policy Department for Citizens' Rights and Constitutional Affairs commissioned a concept paper for the post-Brexit border environment. The concept paper presented a new model for managing borders - Smart Borders 2.0. The basic principle of the new model was based on long-standing best practices at the border between EU (Sweden) and Norway and has subsequently been used by France in the post-Brexit solution for Eurotunnel.

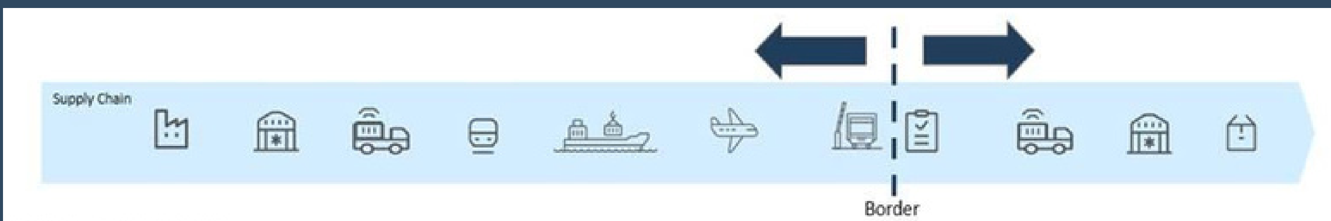
In 2019, the WCO made the Smart Borders concept an international best practice. The WCO encouraged its members (including the UK) to find technology solutions that facilitate the flow of people, goods, and conveyances at borders while following the guiding principles for SMART borders: Secure, Measurable, Automated, Risk Management-based and Technology-driven.

The basic principle behind Smart Borders is moving border procedures to before and after the border. This is done by utilising technology, data, and proven trust through documented compliance records. This allows smarter risking and makes the border safer, faster, and more predictable. It requires pre-arrival data and information for risk management so that different control programmes can be applied in new and more efficient ways.

It removes the out-of-date approach of the border being a line on a map and replaces with the end-to-end movement of goods across frontiers. The ingestion of data rather than the single submission of two-dimensional transaction data.

When a pre-determined level of compliance has been established for a trader, all controls can then be carried out before or after the border. This process will make use of self-assessment, self-inspections, goods supervision and smart containers (track and trace of goods), alternative control and inspections sites (e.g., enroute, at destination, or at the traders' premises).

These methods are supervised and audited to maintain and increase compliance levels. The border crossing is simplified using smart technology such as tried and tested bar code scanning, automatic vehicle number plate recognition, and container and vehicle scanners.



Smart Border 2.0 Concept

Smart Borders are digital borders, that make borders safer and more secure. They reduce cost and the risks of delays, making domestic trade more competitive internationally.

Benefits for Government Border Operations

The pilots delivered a range of technology and business process innovations designed to show how the border operating model can be improved, covering different trade routes, commodities and customs procedures. In terms of change to the border operating model, three critical features emerged:

- Innovative technologies are required to assure Government Departments that transport is secure and can be monitored throughout the goods journey.
- Trusted Trader schemes are essential to simplify border processes and reduce the need for transaction-based controls at the border.
- Accessing and capturing supply chain data through technology channels to allow this data to be shared with Government Departments will enable better compliance with legislation and more risk-based interventions at the border.

Each of these components supports Government objectives on both trade facilitation and compliance/law enforcement. Overall, the Cabinet Office evaluation of the pilots found:

- There are benefits to the Government that come from access to supply chain data, resulting in better targeting and improved decision-making, which in turn reduces the number of checks required at the border. Supply chain data improved the UKBF targeting teams' confidence in their decision-making and showed a potential to decrease the time taken to make those decisions.
- The use of innovative technology improves the border experience.
- There is now a better understanding of interoperability between Government and Industry systems.
- Evidence to support the shift from transaction-based processing to better use of trusted trader schemes, eventually moving away from formatted declarations.
- That Departments do see the benefit of working as "One Government" at the border.
- The new operating models evaluated are not yet ready to replace declarations.
- Government cannot take full advantage of new data because the industry has yet to be incentivised to develop the appropriate technical infrastructure to make it available in the right (machine-readable) format at scale, and Government has not yet adequately determined the most effective ways to use or collect it.

Current processes at the border are in the main transactional and can be cumbersome for traders and Government Departments. At every stage of the cargo movement process, there is a requirement to provide information or to make checks to proceed to the next stage. Often traders (and those providing data on behalf of the trader) are required to submit the same or similar data to different entities within the Government; and be subjected to delays whilst physical checks are conducted (even for compliant traders).

Border processes can be costly, complex and time-consuming for the trader. These factors can lead to an incomplete or disjointed picture of border flow for Government Departments, leading to suboptimal risking and inefficient checks.

The border is an integral part of international trade supply chains and this means it is critical to use technology to exchange data in a secure environment to enable more efficient movement of goods. At the same time, better use of data by Government Departments will make the controls necessary to protect society from harm more effective. Building an operating model that includes improved supply chain management by traders and Government Departments is key to transforming the way in which goods are moved across the UK border.

The border industry's capability to share additional data with HMRC at potentially negligible cost to traders creates potential opportunities. HMRC would benefit from receiving additional data that increases its confidence in the classification, origin, destination and valuation of the goods. This links to HMRC's ambition to improve its risk management capabilities and intercept revenue fraud and/or illicit trade.

The importance of data and not replacing red tape with green tape

Data is the key to future trade development and growth. As a prominent trading Nation it is essential that UK takes a leading role in trade and customs digitalisation to foster safe, secure and resilient international trade growth.

A leading trend in international trade is Supply Chain Visibility (SCV). There is a strong need for increased SCV to provide resilience and predictability of increasingly integrated international supply and value chains. Disruptions to international trade in recent years resulting from trade wars, conflicts, protectionism, pandemics, and black swan incidents have caused ripple effects of delays, additional costs, and enormous challenges for international trade. The goods transport industry is already transforming itself to meet these challenges and to manage continued globalisation, constantly adapting to changing international production patterns and new consumer behaviours.

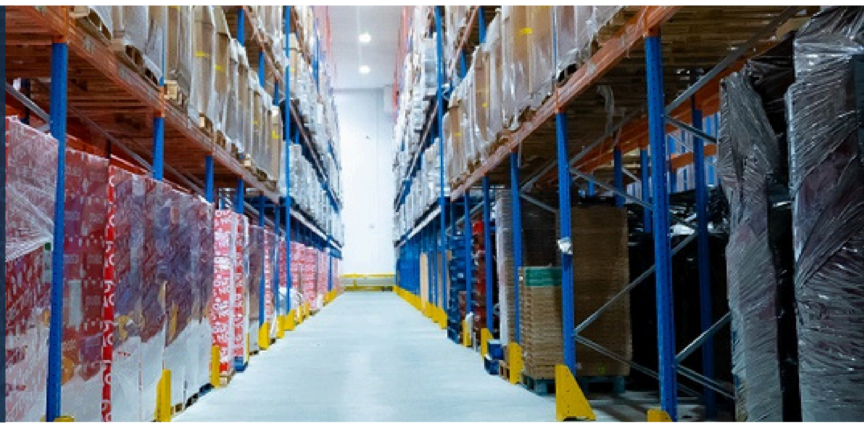
Disruption to trade flows has been the driver for an acceleration in trade digitalisation. We are the first generation that can turn problems into opportunities through technology and data handling. Initiatives such as the UK Electronic Trade Documents Act and the introduction of key data elements like the eBill of Lading (eBL) are driving this trend.

We are at the beginning of a paradigm shift towards digital trade, Global Trade 2.0. We are already seeing the use of big data, machine learning, and artificial intelligence in the management of international supply and value chains. These are trends that will accelerate in the coming years. As trade data becomes more digital, it is important to re-engineer trade process before attempting to digitise it. A huge opportunity will be missed if the process merely turns a poor procedure in to a digital one. Many trade documents currently in use are obsolete in the digital age and should be eliminated rather than digitised. This will make trade simpler and more efficient for all stakeholders.

The international transport industry is already collecting data directly from sources across all stages of global supply chains. The data is validated, refined, analysed, used and re-used throughout the supply chain, providing consistent and compliant reporting. These commercial trade data pipelines are, in turn, shaping the foundations for Trusted Trade Lanes, Trusted Supply and Value Chains, and intelligent Digital Trade Corridors that involve all stakeholders.

The next step is connecting these commercial data pipelines and to government agencies to maximise the predictability and resilience of safe and secure supply chains.

> *"Trade isn't about goods. Trade is about information. Goods sit in the warehouse until information moves them."*
> C. J. Cherryh



In the past, there have been doubts as to whether the private sector is willing to share more non-obligatory data with governments. There are however many examples today of how, with the right incentives and benefits in place, the safe and secure exchange of data is possible and encouraged.

Smart Containers provide 24/7 data on goods container parameters, including access history, temperature, movement, and humidity. These efficient track and trace systems offer real time supervision of goods and digital audibility. When these supervision systems are twinned with commercial supply chain visibility data from all stakeholders, a trust badge – a passport for goods – is created. This information could and should be voluntarily shared with government agencies to enhance the risk management process and access to simplifications before the border, at the border, and after crossing the border.

This also means that digital compliance records are being created by industry. It means there is the opportunity for automatically generated early warning signals to border agencies when something is wrong or 'looks a bit odd', creating a new environment for smart border application at UK borders and improving trade facilitation.

Voluntary access to supply chain visibility data creates a new paradigm for smarter risking at borders. As a result, borders become safer, more predictable, and more resilient. This means both big businesses and SMEs can engage in international trade at a lower cost, more competitively, and with a smaller carbon footprint.

Supply chain data is also needed to comply with new supply chain ESG regulations, including the US Forced Labour Act, the EU Supply Chain Due Diligence Act, the EU Carbon-Border Adjustment mechanism (CBAM), and the EU Deforestation Regulation. Similar regulations are also coming into force in other jurisdictions, including Canada, the United Kingdom, and Australia.

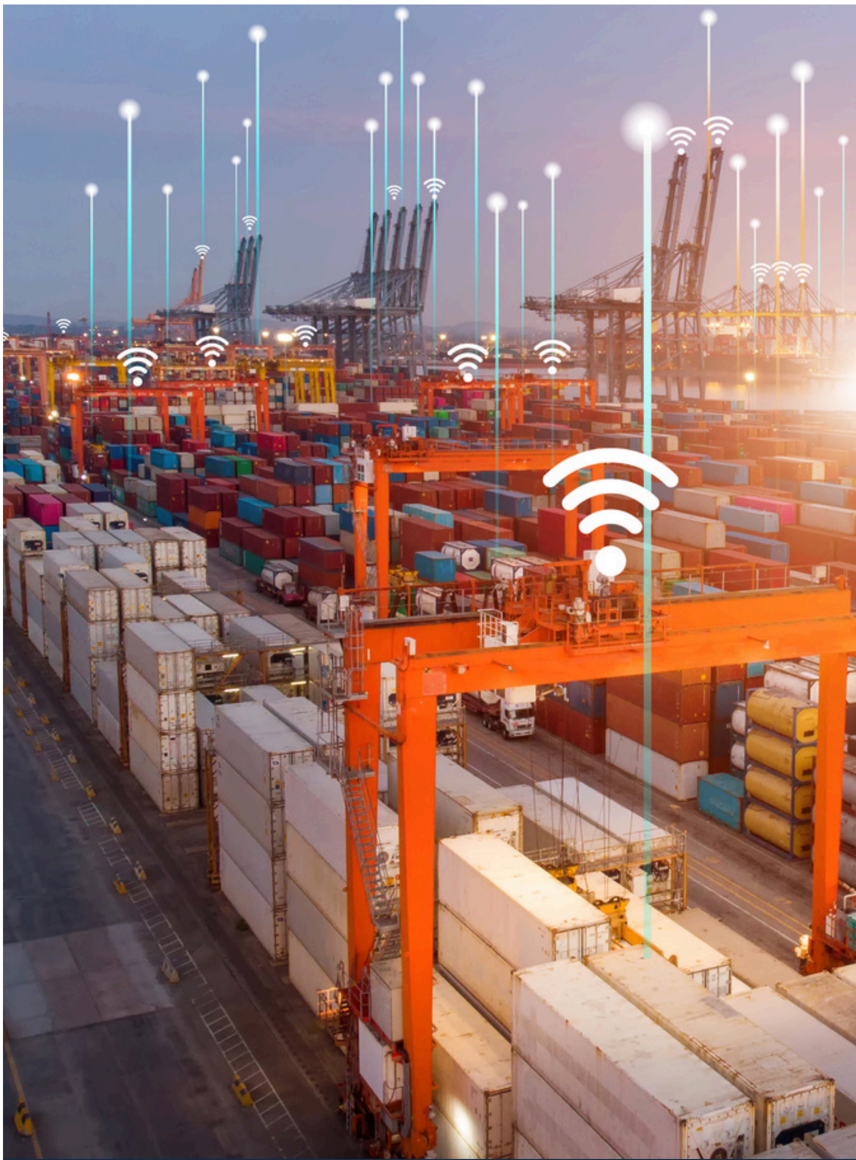
From a trade facilitation perspective, it is crucial that these new ESG regulations are designed and applied in a way that generates maximum ESG impact with minimum impact on international trade and the cost of doing business. If not designed and implemented correctly, these regulations risk becoming costly burdens on UK trade and even blockers for SMEs to export or be sub-contractors in production and international value chains. We do not want to replace red tape with green tape!

We need smarter systems to tackle important ESG challenges and trade can become a decisive factor if trade digitalisation is used as the bridge for business. Business can actively contribute to a better world through inclusive participation in growing international trade. This also means that a new tiered UK Trusted Trader programme should impact ESG reporting in a favourable. way. The UK government should actively seek mutual ESG recognition through technical agreements for authorised traders with documented systems in place with all major trading partners.

We need smart ESG trade solutions. This is possible and we still have time. The proposals in this report makes that possible.

If UK businesses are early adopters of trade facilitation compatible ESG regulations this can become an important differentiator for important markets such as the EU and US.

It is also clear that trade complexity is increasing as more regulations are introduced – this needs to be turned into a reset opportunity. If we do not facilitate smoother trade currently it will remove the option to mitigate some of the increased burden with positive enhancements elsewhere. ESG and other developments also create a catalyst for data standardisation and a requirement beyond making the border easier to negotiate. In short, rather than suggesting the trader does more in order to benefit from facilitations, the developments mean they will need to do more anyway and thus more useable data is more readily available for border functions.



Trade (especially with the EU) is getting harder

Customs and border processes are constantly changing. The world is constantly changing and this filters down to frontier processes. The emergence of e-commerce (turbo-charged by the COVID-19 pandemic) has forced the EU and others to review their duty-free thresholds. The EU has chosen to respond to climate change challenges by adding a significant burden to the regulatory process and adding tariffs, for example, the Carbon Border Adjustment Mechanism. Concerns about deforestation have led to the EUDR (EU Deforestation Regulation) All of these have the capacity to burden trade, lower GDP per capita and increase friction.

We recommend that our NI Regulatory Look Ahead tool be expanded to form an early warning system for traders and an action plan for process designers (such as the TFC). In particular, the EU pipeline of new regulation is very significant. An example of the EU pipeline elements is shown below and its wide scope is apparent:-

- EU Sustainable Packaging
- EU CBAM
- VET medicines issue from GB to NI
- EU Digital Passport
- EU Mercury Ban
- "Not for EU" Food Labelling
- NCTS phase 5
- Protected Geographical Indication (GPI)
- Fuel EU Maritime
- ViDA
- EU Small Business VAT Scheme
- NIMAR
- EU Deforestation regulation
- Product Safety and Metrology Bill
- EU 2024/785 BEVs from China
- Supermarket Grouping (Article 177)
- Marketing standards for Eggs
- Steel antidumping
- Import Control System 2
- EU migration regulations
- Products made with forced labour to be banned from EU single market
- EU-Framework for ensuring a secure and sustainable supply of critical raw materials
- EU Cosmetic Labelling Regulations
- EU-Maximum residue levels for bifenazate
- Proof of Union Status
- EU AI act
- EU Regulation over Digital Platforms
- EU Fluorinated greenhouse gases
- EU Binding Valuation Decisions (2024)
- EU Anti-Coercion Instrument
- EU protection of species of wild fauna and flora
- EU Customs Strategic Plan (MASP-C).

Options and regulations create confusion and require expertise. We created a matrix of the various options when dealing with the EU or NI – the complexity is obvious:-

Direction	Goods	HMRC Lane	SPS Lane	EAD	ENS	IMP	H8	EHC or PHYTO	TAD	IPAFFS	TRACES	BCP	DUTY	GMR	PBN or similar
GB to NI	Non-controlled	Red	-		✓	✓							Possible unless UKIMS	✓	
GB to NI	Controlled	Red	Red		✓	✓		✓			✓	✓	Possible unless UKIMS	✓	
GB to NI	Controlled	Red	Green		✓	✓		NIRMS			✓	✓	Possible unless UKIMS	✓	
GB to NI	Non-controlled	Green	-		✓		✓						UKIMS	✓	
GB to NI	Controlled	Green	Red		✓		✓	✓			✓	✓	UKIMS	✓	
GB to NI	Controlled	Green	Green		✓		✓	NIRMS			✓	✓	UKIMS	✓	
GB to NI via IE	Non-controlled	Red	-		✓ IE	✓			✓				Possible unless UKIMS	✓	✓
GB to NI via IE	Controlled	Red	Red		✓ IE	✓		✓	✓		✓	✓ IE	Possible unless UKIMS	✓	✓
GB to NI via IE	Non-controlled	Green	-		✓ IE		✓		✓				UKIMS	✓	✓
GB to NI via IE	Controlled	Green	Red		✓ IE		✓	✓	✓		✓	✓ IE	UKIMS	✓	✓
NI to GB	Non-controlled	-	-										-		
NI to GB	Licensable	-	-	✓									-	✓	
NI to GB via IE	NI qualifying	Green	Green	✓									-	✓	✓
NI to GB via IE	Non qualifying, non-controlled	-	-	✓	✓ GB	✓							Possible	✓	✓
NI to GB via IE	Non qualifying Controlled	-	-	✓	✓ GB	✓		✓		✓		✓ GB	Possible	✓	✓
GB to EU direct	Non-controlled	-	-	✓	✓ EU	✓							Possible	✓	✓
GB to EU direct	Controlled	-	-	✓	✓ EU	✓		✓			✓	✓	Possible	✓	✓
GB to EU indirect	Non-controlled	-	-	✓	✓ EU	✓			✓				Possible	✓	✓
GB to EU indirect	Controlled	-	-	✓	✓ EU	✓		✓	✓		✓	✓	Possible	✓	✓
EU to GB	Non-controlled	-	-	✓	Oct24	✓							Possible	✓	✓
EU to GB	Controlled	-	-	✓	Oct24	✓		✓		✓		✓	Possible	✓	✓

BLUE = available through TSS

Note : GB-EU-GB added for comparison purposes only. GB-EU direct is where the arrival Member State is the same as the destination (ie GB to IE). Indirect is where the arrival Member Sate and destination is different, ie GB to DE via FR.

Further complexity is created by the applied rules of origin, according to the trade deal being accessed and the cumulation rules agreed.

A simple to understand, easy to apply set of origin rules would be preferred.

How ready are traders generally and how can we help them?

The context for the Government's transformation of the UK border operating model has come from ongoing demands from the border industry (freight forwarders, customs agents, express operators, software developers, road hauliers, carriers and community system providers) and of course, from the UK leaving the EU.

As the pressure of the post-Brexit transition subsides and the new border operating model beds in, we need to ask the question what next? We know the border industry demands:

- Planning certainty
- Early consultation and communication on changes to the operating environment
- Removal of overly complex laws, policies, procedures and processes
- A single interface with Government at the border
- More digital solutions
- No interruption to legitimate business
- Easing business burden through the avoidance of duplication across Border Agencies
- The facilitation of trade with new partners
- Reduction in the costs to be compliant with the government regulations.

Over 3 years, since 2021, we have looked at how businesses experience the border as a process rather than a line on the map. We surveyed 300 businesses about their experience, assessed the most recent trade statistics and interviewed select decision-makers in depth about their experience of trade with the UK.

In 2023, we found:

- Businesses have added 10 days to their maximum estimated delivery time across all UK international supply chains. Not all of this will be due to border delays but a significant proportion is:
  - 40% link extended delivery times to difficulties moving across the UK border
  - Businesses importing from the EU to the UK (where the border is newest) were nearly twice as likely to report increased delivery times than those importing from the rest of the world (58% vs 30%)
  - Businesses that export to the EU were also significantly more likely to report increased delivery times (54% vs 33%).
- Overall experience has improved since 2021: 54% experienced delays, against 58% in 2022 and 83% in 2021. But this is because
  - Traders are adapting: half have increased delivery times (down from 59% in 2022 and 70% in 2021), 39% hired staff and purchased software, and 44% increased inventory
  - Traders are growing more confident in themselves: 60% described are very confident in trading with the EU, versus 53% in 2021
  - Traders are more confident in advice from UK government sources: 48% expressed confidence in 2023 versus 40% in 2021. Logistics providers remain the most trusted at 60%.
- There is little evidence the border itself is improving: the same number cited the UK border as the reason for longer delivery times in 2023 as in 2021 (41%).

We can now see a clear pattern in how businesses prepare for changes to a border regime. While our survey started too late (2021) to pick up the early preparations for Brexit, our data does capture some of the 'in-flight' changes that respondents reported as they adjusted to a UK/EU trade border. We also capture preparations for the introduction of the UK's full import regime in 2024.

- Businesses were aware of changes in both cases: only 12% knew nothing about 2024 UK import changes
- The most common responses to new rules in both cases were:
  - About ⅓ increased inventory
  - About ⅓ increased delivery times
  - About ⅓ invested in staff and training
  - About ¼ did nothing

Traders only adapt to change when they have to. Larger businesses can invest in staff and processes but smaller businesses cannot. A significant proportion ignore the problem, stop trading or hope to wing it.

Any effort to support traders must do 2 things:

1. Consider the border process as they experience it
2. Materially improve the cost/benefit equation vs the existing process.

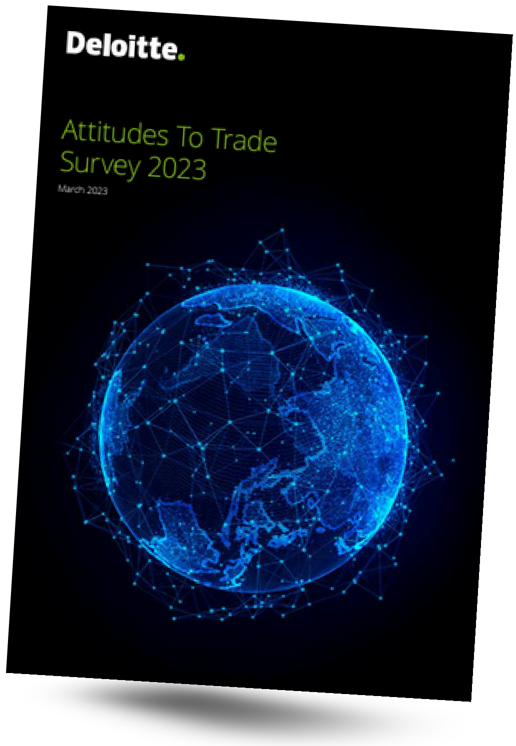
Support for traders should consider that the border is simply a source of risk for a business. It is a step in the supply that businesses cannot control. It therefore adds cost and time no matter how good the process. Support should therefore focus on:

1. Simplifying information requirements by, for example:
   a. Sharing data between government departments to reduce requests
   b. Facilitating early/in-flight checks and error correction
2. Minimising the number of touch points with supply chains by, for example,
   a. combining import and export controls where possible (eg juxtaposed immigration controls at Dover/Calais)
   b. Coordinating checks between agencies at the border Incentivising compliant behaviour, for example: Clearer guidance
   c. Trust schemes

Furthermore, a recent report by Deloitte entitled 'Attitudes to Trade' had the following headlines:-

- A majority (54%) of respondents view the government's FTA programme as beneficial to their business - an increase of 12% on last year's survey.
- Businesses are positive about the major new FTA opportunities, such as with India, the GCC and CPTPP, and consider them more favourably than at the time of our last survey.
- Around half of survey respondents believe that the new FTAs in force with Australia and New Zealand could be beneficial to their businesses.
- Almost three quarters of survey respondents were aware of the MoU programme with US states, with 61% stating they could prove beneficial for their business.
- Over half of respondents (54%) are experiencing or anticipate experiencing greater competition from cheaper imports as a result of the UK's FTA programme.
- Two thirds of businesses represented in the survey ensure they are always claiming the correct rate of duty available under FTAs, with a third of respondents stating that their business does not always ensure they are paying the correct [duty] amount and may therefore be overpaying. It is possible that some businesses could be suffering from resource or knowledge scarcity in the mitigation or recovery of duties, or in complying with rules of origin.

When you consider ESG requirements, CBAM, de-forestation, EU Customs reforms and all of the other elements in the regulatory pipeline it is clear that trade, if anything, is getting harder. Action is required now to even maintain the status quo – but it also offers the opportunity to reset and design a modern future proof border. The TFC is available to assist in that process and has the practical experience to make that as effective as it can be.



Steps the UK could take to lead the way

It is important to review the status of the UK Border Strategy, in terms of its delivery progress to date as well as what can be done to accelerate the progress of major programmes such as the STW; and the transition towards EcoSystem of Trust operating models. It is also appropriate to look at the Strategy's level of ambition, four years since it was published.

There are a number of strategic shifts that have yet to be delivered in full and yet would improve the border experience for traders, whilst at the same time support Government security and efficiency objectives, including:

- Tailoring services for individual customers rather than systems applied to customer segments; reducing cost to business; and cross-border integration to promote economic growth.
- The introduction of more sophisticated analytics-based risk targeting; moving physical checks at the border to digital/physical checks along the trade journey; and extending tiered trusted trader schemes across supply chains to facilitate trade and improve national security.
- A move to self-assessment of customs duty and tax; self-serve and flexible payment options to collect and protect revenue.
- The creation of efficiencies for Government by moving a multi-agency landscape to a single interface with the border industry; increasing partnerships with the border industry; and simplifying operations using automation where appropriate.
- A simplified and coherent approach to Government authorisations, notifications and permissions. HMRC is looking at how it can rationalise over forty customs authorisations and this needs to be extended cross Government Departments.
- Government Departments being able to access commercial supply chains to enable better use of data for declaration and compliance purposes. This will provide Departments with the assurance required to build the confidence that new trade facilitation measures will not compromise compliance or border security.
- The use of innovative technologies that enable secure monitoring of goods movements, which in turn reduce the need for physical interventions at the border that cause delay and create business cost.
- Improved risk analytics (systems and data) to support better intelligence and targeting that means more precise Government interventions in commercial supply chains and less interruption to legitimate goods movements.
- Delivery of the STW and connections with other countries, creating digital trade corridors that reduce cost to trade and maintain border security.
- The legal frameworks to enable sharing of data between Government Departments and with the border industry.
- A "one government" approach to border policies, strategies, systems, procedures and processes, preferably led by a single Border Minister.

The UK has the opportunity to lead the world in terms of trade facilitation, border design and data management. That opportunity is now and the longer one ponders the possible (or lets perfect get in the way of good) the more obvious it will be that the UK is not where it should be and certainly not leading the way.

Trade Facilitation Commission

Policy and Practicality in Partnership

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Shaping the future of customs simplifications and border processes to enhance trade efficiency