



# A FAIR DEAL FOR CONSUMERS

EU TRADE ROADMAP

Spring 2020

#TRADEDEAL

The logo for BRC, consisting of the letters 'BRC' in a bold, white, sans-serif font. The letter 'B' is partially enclosed by a dark blue shape that resembles a stylized arrow or a shield, pointing to the left. The letters 'R' and 'C' are positioned to the right of the 'B'.

# WHAT CONSUMERS NEED

## OVERVIEW

- Consumers need a zero-tariff deal.
- Pragmatic solutions are needed on future compliance and regulatory checks to minimise new costs.
- Choice, costs, and affordability are big issues for GB-NI trade as well as for GB-EU trade.
- Ports and IT systems need to be ready to cope with increased checks



# INTRODUCTION

Consumers benefit from a great selection of affordable, quality products from the UK and around the world. The largest market we buy from is the EU where sophisticated, efficient supply chains mean we can give consumers the longest possible shelf life even for the most perishable, fresh produce. This paper explains the importance of agreeing a trade deal with the EU which keeps costs and delays to an absolute minimum. Only by doing so can we ensure consumers continue to benefit from the same choice and affordability of products in our stores that they are used to.

We welcome the objective of both the UK and EU to deliver a zero tariff agreement but also trust that it will be matched by pragmatic approaches to future regulation to underpin it. An absence of co-operation on rules, covering everything from transit and documents to food safety, will lead to costly border checks and new red tape. With clear decisions, these costs can be minimised for businesses and consumers alike.

We believe effective co-operation can be brought about on these issues to avoid unnecessary red tape and formalities on moving products quickly and efficiently through our supply chains. While we can source many of these products from UK supply chains we cannot avoid the need to supplement that with European produce, particularly out of season. Without solutions which avoid delay and allow us to move products into the UK quickly, particularly through Dover and Folkestone, consumers will see reduced choice and shorter shelf life. There will also be inevitable pressure on costs.

We want all UK consumers to continue to benefit from quality, affordable products. This means avoiding unnecessary bureaucracy and cost in moving products from Great Britain either to stores or online shoppers in Northern Ireland. Many of our stores in Northern Ireland are supplied from Great Britain and move perishable food on a just in time basis, so it is essential there is a pragmatic approach to controls as delays will be just as significant at Channel ports. The ports themselves will require investment in new facilities to ensure they can cope with increased traffic

We highlight the areas of regulation in which pragmatic solutions on costs, red tape and delays can make a real difference. We are offering our expertise in supply chains and logistics to work with the Government to consider trading options and agree the best one for consumers. We know how demanding consumers are and they will expect a trade deal which protects their choice and affordability in our stores.

**FOR THE LATEST ON OUR CAMPAIGN  
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[BRC.ORG.UK/COMMUNITYHUB](https://www.brc.org.uk/communityhub)**

# RECOMMENDATIONS

## UK GOVERNMENT AND THE EU SHOULD AIM TO SECURE:

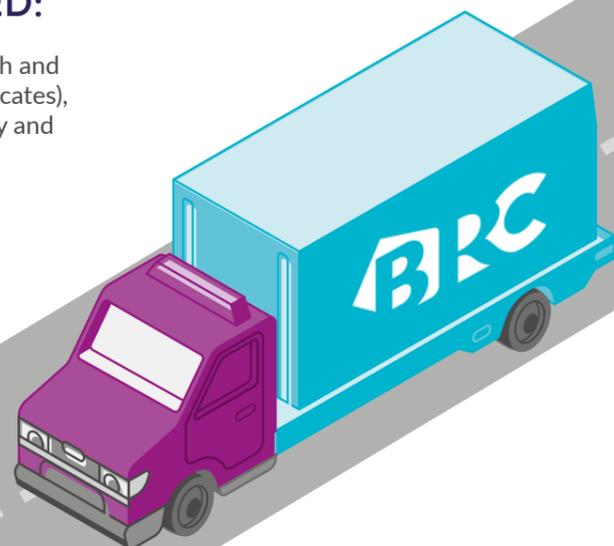
- Zero tariff deal to keep costs low for consumers and to help the new NI trade arrangements work.
- Coordination to minimise friction, costs and delays from new border checks or regulatory or customs controls.
- Regulatory and enforcement arrangements in key areas (agri-food, industrial, electrical products, chemicals, pharmaceuticals) to secure market access with as low friction as possible.
- Close relationship with EU VAT and excise procedures to keep prices and red tape down.
- Deal which ensures common transit procedures, haulage and drivers to allow goods to move without queues, long delays or stops.
- Deal that works (with UK unilateral mitigations) to ensure smooth flow of goods between NI and rest of the UK.
- UK ports have the capacity to handle increased checks
- Retailers and their suppliers have sufficient time to test new systems

## ANY DEAL WILL MEAN NEW:

Certificates of Origin, Destination paperwork (for NI), Transit certificates or barcodes, Customs valuation documents.

## WITHOUT A PRAGMATIC SOLUTION WE WILL ALSO NEED:

VAT and excise documents, Freight documents, Health and veterinary paperwork (including Export Health Certificates), Exit and Entry summary declarations (customs), Safety and security permits.



# CHALLENGES AND COSTS

## CONSUMERS FACE REDUCED CHOICE & AVAILABILITY WITHOUT A GOOD DEAL:



**£500**  
POUNDS PER DAY  
is the cost of holding a delayed driver with a refrigerated lorry at a port.



**AROUND 50-60**



designated points of entry (Border Control Points) to the UK for imports from outside the EU.

**IMPORT OF PERISHABLE GOODS**

Number of days between picking a strawberry and its best before date on the shelf - nine days.



freight movements a day between the UK and the continent. It has no physical infrastructure for holding consignments pending customs clearance.<sup>2</sup>

**NEW CUSTOMS DECLARATIONS**

Need a good deal to limit red tape requirements from customs and products rules.



of Irish food and drink exports. Worth €4.8 billion per year.<sup>3</sup>



worth of clothes from Turkey in 2018.<sup>4</sup>

1. Source from the Freight Transport Association. 2. Source from Port of Dover Annual Traffic Statistics 2018. 3. Ireland's Department of Foreign Affairs and Trade. 4. World Intergrated trade solution converted at an exchange rate of 1.299

# TIME IS OF THE ESSENCE

As our figures show (page 7), the EU is much more significant to our supply of food products than to non-food products. Over three quarters of our food imports come from the EU. These are products with a short shelf life and the transit is much quicker than with products such as electricals and clothing, which often comes from outside the EU.



Slower and longer journey from outside the EU.



Faster and shorter journey from within the EU



More likely to be non-perishable goods.



More likely to be perishable goods.



Adequate time to process the documents.

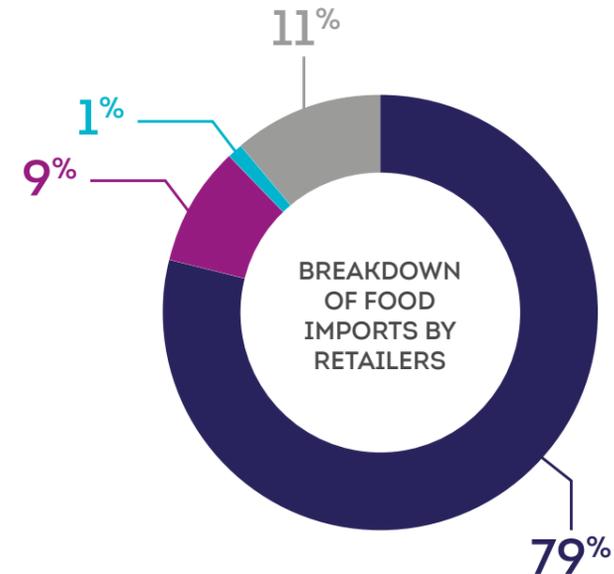


Ensuring perishable goods can continue to arrive quickly into the UK and processes happen at pace will be vital.



# WHERE IMPORTS COME FROM

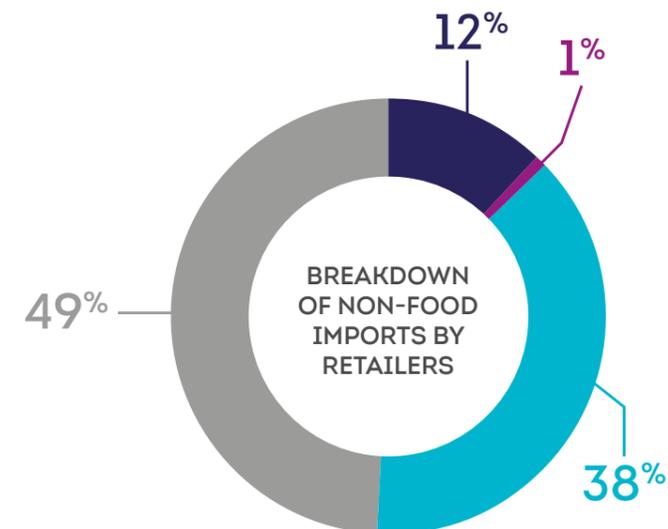
## FOOD IMPORTS MORE THAN THREE QUARTERS COME FROM THE EU



BREAKDOWN OF FOOD IMPORTS BY RETAILERS	
EU	79%
BEVERAGES	43%
FRUIT & VEGETABLES	21%
MEAT & FISH	14%
CEREAL PRODUCTS	7%
OTHER	16%
BILATERAL AGREEMENTS	9%
FRUIT & VEGETABLES	60%
BEVERAGES	38%
OTHER	2%
GSP	1%
FRUIT & VEGETABLES	42%
FATS & OILS	35%
OTHER	23%
OTHER (MFN)	11%
MEAT & FISH	30%
FRUIT & VEGETABLES	14%
OTHER	19%

Source: BRC data - revised in 2019.

## NON-FOOD IMPORTS AROUND HALF FROM COUNTRIES WITHOUT A FREE TRADE AGREEMENT WITH THE UK.



BREAKDOWN OF NON-FOOD IMPORTS BY RETAILERS	
EU	12%
CLOTHES	54%
FURNITURE	14%
OTHER	32%
BILATERAL AGREEMENTS	1%
CLOTHES	88%
OTHER	12%
GSP	38%
CLOTHES	84%
FOOTWEAR	12%
OTHER	5%
OTHER (MFN)	49%
CLOTHES	49%
FOOTWEAR	12%
FURNITURE	8%
ELECTRICALS	5%
OTHER	26%

Source: BRC data - revised in 2019.

# RED TAPE ROADBLOCKS

## CURRENT SITUATION

### FRICTIONLESS TRADE

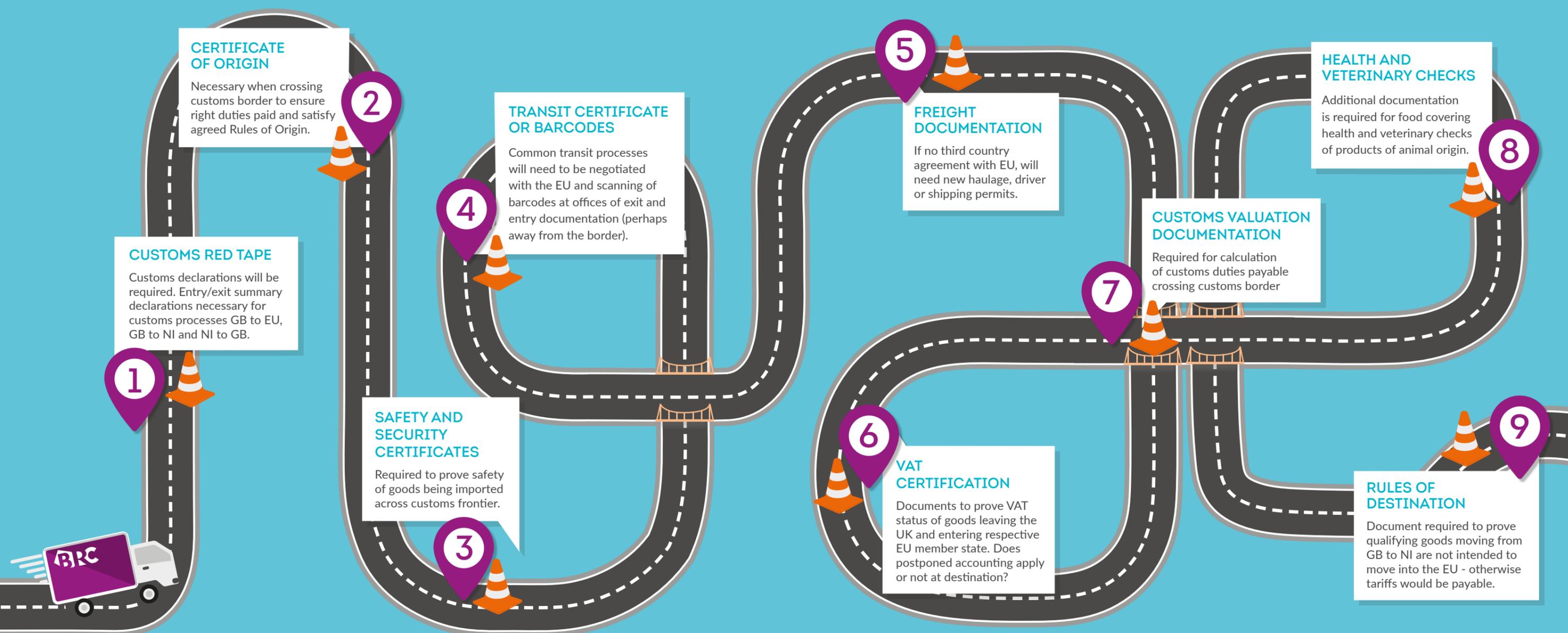
In the transition period, UK is aligned with all EU customs union, Single Market, VAT and excise rules, meaning tariff-free and friction-free trade with the bloc, and no friction within the UK internal market.



The Government needs to establish import and export processes along with necessary infrastructure capable of conducting checks on rules of origin, SPS, VAT and more. Staff will need to be hired and trained to carry out these checks on the thousands of lorries that enter the UK every day.

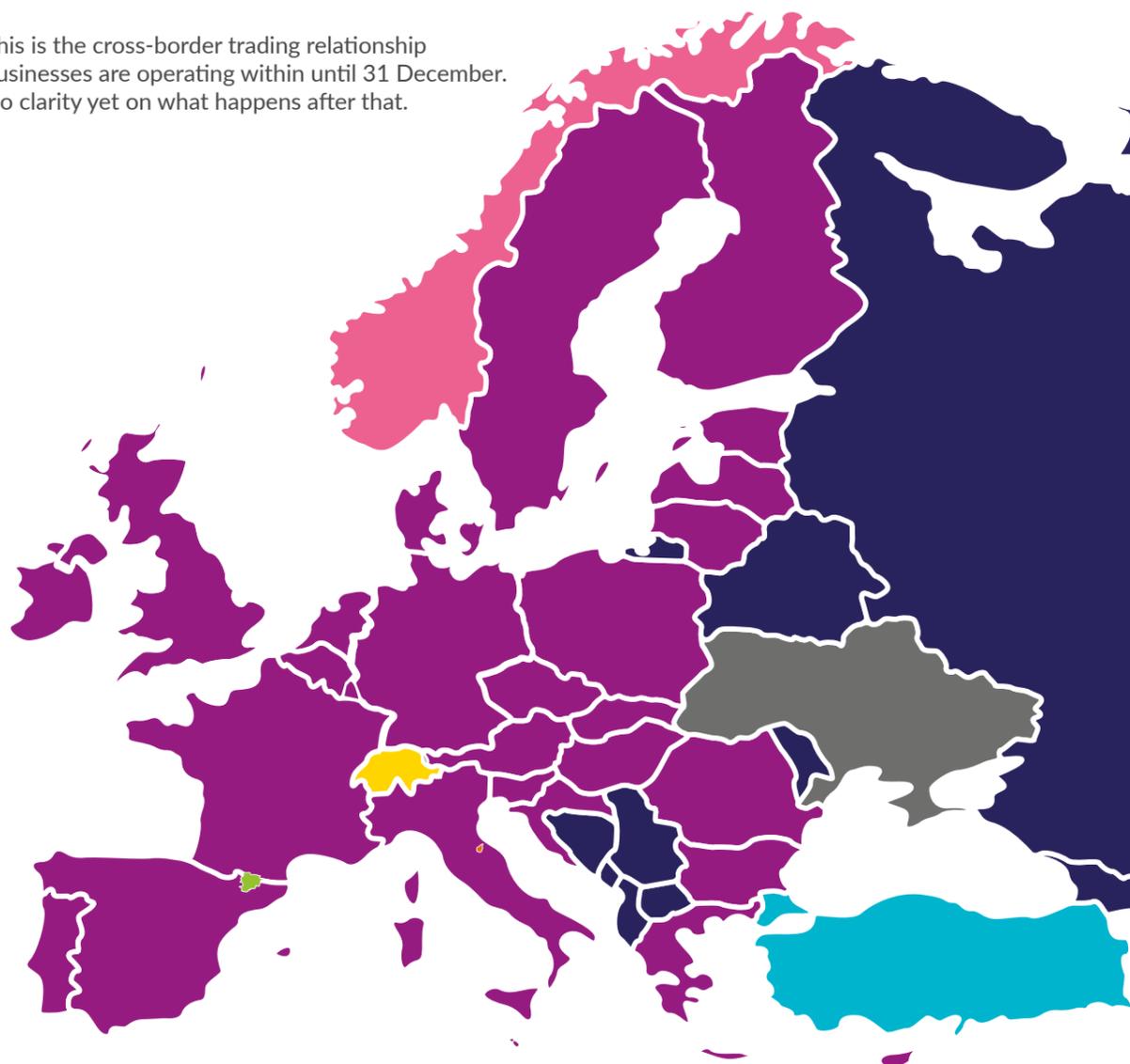
IT systems must be adapted and tested. Holding facilities for lorries, particularly at Dover and Folkestone, will need to be constructed. It is not enough to announce checks will take place, we must see plans now as to how this will be possible in practice, or it will be consumers who suffer on 1st January 2021.

## ON EXPIRY OF TRANSITION PERIOD ON 1 JAN 2021



# CURRENT CUSTOMS AND REGULATORY ARRANGEMENTS

This is the cross-border trading relationship businesses are operating within until 31 December. No clarity yet on what happens after that.



## KEY

- EU Customs Union and Single Market
- EU-Turkey Customs Union
- EU-Andorra Customs Union
- EFTA-EEA, not in CU but aligned with Single Market
- EFTA-EEA, not in CU but in Single Market
- EFTA - not in CU but aligned with SM for goods
- Association Agreement with EU - alignment with some SM rules in goods
- EU- SanMarino Customs Union
- Outside Customs EU Union

# THE PATH AHEAD

A UK-EU trade agreement needs to avert potential red tape challenges that would affect the supply of goods to UK consumers. We need a deal on customs processes, health and veterinary (SPS) checks, security, transit, technical barriers to trade, product standards and conformity assessments, VAT and haulage to allow goods to move between the UK and EU efficiently. Delays from avoidable checks would add costs and disrupt supply chains. The deal should limit extra costs on movements of goods from GB to NI and vice versa. Internal mitigations may help, but only a zero-tariff, low friction, pro-consumer trade deal can achieve that.

Zero-tariffs does not mean no tariffs in every circumstance. Retailers moving goods around UK and EU markets need as few surprises in extra tariffs as possible. This is crucial in terms of goods imported via unilateral trading preferences (like the GSP) from third countries. Mutually beneficial arrangements on rules of origin and on qualifying goods are key to that.

A deal with close regulatory co-operation would enable retailers to develop more efficient supply chains, and avoid costly new red tape, delays and checks. The major challenges for retailers of failing to agree this kind of deal would include:

- Customs declarations and processes, in particular exit and entry summary declarations on goods entering or leaving the EU (and NI), with additional costs and red tape requirements.
- Upfront import VAT payable in some member states for UK imports. In other contexts, additional complexity from import VAT, including on business to consumer transactions from EU to GB and GB to EU. Will the UK be a participant in the VIES system, or have a limited Norway-style co-operation deal?
- Scans required in terms of the Common Transit Convention at offices of exit and entry for goods movements without renegotiation of the Convention by 34 countries.

- Export Health Certificates and additional documentary requirements to comply with EU SPS rules on products of animal origin and composite food products.
- Different jurisdictions on product standards and potentially on conformity assessments for electrical and industrial products, toys, chemicals and pharmaceuticals. New red tape on cross-border trade in pharmaceutical products.
- Loss of mutual recognition rights on EU-UK trade in non-harmonised products such as some home furnishings, involving potentially higher legal compliance costs.
- Requirement to prove origin of products to establish they are entitled to preferential tariff treatment on arrival, and that a sufficient proportion of the goods qualify for such treatment.

Agreements on the safety and security of goods entering UK and EU markets are crucial to limit friction. Norway and Switzerland have bilateral agreements that reduce delays at border entry points.

There are mitigations which could help reduce some burdens from new non-tariff barriers, including arrangements on haulage and drivers, joint working on common transit processes, mutual recognition agreements on conformity assessment and product and SPS standards, co-operation on VAT, extending the Authorised Economic Operator (AEO) system into a "trusted trader" scheme used by other countries and allowing importers to "fast track" customs, reducing the burden of checks, security and taxation requirements for importers.

Ensuring UK ports are ready for new checks and procedures is also a priority. Investment is needed in port capacity, roads, warehouses, and IT systems to ensure the UK is ready for 2021 and beyond. There should be a more integrated approach by UK and devolved government agencies to customs and regulatory controls.

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## THE BRITISH RETAIL CONSORTIUM

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.

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