

Response to Transport Committee *'Freight and Brexit'* Inquiry

8th June 2018

1. London Chamber of Commerce and Industry (LCCI) is the largest capital-focused business advocacy organisation, representing the interests of over 3,000 companies from small and medium-sized enterprises through to large, multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and the GLA, Parliament and the media, as well as relevant international audiences. Through member surveys and commissioning research, LCCI seeks to inform and shape the debate on key business issues.
3. The freight industry is strongly represented amongst LCCI's membership. Moreover, much of our wider membership heavily depends upon the safe and efficient delivery of their goods to safeguard their day-to-day operations and future growth.

Our vision for Brexit

1. Avoiding a post-Brexit 'cliff edge' is a top priority for London business leaders. Post-Brexit, there must be a suitable arrangement in place to regulate Britain's relationship with the European Union (EU), rather than a fall back on WTO rules (the 'no deal' outcome).
2. LCCI does not want to prescribe what exactly a potential transitional arrangement should look like – whether that be a single new agreement, EFTA/EEA membership, or a series of sector or issue agreements. However, as a practical step forward we support an interim arrangement that should reflect our current arrangements as closely as possible.
3. Through our research, and the soundings we have taken of London businesses, we know that for many businesses their top priorities post-Brexit include avoiding adding additional barriers to trade to ensure the free-flow of goods, ensuring we maintain a flexible system of migration, and securing aviation links with the rest of the world. Crashing out of the EU without a deal, or without pragmatic transitional arrangements covering many of these areas, would have serious implications for many businesses who currently trade with the EU, and could cause chaos at our ports and airports.
4. According to LCCI polling, 77% of London businesses agreed that an interim arrangement should be put in place to avoid the sudden reposition of tariffs and non-tariff barriers following Brexit, if an EU-UK Free Trade Agreement has not been agreed on by the time the UK leaves the EU. 80% agreed that any interim agreement should last until the UK and EU agree on a permanent agreement and 76% agreed any interim arrangement should be similar to the UK's current arrangement with the EU¹.

¹ ComRes survey for LCCI of 530 London businesses, May-June 2017.

5. More recently, our polling showed a significant majority in favour of staying in the Single Market until the new free trade and customs deal with the EU is agreed, with similar levels of support expressed for staying in the Single Market for a set period of time after the new free trade and customs deal with the EU is finalised².
6. To date we have published several papers on Brexit since the referendum result, including:
 - October 2016:
London Businesses and Brexit: Reactions, expectations and requirements
Assessed London businesses' initial response to the EU referendum outcome
 - June 2017:
Moving Towards Brexit: London business views one year on from the EU referendum
Assessed what London businesses expected from the Brexit process

Other LCCI publications on the topic include our proposals for a practical migration system for post-Brexit London, joint work with the Alliance of European Metropolitan Chambers and our Chamber.Online^[1] *Terms of Trade* campaign with Greater Manchester Chamber of Commerce and Business West:

- November 2016:
Permits, Points and Visas: Securing practical immigration for post-Brexit London
Examined how to realistically plan to process the future migrant workers London will need
 - April 2017:
Declaration of the Alliance of European Metropolitan Chambers
Joint declaration, adopted at London City Hall on 5 April 2017, to work together in a post-Brexit era
 - March 2018:
Terms of Trade: The reality of Brexit for business
Explored the everyday impacts of the most widely discussed Brexit scenarios
7. LCCI will continue to work towards realising the best possible outcome for London business from the Brexit process. The priorities set out in this document, based on input from London business leaders from a wide range of industry sectors and company sizes, aim to contribute towards that goal.

The scale and nature of the challenges and opportunities Brexit presents to UK freight companies and their customers.

8. The logistics sector contributes over £121 billion Gross Value Added (GVA) to the UK economy³, equating to 11 per cent of the UK non-financial business economy. The industry

² ComRes survey for LCCI of 569 London businesses, August-September 2017.

^[1] For more information, please visit <https://chamber.online/brexit-eu-negotiation>

³ Freight Transport Association (2017) <https://fta.co.uk/press-releases/20170510-next-government-must-help-not-hinder-the-freight-industry-says-fta>

is an essential pillar of our society, providing the building blocks for our economy and ensuring our quality of life. Furthermore, it also has an integral role in sustaining London's 'megacity' status and the capital's 24/7 economy.

9. It is critical for businesses to have a smooth transition in place towards what is likely to be a different regulatory and trade environment. Businesses need time and predictability to adapt to change and each industry must be thoroughly consulted at every stage. A transition arrangement for the UK's departure is a positive step. But as a temporary solution — it does not solve all the issues that need to be addressed.
10. London businesses have expressed a clear desire for a pragmatic transition period following Brexit, towards a good final deal that minimises tariff and non-tariff barriers to trade, rather than which falls back to WTO rules. This includes UK transport and logistics companies, who have continued to put forward practical solutions to ease friction at our borders and to safeguard our trading relationships in the wake of Brexit.
11. **The implications of a hard border:** During a recent visit to the Ports of Dover and Calais, LCCI was briefed on the potential challenges of a sudden imposition of tariff and non-tariff barriers.
12. The Port of Dover handles £119 billion of trade every year and the goods that are transported must often get to businesses at the exact moment they are required. The magnitude of a sudden disruption to 16,000 lorry movements a day through Dover by the imposition of additional customs checks on trade with the EU would, without significant new infrastructure, be crippling. If the UK reverts to WTO rules and regulatory and tariff barriers between the U.K. and the EU are implemented, short lived bouts of disruption, including long tailbacks of lorries subject to check and controls, risk becoming chronic very quickly.
13. Furthermore, on a recent visit to the Channel Tunnel crossing at Dover, LCCI witnessed the potential implications of additional checks and controls. Brexit represents a very specific challenge to Eurostar as a rail operator moving people and freight. Any sudden disruption to the flow of goods and people would severely damage one of the UK's most important links to the continent. Indeed, Eurostar have already said that "on arrival" controls would increase journey time by 40 minutes each way. That is the equivalent of taking away the entire UK plc investment in HS1.
14. The European Commission has said that if Britain leaves the customs union and the single market, the concept of a frictionless border "is not possible". Businesses are in the dark on how much friction they will have to deal with and it is has become abundantly clear that no contingency planning can take place without clarification on the "end deal".
15. This makes it doubly important that businesses have both the time to adapt to any new barriers – be it though training staff to handle necessary paperwork or adapting business models – but also that the UK (and our European neighbours) has sufficient time to develop the necessary infrastructure (physical and digital, including options such as pre-clearance customs and immigration controls that are offsite and away from chokepoints) to ensure that any future customs arrangement remains as frictionless as possible, anticipating it will not be as 'frictionless' as today.

16. **Air freight and a global Britain:** Another challenge continues to be the aviation sector. The UK airline industry is inextricably linked with its EU counterparts and there is no World Trade Organisation ‘fail safe’ in the event no deal is reached. An immediate interruption to aviation links which carry people and freight across the world is a serious risk to the UK’s reputation as a global trading partner. Around 2.3 million tonnes of cargo pass through UK airports annually, air freight remains the only mode of transport where the country’s exports exceed imports and Heathrow Airport handles over 65% of our air freight. The ultimate danger is that without a deal, flights from the UK and to the EU and other parts of the world will be grounded on exit day – a little over 20 months’ time.
17. Without an early deal – meaning clarity for airports, airlines, the logistics sector alongside travellers – the uncertainty around what might happen will begin to weigh on the decision making of those considering doing business and committing to journeys.
18. To mitigate the above challenges, businesses want to see progress, and a clearer direction of travel, across many business-critical areas, as well as sector specific agreements that could potentially affect areas such as the Single Aviation Market.
19. **Seizing the opportunity:** LCCI has been helping British businesses grow through international trade since 1881. As an organisation, we understand the value of reaching new markets. In light of Brexit, there is a broad recognition in the business community of the opportunities that might be realised through increased trade with the rest of the world.
20. This was evidenced by the analysis LCCI commissioned from Cebr, which estimated that under certain circumstances, and backed up by additional trade deals with fast-growing markets outside the EU, negative impacts on trade as a result of reduced trade with the EU could in the long term be compensated for by new trade elsewhere⁴.
21. We have recently called on the Government to invest in better export support to help London businesses (especially SMEs) to exploit export opportunities in both new and established markets, including increased funding for trade missions that include practical advice and local knowledge.
22. LCCI also believes that the Government should develop a cross-Whitehall national strategy for exports growth to coordinate relevant departmental policies and outline the role that public-private partnerships can play supporting to greater numbers of UK firms, particularly SMEs, looking at overseas markets.

Mode and/or sector-specific requirements for additional Government funding, or other changes to Government funding plans, particularly in relation to transport infrastructure, to support the needs of freight.

23. **Customs clearing systems:** One of the key concerns to emerge from discussions with London businesses around Brexit has been the prospect of new barriers to trade with Europe. 70% of London businesses believe that it is important to minimise customs

⁴ Brexit and the Metropolitan Areas (2018) <https://www.londonchamber.co.uk/LCCI/media/media/Brexit-and-the-Metropolitan-Areas-FINAL.pdf>

procedures on trade with the EU, compared to only 17% who classify it as not very important or not important at all⁵.

24. The growing reliance on just-in-time deliveries makes it even more important that customs procedures to be kept as smooth as possible. If customs procedures between the UK and EU are reintroduced, innovative or technological solutions will need to be considered to enable this to be done online (or otherwise equally quickly), rather than at ports of entry.
25. LCCI is aware of concerns raised by the National Audit Office over the ability of the new Customs Declaration Service (CDS) under development to be able to cope with potentially much increased demand, according to current development timescales. It is essential that any new system is ready on time and considers the overriding priority to minimise delays and bureaucracy at the UK's ports and points of entry.
26. **Infrastructure to support growth:** London is a dynamic, global city. Its competitiveness is, however, is constantly at risk and should never be taken for granted. Getting the fundamentals right on transport, skills and housing are at the forefront of LCCI's agenda. The right policies will send a strong signal to businesses that the government is lock-step behind them in its desire to deliver a competitive business environment in a post-Brexit world.
27. The quality of London's infrastructure is intrinsically linked to the city's status as a world leading, truly global powerhouse. For London to rise to the challenges of Brexit, LCCI believes we must focus on a wider framework for growth and future prosperity. LCCI has placed an emphasis on a plan for London that recognises the essential economic role that the movement of people and goods plays in our everyday lives. As the capital heads towards megacity status, we have pushed for extra capacity at our airports, additional road crossings in East London and vital infrastructure such as Crossrail 2 to be realised. These efforts to boost London's will undoubtedly mean that London is better connected to Europe and beyond.

Further Information

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⁵ ComRes survey for LCCI of 504 businesses, February-March 2017