



## Road Haulage Association - Policy Paper

### Brexit – Unimpeded Access for International Road Haulage

3 February 2017

#### The RHA View

1. The businesses and people of the UK and the EU depend on the fast effective transport of good transported by road through ports and across the land border in Ireland. Hauliers and their customers have got used to processes and service levels that are based on the EU being in effect an extension of the UK in terms of being able to move goods freely.
2. The biggest concern of the RHA membership is to ensure that the road haulage sector has the ability to continue to meet its customers supply chain obligations.
3. To achieve quick and reliable road haulage the RHA membership has identified three outcomes that need to be achieved during negotiations:
  - **Seamless customs through ports<sup>1</sup> and borders** (noting that customs control do not have take place at the border).
  - **Unimpeded access for international road haulage operators** in the UK and the EU (that is full access for UK and EU road operators transporting goods to, from and through the UK and the EU.)
  - **A system that allows lorry drivers to be recruited from outside the UK** (including retaining current drivers from the EU, which we estimate to number 60,000).

#### Customs bottlenecks

4. In the last year 4.4 million driver accompanied freight vehicles moved between the UK and continental Europe. Four million of these movements took place on ferries through Dover or by shuttle through the Channel Tunnel; around 99%<sup>2</sup> of these did not require a customs clearance process at the port. As road movement in Ireland are free ofl customs controls many supply chains are fully integrated and treat the island as a single territory for distribution purposes.

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<sup>1</sup> Including airports and inland terminals.

<sup>2</sup> Page 44, paragraph 8.33, The United Kingdom's exit from and new partnership with the European Union.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/589191/The\\_United\\_Kingdoms\\_exit\\_from\\_and\\_partnership\\_with\\_the\\_EU\\_Web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589191/The_United_Kingdoms_exit_from_and_partnership_with_the_EU_Web.pdf)

5. Freight traffic between the UK and the EU does not require customs control now, but on exit from the EU it is likely that all shipments will require customs control.
6. Our estimation is that between 15 million and 27 million additional customs clearances will be required at Dover and the Channel Tunnel alone (up to 30% trucks contain multiple shipments). Current customs systems will slow the movement of the vehicles by between 20 minutes and 4 hours.
7. There is no space at the ports to handle the volume of traffic that will require customs clearance exiting or entering the UK. Handling clearances at the Irish border will be a major challenge. A solution needs to be found that will allow rapid, even instant or pre-clearance at ports, airports, inland terminals and at the Irish land border.
8. There will be an impact on the costs and operations in the international road haulage sector arising from Brexit. However, the most serious impact will be on service levels to the supply chain. Failure to solve the problem will result in massive disruption – impacting manufacturing, food distribution and retail.
9. We believe that any solution will require a substantial increase in Customs resourcing to deal with driver accompanied traffic. We recommend that a specialised dedicated working group is established to deal with Ro-Ro and Irish land border customs issues, with industry participation, to prepare for the improved service levels that will be needed to ensure supply chains are not disrupted. Further detail is provided in Annex I.

## **Unimpeded Access for road haulage operators**

10. The RHA would like to see the continuation of the Community Licence<sup>3</sup> system for international road haulage movements. This simple approach will provide the highest levels of access, safety and accountability in the sector at the lowest cost.
11. If a system separate from the EU Community Licence needs to be created (if legal impediments about using community licences arise during Brexit negotiations) any such system should emulate the simplicity and accountability of the current community licence system by being accepted throughout the EU and in the UK. It should be time based and without quota limitations.

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<sup>3</sup> The “Community Licence” is used to authorise international commercial road haulage in goods vehicles over 3.5t maximum gross weight within all EU States plus Iceland, Liechtenstein, Norway and Switzerland.

12. Any system of bi-lateral permits to manage international road haulage with individual EU Member States should be avoided if possible as it will add significant levels of complexity and cost into supply chains. Again, quota limitations on international road haulage activity must be avoided. Further detail regarding licensing and permits is provided in Annex II.

## **Drivers**

13. There remains a requirement for some flexibility in recruiting labour to work in the sector. The RHA advocates that immigration control systems should be based on industry need not on wage levels.

## **Transition**

14. There has been recent discussion about transition. We believe that some transitional arrangements are likely to be needed to maintain supply chain efficiency in the UK and the EU. Businesses in the UK and the EU need to have sufficient time to adjust to any new arrangements and obligations where new customs requirements are put in place. Authorities will also need time to implement any new processes and procedures that may be needed to make new arrangements work efficiently.

## **Opportunities post Brexit**

15. Upon Brexit it will be possible to separate UK domestic road haulage from the full obligations of EU rules. This can be done where it is shown to be advantageous. We would envisage undertaking a review to look at changes can usefully be made on issues ranging from operator and driver licensing to the Road Transport Directive and the Driver CPC.

## **About the RHA**

16. The RHA is the leading trade association representing road haulage and distribution companies, which operate HGVs as profit centres. Our 7,000 members, operating near to 100,000 HGVs, range from single-truck firms to those with thousands of vehicles. These companies provide essential services on which the people and businesses of the UK depend.

## Notes and data

17. **International vehicle movements.** In the year up to June 2016<sup>4</sup> 4.4 million freight vehicles moved between the UK and mainland Europe (does not include Ireland). Of these 2 million transited through the Dover Straits route by ferry or tunnel. Between 15% and 30% of the vehicles contain groupage (that is multiple shipments on one truck), if customs formalities are required each shipment will require customs clearance.
18. **Market Share of international road haulage.** The data quantifying international vehicle movement shows that the UK - International road haulage market is dominated by non-UK operators. Over 86% of the freight traffic moved in and out of the UK (not including Ireland) is moved by non-UK Operators.
19. **The Logistics Sector.** The wider transport , distribution & logistics sector employs 1.5m people, £76.8 billion GVA, £24.1 billion exports, £21.7 billion imports.<sup>5</sup> EU imports of food accounts 29%<sup>6</sup> of all food consumed in the UK. Nearly all of this moves by road transport.
20. **Bilateral permit cost estimation.** The current bi-lateral permit system for international road haulage is very limited. Few movements are subject to permit arrangements as most movements are covered by the EU Community Licence arrangements. The current UK cost for a single journey permit is set at £8.00. We would expect a direct permit cost under a new system to be in the region of £24.00 per permit as a result of the significant additional resourcing that would be required. As journeys will enter multiple States there may be a requirement for multiple permits for UK hauliers (but not EU operators as they can move freely in the EU). With administration cost and the need for multiple permits for UK operators, a simple bilateral permit system will add approximately £53 per movement in and out of the UK for UK operators and about £26 for EU operators. This is just the direct permit costs, operator administration and enforcement will add to this.

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<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/552987/ro-ro-april-to-june-2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/552987/ro-ro-april-to-june-2016.pdf)

<sup>5</sup> <http://www.cbi.org.uk/cbi-prod/assets/File/pdf/making-a-success-of-brex-it.pdf> CBI, December 2016.

<sup>6</sup> DEFRA. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/553390/foodpocketbook-2016report-rev-15sep16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553390/foodpocketbook-2016report-rev-15sep16.pdf)

## Annex I

### Port and customs arrangements

1. Supply chains rely on on-time predictable deliveries. Current cross border formalities for traffic within the EU do not impede this in respect of EU international road haulage. The volume of international road haulage that require customs formalities is currently modest, 99% is EU traffic.
2. Feedback from members undertaking international haulage outside the EU is that there are bottlenecks in current customs systems for non-EU shipments as customs clearances are not as quick as they could be, and local customs offices are often operating with limited hours. These issues do disrupt the supply chain given the modest volume of non-EU international road traffic and the expectation of customers and operators..
3. If customs controls are re-introduced for EU traffic there will a need to be a complete change in the service level provided by HMRC to manage transactions. Ports, airports and inland terminals do not have sufficient capacity to hold the quantity of additional vehicles or goods awaiting customs clearance that will be needed if current service levels are maintained.
4. New customs arrangements in the EU States will be a matter for EU Member States and that the UK will have limited influence on how effective systems will be in other EU States. We would expect the UK Government to seek assurances from EU States that there will not be undue delays to goods entering from the UK.
5. The UK does have control of how effectively its own customs systems operate. It is essential for supply chains in manufacturing, food distribution and retail that HMRC provides sufficient resources to cope with the increased volume.
6. There will need to be a step change in the speed of customs processes so instantaneous customs clearance is available 24 hours a day, 7 days per week throughout the system. We recommend that a specialised Ro-Ro working group be established, with industry participation, to ensure that the correct resources (and people with the right skills) are in place from day 1 to ensure that current customs service levels to UK business are improved significantly.

## Annex II

### Detail on road haulage operations – licensing and permits

1. For the road haulage sector post Brexit arrangements will need to deal with all 3 of the RHA priorities. We believe there is a mutual self-interest in the EU and the UK in finding effective solutions in these areas.
2. This Annex I focusses on the first of these priorities – unimpeded access for international road haulage operations.
3. During negotiations many models for a new relationship between the UK and the EU may be explored, this makes advising Governments and industry about the risks and practical implementation issues very difficult as discussions tend to deal with high level constitutional or treaty issues. To help evaluate the risks and issues we stripped back the “what happens next” right back to the practical arrangements for the international road haulage sector. In Annex I we have created 3 “RHA Licensing / Permit Scenarios” against which we have considered the requirements of international supply chains.
4. Access to international road haulage is currently based around the licensing of operators who meet the required quality and regulatory standards, there are no limitations on the number of operators that can be licensed in any EU Member State. All operators with a Community Licence may undertake any International Road Haulage between any EU States.
5. After Brexit we expect that rules in all areas of international road haulage (including for UK licenced international operators) will continue to follow EU norms (drivers hours, licensing, financial standing, and so on).

### RHA Licensing / Permit Scenarios

6. To allow the RHA to undertake an initial assessment of the impact of Brexit on the road haulage and related business sectors the following Brexit Scenarios have been defined. These scenarios allow us to consider the likely impacts on the ability of international road haulage to continue unimpeded. We highlight the risks and potential mitigations that will need to be considered.

#### **Baseline - UK and EU States continue to use the complete Community Licence system and all EU rules for all road haulage once Brexit has happened.**

7. This would require an agreement to take all current and future EU market access and regulatory rules covering the whole road haulage sector - UK domestic as well as international. (Essentially, what we do now).

8. The aim of this would be to allow UK operators to undertake unlimited road haulage throughout the EU, including rights of cabotage. EU tachograph and driving hours regulations would apply, as would all vehicle roadworthiness standards. EU operators will maintain unrestricted access to the UK international road haulage market as now and they would be able to undertake cabotage in the UK in accordance with current and future EU Regulation.
9. Vehicle standards would be governed, as now, by EU and wider international regulation.
10. Issues and concerns:-
  - Future EU rules in the road haulage sector may diverge significantly from those that are in use today, the UK will have little or no scope to influence the direction of such future regulation. Significant new EU regulations are being discussed now and can be expected to be run through the regulatory processes for implementation in 2020 or shortly thereafter.
  - After Brexit there will be a reduction in UK influence over vehicle standards, this may result in new rules regarding vehicle sizes and weights that may not work with UK supply chains.
  - Administrative and regulatory costs for adopting this approach would be in line with those currently experienced. (noting that future changes in regulation at an EU level will impose unknown costs).
  - There will need to be clarity about the arrangements governing “own account” international transport (this applies to all scenarios).
11. View:-
  - Within the sector the current EU rules are broadly seen as fit for purpose.
  - Initially this approach, to adopt all EU rules, would be simple for the sector as we operate under these rules now. However, under this case, future EU regulations and directives would all need to be adopted by all UK road haulage operations, and given that the UK will not be part of making any new rules this may impose regulation that is felt to be inappropriate for the UK.
  - For international transport, into and through the EU, it is a reasonable and acceptable approach to take all the EU regulations, even new ones, so that a UK issued “community licence” has the same standards underpinning it.
  - Broadly supported, but does contain risks of inappropriate regulations across the road haulage sector arising from a lack of UK involvement in defining new EU rules.

**Scenario 1 - UK and EU States continue to use the current “Community Licence” system and all EU rules, but only for international road haulage.**

12. This would require an agreement to take all current and future EU market access and regulatory rules, but only in respect of international road haulage activity. It effectively separates the UK domestic road haulage market from the international road haulage market.
13. Only those operators working internationally would need to adhere to all EU regulation when undertaking international work, this would include activity in the UK before and after international journeys.
14. UK competent authorities would continue to issue “Community Licences” and UK authorities would need to continue to recognise “Community Licences” issued elsewhere in Europe.
15. Issues, concerns and opportunities:-
  - The separation of domestic and international regulation is likely to add complexity in some areas, in particular for UK operators who undertake both domestic and international operations. Effective regulatory approaches should be possible to mitigate this problem.
  - There will be opportunities to introduce UK only regulations within the domestic market. There is scope here for flexibility to be introduced. For example, domestic financial standing that could be fixed so it does not vary every year according to exchange rate fluctuations.
  - Limited cabotage is allowed under existing EU rules. However, there is no certainty that cabotage would be permitted under this system. If cabotage is no longer permitted this will be close to the arrangement in place with Switzerland where Swiss operators cannot cabotage in the EU and vice versa.
  - There will need to be clarity on whether “cross trade” will be allowed (examples, a UK operator undertaking international transport between France and Germany, or an Irish operator undertaking international transport between Germany and the UK).
  - Administrative and regulatory costs for adopting this approach would be in line with those currently experienced.
  - Some operations, such as transport associated with events (concert tours, circuses, theatres), will need to be accommodated within regulation.
16. View:-
  - Within the sector the current EU rules for international road haulage are broadly seen as fit for purpose.
  - For international transport, into and through the EU, it is a reasonable and acceptable approach to take the EU regulations, even new ones, so that a UK issued “community licence” has the same standards underpinning it and supply chains are unimpeded.



- The current UK operator licensing system already separates domestic and international operators to some extent, so administrative precedents exist to separate licensing rules. Given this, we believe it would be possible to separate some international and national regulatory requirements in road haulage sector (but this should only happen where real advantages are demonstrated).
- There are mixed views on the desirability of allowing cabotage to continue after Brexit. Cabotage adds complexity and cost for enforcement bodies throughout Europe and is of no significant environmental benefit.
- On “cross trade”, the RHA view is that this should be allowed to continue as now. Allowing cross trade to continue within the bounds of EU regulation would suit both UK operators and EU operators. (For example this would allow an Irish operator to collect goods in the UK in transit to another EU State, and it would allow a UK operator to collect goods in France in transit to Spain).

## **Scenario 2 - UK and the EU set up a new authorising system for international all road haulage.**

17. This is essentially a bespoke version of scenario 1. It would separate the authorisation for UK operators to work internationally in the EU from the EU Community Licence system. (A practical approach within this scenario could be for the UK to agree to continue to accept an EU Community Licence rather than force other EU States to issue separate authorisations). The UK would issue some form of an EU international road haulage permit that is not formally a Community Licence but is still recognised for the purpose of international road haulage).
18. This option should only be considered if there are material objections during negotiation that stop the UK competent authorities from issuing community licences.
19. Issues and concerns:-
  - Adds complexity over the Community Licence system.
  - The EU (and Commission) may not be legally able to agree to the introduction of such an EU wide system, it would probably require all 27 States to agree individually.
  - It will be complicated and time consuming to get all 27 States to agree to a new form of permit system such as this.
  - The scope of any EU level permit system will need to be clarified, would the permit allow “cross trade” or just trade traffic to and from the UK?
  - This scenario will add administrative and regulatory costs over those currently experienced, at least for UK operators. This cost is difficult to estimate as there are so many variables in what administrative arrangements would be required, but it will be substantially less than the costs experienced if scenario 3 were adopted.

20. View:-

- Not desirable when compared to the community licence system, issuing separate UK permits will add complexity over simply retaining the community licence system.
- It would be a better solution than individual bi-lateral permits.

**Scenario 3 - UK and individual EU States set up a new permit based system for international road haulage (Bi-lateral permits).**

21. If the Base Case, Scenario 1 and 2 are not possible then the UK and EU States are likely to need to re-introduce bilateral permits to allow international road haulage. It is worth noting that ECMT Multilateral permits do exist already, and these will allow some international road haulage under existing international agreements, but they are restricted in number and will not be sufficient for market demand<sup>7</sup>.
22. In this case, UK and other EU States would individually agree to exchange bilateral permits to allow international road haulage. In many cases, such permit systems in the past have been limited in number – restricting the amount of road haulage permits available to meet demand, resulting in the permits being traded between operators.
23. For UK operators, there would need to be clear arrangements for transit permits through EU Member States where the operator is not delivering goods.
24. The estimated cost of this system is £53 per movement in and out of the UK if permit numbers are unlimited. It is not possible to quantify the additional cost if permits are subject to limited quantity – that will depend on the supply of permits in relation to the demand between the UK and the individual EU Member State concerned.
25. Issues and concerns:-
- This scenario would be a very complex system for all parties.
  - It will add significant administrative and regulatory costs over those currently experienced for both UK and EU UK operators.
  - Many previous bi-lateral permit systems limited the number of permits that could be issued. This created shortages and resulted in the trading of permits between operators. Such systems add costs – depending on the level of shortage of permits the costs directly added to operations can be considerable.

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<sup>7</sup> If EU Member States within the International Transport Forum Road Group agreed that the UK could use an infinite number of ECMT permits within the EU it could provide sufficient access for the amount of business to be transacted. However such a system is unprecedented, would be bureaucratic for operators and more difficult for enforcement authorities.



## The Road Haulage Association

- Bi-lateral permits will also result in disturbed supply chains. Flexibility for operators is reduced and the ability to react to evolving demand from customers will be constrained by the need to always have permits available.

### 26. View:-

- There is no positive element for the industry or supply chains arising from the introduction of bi-lateral permits to authorise international road haulage. None.
- Bi-lateral permits will work badly for both UK and EU operators.
- The worst possible outcome would be any system which includes quota limitations on the number of international road haulage journeys undertaken.