

# HMG White Paper on legislating for the UK's future customs, VAT and excise regimes

## LGA Response

November 2017



### About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross-party organisation, which works on behalf of councils to ensure local government has a strong, credible voice with national government.
2. We aim to influence and set the political agenda on issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.
3. There was a diversity of views among local government about Britain's membership of the EU. To reflect this, the LGA remained neutral during and following the referendum of 23 June 2016.
4. **This response follows the Government's position in assuming the UK will exit the EU without continued membership of the single market or the customs union<sup>1</sup>.** The LGA also acknowledges that other scenarios are possible, subject to the negotiations, and is working with partners to understand the risks and opportunities to local government of all eventualities.

### The role of councils in the UK's customs regime

5. Councils have regulatory responsibilities in relation to a broad range of products arriving in the country at ports of entry. We note that these broader rules and regulations have been excluded from the scope of the Customs Bill (para 3.8). However, since the future approach to these wider controls is likely to be closely entwined with the customs approach that is developed to support the UK's international trade after it leaves EU - as customs and controls are linked currently - we nevertheless wish to use this opportunity to highlight the key issues that could impact councils.
6. Depending on the arrangements put in place after Brexit, a clear impact on councils would be in their capacity as port health authorities and relates to requirements to check certain goods coming into the country. Broadly, for goods requiring active clearance and notification (e.g., animal or plant health products), products originating from within the EU are not routinely subject to import checks, in contrast to goods from third countries. Were this position to change after the UK leaves the EU, it could have a significant impact on the resources required to fulfil these checks.

# Submission

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<sup>1</sup> <https://www.gov.uk/government/speeches/pms-florence-speech-a-new-era-of-cooperation-and-partnership-between-the-uk-and-the-eu>, Prime Minister Theresa May's Florence Speech, September 2017

### Case Study

Given same level of trading activity as present, the City of London has estimated that in the event of no Customs Union or equivalent membership, their workload could increase by 25% in the port health authorities they manage in the tidal Thames & Medway area. This would have significant staffing and training implications and also require additional offices and facilities at wharves and ports which are not currently equipped.

*i Source: City of London Port Health & Environmental Services Committee report on [the Impact of the UK leaving the EU \(Brexit\) on Port Health and Public Protection](#), 19 September 2017*

7. It is important to recognise however that different ports could be impacted differently by changes to customs and regulatory regimes after Brexit, depending on the nature and location of the port and type of trade passing through it:
  - 7.1. Ports in which the majority of trade is through freight movements from the EU facilitated by roll-on, roll-off ferries, such as Dover or Portsmouth, rely on the rapid movement of freight and passenger traffic, and would experience particular challenges if checks are introduced at the point of entry - assuming it is physically possible for them to do so, which may not be the case. This could therefore cause significant delays and backlogs to ferry traffic, which would have knock on effects for local areas.
  - 7.2. In contrast, ports which deal with commercial container shipping such as London Gateway may have fewer infrastructure restrictions impacting their capacity to introduce additional checks, although they would still be impacted by the requirement to undertake more checks if the UK is outside a Customs Union or equivalent membership. However, a much smaller proportion of EU trade arrives in containers than through lorry traffic.

### Case Study

The Port of Dover currently handles £122bn, or 17%, of the UK's trade in goods in 2.6 million 'roll-on, roll-off' freight vehicles, alongside 2.4 million tourist vehicles per year.

Due to the fact that EU freight vehicle traffic account for 99% of freight vehicle traffic and a lack of physical space caused by the coastal environment, the Port has estimated that even a 2 minute increase in the time to check each vehicle would cause 17 miles of queues both sides of the Channel.

*ii Source: [Port of Dover's written submission](#) to the Public Accounts Select Committee inquiry on the future of customs, 23 October 2017*

8. Councils want to continue to play their part in protecting public health through the fulfilment of their port health responsibilities. However, if the number of checks required significantly increases following the UK's withdrawal from the Customs Union (or equivalent), it will be critical that they are fully resourced to do this.
9. The LGA, local authorities and port authorities are enthusiastic about working with Government to fully understand the implications of different post-Brexit scenarios on both port operations and surrounding local areas. We believe the key areas for consideration are:

- 9.1. Providing the indicative figures on the likely procedural changes to customs checks, for example an estimated percentages change on searches, both for any transitional period and beyond.
  - 9.2. The infrastructure required to accommodate any new regime, including the sites of any internal depots or checking stations.
  - 9.3. The timetable for implementation.
  - 9.4. Any specific additional funding the Government will make available to local areas to support these changes.
10. Finally, although the greatest potential impact on councils relates to goods imported into the country, councils can also play an important role in supporting local businesses to export their products. While local authorities currently provide export hygiene certificates (EHCs) for fishery products, other products of animal origin require an Animal Plant and Health Authority official vet to issue a certificate, despite the fact that local authority officers inspect dairy premises and are familiar with a business's processes and risks and therefore equipped to make the judgement on the business required for the EHC. If more businesses are required to seek EHCs in order to export into the EU after Brexit, there is scope to change the requirements so that local authorities are authorised to issue EHCs (and certificates of conformity for products not of animal origin). This would reduce the complexity of the framework for businesses and better support businesses seeking to trade internationally.
11. LGA maintains an ongoing dialogue with councils and ports, both here and in the European Union, on the expected impacts of a new customs regime. We are currently engaged in more analysis on the likely increases in costs for authorities and potential new burdens associated with a no deal scenario. We are more than happy to share this analysis upon request and look forward to responding to the more detailed consultation announced covering 'other issues', such as port health authorities, in due course.