



PREPARING FOR BREXIT: DEAL OR NO-DEAL?

As we are getting closer to 29th March 2019, the chances of the United Kingdom leaving the European Union with a “no-deal” scenario can no longer be underestimated.

The UK and the EU have been working on a Withdrawal Agreement to make the exit as seamless as possible. This Agreement includes a transition period from 29 March 2019 until at least 30 December 2020, which is expected to soften the impact of the UK’s separation by allowing it to continue trading as part of the Customs Union. This “soft Brexit” scenario means retaining the status quo for at least another 21 months with minimal border checks on the flow of goods between the UK and the EU. This would be the ideal scenario for business.

However, on 15 January 2019, the UK Parliament rejected the latest version of the Agreement due to numerous reasons such as the Northern Ireland “backstop”. The UK government is currently trying to propose amendments to the Agreement in order to get a majority in Parliament, whilst the EU is very reluctant to renegotiate. In these circumstances, it is sensible for all businesses to prepare for the prospect of a “no-deal” scenario.

Without a deal, there will be no transition period and the UK, and the EU will have to trade under World Trade Organization (WTO) “Most Favoured Nation” terms. This means that all goods moving between the EU and the UK could be subjected to border checks, and additional customs procedures. Many companies enjoy the benefits of Free Trade Agreements (FTA) between the EU and 60 other countries, which will also cease, necessitating the UK to negotiate separate FTA’s of its own.

On 4th February the U.K. Government announced simplified import procedures to come into force if there is no deal:

<https://www.gov.uk/guidance/register-for-simplified-import-procedures-if-the-uk-leaves-the-eu-without-a-deal>

However, this procedure only covers imports into the U.K. and as yet there is no reciprocal procedure from the UK to the EU. There are also concerns over some of the details of these simplified procedures, and the knock-on impact that they may have on HM Revenue and Customs' IT systems potentially also delaying non-EU clearances.

What Kintetsu World Express is doing:

KWE is well aware of the serious impact a hard Brexit may have on our supply chain and our customers, particularly those relying on road transport between the UK and the EU. Since most of our trade is with countries outside the EU we believe that the impact of a "hard Brexit" can be minimized but nevertheless we have prepared accordingly by:

- setting up teams in the U.K., Ireland and at our European Headquarters to monitor developments and to assess the impact on our customers and partners. This includes checking with airlines who may use road transport to feed freight to and from their hubs in mainland Europe.
- maintaining close coordination with the UK Government, HM Revenue and Customs, and actively participating with the British International Freight Association (BIFA), the UK Warehousing Association (UKWA), the Road Haulage Association (RHA), and the Freight Transport Association (FTA).
- maintaining close cooperation with the Irish Government, State Agencies, Regulators and Competent authorities through participation in Brexit planning workshops and regular communication.
- ensuring that we can facilitate the efficient movement of goods utilising streamlined Customs processes and our status as an Authorised Economic Operator (AEO) in the UK and other EU countries.
- planning and discussing contingency plans with our customers which may include alternative routings, dedicated charters and setting up strategic stocks.
- strengthening other European gateways e.g. Frankfurt, Amsterdam, Paris and Brussels by enhancing our handling capacity to accommodate increased volumes after routing revisions.

What Customers should do:

With only weeks to go, Customers should take the following steps:

- Customers should review their suppliers and their sourcing arrangements. Undertake a risk analysis of any supply chain route using the main UK-European ferry routes, the Ireland-UK land border and road freight in particular.
- Create a contingency plan to minimise any disruption of the supply chain. If you need any further support or advice Kintetsu World Express can help with such arrangements.
- Check your current incoterms with suppliers and customers, to ascertain who will be responsible for any customs clearance costs or duties, if they become applicable. To avoid any doubt and potential cost increase, it may be necessary to agree to amend or clarify existing arrangements.
- Make sure you are fully informed and up to date with developments. Please check the following websites that may assist your planning:

<https://www.gov.uk/guidance/exporting-and-importing-goods-if-the-uk-leaves-the-eu-with-no-deal>

<https://www.gov.uk/guidance/moving-goods-to-and-from-the-eu-through-roll-on-roll-off-locations-including-eurotunnel>

https://ec.europa.eu/info/brexit_en

Contact Kintetsu World Express:

If you have any questions regarding Brexit and are interested to know how Kintetsu World Express can help you overcome any challenges, please do not hesitate to contact your local office or send us an e-mail at:

brexit@kwe.com

Supplement:

BREXIT: QUESTIONS & ANSWERS

1) What is the potential impact on Ireland and other EU countries who are using the UK as a gateway?

The main impact will be on Air Exports from Ireland which are generally moved by road to London (LHR) for shipment onwards by Air. The U.K. Government has announced simplified procedures for imports from the EU in a bid to avoid congestion at the ferry ports in the event of a “no-deal” or “hard” Brexit. In the worst case however, there may be delays at the ferry ports that could impact on overall transit times. Alternative routings are limited and may not have enough capacity.

2) What is the impact on airlines using road freight to feed their hubs?

Since the expected impact on the main Ferry ports will affect all Road freight, we would suggest that airline routings are carefully checked to avoid using services that rely on road services to feed into the Airline’s hubs. Examples would be:

- Air exports from the UK using an airline with a hub in continental Europe (e.g. KLM, Air France, Lufthansa, Cargolux etc)
- Air exports from other EU countries using British Airways or other airlines with a UK hub (e.g. a shipment from Paris to Chicago via LHR)
- Air imports from outside the EU to an EU country using British Airways or other carrier using a UK hub (e.g. a shipment from Chicago to Paris via LHR)

3) Whilst the biggest impact is on intra-European trade is there any impact on non- EU shipments?

Whilst the majority of KWE’s business is international Airfreight to and from countries outside the EU, one of the risks is that there may be knock-on effects if the UK leaves the EU without a deal. If intra-European shipments require customs entries in future (even simplified procedures as mentioned above), it is estimated that there would be five times as many transactions on the IT systems of UK Customs (HMRC). This could result in potential delays in response times or in the worst-case system crashes.

4) What are the possible Brexit scenarios?

- “Soft” or orderly Brexit. In this case the UK will leave the EU on 29th March 2019 and there will be a transition period until at least end of December 2020. During this period there would be stability and no significant changes to trade and regulations
- “Hard” or “No-deal” Brexit. The UK leaves on schedule without UK-EU deal being agreed by Parliament. In this case there would be a significant disruption and the UK would revert to WTO (World Trade Organisation) tariffs
- A delay. This is possible if it is agreed by the EU members and could be triggered if more time is needed to reach an amicable solution.
- A second referendum or General election. This could become a serious option, in the case that there remains no clear majority in Parliament. The Labour opposition party has come out in favour of this option, but it is not clear if they can get enough support

Since all options remain open, it is therefore recommended that KWE and our customers make appropriate contingency plans for all eventualities.

5) Will Air Cargo security arrangements remain the same?

The EU has stated that it intends to recognise the UK cargo security regime as equivalent after the withdrawal date, meaning that cargo can continue to fly from the UK to the EU without a security designation. Equally, the UK intends to recognise EU cargo security and will not require new cargo security designations for carriers from EU airports.

The UK would continue to recognise existing ACC3 designations and the validated secure supply chains for the purposes of inbound cargo to the UK.