

## ANDREW AUSTIN

### GROUP OPERATIONS DIRECTOR

# BREXIT AND THE IMPLICATIONS ON LOGISTICS

**Although the UK has entered the transition phase, where it will continue to follow EU rules until 31 December 2020, there is still uncertainty surrounding the free trade agreement. From the readily available information, we can make some conclusions on how Brexit will impact the logistics industry and how Priority Freight has implemented ways to reduce future supply chain stress.**

There have been many Brexit enquiries raised by both suppliers and clients; here are our answers to the most frequently asked questions:

#### **WHAT WILL THE BORDER BETWEEN THE UK AND NORTHERN IRELAND MEAN FOR SHIPPING?**

There's a lack of clarity about what the border will mean because it's a relatively recent concept introduced in the latter stages of the negotiation. We haven't had a border between the UK and Northern Ireland for some time, so this will likely increase the complexities of moving goods in and out of the UK quite considerably. The fact that it's in the middle of the sea does make it a little bit more intricate but, in reality, the border will be a challenge wherever it is located.

#### **DO THE CONSERVATIVE MAJORITY AND WITHDRAWAL AGREEMENT BILL BRING ANY CERTAINTY?**

The recent Conservative majority has already shown us that legislation is going through much more quickly than it has done over the prior three years and the withdrawal agreement itself went through very quickly in real terms. Like most businesses in the UK, we're not completely sure what the implications of that are but what you can say is the

Conservative majority will at least make that path faster in terms of where we've seen it compared to the previous few years. Again, the implications of it are uncertain and, as a business, that's what we want to know so we can shape our response to our clients' needs to fit whatever the legislation decides.

#### **WHAT WOULD BE THE LIKELY CONSEQUENCE OF A NO-DEAL BREXIT?**

The likely consequence of a no-deal Brexit is a scenario that none of us want in business. The implications of that are quite significant, in as much as the free movement of goods that we've enjoyed for so many years is likely to be replaced by a tariff-based system that, even if we use the recognised World Trade Organisation's guidelines, is going to be fairly complicated, difficult for people to understand and bring a large administrative burden.

It will create some stickiness in the supply chain, which has been very slick and smooth in recent years. The implications of a no-deal Brexit are quite profound in ways that we probably can't even understand because we haven't lived in a situation of tariffs and higher-priced goods coming in and out of the country.

#### **WHAT CIRCUMSTANCES DO THE GOVERNMENT HAVE TO CONTENT WITH THAT COULD AFFECT ITS PLANS TO DELIVER BREXIT?**

The government has set itself an ambitious target by which to conclude the negotiations. It's got a significant number of trading partners to complete these negotiations with, as well as bring all that into law.

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There are also the ramifications of the Coronavirus pandemic to add into the equation, which has detracted attention in the government quite significantly, plus the effects of some regional flooding, together with something of an economic slowdown in the world, and China – one of the biggest suppliers of goods and biggest purchasers of materials – is also struggling to get itself back on its feet again. There are so many factors that, when combined, suggest that the government’s timescale, which was already aggressive, is now going to be under significant pressure.

**WHAT HAS PRIORITY FREIGHT DONE TO MITIGATE THE IMPACT OF BREXIT ON THE COMPANY AND ITS CUSTOMERS?**

The consequences of Brexit are quite significant for both ourselves and our clients; we’ve taken a lot of time to train our staff and to discuss the implications of Brexit and how they can work better with regards to customs and so on. We’ve also extended that information to our client base, increased our status in terms of AEO in all of our locations to give us the ability to work more effectively through the constraints of Brexit, whatever size and shape it comes in, and also increased our understanding of the customs responsibilities that we have to display in the different countries as we understand them at the moment.

Priority Freight has done a great deal of work and is in good shape with regards to being able to respond to Brexit. Like all businesses, we will have to adapt to whatever legal changes develop but we have always been a very flexible and nimble company ready to adapt to and adopt those changes.

**WHAT INDUSTRIES WOULD BE MOST AND LEAST AFFECTED BY BREXIT?**

The reality is that all industries would be affected. We’re such a large trading nation that anyone moving goods in and out of the UK will be affected by Brexit in some way or form.

Those who export large numbers or expensive products, like cars and trucks, will be largely affected because they have a high component count. Each of those components will attract different tariffs and then the finished goods they want to export will have a higher price against them. They will be affected by any tariffs that are imposed upon them, thus affecting their competitiveness in other markets. So Brexit will have enormous ramifications, both for us as individuals because the price on the high street might change, and for us as companies because the ability to trade as easily as we did before will be removed and it will certainly not be the frictionless movement of goods we saw before. There will be some stickiness in the economy as a result of Brexit. We have to accept, understand and embrace it, but there will be consequences for a trading nation such as the UK.

**WHAT ARE THE BIGGEST CONCERNS FOR LOGISTICS WITH THE CURRENT OUTLOOK ON BREXIT?**

The main concerns are trying to adapt our businesses to accommodate the changes that Brexit is likely to bring, as far as we can understand at this stage. Obviously, as legislation becomes clearer, we’ll be able to fully understand the implications on business. But even if we work with what we know, any movement of goods will certainly be more complex than it was before.

The implications on logistics are somewhat obvious: not only will we have the challenge to continue to find the resources to move the goods, but we’ll also have the additional challenge that those goods will have a more complex journey because they’ll change status as they move in and out of the UK as a result of Brexit.

**WHAT DOES AEO STATUS MEAN IN PRACTICE AND WHY HAVE MANY OTHER UK OPERATORS BEEN SLOW TO ACHIEVE IT?**

AEO, or Authorised Economic Operator, was a concept developed by the UK government some years ago to try and distinguish those companies who have understood and met the requirements of customs in each of the countries to show they understand how goods have to be treated through the customs regulations of those countries. By proving this through an audit process completed by external government-led parties, we have the ability to say to the government, “We’re presenting goods to you and we understand what is required of them” and they therefore give us special dispensation to move those goods faster through the supply chain.

It is of intrinsic value to our clients to know that, as an AEO operator at all of our offices, we can move their goods much more freely because we understand the regulations of customs and are approved to be able to do that. There has not been the take up that the government would have wished for because it’s very demanding on time and the organisation must meet a high criteria to achieve this status.

**HOW MUCH FRICTION CAN AEO REMOVE AND WHAT TIME SAVINGS CAN THIS ADD UP TO?**

We believe AEO will remove a significant amount of friction in the supply chain. It will allow the goods that we present to the customs authorities to be recognised as trusted, and if they’re trusted they will, therefore, go through the customs approval process much quicker. What we don’t know for certain is how difficult that customs process is going to be since we haven’t reached the end of the Brexit negotiations but it’s reasonable to assume that having AEO status will be a significant advantage commercially for us and therefore for our clients.

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**WILL THIS AEO STATUS BE PRESERVED AFTER BREXIT?**

AEO status will be preserved after Brexit. There's a long-standing commitment from the government of not just in the UK but across Europe and it's going to be very important; more than it is right now. With free movement of goods, proving that you know how to customs clear is not relevant, but the moment we become a nation that must clear its goods, AEO status becomes more significant. We believe those who haven't got this status will regret it: the status will give us a commercial opportunity in the marketplace.



**WHAT ARE THE POTENTIAL BENEFITS OF BREXIT FOR LOGISTICS COMPANIES?**

In the post-Brexit world, a company like Priority Freight, that has adopted the requirements of Brexit and has also found ways of making the experience easier for clients, will have advantages. We'll be a much more integral part of our customers' requirements to move goods physically; they don't just want to know that there's a problem to ship goods, they just want a solution to their transportation needs. We can offer a logistics service that will give those clients an increased level of confidence.

And that is one of the positives of operating out of a post-Brexit world, where you have understood that market requirement, have embraced it and have offered some comfort and security. Priority Freight is in a very strong position; we have invested heavily in how we anticipate the post-Brexit world is going to look, trained our people and created an expectation with our clients that we will be able to take some of those difficulties away; we will become a more integral part of their supply chain. That will only be a good thing as we develop and extend this business going forward.



**Andrew Austin, Group Operations Director**

Andrew has spent his entire career in the logistics industry. With over three decades of experience in senior management and board level positions across diverse, international locations, he is responsible for leading and developing the operations mission within the company.



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