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Call for evidence: An Independent Customs Regime

About the IoD

The IoD was founded in 1903 and obtained a Royal Charter in 1906. It is an independent, non-party political organisation of approximately 21,000 individual members. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. The membership is drawn from right across the business spectrum, as well as the public and third sector. 49% of FTSE100 companies and 45% of FTSE250 companies have IoD members on their boards, but the majority of members, some 70%, comprises directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies. IoD members' organisations are entrepreneurial and growth-orientated, and more than half (61%) export goods and services internationally.

Source: All evidence we will provide in this consultation is qualitative evidence IoD members sent in either in response to HMRC's questions or an overview of their general experience of intermediaries.

Summary

The majority of IoD members are SMEs and will therefore use an intermediary when importing or exporting. From speaking to members, very few do their customs paperwork themselves.

In general, members have not experienced a lack of capacity of agents. Many use freight forwarders, customs agents and logistics specialists. Fast parcel operators are less popular.

Many members have said they use an agent for the entire process as they do not know how to fill out all the documents themselves. A minority have said they would rather do their declarations themselves and are working internally in order to do so.

In terms of cost, for many, customs clearance is very complicated, and they do not have the knowledge, time or inclination to do it themselves, so they think they pay proportionately to the value they get from their intermediaries. However some members have told us the services are particularly expensive with products of animal origin and there have been delays as a result of inspections at the border. A couple have said the cost is too high for simply submitting paperwork.

Quite a few have said they are stuck with the customs agents their freight forwarder uses, so it is not as easy to change customs agents as it is to change the transport services.

A common theme among members who have used an intermediary has been that when the new trading arrangements with the EU were first introduced, their customs agents didn't necessarily have all of the relevant knowledge needed and mistakes were therefore made, often at the expense of the business. Similarly, despite the situation having improved on the EU front, members have found that beyond the EU, intermediaries aren't as confident on international trade, for example

working under Free Trade Agreements. Members have told us that it would be more helpful for the intermediary sector to have a closer working relationship with HMRC.

IoD recommendations

Intermediaries should be held more accountable for the work that they do on behalf of businesses, since as a result of Brexit, firms are increasingly reliant on support such as the services intermediaries provide. The US for instance has much stricter licensing regulation for customs brokers under US Customs and Border Protection. Following this example, with a system whereby customs agents are held responsible for their own customs work whether through a certification requirement, a qualification, or through stricter monitoring, businesses would avoid unjustly paying the price for mistakes that are not necessarily their own.

The counter argument is that there would consequently be fewer available customs intermediaries for businesses to engage with. However an accountability based approach would see fewer mistakes being made, and therefore increased efficiency of the sector as a whole.

Below are case study examples we have collected from members in response to HMRC's consultation questions:

In your experience, do you agree that there is sufficient capacity within the customs intermediary sector? If not, please provide evidence.

"No evidence to suggest a lack of agents, though had an initial experience with very poor performance; am assuming that the launch of the new, single customs service that either inexpensive third party software will become available, or SMEs able to access the website and complete all declarations themselves".

Do you use the services of an intermediary and, if so, which services do you use? Are there any intermediary services that you do not use, or circumstances where you do not use particular services (eg completing a declaration)? Are there any circumstances where you currently use intermediary services, but you would prefer not to (eg circumstances where you might complete a declaration by yourself)? Please provide details to explain your answer.

"We always use the services of an intermediary (Freight forwarder) for the entire process of customs clearances. We have no experience or expertise in doing this ourselves and are delighted to have someone do it for us. Our chosen Forwarder always completes import and export entries".

"We use customs agents for UK export & EU import declarations, we also use a logistics company to book ferry/Tunnel and complete the transit documents and Tunnel wallet".

"Yes. Export and import customs declarations. We would prefer to do export declarations ourselves and are currently working with our export document system software supplier to do so. They claim it is difficult to integrate directly with HMRC software which pushes up the cost. HMRC should develop better interfaces".

"We wanted to limit the number of customs agents we use, but some hauliers (who were delivering on behalf of our EU suppliers – so not appointed by us) refused to deliver our goods unless we appointed them to undertake the customs clearance as well as do the delivery. I can understand why they wanted to do this – they did not want their vehicle held up whilst we sorted out the customs clearance and maybe did not work on their timescale. However our ability to give instructions is removed and often the import entry is incorrect".

Have you been able to compare and choose from a range of intermediaries to find the service(s) you require? Do you feel that the cost of an intermediary is proportionate to the services offered, and do you have a clear understanding of the cost of each service that an intermediary offers and what specific services you require? How easy is it to change the intermediary that you use? Please provide details to explain your answer.

“We always use the customs facilities of the Forwarder who is moving the goods for us. They often wrap the cost up in the total cost of the job and we don’t know the customs element unless we specifically ask. The intermediary we use depends on the cost of their freight quote”.

“Occasionally when we have used a forwarder who charges us for customs clearance separately, the cost (approx £40 for import customs entry) does appear proportionate to the services offered (customs clearance is complicated and something we have neither the time, expertise or inclination to do). It has seemed very easy to change our intermediary, but sometimes we have had to sign POA’s with particular freight forwarders”.

“We initially contracted a company that we had previously used for customs declarations (prior to Customs 88 in 1988), but had a very poor service with trucks waiting for hours for clearance. Moved to another, recommended supplier for export documents and are happy with their service and that given by another supplier for a specialist import; cost at <£50 is not onerous, but £50 for entering a small amount of data and returning a document is good business. We will continue to sue an agent until the simplified, single customs interface becomes well-used as an agent provides somebody with broad experience when issues arise. The cost of EU import agents, particularly for PAO (meat) is prohibitive (>€350/consignment) which is largely caused by French veterinary officers checking 100% of trucks causing delay and need to agent to engage with the passage of the truck through the border inspection. This is a high cost to UK exports”.

“The costs do vary from say £25 to £80 for declarations. I would say the costs are high compared to the time cost of making a declaration. The issue to me seems to be finding a low-cost system that a company can use to submit declarations directly to HMRC. It isn’t easy to change intermediary as often it's easier to use the transport company who is doing the carriage”.

“Costs for import customs clearance do vary. We are not able to make service decisions based on cost as we are somewhat stuck using customs agents linked to freight forwarders – otherwise are goods would not turn up”.

Other than capacity and cost, are there reasons why you have not been able to engage an intermediary or access particular services offered by an intermediary? If so, please provide details.

“Our only difficulties have been with *export clearances from* the EU, which have been done by our supplier’s customs Agent: On incoterms FOB EU (we have arranged and paid for the freight to the UK), the EU clearance agent has required us/our UK Forwarding Agents to provide the following documents on import into the UK:

- Signed POD in the UK
- Custom import document in the UK
- Closure of the EU custom document

This has caused big problems often and I don't know if this is usual procedure or one-off".

If you have used an intermediary, which type of intermediary have you used (eg freight forwarder, fast parcel operator, customs agent, etc) and how would you describe the service provided?

"Freight forwarders. At the start of the post Brexit period, their services left a lot to be desired. It seemed to me that, despite HMRC / Gov.UK sending constant letters/emails to business' throughout the UK to inform them of new procedures and changes, the Freight Forwarders themselves just did not understand the new procedures. I didn't seem to be able to get any information about how it was going to affect us, or whether it would change delivery lead times or pricing. I wish HMRC had worked more closely with BIFA/Freight Forwarders and got them all up to speed before the changes occurred, rather than informing SME's who mostly would not have had the time or money to invest in doing their own entries going forward".

"Customs agent and logistics specialist to ensure validity of all registration for truck to pass border exit and entry inspection posts".

"Fast parcel Operators – I am not a fan. They assume everything and check nothing with the importer, then customs clear and present you with an invoice before they will deliver the goods. This situation is particularly bad with air freight where there is no attempt to make contact with the importer until it's too late to make any amendments. These companies appear to have very little knowledge of UK trade deals. Speaking from experience - I have a family member who imports from Ukraine by Air Freight and even though the invoice complies with the UK Ukraine trade deal, DHL / Fedex have no clue and charge the importer 12% import duty".

"Our goods travel by Groupage trailer, so if one consignment was found to be non-conforming, the entire trailer was held up. As the weeks passed, and more & more delays occurred in transit because of non-conforming documentation, Freight forwarders started to advise us/their customers of *exactly* what documentation they required (eg Commercial invoice stating EORI numbers; specific wording for preferential origin/duty free goods post the TCA etc. Our Freight forwarders advised us of the exact wording required on the commercial invoice to qualify for Preferential import duty, which we passed on to our Suppliers for inclusion on their invoices to us for Import duty free). I have been surprised at how late in the day that advice was provided. Freight Forwarders were apparently consulting BIFA for much of their information flow. My perception is that it would have been to everyone's advantage if HMRC had been able to work directly and sooner with the Forwarding Industry on the details required for documentation".

If you have used an intermediary, as far as you are aware, were there any issues that arose as a result of your customs declarations being incorrect or incomplete? If so, please provide details.

"No, single error in 2 years where agent entered code for Dover rather than Tunnel; the export health certificates are another matter, with up to 128 individual stamps on a single document the possibility of error is enormous, finicky French vets seem to be encouraged to find fault and fail to find solutions. The same document has been used for more than 63 exports in the past year without fault until last week when the consignment was rejected due to an unannounced decision to amend usual protocol and demand separate certificates for differently packaged goods; the SIVEP vet has good reason to reject ow the documents had been presented, but surely after two years and many similarly completed documents some notice would be appropriate?"

“We have had problems relating to Northern Ireland or shipments to Republic of Ireland which went through Northern Ireland”.

“We like to give instructions to our agents and in some cases either they do not bother to read our instructions or customs clearance is done before we even get a chance to give instructions. GVMS makes this worse now as everything is a rush to pre-lodge and generate a GMR so the vehicle can enter the port on the EU side”.

“Some customs agents / freight forwarders make too many assumptions about origin – import customs clear giving the product EU preferential origin – when we do not have the evidence for this. Just because a product dispatches from NL or BE does not mean it has a NL or BE origin. We are not using importers knowledge, yet the random nature of some of our customs clearances would point to this as we have no evidence to support the decisions made by the customs agent who acted independently of us. We do not have the correct statement on origin from the supplier, yet the customs agent customs clears giving the product EU preferential origin”.

Are there any barriers that prevent customs intermediaries from innovating? What would remove those barriers? Where do you see the greatest scope for innovation?

“Innovation will come initially from HMCE amending their systems that were designed to cover fewer imports largely through deep ports but now have to control the huge amount of EU trade through the Channel ports. Export health certificates are usually transmitted to the agent with the import/export request and could be checked by vets at the border post prior to arrival. Checks at the Tunnel SIVEP for example mean that the truck waits for an hour or so before being sent to a check point where either just the seal is checked (5 minutes), or the vehicle is opened and physical checks made taking up to an hour; after this the truck is sent back to parking while document checks are completed. Overall the truck has to wait for between 3 and 5 hours, **if everything is in order**; if not, the delay can be 48 hours and may require a return to the UK for amendments. Pre-checking of documents would assist as would delivery of amendments electronically”.

“Innovation would be in HMRC having a system that was easy to integrate with existing software systems”.

Are there international examples that you would like to draw to our attention and which you would want to see applied or not applied to the UK market? If so, why?

“A key French supplier to our business is finding it increasingly difficult to book hauliers that are willing to bring goods into the UK at a reasonable price, apparently the latest shipment cost twice their estimate but they absorbed it, from now on the excessive costs will be passed on”.

We hope you have found our comments helpful. If you require further information about our views, please do not hesitate to contact us.

With kind regards,

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