



THE POST-BREXIT UK BORDER CHALLENGES AND **HOW SGS CAN HELP**



INTRODUCTION

At present, there is growing division within Westminster regarding Britain's future relationship with the EU and how this will affect our borders, the proposal of a customs partnership with the EU post Brexit whereby the UK would collect tariffs on behalf of the EU has been heavily criticised by many MPs. The alternative is a highly streamlined customs arrangement known as maximum facilitation, this option aims to create as frictionless a border as possible rather than removing borders completely. To work it would need to employ new technologies and automation to streamline procedures and remove the need for physical checks wherever possible.

According to the Government's customs paper, it would build on existing schemes such as Authorised Economic Operators (AEO's), and introduce unilateral improvements to the UK's customs regime in order to make trade with the EU and the rest of the world easier. For this to work the EU would need to implement equivalent arrangements at its borders. The EU has stated that it is happy to discuss anything that would help to facilitate trade, but the belief is that it would take years to introduce some of the technology that is needed so the timescale of Brexit is an issue.

WHO ARE SGS?

SGS, founded in 1878 is the world's leading inspection, verification, testing and certification company. SGS is recognised as the global benchmark for quality and integrity. With more than 95,000 employees, SGS operates a network of over 2,400 offices and laboratories around the world.

At SGS we have the relevant knowledge, experience, capabilities and existing technology in order to make a highly streamlined customs arrangement in the UK a reality much sooner than is believed possible. We also have innovative ideas that would shift the need for checks away from the borders helping to ease congestion in the ports and we believe that we may have a solution to the Northern Irish border predicament.



UK TRADE POST BREXIT – PORTS

At present over 90% of UK trade is handled at the ports and the EU is the UK's largest trading partner. Changes to the costs of trade with the EU are likely to affect both the volumes and patterns of freight activity at the ports, while the need for new customs checks on imports and exports is likely to cause considerable congestion at UK and mainland European ports.

MAJOR UK PORTS – AIR:

- London Gatwick Airport
- London Heathrow Airport
- London Stanstead Airport
- London City Airport
- London Luton Airport
- Birmingham Airport
- East Midlands Airport
- Manchester Airport
- Glasgow Airport
- Leeds Airport
- Edinburgh Airport

MAJOR UK PORTS – SEA:

- Felixstowe
- Dover
- London Gateway
- Southampton
- Grangemouth
- Tilbury
- Thames Port and Greenock

HOW TO PREVENT **CONGESTION** AT UK PORTS USING INLAND CLEARANCE PROCEDURES

A possible way to handle congestion at the ports would be to shift customs formalities inland and away from the ports, which is already possible within existing EU customs laws that also apply to the UK.

In order to clear goods inland, transit declarations (NCTS) would be needed to ensure that goods cross the borders with as little friction as possible and for this to happen post Brexit it is essential that the UK stays in the transit treaty. Transit declarations would make it possible to transport customs goods across borders and shift customs formalities to places where the inspections would not interfere with logistics, for example in warehouses or premises where goods are loaded or unloaded. Pre-clearance of the goods while they are on a boat or train from the UK to the EU will speed up processes and make inspections more predictable – causing less congestion at the ports.

Inspections of low-risk goods and consignments despatched or received by AEO's could easily be transferred inland, however inspections of high-risk, veterinary or phytosanitary goods will still need to take place at the ports to safeguard health and environmental standards. These inspections would still

be the main cause of congestion, however this congestion could be minimised by authorising testing companies to perform the inspections prior to export, under strict government licensing conditions from the EU and the UK respectively.

By adopting inland clearance procedures and viewing the UK borders as taxation points rather than inspection points will help to create a frictionless border, however an inspection of the goods once they are unloaded would still be required. We believe that there may be a significant lack of resource from HMRC in terms of the availability of customs officers to perform these inspections and recruiting new customs officers and the additional travel expenses incurred could make it costly. However, we believe that we have a solution in SGS' QiiQ Remote Inspection capabilities: inspections could be performed remotely by SGS on behalf of HMRC meaning a significant reduction in the number of customs officers needed by HMRC. HMRC, Borderforce or any other interested party have the ability to log into the remote inspection feed and witness the inspections undertaken by SGS if required. SGS would also keep a record of the inspection for auditing purposes. Post inspection SGS would

provide HMRC and any other interested party with a detailed inspection report, photographs and if required a recording of the inspection allowing them to clear the goods based on the results, meaning that the ultimate authority would still be UK customs.

Aside from remote inspections there are a myriad of other ways that SGS would be able to provide assistance to HMRC in order to help streamline customs clearance and implement frictionless borders; for example, in the case of random physical checks and sampling we have a network of inspectors across the UK who could assist, if testing of the goods is required then SGS have an extensive network of testing laboratories. Through our product conformity assessment programmes we have a wealth of experience when it comes to working with importing governments who want to prevent the import of sub-standard or counterfeit goods and ensure that only goods of the highest quality reach their shores. In the context of inland clearance we believe that SGS can also offer a range of other services and solutions that would further help streamline the process and provide added security measures.





**WHEN IT COMES
TO WORKING WITH
OR ON BEHALF OF
GOVERNMENT'S – SGS
HAVE PEDIGREE.**

SGS PRODUCT CONFORMITY ASSESSMENT

SGS Product Conformity Assessment (PCA) is a solution designed to ensure that specific products meet the requirements of the technical regulations and standards set by a regulatory authority in the importing country.

Conformity assessment verifies a products compliance with requirements of applicable standards and technical regulations. To verify the compliance of products SGS performs a documentary review of all relevant, technical, test and quality information relating to both the product and manufacturer. We also perform laboratory testing in

cases whereby there is no available test information and perform physical or remote inspections using SGS QiiQ to verify that the goods being shipped are the goods that have been assessed. Once we are satisfied we then issue a Certificate of Conformity (CoC) which is usually mandatory for customs clearance in the country of import.

SGS have been performing PCA services for a number of years on behalf of many importing governments in the world. Thanks to our worldwide capabilities, we can serve exporters wherever they are.

The PCA processes undertaken by SGS as part of these PCA programmes are remarkably similar to those undertaken by HMRC for customs clearance procedures and there are clear synergies. Therefore, we believe that we would have a wealth of knowledge and experience that would be relevant and useful in helping to create streamlined processes for customs clearance and our remote inspection capability is currently tried, tested and vitally trusted by a number of international governments.

SGS QiiQ – REMOTE INSPECTION

Remote inspection itself is not a new concept and is something that has been talked about for a number of years: however, until now, limits in technology have prevented its implementation.

The SGS QiiQ app has finally managed to overcome most of the technological issues that have prevented other initiatives from working and made remote inspection a viable option.

Since February 2018 SGS' Governments & Institutions division have been using SGS QiiQ remote inspections to perform pre-shipment inspections of goods for various Product Conformity Assessment programmes that SGS hold the mandates for from multiple international governments including those in Saudi Arabia, Kenya, Tanzania and Nigeria to name but a few.

SGS QiiQ is an app that can be downloaded to any smartphone or tablet and uses the device's camera to produce a live stream to the office based SGS inspection team who

guide the client through the inspection process, advising them of the products and labelling that needs to be seen. At present SGS assess all relevant quality documentation relating to a shipment prior to export to ensure that goods are of the relevant quality for export. This process could also work for assessing documentation for import relating to customs clearance.

In order for remote inspection to be performed successfully, there are some other considerations to be made such as the connectivity of the inspection site (WiFi or 4G is required). A suitable device is also needed with sufficient battery life to successfully perform an inspection.

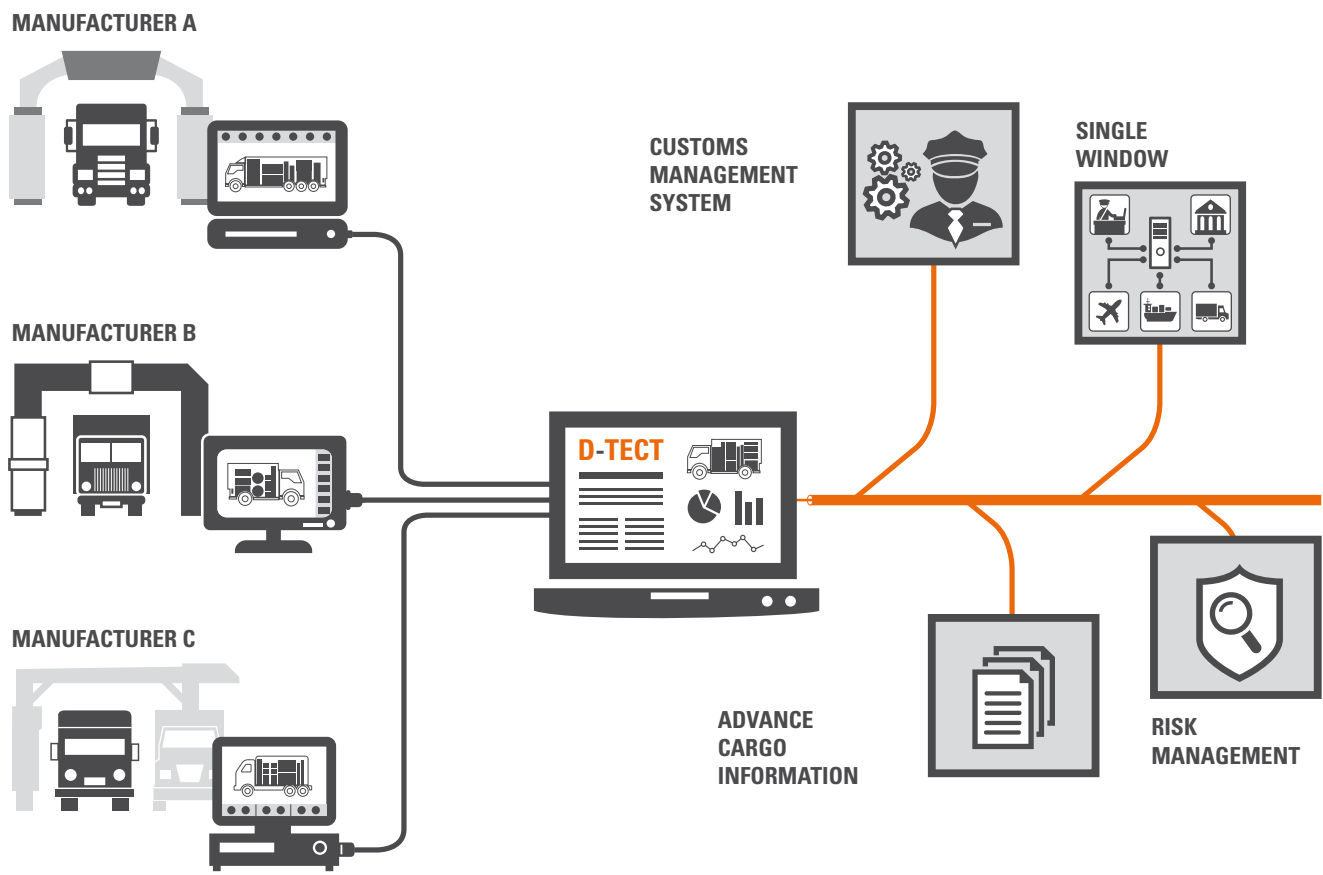
OTHER USES AND APPLICATIONS FOR SGS QiiQ:

SGS QiiQ, while primarily used as a remote inspection application, it is also being utilised throughout SGS in various other ways. By embracing the

new technology, it is enabling SGS to become more forward thinking and efficient in what we do, examples of this include:

- To train new inspectors to perform physical inspections (an experienced inspector will guide them through the process using SGS QiiQ)
- To enable our clients to witness the inspections being performed, for example if a buyer wanted to witness the inspection of goods purchased through one of their suppliers overseas.
- SGS are also exploring the possibility of three party remote inspections, which would allow the principal authority in the country of import to witness the inspection that is being performed prior to shipment.
- To enable our clients to witness the testing of components to ensure that the test protocols and parameters are applied in accordance with the scope





SGS D-TECT SCAN ANALYSIS SOLUTION

SGS D-TECT is a solution created by SGS to facilitate the integration, centralisation and analysis of radioscopic images generated by scanners for cargo inspection. It has been designed specifically to respond to challenges within complex organisations who can be responsible for multiple scanning equipment brands, diverse models and who are looking to integrate image analysis as part of their core border control process to be able to access scanner images at any time, from anywhere.

HOW DOES SGS D-TECT WORK?

SGS D-TECT is a web based platform that can run on any secured network. It allows the user to remotely open and analyse radioscopic images from any scanner connected to the network, it also gives access to any other data and information available on

the network for comparison with the radioscopic image such as, customs management systems, valuation and classification modules, single window, risk management solutions and the associated transactional supporting documents.

Because SGS D-TECT is a universal platform it can be used to capture data from all scanners using the same application, therefore less training is needed for operators. Its seamless application ensures that users are comfortable and familiar with the system no matter what type or brand of equipment is used to produce the image.

Information from the image analysis performed through D-TECT can automatically be shared with other applications, transforming scanning operations from isolated independent data, into a source of universally

connected information that can be used in updating applications such as risk-management databases, customs inspections and port logistics systems.

INSPECTION BEHIND THE BORDERS

In order to optimise trade facilitation with co-operating countries and in-line with the information sharing values recommended by WCO, export or transit containers can be scanned in their country of origin and the images and data can be shared using SGS D-TECT with the destination country. The shipment can therefore be inspected prior to the containers departure, preventing non-conforming or dangerous goods from being shipped and inversely, facilitating advanced clearance for shipments that are clear for export – this also would represent a lower risk element to inland clearance procedures.

SGS OMNIS – TRACKING

The massive increase in the transportation of goods and freight forwarding will lead to an increase in the need to prove the efficiency and safety of transport and logistics operations.

Being able to keep an accurate, detailed track of goods on the move is not only vital for supply chain efficiency, but also for security and maintaining integrity.

Omnis from SGS is an advanced consignment traceability service, which has been created to help businesses operate their fleet's more effectively than before. As a tool it could also be useful to governments that choose to adopt inland clearance to ensure that once the goods pass through the border there is no deviation from the route to destination and that there are

no unplanned stops. Omnis is also designed to work seamlessly with customs operations to help reduce hold ups while goods pass through the borders.

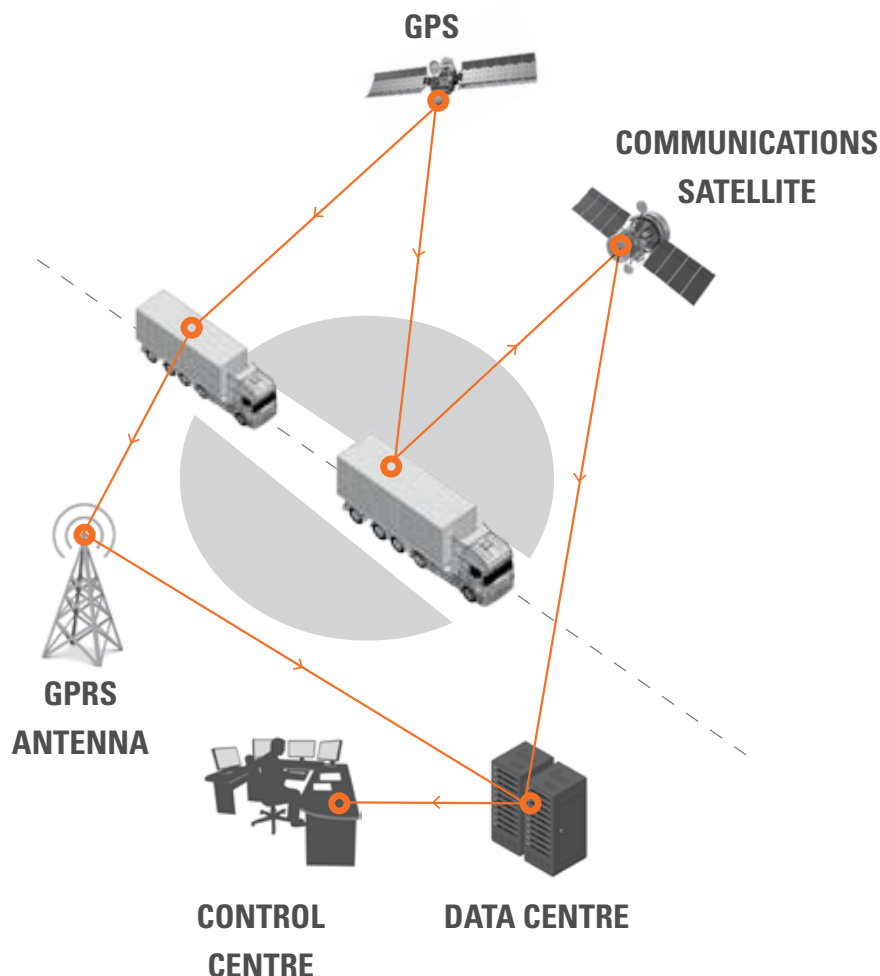
The technology engine behind Omnis is the Savi mobile tracking system with its integrated platform which is designed specifically for securing, monitoring and tracking a wide range of cargo types via a combination of GPS, GPRS and communications satellite technology if required.

Omnis is currently the only system capable of allaying concerns from customs about consignment integrity and providing information about truck positions, deviations from route and the integrity of the goods in transit.

Real-time tracking information can be accessed either through a web based platform or via alerts and reporting from SGS.

CORE FEATURES

- Real time or relevant tracking using GPS or RFID readers
- Real time alerts for cargo tampering or route deviation
- Highly configurable user interface
- Fully scalable solution
- Built-in advanced reporting system
- Ability to interface with other third-party business tools
- SMS or email alert system
- Full security and auditing functionality





TRANSITNET (TRANSIT MONITORING)

Obtaining customs approval and co-operation on paper for cargo routes can be slow and complex, especially when third parties are involved. SGS understands the complexities of moving cargo in transit by road, rail or water and Transitnet has been designed with these complexities in mind.

Transitnet is a secure, multi lingual, web-based platform that captures, controls and monitors transit declarations with the aim of significantly reducing transit times, by allowing the transport and logistics industry to submit an electronic customs declaration, together with a financial guarantee covering any liability for customs debt.

We obtain due diligence clearance for each prospective client from our insurers, and act as the principal for

customs, establishing guarantees in favour of customs on behalf of our clients, and also covering the liability for taxes and duties for all client's transit operations. The guarantees are lodged when the transit movement begins and covers all further movements through to destination.

THE BENEFITS OF TRANSITNET:

- **Speed:** Transitnet is faster and cheaper than other road transit services
- **Accessibility:** Transitnet is an enhanced and electronic alternative to existing paper systems, and operates in both EU and non-EU countries
- **Trust:** Transitnet avoids the need for individual operators to deposit transit

guarantees either in favour of our client centres or customs

- **Facilitation:** Transitnet provides customs with advanced information (CE 648/2005) and conforms to EU-NCTS and Turkish requirements, helping to facilitate faster border crossing and rapid release for transit
- **Traceability:** Transitnet provides all participants (clients, client centres and principals) with an on-line view of the current status of transit movements
- **Economy:** as a web-based system, Transitnet requires no IT infrastructure other than internet access.

DRIVE THROUGH **BORDERS**

Post Brexit we anticipate that most EU and UK regulations will still be aligned, however customs will still require all shipments to be declared, to determine the type, value and origin of the goods that are being imported. If no import duties are applicable then it can be anticipated that for the majority of shipments only import VAT will need to be registered and paid. We believe that this could apply to approximately 80% of the shipments if Britain enters a customs union with the EU. If this is the case a waiver could be given to these shipments meaning that they would not need to be declared at customs in the traditional way. The current system for payment of VAT upon import, called VIES, could be kept in place to keep the status quo for existing EU-UK trade where no customs formalities are needed. A Certified Customs Accountant (CCA), a new role that existing customs brokers could fulfil, would need to give such a waiver for a standard customs clearance. The CCA would be both responsible and liable for the simplified clearance of the goods, just as the brokers are now. This 'drive through border' concept would require additional new legislation, in co-operation with the EU, however it could make the borders transparent and help to provide a solution for the Northern Ireland border. SGS has the capability and experience to facilitate these certified procedures.

IN SUMMARY

In these current times of uncertainty regarding the future trading relationship with the EU, customs formalities post Brexit are still unclear, as is whether the UK will remain within the customs union. We believe that creative ideas and solutions aimed at helping to minimise disruption are needed. We believe that we have not only a creative solution, but a solution that is not dependent on any changes in law or legislation – inland clearance is already permitted by European customs law therefore it is not tied up by red tape and could be quickly and easily implemented before the UK formally leaves the EU. This will help to allay the fears of big businesses who may be considering moving their operations out of the UK. SGS also has available the knowledge, experience and technology to help the UK Government implement new customs clearance processes that could shift the need to ensure compliance away from the borders completely. Vitally we could also move the inspection processes away from the borders reducing congestion at the ports significantly.

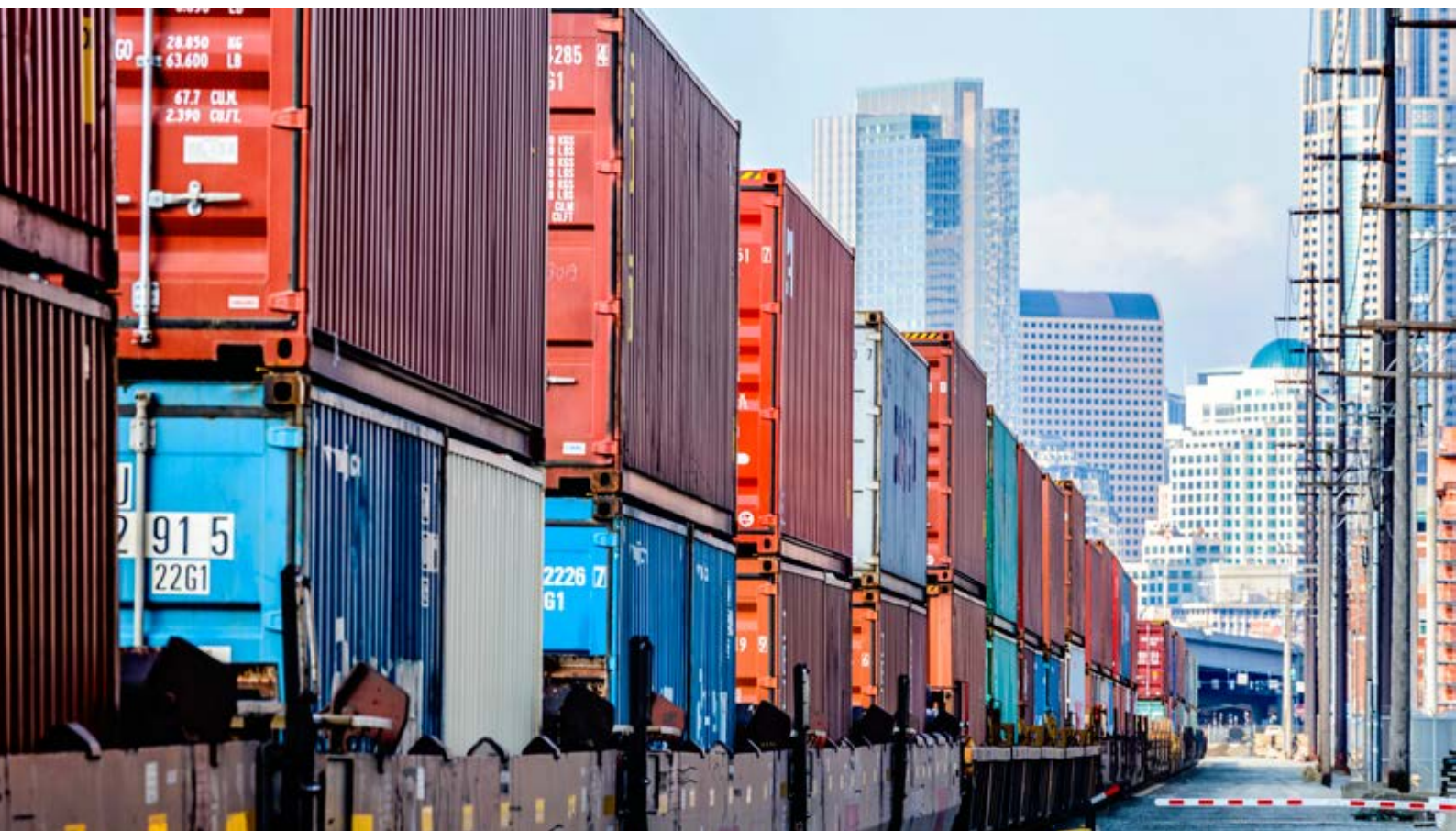
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WHEN YOU NEED TO BE SURE

