

“No Deal” Fear-checker

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“Chaos at UK ports would wreck supply chains”

The claim

It is often claimed that a no-deal Brexit would cause [chaos at UK ports](#), with long delays at critical bottlenecks such as Dover, and motorways turned into vast lorry parks. This would be especially damaging for businesses that rely on complicated cross-border supply chains, notably in high-value manufacturing, or which are otherwise particularly time-sensitive, such as those transporting fresh foods or medicines.

The problem

Traditionally, manufacturers have held ample stocks of components at the factories where their products are assembled. But an increasing number have adopted ‘just-in-time’ models, where they order parts for delivery only when they are needed, and in the exact sequence required. In effect, they are now operating rolling warehouses on the road with components moving all the time. This is assumed to be the most efficient and economical way of working, but is obviously vulnerable to any disruption to traffic flow.

What’s more, many of these supply chains operate across international borders, so that different stages of production are located in different countries which, outside the EU, may have different customs and regulatory regimes. This model enables firms to benefit from all the usual [advantages](#) of international trade, including economies of scale and specialisation. However, it also means that the viability of these chains could be undermined by the imposition of new tariff or non-tariff barriers at the borders.

The risks to cross-border supply chains from any increase in frictions in trade with the EU after Brexit have therefore been a concern for a long time; for example, the Treasury’s [analysis](#) ahead of the 2016 referendum emphasised the potential vulnerability of the auto, aerospace and pharmaceutical sectors.

However, many of these fears are exaggerated. In particular, it has been suggested that, outside the EU’s customs union, manufacturers would have to pay tariffs on components every time these cross the new UK-EU border. This ignores the many trade facilitation arrangements that already apply to parts imported from outside the EU, such as [inward processing relief](#), which should also protect UK-EU supply chains from cumulative duties. Many UK firms should also be able to avoid EU tariffs on sales of finished goods, including cars and aeroplanes, if a sufficiently high proportion of the inputs come from the EU.

There are more valid concerns about the non-tariff barriers (NTBs) that might be erected if the UK exits without a deal. These NTBs include logistical barriers, such as delays caused by physical customs and regulatory checks, and administrative hurdles, such as the need to comply with additional ‘rules of origin’ and new licensing requirements for vehicles and drivers.

Here most attention has focused on Dover, the UK’s most important seaport (handling [17%](#) of all UK trade in goods worldwide). According to [evidence](#) compiled by the House of Commons library, Dover processes up to 10,000 incoming and outgoing freight vehicles a day. Currently, 99% of these originate in the EU and are processed in around two minutes, but checks on non-EU trucks take an average of 20 minutes. And according to the [Freight Transport Association](#), an additional two-minute delay, on average, could cause a 17-mile queue on both sides of the Channel.

Assessment and potential solutions

Like many of these warnings, there is at least an element of truth in these reports. Indeed, the government is already beefing up [contingency plans](#) to keep the M20 flowing in the event of any future problems at Dover, and recommending that suppliers add to precautionary stocks of critical goods such as medicines.

Nonetheless, fears that 'no deal' would result in substantial disruption at ports (or Eurotunnel) assume that a significant proportion of lorries coming from the UK would be subject straightaway to the same checks as those from non-EU countries. This is unlikely, for three main reasons:

1. The first is [legal](#). It has been argued (notably by '[Economists for Free Trade](#)') that new UK-EU NTBs would be unnecessary, and even illegal under WTO rules, given that exports from both sides will still be made to the same standards immediately after the UK's departure from the EU. Others have countered that some additional checks would still be required, or else the parties would be in breach of the WTO's [MFN](#) principle. But there is at least broad agreement that checks could be limited, and there is certainly no legal requirement to inspect every vehicle, or to carry out every check at the border itself. It is also not as if there are currently no checks at all.
2. The second is [economic](#). Even French officials have stressed that it would be in their country's own economic interests to minimise any additional delays. In particular, they have dismissed fears of a Calais '[go-slow](#)' and suggested that [as few as 1% of UK lorries](#) would be subject to a physical check. (My own crude calculation is that an additional two-minute delay, on average, would require at least 10% of UK lorries to be subject to a new 20-minute check.)
3. The third reason is [practical](#). Put simply, neither the UK nor the EU has the physical infrastructure, or enough officials, to check every vehicle anyway, or even a significant proportion. In this respect at least, the lack of preparedness could actually be a blessing in disguise.

A more pragmatic approach could help solve other problems too. For example, in the absence of any alternative arrangements, UK haulage companies would no longer be able to operate in EU countries under [existing rules](#). This is much the same as the problem facing the aviation industry: if no mitigating action is taken, 'lorries cannot be driven', in the same way that '[planes won't fly](#)'. However, the EU has already made a [reciprocal offer](#) to the UK in respect of air traffic rights and the validity of aviation safety certificates, in the event of 'no deal'. The EU has continued to take a tough line on road transport, but an important precedent has been set. A similar solution could presumably be found if existing rules on road transport would significantly disrupt trade from which both parties derive large economic benefits.

What's more, any initial disruption could be short-lived. For example, border delays could be reduced in future by the sort of 'maximum facilitation' (MaxFac) proposals that many have already suggested as a means of reducing the costs of [customs clearance](#). Crucially, too, any problems created by a 'no deal' in March 2019 do not have to be permanent. Leaving on WTO terms could simply be an alternative stepping stone to a comprehensive free trade agreement that would keep any additional frictions to a minimum.

Finally, it is worth recalling that many of those now claiming a '[no-deal Brexit must be ruled out to save the motor industry](#)' had also insisted that '[Britain must join the euro](#)'. While the concerns of businesses must of course be taken seriously, this shows they should also be challenged. For example:

1. Why are businesses so keen to protect models that leave them vulnerable to a delay of even a few minutes, given the many other factors (such as bad weather or strikes) that could also disrupt traffic? [Honda](#), for instance, says it relies on 350 trucks a day arriving from Europe to its Swindon factory, with only an hour's worth of parts being held on the production line. Is that even sensible?
2. It might also be asked whether business models that depend on moving large amounts of goods long distances by road are optimal for the environment, or justify the additional (usually taxpayer-funded) spending on transport infrastructure. That is at least debatable too.

Conclusion

Leaving the EU in March without a deal may cause some additional delays at UK ports, but there are good legal, economic and practical reasons why even the initial disruption should be much less than feared.