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Transport Advisory
International rail freight
post-Brexit
Rail Delivery Group

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/ Glossary

CEMA	Customs and Excise Management Act 1979
CIM	International contract of carriage (Convention internationale de marchandises)
CIT	International rail transport committee
COTIF	Convention concerning International Carriage by Rail
DIRFT	Daventry International Railfreight Terminal
EU	European Union
GBRf	GB Railfreight
HMRC	Her Majesty's Revenue and Customs
HS1	High Speed 1 – the High speed railway between the Channel Tunnel and St Pancras International which was fully open in 2007
HS2	High Speed 2 – the new high speed railway linking London Euston and the Midlands due to open in 2026 and the North East in 2033
NR	Network Rail
OTIF	Inter-governmental Organisation for International Carriage by Rail
RCA	Railway customs area
RU	Railway Undertaking (Legal term for a Train or Freight Operating Company)
SACTFF	Security Approved Channel Tunnel Freight Forwarder
SNCF	French national state-owned railway operator (Société nationale des chemins de fer français)
TOPS	Total Operations Processing System

Terminology

Abbreviation	Full name and description
CEMA	Customs and Excise Management Act 1979: The primary legislation governing the work of HMRC in the area of ports, airports, customs warehouses and rules concerning the importing and exporting goods. Sections have been amended by various subsequent legislation. It is proposed to be further amended by the Taxation (Cross-border Trade) Bill currently passing through the parliamentary process.
CDS	Customs Declaration Services: The replacement system for CHIEF (see below), due to be rolled out in 2017/18.
CHIEF	Customs Handling of Import and Export Freight: Customs clearance software used by HMRC. It is due to be replaced by CDS.
CIM	International contract of carriage: Contract recognised by most railways participating in international rail freight transport. The form of contract is managed and administered by the International Rail Transport Committee (CIT), comprised of representatives from the major railway undertakings in Europe.
CIM Note	Consignment Note: The document used to represent the international contract of carriage. It comprises of 5 identical pages, each one of which has its own use within the transport transaction.
Control Label	Control Label: A unique reference number for each consignment. It is either printed on the CIM note or a self –adhesive label is attached. The unique number also includes the country of origin code number and international station number.
COTIF	Convention concerning International Carriage by Rail: An international agreement ratified by most states in Europe, North Africa and the Middle East. It is a long standing arrangements between states and covers freight and passenger transport by rail (and designated shipping routes). It is administered by an international inter-governmental agency – OTIF.
Getlink	Getlink: Formerly known as Eurotunnel Group, underwent a rebranding to better identify with the Group’s activities. It has four main brands: Eurotunnel, operator of passenger and freight Shuttle services, Europorte, a private rail freight operator in France, ElecLink, the future electrical interconnector between the UK and France and CIFFCO a private European railway training centre.
ILU	Intermodal load unit: A general term used to cover both deep sea ISO containers and European standard swap bodies, both types of unit are used in the international rail freight flows through the Channel Tunnel.
Juxtaposed controls	Juxtaposed frontier controls: Defined in Article 4 of the Treaty of Canterbury, allowing public officials to carry out their functions in an area of the territory, of the other State, where controls are juxtaposed.



Terminology

Abbreviation	Full name and description
OTIF	International rail transport organisation: The inter-governmental agency which manages and administers COTIF. Based in Berne, Switzerland.
RCA	Railway Customs Area: A concept defined in the Taxation (Cross-border Trade) Bill, to identify locations where goods transported internationally may be loaded or unloaded from rail vehicles. Each RCA requires approval by HMRC and for the designation to be granted the site will need to comply with HMRC requirements.
Treaty of Canterbury	Treaty of Canterbury: Signed in 1986, the Treaty of Canterbury is the principle agreement between the UK and France covering the construction of the 'Fixed Link' and describes the high level arrangements for managing relations between the two countries as far as the Fixed Link is concerned.
Schengen Agreement	Schengen Agreement: Originally signed in 1985 it was extended in 1990 and when it took effect in 1995, it abolished checks at the internal borders of the signatory states and created a single external border where immigration checks for the Schengen area are carried out in accordance with identical procedures. The UK and Ireland opted not to join the agreement.
SACTFF	Security Approved Channel Tunnel Freight Forwarder: A designation granted by the UK DfT Land Transport Security division in respect of companies forwarding rail freight traffic via the Channel Tunnel as required under the terms of the Channel Tunnel Security Order 1994.
TOPS	Total Operations Processing System: The UK railway industry electronic train processing system, use of which is mandated on all RUs via the Network Code. It is used extensively within the rail freight sector to produce and validate essential train operating information, manage loco and wagon fleets and is a critical part of managing the movement cycle of wagons. It is based on a 'hard-wired' system dating from the 1970's which was originally used in the USA before being adapted for use in the UK.
UCC	Union Customs Code: The EU customs arrangements for importing and exporting goods to/from the EU.
Taxation Bill	The Taxation (Cross-border Trade) Bill: A framework Bill to enable the Treasury via HMRC to undertake Customs and Excise activities in relation to import and export trade with Europe as a result of the UK proposing to exit the EU.
SNCF	Société nationale des chemins de fer français: The French national railway operator. It has separate divisions responsible for its freight activities: SNCF Logistics is its rail freight operator; SNCF Réseau is the national railway Infrastructure Manager.



Executive Summary



Rail freight in the post – Brexit world

There are opportunities for international rail freight in a post-Brexit world. The time is therefore right to ask what must be done to ensure that rail freight remains a viable and attractive alternative to road based freight in a changed customs regime. This study reviews available information on what might be required of the industry by authorities with respect to people, process and infrastructure. It provides a risk assessment and recommendations which would safeguard existing traffic while providing an opportunity for rail freight to grow.

It is acknowledged that international rail freight traffic levels are significantly lower than envisaged and there is spare capacity through the Channel Tunnel and in its surrounding facilities. Furthermore there are further sites available to Channel Tunnel traffic which have a range of different facilities but with uncertainty about future customs arrangements, it is difficult to define what additional facilities will be required at terminals wishing to handle international rail freight.

Current Arrangements

Two Railway Undertakings are licensed to operate freight trains through the Channel Tunnel. Inspections are confined to requirements relating to rail specific safety and security. The UK/France rail freight border is essentially comprised of two separate inspection sites: one on either side of the Channel Tunnel. All rail freight traffic transported

through the Channel Tunnel is subject to a jointly agreed security regime. International rail freight is underpinned by the COTIF agreement and its working contract of carriage, the CIM Note. The CIM Note is recognised and applied throughout Europe and the Middle East and is already used for customs clearance purposes to/from EU member states.

Rail freight traffic from Europe currently operates without the need for customs declarations to be made or regular physical inspection of cargo by customs authorities. This traffic involves a largely manual administration process in which the flow of information is focussed primarily on operational tracking.

HMRC are tasked with collecting all revenues due to HM Treasury from the importation of goods and operate under the legal framework set out in CEMA. This currently applies to all non-EU traffic. HMRC use an intelligence enabled risk management system to underpin customs clearance reducing the number of physical inspections carried out.

Forthcoming changes

Legislative changes are being developed which will determine how international rail freight operates post-Brexit. This legislation includes the introduction of the concept of a Railway Customs Area which will have implications for existing stakeholders including the terminal owner/operator.



Executive Summary

The exact infrastructure requirements for an RCA are not known but we have used the example of existing facilities at Daventry to demonstrate the type of potential changes needed.

The role of Customs post-Brexit will remain the same but their scope of monitoring goods from non-EU countries will extend to include UK/EU traffic. Any future customs arrangement will involve an interface between the importer/exporter and HMRC for customs declaration, assessment and release. Post-Brexit the commercial relationships between importer/exporter, RU and Customs will change but this of itself generates limited opportunity for a step change in operational efficiency to positively influence traffic.

RUs and terminal operators are currently unsure as to future resourcing requirements resulting from these changes but have advised that they will be reviewing on a case by case basis and that growth in rail freight is a more likely driver of resource increase than customs processing.

Opportunities for Rail Freight

Rail freight's relative reliability and secure means of movement may provide an attractive alternative to road freight particularly if road freight is increasingly delayed due to the high volume of declarations requiring processing time. Independent research by Imperial College suggests that even small increases in customs processing time will negatively impact journey times and reliability for road freight.

HMRC have recently provided evidence to the Treasury Select Committee highlighting the increase in customs declarations required in a post-Brexit environment and while under current arrangements most declarations are handled in seconds, the estimated five times increase in declarations represents risk to the free flow of goods. While it is beyond the scope of this review to forecast the volume of freight that could come be generated by modal shift, rail and terminal operators will be assessing the market opportunity and the scale of investment required to take advantage of it.

Determining the extent of change

The rail freight industry has two key requirements this close to the UK's proposed exit from the EU: to understand the requirements to maintain existing traffic; and the additional requirements that might be needed should there be a growth in traffic resulting from modal shift. The former requires collaboration with stakeholders and government to retain existing traffic while the latter, should be informed by how the market responds to changes in the customs environment.

Transitional Arrangements

Given the magnitude of the potential changes, clear arrangements for the transitional period need to be made and advised to industry stakeholders at the earliest opportunity. The granting of RCA status for terminals/sidings used for existing flows should be facilitated wherever possible during the transition period and further clarity on the EU import requirements will be required.



Executive Summary

Risks

A number of risks have been identified, based on an agreed set of assumptions, as having a significant impact on operational performance. These risks include:

People

- Resource – Insufficient resource to handle the more complex administration process becoming a barrier to traffic.

Process

- Overarching – Rail freight not being prioritised during negotiations.
- Coordination – Cooperation between the stakeholders and regulatory bodies to ensure new arrangements are understood and implemented.
- Transition – The necessary arrangements and infrastructure are in place for tariffs to be applied on day one, to avoid delays to services and disrupting the flow of traffic.

Infrastructure

- Facilities – Existing terminal sites having capacity/capability constraints. Should additional investment be required, identifying where the funds will come from and interim operational solutions during facility redevelopment to maintain the existing traffic.

Recommendations

This study has found that the operational impacts of the legislative changes and the introduction of a customs clearance regime can be minimised through:

People

- Industry stakeholders undertaking a resource gap analysis to understand the additional resources required.

Process

- Improved stakeholder coordination to ensure the negotiated arrangements are fully understood and appreciated by all.
- HMRC continuing to promote a frictionless process for the import and export of goods through the continuation of intelligence led surveillance and the adoption of an 'inspection at final terminal' strategy.
- Ensuring the HMRC requirements for RCAs are clearly defined for terminal/private siding operators and proportional to the type and volume of traffic being handled at the terminal.
- Ensuring the process for approving RCAs minimises the impact on the facility operator.

Infrastructure

- Locations with pre-existing SACTFF approval benefiting from a more simplified RCA approval process.
- Clarity on infrastructure requirements for RCAs and support for investment where costs are disproportionate





Scope



Scope

This study investigates the impact the decision by the UK to leave the European Union (EU) may have on international rail freight movements to/from Europe via the Channel Tunnel. This may create additional challenges for the transport sector.

Almost all of the traffic currently passing between the UK and Europe moves within the EU single market area and therefore is not subject to routine customs control (alcohol and tobacco are exceptions) by UK Customs.

A consequence of the decision to leave the EU, may result in trade with Europe becoming subject to similar customs control as the movement of goods outside the EU today, including the need for import and export customs declarations and clearance.

As the final terms of the UK's exit from the EU have yet to be confirmed, this assignment seeks to provide clarity on:

- › Existing arrangements;
- › Facilities and customs policies in existence or being discussed which may be used to support rail freight post-Brexit;
- › Opportunities for rationalisation and implementation of modern approaches, and where relevant, technology; and
- › Risks to preserving and/or growing traffic.

The study draws upon industry expertise and consultations with stakeholders to fulfil the above. Given the complexity and uncertainty which surrounds the Brexit negotiations, it is helpful to frame the assignment with a Problem Statement. This enables the project team and stakeholders to frame discussions to specifically address the topic. The Problem Statement agreed is:

“Customs arrangements between the UK and Europe will change post-Brexit. These changes have the potential to constrain existing and future traffic because the industry does not have the right people, processes or infrastructure.”

This study does not address other ‘border’ issues arising from the decision to leave the EU, such as plant and animal health or matters relating to trading standards. Any trade in goods moved from Europe on international trains to the UK, which are subject to these additional controls, may be subjected to further administrative procedures outside the customs issues discussed in this report.





Current traffic



Current cross-Channel rail freight traffic is significantly less than the potential capacity and represents a small percentage of overall freight movements through the Channel Tunnel

Rail freight services commenced operation through the Channel Tunnel in 1994 as a collaborative effort between British Rail (Railfreight Distribution division) and SNCF Fret. Since the commercial opening, the tonnage of freight carried by rail through the Tunnel steadily increased from just below 0.5 million tonnes in 1994 to a peak of 3.14 million tonnes in 1998. During this time over 40 trains per day were using the route.

Since the traffic peak, cross-Channel rail freight traffic has faced a number of issues which have had a negative impact on the volume of traffic. A combination of issues including security concerns initially raised by the migrant crisis and major strikes by railway staff in France created a decline in users of the route. Reduced reliability and punctuality issues affecting the through rail freight route caused shippers/traders to move to alternate routes and modes of transport.

More recently, the number of rail freight trains operating through the Channel Tunnel declined from 2,800 in 2007 to just over 2,000 in 2017. With renewed efforts by the parties involved, there are signs that traffic is returning to the route, with new flows being won to rail in 2018.

The traffic is susceptible to competition from alternative modes/routes and therefore following the withdrawal of the UK from the EU, ensuring that trade using the through rail freight route via the Channel Tunnel is as frictionless as possible is an imperative for the UK Government and the rail freight sector.



Figure 1: Top – Rail freight tonnage carried through the Channel Tunnel since its opening in 1994. Bottom – Number of trains operated through the Tunnel since 2006. Source: DfT and Getlink statistics.



There are a small number of regular flows with a limited number of UK origins and destinations

As of April 2018, the rail freight trains operating regularly through the Channel Tunnel are as follows:

Import

Origin	Destination	Operator	Notes
Valencia	Dagenham	DB Cargo	Via HS1
France	Daventry	DB Cargo	Classic lines
Hayange	Scunthorpe	DB Cargo	Empties
Neuss	Ditton	DB Cargo	Classic lines
Padua	Tilbury	GBRf	Classic lines
Antwerp	Irvine	GBRf	Classic lines
Duisburg	London Gateway	GBRf	Classic lines

Export

Origin	Destination	Operator	Notes
Dagenham	Valencia	DB Cargo	Via HS1
Daventry	France	DB Cargo	Empties
Scunthorpe	Hayange	DB Cargo	Classic lines
Ditton	Neuss	DB Cargo	Classic lines
Tilbury	Padua	GBRf	Classic lines
Irvine	Antwerp	GBRf	Classic lines
London Gateway	Duisburg	GBRf	Classic lines

Note. These regular flows are supplemented by additional services as and when required or as new services commence operation.

In 2017 1.22 million tonnes of freight were moved by 2,012 trains, predominantly as import flows into the UK reflecting the balance of trade between the UK and the EU. Rail freight traffic represents 6% of the total freight tonnage conveyed through the Channel Tunnel.

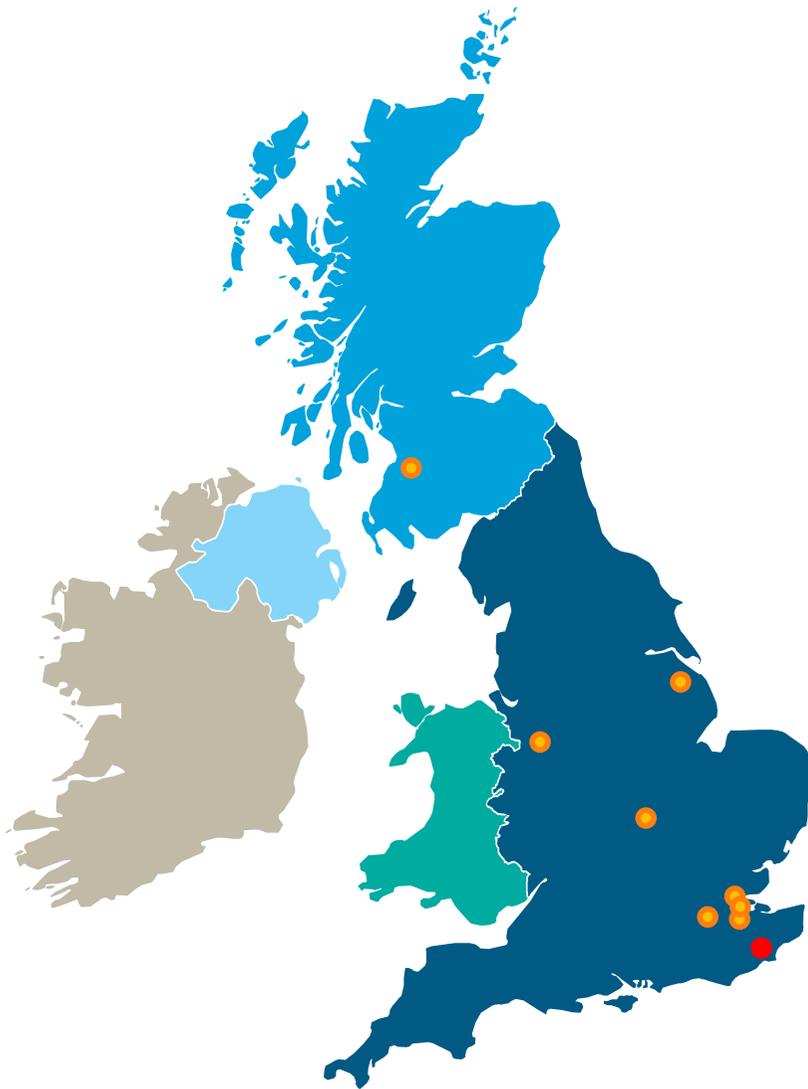


Figure 2: UK origin/destination sites for existing international rail freight flows (Dollands Moor inspection facility shown in red)

The regular flows comprise of single client block trains operating on a point to point basis between terminals in Europe and the UK

Dagenham to Valencia (ES)

- › This flow is an integral part of the Ford Motor Company inter-works movement of car assembly components, linking manufacturing plants in the UK and the rest of Europe with its vehicle assembly plant in Valencia. The predominant export traffic is engines manufactured in Dagenham and gear boxes and transmissions in S.Wales. The traffic is mainly conveyed in curtain-sided swap bodies. The cargo is shipped by Transfesa who contract with the Railway Undertakings (RUs) involved to operate the service. Some non-Ford traffic is conveyed on the service
- › These services are routed via High Speed 1 (HS1), enabling larger intermodal load units (ILU) to be conveyed on the train. Due to trailing weight restrictions on HS1, the train which has arrived in the UK is operated in 2 portions on HS1, with the train dividing at Dollands Moor.

France (various locations) to Daventry

- › Daventry is the UK distribution centre for Danone water, which is conveyed in conventional wagons on block trains from a nodal yard in France, where wagons of individual product lines are assembled into block trains. The wagons are unloaded in a warehouse on the DIRFT site. After unloading the trains return empty to France. The service is contracted directly to Euro Cargo Rail (a DB Cargo company based in France). Haulage in the Channel Tunnel and in the UK is by DB Cargo.

Scunthorpe to Hayange (FR)

- › This is an interworks movement on behalf of British Steel (formerly Corus), transporting semi-finished steel slabs to the rolling mill at Hayange, where the slabs are rolled into rail of varying lengths. The train is directly contracted by British Steel to DB Cargo. The slabs are loaded on adapted open intermodal wagons which return empty as a block train to Scunthorpe.

Neuss (DE) to Daventry and Ditton

- › This is a flow of semi-finished aluminium and finished body pressings for the automotive industry, loaded in a mix of conventional vans (rolls) and swap bodies (pressings). The loaded and wagons conveying the swap bodies are detached at Daventry, wagons conveying empty swap bodies are then attached to the train which continues and terminates at Ditton.

Padua (IT) to Tilbury

- › A new flow of traffic handled by GBRf on behalf of Asahi UK . This intermodal train operates on a weekly basis.

Antwerp (BE) to Irvine

- › A weekly train of china clay slurry moved in tank wagons from the Imerys plant in Antwerp to Caledonian Paper in Irvine operated by GBRf.

Duisburg (DE) to London Gateway

- › A weekly train of general intermodal traffic operated on behalf of CMA CGM (including intermodal units from China transferred at Duisburg)



There are number of sites available for current Channel Tunnel traffic which have a range of different capabilities



Figure 3: Locations of the sites across the UK used by cross-Channel rail freight importer/exporters

The following is a list of key sites for Channel Tunnel rail freight flows:

	Location	Type	Operator	Notes
	Fréthun	Inspection facility	Europorte France	Security & Inspection
	Dollands Moor	Inspection facility	DB Cargo	Security & Inspection
	Wembley	Nodal yard	DB Cargo	Rail locked site
	Barking	Terminal yard	Russell Logistics	Used by 'China train'
	Dagenham	Private siding	Ford Motor Company	Managed by Transfesa
	Tilbury	Terminal	Maritime Transport	New flow
	Daventry	DIRFT railport	Malcolm Group	Intermodal units
		DIRFT warehouse	Malcolm Group	Covered vans
	Ditton	Terminal	AHC	-
	Scunthorpe	Private siding	DB Cargo	British Steel
	Irvine	Private siding	Caledonian Paper	-
	London Gateway	Terminal	GBRf	Owned by Dubai Ports

A number of other locations are used from time to time for movement of new passenger and freight rolling stock manufactured in Europe. Intermodal terminals and private sidings used previously, may in the future be used again as traffic returns to using the through rail freight route.



Operational and institutional arrangements



Two Railway Undertakings are licensed to operate freight trains through the Channel Tunnel

Currently two freight RUs, DB Cargo and GBRf, are licensed and hold Safety Certification to operate through the Channel Tunnel. These companies are the only ones in the UK and France, that operate the Channel Tunnel compatible Class 92 locomotives.

In the UK, DB Cargo and GBRf are the main operators of services to/from Dollands Moor and through the Channel Tunnel to France. Rail Operations Group and Colas also operate occasional trains to/from Dollands Moor for onward movement through the Tunnel.

In France services to/from Calais Fréthun may be provided by Euro Cargo Rail, SNCF Logistics or LINEAS (B-Cargo).

The wagons and load units on each flow may be owned by a number of different organisations – the hauling RU, a leasing company, the client or another RU.

Services operate between private sidings at origin and destination, with the owner managing the terminal operation, or between open access terminals, where a separate terminal operator manages the operation. Services may also operate from a terminal to a private siding and vice versa.

Generally traffic flows have a dominant loaded direction, with the return journey being used to convey empty wagons loaded with stillages/pallets or containers/swap bodies. Some flows convey loads in both directions depending on traffic requirements.

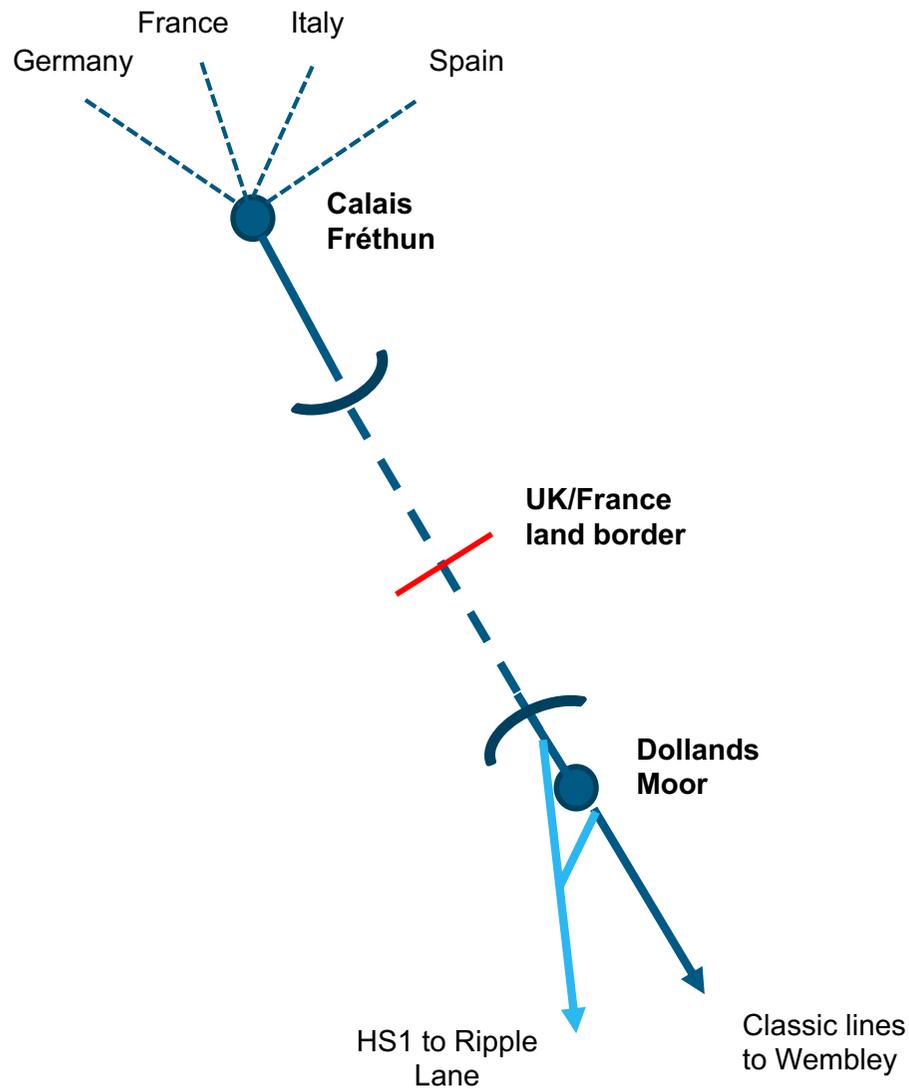
Occasional additional services are operated to move new passenger rolling stock into the UK.

A general wagon-load service to/from Europe to the UK has not operated for several years. Also groupage traffic is not conveyed on services (i.e. the load in each wagon or intermodal unit is for a single customer). Each train service is operated by an authorised RU on behalf of the client, with the client specifying the frequency and the cargo loaded on each train.



Figure 4: A Valencia to Dagenham train at Dollands Moor

The rail freight border essentially comprises two separate inspection sites: one on either side of the Channel Tunnel



Channel Tunnel Security and Technical inspection

Calais Fréthun

The site is managed and operated by Europorte France under a contract for the facility owner SNCF Réseau.

Security inspection – is undertaken by the Douane (French Customs), with safety supervision by Europorte.

Technical inspection – undertaken by Europorte staff.

UK/France border

Established under the Treaty of Canterbury near the mid-point of the Channel Tunnel. The exact border between the two countries is marked by a steel band in the running tunnels.

Dollands Moor

An open access facility managed and operated by DB Cargo.

Security inspection - is managed by DB Cargo using a Department for Transport approved inspection process.

Technical inspection – undertaken by DB Cargo staff.

Figure 5: Schematic of the inspection site locations either side of the UK/France border



Operational arrangements at these sites include a range of inspections to satisfy rail specific security and safety requirements

To comply with the inter-governmental regulations appertaining to the operation of rail freight trains through the Channel Tunnel, all trains are required to undergo security and technical inspections at the dedicated inspection facilities provided as part of the creation of the Channel Tunnel at Fréthun (Calais) and Dollands Moor (Folkestone), immediately prior to entering the Eurotunnel railway.

Although the arrangements on each side of the Channel are different, the functionality is broadly similar. These high security facilities are designed to manage up to 35 export and 35 import rail freight trains per day.

These inspections are to enable the train 'consist' to be validated and to ensure that each train complies with the Getlink and inter-governmental technical and safety requirements.

Due to differences in the European and UK railway operating concepts and practises, there is considerable manual intervention in the preparation and dispatch of trains at both Dollands Moor and Fréthun. This serves to ensure that the train is correctly formed for the receiving RU, to avoid time consuming re-marshalling and to ensure operational requirements are met.

These inspections provide the opportunity to supply validated operational information to the receiving RU. The CIM note and any accompanying documentation travelling with the train are processed. At this point, information may also be supplied to the UK or French Customs authorities, should they require it.

The Dollands Moor facility is operated by DB Cargo and Europorte France operates the Calais Fréthun facility on behalf of SNCF Réseau.



Figure 6: Class 92 locomotive at Dollands Moor

All rail freight traffic transported through the Channel Tunnel is subject to a jointly agreed security regime

Export traffic

To meet the requirements of the security regime, freight from consignors in the UK are registered with the Department for Transport (DfT) as Security Approved Channel Tunnel Freight Forwarders (SACTFF). They certify the security integrity of their loads and apply seals to the containers. Their wagons are then considered known freight.

Freight from all other consignors is considered unknown freight and subject to further controls.

All freight transported through the Channel Tunnel is subject to security checks on arrival at the approved freight terminals - the level of those security checks varies dependent on whether the freight is known or unknown.

On arrival at Dollands Moor export trains are subject to additional physical checks including verifications that the seals applied to the wagons/load units at the origin terminal are still intact and that the load has not been tampered with.

Import traffic

Due to the greater number of potential flows from European terminals from several different countries, the security arrangements are different.

Shippers are required to complete a declaration (Annex to CIM).

On arrival at Fréthun, the French Customs are responsible for undertaking a security screening of the train, accompanied by Europorte France staff to ensure their safety in an operational railway yard.

The yard itself is a high security location which has recently seen its security measures enhanced to prevent incursions by illegal migrants into the UK.

Once the train departs Fréthun and arrives in Dollands Moor (or passes directly on to HS1), it remains in a secure environment as the yard is a high security area and both the classic route and the high speed line are fenced.

Relevance of the security regime

As many of the locations used for export rail freight traffic are also sites used for imported flows and the export terminals in the main have DfT security approval, there is the opportunity to ensure that most imported goods will arrive at a DfT approved site.

This offers the possibility of being able to use the existing approved security status of these sites to form the basis of any future customs requirements, so reducing the amount of further approval being needed from HMRC.



The Channel Tunnel institutional arrangements were designed to ease traffic flow

The Fixed Link

In order to ensure that all categories of traffic using the Channel Tunnel were able to exploit the journey time benefits the 'Fixed Link' would provide, special arrangements were incorporated for border control issues from the outset to be as seamless as possible.

The implementation of the Channel Tunnel project commenced in 1986 with the signing of the Treaty of Canterbury between the UK and French Government. This envisaged 'juxtaposed' frontier controls, with only controls on entry into the system for both Eurostar passengers and Le Shuttle (freight and passenger) users. Due to space and capacity constraints, neither Dollands Moor or Fréthun were intended as customs clearance points.

Classification as an international transport line

To ensure that users of both freight and passenger services are able to benefit from the COTIF agreement, the border crossing via the Channel Tunnel was registered with OTIF by the UK and French Governments,

NB This does not apply to users of the Le Shuttle operated by Getlink.

Operation

In the intervening years before the Tunnel opened to commercial services in 1994, the Schengen Agreement concerning the free movement of people was being implemented throughout Europe and the movement towards a single market was gaining pace, becoming fully applicable from 1995.

As part of the original investment by British Rail, customs clearance and inspection facilities were constructed on the Willesden Euroterminal site. This facility in terms of the application of the Customs and Excise Management Act 1979 (CEMA) was considered the 'port' for through rail freight traffic.

As a consequence of the UK joining the Single Market in 1994 and the negligible amount of non-EU traffic passing on rail freight services from Europe, the need for full customs clearance facilities diminished. Therefore after several years of operation of the Willesden facility, HMRC de-staffed the facilities and maintained surveillance of Channel Tunnel rail freight based on an intelligence approach. This more pragmatic approach resulted in fewer physical inspections being carried out.

Loss of facility

With the decline in overall rail freight traffic using the Channel Tunnel (especially the loss of general intermodal flows), the Willesden Euroterminal site ceased to be used for international traffic and has been used for a variety of other rail related flows, including most recently as the base for Network Rail's high output rail replacement train.

As the site is located in the immediate vicinity of the HS2 worksite(s), the terminal site has now been acquired by the HS2 project under a 25 year sub-lease agreement with DB Cargo.



Existing import/export process for
European traffic

The CIM Note is the internationally agreed rail contract of carriage under the COTIF agreement

All international rail freight traffic is consigned under the terms of the Convention concerning International Carriage by Rail (COTIF). This agreement predates the creation of the EU and was last revised in 1999 under the Vilnius Protocol. The UK has been a signatory to the agreement since the 1950s. The EU acceded to COTIF in 2011.

The terms of COTIF agreement Appendix B, describes the Uniform Rules concerning the Contract of International Carriage of Goods by Rail, and uses the agreed format documentation as the contract of international carriage (CIM note).

Within the UK there is no requirement for operational/commercial paperwork to travel with freight trains. This also applies to international movements as far as Dollands Moor.

The 2 RUs in the UK operating international trains each use a slightly different process to manage the flow of information to match variations in their standard operating procedures.

However, in Europe the CIM Note and any operational documentation travels with the train. Therefore for each export train the required documentation is placed on the train at Dollands Moor or may have been carried on the southbound train from origin.

Each 'consignment' (ranging from a single wagon to a complete train), has its own unique reference number (Control Label), which remains with the consignment throughout its journey. The Control Label forms part of the contractual/accountancy arrangements for the individual transport. It can act as a customs reference.

A CIM Note comprises 5 identical sheets, each one of which serves a different purpose in the transport transaction. During this process the information collected can be used as part of customs clearance.

The image shows a detailed CIM Note form, which is a standardized document for international rail freight. It consists of multiple sections, each with specific fields for data entry. The form is titled 'CIM Note' and includes various fields for sender and recipient information, goods description, and transport details. A red circle highlights a specific field in the bottom right section, labeled 'Control Label'.

Figure 7: An example of a CIM Note with the Control Label highlighted

The CIM Note is recognised and applied throughout Europe and the Middle East and is already used for customs clearance purposes to/from EU member states

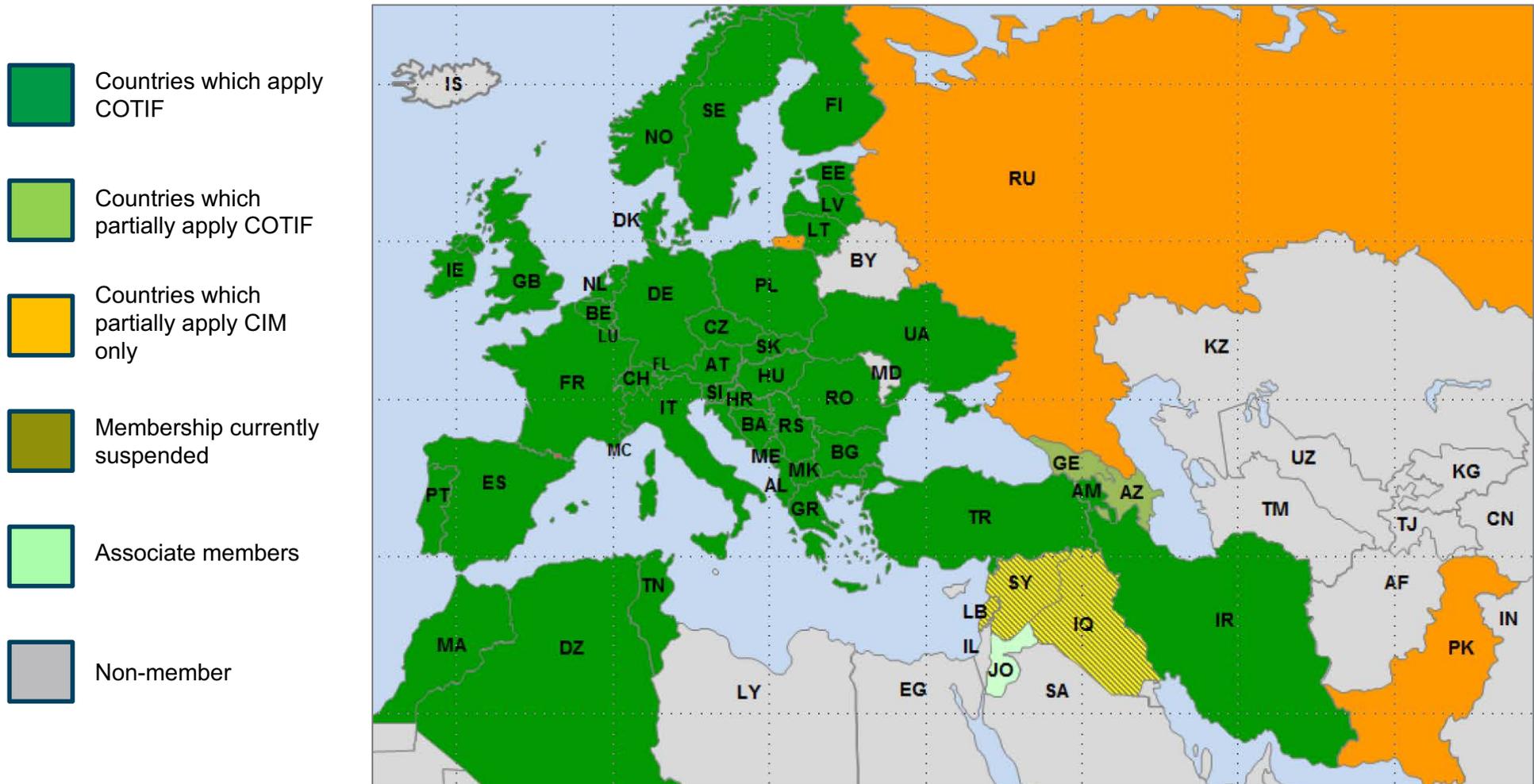


Figure 8: OTIF member and associated member states who apply the COTIF agreement as of July 2017. Source: CIT

Rail freight traffic from Europe currently operates without the need for customs declarations to be made or regular physical inspection of cargo by customs authorities

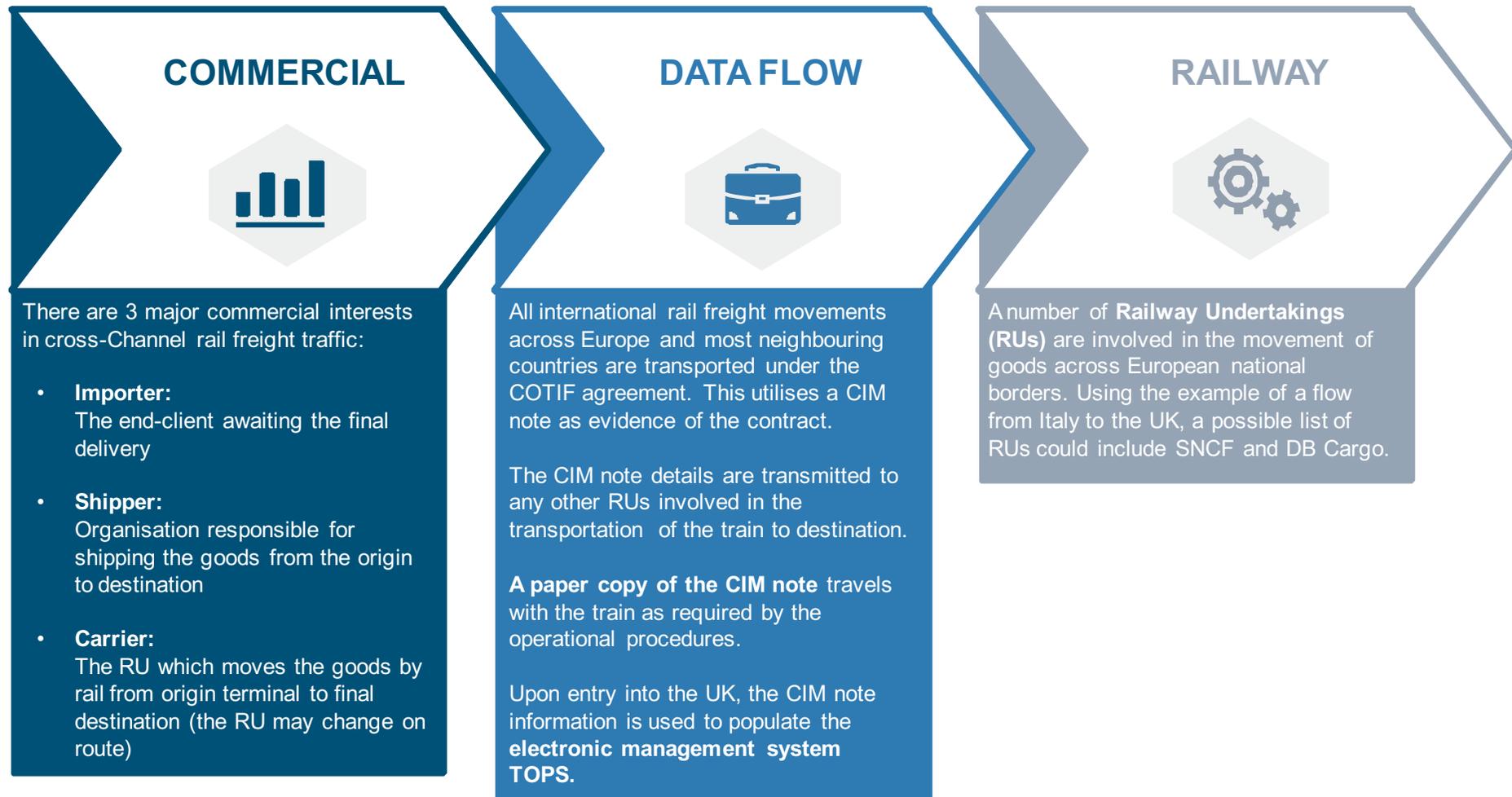


Figure 9: Existing stakeholders in UK/EU rail freight flows.

Some intra-EU traffic may occasionally be routed via Switzerland (e.g. UK - Italy), which requires transit documentation to be prepared by the importer. Certain traffic originating in China is routed via London Gateway for customs clearance.

The current data flow for international rail freight is largely manual and focuses on operational tracking
(see overleaf for further details)

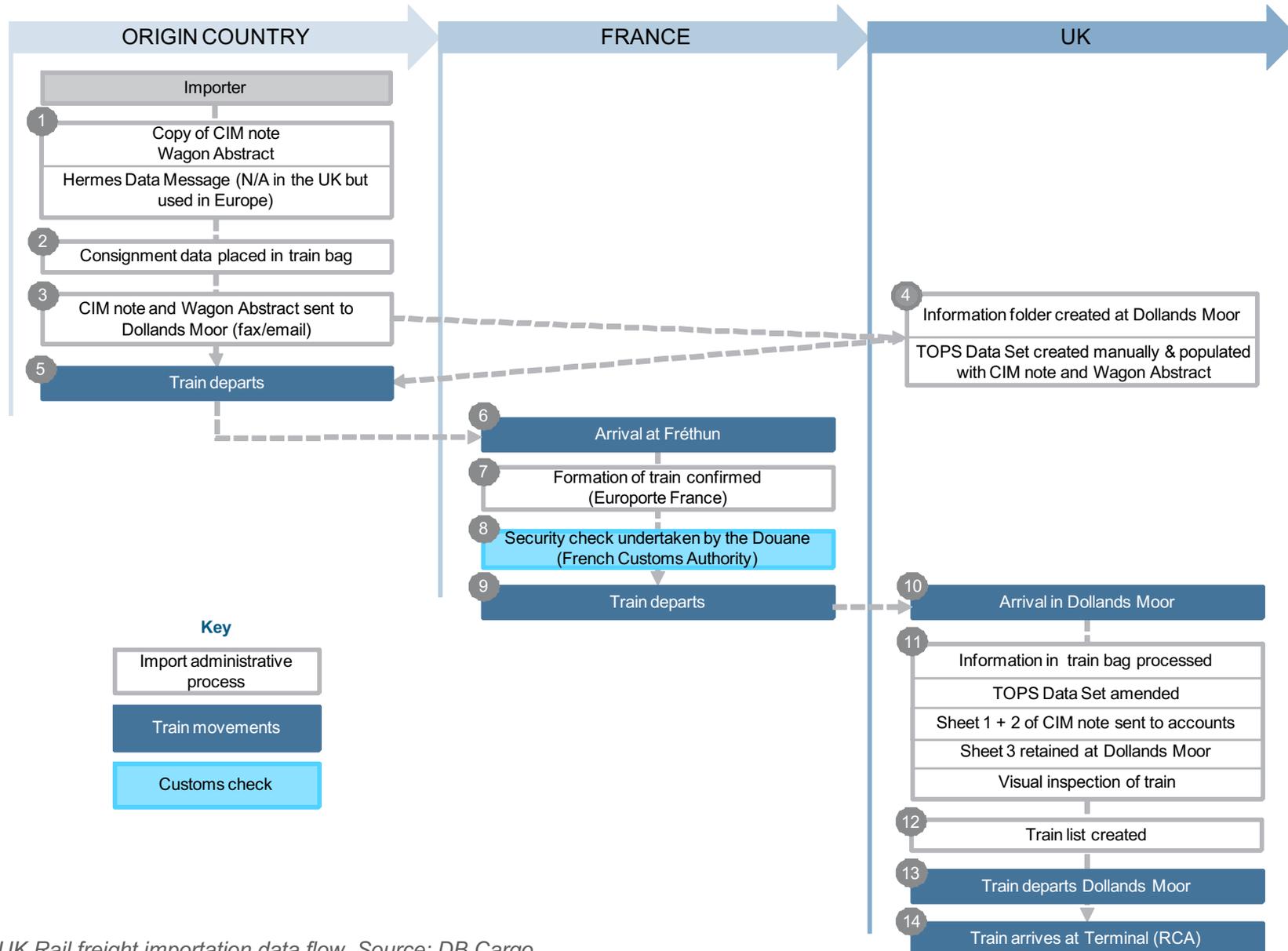


Figure 10: UK Rail freight importation data flow. Source: DB Cargo



The flow of information aids frictionless delivery

The information flow explained (the steps refer to the numbered flow diagram on the previous page).

Import traffic

Step	Activity
1	The importer (who may also be the shipper) provides the loading details to the originating RU. This enables the RU to complete its operational and commercial processes.
2	The CIM note (pages 1-4) and any supporting commercial information (including any information required by customs), together with the operational details are placed on the train. The wagons/train is labelled. Dangerous goods and train formation details are given to the driver.
3	By agreement copies of the consignment and operational information is emailed to numerous actors in the transport chain (including Dollands Moor or GBRf control office in Peterborough).
4	Operations Supervisor at Dollands Moor (or GBRf control office at Peterborough), creates a dossier of information for each train and populates it with information as it becomes available. This information is used to create a 'user set' in the UK's electronic rail train processing system, Total Operations Processing System (TOPS).
7	Train formation information is checked in Calais Fréthun and details emailed to Dollands Moor/Peterborough.
11	On arrival at Dollands Moor, documentation is taken from the train, TOPS user set is updated if necessary. Pages 1 and 2 of the CIM are sent to DB Cargo's Accounting Centre. (For GBRf trains CIM notes travel with the train to destination terminal).
12	Train list created.
13	Train departs Dollands Moor towards destination.

This information is based on the process used by DB Cargo. GBRf use a similar process.

The CIM note is an internationally agreed document and there is a user manual produced by the CIT (the Railways administrative body for the CIM note) providing the instructions for processing CIM notes¹. The CIM note is an important document for the railways involved as it is an accountancy document and provides evidence of the work performed.

¹ International Rail Transport Committee, CIM Consignment Manual, July 2016 - <https://www.cit-rail.org/secure-media/files/...>



The export data flow is similar to that of the import, with most of the administration manually processed
(see overleaf for further details)

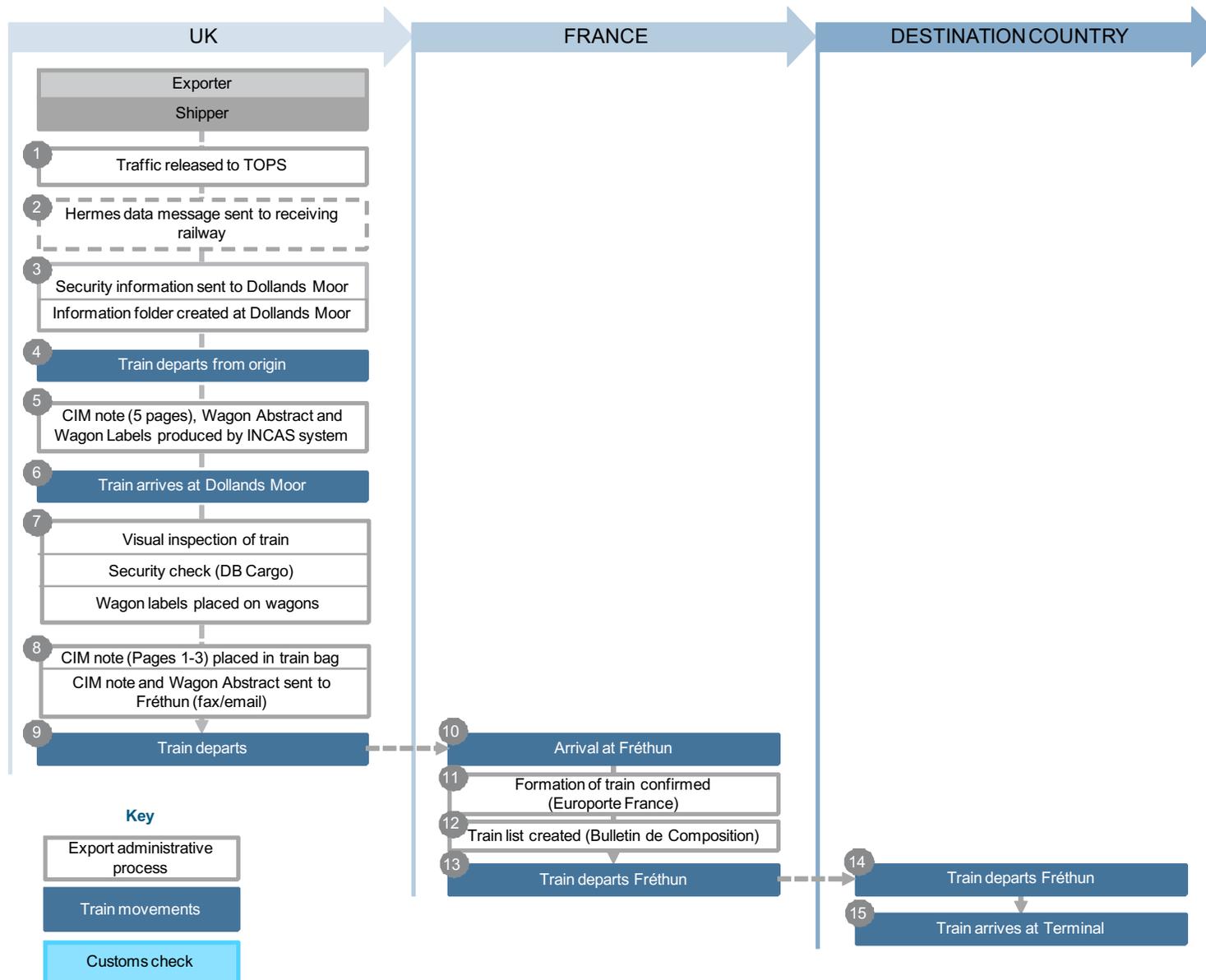


Figure 11: UK Rail freight exportation data flow. Source: DB Cargo



The flow of information aids frictionless delivery

The information flow explained (the steps refer to the numbered flow diagram on the previous page).

Export traffic (All traffic passes via Dollands Moor for security inspection)

Step	Activity
1	The exporter (who may also be the shipper) provides the loading details to the RU. This may be done electronically via a TOPS related application. This enables the RU to complete its operational and commercial processes and depart the train in TOPS towards Dollands Moor.
3	Details of security seals emailed to Dollands Moor. Information dossier for the train is prepared by the Operations supervisor/GBRf control at Peterborough.
5	The CIM note is produced either manually or using a bespoke IT application depending on the RU.
7	The wagon labels are produced and attached to the train.
8	The CIM note (pages 1-3), and any supporting commercial information (including any information required by customs), together with the operational details are placed on the train. Dangerous goods and train formation details are given to the driver. By agreement copies of the consignment and operational information is emailed to numerous actors in the transport chain (including the Europorte staff at Calais Fréthun).
11	Train formation information is checked by Europorte staff in Calais Fréthun and the train list prepared for onward movement into France.

This information is based on the process used by DB Cargo. GBRf use a similar process.



Customs requirements for non-EU traffic

CEMA provides the legal framework for the application of customs regulation. This currently applies to all non-EU traffic.

HMRC is the government agency tasked with collecting any revenue due to HM Treasury from the importation of goods. HMRC customs activities fall into three main categories, revenue collection, inspection and clearance.

They operate under the legal framework set out in CEMA. Under the terms of this legislation several key elements are defined which have significant implications for any organisation importing or exporting goods to/from the UK. A high level overview of the processes involved has been provided.

Port of Entry

CEMA states that all goods being imported into the UK, can only be imported through an approved location – namely a port or airport.

Once goods have arrived in the UK, HMRC assess the duty payable on the goods through the importers customs declaration.

Declarations

It is the responsibility of the importer to ensure that the appropriate Customs Declarations have been completed. These are usually completed using the customs processing platform CHIEF/CDS. This process requires the importer to have a traders account with HMRC.

Tariffs

Once the declaration has been reviewed and approved, a tariff in accordance with the consignment is applied by HMRC. The necessary duties are then drawn from the importer's trader account. Once this has been complete the goods are classified as 'customs cleared'.

Inspection

HMRC have the authority to physically inspect cargo to verify that the load matches the importers declaration, should they so wish. CEMA grants the customs authorities the power to inspect any cargo before the goods are released.

For non-EU goods this currently occurs within the designated areas of 'ports'.

Release

Once the duties and tariffs on the goods have been paid (customs clearance) and a possible inspection, the consignments are permitted by HMRC to continue onto their delivery point (customs release).



An intelligence enabled risk management system underpins customs clearance. This approach reduces the number of physical inspections carried out.

Whether the UK leaves the Customs Union or not the role of Customs remains largely the same. They will continue to be responsible for:

- › collecting any revenue due to HM Treasury from goods imported into the UK; and
- › on-going anti-smuggling activities.

Significantly, their scope of monitoring goods from non-EU countries will extend to include UK/EU traffic.

This presents a number of issues for HMRC as they are currently not resourced to deal with the additional process and administration that comes with their enlarged scope. HMRC estimates an additional 3,000-5,000 customs officials may be required².

Similarly EU countries handling goods from the UK are preparing for Britain's exit by increasing customs staff numbers with France planning an additional 200 officials³ and the Netherlands a minimum of 750 additional customs agents⁴.

Intelligence led approach

HMRC have worked under a policy of promoting frictionless trade and minimising Customs intervention where possible, adopting an information led approach to monitor the flow of goods. HMRC uses the Intelligence Management System (IMS), a Home Office database which records and processes immigration and customs offence data, to identify higher-risk consignments. closing.

This method combined with the low risk nature of international rail freight has resulted in few physical inspections being carried out. This approach along with the reduction in rail freight traffic resulted in the facility provided at Willesden Post-Brexit, with the additional customs work required of HMRC, this intelligence based approach is unlikely to change.

² HMRC Annual Report and Accounts (Oral Evidence), 14th September 2017 - <https://clearlightcustoms.com...>

³ French Senate Report 2018 - <http://www.senat.fr/rap/17-108-315-1/17-108-315-15.html>

⁴ Cabinet of the Netherlands, State secretary for Finance, 17th February 2018 - <https://www.reuters.com/article/uk-britain-eu-france...>



Preparation for leaving the EU

Legislative changes are being developed which will determine how international rail freight operates post-Brexit. This is complemented by a high level working group.

1) Border Coordination Group

Government has convened an industry wide group to inform, among other things, emerging policy and procedures to be applied to trade post-Brexit. The Group is made up of multiple government agencies, security organisations and industry stakeholders including rail freight.

2) Taxation (Cross-border Trade) Bill

HM Treasury has introduced the Taxation (Cross-border Trade) Bill into the parliamentary process. The Bill is being drafted with the purpose *“to make provisions in relation to any duty of customs in connection with the withdrawal of the United Kingdom from the EU”*.

The Bill is an example of ‘framework legislation’. It includes only limited policy detail, instead providing the Government with broad delegated powers to implement a customs regime by secondary legislation.

It makes provisions for consequential amendments to CEMA, making the Taxation Bill significantly more important to cross-Channel rail freight. It does not presuppose any particular outcome but instead reviews a range of possible negotiated arrangements for the smoothest procedural transition possible. This is most evident in the Bill as it provides a high level outline of arrangements for both customs clearance at a central location or “the controlled movement of uncleared goods” as part of an ‘inspection at final terminal’ approach.

Given the legislation is of a framework nature, until the proposed regulations are actually made the full impact of the draft legislation remains unclear.

Railway Customs Area (RCA)

The Bill, as introduced to the House of Commons in November 2017, proposes several amendments to the existing CEMA which may have an impact on rail freight. This includes the introduction of specific provision for rail facilities which previously have not existed in customs legislation.

The most significant of which is the creation of the Railway Customs Area (RCA) concept.

The Bill states that, any area may be designated as an RCA if it is:

- a) a place at which goods are loaded onto or unloaded from, or passengers board or disembark from, a railway vehicle before it departs or enters the United Kingdom; or
- b) an area adjoining such a place.



The introduction of the concept of an RCA will have implications for existing stakeholders including the terminal operator

The powers granted to the HMRC Commissioners in the Taxation Bill gives HMRC the authority to designate approved locations as an RCA providing they meet the criteria. The introduction of this concept will have implications for existing stakeholders.

For through rail freight to/from the EU, the RCA is intended to replace the role of a port in maritime and an airport in the aviation sectors, as far as the application of the customs legislation is concerned.

Applying to become an RCA

In order to continue to be able to import and export goods to/from Europe, rail freight terminal and private siding operators will need to apply to HMRC to have their site designated as a RCA.

As the applicable regulations for RCA approval have not been determined, the requirements for sites are not yet known. However based on existing requirements across other customs approved transport related facilities e.g. ports, airports and customs warehouses, this may include the need for secure perimeters (fencing), lighting, access controls, safety certification etc.

The RCA application process and procedure is not yet known.

Requirements will be proportionate to the risk

The Taxation Bill as currently drafted allows in Section III 26 1ZC, for *'Regulations under this section may make different provision in relation to different classes or descriptions of goods and, in particular, in relation to different classes or descriptions of vehicles'*

This suggests that in granting RCA status HMRC will have considerable discretion as to what they believe will be necessary based on the type of traffic and the wagons used to convey the traffic.

Opportunity

As many of the terminals/private sidings used for export traffic generally have DfT security approvals, there is the opportunity to ensure that locations to be designated as RCAs benefit from already being part of a DfT approved site for export traffic under the SACTFF arrangements. This may require some physical protection to be provided.

Ensuring good liaison between government departments, offers the possibility of being able to use the existing approved status and so reducing the amount of further approval being needed.



There are a number of different types of facility used in the international rail freight business

Understanding the impact of designating existing locations as RCAs

The rail freight terminals used for international flows vary greatly in their status and the facilities they have available. In the event that an inspection of the goods is deemed necessary, each traffic flow and associated terminal may have its own constraints in terms of providing facilities for HMRC staff to inspect cargo in a safe and cost effective manner.

Intermodal Terminals

- These are transfer locations where ILUs (containers and/or swap bodies) are transferred from rail to road without any break-bulk activities.
- This activity is undertaken in the open, either by gantry crane, rubber tyred gantry or using a high capacity reach stacker
- The terminal sites may not have covered warehousing or cross-docking accommodation.
- The facility may be either for general, multi-customer use or for a single user.

Private sidings

- Are generally used by a single customer often to receive or dispatch a single commodity used in the production process

- Some sites are directly connected to the Network Rail network, others may be connected via an industrial spur e.g. at Daventry the rail connected warehousing is accessed via the Daventry Railport rail network.

Inspecting goods within an RCA

At locations where it is deemed a covered facility is necessary, this may represent a considerable cost to the facility operator, which may not be recoverable through the transport revenue. This would suggest that in these locations some form of capital investment will be necessary to comply with the HMRC requirements.

Location	Role	Facility	Comment
DIRFT	Intermodal Terminal	Reach stacker and hard standing	No covered facility
DIRFT	Warehouse	Side-loading dock	Unloaded by fork lift
Dagenham Dock	Private siding	Cars/containers/wagons for Ford	Limited covered facility
Ditton	Intermodal terminal	Reach stacker and hard standing	Warehouse on site
Scunthorpe	Private siding	Steel works	Traffic on open wagons
Tilbury	Intermodal terminal	Reach stacker and hard standing	Limited covered facility
Irvine	Private siding	Paper factory with bespoke discharge	Bulk traffic in tank wagons
London Gateway	Intermodal terminal	Gantry Crane	Intermodal and logistics facilities on site



Existing requirements for the storage and clearance of non-EU goods are non-rail freight specific

The HMRC Customs Notice 199A “describes how non-Union goods may be stored in approved premises”. The Notice provides legal definitions and HMRC requirements for establishing a premises for the storage or movement of goods for international import/export purposes. These requirements are explored further in this section.

Supervision

HMRC &/or Border Force require the ability to supervise the facility without disproportionate administration arrangements to the economic need.

Special Authorisation

Certain goods will require special dispensation or authorisation by other agencies. This includes goods such as live animals, plants and firearms.

Health and Safety

Ensure the safety of all officials who attend the premises and basic working space facilities for HMRC (and other agencies).

Ullage Cage

A secure lockable compartment/area for the detention of prohibited goods subject to inspection which meets local port requirements.

Electronic Inventory

Facilities must be equipped with a Customs approved IT inventory system with approved Anti-smuggling net (ASN).

Customs declaration platform

Facilities require the electronic HMRC platform CHIEF/CDS. A 3-digit shed identity code will then be given to identify the freight storage facility location for all declarations.

Examination area

Cargo selected for examination must be placed in an agreed area within the facility.



Expected requirements for designating rail freight terminals as RCAs revolve around safety and security

In addition to the non-rail freight specific storage requirements outlined in the Notice 199A, there are other expected requirements for a facility to be approved as an RCA. These have been grouped into 3 major categories, regulatory, security and basic site requirements.

Security Requirements

- **Perimeter Security Fencing** – Basic security perimeter fencing such as chain link, DfT approved material 'weldmesh' and 'palasade'.
- **Lockable Access Gate** – Perimeter protection of the premises through an access gate.
- **Access Control System** – Standalone access control to independent doors throughout premises.
- **Staff identification badges**
- **CCTV system covering perimeter**
- **Designated security staff** – Specialised staff to ensure only authorised access to the premises.
- **Lighting** – Suitable lighting to ensure staff health and safety.
- **Provision of statutory signage** – Clear signage across the facility.

Regulatory Requirements

There are a number of regulatory requirements for storage facilities to be designated as an RCA:

- DfT Land Security Division Approval;
- Preparation of agreement with LSD;
- HMRC Approval as a Railway Customs Area; and
- Preparation of agreement with HMRC.

Basic site requirements

- Covered inspection facility (where required);
- End loading dock (for 1 HGV) with weather protection ;
- Side loading platform (for 1x20m long wagon);
- Sufficient space to allow removal and placement of goods for inspection; and
- FLT charging point



Rail freight terminals are likely to need some investment to be compliant with RCA and/or existing non-EU goods storage requirements. At this stage the exact specification is not known



Figure 12: Prologis DIRFT II expansion site and its neighbouring distribution facilities.

Daventry International Rail Freight Terminal (DIRFT)

Location	Facilities	Comment
Intermodal Terminal	Reach stacker and hard standing	No covered facility
Warehouse	Side-loading dock	Unloaded by fork lift

DIRFT is an open access rail terminal owned by Prologis and operated by Malcolm Group. Daventry is currently the UK distribution centre for Danone water conveyed in conventional wagons to France.

DIRFT offers road and rail connectivity including pathways to/from deep sea ports and its rail-connected warehouses can be accessed through the Daventry Railport rail network.

To comply with existing non-EU goods storage requirements, significant change to operational layout would be required to provide a covered facility/inspection area within the existing rail terminal whereas an RCA might only require permission to move goods on a public road to access an existing facility.

Potential impacts on current operations

Close stakeholder co-operation will be essential to minimise impacts on rail freight operations post-Brexit

Potential operational impact

There will be 4 key impacts on cross-Channel rail freight operations:

- The need for all imports and exports to be processed through the Customs clearance regime.
- The requirements for designating existing rail freight terminals as RCAs to enable goods to be loaded/unloaded.
- UK exporters will need to make use of the existing EU-wide Union Customs Code for goods entering the EU from the UK.
- To agree with HMRC the measures required for the inspection of goods on rail wagons (depending on commodity and vehicle type).

Opportunities to minimise the impact

People

- Industry stakeholders to undertake a resource gap analysis to understand the additional resources required.

Process

- HMRC to continue promoting a frictionless process for the import and export of goods, through the continuation of intelligence led surveillance and the adoption of an 'inspection at final terminal' strategy.

- Improved stakeholder coordination to ensure the negotiated arrangements are fully understood and appreciated by all.
- Ensuring the HMRC requirements for RCAs are clearly defined for terminal/private siding operators and proportional to the type and volume of traffic being handled at the terminal.
- Ensuring the process for approving RCAs minimises the impact on the facility operator.

Infrastructure

- Locations with pre-existing SACTFF approval benefiting from a more simplified RCA approval process.
- Clarity on infrastructure requirements for RCAs and support for investment where costs are disproportionate

Any post-Brexit customs arrangement will involve HMRC. The RUs and Importers will be required to interface with the customs processing platform CHIEF/CDS. These relationships have been mapped out on the following pages.



The introduction of Customs procedures as an overlay to the existing process for the movement of goods to EU countries

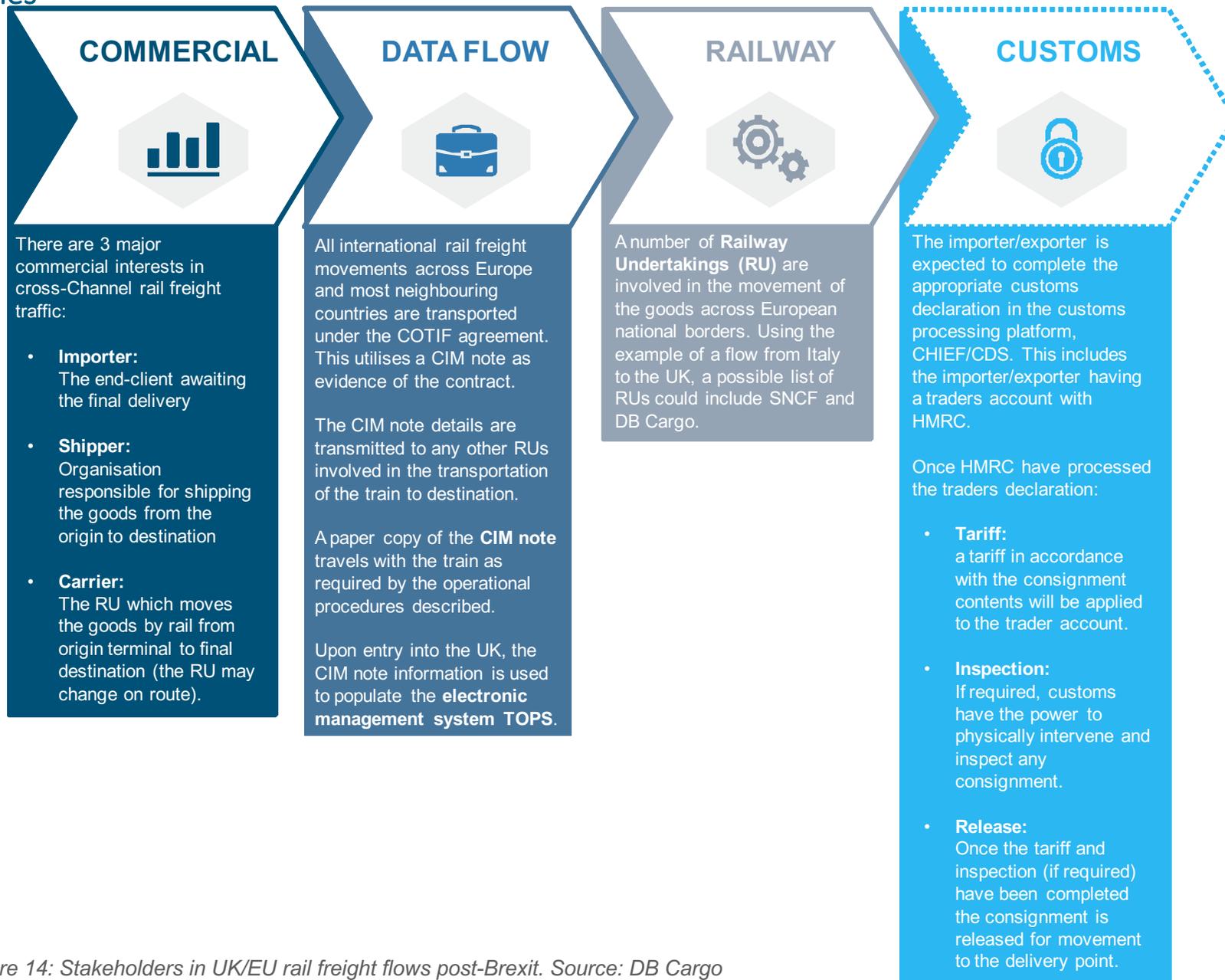


Figure 14: Stakeholders in UK/EU rail freight flows post-Brexit. Source: DB Cargo



Any future arrangement will involve an interface with HMRC for customs declaration, assessment and release
(see overleaf for more details)

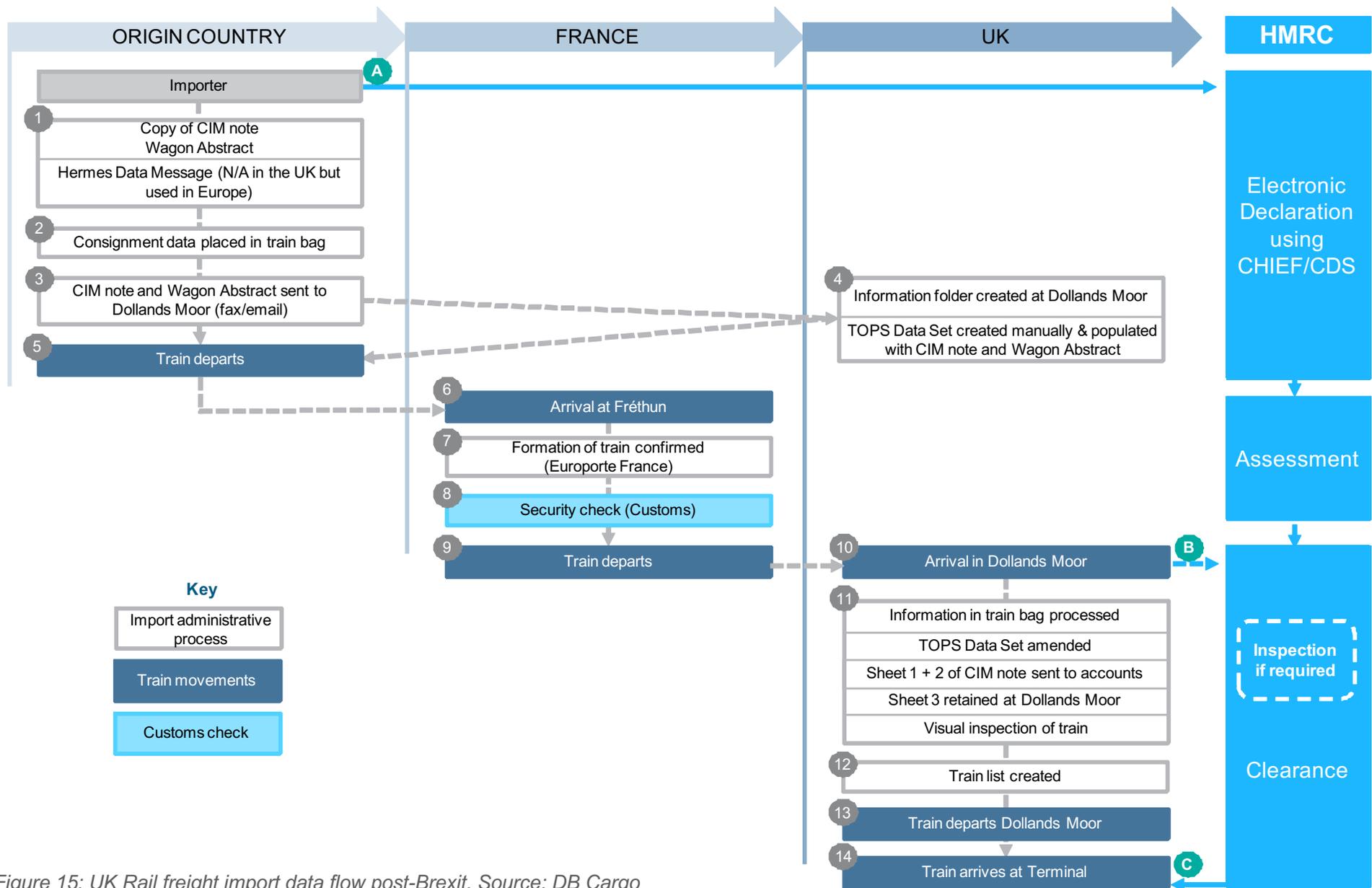


Figure 15: UK Rail freight import data flow post-Brexit. Source: DB Cargo



The flow of information aids frictionless delivery

The information flow explained (the steps refer to the numbered flow diagram on the previous page).

Import traffic with customs controls in place (additional activities highlighted in green)

Step	Activity
A	The importer makes an electronic declaration to the UK HMRC processing platform, and when available includes the unique Control Label Number from the CIM note for the goods being transported.
1	The importer (who may also be the shipper) provides the loading details to the originating RU. This enables the RU to complete its operational and commercial processes.
2	The CIM note (pages 1-3) and any supporting commercial information (including any information required by customs), together with the operational details are placed on the train. The wagons/train is labelled. Dangerous goods and train formation details are given to the driver.
3	By agreement copies of the consignment and operational information is emailed to numerous actors in the transport chain (including Dollands Moor or RU control).
4	Operations Supervisor at Dollands Moor (DBC) /Service Controller at Peterborough (GBRf) creates a dossier of information for each train and populates it with information as it becomes available. This information is used to create a user set in TOPS for the train.
7	Train formation information is checked in Fréthun and details emailed to Dollands Moor.
11	On arrival at Dollands Moor, documentation is taken from the train, TOPS user set is updated if necessary Pages 1+2 of the CIM are sent to Accounting Centre.
B	RU to confirm to importer that the train conveying the goods described on the CIM note has arrived.
12	Train list created.
13	Train departs Dollands Moor towards Destination.
C	On arrival at destination the importer electronically confirms to terminal operator/RU that the goods have been cleared by HMRC.

Activities A and C are additional actions for the importer. Activity B is an additional action for the Railway Undertaking.





Rationalisation of modern approaches
and technology

Post-Brexit the commercial relationships between shipper, RU and Customs will change but this is generating limited opportunity for a step change in operational efficiency to positively influence traffic

Stakeholder Interface

Post-Brexit, a closer interface between the rail freight stakeholders will be required. The key relationship will be between the importer/exporter and HMRC.

This relationship will primarily be managed through customs declaration process using the electronic processing platform CHIEF/CDS.

The RU acts as an intermediary in this transaction and so a direct link between the RU and HMRC is not absolutely necessary (provided that the RU is not acting as a Customs clearance agent). However it may be beneficial to aid the traffic flow by providing the RU with limited access to the Customs systems in order to:

- a) provide the RU with information concerning train arrivals into the UK; and
- b) Provide updates on the release of goods by HMRC.

Rationalisation Opportunities

As part of this study, the consultants have explored whether changing customs arrangements creates opportunities for rationalisation and implementation of modern approaches and technology in the rail freight industry.

It is expected that the implementation of new customs arrangements will have a greater impact on importers/exporters and terminal operators than the RUs themselves. Discussions focusing on potential opportunities for step changes in efficiency have not identified quick wins and as such the manual processes used to manage the movement of existing trains entering and leaving the UK will remain. The opportunity for investment in new approaches arises when there are step changes in traffic volumes. RUs have commented that they will be reviewing their operational requirements as the markets change and they seek to take advantage of the opportunities to grow traffic.

We are aware that through the interoperability initiative the TAF TSI may offer the opportunity to harmonise the differences in operational systems. Its introduction will depend on the implementation plan for Europe and for the UK.



Rail operators will be assessing the market opportunity which can be generated through modal shift as a consequence of Brexit

Modal Shift

Rail freight's relative reliability and secure means of movement may provide an attractive alternative to road freight particularly if road freight is increasingly delayed due to the high volume of declarations requiring processing time. Independent research by Imperial College suggests that even small increases in customs processing time will negatively impact journey times and reliability for road freight.

HMRC have recently provided evidence to the Treasury Select Committee highlighting the increase in customs declarations required in a post-Brexit environment and while under current arrangements most declarations are handled in seconds, the estimated five times increase in declarations represents risk to the free flow of goods.

While it is beyond the scope of this review to forecast the volume of freight that could come be generated by modal shift, rail and terminal operators will be assessing the market opportunity and the scale of investment required to take advantage of it.

Resourcing

Discussions with cross-Channel RUs indicates that should there be an increase in rail freight traffic as a consequence of Brexit, additional railway resources would be required. The level of recruitment required is currently unknown but will be evaluated by the RUs accordingly.

At this stage, we anticipate staff recruitment will occur with step changes in traffic volumes defined by the number of paths occupied through Dollands Moor.



Risks

Risk Assessment Assumptions

A gap analysis of the existing process has been undertaken to identify any potential risks to international rail freight traffic post-Brexit. The risks were identified and assessed based on the following set of assumptions:

- HMRC's overall policy will not seek to constrain trade and will continue to use an intelligence-led approach to processing import and export flows.
- Using a proportionate approach, the rail freight sector will not have to undertake significant levels of financial investment into physical security measures to fulfil requirements. Requirements will be based on the nature of the traffic flow and type of equipment used.
- The introduction of the RCA designation in the Taxation (Cross-border trade) Bill, will supersede the 'port' of entry requirement as described in CEMA. Thus avoiding the need for a single port of entry as originally provided when the Channel Tunnel first opened.
- Terminals which handle EU traffic will require RCA designation.

The risks have been identified and their impacts assessed overleaf.



Process Risk

Category	Risk	Comment	Impact	Likelihood
Overarching Risk	During trade negotiations rail freight will not be prioritised.	Rail freight only represents 6% of the total freight tonnage conveyed through the Channel Tunnel and therefore may not be seen as important by policy makers.	Significant	Low
		The introduction of the Taxation Bill into Parliament which makes specific provisions for rail freight and rail freight related procedure makes this risk unlikely.		
Coordination Risk	Understanding new arrangements will require cooperation between the stakeholders and regulatory bodies which currently are limited.	It will be necessary to form new stakeholder relationships during negotiations and maintain them post-Brexit.	Significant	Significant
		The lack of clarity with respect to future requirements has not created the urgency to form closer working relationships across the supply chain increasing the probability of this risk		
Transition Risk	<p>Tariff Application: The Customs authorities will not have the necessary infrastructure in place to collect the tariffs applied on day one, causing delay to services and release of goods.</p>	HMRC will not be able to collect on any new tariffs effectively post-transition impacting operations.	Significant	Significant
		HMRC evidence to the Treasury Select Committee of significant delay to implementation of customs processes and IT increases the likelihood of this risk		
Transition Risk	<p>Exports: UK exports are stopped on entry into the EU (Fréthun) disrupting the flow of traffic.</p>	The lack of an arrangement in place on day one could cause British exports to be blocked from entry into the EU impacting the efficient use of railway equipment.	Significant	Significant
		Lack of communication with French customs leaves risk as high probability		



People Risk

Category	Risk	Comment	Impact	Likelihood
Resource Risk	<p>Traffic Barrier: A more complex administrative process with more documentation can become a barrier to rail freight traffic.</p>	<p>This risk is not unique to rail freight but is true of all industries involved in UK/EU trade.</p> <p>This is unlikely to represent a major risk as the vast majority of the additional administration will be required of the importer/exporter and HMRC. Little additional documentation will be required of the railway and therefore little disruption should be expected.</p>	Low	Low
	<p>Customs Resource: HMRC has insufficient resources to deal with the administration required.</p>	<p>Considerable HMRC staff additions and training is necessary.</p> <p>HMRC estimates of additional resource are in the range of 3000-5000 but analysis based on crude estimates so might be significantly lower. The uncertainty of resource requirement increases the probability of this risk.</p>	Significant	Significant
	<p>Customs Resource: RUs will need further resource to deal with the administration required.</p>	<p>Additional staff with an understanding of cross-Channel freight.</p> <p>Additional railway resources are a function of growth in freight traffic. Staff recruitment occurs with step changes in traffic volumes and therefore additions are only necessary once the existing resources reach tipping point. RUs have advised that this is under review but cannot confirm additional resource requirements</p>	Low	Low



Infrastructure Risk

Category	Risk	Comment	Impact	Likelihood
Facilities Risk	<p>Physical Capability: All of the locations currently involved in international rail freight have some capacity/capability constraints.</p>	<p>A degree of investment will be required at terminals handling international traffic. The level of investment has not been assessed.</p> <p>Due to the uncertainty surrounding the approach HMRC will take, there is a high probability of this risk.</p>	Low	Significant
	<p>Financial: If additional facilities are required by HMRC, where does the investment come from.</p>	<p>The adaptation of an existing facility or creation of a new facility represents a significant investment for the terminal owner/operator.</p>	Significant	Moderate
	<p>Commercial: Should facility redevelopment be required, what interim solutions are available to ensure the continuation of existing traffic.</p>	<p>Redevelopment of the existing facilities could introduce possible planning permission issues at terminal sites.</p>	Moderate	Low



Conclusions

Conclusions

As the final terms of the UK's exit from the EU have not yet been confirmed, there is uncertainty as to what the impact will be on trading arrangements. Following research and consultations with key industry stakeholders, the following conclusions were made:

People

The two RUs involved in Cross Channel Freight, use a relatively small number of staff to process international trains. It is understood that the activity associated with additional customs processing is likely to be small. Given current traffic levels it is unlikely to require staff numbers to increase. When the number of trains increases, additional resources may be required based on an increase in overall workload.

Process

The current international rail freight traffic levels are significantly lower than the designed capacity of the Channel Tunnel and the surrounding facilities. The largely manual operational tracking and data transfer process, centred around the internationally recognised CIM note, has been sufficient to maintain the existing level of UK/EU traffic.

The Taxation (Cross-border Trade) Bill has been introduced into Parliament to make customs provisions for the UK's withdrawal from the EU. It introduces new legal concepts such as the RCA, amending the CEMA notion of a 'port' for international rail freight traffic.

For a smooth transition, HMRC will need to clearly define and communicate the requirements for a terminal/siding to be designated an RCA.

HMRC's role as duty collector will remain largely the same, however their scope for monitoring goods from non-EU countries will extend to include UK/EU traffic.

This requires a new interface between HMRC and the importer/exporter which currently doesn't exist. For this to function, a greater level of coordination between rail freight stakeholders will be required. Opening channels of communication will be key in mitigating any transition risks.

Given the magnitude of the potential changes, clear arrangements for the transitional period need to be made and advised to industry stakeholders at the earliest opportunity.

The granting of RCA status for terminals/sidings used for existing flows should be facilitated wherever possible during the transition period.

Further clarity on the EU import requirements for UK export flows will be required.

Infrastructure

This study has assumed that HMRC's policy of promoting frictionless trade will continue using an intelligence-led approach to processing the flow of goods. This in combination with international rail freight's low risk profile will lead the industry away from a single central inspection facility towards an 'inspection at final terminal' strategy.

The responsibility for the financial investment in these terminals to meet RCA requirements will need to be agreed in a timely manner between the stakeholders and funding sources agreed where costs are disproportionate.



Conclusions

Growth

Rail freight is a secure mode for the long distance transportation of goods. Should the introduction of customs declarations for road freight post-Brexit create delays in processing, rail freight will represent an attractive alternative. The ability for the rail freight industry to maximise on this opportunity will depend on agile engagement by the industry with its customers and supply chain.



Values that guide us

Our values are the essence of our company's identity. They represent how we act, speak and behave together, and how we engage with our clients and stakeholders.

Safety

We put safety at the heart of everything we do, to safeguard people, assets and the environment.

Integrity

We do the right thing, no matter what, and are accountable for our actions.

Collaboration

We work together and embrace each other's unique contribution to deliver amazing results for all.

Innovation

We redefine engineering by thinking boldly, proudly and differently.

