

BREXIT Ready



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Introduction

Over a year ago, Britain voted to leave the European Union. In little over 18 months we will be off. The clock is now ticking. It is vital that we are ready on day one for every eventuality.

To ensure the UK is ready on day one, I decided to suggest a clear credible plan in a series of reports and articles.

In August 2017, I wrote five articles for ConservativeHome and three reports expanding on them. These articles explained how Britain could be Brexit ready on day one.

These articles discussed: the Brexit borders challenge; taking back control of immigration; the Northern Irish border; lower, fairer and simpler taxes; and trading with the world.

This report compiles my thoughts on how Britain can be ready on day one.

1. Ready On Day One To Meet The Brexit Borders Challenge

The most important Brexit preparations of all will be for international trade at our ports – especially the Channel Ports of Dover and [the Channel Tunnel](#) that account for 40 per cent of all our trade with the EU.

Last summer, we had a taster of what will come if we are not ready. We saw miles of traffic queueing back from the Channel Ports. [250,000 people](#) were caught up in the gridlock. Families with young children and the elderly were trapped in sweltering heat with no food, water or toilet facilities. In the summer of 2015, gridlock struck again with queues of 4,600 lorries stretching back 30 miles. Each time this happens, it costs the UK economy £1 billion.

Fears have been raised that tailbacks will reoccur if Britain has “no deal” with the EU by March 2019. There are [dire warnings of traffic jams](#) along the M25 as far back as Stansted airport. Concerns have been raised that customs delays [will choke UK trade](#). Predictions have been made that the Northern Powerhouse will cease to whirl if goods are stuck at Dover, and that the Midlands Engine will conk out if it cannot get the components it needs through the Tunnel. Recent experience shows that this is not scaremongering. Yet it doesn't have to be this way.

Working with business and industry experts on both sides of the English Channel, I have drawn up [a detailed blueprint](#) to keep EU trade flowing smoothly through UK ports to Europe. There is real enthusiasm and a strong commitment from business and industry to be ready on day one. The question is whether there is sufficient commitment and focus from Government ministries and civil servants.

To make it work does not require revolution. What is needed are things that have been required for a long time to be made unequivocal national priorities. Let's start with roads. We wouldn't have constant traffic trouble on the roads to the Channel Ports if the investment needed for decades had been made. Traffic has more than doubled while road capacity has remained the same. Small wonder there are increasingly frequent problems. Yet, even now, the Department for Transport is more interested in HS2 and Crossrail which will take decades than cross-channel trade which is needed in the next year. And we are a decade on from [the Eddington Report](#) that called for investment in port roads to be a priority. For the Channel Ports, infrastructure like lorry parks off the M20 must be built and ready. The M20 needs to be upgraded, the A2 dualled and the Lower Thames Crossing taken forward with a sense of urgency.

We must invest in port infrastructure, too. Over the past few years, we have handed over tens of millions to strengthen Calais. But a strong border is made of two parts. So as we leave the EU we should put Britain, and Britain's ports, first. Because our ports and borders will be more important than ever when we leave.

Let's plan ahead for customs systems too. When it comes to customs and tariffs after Brexit, many people are worrying about the wrong thing. We manage very well with the rest of the world under WTO rules. So we know what customs systems can and will work post Brexit. What the worry should be is whether enough is being done to get the planned new “CDS” customs system installed in time. As the new system is planned for early 2019, it will be a close-run thing. The obvious thing is to speed up the introduction of the new system and run it alongside the existing one that is due for replacement.

It's important to understand that for customs clearances the border is a tax point, not a search point. The system can operate as a self-assessment system like VAT. So there need not be long delays at the border as long as systems are properly organised and the mutual recognition of foodstuffs continues.

There should be one Government at the border to ensure order. There are over 30 ministries, quangos and agencies with border responsibilities. It's now time to take action to streamline Government at the border.

We may have rejected being part of an ever-expanding European project. Yet we have not ditched our long-standing alliance with France. We know first-hand at Dover the value of our nations working together to fight traffickers, criminals and terrorists. We should seek a new Entente Cordiale. Starting with a New Le Touquet Treaty to extend the existing treaty from covering people to cover customs and goods too.

Trade continuing to flow freely through our ports is a key national priority that Government must urgently grasp and act upon. Especially the Channel Ports. For gridlock at the Channel Ports will gridlock the entire UK economy.

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2. Ready On Day One To Take Back Control Of Immigration

Once Britain leaves the EU, uncontrolled EU immigration will come to an end. To be ready for this on day one will require a significant strengthening of our border controls. In addition, the rising threats of organised crime, people trafficking and terror all mean we must invest more in security to keep our country safe. Yet at the same time we want to make sure journeys for legitimate travellers are smooth and make an immigration policy that works for Britain.

Post Brexit, free movement will end. This means we will need to extend our full border control systems from the current 12.5 million to a further 25.5 million [visitors to the United Kingdom](#). Until now, travellers from the EU have been subject to the same border checks as UK citizens. Post Brexit, this will change. EU citizens will become subject to the same checks as visitors from anywhere else in the world. Having procedures in place to manage full checks on 38 million visitors is going to be a challenge. It's not hard to see why the Home Office has been running up the white flag and calling for free movement to be included in any "transition".

So how can we be ready on day one to take back control of our borders? As things stand, we are behind the times in gaining valuable information and raising the money to pay for it. For many years, the USA's [Electronic System for Travel Authorization \(ESTA\)](#) has charged a fee of US\$14 – equivalent to around £10 – for a "visa waiver". The EU is [drawing up plans](#) for such a scheme. So should we. We could adopt the US system and apply it to a visa waiver scheme for visitors from the EU and other countries we have a visa waiver programme with. Charging visitors £10 a time would raise a lot of cash. For example, 25.5 million EU visitors a year paying £10 would provide about £255 million. Given the Borders budget is [currently some £550 million](#), moving into line with what other nations are doing would fund a 50 per cent increase in the Borders budget.

Along with money, a visa waiver system provides a wealth of information. Information we could use to strengthen our [wider security and intelligence effort](#). Using this information and keeping on top of the extra burdens that are going to be placed on our borders will require investment. Investment in tried and tested modern systems will enable much faster checks to be made and allow most of the processing to be automated. Using systems to make all necessary checks long before people arrive at ports or airports will help minimise travel delays for legitimate travellers. An [important paper](#) by the think tank Reform sets out a blueprint for how cutting edge digital borders can be delivered.

Investment is also needed to make sure that we have enough Border officers to carry out checks needed at ports like Dover and prevent queues from building up at Heathrow. With information and modern systems flagging up persons of interest before they arrive at ports and airports, Border officers will be able to focus on the greatest risks. In this way, our borders can be made stronger and more secure while delays are reduced for legitimate travellers.

We may be leaving the EU – but we are not leaving Europe. At the Dover frontline, we know the value and importance of co-operation. Particularly to defeat the traffickers, terrorists and organised criminals that menace our civilisation. We have a long standing relationship sharing intelligence with Europe. And as part of the [Five Eyes](#) intelligence community we can and should be a vital intelligence bridge. It is in the interest of the UK and Europe that we continue to share intelligence and see that the proper security checks which are made at borders as are proportionate and necessary.

Using systems and intelligence more effectively will also help us keep foreign criminals out of the UK. If they can't get in, then we won't have so much trouble seeking to chuck them out. Having visa

waiver applications include a requirement to provide the address a person will be staying at in the UK will help the authorities track down visa over-stayers.

Ending uncontrolled EU immigration will allow us to take back control of our jobs market too. This is a huge opportunity to give the children of our land greater opportunities to succeed. We already have a work permit system for non EU nations – we can extend that to include EU countries. Using jobs data effectively we can target the availability – and pricing – of permits to enable business to access the skills they need while making sure permits are not used to shut our young people out of the jobs market or push down wages. Citizens and consumers should always come before corporates. We should not be afraid to challenge big business to invest more in people.

Leaving the EU is a huge national project. The situation with our borders will be a very complex part of it. We can introduce a work permit system that will put citizens and consumers ahead of corporates – giving our young people the chance to succeed. By adopting a US style visa waiver system we can pay for investment in our border controls. Using the tried and tested systems already in operation around the world will enable our dedicated Border officers to focus on the people who pose the greatest threat. In doing so, we should be ambitious to cut travel delays for legitimate visitors while increasing the safety and security of our borders.

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3. Ready On Day One To Keep The Common Travel Area And Avoid A Hard Border In Ireland

Whether it's deal or no deal with the EU, we can be ready on day one to keep the Irish border as it is. The golden prize will be to secure the free movement of people, free passage of goods and a free trade agreement that will work both for us and this important neighbour. In practical terms, this means the Common Travel Area needs to be maintained. Customs systems should be introduced without checks at the border. A free trade agreement must be made – because tariffs would be economically damaging to the whole island of Ireland.

Free movement of people

The Common Travel Area (CTA) was established in 1923 after the Republic of Ireland became an independent state. It provides for the free movement of people from the Republic of Ireland and the United Kingdom without passport checks. Thanks to the CTA, it is possible simply to walk from the Republic to Northern Ireland without any such checks. Indeed, 30,000 people live one side of the border and work on the other.

Everyone agrees on the importance of keeping the CTA as it is now. The EU recognises the special nature of the CTA in Protocol 20 relating to Article 26 of the European Treaty, while paragraph 14 of the [EU's Brexit negotiating principles](#) says maintaining the CTA is a key aim. The Irish Government, the [British Government](#) and Northern Irish political parties all want to maintain the CTA.

Given that all are agreed that the CTA must stay, this should be more a matter of practicality than principle. The question is: how can free movement be ended for EU citizens, while keeping the CTA? The pragmatic approach is to maintain free movement within the island of Ireland while passport checks are made on travel for all journeys from ports and airports to and from the United Kingdom.

Which already happens – as [airlines](#) and [ferry operators](#) already effectively require passports for travel between the island of Ireland and the mainland United Kingdom. This is for security, and to ensure accurate passenger manifests are kept. So unlike other parts of the Brexit jigsaw, it's likely that the solution lies in not changing the existing system, but to build on it.

That airlines and ferry operators already effectively require passports makes pragmatism possible – namely, to enable an open border with no controls to be maintained within the island of Ireland, the CTA to be kept in place unchanged and the free movement of EU citizens within the United Kingdom (other than Northern Ireland) to be brought to an end. There is no need to create any kind of [new border in the Irish Sea](#).

Free passage of goods

Maintaining trade in goods without border control posts or a free trade agreement is seen as a greater challenge. The Norway/Sweden model is often pointed to as a solution. Norway is outside the Customs Unions, yet is a member of the EU Single Market. There is no political aversion to border posts. And while the border is long, the passable routes are few. In the case of Ireland, the border is very passable in many places, and the aim is to avoid a physical border altogether.

The Norway / Sweden model may not be quite the right model to achieve the aim of no hard border in Ireland. Yet it does highlight that the key to a successful border is the level of co-operation and trust that each party places on the systems and checks of the other.

The key is to treat the border as a tax point, not a search point as detailed in [my blueprint](#) to be ready on day one at the Channel Ports. The system can operate as a self-assessment system like VAT. While the Irish border is open, there are already a [number of measures in place](#), such as number plate monitoring technology, and a high degree of co-operation. Any necessary investigations and compliance audits can be made at workplaces on both sides of the border: political will and co-operation can make this achievable.

Building on the existing infrastructure, there need not be long delays at the border as long as systems are properly organised. It should be possible to avoid border checks – other than those linked to criminality – so long as the mutual recognition of foodstuffs continues. This would enable the [virtual border](#) suggested by the former Taoiseach, Enda Kenny, to become a reality for customs after Brexit.

Free trade agreement

Tariffs will have a negative impact on the UK and a terrible impact on the economy of the Republic of Ireland. In 2016, the UK imported [£17 billion of goods and services](#) from the Republic of Ireland. The [Irish Government estimates](#) that tariffs would see trade fall by a third and 40,000 people lose their jobs in the Republic. It is also estimated that the Irish national debt would increase by €20 Billion within five years.

The new Taoiseach, Leo Varadkar, is right in seeking to [avoid tariffs](#). His calls for the UK to remain inside a customs union with the EU or for there to be a free trade agreement with the UK are deeply in his national interest. If the UK is to be free to make trade deals around the world, it won't be possible to remain in the EU Customs Union. The EU making a free trade agreement with the UK is therefore not just a test of the UK: it is a test of the EU whether it can balance the economic interests of a member state, Ireland, with its desire to have a robust response to Britain deciding to leave the EU.

As the clock ticks down on our departing the EU, we can be ready on day one to preserve the free movement of people and the free passage of goods between the UK and Ireland. Yet delivering a free trade agreement is harder as it is not within the sole control of either the UK or Ireland. The focus of Ireland and the EU, as much as the UK, should be on avoiding tariffs by securing a UK-EU free trade agreement.

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4. Ready On Day One For Lower, Fairer, Simpler Taxes To Boost Jobs And Growth

Leaving the EU offers a real opportunity to make our economy more vibrant and increase Britain's economic growth rate. We should make the most of the economic opportunity by planning now to be ready to zoom ahead on day one – modernising our tax system so it works for Britain not big business tax avoiders. A system of lower, fairer, simpler taxes will enable us to be a more internationally attractive destination for businesses investment. Creating Coastal Enterprise Zones and bringing back duty free for trips to the EU will help to drive a renaissance of the regions and the coastal communities that suffer most from deprivation. Getting it right we can make Brexit a massive success for the whole of Britain.

Lower, simpler, fairer taxes

For years, international businesses have exploited EU laws such as the Parent/Subsidiary Directive to engage in industrial scale tax avoidance. EU laws intended to stop member states “discriminating” against businesses from other member states have also been used to [undermine our tax system](#) with the support of the European Court of Justice (ECJ). Not only are they not paying business taxes – they want us to pay them some [£44 Billion in tax reclaims](#) by exploiting EU laws.

When the UK leaves, we will no longer be bound by the ECJ. We will be free of the EU tax laws that hinder us from making our tax system work fairly. This is a great opportunity to see that big international businesses are required to pay a fair share.

A free hand will make it easier to take forward the long overdue modernisation of business taxation – especially of internet businesses. Amazon will tell you that ordering goods from your kitchen table in the UK that are delivered from a warehouse in the UK is somehow taxable in Luxembourg. Meanwhile, [Google](#) with five British offices, 5,000 staff and a £1 billion super-HQ in London under way will tell you they are only taxable in Ireland. This kind of tax fiction makes people rightly cross. In addition, cracking down on the [evasion of import taxes](#) will level the competitive playing field for businesses based in the UK. The extra funds raised from reforming the tax system can be used further to reduce business taxes across the board, with a policy of lower, fairer and simpler taxes. In this way, we can make the UK a more internationally competitive low tax country where businesses will want to be.

Supporting a renaissance of the region

Along with a competitive tax system, outside the EU Britain can drive forward a renaissance of the regions. Coastal Enterprise Zones, drawing on the excellent [Free Ports](#) proposal of my colleague Rishi Sunak, could boost regional areas suffering most from deprivation. Coastal Enterprise Zones would be areas treated as ‘outside the country’ for customs purposes. Of the UK's 30 largest ports, 17 are in some of the most deprived areas of Britain. It is estimated that such Coastal Enterprise Zones could create more than 86,000 jobs.

The international evidence is positive, with some 3,500 similar zones worldwide, employing 66 million people across 135 countries. In the US alone there are 250 such zones, employing 420,000 people handling US\$750 billion of goods. Yet there are none in Britain today, due to the EU Customs Union and EU State Aid laws. Once we leave the EU, we will be free to establish this kind of enterprise zone.

In 1999, duty free was abolished for journeys trips to the EU. That hit the ferry industry and regional airports hard. Bringing back duty free would be a further boost for the UK's regional economies. Jobs and money would increase in often struggling coastal port communities and regional airports flying to destinations in the EU. The return of duty free would mean more cruise ship calls to UK ports. This is because having one non-EU stop on a cruise makes the entire trip duty and tax free for passengers. Stopovers at UK ports would suddenly become very attractive for European cruises.

Bringing back duty free would help increase tourism from the EU to the UK, boost British trade, create more retail jobs and increase the exports of products manufactured in the UK.

It is important to start preparing now to be ready for the return of duty free. Amendments are needed to legislation on VAT, excise duty and excise goods. Yet these changes need to be made in good time so operators can prepare and make the most of the opportunity. Business are expected to take up to nine months to get ready, so early confirmation from the Government is needed. The upcoming Customs Bill is an opportunity to legislate for the return of duty free – as well as pave the way for Coastal Enterprise Zones.

Leaving the EU will enable us to modernise our tax system and build a Britain that works for everyone – particularly the coastal towns and historic regions of Britain. We must plan now to be ready on day one to boost jobs, the economy and drive forward a renaissance of the regions.

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5. Ready On Day One To Trade With The World

Britain is and has always been a great trading nation. One of the most exciting Brexit opportunities for our great country is that we will once again be able to set our own trade policy. There has been much discussion about doing deals across the world, yet less articulation of Britain's post-Brexit trade policy aims and objectives: the terms of trade, who we trade with and the benefit to our nation. And how we seek to change the balance of our industries for our long term economic sustainability and prosperity. Who, what, why and how – these are the key questions for Britain to be ready on day one for trade.

And we don't need to wait. Nothing is holding us back in defining our trade policy. [Detailed legal analysis](#) shows we have the legal power to negotiate our own free trade deals right now. Deals that can come into effect as soon as we finally leave.

Who? Fast-growing economies.

Why? Because the EU's own forecasts say that 90% of global growth is set to come from [outside the EU](#). Moreover, during the last four decades, the [EU has fallen](#) from 30 per cent of global GDP to 15 per cent today, measured by purchase price parity. By contrast, emerging markets and developing economies have gone from 36 per cent of global GDP to 59 per cent. It's not hard to see where our long term focus should be – forging closer trading ties with fast growing economies, we will be better placed to grow as they grow. In particular ties with the USA, India, China, Brazil and other emerging markets.

Trade is a two way street. To capture the full advantages, it's important that Britain is open for business. For nations weighing entering agreements with us will also weigh the benefits to them of access to the UK market. Ensuring a pro-competitive, open economy is important for our own prosperity. It is also essential to concluding successful trade deals. This is why it is necessary for the UK to have full control of trade policy in goods and services – a key reason why we must have unfettered control of all our domestic regulatory authorities.

The EU currently accounts for around half our trade. It is and will remain an important trading partner. So it is right that, as a matter of trade policy, we should seek a free trade agreement with the EU for mutual benefit. There has been a lot of discussion about transitional arrangements: Shanker Singham of the Legatum Institute [argues convincingly](#) that an effective transitional step would be to seek to maintain a “no tariff for no tariff” agreement with the EU while a full agreement is being negotiated. Once we fully leave the EU, we should seek to step into the EU's existing trade agreements around the World.

The benefit to our nation. Trade policy is not just about trade deals. It also means that we can decide the tariffs and terms of trade that work best for our own economy. [Policy Exchange](#) has highlighted how reducing tariffs on food could mean lower food bills for consumers. [The Legatum Institute](#) highlights how we can cut tariffs on unfinished goods to reduce the cost of supplies required by UK industry to make finished goods and boost the employment of UK based workers. The [Solar Trade Association](#) argues that cutting high tariffs on solar panels would help encourage the greater adoption of solar energy.

Trade policy is not just about tariffs. It is also about regulatory barriers and behind the border protectionism. These barriers particularly affect UK businesses, especially in the services sector. There is a lot we can do to help our own exporters by making sure that our regulatory

system is more competitive. We can also help them understand the many ways they can boost exports through trusted trader programmes and the like.

Fair trade, free trade. The freedom to make free trade agreements can form an extension of our international aid policy. We could adopt a policy of “fair trade, free trade” with the African, Caribbean and Pacific nations that suffer most from poverty. Such a policy – especially for foods and goods we do not ourselves produce – will do much to support the economic development of those nations as well as get a better deal for our consumers.

The How. Trade policy is not just a matter for the Department of International Trade. In deciding the balance of our industries for our long-term economic sustainability and prosperity, many Government departments are involved. Industrial strategy sits with BEIS. DEFRA is responsible for farming. The Treasury worries about banks. DCMS is responsible for tourism and the digital economy. Overall, Brexit negotiations are led by DexEU. Effective co-ordination in a silo system of Government is challenging yet critical. In times past, the link between trade and industrial strategy was well understood: indeed we had a Department for Trade and Industry. As we move forward, the how to best manage overall trade policy needs to be carefully co-ordinated and accountable to Parliament.

The clock is now ticking. We need to be prepared for every eventuality. The right trade policy will enable Britain to grow faster by growing trade with growing nations. The purpose of this series of articles has been to discuss how we can be prepared and ready on day one to manage customs, immigration, Ireland, tax and trade. For the readier we are, the sooner we will be able to embrace the exciting opportunities for our nation that lie ahead.

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