



HM Revenue and Customs
Balance of Competences Review

August 2013

Call for Evidence - Review of the Internal Market: Free Movement of Goods including the EU Customs Union and Intellectual Property Rights

About DHL

DHL is the global market leader in the logistics industry. We commit our expertise in international express, air and ocean freight, road and rail transportation, contract logistics and international mail services to our customers using a global network comprising of operations in more than 220 countries and territories and about 285,000 employees worldwide to offer our customers superior service quality and local knowledge to satisfy their supply chain requirements.

DHL is part of Deutsche Post DHL. The Group generated revenue of more than €55 billion in 2012.

The DHL Position

DHL welcomes the opportunity to comment on this Call for Evidence as we are the UK's largest supplier of customs data which is generated by the millions of shipments that pass through our global network every year.

Over the following pages we have provided our views on the questions posed in this Call for Evidence.

Advantages & Disadvantages of EU membership

Through the UK's membership of the European Union (EU), UK businesses have access to one of the largest trading blocks in the world with over 500million potential consumers for their goods.

The deepening of intra-EU trading relations has resulted in the removal of restrictive trade tariffs and barriers that used to exist between countries prior to the formation of the EU. An example of this is the creation of the 'Customs Union' that has substantially reduced the customs administration for the import and export of goods to and from EU Member States by removing the need for businesses to complete import and export documentation for goods moving to and from the EU.

Reducing this administrative burden allows UK businesses to concentrate on their core activity of trading, helping to grow international trade and delivering economic spread effects both domestically and internationally.

The free and unimpeded movement of goods enabled by the Customs Union has helped to reduce journey times for goods moving internationally, benefitting the wider supply chain and improving the predictability of delivery schedules for the freight and logistics industry.



Registered Office:
DHL International (UK) Limited
Orbital Park
178-188 Great South West Road
Hounslow, Middlesex

Registered in England No:
1184988



Whilst the Customs Union has created significant economic benefits for UK businesses, it has also created challenges, not least through the inconsistency of customs enforcement in some EU Member States.

Whilst the UK may appropriately apply customs regulation, other countries may take a different approach resulting in delays in the supply chain, adding costs to businesses that are trading internationally and creating a lack of legal certainty. The EU should therefore consider strengthening the enforcement of legislation to ensure that customs controls and procedures are implemented evenly across Member States.

International Trade

The UK's membership of the EU can give the UK greater negotiating power when participating in global trade agreements. If the UK relinquishes its EU membership then potentially we would be required to renegotiate many existing trade deals that we currently enter into via our membership of the EU, as well as negotiating future bilateral agreements without being able to offer access to the EU market as a negotiating tool. This could weaken our negotiating position.

For example the UK is currently participating in the EU's Transatlantic Trade and Investment Plan negotiations with the US. If the UK was not a member of the EU then we could not participate in these negotiations and could potentially miss out on the £100billion increase in UK national income over a 10year period that is being predicted.

However just as the UK gains greater negotiating power with a third party, so the disadvantage of EU membership is the potential dilution of our level of influence as the UK competes with 27 other EU Member States with their own agenda that may conflict with the UK's position. It could therefore be difficult to reach a consensus on an EU negotiating position.

Finally, relinquishing the UK's membership of the EU would also require the overnight re-instatement of full customs controls at all UK border entry points, with goods arriving in the UK requiring customs clearance and many more being subject to import tariffs. This has huge cost implications for businesses that are involved in the movement of goods across international borders. For DHL's Express division alone, we estimate that this could add many millions of Euros to our cost base through additional staffing, warehousing, and other operating costs.

Whilst the reinstatement of import tariffs may provide a revenue generating opportunity for businesses involved in the processing of customs declarations, this could be more than offset by a loss of national revenue. For example, businesses could choose not to do business with the UK or not to invest in the UK because of the additional cost and administrative burden that would be imposed by reinstating trade tariffs and barriers.

Strengthening the internal market

A key area where the EU could strengthen the internal market is the enforcement of existing customs legislation. As a company with expertise in international express, air and ocean freight, road and rail transportation, contract logistics and international mail services we engage with customs agencies around the world. It is clear that even within the EU, where customs controls are supposed to have been removed, reduced, or harmonized, some countries persist with pursuing protectionist policies that are anti competitive and operate against the core principles of the single market.





For example it would be helpful if the EU were to further harmonise the process by which Value Added Tax is collected and reported in the EU. 'Distance Selling' rules requiring a company to have to VAT register in up to 28 different Member States is a significant administrative burden given the EU is supposed to be a free trade zone. This could be simplified by allowing a single VAT return option.

In terms of future challenges for customs control, DHL believes that the continued growth of e-commerce across the EU and the need to ensure that relevant taxes are collected poses a very real future challenge. In spite of recent efforts to reduce red tape at a UK level and EU attempts to facilitate trade through the Customs Union, the growth of this market will have a significant impact on the volume of goods moving internationally generating a range of issues including collection of import duties and controlling the movement of restricted or banned substances.

Yours sincerely,

Charles Allen
Public Affairs Manager
DHL UK & Ireland