With Brexit talks in gridlock, British truckers plan for the worst

By Kate Holton, Reuters

Transport company boss Chris Blackburn is contemplating spending almost a million pounds for a chance to keep his trucks on European roads if Britain leaves the EU without a deal in March. Upgrading the emissions standards of his fleet would allow him to compete for the 984 annual European travel permits allocated for British trucks next year.

Competition will be fierce. Some 38,000 British trucks routinely drive in the EU and, if there is no Brexit deal, they will only be able to carry on with a permit. Britain’s EU membership meant they have never needed one before.

Even if Blackburn funds the upgrade, there is no guarantee the government will consider his business, moving industrial and construction equipment, important enough to give him permits.

Losing access would put a major strain on his 93-year-old family firm, Chambers & Cook, which has annual revenue of around 20 million pounds. With barely five months to go, Britain has yet to agree exit terms and companies do not know how they will trade with the world’s largest trading bloc.

Blackburn’s predicament highlights the uncertainty of an industry which moves around 420 billion pounds of goods between Britain and Europe each year to support manufacturers, retailers and even musicians. "No or too few permits would be catastrophic," the 53-year-old said at his Birmingham base, overlooking the M6 motorway.

"It is a gamble. It’s a massive cost." Many businesses are preparing for the worst, a no-deal where newly installed customs checks delay the movement of goods, leading to tailbacks and shattering cross-border supply chains. For the haulage and freight industry that means applying for permits and international driving licences, increasing warehouse space in Britain and Europe, ramping up customs capabilities and looking into European vehicle registration.

They are also trialling different ports in case Dover, Britain’s main gateway to Europe, becomes gridlocked, delaying the daily movement of up to 16,000 trucks.

Under government plans, two motorways and an airport in the south of England will be used as car parks if needed.

"Every hour that a vehicle is standing costs 50 pounds because they’re not earning." Richard Burnett, chief executive of the Road Haulage Association told Reuters. "Within weeks we would see haulage companies go out of business."

The government says it is confident of securing a deal but that the industry should prepare to use permits. It will also seek new bilateral agreements as quickly as possible if needed.

Juggling resources

For Blackburn, the priority is to get his company into shape to win as many permits as possible, so he can then juggle his resources by, for instance, allowing a driver set for Europe to pick up a permit from one returning to the UK.

The annual ECMT permits are issued by the International Transport Forum each year for travel in 43 countries including Russia, Turkey, Albania and Armenia and EU member states.

The annual permits, only for trucks meeting Euro 6 emissions standards, have rarely been used by British trucks as they typically only travel in the EU. Britain will allocate them to hauliers based on goods and travel frequency. Chambers & Cook sends up to 20 trucks into Europe a day, mostly through Dover but it also has operations in the north east port of Immingham.

While the vast majority of goods go via Dover’s fast roll-on, roll-off ships, Immingham and other ports offer unaccompanied trade, where loaded trailers are picked up around the country, dropped at the port and left to be loaded onto European-bound vessels.

The service is slower and limited in its capacity however, but the fact that hauliers used to fast trade are considering such options show the level of concern.

James Colson, overseeing Brexit planning for Yusen Logistics and its 2,000 UK staff, could use Portsmouth and Poole on the south coast for France and the Iberian peninsula, or Harwich, Hull, and Newcastle for northern Europe and Scandinavia.

"They’re already pretty full, hence why we’re starting now," he said, of their early trials. Read more
EXCLUSIVE-UK derivatives clearers may get no-Brexit deal reprieve - EU document

By Huw Jones, Reuters

The European Union might grant temporary permission for clearing houses in Britain to continue serving EU customers if there is a no-deal Brexit next March, an EU document seen by Reuters showed.

LCH, a unit of the London Stock Exchange clears the bulk of euro-denominated derivatives, contracts used by companies and banks to shield themselves against unexpected moves in currencies and interest rates. But customers in the bloc would not be allowed to use LCH or other UK-based clearing houses if Britain crashed out of the EU without agreeing a deal, putting at risk contracts with a nominal value of trillions of euros.

"As regards cleared derivatives, it appears that there might be potential risks to financial stability in a no deal scenario," the undated document, which sets out the European Commission’s draft contingency plans in case of a no-deal Brexit, said.

"On this basis, the Commission will continue to assess the situation and take the necessary measures to mitigate risks in this area," it added. Financial industry bodies such as ISDA want the EU to authorise LCH to continue clearing euro-denominated contracts in time for next March to avoid potential disruption.

But such measures would be aimed at facilitating a "transition to achieving sufficient capacity within the EU", the document said.

Granting temporary authorisation for LCH and other clearers in London to continue serving EU customers would give euro one rivals such as Deutsche Boerse's Eurex in Frankfurt time to absorb chunks of derivatives positions from Britain.

Transferring positions from one jurisdiction to another has never been done in a short time on a large scale before, and is a cumbersome process. The European Commission had no comment. Read more

UK PM May receives show of loyalty after talk of leadership challenge

British Prime Minister Theresa May received a show of support from her Conservative Party on Wednesday at a meeting in parliament, shifting the focus away from talk of an imminent leadership challenge over her Brexit strategy.

UK, Norway agree right to remain for their citizens after Brexit

British citizens already living in Norway and Norwegian citizens living in Britain will have the right to remain residents, even in case of a no-deal Brexit, the prime ministers of Britain and Norway said on Tuesday.

Merkel says Europe wants orderly Brexit, is not looking at other scenarios

Europe wants an orderly solution to Brexit and is not debating other options as Britain negotiates its withdrawal from the European Union, German Chancellor Angela Merkel said on Friday.

EU ready to call Brexit summit when 'decisive progress' made-Tusk

European Council President Donald Tusk told the European Parliament on Wednesday that he would be ready to call a special summit on Brexit whenever negotiators said "decisive progress" had been made toward a deal.

Scotland to hold its own symbolic vote on EU withdrawal deal

Scotland's devolved parliament will hold its own vote on Britain's EU withdrawal deal before any such agreement is put to Britain's national parliament, Scottish constitution minister Michael Russell said.
EXCLUSIVE-Bentley warns worst case no deal Brexit would hit profitability, investment

By Costas Pitas, Reuters

The boss of carmaker Bentley said failure to reach a Brexit deal would be "quite damaging" to annual profit in the worst case scenario, limit the company's ability to invest and could lead to its plant closing for an additional few days.

Chief Executive Adrian Hallmark told Reuters the firm was already preparing by building up some stocks and switching from the port of Dover to Immingham to bring in certain parts with more contingencies to be enacted from December if needed.

Like the rest of the sector, the Volkswagen-owned brand, which builds roughly 11,000 vehicles at a northern English plant in Crewe, is worried about duties and 10 percent tariffs under World Trade Organization terms.

"Best case, it’s an annoying impact on our annual profitability," Hallmark told Reuters.

"Worst case, it's quite damaging on our annual profitability so a full no deal Brexit would hurt us as a company, it would limit ability to invest." Read more

REUTERS GRAPHICS

Tracking the Brexit effect

Reaction by sector Click here
British general election Click here
Oil and Brexit Click here

S&P warns 'no-deal' Brexit likely to tip UK into long recession

A no-deal Brexit would be likely to tip Britain into a recession as long as the downturn that followed the global financial crisis, and investors should no longer ignore this danger, credit ratings agency Standard & Poor's said on Tuesday.

Britain's RBS sets $128 mln aside to cover Brexit uncertainty

Royal Bank of Scotland has set an extra 100 million pounds aside to account for possible bad loans as a result of Brexit uncertainty, in the first concrete sign this is clouding the outlook of a big British bank.

No-deal Brexit risks travel chaos, nightmare at airports - IATA

A no-deal Brexit could wreak chaos for travellers and a nightmare at airports, global airline industry body IATA warned, calling on British and European Union aviation authorities to put in place a plan to avoid such a worst-case scenario.

ECB's Draghi: As Brexit talks drag on, private sector must prepare for no deal

European Central Bank President Mario Draghi said on Thursday the longer Brexit talks drag on, the more the private sector will have to prepare for the possibility of Britain crashing out of the European Union with no deal on their future relations.

Heathrow airport raises 1.6 bln pounds to brace for Brexit

Britain's Heathrow has raised about 1.6 billion pounds from global investors to boost financial resilience ahead of Brexit and lay the groundwork for a privately funded expansion of Europe's busiest airport.
UK austerity ending, as long as Brexit deal gets done – Hammond

By William Schomberg, David Milliken and Andy Bruce, Reuters

Finance minister Philip Hammond held out the prospect of an end to Britain's long spending squeeze provided the government secures a Brexit deal with the EU, putting pressure on the divided Conservative Party to back Prime Minister Theresa May.

Delivering an annual budget speech that sought to change the tone about tax and spending a decade after the financial crisis, Hammond announced tax cuts for households and the easing of welfare curbs for poorer working families. He also took aim at big tech firms such as Google, Facebook and Amazon with a new sales levy.

In his last tax and spending plan before Britain leaves the European Union in five months' time, Hammond tried to help May overcome resistance in her party about how close Britain should stay after Brexit to the bloc that buys nearly half its exports. "When our EU negotiations deliver a deal, as I am confident they will, I expect that the 'Deal Dividend' will allow us to provide further funding," Hammond told parliament. "The hard work of the British people is paying off. Austerity is coming to an end."

Britain's economy has slowed since the 2016 Brexit vote, but not as much as many economists had feared. Despite surprisingly strong tax receipts, as well as a modest upgrade to the economy's growth rate, Hammond announced only a relatively small fall in Britain's borrowing needs between now and the mid-2020s.

"The budget spends the fiscal windfall rather than saving it," the Office for Budget Responsibility, whose forecasts underpin Hammond's plan, said.

Credit agency Moody's, which stripped Britain of its AAA rating in 2013, said the new budget plan did not change its view that public debt would remain high for a long time, a reminder of the constraints facing Hammond.

But he stressed the upside of getting a deal with Brussels, saying it would dispel uncertainty weighing on businesses and allow him to spend money he is holding back as a reserve in case of a no-deal shock.

May's problems in getting the Conservatives behind her Brexit strategy have raised concerns that Britain could leave the EU without a transition deal.

HELP FOR RETAILERS, TAX FOR BIG TECH FIRMS

Hammond announced a new tax on the revenues of large tech firms from 2020 which would eventually raise 400 million pounds a year. He also confirmed increased spending on defence and roads, measures to help small retailers struggling to cope with online competition, and a plan to put more money behind welfare reforms criticised by the opposition. On income tax, Hammond brought forward by a year a higher threshold at which workers start to pay tax and he raised the level at which a higher rate kicks in. 

Read more