Meeting the Brexit Challenge

Chris Sturman, Chief Executive, Food Storage & Distribution Federation (FSDS)

Robert Hardy, Commercial Director, Oakland Invicta Limited
We are the Food Storage & Distribution Federation.

Promoting Excellence in Food & Drink Logistics

Global Cold Chain Alliance
European Conference, Antwerp 16th March 2018
Chris Sturman
Chief Executive
Food Storage & Distribution Federation
FSDF Membership - From Process to Plate

- CCA Members: 143
- Storage & Distribution: 53
- Manufacturing and...: 59
- Retail: 11
- Foodservice: 6
- Associate Members: 59

Food Storage & Distribution Federation
Promoting Excellence in Food & Drink Logistics
Global Reach
## FSDF Membership – Data and Statistics

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<tr>
<th></th>
<th>1994</th>
<th>2004</th>
<th>2017</th>
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<tbody>
<tr>
<td>Members</td>
<td>36</td>
<td>46</td>
<td>204</td>
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<tr>
<td>Locations</td>
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<td>108</td>
<td>385</td>
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<tr>
<td>Associates</td>
<td>49</td>
<td>49</td>
<td>59</td>
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<tr>
<td>Capacity (000m³)</td>
<td>9,712.5</td>
<td>8,977.3</td>
<td>33,620</td>
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</tbody>
</table>
Key Areas of Focus 2017 - 2018

- BREXIT - Discussions with Govt Departments, CBI, UK Food Industry, etc.
- Defra - Food Resilience Planning Group - Cybercrime and Terrorism
- BEIS Regulatory Quality - Primary Authority Partnership
- HMRC – Union Customs Code
  - Bonded Cold Store Members – Effect and Action Plan
- Apprenticeship Trailblazer and Levy
Key Areas of Focus 2018

- Climate Change Agreement 2013/23

- Clandestine Guide – with FSA, Oakland International, Sainsbury’s, Tesco, Aldi, Co-operative, Marks & Spencer, Waitrose

- NEXTRUST Project - EU funded - temperature controlled urban food consolidation centre using electric vehicles – London

- Transport for London – Mayor’s Transport Plan
  ULEZ - Ultra Low Transport Zone
  DVS - Direct Vision Standards
Brexit: Who knows how it may pan out…

The Political Issues - Tough but Nervous

- Hard or Soft?
- Single market membership or WTO?
- Trade agreement negotiations – how long or difficult?
- Rhetoric - Germany Autumn Elections
  - EU Commission Michel Barnier, Jean-Claude Juncker
  - EU Parliament Guy Verhofstadt
  - EU Council of Ministers EU27

- Economic reality - we all need to trade!!
- Food supply must not be disrupted – we need to eat!
Brexit: Maintaining Dialogue with Government

Political Factions – all with competing views

- Brexiteers
- Remainers
- Labour Party
- Libdems
- Devolved assemblies

}\ CHAOS!

- BUT - Duty to deliver the will of the UK people
Brexit - Key Supply Chain Issues

- UK is leaving the European Union - one way or another
- UK is **NOT** seeking Single Market membership
  - 4 Freedoms
  - European Court of Justice
  - Free Trade Agreement
- UK **exports** £230 billion of goods and service to EU
- UK **imports** £319 billion of goods and services from EU
  - Germany
  - £25 billion more imports than exports
  - Netherlands and France
  - £37 billion each
  - Italy, Belgium & Spain
  - £20 billion each
Brexit: Key Supply Chain Issues

- Dangers of a disorganised or Hard Brexit
- Complexity of modern European Supply Chains
- Complexity of manufacturing components and products
- Continued need for frictionless trade
- Just in Time manufacturing processes
- Digital systems for Customs Declarations
- Slimline processes - One hour delay costs £15,000 to road haulage alone
Brexit: Key Supply Chain Issues

- Ensure that customs and non-tariff barriers are removed to facilitate movement of goods
- Rationalisation of Government border controls to avoid un-necessary costs and delay
- Scale up customs systems for 300 million declarations
- Shippers and forwarders need time to familiarise
- Skills and labour shortage availability and security
- Avoid physical checks on vehicles and containers
- Reciprocal arrangements to prevent delays on all borders
Brexit: Key Areas of Focus

- Current UK labour availability and EU citizen coverage
  - 50,000 (ish) UK LGV driver shortage
  - 350,000 + EU sourced Logistics, Warehouse and DC staff
  - Employment Law and Workers Rights Maintenance
  - Driver Hours Regulations - Simplification

- Effect of currency fluctuation

- Immigration regulations post exit – current and new labour

- Cabotage - The Eastern European out-flagged fleet

- European Customs Union
Brexit: Maintaining Dialogue with Government

Dept for Transport, BEIS, Dept for International Trade, Defra, DEXE
Govt Agencies: FSA, UK Border Force, Port Health, HMRC

- 28% of UK food supply comes from EU
- 90% travels RO/RO through Channel Ports
- Food quality specifications will not change
- 6 Meals in the supply chain (Prof Alan McKinnon – Hamburg University)
- Inventory volume impact
Brexit: Maintaining Dialogue with Government

Dept for Transport, BEIS, Dept for International Trade, Defra, DEXEU
Govt Agencies: FSA, UK Border Force, Port Health, HMRC

- Labour availability and Skills
- Unique Irish Border Issues – Staunch trading partners and joint Brands
- Vehicle Construction and Use, vehicle excise and fuel duties
- WTD - Driver Hours simplification
Brexit: Maintaining Dialogue with Government

Dept for Transport, BEIS, Dept for International Trade, Defra, DEXEU
Govt Agencies: FSA, UK Border Force, Port Health, HMRC

Border Control and Product Safety

- Keep pressing for transport priority in negotiations
- Electronic Customs Clearance on the move.
- European Customs Union and AEO certification and approval
Brexit: Maintaining Dialogue with Government

Five Business Organisations – CBI, IoD, EEF, FSB, BCC

Putting the UK economy first – Key business wants:

- Tariff free goods trade - EU & UK
- Minimal customs formalities at land, sea and air borders
- Regulatory equivalence + mutual standards recognition for mutual access for goods and services
Brexit: Maintaining Dialogue with Government

Five Business Organisations – CBI, IoD, EEF, FSB, BCC

Putting the UK economy first – Key business wants:

- Flexible system for movement of labour & skills – EU & UK

- UK participation in pan-European programmes initiatives and agencies to add real economic value to communities, businesses, young people and universities

- Protection of current free trade agreements delivered through European Union
Brexit: Phase 1 - Position = Stand-off + Powerplay

Trade

- UK – A Customs Union  EU – Not without 4 Principle

Financial

- UK – Not until the end  EU – We want it NOW

Ireland

- UK & Northern Ireland – No change from current transparent border
- EU – Must be a border, but UK must provide the solution
Brexit: Current Position = Stand-off + Powerplay

EU Nationals – UK Economic Reliance

- 1,000,000+ EU workers
- Low skills – 2 years
- Higher skills – unlimited, except can only bring immediate family
- No ECJ jurisdiction – “Red Line”
Brexit: EU Current Position

- Clear restrictive mandate – Barnier team
- Political and legalistic, driven by EU Commission and Parliament
- NO win/win for UK - Undermines EU27
- “Punish UK for its impudence” – more extreme view
- Brussels is pessimistic - but talking about trade internally
- UK position papers method not Brussels’ style
- **BUT** – Concern about adverse economic effects on EU Economy
Brexit: EU Current Position

- Customs and Ireland solutions unsatisfactory
- MEP’s MUST approve the final agreement
- Every word continues to be scrutinised intensely
- Commission is inflexible – expects UK to provide acceptable solutions

Now Phase 1.5 – Talks About Trade Talks
Brexit: UK Current Position – Disorganised / Factional

- Fluid flexible approach and negotiating style
- Positioning papers for consultative documents and basis of discussion
- Lancaster House Speech:
  - Foundation for negotiations
  - Backstop – Hard Brexit
  - Concern about trade disruption
  - Effect on EU business
  - Not just a British problem

- Transitional agreement must be up front - Indeterminate length
- UK Parliament vote – endorsement of final agreement
- BUT – What if thrown out, change of Government, other change …..
Brexit: Priority Food Logistics Issues

Border Control – Trade & Customs

- 28% of UK food supply comes from EU
- 22% comes from the rest of the world
- 90% travels RO/RO through Channel Ports
- 14,000 trucks per day through Dover / Calais (ferries and Eurotunnel)
  - Approx 15% of these are food = 2,100
  - 90% are non-UK registered vehicles = 12,600 (1,890 refrigerated)
  - Approx 10% return to Continent loaded
  - Approx 90% return empty

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Brexit: Priority Food Logistics Issues

Border Control – Trade & Customs

- Need for frictionless border – anything less will threaten food supply
- 6 meals in supply chain (Prof Alan McKinnon, Hamburg University)
- Concern about cost of delays and deterioration of food supply (BRC and Mike Coupe, CEO Sainsbury)
- Need IT capacity of +300,000,000 transactions per year
- No space to hold vehicle for added checks and inspection
- Trusted Trade Scheme - foreword entry lodging and auto registration
Brexit: Priority Food Logistics Issues

Border Control – Trade & Customs

- New HMRC CDS system due mid 2019
- Must be right first time “out of the box”
- Robust, no glitches
- Suppliers, hauliers, agents, importers, receivers and customers will require training to become competent
- Failure is not an option
Brexit: Priority Food Logistics Issues

Border Control – Trade & Customs

The Spectre -

- Operation Stack, both sides of the border for up to 100 miles?

- Continental queues from Brussels, Reims, Pars and Rouen to Calais – 15 miles the current estimate

- 2 days added to food supply chain

- Threat to food quality – especially chilled / fresh produce – sell by and use by dates
Brexit: Priority Food Logistics Issues

Border Control – Trade & Customs

The Spectre

- Inventory stock levels increased
- Greater food chain insecurity
- Greater clandestine opportunities
- EU negotiators are required to ensure that all vehicles entering EU are checked
- c. 15,000 new trained Border staff required
MESSAGE TO ALL UK AND EU POLITICIANS + NEGOTIATORS

UK and EU industry needs assurance that delivering frictionless trade is a TOP priority across all modes of transport.

The unthinkable alternative will automatically lead to delays, add to operating costs, increase inventory levels and severely disrupt both UK and EU manufacturing industries.
Food logistics industry input is important

Now is the time to be heard

FSDF is the conduit
Thank you

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Questions?
“The problem with our imports is that the vast majority come from outside our country!”
“This free trade agreement will be unprecedented in European history. What we have here is not a regulatory convergence but the risk, or probability, of regulatory divergence. Until now, all trade agreements...are signed within the framework of regulatory convergence.”
**European Union**
28-nation single market of free trade and shared regulation, includes “free movement” of goods, services, capital, and people

**Euro Zone**
19 countries using the euro currency

**European Economic Area**
Provides access to single market in exchange for payments; has “emergency brake” on free movement of people

**European Free Trade Association**
Free-trade zone and network of agreements with other countries

**Customs Union**
Circulates goods without duties, has uniform system for handling imports

**Schengen Area**
26-country passport-free travel zone
“Classify ALL of your imports and work out the worse case scenario using WTO tariffs!”
“..........in the event of a 'no deal' Brexit, the tariff on clothing from Turkey could rise from zero to 12 per cent, and fish from Iceland from 3.4 to 11 per cent.”
TTC : 0406 90.. ..

http://tariffdata.wto.org/ReportersAndProducts.aspx
“Let’s do a deal!”
We love your MOZZARELLA, always have done!

We agree nil duty and FREE trade

UK

WTO

WORLD TRADE ORGANIZATION

MOST FAVOURED NATION
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<tr>
<th>Stream</th>
<th>EU</th>
<th>Non EU</th>
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<tbody>
<tr>
<td>Imports</td>
<td>£223bn</td>
<td>£188bn</td>
</tr>
<tr>
<td>Exports</td>
<td>£134bn</td>
<td>£151bn</td>
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<tr>
<td>TOTAL</td>
<td>£357bn</td>
<td>£339bn</td>
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<tr>
<td>Revenue</td>
<td>ZERO</td>
<td>£34bn</td>
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**Worst Case**

(Status Quo)

0.73% on ALL

or 0.5% on VAT

**Excise £6bn**

**VAT £25bn**

**Duty £3bn (1.6% avg)**
An increase at retail is a [partial] reduction at supply!
Welcome to the world of IPR
€185.20/100kgs
Where is the Border?
INTERNATIONAL SOLUTIONS

TRUCK IS UNLOADED UNCLEARED
FROZEN stock in HMRC
Decide on EXIT not on ENTRY
• ROUTE 1 – DOCUMENT CHECK
• ROUTE 2 – GOODS EXAMINATION
• ROUTE 3 – AUTOMATIC
• ROUTE 6 – INSTANT CLEARANCE

98+%

BREXIT & CUSTOMS
• Customs process is embedded
• Duty & VAT on exit
• Nothing on arrival up to 90 days
### AEO – trusted trader status

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<tbody>
<tr>
<td>Easier admittance to customs simplifications</td>
<td>✓</td>
<td></td>
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<tr>
<td>Customs guarantee waivers</td>
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<tr>
<td>Fewer physical and document checks</td>
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<td>Prior notification of customs control</td>
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<td>Priority treatment if selected for control</td>
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<td>Possibility to select location of control</td>
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<td>Self assessment (PVA)</td>
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