



Meeting the Brexit Challenge

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

Robert Hardy, Commercial
Director, Oakland Invicta Limited



**21ST EUROPEAN
COLD CHAIN CONFERENCE**
14-16 MARCH 2018 | ANTWERP
Global Cold Chain Alliance



We are the Food Storage & Distribution Federation.

Promoting Excellence in Food & Drink Logistics



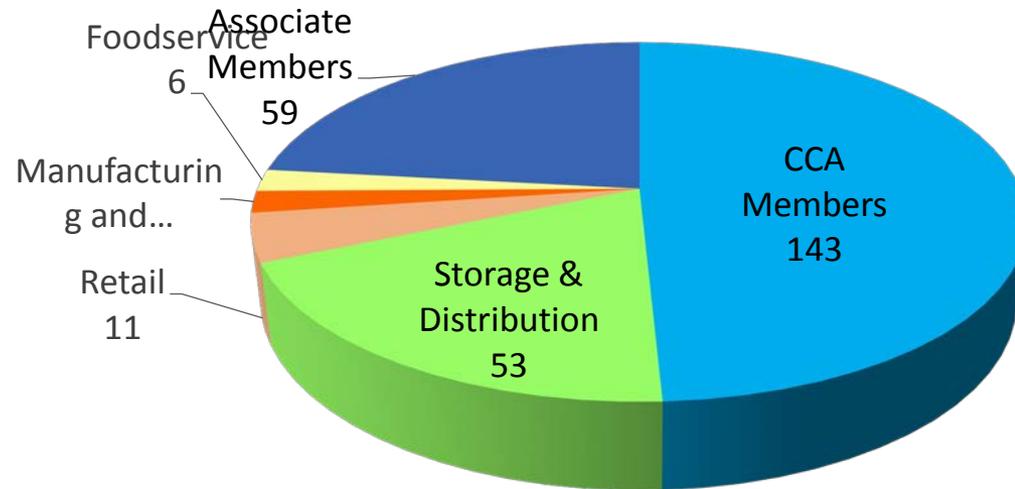
Global Cold Chain Alliance
European Conference, Antwerp 16th March 2018



Chris Sturman
Chief Executive
Food Storage & Distribution Federation



FSDF Membership - From Process to Plate



Global Reach



FSDf Membership – Data and Statistics

	1994	2004	2017
Members	36	46	204
Locations	64	108	385
Associates	49	49	59

Capacity (000m3)	9,712.5	8,977.3	33,620
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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



Picture Credit: PA

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 - Indeterminant 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



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



Picture Credit: PA

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



Picture Credit: PA

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





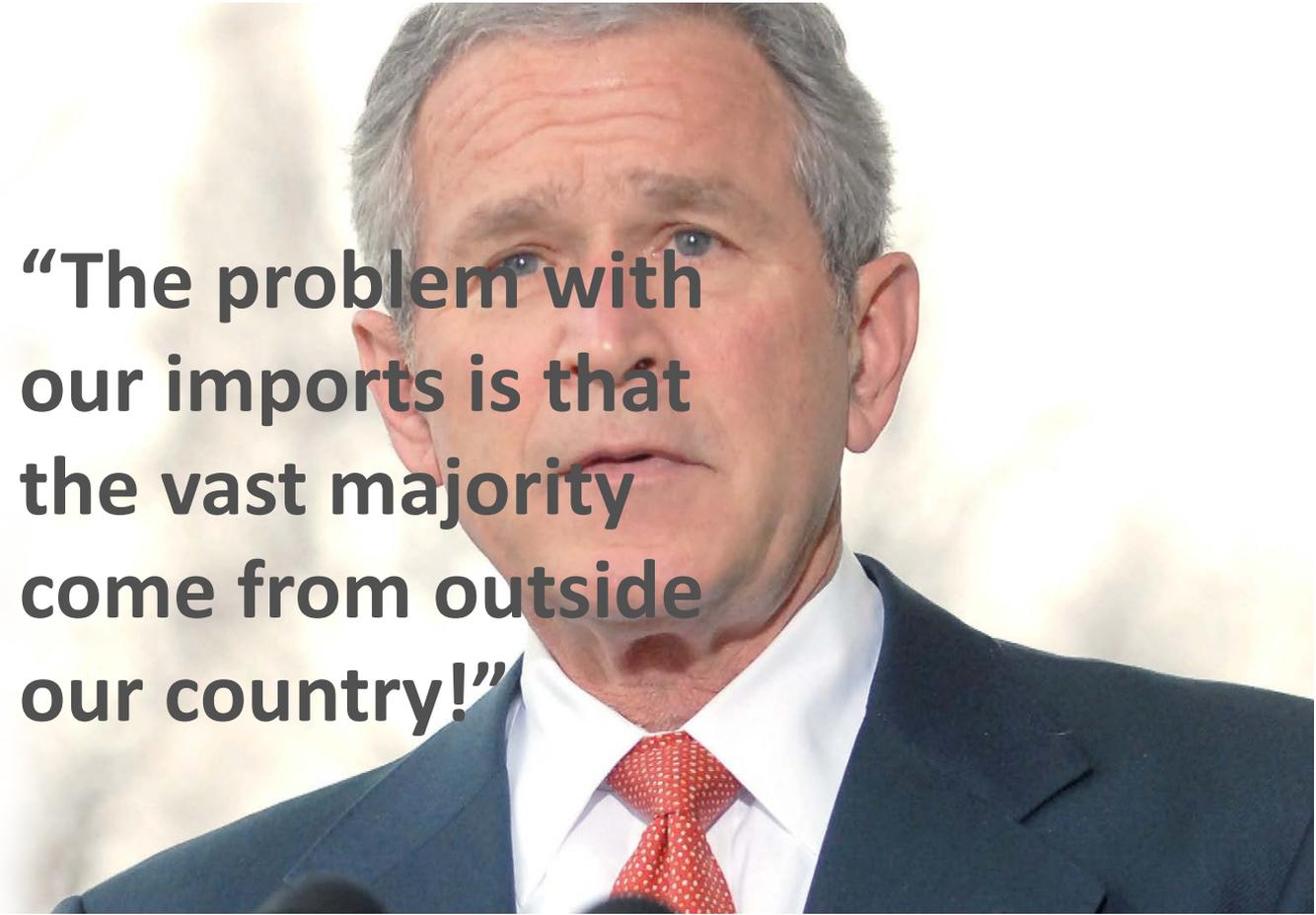
Thank you

+44 (0)118 988 4468 info@fsdf.org.uk

Questions?

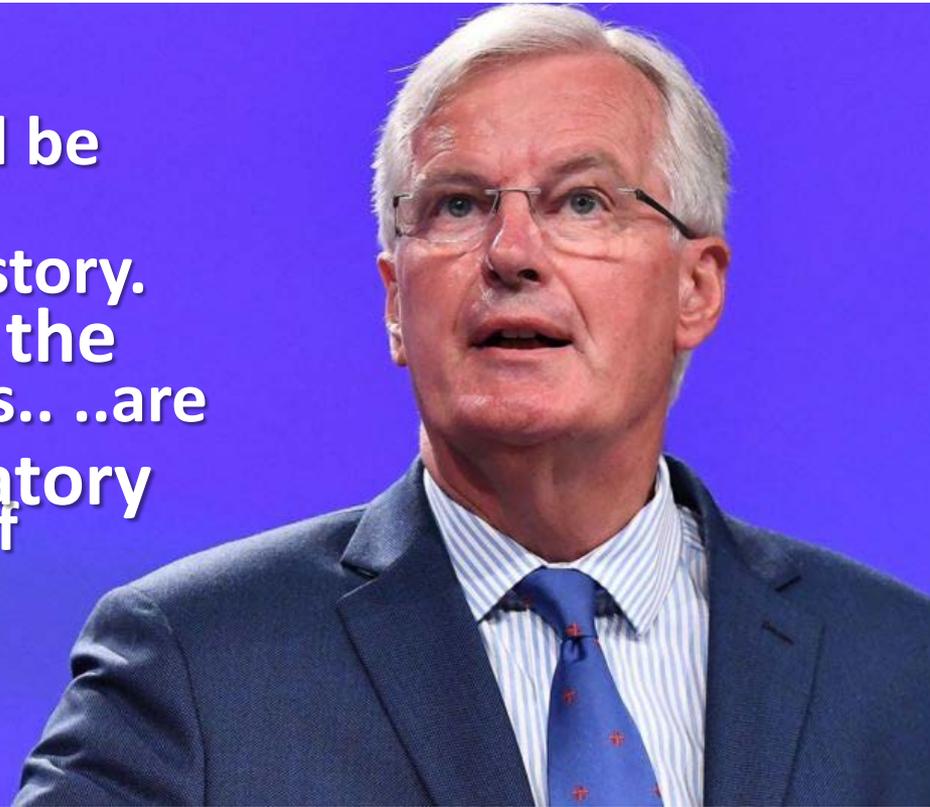
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INTERNATIONAL

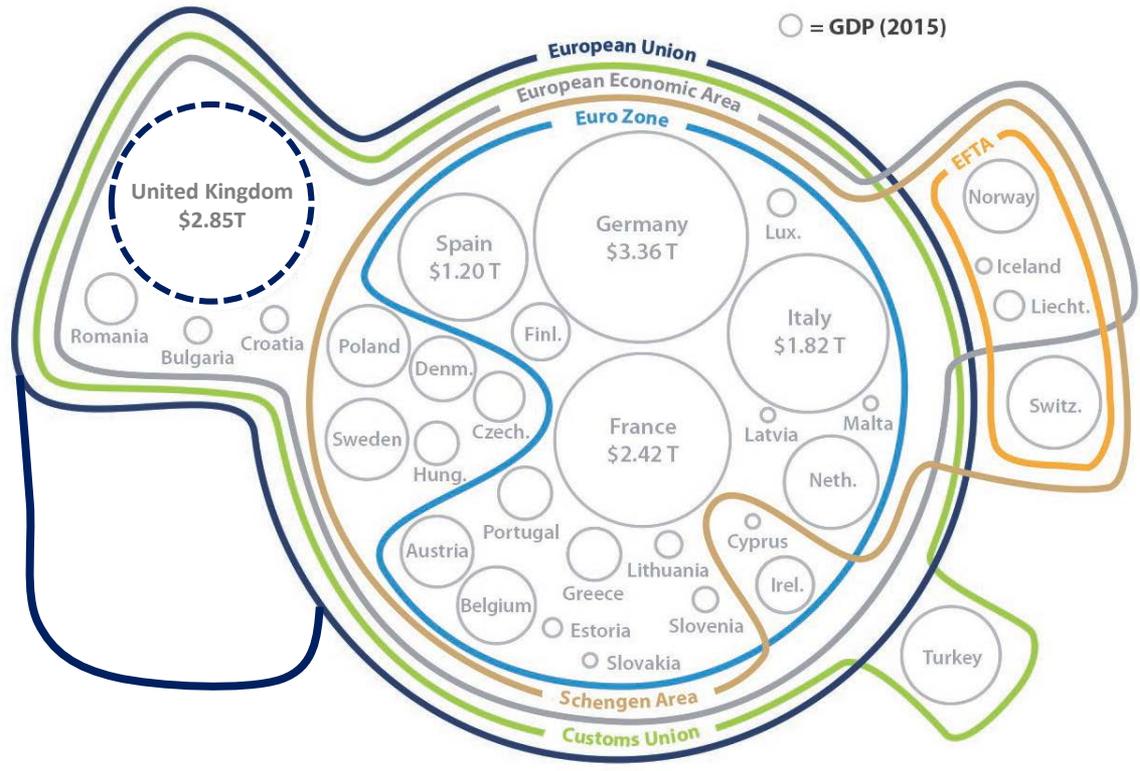


A close-up photograph of George W. Bush, the 43rd President of the United States. He is wearing a dark blue suit jacket, a white dress shirt, and a red tie with a small white pattern. He has grey hair and is looking slightly to the right of the camera with a serious expression. The background is blurred, showing what appears to be an outdoor setting with some architectural elements.

“The problem with our imports is that the vast majority come from outside our country!”

“This free trade agreement will be
What we have here is not a
unprecedented in European history.
regulatory convergence but the
Until now, all trade agreements.. ..are
risk, or probability, of regulatory
signed within the framework of
divergence.”
~~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!”





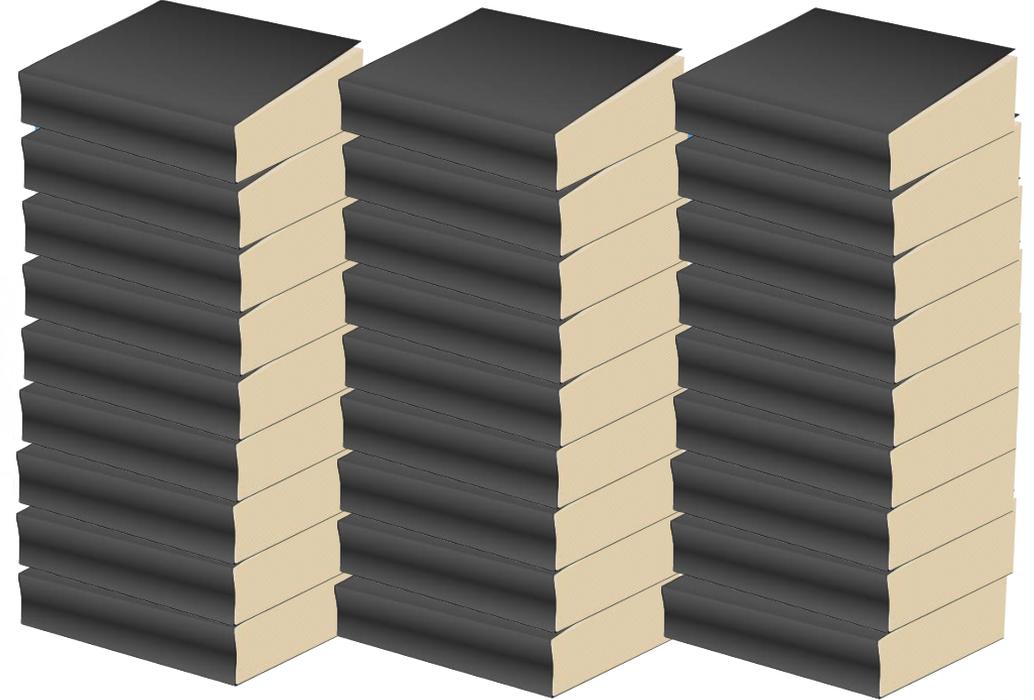
“.....in the event of a 'no deal' Brexit, the tariff on clothing from Turkey.....could rise from zero to 12 per cent, and fish from Iceland from 3.4 to 11 per cent.”

Daily Mail





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



WORLD TRADE
ORGANIZATION





Stream	EU	Non EU
Imports	£223bn	£188bn
Exports	£134bn	£151bn
TOTAL	£357bn	£339bn
Revenue	ZERO	£34bn

**Worst Case
(Status Quo)**
0.73% on ALL
or 0.5 % on VAT

~~Exports £235bn~~ (1.6% avg)



BREXIT



An increase at retail is a [partial] reduction at supply!





Welcome to the world of IPR



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RAW MATERIAL

RAW MATERIAL

MANUFACTURE

LOGISTICS

RETAIL





€185.20/100kgs





KAPIKULE

Turkey / Bulgaria





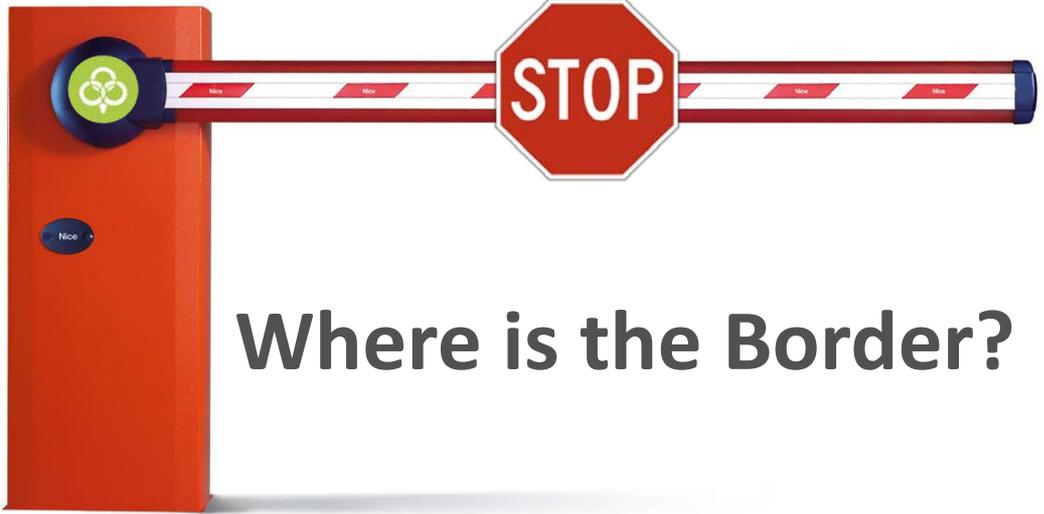
Immigration



Contraband

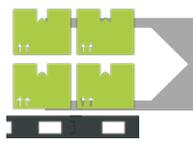


Fiscal - CUSTOMS



Where is the Border?





MAKE



LOAD IT



TRUCK IT

IT



DELIVER IT



CLEAR IT



SHIP IT



STOCK



SHOP IT



SELL IT



IT



TRUCKS UNLOADED UNCLEAR



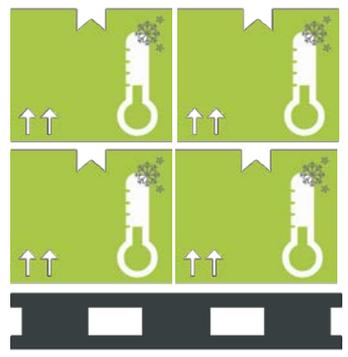


BORDER



DESPATCH





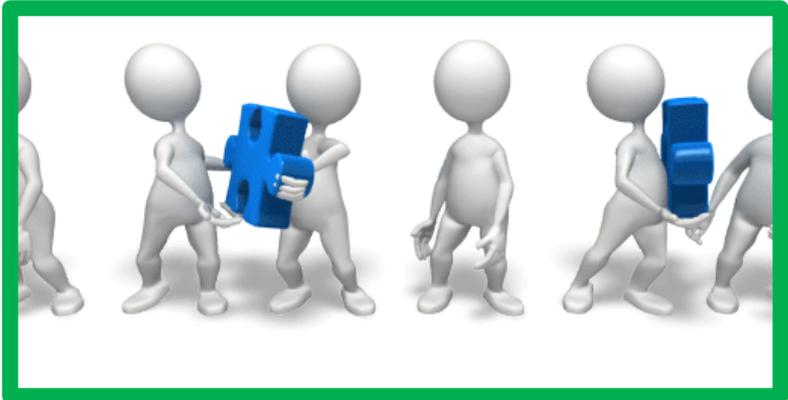


Decide on EXIT not on ENTRY





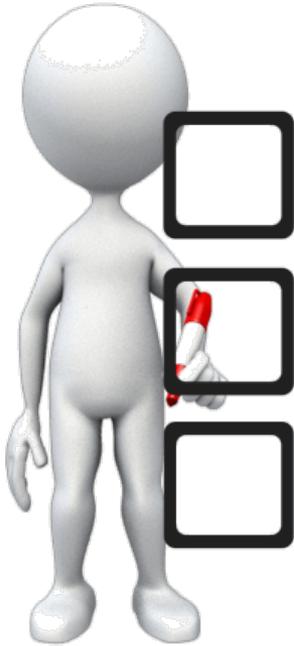
R I S K



- ROUTE 1 – DOCUMENT CHECK
- ROUTE 2 – GOODS EXAMINATION
- ROUTE 3 – AUTOMATIC
- ROUTE 6 – INSTANT CLEARANCE

98+
%





- **Customs process is embedded**
- **Duty & VAT on exit**
- **Nothing on arrival up to 90 days**









INCOTERMS





12,000



15,000



6,000



600



150



WORLD CUSTOMS ORGANIZATION



CTPAT™
YOUR SUPPLY CHAIN'S STRONGEST LINK

2001





AEO – trusted trader status	C	S
Easier admittance to customs simplifications	✓	
Customs guarantee waivers	✓	
Fewer physical and document checks	✓	✓
Prior notification of customs control	✓	
Priority treatment if selected for control	✓	✓
Possibility to select location of control	✓	✓
Mutual recognition	✓	✓
Self assessment (PVA)	✓	



Ports



Shippers



Imp / Exp



oakland
INTERNATIONAL

