

Written evidence from the ALMR (BRF0003)

ALMR overview

The ALMR welcomes the opportunity to submit written evidence to the Business, Energy and Industrial Strategy Select Committee's inquiry into *Brexit and the implications for UK business*.

The ALMR is the national trade body for the eating and drinking out sector, representing almost all managed licensed hospitality operators - pubs, bars, coffee shops and restaurants. Our members range from single site entrepreneurs to national chains and FTSE 250 companies with well-known branded outlets such as All Bar One, Slug & Lettuce, Greene King, Pizza Express, Wagamama, TGI Fridays, Café Rouge, and Wetherspoon.

The sector adds £23 billion to the UK's GDP annually and also directly employs 1.6 million people, around 7% of the total private sector workforce, highlighting the importance of the industry to the UK. In the last year it was responsible for creating 30% of all new jobs across the UK. Around 150,000 employees, about 1 in 8, are EEA migrants.

As an organisation which represents the interests of businesses who are directly affected by the implications of Brexit, we are keen to contribute our thoughts in order to help safeguard the impressive economic contribution of the hospitality industry.

In total the broad catering sector sells £86 billion of food and drink annually, about 43% of the total spend on food in the UK. If it was assumed that out-of-home eating took an equivalent share of the total food & drink imported it would imply that nearly £17 billion of import food & drink is sold through the sector. The Food & Drink Federation estimates that 97% of food imports are from EU nations or those that the EU has a free-trade agreement with.

As a result of this, regulatory, trade, and market access issues affecting the food production sector are critical to our member's business operations.

Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?

New trade arrangements will directly affect the ALMR members' operations through changing the way food & drink is sourced. As a result of this, many of our businesses will have to navigate a new trading environment, which will inevitably bring some upheaval and challenges subject to the final settlement agreed.

One of, if not the, crucial area for the Government to prioritise during the ongoing EU withdrawal negotiations is to ensure no new tariff barriers on trade exist post-Brexit. We have been pleased that the Government has stated its ambition to be to prioritise securing "the freest and most frictionless trade possible in goods and services between the UK and the EU". Whilst we fully support this position, the practicalities of the Government's desire to leave the European Single Market bring uncertainty to business over whether this will be guaranteed.

Ensuring that food and drink can continue to be traded freely is vital to ensure that the cost of living is kept down for consumers, and business costs for our members are avoided in order to safeguard their continuing economic contribution to the UK economy. Any increases in the tariff barriers to trade are likely to negatively affect the operations of many vital UK hospitality providers, whilst also potentially meaning higher costs for consumers too.

In the event of no trade deal being agreed with the EU we would welcome a Government commitment to eliminating all trade tariffs on food & drink products around the world. WTO tariffs could significantly increase the cost of food & drink imports.

Moreover, access to labour is currently a critical element of the Single Market. Whilst we remain committed to the UK workforce and its ongoing development, the UK's withdrawal from the EU in 2019 presents a real challenge for our sector to meet its staffing needs. We estimate the number of migrant workers across the sector as a whole to be around a quarter of the entire workforce – with half of these being EEA citizens – a total of 150,000. Indeed, since 2011, there has been a 46% increase in EU migrant labour into the hospitality and tourism sector compared with a 7% increase in non-EU migrant labour, largely due to a restrictive migration points system which focuses on high skill, high wage jobs. As a result, we need assurances that those both working in our food suppliers, and our establishments have requisite access to workers, in order to safeguard our contribution to the UK economy.

Non-tariff barriers: how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?

Minimising non-tariff as well as tariff barriers are crucial in order for our members to continue to do business, and source competitively priced produce from food and drink manufacturers. This is particularly the case for perishable food imports.

The Government should also be establishing a frictionless customs agreement to ensure that non-tariff barriers do not lead to additional costs on business. We were heartened by the Government's recent Customs Union document which prioritized a "highly streamlined" border with the EU or a new "partnership" with no customs border once this period expires. We are keen that this is implemented, as the burden of any friction on trade borders would be likely seep through to higher prices for business and consumers.

Regulation: what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?

A number of pieces of European legislation will be converted into UK law when the UK leaves the EU and this is a pragmatic approach that allows stability for business. However, over the coming years it is important that there is an ongoing review of this legislation to determine whether it is appropriate for the UK economy. A taskforce should be established to effectively deliver a 'transposed red tape

challenge'. This should not be about removing sensible protections but about making sure that the UK's regulatory regime is fit for purpose.

We also see some potential taxation opportunities sprouting from regulatory divergence from EU standards, particularly:

- **Excise duty reform** – alcohol excise duty can only be set within the parameters set by the EU. Following Brexit, the UK should develop an excise duty system that is beneficial to the country and this should start with measures that support the consumption of alcohol beverages in the supervised environment of pubs, bars, restaurants and clubs, rather than at home. This could include a reduced rate of duty for draught beer and cider, for example. Tourism strategy – the Government should consider more proactively how it can encourage tourism from around the globe, as part of its immigration plan. This could involve greater promotion of the country overseas, ensuring simplified travel between EU member states and simplifying the process for non-EU nationals to visit the country
- **Reform of VAT** – the current VAT rate in the UK for the hospitality sector leaves it internationally uncompetitive. While Government could take steps to reduce VAT now, the ALMR appreciates that this must be done in such a way as to comply with EU legislation, and this can be prohibitively expensive. Leaving the EU should allow far greater flexibility in how VAT is applied and the ALMR believes that Government could be more targeted to support high-employment, low-margin sectors, such as eating and drinking out. Steps should be taken at the earliest stage possible to determine how this might work.

We would strongly support an ongoing role for the UK in informing and overseeing EU legislation, as is currently the situation with some non-EU nations. This will allow a mechanism to ensure that appropriate regulations can be mirrored where this is beneficial to UK businesses and consumers.

Skills: how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?

The sector employs 1.6 million employees in total. Indeed, 1 in 3 of all new jobs created last year was in our wider sector. These jobs range from semi-skilled to skilled, offering real career progression across all regions of the UK. Our members remain committed to building up the UK workforce in their outlets with the pub and restaurant sector, expecting to take on a further 200,000 apprenticeships over the next five years.

However, whilst we remain committed to the UK workforce, the UK's withdrawal from the EU presents a real challenge for our sector to fill the required roles. There are 150,000 EEA migrants employed in the sector, nearly 1 in 8 of all staff. Our sector is the second highest employer of EEA migrants in the UK, and the fifth highest by proportion. Since 2011, there has been a 46% increase in EU migrant labour into the hospitality and tourism sector compared with a 7% increase in non-EU migrant labour, largely due to a restrictive migration points system which focuses on high skill, high wage jobs. The number of jobs taken by UK nationals has increased by around the same number as those for EU migrants.

As a minimum, to address these areas the sector needs clarity - all EU citizens present in the UK when Article 50 was triggered should have a right to work in the UK. Along with this, action to prevent Labour shortages is vital. We need the implementation of a visa system and an enhanced youth mobility scheme that allows those from overseas to work in this sector. A cliff-edge must be avoided.

Trade opportunities: what opportunities are there for the UK to improve exports to countries outside the EU? Where should Government the Government seek to prioritise in terms of trade deals?

Trade deals with Third Countries provide an opportunity to lower the cost of sourcing food and drink, if the UK pursues a liberalising agenda. New markets provide new opportunities, however this should be balanced by ensuring new goods are of high quality. We are particularly keen that the exports of services, like restaurant brands, is prioritised and facilitated.

Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?

The ALMR welcomes the UK Government's desire to seek a transitional arrangement once the country leaves the EU in March 2019. While the design of this has not been confirmed, the ALMR and its members would like to see a relationship with the EU that remains similar to EU membership.

This will mean that business does not have to transition to two separate relationships with the EU, one for the transitional period and one for being outside the EU. Clarity needs to be provided on the status of EEA migrants who come to the UK during this period. These points will give certainty for our members over their operations, and gives extra time to prepare for the new UK-EU trade partnership.

November 2017

Written evidence from the British Beer & Pub Association (BRF0009)

Introduction

1. The British Beer & Pub Association is the UK's leading organisation representing the brewing and pub sector. Our members include international brewers, regional and family brewers with pub estates and independent pub operating companies. Among them they produce 90% of the beer brewed in the UK and own around 20,000 pubs. A full list of our members can be found [here](#).
2. The Association is grateful to the Government for the opportunity to present an industry perspective ahead of the so-called Brexit negotiations. Last year beer was in the top three British food & drink exports, generating £585 million in sales, while pubs remain one of the top three tourist attractions. The sector supports roughly 900,000 jobs, generates £23 billion in economic value and contributes £13 billion in tax revenues. It is also a truly British manufacturing industry, with over 80 percent of the beer sold in the UK brewed here and with

a largely British supply chain, supporting 12,000 jobs in agriculture. It is vital that as we transition out of the EU, the sector remains competitive – providing jobs and revenue in an uncertain time.

Consultation Question Responses

3. **Question 1: Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?**
4. Free access to the Single Market is important for BBPA members. The EU is the single largest export destination for British beer, accounting for around 60% of UK exports whilst the next largest market, the US, accounts for roughly 20%. Good trading relations with our EU neighbours is critical.
5. Although the EU currently applies a zero percent tariff on beer (HS 2203), there are variances on tariff rates within the greater supply chain. If the UK and EU were to agree to identical WTO MFN tariff lines as they stand, then tariffs on imports as well as exports create potential extra costs. For example, hops, a key ingredient in beer, is currently applied at 3.2% ad valorem while glassware is as high as 11% ad valorem. Important, and significant investment in capital, such as bottling and labelling machines, carry a 1.7% ad valorem tariff, whilst raw materials such as barley and malt would be subject to the EU's tariff rate quota. These additional import costs most likely would be borne by UK brewers.
6. **Question 2: Non-tariff barriers: how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?**
7. Currently, the most significant non-tariff barrier reported to us by our members is around labelling standards. Whilst we understand EU labelling standards, future deviations would come at a cost. Additionally, members have already invested heavily in the transition of a new IT system to handle the smooth movement of excise products in 'duty-suspense' across the EU (EMCS). Additional delays (not to mention the lost time and money) are likely if the UK were no longer able to participate in this system.
8. **Question 3: Regulation: what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU? Please provide evidence to support this position.**

9. We believe that UK food safety standards are world-leading and as such should continue to influence global standards. However, the EU represents roughly 60% of exports by volume so maintaining access at minimal additional cost is essential. We would therefore encourage Government to seek regulatory equivalence or mutual recognition. This would provide some flexibility for the UK regulators to continue to adapt to future needs without creating duplicative and costly regulations.
10. **Question 4: Skills: how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?**
11. In order to find out how many EEA (and rest of the world) nationals are employed in the beer and pub sector, the BBPA recently surveyed its members on the issue. Employment data (split by UK national, EU Citizen and non-EU) was collected. This was done for pubs, brewing and head office. The survey also enquired into skill shortages, upcoming labour challenges and our views on how a post-Brexit employment system should be structured to minimise disruption and harm to businesses.
12. In total, 21 companies provided data to the BBPA. The companies ranged from small independently owned breweries to large national pub companies. The survey also covered the whole of the UK with responses from varying regions. The results were then weighted and an aggregate was taken to find the relative splits of staff origin by area of the business.

Table 1: number of workers across the brewing and pub sector by nationality

Pub estate	UK National	EU citizen	Non-EU	Total
Manager/Ass Manager	59,633	10,904	1,643	72,180
Front of House	249,341	29,847	7,915	287,102
Kitchen	96,553	30,361	4,757	131,672
Total	405,527	71,112	14,315	490,954
	UK National	EU citizen	Non-EU	Total
Brewing	8,880	365	28	9,274
	UK National	EU citizen	Non-EU	Total
Head office	92,675	2,375	862	95,912

Pub estate	UK National	EU citizen	Non-EU	Total
Manager/Ass Manager	83%	15%	2%	100%
Front of House	87%	10%	3%	100%
Kitchen	73%	23%	4%	100%
Total	83%	14%	3%	100%
	UK National	EU citizen	Non-EU	Total
Brewing	96%	4%	0%	100%
	UK National	EU citizen	Non-EU	Total
Head office	97%	2%	1%	100%

13. The data collected show that the highest proportion of non-UK nationals working in the industry comes from pub operators and their staff. Some 17% of pub workers are migrants, with 14% (over 71,000 people) being EU citizens. In some areas of the pub sector the proportion is significant, for example EEA nationals make up 23%, one in four, of those working in pub kitchens.

14. The survey also found there is significant regional variation in terms of reliance on EU nationals and other migrant workers. Companies based in metropolitan areas – particularly London and the South East – reported that 40% of staff are non-UK nationals. In some of these companies, EU citizens made up over half of their kitchen and back-of-house staff. In contrast, companies with mainly rural or suburban pub estates reported very small percentage, and even nil, non-UK nationals working in their businesses.

15. The issue is also compounded by very high turnover rates in the industry (75-110%) and existing skills shortages – especially for chefs and assistant chefs. One mid-sized pub operator who has a high proportion of EU workers and responded to the survey reported almost 70 existing vacancies for chefs and general managers and forecast they will need to recruit over 800 chefs/kitchen staff per year over the next few years as well as several thousand front-of-house staff.

Employment trends

16. In terms of employment trends, the below ONS data indicates that the proportion of EU nationals in the food and beverage service industry (which will include restaurants etc. as well as pubs) has been increasing steadily since 2010, rising from 95,000 to 150,000 by 2016.

Table 2: Number of workers in food and beverage service industry, by nationality group (ONS Annual Population Survey)

	UK	EU27	RoW
2016	1,088 (81%)	150 (11%)	105 (8%)

2013	1,021 (82%)	115 (9%)	108 (9%)
2010	955 (81%)	95 (8%)	123 (10%)

UK worker recruitment campaigns

17. Hospitality Works is a campaign that aims to educate Jobcentre Plus staff about the opportunities for jobseekers in the pub and wider hospitality sector, allowing staff to effectively promote jobs in our industry. The campaign has been very successful since being launched in 2013, and involves Jobcentre Plus staff doing job placements in hospitality businesses to understand the sector, and telephone masterclasses with companies talking to hundreds of Jobcentre Plus staff at a time about opportunities in the pub sector – with BBPA and member companies presenting on these in previous years. The most recent Hospitality Works campaign took place in February 2017, and over the years has moved from a regional to a national focus.
18. Recruiting and retaining chefs for their pubs and hotels is a real challenge for St Austell Brewery, based in Cornwall. Following on from the launch of their own Chef Academy and scholarship scheme last year, the company are organising a Cornish Schools Chef competition which will kick off in September 2017, running through the autumn and culminating in a Grand Final in February. St Austell have also just started working with Work Routes, a work programme fully funded by the Department for Work & Pensions and the European Social Fund. Work Routes helps unemployed people find and sustain employment. Their service enables jobseekers to improve their skills and employability and create a personal plan to find the right job for them. They work directly with employers to assist with their recruitment requirements and vacancies. St Austell participated in an event in June 2017 and sourced a number of individuals (long term unemployed and mothers returning to work) for one of their new pub openings.
19. **Question 5: R&D: How significant are EU-dependent R&D activities within the sector’s broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?**
20. No Comment.
21. **Question 6: Trade opportunities: what opportunities are there for the UK to improve exports to countries outside the EU? Where should the Government seek to prioritise in terms of trade deals?**
22. Our members have indicated that there are a number of markets outside the EU where they view potential growth and would welcome trade deals. The two most commonly identified for exports are the US and China. The US is the

single largest country for British beer exports by value, worth roughly £150 million alone. It accounts for more in value than the next two largest markets combined and represents 20% of the volume of exports. There is potential for further growth if non-tariff barriers were addressed. For example, the US offers a reduction in federal excise duty to small domestic brewers, but does not extend this reduction to British brewers. For these reasons, we encourage the Government to seek a trade agreement with the US, either through the completion of the Transatlantic Trade and Investment Partnership, or indeed through a separate UK-US deal.

23. China is also an attractive market for our members. In 2016, the Chinese market grew 500% by volume and currently represents the second largest non-EU market, and sixth overall, by value. In the last three years, the size of the market has grown from less than 1% to 4% of total exports. Additionally, a negotiation with India which removed the current 100% tariff on beer would present significant opportunity.

24. Question 7: Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?

25. We have always been clear we want to see trade conducted as freely as possible and access to skills for the brewing and pub sector secured.

26. Until there is a final settlement on our exit from the EU, the benefits of the single market and customs union should be maintained, and we also want to see the maintenance of an open border in Ireland.

27. We want to see that the rights of our existing employees are swiftly safeguarded in the early phase of the negotiations, providing all our staff with much needed reassurance. At the same time, we want to play our part in attracting more UK citizens to work in our sector in the future.

28. We support the objectives outlined by CBI:

- Tariff-free goods trade between the United Kingdom and the European Union
- Minimal customs formalities at the land, sea and air borders between the United Kingdom and the European Union; regulatory equivalence and mutual recognition of standards on an ongoing basis to ensure continued mutual access for both goods and services;
- A flexible system for the movement of labour and skills between the United Kingdom and the European Union, that enjoys public support
- On-going UK participation in those pan-European programmes, initiatives and agencies which add real economic value to communities, businesses, young people and universities
- Protection of the benefits of free trade agreements currently delivered through the European Union
- Regulatory equivalence and mutual recognition of standards on an ongoing basis to ensure continued mutual access for both goods and services.

Written evidence from the British Specialist Nutrition Association (BRF0004)

The British Specialist Nutrition Association (BSNA) is the voice of the specialist nutrition industry in the UK. We are a trade association representing manufacturers of high quality foods designed to meet the needs of people with very special nutritional requirements. Our members produce infant formula, follow-on formula, young child formula, complementary weaning foods, gluten-free foods on prescription, parenteral nutrition and medical foods for diagnosed disorders and medical conditions.

For the purposes of this submission, we focus on infant formula, follow-on formula, young child formula and complementary weaning foods (foods for children from 6 to 36 months).

Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?

BSNA members import most of their products in finished form primarily from the Euro zone. The devaluation of Sterling has added 16% to the cost of products. Although speculative, customs may add 5% to cost. Tariffs, if introduced, may add further costs and may be 12%. Based on these figures, costs could increase by 33%.

As may be appreciated, free access to the single market is very important as customs and tariff costs would be avoided. Otherwise, the cost to the consumer will increase.

As much of the formula products are imported from the Republic of Ireland with milk in some cases coming from both Northern Ireland and the Republic of Ireland, it is also important to ensure that we have a seamless border allowing milk to flow without any additional costs.

Non-tariff barriers: how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?

Regulatory equivalence is very important post Brexit. Regulatory divergence from the EU could lead to increased costs in bespoke UK labelling and especially in bespoke UK formulation. Remaining aligned with EU regulation will effectively act as a contingency of supply for the UK. If UK regulation diverges from that of the EU, this contingency option will be lost.

Regulation: what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?

Companies produce and sell their product across the EU and wish to avoid regulatory divergence. Divergence will lead to increased costs if bespoke UK labels and/or formulations are required.

Divergence may also lead to limitations on access to innovative products. We see no advantage from regulatory divergence and it would be preferable for the UK to replicate EU regulation.

As part of a Free Trade Agreement (FTA), it may be anticipated that a dispute resolution mechanism will be agreed bilaterally with the EU. Alternatively, the WTO may be the mechanism through which disputes are resolved.

The alignment of professional qualifications would be advantageous.

Skills: how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?

Our members include international companies who exchange people across countries at all levels of management in order to provide employees with international business experience. This is good for UK employees along with other nationalities. It is important to ensure that this type of exchange is facilitated into the future.

R&D: How significant are EU-dependent R&D activities within the sector's broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?

Concerning research and development, we are already seeing the withdrawal of the UK from EU wide research projects. It is important to ensure that alternative mechanisms/funding routes are in place in the UK to allow for the same level of research to continue post Brexit.

Horizon 2020 does foresee non EU country participation in projects. The UK would need to apply to become an 'Associated Country' in order to be automatically eligible for funding. Funding may also be granted if there is a bilateral scientific/technological agreement or similar arrangement in place or if the country is considered essential to the research programme due to various types of expertise.

Trade opportunities: what opportunities are there for the UK to improve exports to countries outside the EU? Where should the Government seek to prioritise in terms of trade deals?

Not applicable to BSNA

Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?

Transitional arrangements are important for companies to ensure they have enough time to make any changes required, especially with the prospect of delays and disruption at Channel ports with the introduction of customs controls. A transition period of three years may be appropriate.

November 2017

Written evidence from the Confederation of Paper Industries (BRF0002)

Summary

- Paper packaging is an integral part of the UK food and drink sector.
- The Confederation of Paper Industries strongly urges that the UK and EU27 come to a full agreement on both the UK's departure from the EU and the subsequent long-term free trade relationship before the date of Brexit.
- We consider that leaving without such an agreement would jeopardise investment, growth and employment in the UK Paper-based Industries.
- We strongly support a transitional period for the smooth implementation of Brexit, which should be at least two years.
- We are concerned that pre-emptive steps are already being taken to effectively expel the UK from certain EU policy frameworks (EU Emissions Trading System) in advance of the conclusion of the Brexit negotiations.

Submission

1. This submission is made by the Confederation of Paper Industries (CPI).
2. CPI is the trade association for the UK Paper-based industries. CPI represents the supply chain for paper, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers and collectors of paper for recycling. CPI represents an industry with an aggregate annual turnover of £6.5 billion, 25,000 direct and more than 100,000 indirect employees.
3. The UK Paper-based industries are very strongly connected to the economies of the EU27. In 2016, some 73% of all UK paper exports went to another EU country, and in the same year 75% of all UK paper imports came from the EU. It is vital that this trade can continue unhindered. CPI is responding to the inquiry because the corrugated packaging sector is a major supplier into the UK food and drink market. Around 65% of all corrugated packaging is delivered to FMCG companies, amounting to around 1.5 million tonnes of paper per year or 3.35 billion square metres of corrugated board.
4. The UK Paper-based Industries are strongly dependent on inward investment. Of the six major UK paper making businesses, five of them are headquartered in the EU27. In all businesses, paper making, packaging, tissue manufacture and recovery and recycling, investment is allocated across the EU based on which location offers the best rate of return.

Market Access

5. The reintroduction of tariffs on paper products is highly unlikely as the EU Common External Tariff has zero tariffs for those products. However, in the event of a chaotic Brexit, tariffs may end up being introduced on imports into the UK of products such as energy, chemicals and other important raw materials for UK paper making. Also, the UK paper sector is very largely transnationally owned, and cross channel access to investment funds is vital to ensure that UK businesses continue to improve their productivity.
6. The issue of rules of origin is also important. The UK paper based industries import and convert raw materials from a variety of sources and the rules of origin for those conversions must be such that UK origin is conferred and goods benefit from a zero tariff for export to the EU27.
7. UK packaging producers have built cross European supply chains based on the free movement of paper, board, completed packaging and recovered paper for recycling across the EU. Post Brexit, these supply chains must remain intact as otherwise substantial parts of the UK industrial infrastructure will be significantly less efficient.
8. The same is also true of our customer base. Packaging is not only a product itself but exists purely to protect other products in transit. Many UK packaging customers are themselves exporters of intermediate and/or finished goods to the EU27, which requires the appropriate packaging to preserve product quality. Any barriers to trade in food and drink post Brexit will inevitably have a direct and immediate knock on effect on the production and consumption of packaging in the UK.

Non-tariff barriers

9. CPI's major concern is that non-tariff barriers would be introduced, either deliberately or accidentally, that would have a major impact on the ability of UK producers to both import from and export to the UK. In the case of paper and paper products, inspection requirements, obligations to prove legislative compliance on a shipment by shipment basis and rules of origin for converted paper products risk being the most challenging non-tariff barriers if the UK defaults to a WTO trading relationship with the EU27. Examples of such barriers may include:
 - Customs requirements, for inspection to demonstrate compliance
 - Paperwork requirements, form filling and bureaucracy
 - Changes in accreditation processes and certification to Standards
 - Requirements for local testing in each export market
 - Cabotage and requirements to use national hauliers – haulage health and safety and tachograph rules

Regulation

10. The Brexit agreement must be clear as to the legislative and regulatory position for the UK. CPI welcomes the UK Government's announcement that the EU Withdrawal Bill will transpose all current EU legislation into UK law. However, there is still uncertainty on the issue of compliance and legislative updating. CPI is concerned that UK legislation will rapidly diverge from that of the EU in areas such as the environment, and that this divergence will become a barrier to trade.

Skills

11. The UK Paper-based industries suffer from local skills shortages and there is concern that a slow drift away of EU27 nationals would lead to an increase in "hard to fill" vacancies. In some instances, the UK arms of EU multinationals rotate staff through the UK business to fill skills gaps and there are concerns that this flexibility will be lost post-Brexit. The UK needs to invest more in training and education for UK nationals that do not wish to go to university.

R&D

12. UK R&D in paper is insufficient. The UK industry is very innovative in developing products for customer use, but does little primary research in new paper products and production techniques. The primary research is undertaken in other EU27 countries and UK facilities then bid internally from their parent company for the investment in any new technologies. Post Brexit, in the event of barriers to trade, such investment may have higher hurdle rates in the UK and investment will be put at risk. The emerging UK Industrial Strategy will have a role to play in ensuring that the pathway to technological development and adoption in the UK remains open in the long term.

Trade Opportunities

13. The potential trade opportunities outside the EU are likely to be significantly smaller than the loss of benefits found within EU membership. The Bombardier case demonstrates how difficult it will be to have meaningful free trade with the US that benefits UK businesses. Rapidly growing nations such as India have made it clear that any meaningful access to their market will have to be balanced by access for their citizens to come to the UK. See the following link for more details. <http://www.bbc.co.uk/news/business-39103078>. As for an FTA with China, the UK already runs a significant trade deficit, and it is not clear how an FTA would improve that position.
14. For paper, around 75% of both the import and export trade in finished paper products is with the EU27 and our priority is to secure that relationship into the future. The UK exports significant volumes of recovered paper for recycling to Asia, most notably China, but that export takes place today, without any free trade agreement. Moreover, internal Chinese policies on environmental management are evolving, which is influencing both the quality and quantity of recovered paper for the Chinese market. Those issues are ones of domestic regulation and while

an FTA might allow for disputes to be resolved, it is unlikely that any FTA would include clauses that would prevent domestic regulation for environmental issues. The UK would be unlikely to accept such a clause restricting the powers of the UK Parliament to regulate.

Transitional Arrangements

15. A transitional arrangement of at least 2 years and preferably longer is essential to allow Government and business to adapt to the new arrangements and to prevent the movement of goods and people falling off a cliff. The UK simply has not made sufficient arrangements for a hard Brexit starting on 29 March 2019 without a transition, and attempts to do so would risk a complete freezing of the movement of goods, services and people.

16. Transition only makes sense if there is agreement on the end destination. The transitional period should start with a period of business as usual and then provide for a gradual phasing in of the new relationship so that each change in the relationship is made separately and allowed to bed in, before moving on to the next. Doing everything at once is a recipe for disaster. We need to ensure that at every stage the business opportunities and regulatory rules are clear, well understood and operate smoothly. Continued uncertainty will push investment out of the UK and into EU27 countries.

17. CPI is very concerned that the EU Institutions are already acting to expel the UK from certain EU structures well in advance of the expected date of Brexit. For example, the most recent Commission proposal on the EU Emissions Trading Scheme would effectively force the UK to leave EU ETS from 1st January 2018, some 15 months before Brexit day itself. CPI considers that this is a short circuiting of the negotiation process and that it calls into question the Article 50 process as a fair negotiating framework for the UK's departure from the EU. CPI urges the Select Committee to call witnesses from the European Institutions to give evidence on this point.

October 2017

Written evidence from Council for Responsible Nutrition UK (BRF0016)

Key points

- Free access to the Single Market is extremely important to the Food Supplement and Functional Foods Sectors. Functional foods, in this context, mean e.g. weight control products, sports products and other products designed for a specific function.
- The EU remains the largest external market and a large source of imported supplies for food supplements produced in the UK, therefore tariff-free trade with the EU is essential.
- If the UK takes a greatly different approach from the EU in relation to food safety, it could be detrimental for the food sector as a whole.
- The food supplements and functional foods sector would welcome new trade deals with third countries, as it facilitates the free movement of goods.
- It is important to have a smooth and as lengthy transition as is necessary to ensure that UK businesses and UK trade are not adversely affected.

The Council for Responsible Nutrition UK (CRN UK)

The CRN UK is a non-profit making trade association representing the food supplement and functional food industry in the UK.

- *Food supplements* include vitamins, minerals, botanicals and botanical extracts, cod liver and other fish oils and other bioactive ingredients.
- *Functional foods*, in this context, mean weight control products, sports products and other specialist food products designed for a specific function.

CRN UK was found in 1979 and is based in London. Its members are leading manufacturers and suppliers of food supplements, functional foods and their ingredients. CRN UK's members represent the majority of food supplements found in leading pharmacies and supermarkets, as well as those sold directly to consumers.

In addition to operating in compliance with detailed national and EU law governing food supplements and functional foods, CRN UK members all agree to abide by voluntary quality standards to ensure consumer safety and confidence.

CRN UK's responses to the questions raised by the Committee are detailed under the relevant headings on pages 2 to 5.

A. MARKET ACCESS:

How important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?

1. Free access to the Single Market is extremely important to the Food Supplement and Functional Foods Sectors. Functional foods, in this context, mean e.g. weight control products, sports products and other products designed for a specific function.
2. The EU remains the largest external market and a large source of imported supplies for food supplements produced in the UK, therefore tariff-free trade with the EU is essential.
3. Concerns exist in relation to the EU import and export of finished products, and also to the impact on raw material lead times coming from the EU into the UK.
4. The impact of trading with the EU under WTO rules and tariffs varies considerably depending upon the composition and format of the products.
5. Higher tariffs on certain products will reduce the ability for UK products to compete against similar products produced and marketed within the EU.
6. The added costs of administration, clearance etc. and vice versa on export of goods to EU have to be taken into consideration.

B. NON-TARIFF BARRIERS:

How significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?

7. Some companies with their European headquarters in the UK consider the UK's exit from the EU to be a risk for the company.
8. If the UK takes a greatly different approach from the EU in relation to food safety, it could be detrimental for the food sector as a whole and particularly for food supplements and functional foods. For instance, if the UK decides to deregulate or liberalise the current rules governing the sector, it would create a two-tiered system that could introduce adverse effects on the industry.
9. Particular concerns relate to compositional requirements, such as maximum limits for contaminants.
10. Having UK FTAs that aim for regulatory convergence and for the mutual recognition principle would be constructive.
11. There is a risk that everything could become slower and more cumbersome.

C. REGULATION:

What are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?

12. Diverging from EU safety requirements raises considerable concerns, as the EU standards for safety are valued by many third countries. To potentially reduce these standards will reduce the ease with which UK products are accepted in those third countries. The majority of responsible companies in the food sector as a whole do not want to see a reduction in the safety standards for foods in the UK.
13. Diverging from some EU requirements that have proven obstructive, with no real safety basis behind them, could be beneficial. As an example, there are ongoing issues relating to the use of food additives in certain food supplements, which were created by the incorrect transfer of data from the old Directives into the 2008 food additive legislation, and discussions have been ongoing with the Commission and other Member States since 2012. Resolution is proving difficult, even though there are no safety concerns involved. Such issues could be resolved on a national basis for products marketed within the UK.
14. Diverging from some other requirements on a national basis, such as product labelling, could also potentially be beneficial, as there have been some labelling requirements imposed of which the UK have not been fully supportive. Again, if amended on a national basis, such changes could improve the domestic economy for UK manufacturers of food supplements and functional foods.
15. Developing a EU association agreement might be the best route to follow.
16. Replicating EU legislation, when the UK is unable to influence that legislation, could prove detrimental to the domestic food sector.
17. As advised above, diverging from EU rules and standards in certain areas, particularly that of safety, could prove detrimental to future trade, not only with the EU, but also with other third countries.
18. UK law should be a priority when it comes to disputes. However, for disputes that require international resolution, whichever route can be demonstrated to be the most cost and time effective should be selected.
19. Within the food sector, the UK has strong professional qualifications in its own right. It is unclear what might be gained from aligning future UK professional qualifications with the EU.

D. SKILLS:

How dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?

20. Within the food supplement and functional food sectors, the dependence on workers from other EU countries, can depend upon where the company is based and the job requirements in those companies. For example, if the company is based in an area with relatively low unemployment levels, but has a number of positions filled by personnel from other EU countries, filling those positions could prove difficult if the UK made it necessary for those personnel to leave the country.
21. Other companies, based in areas with higher unemployment levels, may find it easier to fill the lower-skilled jobs, but could have problems filling gaps in positions requiring a greater technical skill set.

E. R&D:

How significant are EU-dependent R&D activities within the sector's broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?

22. R&D programmes undertaken by some of our member companies rely on UK funding. It is unknown to what degree that UK funding relies upon input from the EU. There is a possibility that this funding could be impacted when the UK leaves the EU.
23. The opportunity for UK institutions to become involved in EU research should be retained, as should the possibility for EU institutions to become involved in UK research.
24. There will potentially be a large impact on research that occurs in places of higher education.

F. TRADE OPPORTUNITIES:

What opportunities are there for the UK to improve exports to countries outside the EU? Where should Government the Government seek to prioritise in terms of trade deals?

25. An independent UK trade policy might take years to be successful, as it took a long time for the EU to conclude Free Trade Agreements (FTAs) with third countries. Practically, the conclusion of trade agreements requires manpower that the UK currently does not have, as trade policy is a EU competence. It would hence be impossible for the UK to work on a fast track basis with potential partners. Nonetheless, the sector would welcome any new trade deals, as it facilitates the free movement of goods.
26. There is the opportunity to smooth the process of export to countries outside of Europe; e.g. negotiations of new trade deals allow for the introduction of new topics. For instance, some of our members would like to see direct selling language inserted into trade agreements, at the bilateral and multilateral levels, as it would clarify services trade obligations applicable to the direct selling sector. In the framework of an independent UK policy, there would be an opportunity to introduce this wording into new trade agreements with third countries.
27. Having UK/South Africa and UK/Ghana trade deals (replicating those negotiated by the EU) would be seen as positive, as far as they include some chapters/provisions on food, food supplements and functional foods, such as meal replacements, with the aim of encouraging cross-border economic activity and strengthening the legal and regulatory framework for food businesses.
28. Similarly, a good UK/China trade deal, incorporating chapters/provisions on food, food supplements and functional foods, such as meal replacements, would be beneficial to the sector.
29. A good agreement would involve mutual recognition of the regulatory status of products on sale, backed up for example with free sale certificates and the regulatory controls and manufacturing processes in operation in the UK.
30. Generally, any trade agreement where there is clarity upon what is needed within the export market is going to be an advantage.

G. TRANSITIONAL ARRANGEMENTS:

What should the UK seek in transitional arrangements and for how long should they apply?

31. Any transitional arrangement needs to apply until alternative arrangements are in place, for however long that takes.
32. There may be a need to have differing transition periods for different issues.
33. The important basis is to have a smooth transition, to ensure that UK businesses and UK trade are not adversely affected.

Written evidence from the Department for Environment, Food & Rural Affairs
(BRF0008)

Minister: George Eustice MP - Minister of State for Agriculture, Fisheries and Food

The UK processed food and drink sector

1. The Government welcomes the BEIS Select Committee's inquiry into 'Brexit and the implications for UK business – processed food and drink'.
2. The UK's food and drink supply chain contributes £110 billion a year to the UK economy, providing 4 million jobs and employing 1 in 8 people. Food and drink manufacturing is the UK's biggest manufacturing sector by Gross Value Added (GVA, £27.8bn in 2015) representing 17% of the UK's total manufacturing GVA. It is a key priority of the Government to enable an innovative, productive and competitive food supply chain from farm and sea to fork that invests in its people and skills.
3. UK food and drink exporting is a success story. In 2016, UK food, feed and drink exports were £20.1bn. This represents an increase of 11% from 2015 in monetary terms. The UK has also seen a real growth in all of the priority markets set out in the Government's Food and Drink International Action Plan. Since 2015 the UK has opened or improved terms for over 170 markets for animals and animal products. For example, China entered the UK's top ten markets for the first time in 2016, with over 50% growth in monetary terms.
4. Leaving the EU provides us with a golden opportunity to design a new approach to agriculture and support the UK's processed food and drink industry to sell more and export more great British food and drink, whilst upholding our high standards.

The impact of EU exit on the processed food and drink sector – Engagement with Industry

5. The Government is seeking a deep and special partnership with our European partners and allies as we leave the EU. This is a mutually beneficial choice and we are confident we can achieve this. However, we recognise the need for industry to prepare contingency plans. The Government is engaging with businesses across the economy, in order to understand the challenges and opportunities that may impact them in the coming months and years.
6. Engagement with the food and drink sector is extensive at both ministerial and official level. Defra ministers have hosted round tables, bilateral meetings with a number of businesses, and undertaken numerous visits to meet food producers and manufacturers, farmers and the fishing industry across the country, including Scotland, Wales and Northern Ireland. Government officials meet with trade associations covering the full spectrum of food production and manufacturing, and have hosted bilateral meetings with a broad range of food, farming and fishery organisations from across the country, to explore the operational and technical aspects of exit.
7. Emerging priorities from processed food and drink stakeholders include continued access to a skilled workforce, keeping tariffs and frictions of trade with the EU at a minimum, an appropriate regulatory framework that enables the continued confidence of consumers and industry; and transitional adoption of existing EU FTAs.
8. The UK's processed food and drink sector has a close trading relationship with the EU. Around 90% of the UK's £12 billion exports of agriculture, fisheries and food products to the EU in 2016 were accounted for by (highly or lightly) processed products. Agri-food imports from the EU countries were worth £30 billion, of which 85% were accounted for by processed agri-food imports. This underlines the UK and EU's mutual interest in ensuring continued high levels of market access, including in the processed food and drink sector, in future.
9. The Government recognises the significance of frictionless trade for processed food and drink businesses relying on just-in-time supply chains or trading in perishable products.

The UK's EU Exit objectives for the processed food and drink sector

Market Access

10. The Government's focus is on securing the best deal for the processed food and drink sector as the UK leaves the EU, whilst ensuring consumers continue to have a wide range of choice of high-quality food products at affordable prices, and that we have a workforce able to meet industry demands. At the same time, it will be a priority to maintain the UK's high standards of food safety and of animal health and welfare.
11. To this end, the UK is seeking a unique and ambitious economic partnership that maintains the greatest possible tariff-free and frictionless trade with the EU, including in processed food and drink.
12. The Government is analysing the impact of various trade scenarios on UK consumers and food producers to inform the UK's negotiating position. However, the Government needs to manage information carefully to protect UK interests and to secure the best possible outcome for UK businesses and consumers.
13. To minimise disruption to the UK's trading relationships, the UK is working closely with the EU and other WTO Members to support the transition to an independent UK schedule and establish appropriate tariff rate quotas. The UK will seek to protect existing market access and minimise disruption to global trade by broadly replicating the commitments in the EU's schedule, including those for processed food and drink.
14. Leaving the EU will also enable the UK to negotiate trade deals with the world that will help UK businesses to sell and export more British food and drink, as is discussed later in this response.

Non-tariff barriers

15. Supply chains in the processed food and drink sector are highly integrated, frequently relying on just-in-time delivery logistics on produce moved throughout the EU. The UK has been clear that it is seeking to maintain the most frictionless trade with the EU possible and minimise the introduction of new non-tariff barriers.
16. Trade in processed food and drink between Northern Ireland and Great Britain and Northern Ireland and Ireland is deeply integrated. Both the UK Government and the EU have stated their commitment to find a solution that avoids any physical infrastructure at the Irish border, including in relation to Sanitary and

Phytosanitary (SPS) measures. One option to achieve this would be regulatory equivalence on agri-food measures, which is discussed in the next section.

17. The recently published Customs Bill White Paper sets out the Government's approach to legislating for a future customs regime, and to creating a framework that supports intra-European Trade, including of processed food and drink. Ahead of the introduction of the bill and EU exit, the Government will continue to engage with and support industry so that stakeholders can make informed decisions about how best to adapt to any necessary changes.
18. The Government has been clear that, whatever the exact nature of the future customs regime, the UK's high standards of food safety and animal welfare will not be watered down when the UK leaves the EU. British food is renowned and respected for its high standards of animal welfare, food safety, and food traceability. When consumers choose British, they know that they can trust the origins of the UK's unique, great tasting products, and the Government is committed to maintain this.

Regulation

19. The Government is committed to ensuring that the UK maintains an appropriate regulatory framework for processed food and drinks that ensures the continued confidence of consumers and industry.
20. In her speech in Florence, the Prime Minister set out the UK's proposal for a unique and ambitious economic partnership. This partnership will be based on the UK's and EU's rules and regulations starting from the same place, with a mutual commitment to free trade and high standards.
21. Going forward, there will be some areas where the UK and the EU may have different goals, or may share the same goals but want to achieve them through different means. The UK's partnership with the EU will need to allow for both parties to make changes, including to regulations governing processed food and drink, in a stable and orderly way. For instance, agreeing on regulatory equivalence could enable the UK and the EU to ensure consistency among outcomes and standards for processed food and drink whilst adding scope for flexibility in relation to the method for achieving this.
22. Whatever the exact nature of the mechanism for managing potential regulatory divergence between the UK and EU, the UK Government has been clear that it is unequivocally committed to not only protecting the high regulatory standards that it shares with the EU, but to strengthen them. The UK's future regulatory

framework for processed food and drink will continue to provide consumers with confidence in the food that they are buying, and continue to secure the UK's world-leading reputation for high quality and standards.

23. The UK will always welcome those with the skills, the drive and the expertise to contribute towards the processed food and drink industry and the wider UK economy. The Government also understands the importance for many of flexibility in moving across the EU to live and work. Therefore, the UK is seeking to agree a continued system for the mutual recognition of professional qualifications with the EU.
24. The UK has been clear that it will seek to agree an appropriate means of enforcing future agreements, and design an effective dispute resolution mechanism. This is in the interests of both parties, so that if disputes do arise there is clarity over how they are to be resolved. The Government has been clear that this could not mean the European Court of Justice being the arbiter of disputes, as it would not be right for one party's court to have jurisdiction over the other. In its paper on Enforcement and Dispute Resolution, the UK set out a range of robust options, based on existing precedents, for effective enforcement and dispute resolution without the direct jurisdiction of the CJEU over a third party.

Skills

25. A number of low-skilled and high-skilled roles are filled by EU migrants in the food and drink sector. The Office for National Statistics (ONS) Annual Population (2016) survey suggests that that around 30% of the food and drink manufacturing workforce, some 121,000 people, is made up of EU nationals.
26. After we leave the EU, we must have an immigration system which works in the best interests of the UK. That's why the Government is considering the options carefully, and will ensure that businesses and communities, including representatives from across the food chain, have the opportunity to contribute their views. As part of this, the Government has commissioned the independent Migration Advisory Committee (MAC) to assess the role that EU citizens play in the UK economy and society. The MAC, as internationally recognised experts, will help us build an evidence picture of the needs of the UK labour market. We are encouraging the food and drink sector to contribute to the MAC call for evidence. We want the MAC's credible, independent advice to inform any decisions on future immigration arrangements.
27. The Government is committed to implementing reforms to education to meet the needs of our growing and rapidly changing economy. The post 16 Skills Plan,

introduced in July 2016, will prepare individuals for skilled employment which requires technical knowledge and practical skills valued by industry. It will cover college-based and employment-based (apprenticeship) education, and build on our apprenticeship reforms. Careers advice will underpin these reforms and the Department of Education is developing a new careers strategy to be published later this year. This will complement industry-led initiatives which aim to raise awareness in young people about the wide range and potential of careers in the food and drink sector. The activities of the Job Centre Plus network and the roll-out of Universal credit, which replaces the six main out-of-work benefits with one simple, monthly payment, will also help in filling any potential gaps.

R&D

28. The UK has long collaborated with European partners on research, including in the processed food and drink area, and is involved in a number of EU research and innovation activities. The UK has been a highly active and valued participant in the EU Framework Programmes for Research and Innovation to date. We rank first across the EU in the number of participants in Horizon 2020 with 7,360 signed contracts so far.¹ We are also a top five collaboration partner for each of the other 27 EU Member States.² The Government's paper on collaboration on science and innovation³ has made it clear that UK businesses and universities should continue to bid for competitive EU funds while we remain a member of the EU and we will work with the Commission to ensure payment when funds are awarded. The Government will underwrite the payment of such awards, even when specific projects continue beyond the UK's departure from the EU.
29. The UK is also engaged in national programme coordination in the food research and innovation area, both influencing research priorities and benefiting from collaboration (including the sharing of research costs) and knowledge exchange with other countries in Europe. We play a leading role in the Agriculture, Food Security and Climate Change Joint Programming Initiative and want to remain influential on this platform.
30. The status of the UK within EU Framework Programmes is something that will have to be decided as part of wider negotiations. The UK Government has made clear it would welcome an agreement to continue to collaborate with European

¹ 'Horizon 2020 Country Profile: United Kingdom' (page 1), European Commission, July 2017.

² '[Research and Innovation Performance and Horizon 2020 Country Participation](#)', European Commission, individual EU Member State country profiles accessed 7 August 2017.

³ Collaboration on science and innovation: A future partnership paper.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/642542/Science_and_innovation_paper.pdf

partners on major science, research and technology initiatives. The UK Government will continue engaging with the Commission to find a mutually beneficial solution. The Government's paper on collaboration on science and innovation outlines the UK's objectives for an ambitious science and innovation agreement with the EU that ensures the valuable research links between us continue to grow.

31. The UK is a globally recognised centre for manufacturing and R&D in food and drink and a leader in innovation, particularly in areas like high tech-packaging and health and convenience foods, and product development. Its research infrastructure is sophisticated and well-developed, not only in academia but also in business. The majority of this infrastructure and research and innovation activity has developed without the support of EU funding.
32. The UK Government already supports a range of research activities in the food area and has a number of mechanisms to encourage innovation in the sector. We will continue to work with stakeholders from the industry and other funding bodies to identify ways to maximise joint funding opportunities in the food sector and to coordinate efforts in relation to shared priorities seeking to engage actively in EU-wide and international partnerships.

Trade opportunities

33. After we have left the EU, we will take advantage of the opportunity to negotiate our own preferential trade agreements around the world. We will also forge a new culture of exporting amongst UK businesses, equipping them with the tools and opportunities they need to succeed in the global marketplace.
34. In 2016, UK food, feed and drink exports surpassed £20 billion for the first time – over £8 billion of that was generated outside the EU, a 10% increase compared to the year before. Through our Food & Drink: International Action Plan published last October, we will continue working with industry to boost food and drink exports and increase inward investment. The recent access we have secured for UK businesses – such as a £34 million deal to send UK beef to the Philippines – demonstrates that there is a desire for high-quality, safe British food in markets across the world.
35. We are considering our future trading relationships with all of our partners as we prepare to leave the EU. As set out in the Government's manifesto, we will create a network of HM Trade Commissioners to head export promotion, investment and trade policy overseas.

36. In particular, Ministers from the Department for International Trade have initiated eleven Working Groups and high-level dialogues with key trade partners, to explore the best ways of progressing our trade and investment relationships. The countries include: Australia, China, the Gulf Cooperation Council (GCC), Israel, India, Japan, New Zealand, Norway, South Korea, Turkey and the USA.
37. With Australia and New Zealand, additional work has been underway with preparatory discussions on ambitious Free Trade Agreements that we can conclude once we leave the EU. High-level talks have also started with the USA to lay the groundwork for a trade agreement, and to identify the practical steps we can take now in order to enable companies in both countries to trade and do business with one another more easily. Joint trade reviews with Brazil and India will further work toward strengthening trade relationships, improving exports and removing barriers, both at present and as we leave the EU.
38. Additionally, following the Prime Ministers visit to Japan in late August, it was announced that Japan and the UK will negotiate a new economic partnership that will be based on the final terms of the EU-Japan deal. In the meantime, the UK will continue to champion the early signature and entry into force of the Japan-EU Economic Partnership Agreement.

Implementation period

39. The Government is committed to minimise disruption to the trade of processed food and drink products. It recognises the need to build a bridge from the UK's exit to its future partnership with the EU, to allow the food and drink industry time to adjust, and to allow new systems to be put in place. In her Florence speech, the Prime Minister set out the UK's proposal for a strictly time-limited implementation period where the UK and the EU continue to have access to one another's markets on current terms.
40. The Government will seek to agree the detailed arrangements for this implementation period as early as possible. While the UK expects this period to last for around two years, the Government is open to the possibility to bring forward aspects of the framework for the UK's future partnership with the EU more quickly if this can be done smoothly. To ensure certainty for the processed food and drink industry, businesses and people across the UK and the EU, the Government seeks to place a clear-double-lock at the heart of these arrangements. This double-lock should consist of a guarantee that there will be a period of implementation to prepare for the change in a smooth and orderly way, but also a guarantee that this implementation period will be time-limited.

Summary

41. Exiting the EU presents a number of challenges and opportunities for both the processed food and drink sector and Government alike. It is a key Government priority to enable an innovative, productive food supply chain from farm and sea to fork that is competitive at home and overseas.

42. The Government is committed to securing a deal that works for the whole food chain, from producers to retailers to consumers. The Government welcomes the opportunity that this inquiry will bring to gain additional feedback from the processed food and drink sector in the UK. Information gained from this inquiry will be used to further support the Government's negotiation positions and the industry's views will continue to be at the front of the Government's mind as it prepares for EU exit.

November 2017

Written evidence from Ferrero UK (BRF0015)

Summary

1. Ferrero UK welcomes the work of the Business Energy and Industrial Strategy (BEIS) Committee on examining the implications of leaving the European Union for British business. We welcome the particular focus on food and drink manufacturing, which is a distinct manufacturing sector with its own unique challenges and opportunities arising from Brexit.
2. This submission will address the potential implications arising from Brexit for Ferrero UK, on the topics of market access, non-tariff barriers, regulation, skills, trade opportunities and transitional arrangements.
3. Ferrero has five key priorities that would enable our business to continue to grow and meet the demands of our consumers, minimising the potential adverse consequences of Brexit. These priorities are as follows:
 - Consistent food laws - so that products from the EU can remain on sale in the UK, and vice versa;
 - Compatible food labels - so that we can continue to maintain the same SKUs in the UK and Ireland, rather than having to have separate parallel listings;
 - Smooth customs controls - to minimise the risk of delay at the borders so that our product can reach consumers in the freshest condition;
 - Safeguards for EU staff - at present, EU citizens have the right to live and work in Britain; we want that maintained for all our colleagues and their families; and
 - Access to priority markets - Alfreton has ingredients from and exports to key markets, and we would want trade deals with those countries to the front of the queue.
4. Ferrero UK supports a transition arrangement with the EU if a permanent deal cannot be agreed and ratified within the 2 years foreseen by Article 50, and we believe any transition period should be as long as necessary to allow business to plan sufficiently for operating under a new UK-EU FTA.

About Ferrero UK

5. Ferrero was founded in Italy in 1946, and in the 70 years since has grown steadily and responsibly around the world to become the world's third largest chocolate confectionery company. Ferrero first came to the UK in 1966. In 2015, Ferrero acquired Thorntons plc. Ferrero now employs around 3,500 people in UK, with a headquarters in Greenford, London, a manufacturing site in Alfreton, Derbyshire, and around 200 shops. Ferrero's UK turnover is £483 million, with a market share of 9%.
6. The food and drink industry is the UK's largest manufacturing sector, bigger than aerospace and automotive combined, and we welcome the Committee's focus on food and drink as a distinct manufacturing sector.

7. Like other companies in the sector, Ferrero's success in the UK owes much to the EU Single market and Customs Union, and the ability to easily move our products across borders, source ingredients and raw materials from a range of countries, and the ability of our staff to work freely across Europe.
8. Ferrero is now concerned about the potential impact of Brexit on our business model, and the high risk of disruption created by exiting the Single Market and Customs Union.

Brexit: implications for Ferrero UK

Market access

9. Ferrero UK has been able to grow substantially and sustainably over 50 years, due in part to the Single Market and the Customs Union. Ferrero products on sale in the UK are manufactured in Ireland, France, Belgium, Germany, Poland and Italy (in addition to Thorntons products which are manufactured in the UK) and then distributed across the continent. Ferrero factories are highly efficient and highly automated.
10. Our growth depends on consistent laws being in force in each country covering issues such as production, processing and manufacturing. The EU Single Market is, in effect, an absolute guarantee of this consistency.
11. Under WTO rules, the calculation of tariffs levied by the EU is affected by details such as the amount of: starch or glucose; sucrose, invert sugar or isoglucose; milk fat; and milk proteins. As such, the tariff calculation varies according to the ingredients of an individual product, but for our products is typically around 10%. If the UK were to replicate these tariffs on imports, this would be one of the biggest single sources of cost faced by our company and, in all likelihood, by our consumers.

Non-tariff barriers and regulation

12. Of greater significance to Ferrero specifically would be the non-tariff barriers that would likely result from Brexit. Two such non-tariff barriers would be regulatory divergence and inadequate customs arrangements.
13. Firstly, on regulatory divergence. If the Single Market is a guarantee of consistency of laws that govern the manufacture of our products, then outside the Single Market there is a risk this consistency will be lost. Regulatory divergence will add to the complexity of our business model, creating a risk of increasing costs and reducing consumer choice. Two examples of future regulatory divergence that would affect us are detailed below; food law and food labelling.
14. Ferrero UK supports UK and EU food law remaining in step after Brexit, ensured by some kind of institutional relationship between the UK and EU regulators (e.g. the Food Standards Agency and its European equivalent, EFSA). There are models elsewhere in the world of regulatory cooperation of this sort, such as between Australia and New Zealand and the

agreement between the EU and Switzerland. A relationship along these lines between the UK and the EU is possible and necessary.

15. Secondly, food labelling. Government has previously cited changes in food labelling as one of the opportunities afforded by leaving the EU. However, Ferrero products are sold in the same packs in the UK and Ireland. Were UK and EU labelling law to diverge such that future labelling schemes were not compatible, i.e. we had to have different products on sale in each country, the task of repackaging products from one market to the other could increase costs by as much as 10% and reduce the number of different products on the market. If the current, strong tradition of voluntary labelling schemes were to be maintained, that risk of cost increases (and the risks that flow from that) would be averted.
16. Ensuring that consumer choice is not diminished by Brexit and that costs are not increased must be a Government priority. Regulatory cooperation is therefore essential. It is not for Ferrero to take a view as whether this is best achieved through an EU association agreement (or equivalent), or by simply replicating EU regulation, as long as the regulations remain reliably in step.
17. Insufficient arrangements for customs controls should also be considered as a non-tariff barrier that could significantly impact on the ease of Ferrero products reaching UK consumers. While we are aware of proposals to increase capacity at Dover, there must be concerns about whether these are adequate. The impact of delays in customs must be acknowledged as a serious risk.
18. Ferrero products sold in the UK are manufactured in locations across Europe and imported on nearly 5,000 trucks each year. Delays at customs would be costly and could impact on the freshness of our products in store. This is of particular concern for Ferrero, as the shelf lives of Ferrero products are typically 1/3 shorter than those of competitors. As a guarantee of quality to our consumers, we would not want the freshness of our products to be impacted by delays caused by insufficient customs arrangements. There could even be the risk of stock shortages in the event of severe delays.
19. Around the world, there are examples of “trusted trader” schemes that allow for the pre-accreditation of shipments, which could substantially reduce the risk of delay at customs borders. The recent Government position paper on customs arrangements acknowledged these schemes as a model due further examination, which is to be welcomed. Under such a scheme, the responsibility to ensure trucks entering the UK are free from clandestine goods or travellers sits primarily with the “trusted trader” rather than with the Government. Ferrero believes this is a workable balance of responsibility. At present, Ferrero’s intensive quality procedures ensure that trucks are sealed for security purposes with comprehensive data kept on drivers, vehicle movements, loads, etc. This careful attention to quality should enable Ferrero to join a “trusted trader” scheme.
20. Further consideration from the Government is needed on future arrangements for trucks travelling through the UK from the Republic of Ireland. 80% of the output from our tic tac factory in Cork, Ireland, is exported to the mainland of Europe through the UK. A customs transit scheme for appropriately sealed and secured vehicles would keep costs low and limit the burden on what is likely to be a hard-pressed customs system after Brexit. It would also

be recognised by our negotiating partners as a substantial step towards mitigating of the impacts of Brexit on the economy of the Republic of Ireland.

21. For the purposes of business stability, it is essential that any changes to customs procedures happen only once. It is of greater importance to get the customs system correct than it is to have a new customs system implemented in a shorter timeframe, which then changes at a later date.

Skills

22. As with many other large businesses in the UK, Ferrero UK employs staff from other countries in the EU. These employees fill skills and staffing gaps at all levels of the organisation, whether recruited locally or transferred from Ferrero businesses in other countries.
23. With regards to local recruitment, we recruit solely on the basis of who is best suited to a particular role. Therefore, there may be different levels of EU nationals at the Ferrero UK headquarters in Greenford, London, our manufacturing site in Alfreton, Derbyshire, and in any of our retail sites across the UK. Around 7% of our overall workforce is comprised of EU nationals, but this increases to 20% of head office roles.
24. Some of these roles could certainly be filled by British workers in future. However, the EU nationals we employ at present have entrusted Ferrero with their livelihoods and careers: we believe it is important to protect them. Confirming that these employees can continue to work in the UK is a high priority.
25. The role of intra-company transfers is of particular importance to Ferrero, which has 40,000 staff in 53 countries around the world. Staff at all levels, except perhaps the most junior, are often moved between different countries. Such staff bring to the UK business skills and experience they have acquired in the operations of the wider company, and will, after a period of time, take experience of the British contribution to the company culture back to other countries. It is a continual and two-way flow, strengthening Ferrero's collective capacity. By definition, this kind of skills and knowledge transfer cannot be replaced by UK workers alone.
26. After Brexit, we would like to retain the flexibility we currently enjoy in choosing the right people for our roles. The existing regulations are costly and complicated. Ferrero takes pride in its reputation as a good employer, and we believe it is our duty to those staff in our service that we provide support not only for that individual staff member, but any family whom they wish to move with them. Therefore, the future work permit process should be straightforward and cost effective.

Trade opportunities

27. One of the attractions of the acquisition of Thorntons was the prospect of exporting an iconic British brand around the globe. The Thorntons business has excellent credentials, and the UK has great potential as a location for manufacturing exports.

28. The UK currently benefits from 53 FTAs that the EU has secured around the world. After Brexit, we need a rapid replacement of as many of these trade deals as possible. For Ferrero UK, and particularly for the potential growth of our Alferton site, the UK will need to secure deals that both enable us to import ingredients, and both import and export finished products.
29. We propose the following export markets as top priority for new trade deals: EU, Australia, USA, Canada, China, Hong Kong, South Africa and UAE.
30. And key sources of imports, which with we want the lowest possible tariffs and non-tariff barriers, are the EU, Peru, Ghana, Côte d'Ivoire, Brazil and USA.

Transitional arrangements

31. Ferrero takes a long-term view of all its business operations; we invest on a multi-year time horizon. It takes years to develop, list and launch a new product and we are already planning for post-2019.
32. It is vitally important for our business to avoid a 'cliff-edge'. We also strongly request that once the UK leaves the EU, any arrangements that businesses make to continue trading in the UK are only required to be made once. This is particularly true with regards to the introduction of new hugely complex customs systems, but as much stability for business as possible in all regards should be a government ambition.
33. With regards to the length of any transition therefore, the important matter is that future arrangements are made with due consideration for business stability, rather than with an arbitrary deadline in mind. Any transition period needs to be as long as it takes to get the future trading relationship with the EU right.

November 2017

Written evidence from the Food and Drink Federation (BRF0010)

1. The Food and Drink Federation (FDF) is the voice of the UK food and drink industry – the UK’s largest manufacturing sector. FDF represents and advises food and drink manufacturing firms across the United Kingdom, including leading brands and home-grown businesses, large and small. We are central to the economy and to food security, providing consumers with a fantastic array of safe, affordable and nutritious food and drink every day.
2. Food and drink manufacturing in the UK is an economic success story. It is the UK’s largest manufacturing sector accounting for 19 per cent of the total manufacturing sector, turning over £95.5 billion per annum; creating GVA of £28.2 billion, employing around 400,000 people and driving export growth that has seen exports exceed £20 billion for the first time in 2016. As producers, we sit at the heart of a £110 billion ‘farm to fork’ industry which employs four million people.
3. However, as the sector that faces the greatest impacts as a result of Brexit, food and farming has much at stake in the negotiations. It is vital that we secure the right outcomes which ensure that we maintain the quality, choice, and value that consumers demand. We cannot afford a ‘cliff edge’ scenario and urge interim or transitional arrangements that will apply until any new arrangements are in place, to protect our sector’s successes and long-term investment. Crucially, this should avoid the need for two points of change. This would create additional complexity, necessitating further negotiation with the EU to put in place implementation procedures and would generate additional costs for businesses and Government alike.
4. Shortly after the EU referendum, FDF established the Food and Drink Round Table which brings together representatives of more than fifty of the UK’s leading food and drink manufacturing trade associations and representative bodies and senior officials from key Government departments to discuss issues affecting the industry as we leave the EU. The group meets on a monthly basis at FDF, joined by officials from Defra, FSA, DIT, DExEU, BEIS, HMRC, HMT and more for constructive dialogue on the challenges and opportunities that face the industry. This has helped provide a clear message from industry to inform Government thinking, while providing a forum for Government to gather expert opinion.

Market access and non-tariff barriers

5. UK food and drink manufacturers operate in increasingly open and competitive markets when selling their products. Manufacturers operate highly integrated EU-wide supply chains, both for sourcing raw materials and selling finished goods, while the largest producers have factories in both the UK and the EU.
6. The success of the UK’s largest manufacturing sector is inextricably linked to our ability to import and export raw materials and finished goods across borders. FDF’s members are committed partners of the domestic agriculture industry, however they also need to import ingredients that are not produced in the UK or are not produced in sufficient quantities. To succeed, they must have access to sufficient supplies of safe, high quality and competitively priced ingredients and raw materials.
7. The overwhelming majority of UK trade in food and soft drink is with the EU – more than 70 per cent of exports and imports. It is vital that Government recognises the strategic importance of food production in the UK, and ensures that essential imported ingredients and raw materials from the EU and countries with which the EU has

preferential trade agreements do not face tariffs or costly non-tariff barriers after we leave the EU. This access is essential to enable continued growth of both UK food and drink production and exports, and to avoid the very real risk of price rises and reduced product choice for consumers.

8. A no-deal scenario could pose a real threat to UK food and drink and the trade in our industry's products. The EU's WTO Most Favoured Nation (MFN) tariffs for agrifood and drink are significantly higher than for other goods, with peaks of more than 100 per cent on many products. For example, tariffs on meat can reach a maximum level of 104 per cent, fruit and vegetables 157 per cent, oilseeds 170 per cent, sugars and confectionery 127 per cent, and beverages 152 per cent.
9. Food is part of the UK's Critical National Infrastructure and 'just in time' (JIT) supply chains mean empty shelves in four days or fewer if supply is delayed or interrupted. Most food has a limited shelf life and some is highly perishable. Many manufacturers form part of complex European supply chains, developing local specialisations which help to boost company competitiveness. The ability to import and export goods and ingredients seamlessly across borders is critical to business models.
10. Government should also ensure continuity between existing EU-third country preferential trade agreements and successor UK agreements. Any change to trading terms with these fifty or more markets would be hugely disruptive and unwelcome. Any loss of international competitiveness could have implications for domestic production and ultimately for the choice and affordability of products enjoyed by UK consumers.
11. Most food and drink products crossing the EU's external border are subject to a range of sanitary and/or veterinary certification and inspection requirements which necessitate physical checks at point of entry, including for animal and plant health. These simply cannot be resolved through the use of technology. At present, most of these mandatory physical checks do not apply to movements of products between the UK and the rest of the EU. But without explicit allowance for this to continue, our products would be treated by the EU on a par with existing third country requirements. This would add significant logistical challenges and costs, as well as potentially increasing food waste if delays lead to spoilage of goods in transit. These adverse effects would be felt across the food chain by farmers, manufacturers, traders and ultimately consumers.
12. Delays at border would also threaten our industry's exports to the EU, which currently total more than £12 billion each year. We know from experience that European retailers will not tolerate delayed deliveries. Avoiding a hard border during the transition period will be vital if we are to maintain strong export growth into the valuable EU market which is currently growing at a faster rate than sales to the rest of the world.
13. Designing and negotiating a new customs model to put in place beyond the transition period, that delivers the same ease of trading that UK food and drink currently enjoys with the EU27 will be a major challenge. Government will need to put in place customs arrangements that are as frictionless as possible and as a matter of priority avoid disruption to supply chains that rely on unimpeded movements of perishable ingredients and sales of limited shelf life consumer products.
14. Continued close cooperation will be required between UK authorities and their EU counterparts. Technical challenges will arise that require solutions on the EU27 side to ensure trade that is as frictionless as possible. Frontier authorities need to communicate effectively and efficiently to ensure continued interoperability after the UK's new customs system enters into force.

15. A successful relationship between Government and the UK business community is similarly important. FDF and its members will continue to work with HMRC to highlight the unique challenges facing food and drink and the solutions that are needed as Government develops its customs capacity. Further activity will be required to ensure the UK's food and drink manufacturers have the skills that are needed and FDF will work with Government and help to deliver this support wherever possible.
16. Our future trade arrangements are of particular importance in the case of the Republic of Ireland, our only land border with the EU. The UK is Ireland's largest trading partner in food and drink. It buys more from us than the United States, China, Russia, Brazil, Canada and Japan combined. Nearly a fifth of UK food and drink exports go to Ireland, with more than a third of Ireland's reaching UK shores. The majority of food sourced in Ireland from EU and international sources, particularly fresh produce, arrives via ports and supply chains from across the whole of the UK.
17. There are enormous practical challenges facing us in food and drink. Most UK food businesses treat the island of Ireland as a single territory. Workers, raw materials, part-finished and finished goods cross the border, sometimes several times. The UK and EU negotiating teams must swiftly agree practical solutions which provide certainty for businesses around the future of the seamless and highly valuable market in food and drink that exists between Great Britain, Northern Ireland and the Republic of Ireland. Agreement on mutual recognition of product standards and regulations will be crucial to avoiding burdensome health or veterinary checks.
18. FDF has offered to convene a joint industry-Government task force to tackle the specific border challenges for food and drink, so that vital imports and exports of raw ingredients and finished goods are not delayed or impeded. We are committed to working closely with Government and counterparts in Northern Ireland and in the Republic to identify technical solutions to the most pressing challenges, without burdening business – whether a new 'trusted traders' scheme, customs exemptions for SMEs, or the issues around sanitary inspection checks for food and drink products.
19. One example of the complexity are the requirements for the industrial bakeries in the Republic of Ireland (ROI). These bakeries are supplied with flour from mills either in Northern Ireland or England. Due to the nature of ROI's domestic wheat crop, flour mills import the wheat they require. We could therefore see the potential scenarios of:
 - Tariffs on wheat imported by UK (Northern Irish or English millers) from outside UK;
 - Tariffs on flour exported by those UK millers to ROI; or
 - Tariffs on finished bread product exported by an ROI bakery to UK.

Regulation

20. Maintaining consumer confidence in the safety and authenticity of UK food and drink is paramount for industry. The production, processing, distribution, retail, packaging, and labelling of food and drink is governed by a wealth of laws, regulations, codes of practice, and guidance – the majority of which are set at an EU level. The EU (Withdrawal) Bill must provide certainty for our 6,800 businesses. It is vital we protect the UK's reputation for high quality products, while where possible, boosting the competitiveness of our sector.
21. Full regulatory equivalence between the UK and EU would go a long way towards ensuring that trade can be conducted much as it is today. If and where divergence in

regulation occurs over time, mutual recognition of food regulations between the UK and EU will be essential to ensure continued trade in food and drink. Without this our exports to the EU will automatically face complex documentary and physical inspection requirements which would make exporting more difficult and costly for UK producers. These issues could be amplified in some EU Member States as the absence of a regulatory agreement could result in a greater risk of protectionism via the use of non-tariff barriers to trade. However, even with a situation of mutual recognition, some checks will be required and it will be essential that Government ensures that these are manageable and kept to an absolute minimum.

22. Common regulatory and legal requirements need to be informed by sound science and evidence based to allow companies to do business and trade on a level playing field, while also protecting consumers. However, where EU regulation creates barriers and burdens that limit businesses' ability to innovate, we believe improvements can be made.
23. It will be essential that the UK is able to continue to influence, as it currently does, EU legislation up to the point of exit, as EU regulations will continue to have considerable impact on UK provisions as Article 50 is enacted. Beyond the point of exit it could be argued that continuing to have influence would be highly desirable as regulatory equivalence and mutual recognition will be enabled by EU legislation, informed by UK positions.
24. It will also be vital to minimise regulatory fragmentation between the nations of the UK and to ensure Government has the right mechanisms to ensure mutual recognition for seamless trade.
25. Government has indicated it is considering the role of the European Food Safety Authority (EFSA), alongside other bodies. FDF would want to continue to have access to EFSA's expertise, but if changes to our access to EFSA are foreseen, similar provisions will need to be set up by UK authorities to compensate for this, and such arrangements need to be fully functioning at the point of exit.
26. Any proposed changes to food and drink regulation as between the UK and EU – and across the devolved administrations of the UK – should be subject to detailed consultation with industry and we are keen to offer our support by providing FDF's expertise to support the task ahead.

Skills

27. Food and drink has benefitted greatly from the skills, expertise and flexibility of EU workers, employed by firms large and small. Around a third (34 per cent⁴) of our workforce are EU nationals, with a high percentage carrying out essential production, technical, engineering and specialist roles. The most likely reason EU nationals are employed in the food and drink industry is due to be a lack of availability in the resident labour market to fill these roles. Food and drink manufactures responding to a survey on the economic contribution of the sector reported that engineering and technical/quality control were among the hardest to recruit for in a very tight labour market.
28. The skill level of food and drink manufacturing can be broken down into a third of the workforce (30.8 per cent) being low-skilled, a third being semi-skilled (36.7 per cent), and a third being classed as high skilled (32.5 per cent) with EU nationals making up 19 per cent of those in higher skilled roles. It is vital that we have the pool of talent we

⁴ Food and Drink Supply Chain Workforce Group, '[Breaking the Chain](#)', August 2017

need to feed the nation and FDF has called for immediate action from Government to guarantee the right to remain for the 117,000 valued EU citizens that already work in food and drink manufacturing.

29. Any change must be carefully managed through an orderly transition. Government and the independent Migration Advisory Committee (MAC) must work with industry to ensure practical and evidence-based solutions. We cannot afford a 'cliff edge' that impacts on our ability to grow, produce and serve the food we eat.
30. FDF leads a food and drink supply chain workforce group, with farming, food retail and hospitality bodies. Our joint report, published in August 2017 '[Breaking the Chain](#)' revealed that an abrupt reduction in the number of workers from the EU able to work in the UK after the UK leaves the EU would cause significant disruption to the whole food and drink supply chain. Almost half (47 per cent) of businesses surveyed said EU nationals were considering leaving the UK due to uncertainty surrounding their future, and over a third (36 per cent) said their business would no longer be viable if they did not have access to EU workers. The report set out a number of recommendations to Government, including reviewing the recording of immigration data, increasing efficiency through adequate Home Office resourcing and investment in skills provision.
31. Our industry recognises that it must do more to recruit local talent in the area they operate. But it is important to note that there is no overnight solution to skills and the labour gap our industry faces. It will take time to develop and see the results of initiatives. It takes significant resource to train people for key roles in our industry, like engineers, and this needs to be recognised. Our sector already faces a large skills gap due to demographic change in our ageing workforce. Across the UK, we will need 140,000 new skilled workers by 2024. Future migration policy must ensure that industry has access to the workers it needs to address our skills gap, and that food and drink gets its fair share.

Trade opportunities

32. We are ready to seize new opportunities that arise as the UK leaves the EU, whether in exports, domestic sourcing or greater innovation. However, our trading and regulatory ties with the EU are deeply interwoven and must be dismantled with care.
33. The priorities around trade for UK food and drink manufacturing are highly complex. Overlapping processes will dictate our future trading environment and relationships with overseas partners. This includes concluding Article 50 talks on the UK's separation from the EU, establishing the UK's schedules of concessions at the WTO, putting in place a comprehensive EU-UK trade deal and negotiating new trade agreements with third countries.
34. These talks will run on different timescales and the outcome of each negotiation will impact on other talks. The trade dossier overlaps heavily with regulatory and other policy areas, not least the UK's future agriculture and fisheries policies. As a result of this complexity, the devil will be in the detail in the final outcome of each negotiation. Key priorities in the short term for our sector include:
 - recognition of Ireland's special circumstances;
 - zero-for-zero tariffs in any EU deal, at least for a transition period, and generous Rules of Origin;
 - maintenance of EU-equivalent WTO tariff schedules and applied rates, to be reviewed later;

- minimising disruption to customs procedures;
 - ensuring continued membership of EU regulatory bodies; or strong mutual recognition arrangements between the EU and new UK equivalents; and
 - ensuring continuity between existing EU-third country preferential trade agreement and successor UK arrangements.
35. Having addressed these priorities and ensured continued market access with the EU and existing preferential trade partners, there will be opportunities for Government to establish Free Trade Agreements (FTAs) with other countries that present benefits in terms of access to ingredients and raw materials, as well as the possibility for export growth where both tariff and non-tariff barriers can be reduced or removed.
 36. In the medium term there will be an opportunity for Government to establish ambitious new Free Trade Agreements (FTAs) with trade partners. We expect this will provide new growth opportunities for UK manufacturers in terms of both sourcing ingredients and raw materials, as well as opening export markets.
 37. FDF strongly supports efforts to ensure free and fair trade, however no outcome of trade negotiations with third countries should result in any weakening of any protection for health, safety or the environment. Negotiating complex and ambitious trade agreements that include food and drink will require mechanisms to ensure transparency for consumers and producers alike to avoid any risk of concerns that trade deals could result in the erosion of the UK's high standards.
 38. Government now has the opportunity to put in place the procedures that will be needed to facilitate dialogue with interested parties. This will be needed to help prioritise target markets for future FTAs, support their efforts to gather detailed evidence to support negotiating efforts and to provide a clear understanding of where sensitivities may exist. FDF is developing thinking as part of our Industrial Strategy submission as to how this might work.
 39. As negotiations with third countries develop, industry will need to support Government as it considers implications for trade in food and drink. This will be particularly important when negotiating preferential rules of origin as a detailed knowledge of trade flows in ingredients, raw materials and finished goods will be needed to understand potential trade implications. In the case of the EU-Canada CETA trade agreement, we know that some sectors will not benefit from tariff liberalisation as a result of prohibitive Rules of Origin which prevent access to the Canadian market.
 40. UK food and drink exports have gone from strength to strength in recent years, surpassing £20 billion for the first time in 2016 and helping to maintain the UK's global food and drink market share of 2.2 per cent between 2006 and 2015, however the UK has significant untapped potential to close the gap on European counterparts that at present have a much larger share of the global market, such as France at 4.7 per cent and Germany 5.6 per cent.
 41. Research produced by Grant Thornton for FDF shows that on average, exports account for a comparatively small percentage of companies' overall UK turnover at under 10 per cent. The research demonstrates the potential that exists in UK food and drink to expand our exports. ONS data shows that fewer than one in five UK food and drink manufacturers actively export, just half that of the Republic of Ireland (40 per cent) and Spain (38 per cent).
 42. Looking to individual markets, China, India and the UAE come out as the top three targets for exporters, however businesses currently struggle to enter these markets

due to their complexity, cost and unfamiliarity. In the case of China, our research shows that the UK lags significantly behind EU competitors in terms of both market share and export growth.

43. We believe that significant value growth in our sector's exports can be delivered by enabling more SME businesses to begin exporting and by helping existing exporters to expand their exports. Delivering this would enhance our sector's productivity as companies learn to compete in global markets and would uniquely deliver benefits in every region of the UK, at both a local and sub-regional level, as well as the national level. As noted above, we are currently developing a sector deal proposal that will bring forward detailed proposals on how industry and Government can work in partnership to fulfil our export potential.

Transitional arrangements

44. New trade agreements with the EU and with other existing preferential trade partners will take time to negotiate and implement. Until a comprehensive UK-EU trade deal has been agreed, ratified and enters into force, we will need transitional arrangements to ensure businesses have continued access to vital imported ingredients and export markets. We strongly support a transition period which ensures that businesses will have to adapt to only one set of changes to minimise cost, unnecessary disruption and impact on consumer prices. Crucially, this process of transition cannot begin until there is certainty about the end goal of the whole transition process.
45. The transition period should have a clearly defined start and end point and the duration provided should not be decided arbitrarily. The length of time required for importers and exporters in UK food and drink manufacturing to adapt, change and test their systems will vary significantly from business to business. This will depend on a range of factors, including the product sector, the complexity of value chains across the EU and their existing experience of trading outside the EU. For some businesses, this can be achieved relatively quickly, painlessly and with minimal cost, however for others this will present a more significant challenge.
46. We share the view expressed by the Chancellor of the Exchequer in the foreword to the Customs White Paper that "How long the period is should be determined simply by how long it will take to prepare and implement the new processes and the new systems that will underpin our future partnership, but we are clear that 'cliff-edge' changes are in the interests of no-one, either here, or in the EU." Crucially, this process of transition cannot begin until there is certainty for businesses about the end goal of the whole transition process. Precise details of the UK's future customs model must be negotiated and agreed with the EU and specifications confirmed to industry by HMRC, in conjunction with requirements agreed with the other frontier authorities.
47. It is essential that there is early confirmation that there will be a transition period and that no substantive changes will be required on day one after we leave the EU. We are aware that some food and drink companies are preparing to make serious decisions at the start of 2018 which could have detrimental consequences for jobs and investment in the UK. Therefore, early clarity on the legal form of the transition, and the details of how it will deliver the objective of no substantive changes on day one, is highly desirable.
48. Looking at customs requirements, the ability of Government to update its own systems and put in place required new infrastructure on such an accelerated timescale may present the greatest challenge to delivering a new UK customs system and could even mean a longer transition period would be required. The new EU-wide customs

legislation, the Union Customs Code (UCC) has required a transitional period of over four years.

An Industrial Strategy to support future growth

49. We have asked the Government to counterbalance any uncertainty that arises during the process of leaving the EU with incentives to support growth through an Industrial Strategy sector deal. This will play a vital role in ensuring the continued success of our sector which operates in every region of the UK, both rural and urban.
50. In July 2017, FDF commissioned Grant Thornton to undertake an independent research project⁵ identifying both the opportunities available to food and drink manufacturers and the barriers to growth across the UK. This research focuses on three core areas: innovation, trade and skills and is helping to shape FDF's work to deliver an Industrial Strategy sector deal for food and drink in partnership with the Government. We are now developing a sector deal proposal to Government which will add economic and societal value through the following priorities:
 - Investing in science, research and innovation for health and productivity improvements;
 - Addressing fragmentation of specialist food and drink export support to drive SME export growth and fulfil industry's export potential; and
 - Developing skills to improve workforce self-sufficiency and productivity improvements.

November 2017

⁵ Grant Thornton '[FDF Economic contribution and growth opportunities](#)' July 2017

The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (FDF) is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country. Our industry has a turnover of £95.5 billion, which is 19 per cent of total UK manufacturing, with Gross Value Added (GVA) of £28.2 billion. Food and drink manufacturers directly employ 400,000 people in every corner of the country. Exports of food and drink make an increasingly important contribution to the economy, exceeding £20 billion in 2016 for the first time. The UK's 6,800 food and drink manufacturers sit at the heart of a food supply chain which is worth £110 billion to the economy and employs four million people.

The following Associations actively work with the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
EMMA	European Malt Product Manufacturers' Association
FCPPA	Frozen and Chilled Potato Processors Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SA	Salt Association
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers' Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

FDF also delivers specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group
Frozen Food Group
Ice Cream Committee
Meat Group
Organic Group
Seafood Industry Alliance

Introduction

1. GMB is the UK's third largest trade union with over 640,000 members. As a general union we work across a wide range of sectors including a longstanding membership and influence in the UK's Food and Drink Industry (FDI). Food and drink is the biggest contributor to UK manufacturing by value and is worth £26bn (GVA) to the UK economy.
2. GMB has a wide footprint in confectionary, food processing, biscuits, drinks, both non/alcoholic and dairy. Firms such as Nestle, United Biscuits (now pladis) Bakkavor, Cadburys, Diageo, Kerry Group and Arla have significant GMB membership. Our members and workplace representatives play a leading role in many of those companies.

Market access, transition and trade deals:

3. The Government has stated its desire to leaving the single market and the customs union. GMB believes that the UK must seek the most advantageous terms of trade with the European single market. At this stage we do not know what the exact economic consequences of the path the Government is pursuing on the number of UK jobs in processed food and drinks sectors or the wider economy. That is why we have consistently called for the Government to release its risk assessments which would highlight the potential impact on jobs different sectors, regions and nations within the UK. We note the recent decision taken by the House of Commons to publish these assessments and we look forward to reading them soon. Despite this current lack of information there is growing uncertainty about the issues facing the processed food and drink industries which we hope the Government responds to and addresses.
4. A transition period will enable industries more time to plan and adapt to a changing economic landscape and could provide workers with greater job security than at present. GMB does not think this transition period should simply be 'business as usual.' There needs to be far greater effort from Government to involve all sides of industry including trade unions in their decision-making and planning at a sectoral level. For example, there are huge issues relating to workforce planning, pay and skills which require a different approach than in the past. Trade unions have a clear interest in ensuring good quality jobs are created in the UK's food and drink industries.
5. Future trade deals should not aim to undermine or undercut existing EU standards and regulations with regards to product quality and safety. Similarly, we do not want to see employment conditions or rights threatened. Instead GMB would like to see the Government approach future trade deals with greater emphasis on transparency, democratic accountability and social rights and

consideration than in the past with controversial trade deals such as CETA or TTIP.

Market access:

How important is free access to the Single Market?

6. Access to the Single Market for the Food and Drink Industry (FDI) is a key consideration for UK exporters, however for producers focussed wholly, or mainly, on the domestic UK market, it might be provide some protection from cheaper EU imports, particularly from former A9 countries. At a workplace-level many workers are aware of the export/domestic composition of their production and are making rough calculations on how that may impact them at plant level.

What would be the impact of trading with the EU under WTO rules and tariffs?

7. A number of successful UK exports rely on volume efficiencies to compete in Europe, particularly with production sourced from A9 countries, and as such are very price sensitive. Any significant tariff levels would be expected to impact heavily on this section of UK export production. Where UK exports are considered a premium product, such as Whisky, then strong brand recognition could offer some protection against higher sale prices, but again there would be a point where that would not hold.
8. With respect to imports, and in particular ingredients, it could result in a seismic shift in the eating habits of UK citizens – as much as the access to cheaper, out-of-season ingredients has ushered in a new wave of food and drink consumption. Any continued squeeze on wages and prices may result in the reduction of ingredients and/or product lines from the UK 'menu'. This could lead to a refocusing on local ingredients, or innovations in the use of substitutes in food processing. The use of substitutes would also likely require a revision of current R&D focus, perhaps adjusting from increasing efficiency to greater variety of uses for substitutes. Higher food prices as a result of tariffs would affect all consumers but it would have a greater impact on those with lower disposable incomes.

How significant are tariffs compared to other costs?

9. This is entirely dependent on the tariff levels, but at 30% this would represent a significant amount in relation to food, including confectionary, as the margins are generally quite thin. The impact on exports would be likely to be significant.

Non-tariff barriers:

How significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union?

10. Non-tariff barriers such as food safety standards could be very critical. Food security is increasingly becoming an issue for many governments, and it would be highly likely that the EU would maintain its' own relatively high standards of food hygiene etc. The Food Standards Agency already attracts criticism for its light touch approach, and the FDI could experience significant pressure to prove that existing UK standards continue to meet more stringent EU standards.
11. There is also the threat of permitting lower standards as part of non-EU trade deals. It could result in a scenario where producers looking to export to the EU had to maintain significantly higher and more onerous standards, but at the same time be exposed to competition on the domestic front from companies in nations with far lower standards.
12. Loss of access to the Customs Union will place significant pressure on producers who require imported fresh ingredients – the imposition of customs checks would slow the import process considerably possibly having a disproportionate impact on FDI producers whose production and product lives are exceptionally time sensitive.
13. A new customs system with a strong focus on standards could offer the chance to prevent the import of goods that could threaten existing food safety and production, similar to the stringent import controls exercised by other island states such as Australia.

What are the most significant ones?

14. The potential impact of multiple food hygiene/safety regulations and likely delays at customs points for fresh food ingredients.

How best could impacts be mitigated?

15. A commitment from the UK Government to maintain the same EU standards, and even contemplating a mirror-system could mitigate pressure on exporters, and also help to protect all producers and consumers from imports that undercut existing standards.

16. It is possible that blockchain initiatives in sourcing and supply-chains could provide a level of certainty regarding provenance and standards that could mitigate some concerns however these initiatives are not yet to scale or in wide usage, if at all. They would require significant scale and support from FDI and Government to become established.

Regulation:

What are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards?

17. Please see responses above.

To what extent should the UK seek to retain influence on these standards?

18. GMB would not want to see a reduction in standards. A 'mirror system' would enable the voice of FDI to be heard.

Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards?

19. It would be in the best interests of consumers and FDI producers to have consistent standards of food hygiene/safety, and that these should be the highest possible, whether through a direct association agreement or replication, and updating of existing standards.

What dispute resolution processes would be most desirable?

20. Following the damage done to the steel industry by the 'dumping' of artificially supported products, and in recognition of the fact that our current trade remedies powers are excised through the EU, we believe that the UK must institute a robust framework that will allow it to confront similar situations in a post-Brexit environment. GMB is part of a coalition of manufacturing employers and unions that have formed the Manufacturing Trade Remedies Alliance that is making the case to the Government for implementing a fair and robust trade policy after March 2019.

Should the UK seek to align professional qualifications with those in the EU?

21. Where applicable this should be a goal, the FDI has long been identified as a critical Sector where skill development and career pathways are not clearly defined, and or resourced. Now would not be the time to permit the downgrading through drift of professional qualifications, particularly given the value of FDI exports to the UK economy.

Skills:

How dependent is the sector on workers from EU countries, at all skill levels?

22. The FDI relies heavily on workers from EU countries, with GMB members reporting significant levels of EU nationalities in almost every workplace, both long-term and recent arrivals. It relates to the previous response where successive governments and reports have identified skill development and clear career pathways as critical to increasing the attractiveness of the industry to UK workers.
23. The FDI is also reliant on EU workers as there has been a decade-long squeeze on working conditions within the Sector. Almost all Company Defined Benefit pension schemes have been closed, working hours have been continually extended to match retailer demand, wages have stagnated and in many cases eroded by a failure to maintain pay structures and terms and conditions, such as Company sick pay schemes diluted or withdrawn in order to save costs.
24. The combination of these factors has enabled the FDI to maintain margins, but at the same time meet continued demands for cheaper products, without the necessary investment in innovation or growth, with investment levels in the FDI below those witnessed prior to the financial crash.

What is the potential impact of restrictions on freedom of movement?

25. The impact of Brexit is already being felt in many workplaces with uncertainty particularly affecting migrant workers from other EU countries. The sector has relied on low wage work to maintain its profit margins and hasn't invested in technology and innovation. GMB analysis of ONS figures show the scale that the food and drink industries employ workers from other EU countries. 48% of employees in the fruit and vegetable processing and preserving sector, 44% in meat processing and 37% of workers processing fish, crustaceans and molluscs are EU migrant workers.
26. Restrictions in freedom of movement will likely result in some labour shortages, which could translate into higher wages in some roles through necessity, or alternatively it could also result in volume reduction and plant closures to offset the shortage of skilled labour. A rebalancing is required in the FDI in order to prevent the workforce bearing the burden for maintaining margins and continued reduction in production costs, without any co-investment and sharing of costs by employers.

27. Whatever happens to freedom of movement in the future, GMB believes that those EU workers currently in the UK should be entitled to stay with equal rights. We believe this is only fair to those who have settled in the UK and made it their home as well as fair to UK workers currently working in EU countries. Providing reassurance to EU workers will also enable UK industries adapt to changes in immigration policy and deal with the implications of that. GMB continues to recruit and represent EU migrant workers alongside our UK membership. In doing so, our union aims to reduce workplace exploitation and improve pay, terms and conditions for all workers.

How far can gaps be filled by UK workers?

28. Significantly, but it is an industry characterised by poor working conditions, low wages, increasing working hours and significant health and safety issues. If these are not addressed then the wage premium experienced by EU workers, but not necessarily UK based workers, will not be sufficient to attract workers to the industry.

Trade opportunities:

What opportunities are there for the UK to improve exports to countries outside the EU?

29. The Government has already reproduced in large part the same export plan for the FDI twice now, without any discernible impact on export figures. There does not seem to be any coordination of the strategy themes with devolved or local government, and judging by the on-going observations of the Food and Drink Federation, with industry either.

30. GMB members are often informed by management that there is little strategy within their industry (and sometimes in their own company) to innovate, create and tackle the challenges everyone is quick to identify. This is something we need to rectify. The Government should seek to play a role in bringing together trade unions, employers and other relevant bodies to address the short-term and longer-term challenges facing the UK's food and drinks industry.

Where should Government seek to prioritise in terms of trade deals?

Please see above relating to the existing Government export plan.

November 2017

Written evidence from PAGB (BRF0006)

PAGB (Proprietary Association of Great Britain) welcomes the opportunity to provide evidence to the Business, Energy and Industrial Strategy Committee inquiry the implications of leaving the European Union for British business. We would be pleased to present oral evidence to the Committee on the issues outlined in this submission.

PAGB is the UK trade association representing the manufacturers of branded over-the-counter (OTC) medicines, self care medical devices and food supplements.

This submission relates specifically to food supplements. Food supplements may contain vitamins, minerals and other ingredients, such as herbs, amino acids, amino sugars, enzymes and essential fatty acids that the body needs in very small amounts to work properly. Most of them cannot be manufactured by the body and need to come from the food we eat. Where people do not obtain enough of these nutrients from their diet, a supplement can be beneficial. Food supplements incorporate a range of end products from the wider food industry and will be affected by the same issue as the more general food industry, as well as having their own specific regulatory requirements.

Summary of key points

- i. The majority of food supplements are manufactured outside of the UK and imported as finished products. Those that are manufactured in the UK rely on ingredients imported from the EU and the rest of the world.
- ii. Continued access to the single market is important. In the event the UK leaves the EU without a deal, we expect WTO trade tariffs to apply to food supplements, this would likely significantly increase the cost of these products to the end consumer and could potentially make the manufacture or supply of these products unviable in the UK, which could have a negative impact on public health.
- iii. Non-tariff barriers, such as additional border checks and duplication of tests could add delays and further costs. To avoid this, regulatory harmonisation and mutually recognised standards and testing, certainly in the short to medium term, is desirable.
- iv. In the longer term (five-10 years after the UK's withdrawal) there may be an opportunity for the UK to review and consolidate food law. Welcome changes would be the adoption of a principle-based approach to health and nutrition claims, acceptance of labelling requirements based on different levels of consumer understanding for different nutrients, continued use of currently approved additives in food supplements, particularly those for infants and young children and a revision to how novel foods are regulated.
- v. The EU is a priority market for UK-based food supplements companies. The UK Government must do all it can to reduce tariff and non-tariff barriers to trade with the EU27 after the UK leaves.

- 1. Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?**
 - 1.1 The majority of food supplements are manufactured outside the UK and imported as finished products. Those that are manufactured in the UK rely on imports of ingredients from a wide range of countries, in the EU and also from China, Australia, a number of African nations and the USA.
 - 1.2 Continued access to the single market is important. If the UK leaves the EU without a deal, we expect that WTO trade tariffs will apply on imports. The global average import duty for food supplements is 12.8% with a minimum of 0% and a maximum of 150%. Tariffs on raw materials and finished products will vary by substance, for example, tariffs on products of animal origin (POAO) average 40%. This means that, in the event of the UK leaving the EU without a deal the cost of importing raw materials/ingredients and finished products will increase, so the price to the consumer will rise and/or it may no longer be commercially viable to manufacture or market products in the UK.
 - 1.3 This is likely to negatively impact on public health, particularly as there is government advice for certain cohorts to consume specific nutrients in food supplement form; folic acid in pregnancy to prevent neural tube defects such as spina bifida, vitamin D for the entire population throughout autumn and winter and vitamins A, C and D for all children throughout the year up to the age of 5.
 - 1.4 Furthermore, WTO tariffs will also apply to exports, so in a “no deal” scenario, manufacturing products in the UK for export may also become unviable.
 - 1.5 Many global companies import finished food supplements products to the UK from third countries; these products are then distributed across the EU, in particular to the English-speaking countries of the Republic of Ireland and Malta. The tariff requirements likely to be placed on products first entering and then leaving the UK will significantly increase the cost of goods.
- 2. Non-tariff barriers: how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?**
 - 2.1 Additional import tariffs and checks would put additional pressure on Border Inspection Post Personnel (BIPP) which could result in significant delays at the border, which will ultimately increase costs.
 - 2.2 Similarly, exports to the EU would also be subject to border checks and manufacturers would have to prove that products comply with all relevant legislation. This would require a paper trail of some significance, and would slow down the process of getting products, or raw materials, across the border to the EU. This is of particular concern in relation to POAO such as gelatine, collagen, fish oils, glucosamine, whey products and amino acids which are all found in food supplements as these will need to be produced in a facility that is accredited and certified by the EU. Furthermore, many POAO will be produced in abattoirs, which

are required to employ veterinarians to ensure hygiene and welfare standards, the majority of these veterinarians are from the EU.

- 2.3 We would like to see regulatory harmonisation and mutual recognition agreements to avoid duplication and allow for tariff free trade on food supplements between the UK and the EU.
- 2.4 Mutually recognised standards and testing procedures should be agreed with the EU to avoid unnecessary duplication.
3. **Regulation: what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?**
 - 3.1 The majority of UK food law devolves from the EU; therefore if UK companies wish to continue to trade with the EU, they will need to ensure the products comply with EU legislation. For example, EU legislation sets out the vitamins and minerals (including their chemical forms) which are permitted for use in food supplements. After the UK withdraws from the EU, these lists are likely to diverge, if the EU adds or removes a substance, there will be no guarantee the UK will do the same, equally if the UK makes an amendment to allow a particular substance that the EU does not permit, any product containing that substance would not be eligible for export.
 - 3.2 There are multiple pieces of overlapping, interrelated, and sometimes contradictory, legislation with which food supplements need to comply. The majority of this legislation comes from the EU and some of it is 'hybrid' legislation, consisting of EU Directives, Regulations and Implementing Commission Decisions. Unpicking this will be a lengthy and difficult process, which could threaten public health if not completed accurately.
 - 3.3 In the short-term, and certainly through any transition period, regulatory harmonisation with the EU is preferable. Unnecessary regulatory divergence should be avoided and mutually recognised roles, standards and testing procedures should be agreed to ensure trade with the EU can continue effectively and products can be imported and exported without extended delays at the border.
 - 3.4 For practical purposes, companies produce "dual packs" which can be sold in Ireland and Malta as well as the UK. Diverging from the European system would mean that these efficiencies would be lost and potentially impact the supply/export of products to Ireland and Malta.
 - 3.5 In the longer-term (five-10 years following the UK's withdrawal) it may be possible for the UK to be more flexible than the EU on food supplements regulations, for example:

- Taking a principle-based approach to health and nutrition claims to allow greater innovation in the industry and improve customer understanding.
 - We would like to see a useful degree of flexibility in wording to genuinely improve consumer understanding of individual claims and health issues generally.
 - We would like to see a reassessment of restrictions that currently prohibit nutrition claims which can be substantiated, such as ‘sugar reduced by 20%’.
 - We would like to see requirements tailored so that communications with healthcare professionals are dealt with differently to communications with consumers, allowing for greater depth and detail. If claims can be scientifically substantiated, industry should be able to make these in communications with healthcare professionals who have the skills to critically evaluate the information.
 - We would like to see a change to the new claims process to allow for greater innovation in the UK when making new claims or dealing with claims which are stalled or “on hold” in the current system.
- Labelling information anchored in consumer understanding to allow labels to be adapted to reflect the fact that consumer understanding varies between different nutrients.
 - We would like to see labelling considered as a whole with an emphasis on clarity of information rather than limiting the assessment to a restrictive interpretation of ‘field of view’.
 - We would like to see the prohibition on additional information for consumers in allergen labelling to be removed, allowing boxed information about allergen content of food to appear on the label.
- Retention of the use of currently approved additives in food supplements, and in particular the continuance of the use of technologically necessary additives in food supplements for infants and young children. There is no evidence these additives are harmful and restricting their use will result in products being removed from the market with no alternative available. This would undermine an important public health message.
- Revise the regulatory requirements for novel foods as consumer safety can be ensured through the prohibitions and requirements of the Food Safety Act.

4. **Skills: how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?**

4.1 Responsibility for food legislation has been separated across three UK Government departments, DEFRA, the Department of Health and the Food Standards Agency. All three departments have experienced staffing cuts in recent years, leaving them under-resourced and lacking the expertise required to deal with a repatriation of food regulation from the EU. We believe, therefore, that all food legislation relating to consumer safety and nutritional standards (not agriculture and security of supply) should be the responsibility of the FSA, which needs to be sufficiently resourced.

4.2 PAGB supports the key considerations highlighted by the Food and Drink Federation on workforce. 400,000 EU nationals currently work in the UK food and drink supply chain. A whole supply chain approach is needed to ensure the sector continues to have access to a competent and reliable workforce. Short term, the

UK Government needs to secure the rights of workers currently in the UK to provide certainty to the current workforce and longer term needs to ensure the UK has an attractive and effective migration system.

- 5. R&D: How significant are EU-dependent R&D activities within the sector's broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?**
- 5.1 EFSA (European Food Safety authority) opinion on nutrition and innovation is key to the food supplements industry. After the UK withdraws from the EU, the weight of evidence from EFSA should continue to have a significant influence over the industry in the UK. We would like to see continued involvement in EFSA from the UK to input into these important decisions, rather than being required to accept EFSA judgements which the UK has not had the opportunity to influence.
- 6. Trade opportunities: what opportunities are there for the UK to improve exports to countries outside the EU? Where should Government the Government seek to prioritise in terms of trade deals?**
- 6.1 For food supplements, the EU is a priority market and the UK Government must do all it can to reduce tariff and non-tariff barriers to trade with the EU27 after the UK leaves the bloc.
- 7. Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?**
- 7.1 Transition to any new arrangements needs to be simple and streamlined, with a clearly defined transition period. The Prime Minister has suggested there will be a transition period of two years; however, to avoid disruption of supply to people in the UK, five years transition is required.

November 2017

Written evidence from Rich Energy (BRF0013)

As the CEO and Founder of a young, dynamic British growth company, employing a variety of roles in marketing, distribution, technology and sales, I would be delighted to share my views with the committee. I source ingredients within the EU and export across the world. I take a long range view of Brexit and am a firm believer in the ability of the UK to rise to the challenge. I am also astute to the issues raised by the process.

Rich Energy, my six year old firm, is a premium and innovative British energy drink, painstakingly developed with leading beverage experts and recently launched in the UK and US. It is recognised as an ultra high quality energy drink with none of the downsides of its competition. The firm has achieved the highest available certification in the EU and US and the lowest sugar content possible while maintaining the balance of taurine and caffeine to deliver genuine energy performance.

With kind regards

William Storey, Founder and CEO, Rich Energy

Overview

I am responsible to my investors, associates, suppliers and clients for the well-being of my company. Of course I consider the concept of the EU to be a noble one that has largely kept peace in Europe since 1945. But the EU still only accounts for less than 15% of world trade this year and I firmly believe that the prospect of unilateral trade deals and huge growth is tremendously exciting. I am pinning our fortunes on it. Our non EU opportunities are much greater than those available within the EU.

My opinions are shared by the majority of UK entrepreneurs with whom I work, all of whom are wholly engaged with internationally focussed businesses. We all share a belief that Brexit poses enormous opportunities for the UK. Alone, ours is the 5th largest economy in the world, soon to be enabled, not disadvantaged by the loss an organisation that has stifled our competitiveness and frequently legislated against our interests. The EU has also compelled us to take millions of migrants who have put unbearable pressure on fragile services.

Market access

The debate surrounding access to the single market is a red herring. Tariffs are extraordinarily unlikely to happen because the EU would lose out to a greater degree than the UK. As a percentage of world trade the EU accounts for less and less, month on month, and while a hugely important strategic partner the fact is that we

buy more goods from them than 'they' do from us. Regardless of how negotiations play out, the fact remains that we will always trade with all EU countries and that this trade will be unfettered. Scaremongering on the theme is disingenuous and unhelpful. Whatever rules are applied will be fettered to work for all. In my opinion, many are arbitrary. The only concern is that the EU has to be seen to be tough on the UK otherwise its other members will also give in to latent desires to leave the EU. Corporate businesses are far more exercised about leaving than independent and privately owned firms and in my opinion one has to ask why.

Skills

To change the habits that have contributed to our consistently poor productivity record, we need to stop rewarding negatives. Low paid EU workers have made an enormous contribution to the UK economy, in large part because our benefits-centric welfare policy has encouraged inactivity among our indigenous population. This can and should be changed. The vulnerable should be given more assistance. Those fit to work must be encouraged and trained to do so. Cheap, imported, 'foreign' labour must be phased out. Employment, health and economic output would all improve while crime, social decay and welfare expenditure would all be reduced.

Research and Development

R&D costs are often cheaper in 'EU' (on the continent), than in the UK. Access is therefore invaluable. A win win deal must be agreed.

Standards

I also want to see the maintenance of common standards, though ours are among the highest in the world. A replication of EU standards is pragmatic to ensure seamless continuity. Ultimately, certification is required for EU and US exporters

November 2017

Written evidence from Tate & Lyle Sugars (BRF0012)

Executive Summary

- The implications of Brexit for our business are positive overall given that European Union (“EU”) regulations have made it harder and harder for us as a cane sugar refiner to compete with EU beet sugar producers in recent years.
- Upon exiting the EU Customs Union a balanced sugar policy can now be adopted by the UK, which will rebalance the interests between UK beet and cane sugar manufacturers that has been badly skewed by EU policies. These policies have deregulated and subsidised beet sugar production whilst keeping cane sugar refiners heavily regulated and constrained by raw material supply restrictions and high tariffs.
- It is vital that any future UK-EU relationship does not limit the UK’s ability to operate an independent trade policy including the ability to set our own tariffs and negotiate our own free trade agreements. The key EU policy that has made us uncompetitive is the protectionist EU trade policy in sugar, with tariffs in many cases of over 100%.
- To guarantee a competitive sugar market and ensure consumers are prioritised after our exit from the EU - regardless of the outcome of UK-EU trade negotiations – the UK should improve market access for raw cane sugar for refining.
- We understand the need for an implementation period following our exit from the EU in March 2019. However, the length of that period needs to be balanced against the new regulatory risks it introduces. Having to comply with EU regulations but having no say in setting or implementing them leaves UK businesses dangerously exposed to EU regulators taking decisions that are not in the UK’s interest. This is particularly a risk in the food and drink sector where the majority of regulation is established and implemented by the EU.
- At the very least, the UK should be free to negotiate new free trade agreements during the implementation period even if the agreements cannot be applied until the end of the implementing period.

About Tate & Lyle Sugars

1. Tate & Lyle Sugars (“TLS”) has been refining cane sugar on the banks of the River Thames for 139 years. Today, the business produces over 650 different products, including Lyle’s Golden Syrup, at our Silvertown Refinery and the neighbouring site at Plaistow Wharf, both in east London. Both facilities have been in continual use since their construction by Henry Tate and Abram Lyle in 1878 and 1881 respectively. These sites provide 850 good quality and highly skilled manufacturing jobs in the economically challenged borough of Newham.
2. As cane refiners, we source raw cane sugar from around the world and transform it into an array of products, from standard granulated white sugar to a wide range of value added brown sugars, syrups and treacles. We supply these products to consumers through retailers and restaurants, as well as through sales to food and drink manufacturers for further manufacturing. Cane sugar grows in tropical countries and we source from the Caribbean, Central and South America, Africa, Asia and the Pacific. The ships of raw cane sugar arrive and are unloaded directly at our jetty on the Thames to be refined at Silvertown.
3. Protective EU trade and agricultural policies (which are described in further detail below) have made us increasingly uncompetitive in recent years, both in the UK and particularly in EU export markets. We now export only around 10% of our production to the EU-27. We export around a further 10% to a large range of non-EU markets. Yemen, for example, is the biggest export market for Lyle’s Golden Syrup.
4. Silvertown is the largest cane sugar refinery in Europe and, until 2009, produced around 1.1 million tonnes of sugar, supplying half of UK demand. Today, this has fallen to around 500,000 tonnes and a UK market share of roughly a quarter. This decline is a direct result of protective EU trade and agricultural policies that

have made EU beet sugar producers more competitive relative to us leading to imports of EU white beet sugar now accounting for around a quarter of sugar used in the UK.

The EU sugar market today

5. As we source our raw material from outside the EU, trade policy is critical to our business. As a member of the EU and its Customs Union, the UK's trade policy is an exclusive EU competence and all imported goods are subject to the Common External Tariff (CET). This, in combination with the Common Agricultural Policy (CAP), protects and supports the European beet sugar industry – both through limiting competition from cane refiners, and through direct and indirect financial support.
6. In the case of sugar, around 50 percent of UK consumption is met by sugar beet grown in the UK and processed by British Sugar. Around a quarter of consumption is cane sugar from our refinery and the final quarter is imported white sugar from the EU27 Member States (primarily France). Looking ahead, the UK will not be self-sufficient in domestically grown sugar so some form of trade policy framework is needed for imports. It is vital that this framework is set up in such a way as to create a competitive market that ensures there is more than one company producing sugar in the UK, and that those companies can operate on a level playing field as effective competitors.

Trade Policy & the Customs Union

7. It is worth noting at the outset that agricultural goods are some of the most protected within the EU and punitive tariffs are charged on a wide range of products coming in to the EU, including sugar. On the flip-side, there are no tariffs at all on sugar moving within the internal market.
8. The external EU tariff for sugar is set at €339 per tonne for raw cane sugar and €419 per tonne for refined white sugar. The ad-valorem equivalent varies but for raw cane sugar this is currently around 129%.⁶
9. This tariff applies to 95 percent of the sugar that is traded globally and – crucially - applies to the vast majority of sugar from the four largest raw cane sugar exporting countries (Brazil, Thailand, Australia and Mexico).
10. The remaining 5% of sugar that is traded globally is available for us to buy at a reduced tariff of €98 per tonne (37% ad-valorem equivalent) or tariff free. However, the fact that the suppliers understand the next available sugar is at a much higher tariff means that the purchase cost of even the tariff free raw cane sugar is inflated by the restrictions and tariffs on the other types of sugars we can source.
11. In 2015, these policies inflated our raw material costs by €40 million, resulting in a €25 million loss for the business.

⁶ Derived from the No.11 New York prompt futures prices on 06/09/2017. This price assumes a polarisation rate of 96%. Dollar/Euro exchange rate of 0.837

Agricultural Policy & CAP

12. Whilst trade restrictions increasingly hinder cane refiners in the EU, the beet sector, which operates in 19 Member States, receives both direct and indirect financial support (in addition to the considerable protection offered by the tariff regime as well as restrictive Rules of Origin which further limit competition). Notwithstanding non-direct support beet producers receive as part of the EU's €57 billion CAP budget, 10 beet-producing countries also allocate a direct subsidy through Voluntary Coupled Support (VCS) payments, which amounted to €174 million in 2015⁷. The UK rightly does not opt-in to this scheme.
 13. Since 1968, the beet sector has been subject to production quotas, allocated by Member State, and minimum pricing set considerably above the world market price for sugar. These policies created a small market for cane refiners, as the combined quota limits fell short of total EU demand. The resultant high price for consumers also allowed cane refiners to pass on the additional costs of trade restrictions and tariffs imposed by the trade regime.
 14. During the 2013 CAP reforms however, the EU decided to end the beet production quotas and minimum pricing on 30 September 2017. EU beet processors have become increasingly competitive over recent years and combined with the latest policy reform, this has led to the EU market price for sugar falling close to the world price.
 15. Importantly, the 2013 changes did not include any parallel liberalisation for cane refiners. With no improvement in access to raw material and a white sugar market price aligned with the world price, TLS and other EU cane refiners are increasingly unable to compete, especially in the face of substantial volumes of additional beet production. In effect, EU policies have created a cheap white beet sugar market whilst maintaining expensive access to raw cane sugar, making us uncompetitive. It is therefore imperative for TLS that the UK leaves the Customs Union. This will allow the Government to design agricultural and trade policies that prioritise the consumer by creating a level playing field for all types of sugar producers in the UK.
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Implications of Brexit Inquiry

▪ Market Access

16. TLS sources its raw material from outside the EU and sells around 10 percent of its output in the EU-27. Therefore, our ability to buy competitive raw cane sugar from non-EU countries is our priority. This is especially the case given that our raw material costs represent 60 percent to 80 percent of the total cost of manufacturing the end product.
17. Of most importance for TLS in relation to continued EU-27 market access is the flow of refined sugar between the EU and the UK and the terms of this trade under any new arrangement. If EU beet sugar producers continue to have tariff-free access to the UK market, then it is vital that, to be competitive in the UK market, we are free to source raw material from the most competitive suppliers. TLS simply cannot compete if we are forced to continue to compete with EU beet sugar producers whilst being restricted by constraints and tariffs on our raw material.
18. If the UK and the EU do not negotiate a Free Trade Agreement, or should any negotiated deal omit sugar as a sensitive product, then trade in sugar between the UK and the EU would operate under Most Favoured Nation (MFN) tariffs. Importantly, this would also mean that the UK becomes a deficit market, with these tariffs effectively setting the domestic price. Today, close to 50 percent of UK sugar demand is met through imports of either refined beet sugar from the EU, or raw cane sugar from outside the EU, subsequently refined by TLS. Therefore, the impact of WTO MFN terms will heavily depend upon the UK's future tariff schedule and trade policy for sugar. We welcome the recent publication of both the Customs and Trade white papers that show how the UK is preparing to implement its own policies in these areas.

⁷ European Commission, October 2016, The abolition of EU sugar production quotas (https://ec.europa.eu/agriculture/sites/agriculture/files/sugar/doc/sugar-faq_en.pdf)

19. If the UK merely replicates *and applies* the EU's WTO schedule, then, in the above scenario, the price of sugar in the UK would increase considerably after the UK's exit from the EU. If, however, the UK improves access for raw cane sugar through the removal of the raw cane sugar tariff, either wholly or within a Tariff Rate Quota of adequate volume, then this will avoid consumer harm by ensuring there are at least two equal competitors producing sugar in the UK.

Non-Tariff Barriers (NTB)

20. Rules of Origin ("ROO") are the most significant NTB in relation to trade in sugar. Once the UK leaves the Customs Union, free movement of sugar between the UK and the EU will end. Whilst a UK-EU FTA may eliminate tariffs, ROO would exclude UK cane-refined sugar under the EU's origin definitions that it currently applies in its other FTAs. This is because cane refining suffers from a specific exclusion, over and above all other ROO origin calculations, that disqualifies it from conferring origin in order to protect EU beet sugar producers. This definition currently means that the EU would see our refined cane sugar as originating in the country in which the cane was originally grown, rather than where the final product is manufactured. In practice, this would mean that EU beet producers continue to have free access to the UK market, whilst TLS would be unable to export back to the EU without paying the 100% plus EU sugar tariff.
21. The EU's definition of origin for sugar would not only prevent our sugar from being exported to the EU in future, but would also discourage UK food and drink manufacturers from using TLS sugar. This is because UK food and drink manufacturers would be concerned that using our sugar would make it less likely that their products would benefit from being of UK origin when exporting them to the EU-27. Our sugar would effectively become a second class product that would need to be heavily discounted in price compared to beet sugar for no other reason than the EU chooses to classify it differently to protect its own producers.
22. If trade in sugar and sugar containing products continues to be free, or partly free, under the UK-EU FTA then it is vital that the ROO that apply to sugar do not exclude cane refining from conferring UK origin.

R&D

23. We have built a sophisticated innovation centre and pilot plant at our Thames refinery. The centre is the focus of all the group's research and development efforts, not just in London but around the world. We do not rely on any EU funding for this. Quite the opposite. These innovation investments have been made by us directly as a response to the competitive pressure that EU regulations have put on us.
24. The pressure from the EU legislative framework which effectively favours our beet sugar competitors has meant that we have had to innovate and enter new markets in order to stay competitive. This has led to us now producing over 650 different types of sugar. It is often stated that protectionism stifles innovation and in our sector that has been evident; by being put under real pressure, we believe that we have become the most consumer focused innovative business in the EU sugar market.
25. We are continuing to transform our business by investing heavily in product innovation and associated people and machinery. We have invested over €170 million in our two London factories since 2010, with the majority of this investment in knowledge and capacity to produce innovative products that will directly benefit the consumer.

Trade Opportunities

26. While the focus of trade policies tends to be exports, it is important to recognise that sourcing raw materials from around the world also play a crucial role in the UK economy. In the case of sugar, the UK is not self-sufficient so there needs to be a trade policy framework that allows sourcing of sugar from outside of the UK.
 27. To guarantee a competitive market for sugar after we leave the EU - regardless of the outcome of UK-EU trade negotiations – the UK should improve market access for raw cane sugar.
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28. Once the UK leaves the Customs Union, the UK will be free to set tariffs and TRQs for goods such as raw cane sugar as well as strike free trade agreements (FTAs) independently. So long as the right policy is adopted, there is a great opportunity to re-establish a level playing field between beet sugar and cane sugar. This opportunity will not be at the expense of UK beet sugar producers, but rather at the expense of imports of refined EU beet sugar that have risen substantially in recent years.
29. Improving access to raw cane sugar can be done in a number of ways once the UK leaves the Customs Union; either unilaterally through tariff removal or the establishment of TRQs, or bilaterally through country-specific or regional FTAs. TLS are not wedded to a course of action, simply our core objective that a level playing field prevails as soon as possible after the UK leaves the EU between all operators in the UK market.
30. TLS welcomes the Government's commitment to replicating current arrangements with Least Developed Countries (LDC) and African, Caribbean and Pacific (ACP) countries that have traditionally supplied sugar to the EU. The former can be done unilaterally as part of the UK's General Scheme of Preferences, scheduled at the WTO. The latter will require the replication somehow, temporarily or permanently, of the EU's existing Economic Partnership Agreements (EPA).
31. Importantly, these agreements are technically FTAs and therefore the UK sadly cannot guarantee this access until after we have formally left the EU. The UK could pressure the EU to make an exception to this rule that would allow the UK to guarantee access to EPA suppliers even whilst the UK remains a member of the EU. The EU should see this as reasonable given its own commitment to international development. Otherwise, in order to provide certainty for these vulnerable countries, it is vital that as part of any transitional period, the UK is able to sign FTAs. In the event of no deal/no transition with the EU, the UK should be ready to replicate these agreements on the day the UK exits the EU.
32. Some cane-growing countries can access the EU market today through volume limited TRQs that are part of formal FTAs, including South Africa and countries party to the regional Central American and Andean Community agreements⁸. TLS would also like to see these agreements, and the sugar volumes within, replicated.

Transitional Arrangements

33. TLS understands the need for an implementation period following the exit of the UK from the EU in March 2019.
34. Following the ending of beet production quotas in the EU, and in light of the continued restrictions placed upon our business by the EU's sugar and tariff policy, it is vital for us that this period is as short as it can be and strictly time limited. This period must be for transitioning to a new relationship, not an indefinite extension of the exit negotiations.
35. The risks of the proposed implementation period – to mirror EU regulations but without any representation or influence over the implementation or agreement of them – must not be underestimated. Already, a decision by the European Commission to effectively waive the production quotas early for beet sugar producers this summer cost our business tens of millions of pounds. These sort of technical decisions, taken by European Commission officials with no democratic oversight of the UK Government or UK MEPs, could be extremely damaging to UK businesses.
36. The conditions of this implementation period will also be important. Particularly, the UK must have at the very least the ability to negotiate and sign new trade agreements to take effect immediately following the implementation period.

November 2017

⁸ SADC (2016) includes a country specific TRQ for South Africa of 100kt of raw sugar and 50kt of white or raw sugar imports into the EU. The Andean Community agreement (2013) includes separate TRQs for Peru and Columbia (25kt and 69kt respectively). The Central American FTA (2013) includes a TRQ of 168kt for Guatemala, Honduras, Costa Rica, El Salvador and Nicaragua and a country-specific volume for Panama (13kt). The latter agreements include annual increases.

Written evidence from the Textile Services Association (TSA) (BRF0001)

1. About the TSA

- 1.1 The TSA is the trade association for the textile services industry which covers textile rental companies who provide personal protective equipment (PPE) for the majority of companies located in the UK, and linen for the hospitality sector and the NHS. As a key enabler for the UK economy, our members support many critical sectors, including healthcare, all forms of engineering, manufacturing, pharmaceuticals, food processing and utilities through the provision of PPE and we also underpin the UK's burgeoning hospitality sector. Collectively, our sector has a gross added value of over £1.3 billion to the UK economy and directly underpins other sectors that provide in excess of £640 billion to the UK economy. Our members employ approximately 34,000 people across the country, processing over 50 million items a week and 2.6 billion items a year.
- 1.2 **The TSA would be very interested in appearing before the Committee to give oral evidence, and provide a unique insight on the impact of Brexit on British industry and solutions for overcoming the challenges that may arise.**

2. Executive Summary

- 2.1 **Textile services contribution to key sectors:** As the Government has repeatedly made clear, sectors such as manufacturing and pharmaceutical are crucial to achieving a balanced, prosperous economy. These sectors could not function without the services our members provide and it is therefore critical that the Government recognises our contribution to these sectors and strikes a deal with the EU that supports our industry.
- 2.2 **Access to workforce:** With 37.8% of all employees in our sector originating from the European Union (EU), we are reliant on migrant labour and it is therefore critical that our members continue to have access to workers from abroad. In order to preserve such access, the TSA would welcome arrangements whereby if businesses are unable to recruit from within the UK within a set period, they can seek employees from elsewhere through approved agencies.
- 2.3 **Trading arrangements:** The declining pound has created cost pressures on large-scale laundry plant and chemical cleaning products meaning our members are having to look at increasing prices and reduce investment. Such pressures risk making British manufacturing and pharma less competitive and increasing costs for consumers. Our members require minimal or no tariffs following our exit from the European Union. We urge the Select Committee to make these key points to the Government when submitting recommendations.
- 2.4 **Ensuring consistency of regulation:** We must ensure that the UK Government continues to have input and influence on international standards and engage with EU regulatory bodies to ensure consistency.

3. Introduction

- 3.1 The scope of this inquiry focuses specifically on the pharmaceutical, automotive, aerospace, processed food and civil nuclear sectors; which our members underpin through the provision of workwear critical to the daily operation of these industries. Textile services is a core part of the supply chain for a number such strategically important sectors for the UK economy; and the provision and servicing of workwear accounts for 55% of our members sales.
- 3.2 Whether protecting employees from products or protecting products from employees and contaminants, personal protective equipment, garments, and uniforms are fundamental to the high standards required
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by UK manufacturing and wider sectors. The textile services sector provides an essential service in ensuring that safety and hygiene regulations are met across the whole economy. Items provided or serviced include protective garments for high-tech clean room environments, R&D and protective garments for dangerous and difficult environments.

3.3 Our members provide, service and maintain workwear on a daily basis, delivering safe and durable garments for these sectors. Without such consistent and reliable services, food production sites, car manufacturers, and pharmaceutical plants by law, would be forced to close for business; indicating the critical nature of the services that TSA members provide. TSA members guarantee the safety of the workers and the consumers on a daily basis and policymakers have often overlooked this vital contribution our members make.

3.4 The below summarises our position on the implications of Brexit for our industry, and how this would in turn impact the sectors within the scope of this inquiry. There are three specific areas of concern:

- access to employees;
- rising prices on imported goods (particularly cleaning chemicals); and
- regulatory environment.

3.5 In particular we identify how limits on access to workers from the EU or elsewhere will:

- fuel wage inflation as we have to compete for employees against many other sectors;
- constrain supply of protective garments and manufacturing workwear; and
- lead to increased prices for the wide range of sectors our members service.

4. Skills

How dependent is the sector on workers from EU countries, at all skill levels?

4.1 After increasing concern expressed by members about the likely impact of Brexit on the ability to retain and access sufficient numbers of staff, we carried out an Employment Trends Survey in July 2017. In total, there were 51 respondents covering a total of 116 sites and 16,600 employees across the UK. The survey provided further detail on the considerable extent to which our members are reliant on workers from EU countries across a range of skill levels. The key findings included:

- Overall, 37.8% of all employees are European Union Nationals, 49.8% are from the UK, and 11.6% are from countries outside the EU. **This equates to approximately 12,000 employees from EU countries playing a crucial role in servicing sectors including pharmaceutical, automotive, aerospace, processed food and civil nuclear identified in the scope of this inquiry. Our members also support the NHS as well as the hospitality industry and workwear across nearly every sector in the UK economy.**
- Statistics show that over 10% of our respondents ran facilities where the percentage of EU workers was more than 80%, with the maximum being 95% at one site.
- 56% reported their workforce had increased over the last 12 months, with just 16% reporting a decline.

4.2 The TSA recognises the need for the Government to reform the immigration system once the UK has left the EU, however with our members being significantly dependent on EU workers at both entry and management levels (in the short term), we would urge caution with regards to overly burdensome restrictions on freedom of movement.

What is the potential impact of restrictions on freedom of movement?

- 4.3 Whilst we welcome the Prime Minister's assurances to the three million EU citizens who live and work in the UK, that they will be able to stay post 2019, the Government has signalled immigration rules will be reformed and it is vital this does not adversely affect our members' ability to recruit labour: there is a natural turnover of staff, so access to new employees must continue.
- 4.4 The ability to recruit new labour of whichever nationality is of utmost importance to the sector being able to provide a range of businesses with the textile services that are critical to their daily operation. During one week, our members process in excess of a quarter of a billion items to keep the UK economy running.
- 4.5 With a substantial percentage of businesses across the sector reporting that it is taking longer to fill the increasing number of vacancies, coupled with nearly 40% of the total workforce being EU nationals, there is growing evidence that the uncertainty following Brexit is already causing significant recruitment challenges for our members.
- 4.6 This situation would only intensify if restrictions were placed on freedom of movement, with the following significant consequences:
- Restrictions on freedom of movement would lead to shortages of labour for our members, leading to wage increases across the board as we compete for employees with other sectors, the outcome of which is significant price inflation.
 - If TSA members are unable to access migrant labour to fill vacancies, costs for customers will inevitably increase and supply is likely to be constrained. This could lead to increasing costs for all five of the sectors included in the scope of this inquiry; to whom we provide essential protective workwear. In order to compete with other employers especially within the hospitality sector, wages will have to increase leading to increased prices for our members' services to both businesses and public services such as healthcare. It is therefore crucial that our growing sector has access to the required labour, when it is unavailable within the UK to continue to service and support a wide range of sectors across the British economy.

How far can gaps be filled by UK workers?

- 4.7 The TSA is committed to improving training in the sector and are in the process of developing a trailblazer apprenticeship scheme. We are determined to ensure young people know they can have a meaningful and fulfilling career in our sector and are therefore delighted that our Textile Care Services Apprenticeship has now been approved by the Institute of Apprenticeships. Despite this, feedback from our members has indicated that vacancies cannot be filled by UK workers alone.
- 4.8 Our recent survey made clear that there is a lack of appropriate labour in local areas and the ability to recruit new migrant labour is fundamental to the sector being able to provide businesses with the textile services that are integral to their daily operation. Responses from members showed that:
- 38% of respondents reported having more vacancies than one year ago and only 10% reporting fewer
 - Similarly 38% of respondents reported that it was taking longer to fill vacancies compared to last year and with just 10% saying it was quicker
 - Two thirds (66.7%) of respondents said they currently had unfilled vacancies totalling 355 or 2.4% of the overall workforce
 - More than half (56.6%) of these vacancies were production operatives: 201 total vacancies with an average of 5 per site (1.4% of those employed)
 - Whilst more than half of vacancies were for lower skilled roles, with record levels of employment in the UK and a low unemployment rate, our members are also having trouble in filling vacancies in more senior roles, including at managerial level.
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4.9 On top of this, in responding to the survey question which directly asked respondents to highlight the main cause of recruitment difficulties, a number of individual respondents highlighted the **“reduction in European nationals”** available since the Brexit vote in light of uncertainty over changing immigration rules. In asking respondents for any further comments on employment trends, members also directly called on government **“to reassure EU citizens about their future in the United Kingdom”**.

4.10 TSA members continue to invest record levels into new technology to drive efficiency in order to keep up with demand, yet the requirement for members’ services increases from sectors across the British economy. Members therefore require more trained staff to operate plants, and at a time when the falling pound is already putting pressure on costs (which will be passed onto customers), it is vital the Government clearly outlines how TSA members will be able to recruit their workforce in the future to avoid uncertainty in the industry.

5. Transitional arrangements

What should the UK seek in transitional arrangements and for how long should they apply?

5.1 In order to prevent a sudden and significant shift in our members’ continued access to workers from the EU, we would urge the Government to seek transitional arrangements with regards to immigration policy: however a sustainable solution must be provided beyond any transitional period.

5.2 We would stress that while a transitional arrangement will be helpful in the short term, a flexible immigration system needs to be established to support continued access to labour thereafter. With regards to how this arrangement might look after the transitional period, we would propose the following:

- If unable to recruit from within the UK within a set period, businesses can seek employees from elsewhere through approved agencies.
- Workers from the EU would be allowed to work in the UK on a specific visa for 2 years and, if supported by a registered business after the two years is complete, can remain for a further 3 years, but if they leave the sponsoring company they must return to their country of origin.
- After 5 years workers from the European Union should be considered for residency with the support of the registered company. Within our membership, we have seen a large number of European migrants stay with their employers for a number of years and progress to management level, adding significant value. We would therefore firmly support a system which allowed European migrants to continue to be able to progress within our members’ businesses, through being able to be considered for permanent residency after 5 years.

6. Rising import costs

6.1 The majority of equipment and chemicals used in modern automated laundries are manufactured in mainland Europe – especially Germany, Denmark and Belgium. Any import duties would add to the already significant cost increase already created by the fall in the value of the pound.

6.2 Access to such hi-tech machinery allows our members to drive further automation and find efficiency savings, which in turn allow for further investment to modernise and grow existing plants. As costs escalate this investment is under serious risk as well as putting further pressure on prices.

6.3 Whilst we understand the Government’s position with regards to the need to exit the Single Market, we would urge government to ensure any tariffs on trade with our European partners are minimised to allow our sector and the wider economy to continue to thrive.

7. Regulation

7.1 In terms of regulation, we must ensure that the UK Government continues to have input and influence on international standards and engage with EU regulatory bodies to ensure consistency.

October 2017



Written evidence from Unite the Union (BRF0005)

Introduction: Unite and Brexit

This submission is made by Unite, the UK's largest trade union with over 1.4 million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union.

Unite is the largest trade union for workers along the food chain, with more than 100,000 members across the Food, Drink and Agriculture sector and thousands more in industries linked to the food chain such as logistics and packaging. Unite is the largest trade union in the food industry and the only trade union for agricultural workers.

Unite's position on Brexit is for a just final settlement in the interests of workers in both the UK and in Europe.

This settlement should include:

- Barrier-free access to the Single Market
- A customs arrangement with the EU
- Regulatory consistency with the retention of employment rights in UK law via primary legislation,
- The right to remain for European workers in the UK
- Continued membership of mutually beneficial agencies and treaties.
- Progressive labour market regulation to protect workers and promote a 'rate for the job' culture.

In the immediate term, Unite opposes 'Hard Brexit' which is understood to mean leaving the commercial, judicial and political structures of the European Union before a new relationship is established. Unite supports a transitional period to follow the Article 50 negotiations if such a long-term settlement has not been reached.

Brexit and the Food Trade

The food and drink sector is worth £26.9 billion to the UK economy and is a major employer in every part of the UK. Unite wants to see a Brexit that is honest about what the food sector needs, while safeguarding the jobs of all our members.

The challenges from Brexit to the Food, Drink and Agriculture (FDA) sectors are two-fold – disruption to an international supply chain of production and labour; and the acceleration of existing problems in the industry such as chronic low pay.

The food industry is the biggest sector in UK manufacturing, accounting for 16% of UK manufacturing's Gross Added Value⁹. Around 80% of FDA businesses are SMEs, (small and medium-sized businesses with fewer than 250 employees). The sector includes some of the most profitable companies in the country, but also some of the most exploited workers.

⁹ ONS - The Blue Book (2016)

Major FDA employers include companies headquartered in Europe and there is a real danger that Brexit can be used as an excuse by global companies to wind down their UK sites and to move all production out of the country.

- Food manufacturers in the UK rely on imports of raw ingredients for products. Around 70% of food and drink imports come from the EU.
- Exports of food, drink and agricultural products are vital to the UK economy, with more than two thirds of them going to the EU.
- These goods can move with minimum hold-ups at customs, because the UK is part of the EU. A Brexit deal without this access means goods could be held up at borders—a major problem for perishable foods.
- Exports of food and non-alcoholic drinks have doubled in 10 years, and total global exports, including alcohol, were £18 billion in 2015.
- Imports are also vital to the UK, especially fresh produce – the UK imports around £5 billion of fresh fruit and vegetables each year.
- Around 850,000 people work in agriculture, fishing and food and drink manufacturing. Elsewhere in the supply chain, wholesale, retail and catering employs 3 million workers.
- The FDA sector has relied more on EU workers than any other UK industrial sector, with many food companies relying heavily on EU migrant workers.
 - 29% of the food and drink manufacturing workforce are non-UK EU nationals
 - more than 90% of the vets in the meat hygiene sector are from the EU

Before Brexit: Context of the Food Trade

It is vital to recognise that the UK food industry was in a state of crisis before the referendum to leave the European Union took place. Brexit merely threatens to exacerbate existing problems, for Unite workers caused by the abolition of sectoral pay bargaining and the industry's reliance on cheap labour; the outsourcing of national food policy from government to supermarkets; the rise of international food conglomerates; social dumping of international workers; price wars between supermarkets; rapid shifts in raw material prices due to climate change; and chronically low levels of investment in production methods and skills.

The problems facing the UK food industry have been summarised by Unite in the publication *From Plough to Plate*, which can be read [here](#).

Low pay

The food industry, from fields to processing factories, is now structured around low pay. The historic trend away from sector wide pay bargaining has encouraged a low skill, low pay labour market rife with abuses.

The abolition of the Agricultural Wages Board for England by the Coalition government has been devastating for rural workers. Unite is fighting for the AWB in Scotland to be kept and extended

to other sectors. The AWB in Northern Ireland continues, and Unite in Wales is working on the agricultural advisory panel. Thousands of rural workers do not know their rights and the most precarious have no way of fighting for them.

Worker Exploitation

Workers in the food sector suffer the most exploitative practices of any legal industry within the UK. A 2012 study by the Joseph Rowntree Foundation on forced labour in the food industry found abuse that met the ILO definition of forced labour, including restriction of movement, threat or actual violence, debt bondage and withholding payments.¹⁰ Abuse is common in the meat and poultry processing industry, with employers exploiting a two-tier workforce of agency and non-agency workers.

The undercover investigation of the 2 Sisters Food Group by the BBC and The Guardian in October is the latest example of food safety and labour abuses, which demonstrate that exploitative employers are bad for consumers and workers both.¹¹

Unite strongly supports the licensing role of the Gangmasters and Labour Abuse Authority (GLAA) in the sector. We welcome the extension of its scope to cover abuses across all industrial sectors and the recent increase in resources for the current year. However, we are very concerned that in order to carry out this wide role and to implement an extension of licensing to other sectors, increased resources would need to be confirmed for the future or the authority's ability act will be severely hampered.

Global Supply Chain

The food chain is global and in the UK the 'journey' of raw food materials through production to processing and retail is likely to cross multiple borders multiple times. The most acute example is that of Ireland where the agri-food sector is reliant on open trade between Northern Ireland and the Republic.

For example, if you were to purchase a sandwich in Belfast "the likelihood is that the bread may have been produced in England, the butter may have been produced in the Republic of Ireland and the filling may have come from Northern Ireland."¹²

The same is true with trade across the English Channel, with fruit and vegetables coming into the countries such as Spain, while processed products, like sandwich fillings, cross back and forth between the UK, Holland, France and Germany.

What's more, the UK's trade deficit in food has been driven by the market – supermarkets specifically – with the result half of all the food we eat is now imported.

Unite supports calls for reshore and redevelop UK production, with a rationalised plan for food security; however, it is clear that in the immediate term vital UK-EU supply chains would be compromised if the UK were to find itself without access to the European Single Market or without a customs arrangement.

¹⁰ <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/forced-labour-food-industry-full.pdf>

¹¹ <https://www.foodmanufacture.co.uk/Article/2017/10/03/Food-safety-culture-failure-at-chicken-plant>

¹² <https://publications.parliament.uk/pa/ld201617/ldselect/ldcom/76/76.pdf>

Protecting and Enhancing Workers' Rights:

EU legislation covers the UK food system in a number of important ways. This includes food safety, food hygiene, health and safety, animal welfare and the environment, as well as the rights of workers.

The EU has not been perfect and could be much stronger, but the protections of the UK food system in EU legislation support our goals. Unite is backing calls by environmental and consumer groups for existing EU regulations to be banked for now, and used as a baseline for stronger future protection.

Unite is calling for workers' rights, environmental protections and food standards to be transitioned from EU to UK law from the moment Brexit occurs. This should be achieved through primary legislation, not undemocratic statutory instruments.

The UK government should commit to keeping parity with EU levels of food standards as a minimum.

Investment in Food Sector Skills:

The UK needs a food industry with a stable long term future that is built on well-paid, secure employment. Long-term investment in skills and training is the only way to achieve that.

Unite is calling for more investment in training at all levels of the food industry, not just graduate level, so that the industry becomes a high-skills industry with higher-paid workers. Increased automation means some unskilled and lower-skilled jobs are being lost, but may mean more demand for skilled workers.

Unite acknowledges the important role of the National Skills Academy for Food & Drink but is also very aware of the financial constraints under which it currently undertakes its role.

Brexit has made Unite's call for both immediate and long-term investment in skills more urgent as the uncertainty and the fall in the value of the pound has resulted in EU migrants leaving the UK to find better-paid work elsewhere and to escape anti-migrant racism. This is leading to labour shortages.

Unite wants investment in training for the jobs of the future, including upskilling the existing workforce, and apprenticeships for young people— with a proper rate of pay—to attract them into the industry, and these opportunities need to be open to all.

Equality

This is a diverse workforce with a higher proportion of women than other parts of manufacturing. It is essential that EU equality and family friendly rights are not undermined and that recognition be given to the importance of opportunities for working women in particular action to support this sector.

The sector also has a high proportion of black, Asian and ethnic minority workers in some areas, and ensuring protections from race discrimination and opportunities for progression for **all** workers is important.

Safeguards Against Exploitation: Labour rights and migrant workers

Unite works for all our members, however they voted in Brexit and whatever their country of origin. We know that over the years employers have used any difference between one group of workers and another— men and women, agency and permanent, young and old, race and different ethnicities, migrant workers—as a chance to pay less and try to drive a wedge between them. Whether it's between women and men, agency and permanent, young and old, workers of different ethnicity, or workers who've migrated to the UK, these employers use 'divide and rule' to run a race to the bottom on pay and conditions.

So with Brexit and the future for migrant workers, Unite's response is very clear. No to divide and rule, no to a race to the bottom, yes to a rate for the job. We will fight for strong collective bargaining rights so that unions are free to negotiate pay and conditions for all workers. We believe employers should only be able to recruit from outside the UK only a trade union agreement or if they are covered by collective bargaining for their industrial sector.

Food in Post-Brexit Trade Deals:

In July 2017 the Secretary of State for International Trade, Liam Fox, had to face media headlines about chlorinated chickens, which has become shorthand for concern about the impact of a UK-US trade deal on food standards.

The discrepancies between UK and US food standards are clear.

- Over 90% of US beef is produced with the use of bovine growth hormones that have been linked to cancers in humans, and EU restrictions on the import of such beef have been in place since 1988. The US government has already challenged these restrictions at the WTO, and business groups called for their removal as an 'unnecessary' barrier to trade'.
- US food producers had identified the EU's system of controls (the EU enshrine the precautionary principle to control pesticides) as one of the prime set of standards to be downgraded by the Transatlantic Trade and Investment Partnership (TTIP).
- Around 70% of all processed foods sold in US supermarkets contain genetically modified ingredients. Unlike in the US, EU member states required GM foods to be clearly labelled. US biotech companies attempted to use TTIP to launch an assault on EU regulations.

Unite is calling for the International Department of Trade to develop a new trade regime, including defence remedies which protect safety standards. This should be done in consultation with trade unions, food experts and relevant civil society.

The UK should be able to begin negotiating new Free Trade Agreements with third country nations during the transitional arrangement; however, these must not be signed until the aforementioned trade regime has been democratically ratified by Parliament.

Unite has outlined that a 'good' trade deal must include a robust chapter on Labour Rights, including ILO conventions as a minimum. Similarly there should be no 'ISDS' style dispute mechanisms which prioritise the rights of investors and corporations over democratic governments. 'Good' trade deals should defend the option of public ownership, reverse the trend to 'liberalisation' at any cost, and seek to actively extend workers' rights in third countries.

An Industrial Strategy for Food, Drink and Agriculture

In April 2017 Unite proposed that the government's planned industrial strategy should be built around six pillars: **investment, positive procurement, worker voice, corporate governance, automation, and skills:**

Brexit throws the food sector's need for such a strategy into an ever sharper light. As outlined below, a successful industrial strategy must mitigate the economic impact of 'Brexit' and end the FDA sector's structural reliance on low pay and labour abuses.

Investment in a strategic industry:

Food and drink is the UK's largest manufacturing sector, and the agri-food sector contributes more than £100 billion a year to national Gross Value Added.¹³

Employing at least 3.8 million workers, the sector acts as an economic hub, supporting jobs in transport and logistics; in manufacturing such as printing and packaging; in retail; and in the public sector. Every community in the UK has a direct FDA presence, be it through farming, food processing, manufacturing or retail.

It is clear that FDA fits the criteria Unite has outlined for the sector to be considered of strategic national importance. Therefore along with industries such as steel, defence; energy and social care, an industrial strategy must be prepared to play a proactive role in supporting and developing this strategic asset.

Procurement:

The Government is already a major purchaser in the FDA sector. Public sector procurement contracts are worth £2.4 billion each year, which accounts for 5.5% of total UK food service sector sales. These contracts result in the three million daily meals produced for hospital patients, school and nursery children, prison inmates, the armed services, care home patients and workers across government departments.¹⁴

Following the example of the construction sector presented in this submission, the public sector must work with Unite to ensure procurement is used to proactively promote and defend the highest standards in the FDA sector. This must include ensuring ethical supply lines throughout food production, exposing and eradicating modern slavery while promoting union-approved levels of pay and conditions for FDA workers.

Working rights and worker voice:

There is an urgent need for a more amplified worker voice in FDA, particularly when contrasted with industrial sectors where collective bargaining is widespread and trade unions are involved at all levels of the industrial process. It is no coincidence that the Gangmaster Licensing Authority (now the GLAA) arose because of abuses in FDA. A strong worker voice in FDA not only protects the jobs, pay, conditions and rights of workers themselves but also helps ensure

¹³ Food and Drink Federation, [URL](#)

¹⁴ New plan for food procurement encourages UK government to buy local, The Guardian, [URL](#)

food safety and standards for all; they will be the first to notice problems with raw materials or livestock that if left unheeded will have an impact on consumers.

Industrial strategy must give the GLAA the resources it needs to combat exploitation and modern slavery, but this must be just the start. Unite is calling for sectoral collective bargaining for the sector – as is common in countries ranging from France, to Germany, Scandinavia and across central and eastern Europe.¹⁵

Sectoral collective bargaining should underpin a sector wide institutional framework which must include reintroduction of the Agricultural Wages Board. The AWB was abolished in England in 2013 after sixty years. The board set minimum pay and conditions for over 140,000 farm workers and provided a benchmark for thousands more, including estate workers and equestrian staff.

A Unite survey of agricultural workers found that less than a year after the AWB in England was abolished 44% of respondents had not received a pay rise — a rise every worker would have received had the board existed.

For those who did receive a pay increase, the average rise of 2% was lower than the wider economy median. Similarly many respondents reported that entitlements such as sick pay had been withdrawn. Some workers reported having to work more hours before their overtime rate kicked in, and many breaches of TUPE were exposed.¹⁶

Unite is clear that the abolition of the AWB in England has contributed to this highly profitable sectors structural reliance on low waged labour and unregulated working conditions.

Corporate governance:

FDA is worth at least £21.5 billion to the UK economy and includes some of the largest companies on the planet. Of the top 20 ‘most-chosen’ consumer brands, half are food and drink companies¹⁷, most of which have a presence in the UK and employ Unite members.

While 80% of food and drink firms are SMEs, the sector relies on consolidation to grow, compared with other sectors that grow through investment in technology and skills, so the pace of mergers and acquisitions in FDA is relentless. This means that issues of takeovers, along with the potential for monopolisation of the sector, raise the issue of national food security.

Too frequently, Unite members are not consulted about major changes to the ownership of the companies they work for, most recently in the failed predatory takeover bid by Kraft Heinz of Unilever – both companies employing thousands of Unite members – illustrating the weakness of current corporate governance structures. Ownership is also, increasingly, by non-UK companies.

UK ownership of the top 150 UK brands fell by a fifth in a decade. The appetite of overseas investors for UK food and drink companies is rising; 2016 saw the highest level of activity in three years, and the number of deals involving overseas investors increased to a third of all transactions in 2016, compared with one in five in 2014. Worker voice where ownership is

¹⁵ Industrial Relations in Agriculture, EurWork, 2017, [URL](#)

¹⁶ Unite Submission, Scottish Agricultural Wages Board – Scottish Government Consultation July 2015, [URL](#)

¹⁷ A Global Ranking of the Most Chosen Consumer Brands, Kantar World Panel, [URL](#)

remote becomes more challenging and the role of global trade union networks is essential for unions such as Unite to maintain worker voice.

Automation:

Though investment in technology and skills is lower than in other sectors, automation still has a major impact on FDA jobs. In one example, a confectionery factory that employed 14,000 workers 15 years ago now runs with fewer than 600.

Unite negotiates with employers in the industry to mitigate the impact of automation on our members, to retain as many jobs as possible, and to argue for better skills and training for a workforce facing greater technological demands. The skills required in a more highly-automated industry need a commitment to major investment from both employers and the Government for FDA sectors to be at the forefront of technological advances, but also to keep FDA jobs in the UK.

Skills:

This need for investment in skills and training is greater for a sector that is now facing Brexit. The FDA sector is potentially most affected by Brexit for a number of reasons; in the words of one leading academic, food will be the deal-breaker in the Brexit negotiations. This is not least because of the UK's weak food security, in terms of our self-sufficiency in food. The UK's food imports are worth £39 billion a year, and a third of our food is supplied by the EU.

The devaluation of sterling since the referendum has quickly fed through to the industry to the cost of raw materials imports such as coffee and cocoa. The rising cost of imports has in turn contributed to increases in the cost of living, affecting every household in the UK, and poorer households disproportionately.

The impact on imports has exposed the UK's dependency on imported food. The UK food industry is also exposed to the impact of Brexit because it is built on a low labour cost model, and has relied on migrant workers from around the world, many of whom are Unite members, and in recent years from the EU, particularly the more recent accession countries from Eastern Europe. In the wake of the referendum vote workers from these countries have left the UK, in response in part to increasing racism but also to the fall in the value of their UK pay because of sterling's fall. So FDA employers, and in particular sub-sectors such as agriculture and horticulture, face an acute labour shortage.

An additional exposure for agriculture is the question mark hanging over the £3 billion annual subsidies from the EU, which have been ring-fenced by the Government until 2020 but with no promises of their continuation after that point. Leaving the EU under a 'hard Brexit' and operating under WTO rules and its associated tariffs has the potential to eradicate entire parts of the FDA sector, such as livestock trade. It is vital that the Government ensures continued investment in the FDA sector to retain or replicate these vital subsidies.

Free-trade agreements after Brexit may also dramatically alter the UK food landscape; a deal with the US, for example, may mean having to accept products produced under a US regulatory framework that UK consumers do not want – chlorine-bleached poultry, hormone-treated beef, and products containing GM – and the watering down of standards that will undermine food safety, amongst other impacts.

Finally, EU legislation has underpinned workers' rights, environmental protection, food safety, animal welfare and consumer rights, so if the Government decides to scrap these, the food sector will become more dangerous for workers, consumers, the environment and the very natural resources on which the sustainability of the food sector depends.

Six pillars to mitigate Brexit:

Unite in FDA is therefore arguing that to mitigate the impact of Brexit the Government must retain or replicate the existing regulatory framework.

The Government's industrial strategy must recognise FDA as a strategically vital sector for the economy, support investment, and positive procurement. Investment is also needed in skills and training, not only to meet the technological challenges of a dynamic sector, but also to retain a food industry in the UK.

The failure of industry self-regulation, epitomised by the impact on pay following the abolition of the Agricultural Wages Board in England, threatens to be compounded by Brexit.

In response an industrial strategy must bring together all sides of industry, including trade unions, to oversee a far-sighted and future-proofed food strategy based on a well-funded and technologically agile FDA sector.

Such a strategy must be underpinned by sector-wide support for a skilled workforce. As the trade union representing workers across the whole of the food chain, Unite must be involved at all levels of the development of a UK food strategy.

Unite has over 100,000 members in the food, drink and agriculture (FDA) sector, with thousands more in upstream and downstream industries. The FDA sector offers a prime example of how the six pillars of industrial strategy proposed by Unite can be applied across a sector of strategic importance.

- Unite's Industrial Strategy proposals can be read [here](#).
- The issues facing the FDA sector are discussed in more detail in Unite's *From Plough to Plate*,¹⁸ which can be read [here](#).

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¹⁸ From Plough to Plate, Unite the Union, 2015, [URL](#)

Written evidence from USDAW (BRF0007)

Usdaw is the Union of Shop, Distributive and Allied Workers. Usdaw is the UK's fifth largest trade union with 435,000 members in a range of sectors such as retail, distribution warehousing, road transport, food manufacturing, dairy and pharmaceutical.

In relation to this consultation, Usdaw organises in food manufacturing and dairy sectors with agreements and membership across both sectors.

Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?

In 2015, imports from the EU accounted for around 99% of total UK dairy imports with Ireland accounting for nearly one-third of total UK imports. The UK is reliant on imports of butter and cheese to satisfy domestic demand.

The situation for exports is similar. In 2015, the EU accounted for 90% of total UK dairy with Ireland (67%) and the Netherlands (8%) being the main destinations. The majority of liquid milk is exported to Ireland for processing and some of the finished products will return to the UK with the rest being exported to Europe, China, Africa and the Middle East.

With such a reliance on imports and exports to and from the EU, maintaining continuity and avoiding any disruptions to existing trade partnerships between the UK and EU countries is important.

A key focus of the negotiations should consider continuity of two way access for raw milk and food products between the UK and the Republic of Ireland without tariffs and free from burdensome non-tariff administrative measures.

Barrier-free access to the single market is vital for the UK following Brexit for the entire food processing sector. WTO rules and tariffs will not be as beneficial to UK companies trading in the single market as previous arrangements within the EU and will impact on company profits. Any increase in tariffs as a result of trading in the single market will add additional costs to businesses, and potentially result in a loss of jobs as companies look to reduce these additional costs.

Usdaw has serious concerns that any disruption to the UK's access to the EU and the single market could hit sales and could have a detrimental impact on jobs in the sector. The food processing and dairy sectors operate in difficult market conditions with tight profit margins. Any disruption to access to key markets could lead to a crisis for major businesses in the sector and could result in significant job losses.

Non-tariff barriers: how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?

If the UK continues to maintain the EU agreed standards then non-tariff barriers may not pose a significant difficulty. However, if the UK sees this as an opportunity to establish new rules and standards they will still need to conform to EU standards to trade with the EU. If the UK sets their own different standards then this could lead to additional costs to run production lines with different standards and may cause difficulties in exporting to the EU and to other WTO countries.

Regulation: what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?

The UK currently has similar levels of food regulation to the EU, allowing for fairly unrestricted trade, and the UK should seek to retain the same levels of regulation to ensure food safety standards. This will enable the UK to continue to trade more easily with EU countries, and also ensure a consistent level of safety standards for future trade deals outside the UK.

UK dairy plants operate under a comprehensive regime. They are inspected annually by Environmental Health Officers on behalf of local authorities as part of the UK's delivery of official controls under the requirements of EU regulations.

Export documentation required for dairy and other food products can vary depending on the product and destination market requirements. In certain circumstances it can require documentation from multiple sources. This can often lead to delays and increased logistical costs which can impact profit margins in a business heavily reliant on exports.

A way of improving the process to support exportation of processed foods and dairy would be to centralise all official certification services in one government agency to reduce complexity and provide for a more integrated approach. Improving the cost effectiveness and efficiency of the dairy export certification scheme would help keep costs down for businesses and help to prevent potential job losses in the sector.

It is important, however, that any review of existing regulations or the introduction of new regulations will not create burdensome non-tariff barriers.

Skills: how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?

The UK is dependent on EU workers at all skill levels. The majority of UK food manufacturing operations rely heavily on EU workers, from harvesting fruit and veg to food processing operations and distribution. Food manufacturing companies are very concerned about the ability to continue their operations without their migrant worker employees.

R&D: How significant are EU-dependent R&D activities within the sector's broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?

Usdaw does not have members working in the industry's research and development arm and therefore, at this time, has no comment on this topic.

Trade opportunities: what opportunities are there for the UK to improve exports to countries outside the EU? Where should the Government seek to prioritise in terms of trade deals?

There is the opportunity to set individual tariffs and standards and agree bespoke arrangements with other countries outside of the EU. The EU and US are the biggest markets for the food processing sector; however, they have the highest standards and will not necessarily accept the standards from independent countries unless trade deals are agreed.

Whilst the EU is without doubt the UK's most important market for the dairy sector there is significant growth potential in other markets outside the EU. In 2015, the US and China accounted for over 30% of the total value of exports to non-EU countries. These markets could be targeted following withdrawal from the EU, however, trade deals would need to be established to agree acceptable tariffs and limit non-tariff barriers.

Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?

From the UK's point of view transitional arrangements should maintain the current status quo on tariffs and standards and remain in place until we have agreed new terms with the EU as a minimum. However, the EU may have other ideas, so negotiation is essential to retain the UK's ability to trade with EU countries.

November 2017

Written evidence from the Wine and Spirit Trade Association (BRF0011)

Introduction

This evidence is submitted by the Wine and Spirit Trade Association (WSTA), which represents over 300 companies producing, importing, exporting, transporting and selling wines and spirits in the United Kingdom. WSTA members range from major retailers to brand owners, and wholesalers to fine wine and spirits specialists, logistics companies, bottlers, distillers, wineries and vineyards. We campaign for a vibrant and sustainable wine and spirit industry, helping to build a future in which alcohol is produced, sold and enjoyed responsibly.

The economic value of the wine and spirit industry in the UK is often underestimated. It is worth around £50 billion per year, supports over 550,000 jobs and generates some £21 billion every year for the Exchequer. It is a global industry and our position at the centre of the world wine and spirit trade is founded on historic trade flows. Today, the UK is both world's largest exporter of spirits, with the EU by far the single most important target export market, and the world's second largest importer of wine, with wines from the EU accounting for just over half of imports by value in 2016.

Our industry is unique in its position that we rely on a balance of imports and exports: wine is worth £3.2 billion almost all of which is imported and spirits £5 billion, 83% of which are exported. Wine from the EU sent to the UK accounts for around 20% of EU wine exports, while at the same time, of the UK's food and drink exports, wine is the 6th most valuable product category.

We welcome the opportunity to submit evidence to this inquiry as Brexit will have a major impact on wine and spirit businesses in our membership as we are a global industry which is heavily reliant on trade with the EU.

Executive Summary

- The success of the wine and spirit sector in the EU is currently founded on the freedom of movement of goods within the Internal Market and benefits further from the freedom of movement and capital.
- It is vital for the continued success of EU and UK wine and spirit businesses that this trade is maintained after Brexit with minimum disturbance.
- ‘No deal’ is not an acceptable outcome for the sector the WSTA represents.
- The WSTA believes that a transparent, pragmatic and non-disruptive implementation period needs to be secured as a matter of urgency and should last at least two years beyond the March 2019 deadline in order to:
 - Ensure wine and spirit businesses retain access to the Internal Market and EU Customs Union so that businesses can continue to operate to as they do now as closely as possible; and
 - Ensure wine and spirit businesses only have to undergo one major change as a result of Brexit.
- Throughout the transitional period, we believe the Government should:
 - Develop a bespoke deal with the EU to secure continued tariff free access for wines and spirits moving between the UK and EU;
 - Secure tariff free access through FTAs with priority 3rd countries;
 - Adopt EU laws into UK laws to ensure fair competition and maintain consumer confidence; and
 - Develop a comprehensive customs agreement to deliver frictionless trade, and minimise border controls tariffs and related administration costs.

- Agreement should be sought to confirm that employees legally working in the EU28 can remain in their place of work. A system should be developed to ensure future hirings and movements are as seamless as possible.

1. **Market access: how important is free access to the Single Market? What would be the impact of trading with the EU under WTO rules and tariffs? How significant are tariffs compared to other costs?**

- 1.1 EU trade post-Brexit without an agreement would be hugely detrimental to the wine and spirit industry. The UK wine and spirit industry depends on the freedom of movement of goods, and benefits from the freedom of movement of people and capital within the EU. There are historic and economically significant wine and spirit trade flows between the EU and UK and it is vital for the continued success of EU and UK businesses that this trade is maintained after Brexit with minimum disturbance, including maintaining tariff free access.
- 1.2 'No deal', resulting in the industry operating under WTO rules, is not an acceptable outcome for our industry. Not only would we lose tariff free access to wines coming from the EU, but also from 50 other countries we currently enjoy tariff free access as members of the EU. As a Member State within the EU Customs Union there are no tariffs on wine and spirits moving between the UK and EU. Were the UK to leave the Customs Union without agreeing a comprehensive FTA with the EU, and assuming the UK would maintain its current WTO schedules, customs tariffs would be equal to around €13.10/€15.40 per 100 litres (depending on ABV). Currently tariff free, sparkling wine would increase to €32 per 100 litres. This would add around 8.5p/10p and 22p respectively per bottle of still or sparkling wine respectively which would be hugely damaging to UK wine businesses, especially those working to tight margins.

- 1.3 Spirits currently also enjoy tariff free access and would receive the Most Favoured Nation (MFN) rate for spirits of zero in the same scenario.
- 1.4 Tariff free access not only needs to be secured for wines, but also for related materials and inputs which might affect both wine and spirit producers, such as cream, cereals, point-of-sale materials, glass and packaging. Additional burdens would be incurred by both wine and spirit businesses through the imposition of non-tariff barriers, which might increase operating costs and would act as barriers to trade.
- 1.5 Outside of the Customs Union and without a preferential deal, movement of goods would be subject to customs controls moving between the UK and the EU making trading more difficult and increasing cost. The Government's Customs White Paper fails to clarify what system the UK would move to and what would be required from businesses in that scenario. The WSTA recognises that when the UK leaves the EU we cannot remain a member of the Internal Market however it is imperative that the UK retains unfettered access to that Market and also the Customs Union during any transitional period. This would ensure the freedom of movement of goods is allowed to continue with minimal interruption, that there are no practical changes for businesses during this time and that there is only one change as part of the leaving the EU.
- 1.6 This does not mean that we wish to remain part of the Customs Union post-Brexit which would restrict the ability of the wine and spirit industry to fully capitalize on the opportunities that leaving the EU presents. The WSTA welcomed Theresa May's commitment to negotiating a bespoke trade deal with the EU and we would encourage the Government to ensure industry is consulted throughout this process to ensure we can exploit any opportunities that arise as a result of Brexit.

2. **Non-tariff barriers:** how significant are non-tariff barriers potentially arising from leaving the Single Market and Customs Union? What are the most significant ones? How best could impacts be mitigated?

2.1 In terms of non-tariff barriers, leaving the Internal Market and Customs Union without a negotiated settlement would result in our members facing additional challenges. In order to mitigate the effects of a non-negotiated exit of the EU in March 2019, WSTA members are already taking action but this is not without financial impact. A non-negotiated Brexit without a transition period would significantly disrupt trade flows between the EU and UK and the imposition of a customs border would disrupt the flow of vehicles. WSTA members are to minimize the impact such disruption might bring by considering increasing stock levels ahead of March 2019 but this depends on the availability transport (e.g. slots on ships, vehicles and Eurostar) and the availability of bonded warehouse space. WSTA members are also having to consider increasing stocks of packaging (e.g. label stock, bottles and corks) and machinery (e.g. stills, winemaking and bottling equipment). Finally WSTA members are concerned about future access to labour (e.g. drivers, warehouse staff and marketing).

2.2 The WSTA accepts that when Britain leaves the EU, the current customs system will have to change. It is highly unlikely that the UK would be eligible to continue using the EU's Excise Movement and Control System (EMCS). We urge the Government to give high priority to implementing the Customs Declaration Services (CDS) system and would welcome a negotiated simplified customs regime with the EU. The implementation of the new system should be carried out only once following a sufficient transitional period and be fit for future use. We also note that transitioning from the old to a new system will increase costs per consignment, through additional

staffing at the border, within businesses and for new IT systems which will be required. The cost to businesses should be kept to a minimum.

3. **Regulation:** what are the opportunities and potential disadvantages of seeking regulatory divergence from EU product, safety and other standards? To what extent should the UK seek to retain influence on these standards? Is it preferable for the UK to: establish an EU association agreement (or equivalent); replicate EU regulation; diverge from EU rules and standards? What dispute resolution processes would be most desirable? Should the UK seek to align professional qualifications with those in the EU?

3.1 Our aim is an agreement between the EU and UK that preserves fair competition and maintains consumers' confidence in our products. The current EU regulatory framework for food law has proven to be fit for purpose, the main elements and principles of which should be rolled over into UK legislation in order to apply as soon as the UK leaves the EU.

3.2 Common laws governing how food is produced, processed, packaged and sold are a fundamental element of the European Union's Internal Market. The EU's framework of food safety laws, which cover a wide range of areas including food hygiene, food packaging, contaminants, additives and food labelling, has proven to be highly effective in both protecting consumer health and ensuring that consumers have confidence in the safety and authenticity of the food and drinks they buy. EU food laws, which have been subject to fundamental revision over the last 15 years following a number of high profile incidents in the late 20th century, have at their core the principle of ensuring safety across the food chain from farm to fork and are founded on sound science, best practice and internationally recognised systems such as hazard analysis and critical control points (HACCP).

- 3.3 It is equally important that legislation, particularly when based on global standards, is not over implemented or gold-plated, which can lead to distortions of competition and that control and audit mechanisms are neither over-bureaucratic nor burdensome. And while there have been significant advances in the way food law is enforced across the EU, Brexit provides the opportunity to develop a smarter and more risk-based enforcement and inspection regime that is tailored to meet the needs of UK businesses. There is an opportunity for the wine and spirit industries to play a greater role in working with enforcement bodies to develop guidelines.
- 3.4 Clearly defined EU production standards and labelling rules protect consumers and producers alike. For example EU rules on the definitions of gin, distilled gin and London gin protect both consumers and producers from inferior products. Similar protections are also provided by strict EU rules on how wine can be made, labelled and marketed. The current definitions for spirits and most of the production rules for wine should be maintained when the UK leaves the EU.
- 3.5 Strict product definitions while protecting producers can also inadvertently stifle innovation. While EU rules recognise sloe gin and permit the product to be substantially different from the other categories of gin, the same cannot be said of other traditional British products such as damson gin. Brexit provides the opportunity to stimulate innovation by immediately removing prohibitive restrictions while at the same time maintaining consumer confidence and the integrity of established product categories and brands.
- 3.6 Likewise for wine, the current EU regulatory regime imposes different rules on imported wine than on wine produced in the EU which can lead to a distortion of

competition. For example, it is possible to make a sparkling wine in one EU member state from a still wine produced in another EU member state while it is not possible to make a sparkling wine in the EU from a still wine imported from outside the EU. This is not equitable. Brexit provides the opportunity to remove such restrictions which would encourage innovation and further investment in UK businesses while at the same time meeting consumer demand for more diverse and innovative products.

4. **Skills:** how dependent is the sector on workers from EU countries, at all skill levels? What is the potential impact of restrictions on freedom of movement? How far can gaps be filled by UK workers?

4.1 Many wine and spirit companies employ people from across the EU, whether it is in production, the back office, visitors centre, marketing or elsewhere in their operations. The situation between the Republic and Northern Ireland is a particular case as companies have sales, marketing, global business and customer support teams in both locations servicing not only the British and Irish markets but also global markets.

4.2 It is also vital that the UK and EU reach agreement to allow people currently legally working in the EU28 to remain in their place of work and for future hirings and movements to be as seamless as possible. A key example of this is the hospitality industry. Wine and spirits account for just under £10bn of the hospitality industry's direct output (£21bn) however there are major concerns over the impact Brexit might have on its workforce which is made up of approximately 15% EU nationals.¹⁹

4.3 For the emerging English wine industry and producers of grain spirit, there are concerns over the continued availability of seasonal workers. Furthermore much of the

¹⁹ November 2016, British Hospitality & Tourism Industry Brexit Strategic Response, British Hospitality Association

wine and spirit industry relies on expertise and language based skills from other EU countries. Winemaking in England for example is a comparatively new industry, and so many English wine businesses hire workers from the EU in all levels of their business. The UK has long been at the centre of the world wine trade and is a hub of training opportunities. The Institute for Masters of Wine (IMW) and Wine and Spirit Education Trust (WSET) are ambassadors for the global wine trade. For example there are currently 369 Masters of Wine, living in 29 different countries across five continents.²⁰ This world-class status is at risk if necessary flexibility is not put in place.

4.4 We believe that the EU27 and UK should allow people to currently work in their territories to remain in their place of work and focus on the importance of being able to move talent and people easily between the EU27 and UK in the future.

5. **R&D:** How significant are EU-dependent R&D activities within the sector's broader research landscape? What R&D collaboration, funding and access to facilities and resources is the UK in danger of losing as a result of Brexit? How can future collaboration, funding and resource/facility access with EU countries be best secured? How can the UK best retain influence in EU and international research programmes?

5.1 Access to key EU R&D funding and collaborative networks has an important role in supporting the UK wine and spirits trade in meeting the underlying principal of UK Food Safety enforcement – namely that food is safe, and is what it says it is.

5.2 For example, currently under the EU Framework Programme 7, specifically its Food Integrity Project, work package 5 on Spirit Drinks Authenticity, the UK Spirits Industry is part of a pan European project to develop hand held tools which can be used by

²⁰ IMW, < <http://www.mastersofwine.org/en/aboutus/faq.cfm#faq-4AE63C9C-8BB8-4C38-B31F29F92F3808EA>>, [Accessed 31/10/2017]

enforcement officers in the field to identify counterfeit spirit drink products which may present a risk to consumers. Likewise the UK wine industry has also benefited from the establishment, with European funding, of the JRC Wine Databank and its underpinning methodologies which can be used to fight fraud by helping to verify products which are authentic.

5.3 More widely the UK wine industry will also benefit from current and future funding under the Horizon 2020 programme of research into diverse areas such as grapevine diseases, product environmental footprint and environmental sustainability, including the impact of changing climate on vineyard practices.

5.4 We would therefore call on the Government to secure continued access to existing and future European research funding, and to take all necessary steps to help facilitate future collaboration, including the mobility of research personnel.

6. **Trade opportunities:** what opportunities are there for the UK to improve exports to countries outside the EU? Where should Government the Government seek to prioritise in terms of trade deals?

6.1 The UK government quoted research in its recent Trade White Paper which believes 90% of global economic growth in the next two decades is going to be created outside of the EU, suggesting that there is major potential for growth in exports to developed and emerging markets outside of Europe. Many of our members have identified the US, Japan, Hong Kong and China as key export promotion destinations. However, whilst we expand trade into these new and growing markets, it is paramount that we retain the

same level of trade access with the EU as we enjoy today. The EU currently offers exporters a mature market, well educated in the value of British food and drink products. Because of this, it is necessary to secure an implementation period so that the UK can develop comprehensive FTAs with both the EU and third countries, working with European partners to focus on an economically rational narrative. A trade deal with the EU should be pursued by matter of urgency as 55% of all UK wine imports originate in the EU. However we do recognise that there are significant opportunities outside of the EU to develop model wine and spirits agreements in priority markets.

6.2 Of the major non-EU wine producers supplying the UK, all but Argentina and New Zealand currently benefit from free trade agreements or bilateral wine agreements with the EU, but the terms of the various agreements differ. Once the UK leaves the EU, these agreements will no longer apply and therefore will need to be either rolled over or replaced. The WSTA has agreed to work with our trading partners to develop model agreements to ensure Brexit does not disrupt the trade flow of wine and spirits into and out of the UK, while maintaining agreed technical standards. Greater clarity from Government on the transitional adoption of existing bilateral deals would be welcome.

6.3 As a further mechanism to facilitate international trade, the WSTA believes the UK should look to use existing mechanisms wherever possible. The World Wine Trade Group (WWTG) is an excellent example of how the UK might be able to more easily facilitate trade through mutual recognition. We believe that the UK should join the WWTG immediately after leaving the EU as it will bring major benefits to our industry, mainly through the Mutual Acceptance Agreement (MAA) which allows members to recognise individual practices and labelling. Rather than imposing singular regulatory burdens, this avoids the imposition of obstacles to trade and benefits winemakers, exporters and importers by assuring them access to markets without the trade

barriers based on differences in wine-making practices. This approach could be adopted to facilitate trade in other sectors also, including spirits.

- 6.4 The WSTA believes the following agreements should be adopted, as a matter of priority: US and Australian wine agreements, an FTA with Chile, a South African EPA, CETA, an FTA with Korea, and the 1994 exchange of letters between the US and EU on spirits.

7. **Transitional arrangements: what should the UK seek in transitional arrangements and for how long should they apply?**

- 7.1. The WSTA has long been calling for a transitional period to be secured as a matter of urgency, for at least two years or as long as it takes to converge legislation or develop mutual recognition of standards. To provide certainty and stability for business a transitional arrangement should be confirmed and outlined by March 2018 which is predictable, pragmatic and non-disruptive. Transitional arrangements should maintain the EU acquis together with continued application of EU FTAs and other EU third country bilateral agreements.
- 7.2. The implementation period should secure continuity, meaning that the UK should remain in the Single Market and Customs Union while respecting its current economic commitments. The WSTA welcomed in the Prime Minister's Florence speech the recognition that there should only be one change for business.
- 7.3. Current EU rules under the Internal Market work well for wine and spirits and so the ideal scenario for our industry would be to maintain the status quo, moving EU laws into UK laws with a view to amending these following Brexit. During the

implementation period, the UK would need to respect new rules and European Court judgements and remain within the Customs Union. This would preserve tariff free trade for wines and spirits, and ensure fair competition and maintain consumer confidence, for example through respecting winemaking definitions and practices, GIs, and the Spirit Drink Regulations 110/2008 (which should also be rolled over post-Brexit).

- 7.4. While the acceptance of new rules and regulations from the EU should continue under the transitional period, we also believe that the UK should ensure there is UK influence in the EU during this time to ensure new rules can be challenged. This is also true for the wine and spirit industry, which should maintain a close relationship with EU wine and spirit groups such as Comite Vins and Spirits Europe.
- 7.5. A transitional period should also allow for people in the EU28 to remain in their place of work to make future hirings as seamless as possible.

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