

Braving Brexit

Industry leaders discussed the challenges facing retail, logistics and supply chain as the UK moves towards exit from the European Union at our roundtable sponsored by DP World.



Almost two years ago the British public decided to leave the European Union. Back then, and ever since, the uncertainty of Brexit has spooked all manner of industry. Many are still in the dark. But as the reality of a post-Brexit existence fast approaches, is the supply chain preparing for its eventualities?

Oliver Treneman, park development director at DP World, asked industry leaders around the table what they are doing to prepare for Brexit, knowing that the UK Government has ruled out remaining in the customs union, that VAT will change, tariffs will change, and that the move may require their companies to have stockholdings in the UK or elsewhere. Adding that, of course, this could cause great delay in the supply chain.

Treneman pointed out that there are certainly ways to continue connecting and trading with the world post-Brexit. "We have a large logistics park with infrastructure that is connected globally and also into the UK," said Treneman. "I think there may be opportunities around a port centric option that might work for your businesses." He added that collaboration among industry players could be key in overcoming some of the supply chain uncertainty being created by Brexit.

But it's not just trade that the industry needs to think about. To help prepare for the eventualities of the UK's break from the European Union, CEVA Logistics has a Brexit team that discusses what the

implications of Brexit may be for the industry, the company and its customers. The biggest concerns for Leigh Pomlett, executive director of CEVA Logistics and FTA president, are labour, customs and the harmonisation of laws and regulations.

He pointed out that the logistics industry is heavily reliant on non-UK nationals. Out of the 300,000 truck drivers in the UK, 40,000 are not UK nationals. In the warehouse space there is a similar reliance, with 100,000 out of half a million workers non-UK nationals.

DP World's Oliver Treneman agreed that the labour shortage is a huge problem for

market] and that that's going to make the labour shortages we have in the UK worse," said Pomlett.

On top of this, Poland, where CEVA has a big operation, is equally short of labour. And they're very keen to attract their nationals back. "We're talking about a global labour market, Germany is short of labour, France is short of labour, Poland is short of labour, we're increasingly short of labour, because although the population of the UK is increasing, the population of the workforce is decreasing," added Pomlett.

"And so we've got a macro problem here which we as an industry are dealing with,

“We've reached the point in the economic cycle where Europe is starting to grow much faster than it has done for many years...

Oliver Treneman

the industry: "We've reached the point in the economic cycle where Europe is starting to grow much faster than it has done for many years. The UK currency compared to the Euro is now very weak, so we've had people in the haulage industry in particular turn round and say that the most pressing problem they face is around labour."

Of course, for most sat around the table, the labour and skills shortage was present even before the Brexit vote took place. "I have anecdotal evidence, and a lot of it, that there is a movement away [from the labour

which is within the industry itself, is heightened by the fact we have a shortage of labour."

Tomas Mikenas, general manager at Wincanton, said that as a Lithuanian national he was fascinated to hear the different perspectives on lost labour. "Countries like the Baltic States in Poland, are building the so-called national talent lines now, they are actively attracting people back," he said. "So they're offering advice on mortgages, they're offering starter packs, they're helping people to find jobs as well.

PANELLISTS

sponsored by

DP WORLD



Leigh Pomlett, executive director, CEVA Logistics, and president of the Freight Transport Association.



Simon Lancaster, operations director, Unipart Logistics.



Nichola Silveira, general manager, logistics, DP World.



Trina Curry, head of UK operations, Danone Nutricia Early Life Nutrition.



“And I’m not only talking about low skilled jobs, I’m talking about highly skilled and technical labour.”

Perhaps now is the time for the UK logistics and retail industries to offer the same level of help to retain EU-nationals. Especially after the arguably toxic atmosphere that was created after the referendum, that made many immigrants feel unwelcome.

John Munnely, operations director at John Lewis, said that the company had done lots of work on the issue with Swansea University following the vote. “We really tried to get under the surface of the contingent worker, to actually see what makes them tick, what makes them function, what motivates them, why they come to the UK,” said Munnely. “I personally feel we’ve taken that resource pool for granted for a number of years.

“They queued up at the gates in September, and you turned away people you can’t employ. But times are changing.”

Through this work John Lewis was able to learn a lot about engagement and the belonging of individuals.

“When we talk about a competitive edge as a logistics company, the way that you treat and hold your labour in the future will be one of those competitive edges,” said Pomlett. “And how you use the engagement model will be critical, because there’s a lot of industries with a shortage of labour, and switching between one industry and another has never been easier.”

Salim Kemal, senior global trade

compliance analyst at Pitney Bowes, said that the company is really having to think about the potential implications of Brexit.

“The way we’re looking at it is: we manufacture in the US, we have a UK head office of an American company that operates a 3PL in Europe,” he said. “Our stock is warehoused in the EU. So what impact is that going to have on us?”

“We’re moving goods into the UK, and the EU from all over the world, at the moment there’s not much difference but once you start applying Brexit to that scenario, the costs are starting to push us more and more closer to the English Channel and beyond.”

He said that the business doesn’t want to do that, but at the moment all the figures are pointing towards Europe. “And I’m just wondering if there are any other UK companies that are actually considering just picking up their suitcases and moving over to the EU to make it easier for this transition to happen, because it’s causing a tremendous amount of problems,” he said. “It’s a crystal ball scenario: we don’t know what’s going to happen, but it’s trying to find out what the bottom line is, whichever way you look at it, best case or worst case scenario, it is just a

bad case scenario.”

Simon Lancaster, operations director at Unipart, said that one way the business is trying to prepare for Brexit is through its working group which analyses the company’s entire supply chain. “Where we are at the moment is monitoring and having a very clear dashboard of analytics to try and analyse trends ahead of the game as far as we can,” said Lancaster. “And I think that’s the best you can do in any circumstance where there is ambiguity, so it’s very much for us about lead measures to try and identify concerns as they arise.

“For my particular sector, technology, which is largely leveraged around warehousing, I’d agree it’s the people – around 40 per cent of our workforce are EU nationals.”

He said that the business is finding that, particularly in some of its midlands warehouses, that to have a competitive labour supply, particularly around the quarter four periods, its pay rates are pretty much on parity when it comes to temporary and full time staff. “I firmly

believe that at some stage, in the not so distant future, you’ll probably be paying for flexibility as a premium,” he said.

Pomlett said that although Eastern Europeans may be tempted to return to their homelands because they feel unwelcome after Brexit, there is also

an economic push happening. “That may be true, but it’s economically the case, that with the pound having lost its value, and the fact that there’s a labour shortage in Poland, there’s no point staying,” he said.

Hop Ming Chen, senior supply chain commercial manager at DP World, asked whether or not there were any steps happening to address the labour shortage.

“We’re addressing the people issue, there’s huge efforts to attract people into the industry,” added Pomlett. “But as for



Oliver Treneman, park development director, DP World London Gateway.



Hop Ming Chen, senior supply chain commercial manager, DP World London Gateway.



Tomas Mikenas, general manager (B&Q), Wincanton.



Salim Kemal, senior global trade compliance analyst, Pitney Bowes.

“ the way you treat your labour in the future will be one of those competitive edges...”

younger people in our industry, where are they? They tend to be very transient, they go from one industry to another, they go from one company to another much more quickly than we used to years ago.

"But there are lots of things going on to try and attract people into our industry." He added that there are a lot of training and engagement studies happening at the moment.

"That's exactly where we have landed, so we have experienced, from our 3PL, the labour shortage," said Trina Curry, head of operations, Danone. "They talk to us about it, they feel it and the feed back that we got was that in summer 2016, after the vote for Brexit, immigrant workers in the UK would disappear for the summer, then come back in September.

"That happened in 2016, and then last year it didn't. So we really felt it."

Danone has felt the shortage of drivers more so than in the warehouse. "Danone, we're a French business, and so we're trying to figure it out," she said. "It can stop you sleeping actually trying to figure out what the plans will be.

"We're just settling up for 2018, but when I think into 2019 I wonder, how do we prepare, and budget, and figure out how much warehouse space we need and how much it is going to cost in terms of the tariffs, and in terms of the extra storage that we potentially need for all these products coming in, how much those products cost because they're manufactured in Europe, so they're manufactured in Euros but we're a British business so we pay in pounds."

She said that labour is the primary issue, but that the impact of what happens with the trade at the border is a close second.

"Maybe this is what Brexit does, maybe it will correct, but not in the short term, not what we've got to plan for," she said. "Maybe it kickstarts manufacturing for Danone in the UK.

SPONSOR

DP WORLD



DP World London Gateway is the UK's most integrated logistics hub; a state-of-the-art, globally connected deep-sea port and international rail terminal, with Authorised Economic Operator status and world class customs facilities, on the same site as an expansive land bank for flexible and fast development of logistics facilities and warehouses.

Amid the looming uncertainty of Brexit, this combination of deep-sea port and Logistics Park offers the opportunity for bespoke solutions in the best location. With unrivalled facilities, tri-modal connectivity, unmatched safety, speed and reliability - closer to consumers - DP World London Gateway could offer shippers an opportunity to collaborate on bespoke solutions that help to ensure trade is as frictionless and cost-effective as possible. This flexibility, integration and opportunity presents the potential for collaborative solutions to some of Brexit's biggest operational challenges.

Email: park.enquiries@dpworld.com

"But it's not happening this year, because we're all still trying to figure out how to get our businesses lined up post the exit."

One way that John Lewis has tried to deal with the ever-decreasing workforce, is to introduce automation into its supply chain. "The volatility of the contingent labour market is something that really spooks us," said Munnelly. "And I think there is a real paradox in terms of the way retail is and how predominantly it's moving towards a couple of weekends in the year.

"Our volume actually increases by a

factor of 11 from our lowest week to our highest week."

The Black Friday and Cyber Monday weekend drives a huge need for seasonal workers. "At John Lewis we've invested heavily in mechanisation, automation and some robotics to try and stay ahead of the game," said Munnelly. "There's a view that if we hadn't had done that we could have been in a completely different place, so we've actually bucked the trend by investing in some form of automation, but even then when we get to those peaks of the year, it makes no sense to invest in large scale automation for four weeks of the year.

"So you're compelled to go down the more manually intensive low capital outlay type processes."

Leigh Pomlett said that he has spoken to many retailers that are also now going down the automation route at a much faster rate than they previously did, because they can't find the labour. "And part of their planning process, and I never thought I'd hear it because automation in warehouses can be fairly inflexible," he said. "I remember the year of taking the automation out, we put it back in, but for a different reason. It went back in, because we as an industry were struggling to find people to work."

So could robotics be a convenient saviour of the labour crisis? "Robotics can be used in the retail e-commerce challenge I suppose, but the manual dexterity is still in its infancy, and I think it will be a number of years before we see something replacing the human hand," said Munnelly. "The more repetitive cubic style pharmaceutical - different if you're a high street department store, with anything from tennis balls to fridges, it's difficult to find the solution.

"Equally robotics, are still quite expensive if you think about the entry level for these things as well, which really conflicts with the challenge of the labour thing." ■

