



# BREXIT UPDATE SCOTLAND



Dear Member,

We are now less than 40 days away from potentially leaving the EU without a deal. Preparations are underway within the wholesale sector and the wider food and drink industry. However, the outcome of the Brexit discussions remains uncertain with further Parliamentary votes on the Prime Minister's "deal" and attempts to rule out No Deal due on 27<sup>th</sup> February.

Many thanks to all SWA members who have supplied us with helpful Brexit planning updates and information which has been of great assistance in our engagement with Scottish Government ministers and officials as well as with UK Government officials from DEFRA and DEx EU.

Having spoken with UK Government officials, it's clear they are concerned at the lack of engagement on Brexit by a large section of the industry and particularly by SME's. DEFRA and DExEU remain keen to hear about companies' contingency planning; any plans for re-routing vehicles; issues within the supply chain; any shifts in workforce and any scope for cross industry collaboration to maintain supply of essential products.

### **Scottish Government's Food Sector Resilience Group**

SWA Chief Executive Colin Smith and the Association's public affairs consultant Margaret Smith both took part in the latest Scottish Government's Food Sector Resilience Group meeting on 20<sup>th</sup> February. The meeting was attended by Fergus Ewing MSP, the Cabinet Secretary for the Rural Economy and Mairi Gougeon MSP, the Minister for Rural Affairs and the Natural Environment as well as representatives from Food Standards Scotland, COSLA, the Road Haulage Association and a range of food and drink sector partners.

The Group examined a number of items including food sector plans; issues around certification and requirements; supply chain issues; logistics and markets; labelling and communications. Food Standards Scotland reported that an approach had been made by the EU seeking the UK's agreement to dynamic alignment which the Scottish Government and other devolved administrations are happy to sign up to.

Colin Smith highlighted the importance of the wholesale sector's role in the supply chain and in the provision of public sector contracts within Scotland's schools, hospitals and elsewhere. He reported that a significant amount of planning is going on with wholesalers stockpiling additional stock and working with suppliers to maintain supplies and to seek potential alternatives if required.

He highlighted concerns raised by SME's in the sector and received assurances from Fergus Ewing that the Scottish Government would give particular attention to these concerns. SWA also raised concerns about delays at ports and the potential disruption to food supplies to Scotland's Islands and rural areas.

Mr Ewing thanked SWA for raising these issues. He instructed officials to have further discussions with the Association and "to give particular thought to see if there are any financial issues for SME's in terms of their liquidity or cash flow in the short term"



The Cabinet Secretary acknowledged there might be a requirement for immediate government assistance.

Mr Ewing also reported that he was meeting with senior bank officials in light of reports at a previous Resilience Group meeting that banks were not opening bank accounts for EU nationals and businesses were experiencing difficulties accessing credit. He asked trade bodies to check with their members if any were experiencing difficulties to report this to him. Please let us know, in strictest confidence, if you have experienced any banking issues related to Brexit planning and uncertainty.

Mr Ewing expressed a willingness to meet with wholesalers to discuss impacts on the sector and SWA are seeking a depot visit with him.

### **Meeting with Michael Russell MSP**

SWA are due to meet Michael Russell MSP, the Cabinet Secretary for Government Business and Constitutional Relations on Wednesday 27th February. Mr Russell is the Scottish Government's Brexit Minister and if you have any points or questions you wish us to raise with him please get in touch.

Mr Russell made a Ministerial statement in Holyrood on 19th February.

In it he said the Scottish and UK Governments were working together however there remained a number of unanswered questions. -

*...we do not yet know how much ferry capacity is available, on what routes it will exist or exactly what priority goods will be carried. Nor do we know what priority will be accorded to each category of goods, nor what arrangements will be made to service Scottish requirements including the particular challenges of rurality. We have also not yet heard whether export of foodstuffs can be integrated with special arrangements for import, consolidating inbound and outbound capacity to maximise the benefits. There are many more matters on which we need clarity and on which we will continue to seek it, given that such clarity is essential for our preparations.*

*Leaving those difficulties aside, although we are working as closely as we can with the UK Government, we do not now believe that, even if there were a perfect information flow, there would be the time or the resource to ensure that absolutely everything required would be in the most effective place, in the most effective way, by the required dates. That is not a criticism of anyone who is working very hard on these matters north or south of the border; it is simply a fact, given the shortness of the time that is available and the size of the task to be undertaken.*

*It is clear that a no-deal Brexit remains a significant and live risk that would lead to a major dislocation to the Scottish economy.*

*Transport Scotland is working with providers and ports and airports in Scotland to assess existing capacity and to identify how that capacity could mitigate disruption to imports and exports. With regard to trade, although the UK Government is currently negotiating with*

*40-plus trading partners in an attempt to roll over existing EU third-country agreements, there is now no possibility that all or even a majority of those agreements will be in place. Access to some markets will therefore be considerably disrupted. Nonetheless, we are working to secure as consistent and wide-ranging a food supply as possible and to enable improved or new supply chains to get to every part of the country. We are trying to overcome barriers to the export of food and drink as well.*

### **Latest Scottish Government Brexit Impact report**

A 'No Deal' Brexit could have a dramatic impact on Scotland's economy, with the potential for national Gross Domestic Product (GDP) to fall by up to 7%, according to a new report by the Scottish Government's Chief Economist.

You can read the report [here](#).

The paper, 'No Deal' Brexit – Economic Implications for Scotland, sets out two potential 'No Deal' scenarios, one of which would see short term disruption to supply chains lasting for a number of months, with the second scenario looking at an extended period of disruption.

Potential impacts to the economy of these two scenarios include:

- Scotland's trade with the EU would be significantly impaired, with a potential drop in Scottish exports by 10%-20%
- Heightened economic uncertainty, which could reduce business investment in Scotland by £1 billion in 2019
- A fall in exports and overseas investment, coupled with a broader economic slowdown, could result in a 10% - 30% depreciation in sterling
- International net migration into Scotland, currently +13,000 a year, would be expected to fall, and potentially turn negative, as a result of a depreciation in Sterling and wider economic slowdown
- An economic slowdown would be expected to result in the rate of unemployment increasing to between 5.5% - 8%, from current the current rate of below 4%. The top end of this rate would be equivalent to unemployment rising by around 100,000
- Collectively, these pressures could push the Scottish economy into recession during 2019, with the potential for GDP to contract by between 2.5%-7%

Scottish Government research has already shown that the UK Government's proposed Brexit deal could see a 6% fall in GDP by 2030, worth over £1,600 per person in Scotland.

Commenting on the publication of the report, Economy Secretary Derek Mackay said:

*"This paper confirms that all forms of Brexit will harm Scotland's economy and result in lower household incomes. There will be severe impacts for the economy, and for people and businesses across Scotland, under a 'No Deal' Brexit and these impacts have the potential to push the Scottish economy into a deep recession, similar in scale to the financial crash of 2008. When I met with the Chief Secretary to Treasury in Cardiff last week, I urged her to rule*

*out a 'No Deal' Brexit and give me a cast iron guarantee that all lost EU funding would be replaced in full after Brexit. She could do neither."*

The report also sets out the regions and sectors which will see the greatest impact of a 'No Deal' Brexit, including agriculture and fishing, transport, chemicals, pharmaceuticals, food and construction. However, all sectors would be negatively affected.

### **Scottish Government advice**

Meanwhile both the UK and Scottish Governments have produced guidance to assist businesses with Brexit planning. This guidance is being updated on an ongoing basis.

The Scottish Government have established a My Gov website  
<https://stage.mygov.scot/eu-exit-brexit/>

The site includes information for the food and drink sector  
[Scottish Government guidance food sector](#)

Businesses are also encouraged to complete a self assessment tool on Scottish Government's Prepare for Brexit site. The tool should take 6 minutes to complete and businesses will then be directed to particular assistance. There's also a Brexit checklist which covers customs, excise and VAT arrangements for exporters.  
<https://www.prepareforbrexit.scot/>

### **UK Government Advice**

The UK Government has also published advice for businesses at [Prepare your business](#)  
This includes information covering employment of EU nationals. [Employing EU citizens](#)

The UK Government has produced specific advice for the Food and drink sector - *The food and drink sector and preparing for EU Exit.*  
[Food & Drink sector guidance for EU exit](#)

The Sun newspaper has reported today that Downing Street has delayed an announcement on no-deal Brexit tariffs to avoid a backlash from MPs. The report will come out after the next Brexit vote in parliament, either "next Thursday or Friday".

There's also a series of Technical Notices with information about what to do to plan for No Deal across multiple business areas.  
These can be found here: <https://www.gov.uk/business-uk-leaving-eu>

HMRC are urging businesses which import or export goods with the EU to register for Economic Operator Registration and Identification (EORI) numbers. This is a trading number that businesses have been informed they will need in order to trade after we leave the EU. If this applies to any members register here  
[EORI number](#)

There's also updated rules for HGV drivers.

<https://www.gov.uk/guidance/international-authorisations-and-permits-for-road-haulage>

<https://www.rha.uk.net/getattachment/Policy-Campaigning/Brexit-and-the-UK-haulage-industry/190219-No-Deal-Access-Update-v1.pdf.aspx?lang=en-GB>

### **EU Advice**

The EU has also published preparedness guidance which may be useful.

[EU factsheets-and-questions-and-answers](#)

### **Future planned SWA Brexit activity**

SWA will continue to engage with ministers, officials, FWD and other trade associations on Brexit issues. SWA are due to meet the Brexit Secretary Michael Russell on 27th February and are seeking a meeting with Fergus Ewing MSP.

***Colin Smith***  
***Chief Executive***

