

## Brexit prompts UK logistics exodus

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Mike King | vendredi, 08 mars 2019

Britain's central role in pan-EU distribution strategies is rapidly declining as shippers move activities to mainland Europe and 3PLs seek out new hubs

**Shippers will increasingly move European distribution hubs from the UK to continental Europe as they develop new post-Brexit logistics strategies, according to a range of leading supply chain executives.**

With transport chaos threatened in the short-term – particularly if the UK pursues a no-deal Brexit – and the cost of distribution and customs clearances set to rise unless the UK remains in the Customs Union, European supply chains are in the process of being realigned, diminishing the UK's role in pan-EU distribution strategies.

John Pearson, CEO of DHL Express, said that for those companies that currently use the UK as a central hub for their European distribution needs, relocating to the continent was “the safe bet”. He added: “If they're growing, shippers will conclude: ‘If we need a new warehouse or hub anyway, why don't we put it on the continent instead of in the UK?’”

Rogier Spoel, air and ocean freight policy manager at Dutch shipper body evofenedex and air freight policy manager at the European Shippers' Council (ESC), also said UK-based shippers and supply chain companies were looking at how to transfer operations to mainland Europe.

“Primarily, a lot of companies are looking at ways to reduce the number of times that goods are actually being transferred between the UK and Europe,” he told *Lloyd's Loading List*. “To give a theoretical example, take a pharmaceutical company that is producing in the UK, shipping to Germany where (the product) is being sterilised, before being shipped back to the UK for packaging and distribution around the EU.

“Now, considering that there's likely to be a hard border, and they can't switch their production location immediately, they're looking at ways they can still produce it in the UK, still ship it to Germany for sterilising, but then instead of shipping it back to the UK putting it directly into a warehouse – probably in the Netherlands or in Belgium – and then distributing it on the European market.

“They're trying to cut the times that goods would need to cross that border. It's true for pharma, but also the automotive sector where something like an engine might move eight times between the UK and the European Union before the engine is done. That is a big administrative burden that you get with all those transfers.

“So they're trying to cut that away by moving part or all of that supply chain out of the UK.”

Sebastiaan Scholte, chief executive of Jan de Rijk Logistics, said the Netherlands was proving a popular alternative to the UK. “We do a lot of contract logistics – so a lot of warehousing – and we have been approached by British shippers who want to move distribution from the UK to mainland Europe, and a lot to the Netherlands,” he said.

Spoel said the transfer of distribution hubs out of the UK was already creating storage shortages elsewhere in the EU. “In Belgium they're already having a shortage of warehouses just because of Brexit,” he said. “If you're a UK company and you're trying to switch or search for warehouses in the Netherlands or Belgium, I think you're going to have a hard time finding them.”

Spoel also warned that in the long-term, Brexit could have major implications for investment in Britain far beyond the logistics sector. He said many European businesses report a loss of confidence in the stability and reliability of UK politics and may be reluctant to invest there in future – even in the unlikely event that the decision to leave the EU was reversed.

“One major company said to me that the problem for the UK is much bigger than just Brexit because in the end this will somehow be resolved, one way or another,” he said. “They said the confidence of businesses in the UK government is being hurt and if they had a future investment to make, they definitely would reconsider making it in the UK because now there is a lack of trust.

“[The May government] is running the clock towards the end of March. This might save the faces of the people in the House of Commons, but for businesses, they'd rather hear yesterday that it was going to be a ‘no deal’ rather than tomorrow.

“The more you push a no-deal scenario to the end, the more time and energy and money companies need to invest in taking the right steps to prepare themselves. If at the end of the day Brexit does not happen, they'll still remember this.”

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