



PRESENTS

LOOKING AT THE CURRENT AND FUTURE COST OF BREXIT FOR THE LOGISTICS INDUSTRY



We love to put order in your chaos.

Morai Logistics Inc. is a 3rd party logistics provider with an operating agency agreement representing Mode Transportation. We are a powerhouse logistics team based in the Greater Toronto Area and do business throughout North America, including Mexico. Our team is dedicated to our terrific clients and we strive to take the chaos out of your supply chain. We are always on the lookout to do exceptional work with remarkable people and companies!



Introduction

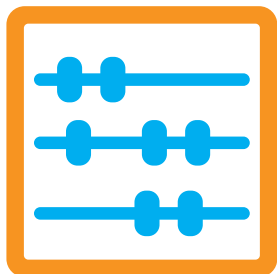
It's been two weeks since the United Kingdom European Union membership referendum was held in the UK. In what surprised many political analysts and commentators, a majority of British citizens voted to leave the EU with **52% in favour of leaving and 48% in favour of remaining.**

It will be awhile before the talks and renegotiations are completed, however there has already been fallout over the results of the referendum.

“The results prompted Prime Minister David Cameron to resign and sent shock waves through financial markets. The pound dropped to the lowest level in nearly thirty years and European stocks tumbled. Safe havens, on the other hand, such as the yen, the dollar and gold surged” reports this [article](#) from Logistics Management.

The UK's exit from the EU, or 'Brexit' as it has been dubbed, stands to have far reaching implications on future UK policy and especially for stakeholder logistics companies. The shape and scope of the implications continue to be hotly contested.





“To promote improved wildlife habitats and higher animal welfare standards, we would put in place a scheme similar to the environmental stewardship scheme we have now, but we would make it simpler and broaden the remit of schemes to include measures that improve animal welfare.”

However, organizations such as Greenpeace have challenged these declarations based on the country’s history of resisting and weakening environmental directives from the EU.

“However, the UK’s environment would probably suffer badly, and the power of the EU as a progressive bloc in international negotiations would be weakened. It’s difficult to predict such a complex chain of consequences, but Brexit would almost certainly be bad for the UK’s environment, and very probably for the world,” it said.

With around [70%](#) of the UK’s environmental safeguards and legislation coming from the EU, Brexit will have a long term impact on environmental efforts for years to come. Whether than impact positive or negative, only time will tell.





1. BREXIT'S COST FOR LOGISTICS PROVIDERS

The day after the results of the referendum was announced, [XPO Logistic's stock fell 13.4%](#). Although XPO Logistics is a leading provider of supply chain solutions in North America it took a major hit as it recently acquired Norbert Dentressangle in 2015 which has its headquarters in Lyon, France. The company is a global provider of contract logistics including e-commerce fulfilment, freight brokerage and transportation, and global forwarding services.

XPO Logistics wasn't alone; FedEx also took a hit with the announcement as there was a 4.7% fall in FedEx's common stock.

“Historically, FedEx has traded at a lower premium compared to UPS. UPS has a sizeable presence in the international market, especially in Europe. FedEx is particularly strong in the domestic US market. In order to increase its footprints in Europe, the company acquired TNT Express NV in 2015 for 4.4 billion euros. FedEx completed the TNT acquisition in May 2016. TNT has a strong presence in the on-road European parcel delivery business” writes MarketRealist.com in this recent [article](#).

“The United Kingdom's exclusion from the European Union's Free Trade Agreement may shoot up the tariffs. In turn, this could pull down the competitiveness of firms in the United Kingdom. It could lead to low exports. The overall slow movement of goods due to the absence of the concept of one market could have a negative impact on the demand for logistics services in these locations. As a result, companies like FedEx wishing to expand their European footprint might come in the line of fire more” in concludes.



A stylized world map in a dark blue color, overlaid with a pattern of lighter blue dots. The map is centered on the Atlantic Ocean, showing the continents of North and South America.

2. BREXIT'S LONG-TERM IMPLICATIONS FOR LOGISTICS COMPANIES

There are two areas that are likely to impact logistics companies the most from the exit: **the restriction of movement and the redefinition of the partnership between the UK and the rest of Europe.**

“As a current EU member, British citizens enjoy the freedom of moving in and out of member states with minimum restrictions, disruptions and even fast tracking through EU lines at border controls. This allows every citizen to enjoy hassle free travel throughout the continent” writes DHLGlobemail.co.uk in this [article](#).

“With the possible Brexit, British citizens will no longer have that privilege. This means that they will have to go through the meticulously slow passport control processes, and the same goes for the products. This new process will definitely add to the delivery hours and increase administration work when it comes to navigating the borders that were once wide open. This means that the costs will go up, the delivery speed will increase and the agitated customers may want to pull out. This results in lower business for the logistics industry players” it continues.



The delays would also impact goods coming and going through train as they would need to wait at the border causing train transport to become less competitive over time [according to German rail operator Deutsche Bahn](#).

The other implication of Brexit, is the possibility of tariffs. **Currently, an average of 52% of the UK's products finds good market within the unions members.**

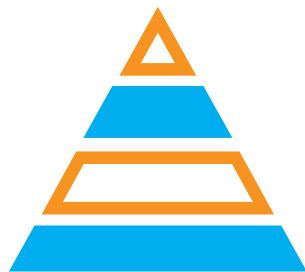
As the UK's exit from the EU will entail renegotiating current trading agreements with other European countries then there is an increased possibility of trade tariffs. This could lead to lower movement of cross-border merchandise. With contracting exports, the demand for contract logistics may go down more. With the potential increase in regulations across borders, the carriers' operating efficiency might go down. This would impact the margins.



If the EU decides to send a message to other countries that may seek to exit by insisting on trade tariffs with the UK, then that'll mean there will be less movement across the border which in turn means [the demand for professional logistics will also go down as exports shrink.](#)

Things are not entirely negative for the logistics industry in the UK and stakeholders in the country. [There are some opportunities that Brexit may provide](#) once the dust has settled.

The full and future impact of Brexit is yet to be determined. Although at the time being, it largely looks negative, there is opportunities for companies and supply chains to bounce back once the fallout has passed and new best practice is established for trade between the UK and the rest of the world.



SOURCES

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