

Supply chain resilience: Freight flows and customs





Today's speakers

Aman Gill - Bibby Financial Services

- Been with Bibby for five years in various trade finance roles
- Responsible for supporting structuring and underwriting all new business for Bibby's trade clients

Nick Blenkinsop - IOE&IT

- Over 27 years of professional experience in international trade
- Currently working on the government's Trader Support Service for goods movements between Great Britain and Northern Ireland



Have you had to change your supply chains due to Covid-19 or Brexit?





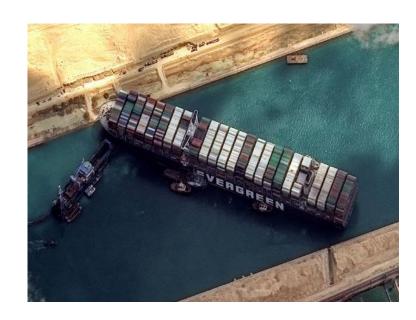






GLOBAL SHIPPING CRISIS

- ➤ Imbalance of Containers Globally
- ➤ Congestion at Ports
- ➤ Questionable Economics of Shipping
- Little Tolerance vs. Shifts in Demand
- ➤ Lack of Government Investment Globally
- ➤ Globalization as we know it over?





IMPACT OF COVID-19

- ➤ Delayed/Cancelled Orders
- ➤ Increased Stockholding
- ➤ Availability of Company Searches/Credit Insurance Limits
- ➤ Government Support for Credit Insurance
- ➤ Growth Sectors e.g., FMCG, PPE, ICT



DIVERSIFICATION OF SUPPLY CHAINS

- ➤ Viability of Manufacturers/Suppliers
- ➤ Changing Supplier Payment Terms
- ➤ Billions of \$ Worth of Cargo from Asia
- ➤ Local Supply i.e., "Reshoring"
- ➤ Reliance on Technology



TRADE FINANCE

INDICATIVE EXAMPLE OF AN £80,000 TRANSACTION WORTH £120,000 (Gross Invoice Value)

EXAMPLE

Bibby Financial Services (BFS) provides funding solutions for UK businesses to buy goods for resale, bridging the cashflow gap between paying suppliers and receiving payment from their customers. In order to demonstrate how our services and pricing works, here is an illustration of a 'typical' transaction.

BUSINESS:

A Client buying goods from abroad for resale using BFS Trade Finance and Invoice Finance facilities

EXAMPLE VALUE OF GOODS: £80,000

EXAMPLE VALUE OF INVOICE £120,000 (gross value VAT inclusive)

Day 1

Our Client receives a £120,000 Purchase Order* from their Customer and places an £80,000 order with their Supplier.



BFS can open a Letter of Credit for the Supplier's Bank If needed.

*We also support speculative orders.

TRADE FINANCE

TRADE FACILITY COST

£80,000 at 2% - £1,600

2% Fee per 30 days

Day 30

Supplier fulfils order, ships the goods and presents documents.



BFS makes full payment of £80,000 to the Supplier.

Day 60

Goods arrive in the UK.



BFS can pay Duty, VAT and Freight if needed.

Option 1 Up to 90 days after Supplier is paid, Client pays back the Trade facility.

CASHFLOW GAP

Option 2

INVOICE FINANCE

Day 61

Our Client sends goods to Customer and raises an Invoice for £120,000.



BFS advances 80% of the invoice value -£96,000. The Trade Finance facility & charges are automatically repaid -£81,600. The balance is paid into the Client's account - £14,400.

Day 90

Our Client's customer pays £120,000 invoice.



The invoice Finance facility and charges are automatically repaid - £97,520. The balance is paid into the Client's account = £22,480.

INVOICE FINANCE FACILITY COST

£120,000 at 1% - £1,200 | £96,000 at 4% (p.a) - £320 Total Cost - £1,520

1% Service Fee | 4% Discount Fee

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Total cost for funding a transaction of £120,000 gross value is £3,120 (2.6%)

Indicative example. All Amounts, Rates & Costs are for illustration purposes only. Additional Rates and Costs may apply. Full BFS T&C's apply.

SUPPLY CHAIN RESILIENCE

- ➤ Supply Chain Cycle Analysis
- ➤ Crucial Components
- ➤ Supply Contract
- >Incoterms
- ➤ Transport Method
- ➤ Processing
- ➤ Supply Chain Strategy



Has your business accessed trade finance or an import loan facility recently? (select all that apply)





Supply chain resilience

Nick Blenkinsop – IOE&IT







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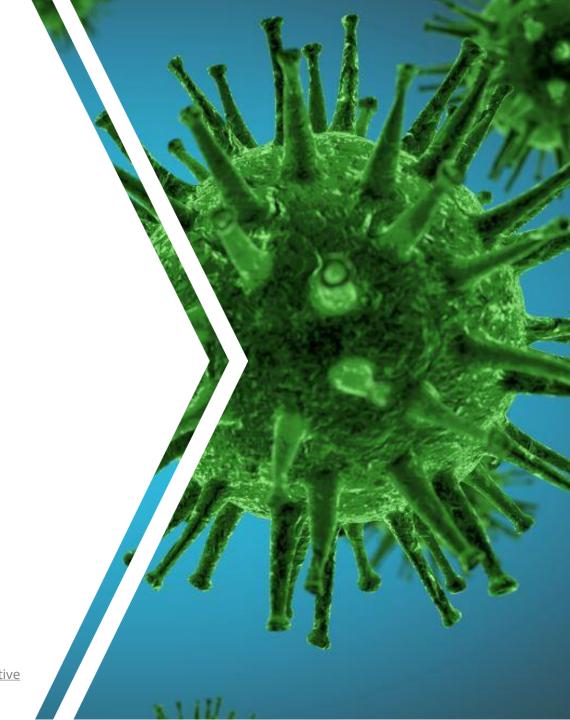
- **Recap of Covid-19 impacts**
- Brexit
- Increased use of customs special procedures and authorisations
- Other considerations and Best practice





Covid-19 impact

- Capacity issues
 - UK warehouses had capacity issues after consumer demand for imported goods fell
 - 300% surge in container rates
 - Social distancing issues could lead to increased use of robotics
- Number of blank sailings now reducing
 - Down to 2% in Q1 and compared with 20% in Feb 20202





Brexit - GB:EU

- Border Operating Model
 - New documentary/customs requirements for GB exports to the EU since 1 January 2021
 - Being introduced for imports over phases
- Uncertain trade flows with EU
 - Online deliveries to the UK from EU plunged by 50.7% in the first quarter of 2021
 - Exports to the EU rebounded in February by 46.6% following January's 42% slump₂





Brexit - GB:NI

- Northern Ireland Protocol resulted in re-routing of freight and suppliers looking to source GB products from EU
 - Hauliers increasingly avoiding GB landbridge route for goods movements from island of Ireland to EU
 - 49% fall in freight travelling from Ireland to GB*
 - 102% increase in number of weekly ferry crossings from Irish ports to France*





Other considerations

- Trade Facilitation Agreement and Generalised Systems of Preference
- Track and trace software
- Use of 3PL (Third party Logistics Provider) or 4PL
- Tech developments: blockchain, AI and 3D printing
- Lean manufacturing
- Stock control and warehouse management systems
- Trade compliance and increased use of customs special procedures
- Returns and repairs





Customs special procedures

Brexit and the pandemic have led to an increased use of customs special procedures and authorisations, including:

- Customs warehousing
- Inward processing
- Outward processing
- Temporary admission
- Authorised use





Best practice principles

- Supplier and customer management
- Customs processes and documentation
- **\(\)** Logistics management
- Stockholdings, packaging and warehousing
- Tinancial transactions and regulatory compliance



POLL: Which of these are the most important barriers to your company doing business overseas? (pick 3)



Q&A

POLL: Which of these means of support should the government utilise to help traders overcome trade barriers? (pick 3)





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Visit export.org.uk to find out member benefits and how to join

- Technical helpline
- One-day online training courses
- Lunchtime learning sessions
- IOE&IT Business Shield
- Consultancy





SME Brexit Support Package

- New package of training and support from the IOE&IT
- Supports firms adjusting to new rules for EU trade
- Includes in-house options and creation of 'action plan' bespoke to business
- Fundable by new government grants:
 - SME Brexit Support Fund
 - Grants up to £2000 towards training and/or professional advice
- https://www.export.org.uk/SMEBrexitSupport

