

Divide & Conquer: How's that working for you?

[SLIDE: Title/s]

Disruption, Division, Leadership

Thank you, Michael. And thanks to you all for coming today.

Before I get going would like to add my thanks to Dan Jago for his support and commitment while Chairman of the WSTA over what has been a period of seismic change. And to welcome you formally, Michael, as his successor.

Thank you for taking on the role, especially alongside chairing The Benevolent. I would like to say things are about to get easier – but they aren't...! But then it's been that way since 1969...

You join a long and proud list of industry leaders who have chaired the WSTA. And leadership – and *lack* of it – is a theme that runs through my speech today. A speech which is very much of two halves.

[SLIDE: book cover, Churchill by BoJo]

I want, first, to address some of the challenges facing the UK drinks industry; and then move on to exploring how the WSTA is best and uniquely placed to address those challenges – with you and for you, our members. But I should be plain – this is also directed at those UK wine and spirit businesses who are not members. We need your support and we want to offer you ours. We need your support and we want to offer you ours. That's a trade deal I *can* deliver!

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This is our very first WSTA Industry Summit, but my fourth speech to the WSTA's annual autumn event since the Referendum in 2016. On the three previous occasions I have described the UK political climate as unprecedented. Well it's still unprecedented... Disruption, drift and division seem to be becoming the new norm.

But it's not just the UK, or even just the EU. As mercantile businesses we're seeing serious disruption to global free trade. The U.S. has finally lost patience as being the sole defender of the free trade agenda. It is now looking to others, including the EU, to promote the free trade agenda - and in particular to protect intellectual property rights.

[SLIDE: Trump v Xi Jinping]

It has decoupled China and by continuing to block appointments to the Appellate Body risks undermining the WTO. The average U.S. tariff against China has risen from 3% to 25% and is soon to be 30%.

And this is proving globally contagious. Trade wars are escalating, the WTO's mechanism for resolving trade disputes is under threat. And there are punitive tariffs on the way following the WTO's ruling against the EU's Airbus subsidies. Details to follow, but wine and spirits likely to be hit.

Frankly, it's a tough time to become a newly independent free trading nation.

And yet it's not only that the UK is struggling to find its way in a changing trading landscape. Closer to home the UK politics has been strangled by division. [Brace, brace!] Yes, it's time for the B-word. The country was divided in 2016 and those divisions remain - perhaps becoming even more entrenched.

And it's not just the country that is divided, we have a divided Parliament that can only agree what it *doesn't* want – there was no majority found for a way forward under May's government. And no majority for a way forward under Johnson's so far – with Parliament saying only a clear 'no to no deal' (sound familiar?) and no to a General Election... so far.

[SLIDE: #NoToNoDeal bottle and booklet]

In Downing Street, an absence of political leadership has been replaced by a narrative of positivity and bravado that feels pre-election-like; and which is allied with heavy handed and political manoeuvring. Within weeks of taking office the Prime Minister has withdrawn the whip from twenty something previously loyal MPs, who voted for legislation to avoid 'no deal'. The government, with the DUP, is now 34 short of a working majority. Meanwhile, this morning, Jeremy Corbyn has rescued Brexit neutrality from the jaws of leadership by offering to negotiate a deal and then offer *it* and Remain to us, the people, in a public vote. Or - as Nicola Sturgeon put it - "a shameful abdication of leadership".

There seems little prospect of resolving the stand-off between Parliament and the Executive without an election – or Parliament v the People as this government would describe it. But an election is unlikely before 31 October, the current Brexit deadline. And it won't solve Brexit anyway. And that's all before we address prorogation and the role of the Courts in deciding whether the PM has misled Her Majesty. It's not at *all* good for the constitution... [sorry, but you try making light of this stuff!]

And if actions speak louder than words, where does that leave our friends and business partners in the EU? While the new government maintains it still wants a deal, its actions don't back this up. Clever negotiating strategy or direct route to the exit? You decide. Or rather you don't...

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But there seems at least a glimmer of light that the sands might be shifting. Over the last few days there seems some momentum behind a negotiated settlement that doesn't include the backstop; and with Northern Ireland being treated differently to the rest of the UK so as to avoid a border on the island of Ireland.

[SLIDE: ticking clock]

This might just open the door for a deal to be struck at the European Summit in less than a month's time. But the Government will be up against the clock – and the PM would need the support of not just the DUP but some Labour MPs too. So while I think the chance of a deal is increasing there's a long way to go.

More than anything I am struck by the fact that we seem to have entered a political hall of mirrors. One year we are staring wide-eyed at a Prime Minister's Brexit deal that Parliament doesn't want with the chance of No Deal rising inexorably. The next we have moved on to a new Prime Minister seeking No Deal Brexit that Parliament doesn't want and the chances of a deal rising.

So, what is the WSTA doing to provide members with support - and leadership?

As we have said throughout the last three years we have to prepare and plan for 'no deal'. We've always said there will be significant short-term disruption and this has been finally acknowledged by Government once it was forced to publish the Yellowhammer report. Not a reassuring read for industry.

[SLIDE: Yellowhammer]

Timing could not be worse, warehouse space already under pressure in run-up to Christmas and Government seems hell bent on failing to act on the concerns of industry. So much for taking back control.

VI-1s

[SLIDE: Guardian, Times, FT, CityAM stories]

And that's why, last week, we went public about VI-1s. It was WSTA who alerted Government to the damage that introducing burdensome and

unnecessary import certificates would have. We had been led to believe government had heard and understood our concerns, but recent decisions suggest otherwise.

We can only conclude from this that Government doesn't understand the value of the UK wine industry nor the value of imports in general to the UK economy. Imports are worth roughly the same as exports to UK GDP. And that's why the WSTA's ire was expressed forcibly and in the company of many of the UK's multiple retailers.

And, of course, the burden of import certificates for wine will not simply fall on EU businesses – those burdens will be passed on to UK importers, retailers and ultimately UK consumers.

There is a stunningly simple solution. Don't introduce burdensome and pointless import certificates; and instead use the time to develop modern import rules that are fit for purpose benefitting producers, importers and consumers. This could be a net benefit for UK importers. We want government to do things right – not right now!

And, while this is a specific and recent example, it throws up other concerns. Will the government u-turn on the decision we incited not to impose tariffs on EU wine? And will it understand and act on the WSTA's advice to join the World Wine Trade Group, improve on existing FTA arrangements with wine producing nations and move to an approach based on mutual recognition? International trade Secretary Liz Truss in Canberra right now. Let's see...

Because the bottom line is that, in any post-Brexit scenario, government will need to find a way to make the UK market more attractive for wine and spirit trading – whatever the deal... and especially if there's no deal. Because if it doesn't, it's your bottom line that will suffer. And we recognise this – which is why we are doing everything we can to protect you.

But it's not just the consequences of a 'no deal' Brexit that threaten our industry.

[SLIDE: glass line]

Plans to introduce a Deposit and Return Scheme for drinks containers first in Scotland – and then England and Wales - threaten to impose a huge burden on producers, retailers and ultimately consumers. This would see a refundable charge of 20p levied on every bottle and the costs of introducing the DRS machines falling initially to retailers.

To what end? There is *absolutely no evidence* to suggest that glass containers should be included in any deposit and return scheme. The UK currently recycles some 70% of all glass packaging and in doing so exceeds the EU target of 60%. It does not make sense – and others agree.

If Scotland or the rest of the UK wants to achieve higher recycling rates then we should at least explore whether that's possible by building on existing infrastructure – such as improved kerbside collection and better waste sorting – before introducing a completely different system. It's clear that – like Brexit - this is being driven by dogma. This time it's political leaders in Edinburgh, Cardiff and London all vying to demonstrate who is the greenest. This isn't strong leadership – that word again – it's simply playing to gallery of the green NGOs. And again, we say do it right, not right now...

And it's precisely this sort of issue, I think, that shows clearly that, as an industry, we have lost our way. Divided by Brexit, eye off the ball, failing to respond – much less to lead.

Which is all the more frustrating because it completely fails to recognise the huge efforts the wine and spirit sectors have made to reduce their impact on the environment. But shout about those efforts we must and I'm delighted to say that's precisely what the WSTA is doing. Today sees the publication of the WSTA's first Environmental Best Practice booklet, which shines a light on some of the excellent work being undertaken by WSTA members. For example, our sponsors, JF Hillebrand has introduced a new carbon calculator allows the whole trade to measure and compare transport routes with the aim to lowering the carbon emissions of their shipments.

[SLIDE: ENV booklet cover]

There are many other impressive examples in the booklet which, when combined, have save approximately one million tonnes of CO2 and which contribute to meeting 8 of the UN's sustainability goals.

But of course, it's not just about facing up to environmental responsibilities. There is a clear requirement for our industry to lead on all three stands of sustainability: economic, social and environmental.

When I first joined the WSTA the industry was firmly in the cross hairs of Government. MUP was on the cards and the industry responded as one resulting in the development of the coalition

Government's Responsibility Deal. Clear challenge, shared aims, leadership on all sides.

Taking a step back, it's clear that Brexit has been not only divisive but also a diversion from some of the more routine work of government. Less Government interference must be a good thing, right?

Not necessarily. The trouble with creating a void is that there's a tendency to want to fill it. In the absence of engagement with government much of the industry has become side-tracked by small picture 'fiddling' in areas like calorie and ingredient labelling. Factional interests and one-upmanship have over-ridden long-term thinking and effective leadership.

I'll offer 3 examples:

1. If the responsibility challenge of a decade ago was social, the demands of tomorrow will be environmental.

Extinction Rebellion brought discussion of climate change to the fore and started a discussion about how global business should be viewed. It's no longer simply about profit, loss and dividend. We're already witnessing this with the rapid growth of impact investment so it's no longer question of if or even when – change is now.

2. Consumer information: Yes, it's important that consumers are informed – and I use that word deliberately. But I've long believed that simply adding more information to a label is a sub-optimal solution. It's a 20th century solution to a 21st century problem.

And yet drinks categories have been vying with one another to be seen as best in class on labels. All the while governments seem unimpressed and the anti-alcohol lobby continues to call for more and more – and eventually nothing! – on labels. In a world where consumers crave fast facts at their fingertips, including on things like provenance, we need to grasp our opportunities.

We should be on-message, on-line and on the front foot!

[SLIDE: Irish Alco Act legislative page]

3. And with individual sectors distracted with trying to outdo one another, as an industry we're also losing sight of the more obvious threats to our trade. The Irish Alcohol Act represents the new high watermark of government interventionism – with plans to restrict

advertising, introduce structural separation, as well as tough labelling rules.

These are the sign of things to come, especially if we fail to work together and promote our views of a responsible industry that's fit for the future.

Leaving the EU is at best going to be the end of the beginning. We must seize every opportunity to work with others, to lead and to raise our sights. While events are disruptive, Parliament and people divided and in the absence of credible leadership, the WSTA is doing more, more often and with more partners. We aim to challenge, to support, to focus on the future and – I hope - to lead and to look beyond the end of our collective nose (in whichever glass it is buried); and beyond marginal and temporary gains. If we fall short or we aren't doing enough, please tell us - because we are working for you.

Which means that we, the WSTA, need to have our own house in order. And putting our own house in order has also meant working hard to be able to launch three new products today: the environmental best practice book I have already mentioned; a brand new WSTA website, which is slick, efficient and user friendly; and a new document setting out the WSTA's aims and priorities called *Our Vision, Your Voice*. Two are available in print here today and the other is now much easier to view on your mobile! It's so good, in fact, that we have been able to discontinue a separate Trade Diary app...

[SLIDE: *Our Vision, Your Voice*]

And that brings me to our member review and the second part of my speech. In the next session you will hear from WSTA Board members, many of whom were involved actively in the WSTA's recent review – something new in and of itself. We needed to get closer to our members, to what they care about, to where they need our help. We looked in depth at what we do, who we do it for and how we go about it.

The Board and I were delighted that, in the main, members feedback was that the WSTA is focused on the right areas. Data, publications, regulatory and day-to-day advice plus representation to government came through as strengths.

What?

In particular the review endorsed the 3 pillars of working to make sure our industry is: *appropriately* regulated & taxed, internationally focused and responsible.

i. Appropriately regulated & taxed

The first of these - *appropriately* regulated & taxed - is perhaps the most obvious and explains our priorities of achieving the best possible position for the industry out of Brexit, opposing future rises to alcohol duty and resisting unwelcome and unnecessary regulation.

Pleasingly, you have told us that we are doing this well – and far better than in the past. If there was a surprise it was the appetite for us to do more of this and more noisily. Which shows a welcome new confidence to stand up for ourselves and this industry.

And that's why we are comfortable trying new ways of tackling some of these topics. For example, by recognising that wine has been worse treated under taxation than any other alcoholic drink and working to address it with new initiatives like the new consumer voice Wine Drinkers UK, which burst impressively onto the scene a month ago.

[SLIDE: WDUK headlines]

Or by working on new issues with broader coalitions and beyond our traditional comfort zone.

Leading discussion on consumer information, communicating risk and low and no alcohol products. And even supporting partners on things like access to labour and business rates - to support the UK's hospitality sector and to secure the future of the high street. These reflect cooperation with others – Hospitality, FDF, British Glass, BSDA. But also civil servants, law and professional services firms, data companies, generic bodies, think tanks, consumer groups. And even other governments.

ii. Internationally focused

With the UK still the world's largest exporter of spirits and the second largest importer of wine (by volume and by value) the WSTA has always had an international focus. But Brexit, tariffs and the growth of British drinks SMEs who export mean we are doing more and more.

The trading environment in which all our members now operate is quite suddenly a lot more complex. I covered the tariff wars between the USA and both China and the EU earlier. We can add to this the UK-specific complexities of Brexit and the prospect of an independent trade policy after a 40-year gap. And that's before demystifying the alphabet soup of trade choices and priorities from priority FTAs, to a preference for

WWTG over OIV membership and the possible migration from ECMS to CDS. [It's ok there's no test later!]

In our membership we have existing businesses well versed in the practice of trading internationally who are having to rethink they way they operate. And there are opportunities for us to grab through the fog – from mutual recognition of wine making practices, to tariff-free trading, to technologically enabled red tape removal. And that's why we're determined to be at the table, on the ball and working with others.

[SLIDE: Tokyo event, WSTA trails & Boris on a zip wire]

And while the environment changes, we are conscious that your businesses do too. And we have an increasing number of fast-growing SMEs brimming with potential that are looking to sell British gin, non-scotch whiskies, English wine, fine wine and many other products besides to international markets. And that's why we now do more to support early exporting to target markets – as well as receiving businesses, buyers and bloggers from destination markets when they come to the UK. It also explains why we will continue to look for opportunities to take groups of members on trade missions to places like Japan and why we will be updating and expanding our English wine and British spirits trails to leverage the benefits and harness the visibility of British tourism and brand Britain – something our Prime Minister was once very good at and which made the UK a magnet for inward investment. Because I believe we are going to need it.

iii. Responsible

And so to responsibility, an Achilles' heel from our past. In many ways we are in a good place. We have – and need to recommit to – support for our unique and well recognised self-regulatory architecture. Drinkaware and The Portman Group play vital roles in our relative freedom to operate. Beyond this we have world class initiatives like Community Alcohol Partnerships, RASG and Challenge25. *But* social responsibility is no longer enough...

I have already touched on our *Environmental Best Practice* document. To maintain our claim to be a responsible industry there is a requirement to do more, go further, be greener. And without which we lose the right to ask for the sort of support we require from government in other areas.

That's also why our Environmental document benchmarks our industry's activities against UN Sustainability Goals - designed to take us to 2030 as a staging post on the way to carbon neutrality by 2050.

Who?

Perhaps our biggest revelation from the review was who we are and whom we represent. We have changed. Always the broadest church, but now increasingly close knit - up and down the supply chain with an erosion of some traditional fault lines, and a re-energisation of the WSTA agenda.

[SLIDE: events]

We now see three broad membership groups, whose challenges are different but complementary. And there are distinct challenges for each.

They are:

- i. Importers
- ii. Domestic producers (often SMEs)
- iii. Supply chain

These groups aren't mutually exclusive. But they are cohesive and they do flag up new priorities that are not one-size-fits-all. And yet they also underline the WSTA's USP of full supply chain coverage. And if I can see a Brexit silver lining for our work it's that – even if I have to look hard!

This is also the motivation for a gradual and methodical broadening of businesses represented on our Board. And I can promise that this broadening will be followed by a bulking up. Our Board wants and needs to be able to speak effectively for the interests of all three groups.

How?

So this leaves us only with the 'how?' How will we deliver in the areas described, the priorities you have identified on behalf of the business types I have covered?

Well, we will aim to do more of the same. Good products and great service – data, advice, lobbying, leading. More of what we do well. But we are also looking to do some of it more loudly, confidently, via more channels and – where appropriate – with some edge. And that's very much Michael's message to me: highlight what the WSTA does for the trade and shout louder about our aims, campaigns our success. And I hope that's what you can see in our first non-duty campaign #NoToNoDeal in the run-up to 29 March this year and again last week when we went public on our concerns about government's Operation Yellowhammer, and the significant risks for a world leading

British industry whose operations government does not properly understand.

[SLIDE: new website]

We will look to focus on our agreed priorities for our constituent membership groups. That's what this next session is about – senior industry figures and WSTA board members highlighting challenges for the industry, for their businesses and for us, your trade association. And we aim to challenge and to lead our members and this industry; but also government and Parliament – engaging with the media as and when appropriate. In short, it's advice and support for today, leadership and influence for tomorrow.

And also, as requested, more events - so you can support each other and also us. In the last year we have held more events and hosted more people than ever before. They are a great way to meet and create new members. We plan to continue in the same vein.

And, with the team we have at the WSTA, I am confident we can do all of this. It's a lean team, but it's chocked full of impressive individuals with highly relevant CVs – and, together, it's more than the sum of its parts.

[SLIDE: team photos]

So... I am proud of what the WSTA has achieved. I am proud of the team and the Board that we have built. But I am also excited, motivated and determined to grow: our membership, our products and services and, above all, our *influence* - at a moment when this industry – *our* industry – is fighting for its future and its place in the world.

[SLIDE: thank you!]

Thank you.