

Rt Hon Victoria Prentis MP
Under-Secretary of State
Department for Environment, Food and Rural Affairs (DEFRA)
Seacole Building
2 Marsham Street
London
SW1P 4DF

30th June 2020

Dear Minister,

Following a question on the impact of VI-1 import certificate requirements by Luke Pollard MP in Parliament on Friday, I am writing to highlight a missed opportunity for the UK wine industry as we prepare to leave the EU trading bloc at the end of 2020. This, in our view, could be easily avoided by early action from the UK Government.

The UK is genuinely world class at wine merchanting and has been central to the global trade for many hundreds of years. Our competitive advantage includes a dynamic domestic industry, long-term relationships with leading wine producing regions, an effective regulatory structure (which includes the bonded warehouse system), an advantageous position in the global time zone, the English language and world leading logistics and wine education.

These relative advantages are the envy of the global wine trade. For these reasons, the UK has established itself as the global hub for wine trading, despite, or perhaps because, we don't have a large wine producing industry of our own. Indeed, the wine & spirits trade contributes £50bn of economic activity to the UK economy, hundreds of thousands of jobs and £17bn in duty and taxes to the Exchequer.

Our own business, Liv-ex, the global marketplace for the wine trade, has established itself at the heart of this global industry, facilitating transactions in more than 15,000 wines to 42 countries in Europe, the Americas and Asia. Indeed, you may be interested to learn that as a company we sell more French wine to the French than we buy from them!

We see a big opportunity after Brexit for the UK wine industry (inspired by recent experience in Hong Kong, which created thousands of jobs) to build and enhance its leadership position in wine trading by removing tariffs, simplifying customs regulations, digitising compliance, moving to a system of mutual recognition and using free trade agreements to open new markets amongst other initiatives. All of these can be achieved regardless of the outcome of trade talks with the EU.

Unfortunately, based on current Government plans, we don't look set to take advantage of this opportunity. As I know that you are aware from recent answers that you have given in Parliament, wine imported from third countries, (which will include the EU from 1st January) must be accompanied by a form called a VI-1. This form requires a full laboratory analysis for every wine on a shipment. For most in the UK industry, this will seriously curtail their capacity to trade and in many instances will be impossible to complete. Wines from the EU account for more than 90% of our firm's trade and 50% of the market overall. Over 99% of all wine consumed in this country is imported! Introducing this EU regulation into UK law is not "taking back control" it is shooting ourselves in the foot.

While merchants do buy wines direct from the producer, the UK's position as a global hub has been predicated on its ability to buy from other intermediaries and private individuals from all over the world. Many of these suppliers are in the EU. What is more, many of these wines can be 5, 10 or 20 years old. Obtaining original certificates of analysis from suppliers for these wines is all but impossible. Acquiring new ones costs upwards of £300 per time, will result in destroying valuable stock and slow down a fast moving supply chain.

The WSTA – our trade body - suggests this initiative will cost the trade £70m per year in additional bureaucracy, but it will cost much more in lost revenue and taxes (wine duty alone is worth £8bn per year to the Treasury). My company will need to complete 10s of thousands of VI-1 forms at current levels of trade, so the suggestion that this additional burden and cost would fall to EU exporters is not true. If introduced, we will have no choice but to move our operation offshore.

As you noted the VI-1 requirement has been rolled over from EU law and does not appear to be in the UK's interest. Quite apart from precipitating a sharp reduction of trade and a vast increase in costs for the wine industry, UK consumers will have less choice and be paying more for wine as a direct result of the Government's decision to introduce VI-1s. Furthermore, their introduction will precipitate an enormous burden on Government officials with at least 500,000 new forms to check and stamp. How many new officials will this require? To what end?

The VI-1 has no practical purpose for the UK market, I do not believe anyone is asking for it, nor does it serve any practical purpose for HMRC or public health. It was designed by the EU to protect its own wine producing effort from foreign competition. There is no similar requirement for any other alcoholic drink.

The wine growing industry in the UK is tiny. Our company alone exports more wine than all the UK domestic wine growing industry combined! Despite this wine is the UK's 6th largest food and drink export, because we are very good at selling other people's wine! The continued success of this trade requires a light touch import regime. It is in the UK Government's gift to remove this unnecessary and highly damaging requirement, which will hand competitive advantage to wine merchants in

other countries and risks doing serious damage to the UK's leading position in this trade.

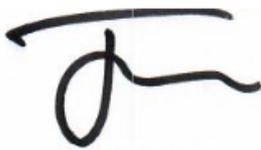
The WSTA has raised this with DEFRA on several occasions. A previous government agreed to suspend paperwork on wine imports by 9 months, which seemed sensible, pragmatic and would have allowed time to design a regime without VI-1s at all. But these concessions have been withdrawn from the government's plan. If the government is serious about seizing the opportunities of an independent UK, then scrapping import certificates for wine is an easy win.

Finally, in seeking to roll over an EU requirement, introducing VI-1s for over 50% of wines on the UK market, the Government is also missing a clear opportunity to reduce costs to business, potentially to lower costs to consumers and to brandish the UK's new, independent and pro-free trade agenda. There are already a few lighter touch import requirements for some non-EU wines being imported into the EU/ UK now. There is no reason why this approach could not be extended – and even improved. The prospect of removing VI-1s entirely from UK requirements for all wine imports is both achievable and attractive. It would be good news for the UK wine trade, for jobs, for the Exchequer, for UK wine consumers and for the UK's reputation as an independent trading nation.

I was hoping that we might be able to organize a meeting with you (the WSTA) and appropriate officials so that we can discuss a better way forward and how we might make the most of leaving the EU at the end of the year.

Thank you very much for your attention to this matter.

Kind regards

A handwritten signature in black ink, appearing to be 'J. Miles', written on a white background.

James Miles
Chairman & Chief Executive