

# **TOOLBANK**

Re. Brexit

In response to your recent enquiry I can confirm that Toolbank is aware that the potential of a 'no-deal' Brexit is an increasingly likely possibility. It has therefore been necessary for us to consider the possible consequences of such an outcome and what can be done to minimise any negative effects on our supply chain. I am sure however, you will understand that we are not in control of, or necessarily able to predict the full effects of, decisions which will be made between now and the end of this year.

Having said that, we would comment as follows:

## **Risks**

Toolbank is an importer of finished products (not raw materials) from the EU amongst other parts of the world. Whilst our direct imports from the EU account for only a relatively small percentage of our whole range (say 5%) we are aware that some of our UK suppliers are importing goods which are produced in factories and/or supplied through distribution facilities in Europe.

There is a risk that this will result in delays in the supply chain, logistical difficulties, additional administration and tariffs on product supplied to the UK from the EU. We also recognise that our supply lines from other parts of the world may be disrupted temporarily, or in the longer term, by post-Brexit importation complications, although these are far harder to predict.

It is suggested that there may be labour shortages but we do not currently consider that likely to affect Toolbank in a material way in the foreseeable future.

## **Mitigation**

Toolbank is in regular dialogue with all of its major suppliers and increasingly discussing the potential consequences of a no-deal Brexit on the supply chain. Over 85% of our branded suppliers trade with us through offices in the UK and therefore if there are additional logistical and administrative burdens it will mainly be their responsibility to deal with them. However, where we and they identify a potential risk to our availability, we have made arrangements to increase our stock levels to improve upon the continuity of supply. Stock availability is a critical key performance indicator for Toolbank and to that end we typically hold 3-4 months' stock at all times. As a result of Brexit, we consider it necessary to further increase our stocks of core range products and have already, or are in the process of, making these arrangements.

It is possible that the effects of Brexit will be felt prior to the year end but we feel confident that our close supplier relationships and regular planning meetings will assist us in making whatever contingency plans are necessary.

For those suppliers which trade directly from the EU the additional burden is likely to fall on Toolbank. We are therefore working with our suppliers, logistics partners and specialist consultants to do what we can to meet the requirements of, and minimise the effects of, the additional logistical and administrative burden. We also have no doubt that our European suppliers will also wish to do everything they can to assist us in securing their supply lines to their UK customer base. However, in the absence of certainty, our response is likely to be the same and where we deem it necessary we will increase the capacity of our administration staff and boost stocks for as long as it is necessary to do so.

### **Tariffs**

If tariffs become payable on goods supplied to us from the EU, whether supplied directly or indirectly, we expect suppliers to have no option but to pass them, and any increased costs, on to their customers in the UK. If Toolbank is charged higher prices as a result, we too will have no option but to pass them on to our customers. Assuming our customers also pass on those increases to theirs it is possible that demand for individual products could be affected. At the same time, any significant movement in exchange rates could affect the markets in which we trade.

However, Toolbank stocks in excess of 30,000 line items at a wide variety of price points and would, if necessary, be able to offer alternatives for your customers from other ranges or those where prices are unchanged as a result of Brexit.

We hope that this letter reassures you that, despite the current uncertainty Toolbank is determined to do all it can to ensure our service levels are maintained. If however, you have any other points or contingency plans that you wish to discuss with us please don't hesitate to contact me.

Kind Regards,

Paul Maxwell  
Sales Director Toolbank