

For the Strategic Deployment of Contract Catering in the Aftermath of COVID-19



INTRODUCTION

The COVID-19 crisis has unequivocally highlighted the fundamental importance of a resilient and reliable food chain. The recognition of the food sector, including contract catering, and the millions of workers that sustain it as “essential” allowed production and distribution to continue, ensuring the availability of adequate food supplies to European citizens. The European Union was instrumental in this success.

Yet, while food supplies in Europe have kept flowing throughout the crisis, food security is no longer

something we can take for granted. The emergency has made us appreciate how reliant we are on our farmers and the workers that pick, transport, prepare and make available our food, from farm to fork. And it has highlighted how a shock to the system, even in rich countries, can quickly compromise food security.

As Europe prepares to rebuild the economy, it is rightly considering how it can ensure that the recovery leads to a more sustainable and more resilient system. The European Contract Catering sector stands ready to play its part.

THE UNIQUE SOCIAL ROLE OF CONTRACT CATERING

Contract catering is a unique part of the food system and differs significantly from other forms of food service. Contract catering services are provided on the premises of the contracting party, which awards contracts through procurement tenders.

Organisations that rely on contract catering include crèches, schools, universities, retirement homes, hospitals and prisons, as well as a number of public authorities and many companies.

With an annual turnover of around €25 billion, the sector's 600,000-strong workforce delivers approximately 6 billion meals each year to workers, civil servants, pupils, students, hospital patients and care home residents.

Most importantly, contract catering plays a crucial social function. Its meals are regularly delivered to vulnerable consumers (e.g. children, patients), at a subsidised "social" price. Contract catering thereby guarantees access to nutrition to individuals that may not otherwise have it.



THE IMPLICATIONS OF COVID-19

Contract catering has been heavily impacted by the COVID-19 crisis, with activity in many sectors grinding to a halt (schools, public authorities, business and industry). Nonetheless, throughout the crisis contract catering operators have ensured the continued provision of millions of nutritious meals, especially for front-line workers, workers in essential industries and patients.

As Europe looks to recovery from the COVID-19 crisis, we have an opportunity to build a better and more resilient European society. For this to be possible, we need to draw lessons from the crisis, two of which stand out in particular for the Contract Catering sector:

- We must not take our front-line workers and our essential social, health and educational services in Europe for granted. This crisis has reminded us of their true value, and it should be acknowledged by ensuring that they are always looked after – starting with good, affordable nutrition at the workplace.
- Food security is not a given. An estimated 33 million people in the EU are at risk of malnutrition. The COVID-19 crisis has exacerbated the vulnerability of economically insecure households and individuals to food insecurity. The European Food Banks Federation, who helped over 9.3 million people in 2018, recorded a 50% increase in demand for food in the first five months of 2020 in comparison to the same period in 2019.

As Europe faces a major recession and rising unemployment, it is clear that we face a protracted social crisis. Beyond the immediate economic rescue package that Europe is developing, Europe must think about how it can deploy its policymaking strategically to speed up recovery and build resilience for the future, all while bearing in mind the lessons from the crisis.

Improving food security among the disadvantaged should be an obvious priority. Contract catering can be leveraged as a strategic sector in this regard.





I. STRATEGIC DEPLOYMENT OF PUBLIC PROCUREMENT

- Unlock efficiencies by promoting outsourcing, enabling States to focus on core tasks at a time when they are already forced to take over large parts of economies to prevent economic collapse. Outsourcing by public authorities of services such as catering creates efficiencies and reduces the cost to the State in real terms.
- Enable the private sector to thrive by revisiting the broad exemptions that public sector operators enjoy under public procurement rules, levelling the playing field between public and private sector entities. In-house and Public-public cooperation exemptions should be narrowly defined and not allow for public bodies to offer services outside their organizations without opening the public contracts to competition.
- Look at the opportunities that the COVID-19 crisis offers to leverage public procurement strategically, notably to combat food insecurity and poor nutrition. The Farm to Fork Strategy foresees a Contingency Plan for ensuring food supplies and food security. This is welcomed but falls short of addressing the urgent reality of food insecurity among the disadvantaged in Europe. To address the surge of food insecurity among the economically vulnerable, governments should consider mandating the universal provision of free school meals, with a focus on primary schools. The revision of the EU School Food Scheme planned under the Farm to Fork Strategy could be an opportunity to be much more ambitious.
- Leverage public procurement to promote better nutrition, notably by avoiding the adjudication of catering tenders on the basis of price and promoting instead good procurement practices in line with the 2019 FoodServiceEurope and EFFAT Guide to Choosing Best Value in Contracting Food Services.
- As working environments evolve amid the Covid-19 crisis, consider how procurement of services can be modernised, extending the scope of the traditional service model to take away and delivery options, for the consumers covered by the contracts.



II. TAXATION THAT REFLECTS SOCIAL UTILITY

- Governments should use the flexibility that EU law allows to apply reduced VAT rates for food services, which today could in theory already be as low as 5%. It is inconceivable that a service with the social utility of contract catering is subject to VAT rates up to 27% in the EU when millions of children are going hungry.
- Revise EU legislation to eliminate the many and sizeable VAT exemptions that in-house public sector service providers benefit from and that distort competition with private sector operators. Enabling private sector operators to compete with in-house service providers on the same basis will unlock major efficiencies, to the benefit of the taxpayer.



III. A HOLISTIC APPROACH TO SUSTAINABLE FOOD SYSTEMS

- Maintain the ambitions of the EU Green Deal and the EU Farm to Fork Strategy but take into account the impacts of the COVID-19 crisis in the EU legislation that will be drawn up based on these strategies.
- Reconsider plans for setting minimum mandatory criteria for sustainable food procurement. Already today, voluntary but widely used and often de facto mandatory Green Public Procurement (GPP) criteria have perverse effects. For example the insufficient availability and high price of organic produce (often tenders set a 50% organic criterion, particularly for schools) means that contract caterers have to source organic produce from other continents, which, on a life-cycle basis, is less desirable than a conventional EU product. At the same time, the price paid by contracting authorities often do not reflect the higher cost of organic or “sustainable” inputs. Simply strengthening further existing demand-side measures (e.g. through mandatory GPP) will not, as the Farm to Fork Strategy states “boost sustainable farming systems”, especially when supply-side measures (the Common Agricultural Policy) are inadequate.
- Be very attentive to unintended consequences that may arise from the legislative initiative foreseen in the Farm to Fork Strategy on re-use in food services to substitute single-use food packaging and cutlery by re-usable products. Food packaging in a contract catering setting includes containers that are used to deliver food. In some instances, plastic is the most desirable material from a safety perspective.
- The Farm to Fork strategy recognises that “tax incentives should also drive the transition to a sustainable food system and encourage consumers to choose sustainable and healthy diets. The Commission’s proposal on VAT rates (currently being discussed in the Council) could allow Member States to make more targeted use of rates, for instance to support organic fruit and vegetables.” This would be a helpful measure to reduce input costs in the food service sector. It should be complemented by a broader application of reduced VAT rates on contract catering services, in view of the unique social utility function which they perform.
- Recognise the decisive role of the contract catering industry in sustaining the diversity of food cultures in Europe and preserving traditional recipes and each country’s gastronomic heritage. The importance of this aspect should be acknowledged within the implementation of the Farm to Fork strategy and be supported through public procurement as well.
- Take note of our industry’s commitment in the fight against food waste, through prevention and awareness raising activities.

