

Brexit is about to get well and truly real for businesses

By Henrietta Brealey – Director of Policy and Strategic Relationships at The Greater Birmingham Chambers of Commerce

Well, here we are again. Another Brexit deadline, another Government campaign aimed at urging businesses to “get ready” (or is it “check, change, go”?).

But this time, we have every reason to believe, will not be like all the previous cliff edges and count downs. This time, Brexit is about to get well and truly real for businesses.

So why doesn't Brexit seem to be back on top of the business, or media, agenda? It's simple – if concerning – a cocktail of COVID-19, lack of clarity leading to lack of prioritisation and a sense that the UK and EU couldn't possibly let a chaotic no-deal happen now, of all times...could they?

Are businesses engaging?

The Greater Birmingham Chambers of Commerce are a not-for-profit business membership & business support organisation. We have around 100 members of staff helping businesses with everything from networking locally to trading internationally. Recently, we have teamed up with the West Midlands Combined Authority and neighbouring Chambers of Commerce in Coventry & Warwickshire and the Black Country on offering [free Brexit support for businesses](#).

We have a free customs support helpline, fully funded international trade training courses, Brexit checklists and a webinar series all available to any and all local businesses. While engagement with this support has been positive in the main, we've certainly noticed a clear trend – there are still a significant number of businesses reporting that they simply do not have the headspace to think about it. And it's easy to see why:

The COVID-19 Effect

As part of our Quarterly Business Report survey for Q4 2020 we asked additional questions on businesses' views on the short and longer term impact of both Brexit and COVID-19 on their businesses.

The interim results, viewed on the 16th November (255 responses) indicated businesses are far more worried about the impact of COVID-19 than Brexit.

Among all businesses:

- 48% believed that COVID-19 would have a significant negative impact and 37% a slight negative impact on their business over the next six months.
- 10% believed that Brexit would have a significant negative impact and 39% a slight negative impact on their business over the next six months.

By broad sector, manufacturers were more concerned than services firms about the impact of Brexit. 23% of manufacturers predict that Brexit will have a significant negative impact on their business over the next 6 months compared to 8% of services firms. However, COVID-19 was still by some way the greater area of concern even among manufacturers with 38% predicting that COVID-19 will have a significant negative impact and 50% a slight negative impact over the next 6 months.

These are interim results of course, the survey closes on the 23rd November and we will be releasing further analysis shortly after.

Lack of Clarity

The Prime Minister was clear – if an outline deal wasn't agreed by the 15th October the UK would walk away and prepare in earnest for a no deal.

Then the deadline became the 31st October. Then the second week of November. Now the fourth week of November.

Given the stretched resources under which businesses are operating, some have been waiting for clarity on the deal or no deal situation

before they invest significantly more time and money in Brexit. Each delay while short by itself, cumulatively significantly cuts in to the remaining days before the 31st December – and therefore the remaining time available for business preparations.

There is also increasing frustration with the lack of granular level detail and clarity on some of the policies and systems that are within the Government's gift to control.

In the same survey, we asked businesses to share how their businesses are being impacted by Brexit/Brexit related uncertainty.

As one small manufacturer who took part in our Quarterly Business Report survey put it *"we are Brexit ready but the government and EU systems for duty and VAT payments and deferrals are not"*.

One mid sized public or voluntary services sector business reported *"Exit from the EU will affect EU funding for our charity projects. The government have promised a replacement – the Shared Prosperity Fund – but this has been delayed due to Covid. There are still no details available regarding how the deficit in EU funding will be addressed"*.

The British Chambers of Commerce maintain a [guidance dashboard](#) tracking unanswered business questions on Brexit. In September, at just 100 days to go 26 out of 35 questions had only partial or no clear answers.

They wouldn't...would they?

A number of businesses I've spoken to in recent weeks have stated their trust that the UK Government and EU simply wouldn't let a cliff edge, no-deal Brexit happen – not in the midst of the COVID-19 pandemic. That either way, deal or no-deal, there will be further temporary measures brought in to soften the blow.

It is already the case that certain measures, such as the new UK Border Operating Model, will be brought in over a 6 month period from the 1st January 2021 and CE marked goods can continue to be placed on the GB market until 1 January 2022. However, there's absolutely no certainty that more significant ones will be forthcoming.

So what does this mean?

While COVID-19 may be front of mind the impact of the end of the Brexit transition period, particularly in a “no deal” scenario could be huge. In fact, [12.2% of West Midlands GDP](#) could be at risk in a no deal scenario.

We know far more than ever before about what the world will look like for UK businesses – deal or no deal from the 1st January 2021. We will be outside the single market and customs union, with customs documentation, processes and tariffs (in the absence of deals removing them), the UK VAT regime applying to imports from the EU. We will have a new immigration system for new arrivals from across the globe and the EU Settlement Scheme for EU nationals already in the UK.

There are key steps that all businesses can take to make sure they're in the best possible position to hit the ground running in the new year (a number of which are outlined on our [Brexit Hub](#)). As with all disruptive events, being ahead of the competition can give you a competitive advantage.

But what it does do is illustrate the scale of the challenge facing businesses, and policy makers. We're just 11 months in to the '20s and Brexit is no longer the most disruptive event of the decade.

There is a clear need for the Government to take the lead – to step up, provide clarity on unanswered questions, deliver promised new systems and ensure that the latest act in this over 4 year saga concludes as smoothly as possible.