

The Ongoing Challenges That Local Businesses Continue to Face as a Result of Brexit

Erin Henwood, Policy Advisor, Greater Birmingham Chambers of Commerce

More than a year has passed since the Brexit transition period ended and firms are continuing to face a range of issues affecting their ability to trade with the European Union (EU).

Last year, the Centre for European Studies highlighted that the United Kingdom (UK's) goods trade with the EU was 11.2% – or £8.5 billion – lower than previous years, with trade falling faster than the Office for Budget Responsibility had predicted prior to the 2016 referendum.

More recently, a survey undertaken by the British Chambers of Commerce (BCC) revealed that only one in eight exporters believed that the Trade and Cooperation Agreement was helping them to grow or increase sales. Respondents cited ongoing or new issues relating to increased costs, delays and paperwork as a result of new customs controls coming into effect.

What are the main issues businesses are continuing to report?

Costs

According to research conducted by the BCC, 36% of businesses experiencing Brexit-related issues cited increased costs – from additional paperwork fees to high raw material prices to high transport costs – as an ongoing concern in the Greater Birmingham Chambers of Commerce's (GBCC) Q1 2022 Quarterly Business Report. These figures compound the House of Commons' Public Accounts Committee's 'EU Exit: UK Border post transition' report, which emphasises the additional costs facing businesses since 1st January and the effects of new border arrangement on international trade flows.

Firms may now resort to paying an intermediary to help them complete customs declarations, a step which HMRC estimated could cost businesses up to £15 billion per year. Other businesses will inevitably face increased costs when navigating the new requirements: for example, traders in sanitary and phytosanitary goods selected for physical inspections will have to pay fees to both government and the port. Additionally, those hoping to trade tariff free may end up paying tariffs if their goods do not sufficiently meet 'rules of origin' requirements.

At a time where businesses are already facing massive overheads, battling 8% inflation, and dealing with rising prices in every area of business, increased trading costs have the potential to act as a deterrent for those trading with the EU. The Government must thus step in to provide additional support – including through funding – to help businesses in all industries deal with new, complex requirements.

Delays

20% of businesses reported increased delays as a major concern in GBCC's Q1 2022 Quarterly Business Report. Supply chains continue to be under significant strain from a range of factors, including Covid-related shutdowns and a shortage of EU labour – both of which were flagged as key issues in the same Quarterly Business Report.

Small and Medium-sized Enterprises

Small and Medium-sized Enterprises (SMEs) – which comprise over 90% of the WMCA business community – remain concerned about the complexity of the new customs arrangement. The additional administration required is proving to be difficult for small businesses, many of whom lack

the time and resources to understand the changes, how they will be affected, and how they must adapt their processes to comply.

As such, small businesses may need to hire an intermediary to complete customs declarations, squeezing business finances even further at a time where businesses are just beginning to bounce back after a challenging two years.

In 2021, less than half of the SME Brexit Support Fund – which was introduced to help SMEs adapt to the new trading environment – was allocated. As such, whether it is in the form of further grant funding or practical advice, further support is required to help SMEs navigate the post-transition period.

Amongst the key issues highlighted above, firms continue to voice their concerns – and highlight the need for further support – in a range of other areas. From trading with Northern Ireland, to EU VAT, to UKCA vs. CE markings, businesses across Greater Birmingham still feel that additional advice and guidance is needed from a range of stakeholders in order to help them traverse the new trading landscape. Over the last 18 months, Greater Chambers of Commerce (GBCC) has been helping local businesses to adjust to new trading requirements and has been providing support to help them understand how Brexit-related changes will impact them. Given the ongoing uncertainty, the GBCC will continue to offer extensive information and guidance in the form of training courses, webinars, events, and briefing papers to help local business navigate what remains a highly complex terrain.