

Senedd Cymru
Y Pwyllgor Materion Allanol a Deddfwriaeth
Ychwanegol
Ymadael â'r Undeb Ewropeaidd:
Paratoadau Nghymru ar gyfer diwedd y
cyfnod pontio
EAAL(5) EUP19
Ymateb gan South Wales Chamber of
Commerce

Welsh Parliament
External Affairs and Additional Legislation
Committee
Exiting the European Union: Preparedness in
Wales for the end of the transition period

Evidence from South Wales Chamber of
Commerce

Exiting the European Union: Preparedness in Wales for the end of the transition period.

1. Who we are:

The South and Mid Wales Chambers of Commerce are a membership-based business support organisation. We are a team of trusted experts in Wales, covering over 80% of Welsh businesses. We support companies in fast moving marketplaces and everchanging political landscapes, and we work locally and internationally to always achieve the best outcome for businesses in Wales. We recognise that every business is a community and a family; and this is at the heart of everything we do.

We are part of a network of 53 UK and 60 International accredited British Chambers that in the UK reach 56,000 businesses and 6 million employees and internationally tens of thousands more. The South and Mid Wales Chambers of Commerce support nearly 100,000 Welsh employees through our membership, with 60% of our members employing over 10 people. We have 15 expert industry partners that offer valuable insight into a variety of sectors. We provide daily support to companies exporting to 119 countries and from 2019/2020 we saw a 240% growth in income in other international services. We are based in Wales for Wales.

2. Introduction

It is clear that Covid-19 has impacted all business in Wales to varying degrees; businesses have had to adjust and adapt to new ways of working; some businesses have been adversely affected and seen extensive setbacks as a result of the pandemic.

As a result, businesses have not focused on preparing for the exit from the EU. The timing of the pandemic has resulted in a shift in business focus to recovery and adaptation due to Covid-19 as opposed to preparing for the end of the transition period. Despite the fact that immediate public health issues obviously carry the greatest urgency, the short period of time until the end of transition means that messaging on Brexit needs to be more prominent and frequent.

In responding to give written evidence for 'Preparedness in Wales for the end of the Transition period', this document sets out the feedback the South and Mid Wales Chambers have gathered from our members.

In order for Welsh businesses to be better prepared for the end of the transition period there needs to be:

- Clear and consistent messages to Welsh businesses about the changes that will occur from 1st January 2021
- Support to assist Welsh businesses through the transition period must be easy to access and readily available
- There should be support in place directed towards SMEs through the transition period
- Co-operation between public and private sector to ensure businesses are aware and have access to relevant support to cope with changes to trade from 1st January 2021

3. Welsh Government action to prepare Wales for the end of the transition period

3.1 Covid-19

Understandably Government actions have focused on Covid-19 restrictions, with tighter restrictions from local lockdowns and most recently the firebreak lockdown announced to place Wales under a tougher national lockdown from 23rd October – 9th November.

As a result, messages to Welsh businesses have been centred around Covid-19 and not around the end of the EU transition period. Despite the fact that immediate public health issues obviously carry the greatest urgency, the short period of time until the end of transition means that messaging on Brexit needs to be more prominent and frequent.

3.2 Border controls

There needs to be clear guidance for Welsh businesses on border controls. There is information about a border control post scheduled for Wales inland for Holyhead¹ but this is from UK Government. This site at Holyhead will be multi-functional, which means that any goods can be checked at the border. There is also a site due to be put in South Wales; there is however limited information available regarding this. There needs to be clear information about whether this site will be multifunctional or will be a site only for specific goods.

The UK has taken the decision to introduce new border controls in three stages up until 1 July 2021. From July 2021 'Traders moving all goods will have to make declarations at the point of importation and pay relevant tariffs. Full Safety and Security declarations will be required, while for SPS commodities there will be an increase in physical checks and the taking of samples: checks for animals, plants and their products will now take place at GB Border Control Posts'.² This is from July, but as we leave seven months earlier in January there needs to be clarity about what will happen before this takes effect.

3.3 Welsh Government need to utilise the private sector to help businesses to navigate to the end of the transition period

Welsh Government need to utilise the private sector to help businesses prepare for the end of the transition period. Private sector companies, such as South and Mid Wales Chambers, can help

¹ <https://www.gov.uk/guidance/list-of-roll-on-roll-off-ports>

² <https://businessnewswales.com/200-million-port-infrastructure-fund-opens-for-bids/>

businesses navigate changes to their import/export trade that will come in 2021. South and Mid Wales Chambers has an expert international team and can act as a Customs Intermediary for businesses. In 2019/2020 we exported to 119 countries and saw a 240% growth income in other international services and held 14 inward trade missions. The South and Mid Wales Chambers regularly hold online International Trade Training; in November alone, we have training on import procedures, understanding exporting, incoterms, and classification of goods. To help Welsh businesses the Chambers will be launching in November a full service, end to end, curated import and export support function for all businesses in Wales.

Businesses ought to be informed of the help that is available to them through the private sector as well as the public sector. By utilising the training and expertise from the private sector, Welsh businesses can have a better opportunity to prepare and adapt to incoming changes.

Private sector organisations do not, however, have the capacity to support all businesses. A combination of support from both public and private sector can ensure businesses do not fall under the radar.

3.4 Recommendations

- The Welsh Government need to consistently convey clear messages to business about the changes that will occur from 1st January 2021
- The South and Mid Wales Chamber calls for greater co-operation between public and private sector to ensure businesses are aware and have access to relevant support to cope with changes to trade from 1st January 2021

4. Preparedness of key economic sectors in Wales

4.1 Covid-19

Welsh businesses are still fighting through the impact of the Covid-19 pandemic and navigating through changes to business. This means it has been hard for them to prepare and designate time to focus on preparing for Brexit. The businesses the Chambers work with are small to larger SMEs – their size means they often do not have the luxury to designate different focuses within business e.g. Some staff plan for EU transition period while others work on Covid-19 related issues.

4.2 Lack of preparedness across sectors

Throughout all sectors, business who trade with the EU and internationally vary in the degree of preparedness. Some are well prepared; some are beginning to prepare but do not know exactly how to fully prepare and some businesses are not prepared at all. The businesses that are well prepared tend to be larger in size.

British Chambers of Commerce (BCC) surveyed 1,580 business leaders in July 2019. Around 94% of participants were SMEs. At the time 41% of these businesses had not done a Brexit risk assessment; 63% were not aware of Transitional Simplified Procedures (TSP); 62% were not aware of Authorised Economic Operator status (AEO); and 73% were not aware of Customs Comprehensive Guarantees

(CCG).³ In September 2020, BCC published information stating that only 38% of firms had completed a Brexit risk assessment this year; the research also found that more than half (51%) of firms surveyed had not taken any of the 8 steps recommended by the government to prepare for changes in the movement of goods between the UK and the EU. This includes fundamentals of operation for trading businesses such as checking on the need for customs declarations and assessing the possible impact of changes on existing customers and suppliers.⁴ These figures echo the overarching message that South and Mid Wales Chambers have received from our members: they are not well prepared for the upcoming changes. It is worth teasing out the comparison that a significant percentage of those surveyed by the BCC were SMEs; SMEs in Wales account for 62.4% of employment in Wales and 37.9% of turnover.⁵ It is, therefore, important that direct support is given to SMEs as they make up a large proportion of Welsh businesses and are likely to be less well prepared than bigger co-operations.

Businesses that are starting to prepare are showing signs of concern for the detail. Questions that the Chambers receive in relation to Brexit focus on specific impacts to certain sectors. It would be useful if these businesses could access specific support and training relating to their business and sector. The Chambers can help Welsh business with a variety of trade questions such as: import and export changes and changes to documentation, but the Chambers may not always be best suited to answer very specific sector related questions.

4.3 Lack of preparation for changes in importing and exporting to the EU.

It is important to help Welsh businesses to understand how changes to the Customs Union will impact them. If their EU customers/companies are more readily prepared, there is a risk these EU companies can dictate terms of business. Some businesses have considered finding an intermediary in the EU or setting up subsidiaries in the EU but are unaware of the struggle they may face in finding a suitable and cost-effective solution.

It is also important to have clear messages to businesses that the EU will impose full regulations on goods going in and out of the EU. All goods being exported will be subject to customs declarations, checks, and duties. There is a transition period of 6 months offering businesses the option to do a simplified declaration to help businesses to adjust to the new way of doing things. They will however have to do a full declaration within 6 months of the goods coming into the UK.

In September 2020, Rt Hon Michael Gove MP Chancellor of the Duchy of Lancaster published further information about a reasonable worst case scenario (RWCS) planning assumptions for potential disruption to freight travelling between Great Britain (GB) and the EU at the end of the transition period. On January 1st, 2021, the RWCS is that 40-70% of trucks travelling to the EU might not be ready for new border controls. This information should be made consistently clear to Welsh businesses so that they have time to prepare to mitigate such impacts.

³ <https://www.britishchambers.org.uk/news/2019/09/bcc-business-still-unable-to-prepare-fully-for-a-no-dealbrexit>

⁴ <https://www.britishchambers.org.uk/news/2020/09/brexit-26-unanswered-questions-for-business-with-fewer-than-100-days-to-go>

⁵ <https://gov.wales/sites/default/files/statistics-and-research/2019-12/size-analysis-active-businesses-2019503.pdf>

4.4 Recommendations

- There should be support in place directed towards SMEs.
 - The Welsh Government need to consistently convey clear messages to business about the changes to trade for Welsh businesses from 1st January 2021, this is to ensure Welsh businesses are well prepared.
 - Support for Welsh businesses must be available through relevant training and events – whether this be through public sector or utilise events put on within the private sector as mentioned in point 3.4
 - The South and Mid Wales Chambers calls for greater co-operation between public and private sector to ensure businesses are aware and have access to relevant support to cope with changes to trade from 1st January 2021.
5. The implications for preparedness arising from the negotiation of UK international agreements, including the UK-EU future relationship agreement(s), other significant free trade agreements (e.g. UK-USA, UK-Japan, UK- Australia, UK- New Zealand) and the Community Negotiations and Coordination programme (formerly referred to as the Trade Agreement Continuity Programme)

5.1 Trade deals must support SMEs

Welsh Government International Trade strategy set out to grow the contribution that exports make to the Welsh economy by 5%⁶. One of the sectors that Wales sees itself as a world leader is semiconductors.⁷ There is concern that big companies may dominate in this sector; bigger companies can however, more easily uproot. Greater support needs to be given to specific sectors to grow and incubate smaller businesses. As noted in the previous section SMEs account for 62.4% of employment in Wales ⁸, they should be considered a priority in relation to trade deals.

5.2 UK-USA trade deal

There is confusion about how this will change depending on the upcoming US presidential election. Trade deals with the US should also not be seen as a main priority; analysis published by the UK Government shows ‘the most optimistic scenario modelled by the UK government points to gains for the UK of 0.16% of GDP over 15 years. This will in no way compensate for the lost trade with the EU’⁹

5.3 UK-Japan trade deal

Business Wales have said the ‘Japan Historic Trade Agreement is set to benefit businesses in Wales’. ‘The deal could increase UK trade with Japan by £15.7 billion, giving £1.5 billion boost to the economy and increasing UK workers’ wages by £800 million. This could benefit over 200 businesses

⁶ <https://gov.wales/international-strategy-for-wales-html>

⁷ <https://gov.wales/a-new-international-strategy-for-wales>

⁸ <https://gov.wales/sites/default/files/statistics-and-research/2019-12/size-analysis-active-businesses-2019-503.pdf>

⁹ <https://gov.wales/written-statement-uks-approach-trade-negotiations-us>

in Wales that exported £295.9 million in goods to Japan last year and help even more local businesses sell their goods and services to the Japanese market¹⁰.

It would be useful for Welsh businesses if there was more clarity and information about a trade deal between the UK and Japan. In addition, if the public and private sector could provide events and training as well as information on how businesses can access these new markets.

Recommendations

- Welsh businesses need to be given more consistent, clear, and specific information about trade deals.
- Where possible there should be lobbying to push for trade deals that will substantially benefit Wales.
- Support for SMEs should be a key consideration in trade deals.

6. Intra- UK intergovernmental agreements relating to the end of the transition period, including Common frameworks programme

6.1 Lack of knowledge, awareness, and preparedness

Very few businesses are aware of the Common frameworks programme or aware that there could be changes to the UK Internal Market. As a result, businesses are not well prepared for any changes in UK intergovernmental agreements.

Therefore, there needs to be clarity on how this will affect businesses.

6.2 Internal Market Bill

South and Mid Wales Chambers held a roundtable event to discuss the Internal Market Bill on the 7th August 2020. This was an opportunity to discuss with Welsh businesses the implications of the bill. Some of the main findings were:

- There is a concerning low level of awareness and engagement in the White Paper relating to the UK Internal Market. Few people that we spoke to were even aware that exists let alone the potential impact it may have on their business.
- Due to lack of clarity there are concerns that some of the specific standards that apply to any given sector may now be affected both nationally and internationally.
- There is general concern amongst food and drink manufacturers that changes to labelling locally or nationally could affect business.

¹⁰ <https://businessnewswales.com/japan-historic-trade-agreement-set-to-benefit-businesses-in-wales/>

- There is worry about the Devolved Administrations having the same input as UK Government. Therefore, it is critical that support for Intra-UK intergovernmental agreements be a four nation about and not seen to be centred in Westminster.

6.3 Recommendation

- There need to be clear and easily accessible information to businesses about IntraUK intergovernmental agreements such as Common frameworks programme
- There needs to be consistent and clear messages to business about the potential changes to trade within the UK from 1st January 2021
- Devolved Administrations need to have equal say with UK Government to ensure that Welsh businesses are not adversely affected by any Intra-UK intergovernmental agreements.

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