BUSINESS BREXIT PRIORITIES

British Chambers of Commerce

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FOREWORD

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Since the historic referendum result last June, Chambers of Commerce have been in deep consultation with local business communities across the United Kingdom – to ensure that, together, we are addressing the key business priorities for the UK government's Brexit negotiations.

As part of this process, we have taken in-person feedback from over 400 businesses, in 16 Chamber business communities, on the potential challenges and opportunities posed by Brexit. Since the referendum vote, we have also received nearly 20,000 responses to Chamber surveys, giving us granular information on the needs and expectations of businesses of every size, sector, nation and region.

This document sets out the key priorities for Chamber member businesses in the forthcoming Brexit negotiations.

These priorities are resolutely practical – focused on ensuring that UK business communities can continue to trade, invest, flourish and grow. Seven key themes – **trade, customs, taxation, regulation, labour market, EU funding, and the border between Northern Ireland and the Republic of Ireland** – are at the top of Chamber members' agenda.

Our most recent International Trade Survey, published in January 2017, showed that over a third of businesses plan on putting even more resources into the European market over the next five years. Another third said they have no plans to change their approach to selling into Europe, and only four percent said they plan to put fewer resources into selling to the region. So it is imperative that the government negotiates the best deal it can with the EU for UK businesses, mindful of the fact that Europe will remain a key market for UK firms for years to come.

These results are also an important reminder that it is businesses that trade, not governments. And it will be businesses' ability to respond to forthcoming changes – identifying and seizing new opportunities – that will shape our future relationship with both the EU and the rest of the world.

It is also crucially important to establish the best possible domestic business conditions to help firms respond to the changes ahead. Brexit is just one of many concerns for Chamber business communities across the United Kingdom. Broadband and mobile connections are patchy. There is an ever-growing skills shortage across all levels, from hospitality to engineering. And the growing burden of upfront costs is preventing far too many businesses from growing, hiring, and exporting. Addressing these fundamental business conditions is just as – if not more – important as the shape of the future deal with the EU.

The Prime Minister has set out her objectives for negotiation, but ultimately, the practical outcomes are what matter to businesses.

The priorities set out in this document – from 52 Chamber business communities, representing 75,000 firms with five million employees across the UK – represent what businesses of all sizes and sectors want HM Government to achieve over the coming months.

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TRADE

WHAT WE KNOW SO FAR

The Prime Minister has announced that the UK will not seek continued Single Market membership. The government will seek a new customs agreement with the EU that allows the UK to negotiate Free Trade Agreements (FTAs) with non-EU third countries and as much tariff-free trading as possible between the UK and EU.

The UK cannot conclude FTAs with third countries until the UK leaves the EU. With regard to our membership of the World Trade Organisation, the government has said it will start to draft goods and services schedules that will, as far as possible, replicate our current obligations.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Chamber members are concerned about the potential emergence of new trade barriers which could complicate trade with the EU. A minority of companies have even taken mitigation strategies, such as setting up new receiving companies or their own logistics infrastructure on the continent, in order to ensure the same level of service to their customers and suppliers.

MICRO-MANUFACTURER IN YORKSHIRE

"The central issue for us has been uncertainty – for technically advanced goods such as those we produce, the EU is a major market. It is highly unlikely we will be able to grow exports significantly into areas such as India (there is high demand for what we do, but prices are too low). The uncertainty around pricing, the risk of tariffs / quotas, and restrictions on movement are all major risks for us."

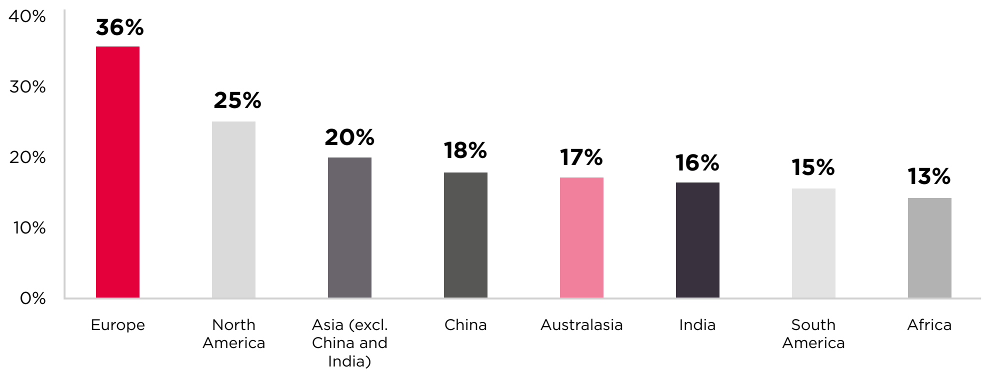
Businesses want the government to prioritise the sequencing for future trade deals as follows:

1. Securing an EU trade deal on the best terms possible, including the grandfathering of existing FTAs with third countries (with a proviso to revisit at a later stage)
2. Signing FTAs with large key trade markets (e.g. the USA)
3. Focusing on additional high growth markets

This is supported by the results from our recent International Trade Survey, which shows that Europe remains the top priority market for businesses when it comes to future investment, followed by North America, with other regions roughly equal thereafter in their importance.

Priority markets for business

Overseas markets where firms are planning to increase export resources over the next five years



International Trade Survey, December 2016, base: (1,290)

However for most SMEs, FTAs have a limited impact – whereas market liberalisation has a significant effect. Chamber members want to see the UK government focused not just on deal-signing, but on removing non-tariff barriers in key markets through diplomacy, engagement and support.

OUR TRADE PRIORITIES

Keep tariffs with the EU to a minimum

- While businesses realise that it is likely that tariffs with the EU will be introduced, there is a strong desire to see them minimised as much as possible.

Focus on alleviating non-tariff barriers (NTBs) both with the EU and the rest of the world

- NTBs (such as local regulations, IP, product standards, compliance) frequently carry a greater cost to businesses than tariffs.
- Trade liberalisation outside of FTAs can be a means of addressing these NTBs. Government must work with businesses to identify the most obstructive barriers, and collaborate with other countries to alleviate them.

Ensure that UK businesses can continue to benefit from existing FTAs following Brexit

- Work with governments in third countries and the EU-27 to grandfather existing EU FTAs, so that businesses can continue to trade on the beneficial terms they already have access to. These agreements should include a commitment to revisit the terms of the FTA as required in the future.

Develop a robust consultation process to gather business views when negotiating future trade deals

- Formal stakeholder engagements, such as that undertaken by the Office of the United States Trade Representative, will help ensure business views are heard, and enable any new FTAs to have the maximum impact on day one.
- Avoid 'capture' by the interests of multinational companies or single sectors – adopt a whole economy approach, with business communities in regions / nations consulted as well.
- Establish an independent body, similar to the US International Trade Commission, to scrutinise and assess the economic benefits of FTAs, and inform government, parliament and the public.
- British Chambers, both in the UK and around the world, stand ready to support government in developing this approach.

Revitalise and expand the trade mission, trade fairs and trade support programmes

- Current trade mission programmes are too small and slow – and focus too much on ministerial deal-signing rather than supporting businesses on the ground.
- Businesses of all sizes, regions and sectors say an expanded trade mission and trade fairs programme with more generous government support would boost exporters' confidence, build links with key trade partners and underpin deals. This needs to be aligned with, but not limited to, the countries with which the UK is looking to sign a trade deal.
- There is also a need to strengthen on the ground expertise and support for British exporters in all regions of the UK, as well as in overseas markets.
- Overall, it is critical to provide more resource for trade support, in order to achieve both higher quantity and quality of exports.

Ensure there is no sudden disruption to our trading relations with the EU after 2019

- In the UK's negotiations with the EU, the ideal outcome for businesses would be for the EU exit negotiations and our future trade agreement with the EU to be concluded simultaneously, within the two-year timetable after triggering Article 50.
- Should this prove impossible, we should seek an extension to the negotiating period, to enable completion of both agreements concurrently.
- A transitional arrangement is only desirable if the simultaneous completion of both our EU exit negotiations and our future EU trade agreement proves impossible.
- All of these options should have a clear timescale, provide businesses with sufficient notice to adjust to new arrangements and avoid any features that cause businesses significant or repeated implementation costs.

CUSTOMS

WHAT WE KNOW SO FAR

The government has suggested that the UK will not be a full member of the EU customs union following Brexit. The government has not yet clarified whether it will seek a completely new agreement, associate membership, or remain a signatory to some elements. Leaving the customs union would most likely require declarations at borders between the UK and the EU, which could disrupt supply chains. There will be additional compliance costs if companies have to apply rules of origin and enter customs declarations.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Businesses have expressed concerns about the capacity for HMRC and the Border Force to deal with any changes to customs arrangements. Chamber members have also repeatedly stressed the importance of the UK as a distribution hub into the EU, and that we should make sure this is not impeded by future arrangements.

There is a lack of awareness of trade and customs processes among some exporters who currently trade exclusively with the EU. For these firms, adjustments costs are likely to be higher and they may be unprepared for changes if they are suddenly implemented. Chamber members want certainty regarding any future procedures so they can prepare for any changes.

MANUFACTURER IN BRISTOL

"We need to avoid new customs formalities and additional bureaucracy for both imports and exports. We supply just-in-time into Europe and placing delays and administration into the export process would severely damage our business. If customs requirements become significantly more onerous than those operated between EU countries, our customers will source from within the EU instead."

OUR CUSTOMS PRIORITIES

Develop future customs procedures at the UK border in partnership with business

- Regardless of any future trade agreement between the UK and the EU, there will be significant changes to customs and border procedures for businesses – whether exporters or importers. HMRC need to consider Inland Clearance with pre-clearance and post-reconciliation procedures to avoid lengthy delays at ports and airports.

- Chambers of Commerce stand ready to facilitate a wide consultation with businesses across the UK on customs and border management issues, and the adaptation of the EU Union Customs Code (UCC) to a UK Customs Code. The BCC has already started to engage with several government departments to make sure importers and exporters get the best deal possible. A range of changes could be considered, such as:

  i. Reintroduction of 'earlier' sale – This would allow importers to value goods based on the previous sale in a supply chain before import. This will simplify the valuation of goods at the border for tariff purposes, resulting in lower duties being paid. Under the new rules it is the first sale after import that sets the value leading to excessive duty being paid.

  ii. Removal of compulsory guarantees – Prior to the introduction of the UCC, HMRC could waive the requirement for businesses to guarantee duty that might become liable. The introduction of compulsory guarantees has had serious cashflow implications for traders.

  iii. Reintroduction of Inward Processing (IP) Drawback – IP Drawback allowed traders to import goods into the IP procedure, pay duty at import, and reclaim the duty when the goods are exported. IP Drawback allowed traders a greater degree of flexibility than IP suspension, and meant the duty was already paid at import, this provided minimal fiscal risk to the customs authority.

  iv. Role for preference documents – Any future trade agreements, with the EU and beyond, should rely not just on trader authentication schemes – which often favour larger companies – but should also include preference documents, which are well understood by businesses both large and small.

  v. Reintroduction of VAT deferment accounts – Previously when goods were imported into the UK the VAT due could be deferred then offset against a VAT return. This had significant cashflow advantages for business.

  vi. Introducing a role for Chambers as Trusted Third Parties – A trend with recent trade agreements is to build in systems which depend on organisations reaching Authorised Economic Operator (AEO) status, which disadvantages small and medium sized companies. Accredited Chambers could act as AEO guarantors for these companies, under a new process that would support SMEs with faster custom declarations.

Work with Chambers of Commerce to develop a new UK rules of origin model for incorporation in new FTAs

- Chambers of Commerce are willing to support the government to develop and implement a new model, based on the 1923 Geneva Convention, the 1999 Revised Kyoto Convention and other international agreements – to ensure a seamless transition to a new UK rules of origin system, in the interests of businesses and the economy. With our major manufacturers having increasingly international supply chains it is possible that well-known British products would no longer qualify as Made in Britain if the rules of origin are not carefully drafted.

Introduce necessary measures to guarantee the UK's position as a global distribution hub for Europe

- The UK currently has a status as a distribution centre for Europe, which would be severely threatened by the introduction of customs procedures and duties with the EU. The government must consider measures that will allow for this status to continue despite the changes to our customs relationship with the EU.

- One such measure could be the introduction of Free Trade Zones. FTZs allow goods to be brought in, assembled and re-exported without any customs red tape or duty being paid. Their introduction would help protect our major British ports from losing business to EU ports and promote new industrial zones in these areas. This and any other measures that would achieve the same result must be seriously considered.

- The border between Northern Ireland and the Republic of Ireland should have similar arrangements that facilitate ease of trade, without unnecessary duties or additional red tape.

Provide support for businesses to prepare for any changes

- The government needs to significantly increase the capacity of HMRC and the UK Border Force to deal with forthcoming changes – both in terms of IT systems and staffing. The EU will also need to upgrade its customs capacity to ensure that UK exports are handled correctly and without delay.

- The Chamber Network, with over 350 international trade experts, has significant expertise in advising on documentation and customs issues. The Network stands ready to support the UK government in informing businesses about the changes.

TAX

WHAT WE KNOW SO FAR

There has been little impact on indirect or direct taxes since the EU referendum. HMRC has stated that there are no immediate changes to any taxes or other HMRC services following the EU referendum. The UK tax system is mainly affected by EU law through the following: rules on when to levy indirect taxes (e.g. the VAT Directive); rules that assign tax liability in cross-border transactions (e.g. Directives concerned with eliminating double taxation on the payment of dividends, interest and royalties); and rules for information disclosure and reporting of corporate and personal incomes.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

There remains a high degree of uncertainty over what changes to the tax regime might occur following the UK's departure from the EU. For instance, firms are seeking clarity on whether VAT legislation will continue to mirror current core VAT principles following Brexit.

Businesses have expressed serious reservations about the capacity of HMRC to deal with major changes that are likely to occur once the UK leaves the EU. Firms continue to voice their concerns over the quality of service provided and the threat of being mistakenly non-compliant in a tax environment that is likely to be more complex. Similarly, there are worries about HMRC's ability to manage the additional information expected to flow through their automated systems. The Brexit process will also coincide with the 'Making Tax Digital' project, which is a major IT undertaking by HMRC.

There are concerns about the capacity of HMRC to deal with major changes.

There are questions about the practicalities of cross-border transactions and how these will change, particularly with regards to the process for invoicing and reporting. There is uncertainty about whether various simplifications that exist to help reduce VAT costs for SMEs will still apply, such as the VAT Mini One Stop Shop (VAT MOSS). Businesses also want to reduce the balance of trade reporting they currently adhere to through EC Sales Lists and Intrastat.

Finally, there are concerns over the impact of the UK losing intra-community trading status. Unlike the current EU VAT process, VAT is likely to be required to be paid by the importer at the point of entry, which could create cash flow risks for firms and a greater administrative burden.

OUR TAX PRIORITIES

Ensure a clear transition period for the complex indirect tax issues facing businesses and trading partners

- It would be better to accept existing arrangements and have a period of stability before embarking on major changes, which could result in a significant increase in the financial and administrative burden on businesses. Various simplifications exist to reduce VAT costs for SMEs – an example of current practice is the VAT MOSS rules for e-services. Any future system needs to similarly reduce VAT costs.
- There must be no premature disengagement on Brussels-linked tax issues affecting British business which will continue to have an impact for some time. HMRC must remain engaged in all EU-level tax policy discussions until the UK leaves the EU, and beyond where needed.
- There must be a guarantee from government that HMRC will be appropriately resourced to support businesses of all sizes through the transition process as well as maintaining sufficient resources for major projects such as 'Making Tax Digital'.

Provide greater clarity on future tax system and future tax arbitration process

- There needs to be clarification on whether VAT legislation will continue to mirror current core VAT principles. This includes place of supply legislation, whether in relation to goods or services. If the nature of trading reverts to a pre-EU pattern where all goods are 'exported from' or 'imported into', then UK businesses will need to understand the impact of this on their supply chain.
- Further information is needed on the future jurisdiction for interstate tax disputes between the UK and EU. VAT decisions achieved through the European Court of Justice can take many years to progress. UK businesses need to understand how future decisions impact on them specifically or on a VAT liability affecting them. Guidance on this point would give UK businesses some clarity on the current merits of considering legal appeals.

There needs to be clarification on whether VAT legislation will continue to mirror current core VAT principles.

- The UK's VAT contribution to the EU budget in 2015/16 was £2.8bn, a rise of 21% from 2010/11.
- The EU VAT Gap – the overall difference between the expected VAT revenue and the amount actually collected – reached €159.5bn in 2014, equivalent to a total revenue loss across the EU of 14%. The UK's VAT Gap stood at 10% in 2014.

UK VAT CONTRIBUTION TO EU

EU VAT GAP

UK VAT GAP

REGULATION

WHAT WE KNOW SO FAR

The government's stated preferred option is to avoid large-scale immediate regulatory changes at the time of Brexit, which could cause disruption to business. Following the BCC's calls for stability of the regulatory framework, the Prime Minister announced plans for a 'Great Repeal Bill', the aim of which is to transpose much of existing EU law into domestic law.

The government has confirmed that the UK will apply the General Data Protection Regulation when it comes into force on 25th May 2018. The Prime Minister also stated in January 2017 that the UK is not seeking membership of the Single Market, will bring an end to the jurisdiction of the European Court of Justice in Britain, and would prefer a 'phased process of implementation' as the UK leaves the EU.

The 'Great Repeal Bill' aims to transpose much of existing EU law into domestic law.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Consultation with members reveal that firms find some EU regulations and standards bureaucratic and challenging. Firms tell us the volume of EU regulation is high; sometimes rules are poorly drafted, either by EU bodies or by UK authorities when they are transposed into UK law; and rules can be subject to regular changes. This leads to high compliance costs for businesses.

However, there is a practical acceptance that adherence to EU regulations and standards is necessary to continue trading effectively with Europe. Companies have stressed that compliance with EU Directives covering a wide variety of areas such as product standards, late payments, electronic waste, and medical devices are crucial to maintaining easy trading relationships with EU member states. Firms also want clarity on how the regulatory environment around procurement may change after Brexit.

ELECTRICAL EQUIPMENT MANUFACTURER IN THE MIDLANDS

"All UK Statutory law and regulations regarding electrical equipment should continue to mirror EU law, including the Low Voltage Directive. We must not become out of step with the EU standards – this would only put a block on business working in Europe."

OUR REGULATION PRIORITIES

Maintain short-term stability of the regulatory framework – we should avoid major changes

- Businesses value a stable regulatory framework over disruption and change at a time of transition and uncertainty. They have already taken on the adjustment costs associated with EU regulation and should not face further immediate change.
- All existing EU regulations, where businesses have already incurred the costs of adjustment and adaptation, should be maintained for a minimum period before major changes are suggested – even if the object of change is deregulation and lowering of costs.

Maintain equivalence of standards with the EU and ensure mutual recognition of this regime, in so far as it continues to enable two-way trade

- A UK standards regime which diverges significantly from the EU regime could make UK businesses less competitive by introducing new compliance costs if these rules are not recognised by the EU. For this reason, businesses want a UK standards regime which is broadly aligned with, and recognised by, the EU.
- The government should negotiate appropriate mechanisms for the UK to influence crucial regulatory areas which are embedded in existing agreements for several sectors. As the nature of the UK's future relationship with the EU becomes clearer, it will be important to review and negotiate effective replacement mechanisms for dispute resolution.

Businesses want a UK standards regime which is broadly aligned with, and recognised by, the EU.

Develop a flexible UK regulatory architecture that reduces the size and complexity for business

- The government should entrust an independent body (such as the Regulatory Policy Committee), to promote a flexible domestic regulatory environment, incorporating findings from the government's better regulation agenda, and identify burdensome regulations which could be repealed or amended. This body should conduct a review of UK gold plating of EU regulation and inform the parliamentary debates relating to the Great Repeal Bill. This work should be consistent with maintaining a regulatory framework which is congruent with the EU.
- Accredited Chambers of Commerce across the UK are ready to support the government in assessing which aspects of business regulation are impractical, poorly drafted, or subject to continuous change.

LABOUR MARKET

WHAT WE KNOW SO FAR

The government has said it wants to protect the status of EU nationals in the UK, provided the rights of UK citizens living in the EU are also protected. In response to pressure from the BCC and others, the Prime Minister has indicated her desire to secure an early reciprocal deal, but this was blocked by other EU member states. In January 2017, the Prime Minister reiterated the government's wish to control the number of foreign citizens coming to the UK.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Businesses are facing a growing skills shortage that poses a genuine threat to future productivity and growth. Unemployment is low by historic standards and the BCC Quarterly Economic Survey confirms the percentage of firms reporting recruitment difficulties is close to an historic high.

of manufacturers experienced recruitment difficulties

of services companies experienced recruitment difficulties

***Quarterly Economic Survey,* Q4 2016, base: manufacturers (1,828) services companies (5,422)**

BCC polling in August 2016 of firms who employ EU staff suggests the future status of EU workers in the UK is a top priority for businesses. Two fifths of companies said their EU staff have expressed uncertainty over their future residency status. Sixty percent of these firms think residency guarantees for existing EU workers would have a positive impact on their business.

Businesses with large numbers of low-skilled vacancies, e.g. in sectors such as agriculture and hospitality, are typically concerned about the prospect of restrictions to migration which could prevent them from hiring the staff they need to operate. Therefore, any future immigration system needs to allow businesses to access not just high-skilled workers from the EU, but also intermediate and low-skilled workers from the EU in areas where there are acute labour shortages.

FOOD PRODUCER IN THE MIDLANDS

The firm hires 1,300 seasonal workers per annum to do picking and packing of produce. Most of their workers are from the EU because of labour shortages locally. They are concerned about their next recruitment round and have picked up a sentiment from EU staff that they feel less welcome in the UK. The company said "it would have a catastrophic impact on business if the supply of EU workers was cut."

Businesses also recognise that any changes to the immigration system go hand in hand with upskilling the existing UK workforce and that business, government and the education sector need to work together to improve the UK skills system and increase productivity.

OUR LABOUR MARKET PRIORITIES

Immediate certainty for businesses on the residence rights of their existing EU workforce and EU workers who arrive up until the point of triggering Article 50

- The skills of existing EU workers are crucial to the success of businesses, and must be retained. Providing certainty is the fair thing to do – both for EU employees and their UK employers.
- This should not be contingent on any other aspect of the UK's negotiations with the EU-27.

Clarity for businesses on hiring from EU countries during the transition period

- Firms are already asking whether they can and should hire EU nationals, needed in their businesses for their specific skills. Government must give businesses clarity on the regime for hiring from the EU between the triggering of Article 50 and the UK formally leaving the EU.

A future immigration policy that allows businesses to meet skills needs from the EU-27 and the rest of the world with minimal bureaucracy, cost or barriers

- Businesses firmly oppose bringing EU nationals within the scope of the existing Home Office Tier 2 visa system – which is costly and bureaucratic, particularly for SMEs. This system is also incapable of handling the volume such a move would generate.
- If EU-27 citizens are subject to future restrictions, a simple and light-touch system is required. This should allow businesses to hire staff at any skill level, where there are demonstrable local labour shortages.
- The government should remove students from the net migration figures and reintroduce a post-study route, which allows overseas students with skills that are in short supply in local labour markets to remain following completion of their studies.
- An independent body, such as the Migration Advisory Committee, should undertake a comprehensive review of the UK's skills needs and labour shortages to help inform any future immigration system. This should include examining the merits of a more geographically sensitive system.

A future immigration regime needs to be supported by an improved skills system and favourable labour market policy in the UK

- Businesses are acutely aware of the importance of training UK workers to fill vacancies and increase productivity. The BCC will support the work of the newly created Productivity Council in sharing information and tools to help businesses improve their productivity.
- Companies need an apprenticeship system that helps them effectively train UK workers. Businesses who pay the Apprenticeship Levy should be allowed to use the funding to support other high-quality workplace and vocational training, in addition to apprenticeships, and more flexibility must be built into the levy system.
- To maintain a strong labour market, the government should pledge to introduce no new input taxes or other significant costs on businesses for the remainder of this Parliament. Further increases to the National Living Wage should be proportionate and reflect economic circumstances.

EU FUNDING

WHAT WE KNOW SO FAR

Following calls from the BCC, the Treasury announced guarantees for European Structural and Investment Funds (ESIF) projects signed before the 2016 Autumn Statement. These include projects scheduled to receive funding after the UK leaves the EU, and agri-environment schemes funded by the Common Agricultural Policy (CAP).

For projects signed after the Autumn Statement 2016 and which continue after the UK leaves the EU, the government has confirmed that it will "honour funding for projects if they provide strong value for money and are in line with domestic strategic priorities". The current programming period for European funding ends in 2020.

Similarly, the Treasury has underwritten the payments of awards where UK companies have secured competitive bids made directly to the European Commission (including for Horizon 2020, the EU's research and innovation programme and in funds for health and education).

Following the referendum, the European Investment Bank (EIB) issued a statement saying they expect their shareholders (the 28 Member States) to discuss the bank's engagement in the UK as part of broader negotiations to define the future EU-UK relationship. At present, the EIB's shareholders have not requested the Bank to change its approach to operations in the UK. The UK is a 16% shareholder in the EIB and received investments totalling £5.5bn in 2016, making the UK the 5th largest recipient of EIB loans last year.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Businesses welcome UK financial guarantees for EU-funded projects for the current programming period. These play an important role in higher education and research, infrastructure development, regeneration, skills programmes and business support schemes. The guarantees provide welcome certainty to businesses and public bodies that EU funding remains a viable source of co-finance until the UK leaves the EU.

Businesses remain concerned about the potential gap in public funding for local economic development, science, research and agriculture left by the eventual drying-up of EU monies. But they also see an opportunity to reform regional development funding policy to achieve better outcomes for the UK economy. They want to avoid a 'copy and paste approach' that leaves the complexity, rigidity, and inefficiency of the current system intact.

OUR EU FUNDING PRIORITIES

Develop a new economic development funding system with maximum local autonomy, a strong voice for business priorities, and effectiveness in supporting economic growth

Core principles for a new system and the transition to it should include:

- No funding 'cliff-edge' for areas in receipt of EU convergence or transition monies.
- No reduction in the overall quantum of funding destined to local and regional growth.
- Greater flexibility for local areas to use funding for local priorities.
- Greater transparency and simplicity in its operation.
- No funding gap for R&D and innovation in transition to new system.
- Alignment with a place-focused Industrial Strategy.

Maintain UK access to the European Investment Bank

- As a major shareholder of the EIB, the UK should look to maintain its access after it leaves the EU. EIB loans are critical for major infrastructure and utilities programmes that support the productivity of business communities across the UK.

NORTHERN IRELAND AND THE REPUBLIC OF IRELAND

WHAT WE KNOW SO FAR

The government has said that the Devolved Administrations of Northern Ireland, Scotland and Wales will play a key role in negotiations. David Davis, the Secretary of State for Exiting the European Union, chairs a monthly meeting of the EU Negotiations Joint Ministerial Committee that shares analysis with the Devolved Administrations as part of a two-way information flow.

The Prime Minister has said the government wants to maintain the Common Travel Area between the UK and the Republic of Ireland. However, there is uncertainty about how this can be maintained given the government's aim to control immigration and negotiate a new customs agreement with the EU.

There have been consultations on the impact of Brexit taking place across the Republic of Ireland and Northern Ireland. For example, the All-Island Civic Dialogue on Brexit, involving 300 representatives from North and South, met to discuss issues relating to Brexit.

The government wants to maintain the Common Travel Area between the UK and the Republic of Ireland.

WHAT WE'RE HEARING FROM CHAMBER MEMBERS

Businesses stressed the importance of continued cross-border activity.

Members of Northern Ireland Chamber of Commerce, their counterparts in Chambers Ireland, and businesses across Great Britain have stressed the importance of continued cross-border activity, free of additional bureaucracy resulting from a Brexit settlement. This is important to maintain the large cross-border activity, on which the local economies depend. Some businesses, such as those in the important fresh produce sector, are particularly exposed to changes that could introduce border delays. It is also vital in terms of the local flow of people. In some cases businesses rely on staff crossing the border to travel to work every day.

Some businesses reported instances of scaling back investment in Northern Ireland and shifting investment to the Republic of Ireland. In response to the uncertainty caused by Brexit, and concerns about continued access to EU markets, some companies are already exploring setting up production in the Republic of Ireland and other EU countries.

NORTHERN IRELAND CHAMBER OF COMMERCE MEMBER

"Being located in Northern Ireland and with 40% of our business undertaken in the Republic of Ireland, it is essential that we have easy access and simplified processes to allow us to trade. Any form of border between Northern Ireland and the Republic of Ireland will severely impact on our business – we move goods and people between both areas every day."

OUR NORTHERN IRELAND PRIORITIES

No hard border on the island of Ireland

- Businesses across Great Britain, Northern Ireland and the Republic of Ireland are united in their desire to maintain free trade and people flows across the border between Northern Ireland and the Republic of Ireland.
- Being able to trade as freely as possible with the Republic of Ireland with limited bureaucracy, and unrestricted movement of people living and working on both sides of the border, should be a top priority for government in any negotiations.
- The government urgently needs to provide further detail on how it will come to an arrangement that continues to facilitate cross-border activity, to help reassure firms across the UK who depend on trade and people flows across the border.

Enable whole island collaboration and approach

- Deep consultation with business, particularly in Northern Ireland, is required to ensure post-Brexit arrangements keep trade flowing throughout these islands.
- Increased collaboration between the UK and Irish governments, and business communities on both sides. Any outcome of negotiations between the UK and EU needs to maintain strong ties between the Republic of Ireland and Northern Ireland, including in areas such as energy, agriculture and infrastructure.

The British Chambers of Commerce stands ready to convene representatives from the devolved nations of Northern Ireland, Scotland and Wales to further discuss with government the impact of Brexit on business communities in these areas.

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Commerce

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