

Rt Hon Boris Johnson
Prime Minister
10 Downing Street
Westminster
London SW1A 2AA

Monday 26 July 2021

Dear Prime Minister,

I am writing on behalf of the almost 2,500 members of the North East England Chamber of Commerce, the largest business membership organisation in the North East located in Tyne and Wear, Northumberland, Tees Valley and County Durham. Our members are drawn from organisations of all sizes and sectors and employ over 40% of the regional workforce.

I wish to express the concerns of our members involved in international trade, regarding the economic impacts caused by the UK's departure from the European Union and the implementation of the EU-UK Trade and Cooperation Agreement (TCA) on 1st January 2021.

Since the start of the year the new UK-EU relationship has presented significant challenges for our region's business community, and especially our exporters. I am sure that you are aware that the North East has historically conducted 59% of its international trade with the European Union, and has stood out as one of, if not the only, net-exporting region in Great Britain. The region has been a significant beneficiary of EU funding over recent decades. It is easy to see why our Chamber and our members have been so vocal about, and concerned with, the EU Exit process ever since the 2016 referendum.

In April and May of this year, the Chamber carried out a survey of our internationally trading members to better understand their experiences trading with the European Union under the new arrangements. The survey ascertained that 75% of our internationally trading members experienced that the trade deal between the UK and the EU had negatively impacted their business, while 37.5% of respondents reported a drop in their UK-EU trade.

The issues that businesses have faced are wide-ranging and complex. They include additional costs and confusion over new customs requirements, understanding and applying new Rules of Origin which determine tariff-free trade, obtaining Export Health Certificates or Sanitary-Phytosanitary documentation for Products of Animal Origin (POAO), Plants or Plant Products, additional checks on goods movements, confusion between multiple stakeholders, either at port, customs or in businesses, and a multitude of others.

Complexities with regards to new Customs Processes were the most commonly reported issues by our members, with 52% of our traders reporting difficulties. 38% reported that they were struggling with new financial costs, whilst 32% were struggling to meet new Rules of Origin.

0300 303 6322

your@neechamber.co.uk

www.neechamber.co.uk

[@neechamber](https://twitter.com/neechamber)

North East England Chamber of Commerce, Aykley Heads Business Centre, Durham DH1 5TS

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Already, businesses have reported a 38% reduction in their European sales, and that is why I am writing to you as a matter of urgency to work with us and help the North East, the most reliant region on European trade, to not only maintain the strong trading relationships we already have but unlock further global potential in the North East.

In our survey, two thirds of respondents reported that they had experienced delays in goods movements or a shortage of hauliers. It is now a near-daily experience to hear from a business that a shortage of Heavy Goods Vehicle (HGV) drivers is negatively impacting them. This clearly inconveniences businesses and their plans, but also adds additional financial costs, and offers an even greater risk to businesses trading time-sensitive products such as some foodstuffs, temperature regulated medical devices and those who rely on relatively frictionless logistics for just-in-time supply chains.

It is important to stress that these issues presented themselves to businesses during a period where the global logistics sector is already undergoing significant challenges. Throughout the pandemic, businesses reported to us the ballooning prices that they were having to pay to move goods, as well as the increased risk of goods being delayed on their journeys. The additional border checks and paperwork burden caused by EU Exit has added to the already existing pressure in the logistics sector for North East businesses.

This large range of different issues means that there is, unfortunately, no single simple solution. Businesses have felt unsupported through this period of hardship by their Government and, in many cases, feel that Government is unwilling to even acknowledge that these hardships exist.

The concerning findings of our survey resonated with regional trade data, recently released by the Office for National Statistics (ONS). In Quarter 1 of 2021 – the first quarter under the new trading arrangements – North East goods exports to the European Union fell by 13.2%, or £264 million, while imports fell by an even greater 22.4%, or £461 million, when compared to the final Quarter of 2020.

The respective figures for non-EU exports and imports were 7.8% and 6.2% falls. The disproportionately large fall in trade between the North East and the EU, compared to trade with non-EU nations, makes it incredibly difficult to see past EU Exit as the primary driver behind this fall, rather than the pandemic and its associated restrictions on economic activity.

Many of these challenges are not 'teething problems' but are fundamental and permanent changes to the way that our businesses trade with Europe. Businesses have reported to us that they are struggling to absorb new costs that Brexit has presented to them and, for many, this is not possible. The result of this is that their prices will be forced upwards, making them fundamentally less competitive than their European competitors.

Our trading members will be vital in getting the North East's economy back firing on all cylinders, driving a recovery from COVID-19, and 'levelling up' our region. With this in mind, along with the difficulties outlined above, we would like to lay out the below suggestions to be considered in the short, medium and long term:

Short term

- Government must take ownership of the trade agreement between the UK and the EU, that they negotiated, signed, and implemented, and acknowledge the issues that it has caused and continues to cause for businesses.
- Re-open and expand the SME Brexit Support Fund to allow businesses to continue to upskill staff and obtain the required equipment to complete their new customs responsibilities. A number of Chamber members utilised this fund, improving their ability to trade with the EU, but due to the scheme's strict "EU only" criteria, members whose international trade is made up of 90% UK-EU trade were locked out of the scheme.
- Ensure that deadlines, the end of grace periods and easements, and any other future changes to the UK-EU relationship are communicated to businesses as early and directly as possible, with support to prepare.
- Continue to update guidance regularly to ensure business knowledge is as great as possible and ensure that guidance is focused on 'actions' that business can or must take.

Medium term

- It is important that government acknowledges that its new-found power to diverge from European standards may come at a cost. If Great Britain diverges from European standards too far, then the impact of this will be increased barriers to trade between itself and the EU. Our trading members do not wish to see even more barriers erected between the North East and its largest market, so any plan to diverge from European standards in the future should be accompanied by a formal economic assessment that takes into account both the negative impacts of increased barriers to UK-EU trade, that would result from the change, as well as the positive impacts that the change could bring for businesses, to avoid needless and risky divergences.
- Government's new Free Trade Agreements can offer opportunities for expansion for businesses in new markets around the world. These deals should be linked to economic strengths in regions such as the North East, including automotive, health and life sciences and chemicals sectors. This would allow trade and 'levelling up' policy to be aligned and ensure that regions such as the North East can benefit the most from these agreements.
- Free Trade Agreements and the opportunities that they offer must be communicated and showcased effectively to businesses in all regions, to maximise business awareness of these agreements and hopefully drive businesses to explore new markets. Further resourcing of regional ITA's and trade promotion would be welcome.
- The issue of Heavy Goods Vehicles (HGVs) drivers being in critically short supply is currently causing businesses significant hardship. This risks jeopardising the North East's trade performance as supply chains cannot reliably transport the goods that they need, when they need them, and also adds significantly to business costs. The short-term changes announced by the Transport Secretary recently, to the restrictions on the number of hours that drivers can work without a break, is not a sustainable long-term solution. Government will have to work hard to increase the attractiveness of the job, the awareness that it is an option for younger workers and address the fundamental obstacle that deters many people from entering the sector, as well as reducing the high cost to obtain an HGV license.



Long term

- In the long term, North East businesses are going to find that trading with Europe is more difficult than they had found it previously, and many will now find themselves and their products less competitive than European business rivals. Moving forward, outside of the EU, it is vital that regions such as the North East retain an element of competitive advantage. Government's long-term role in this will be to support and nurture the sectors where North East companies excel, reducing barriers that impede their development, ensuring that the infrastructure is there for businesses to rely on, and incentivising investment to the region in these sectors, including the automotive industry, chemicals, health and life sciences and renewable energy generation.

Exports are vital to the national economy. They are our national income. Damaging the ability of businesses who create wealth for our nation, to do so, will make this country so much poorer. To do so when we are striving to recover from the pandemic, with all of its resulting debt, will burden this nation for decades. We encourage you to give this issue your most urgent and personal attention.

I hope that you will consider the above carefully and I look forward to your response.

Yours sincerely,

A handwritten signature in black ink that reads "James Ramsbotham". The signature is written in a cursive, flowing style.

The Hon. James Ramsbotham CBE DL
Chief Executive