



# BUSINESS PRIORITIES FOR HM GOVERNMENT





# THE BRITISH CHAMBERS OF COMMERCE BUSINESS PRIORITIES FOR HM GOVERNMENT

*When business thrives, people and communities thrive too*

**This is a pivotal moment for the UK. The appointment of a new Prime Minister and a new government comes at a time of global economic change and huge uncertainty and transition for our country.**

BCC's latest Quarterly Economic Survey – the largest and most authoritative private-sector survey of business conditions in the UK – records an economy in stasis following the relentless uncertainty surrounding Brexit and changes in the global economy. Firms remain deeply frustrated and angry that they do not have clarity on either future trading arrangements or the business environment here at home. Many businesses and investors will continue to put off major decisions through the summer and into autumn, hoping for a breakthrough in the Westminster impasse that avoids a messy and disorderly Brexit on 31st October.

Businesses are looking to the new Prime Minister to take swift and tangible steps to inject momentum and confidence into the UK economy. Unless decisive action is taken, we believe the UK economy will remain locked onto a low-growth trajectory. Firms want to see concrete and deliverable plans to tackle barriers to growth here at home, boosting the UK's global reputation as the place to invest and trade. But most importantly, they want the incoming government to go all out to avoid a messy and disorderly Brexit, which would bring pain and disruption to communities and businesses across the UK.

When business thrives, people and communities thrive too. Within this document, we have set out 15 steps that the new Prime Minister and government can swiftly implement to address the challenges facing our business communities.

The new government must hit the ground running by:

- Setting out a clear plan for avoiding a messy and disorderly Brexit,
- Reducing the upfront cost of doing business,
- Committing to the major infrastructure projects that businesses need,
- Unblocking Britain's skills system, and
- Delivering a future immigration system that prioritises economic growth.

These immediate actions will help create the best possible environment for businesses to grow and prosper. Chambers and Chamber members stand ready to work constructively with government on these vital issues, and on longer-term challenges, together creating a brighter future for our companies and communities.

British businesses have proved time and again their resilience and adaptability, but they need support and the right conditions to achieve their full potential. Early action from the new Prime Minister will send a powerful, and much needed signal of pro-business intent to firms and investors here and abroad.

We call on the new Prime Minister to work together in a true partnership with business. Deep and effective engagement with Chamber business communities, as well as wider business interests, will ensure that policymaking has economic growth and wellbeing at its core.

# SUMMARY OF BUSINESS PRIORITIES

## BREXIT AND TRADE

- Avoid a messy and disorderly Brexit
- Step up government planning and enable business to plan for all scenarios
- Automatic registration for key trade simplifications
- Ensure continuity of trading conditions with third countries
- Clarify intentions on the UK Shared Prosperity Fund - the proposed replacement for EU monies

## PEOPLE

- Protect and enhance funding for further education and training for those already in work and those yet to join
- Reform apprenticeship funding and standards to drive take up of training by businesses
- Deliver a light-touch, streamlined immigration system that works for business and ensure employers have ongoing access to skills at all levels, with minimal costs, barriers or delays

## INFRASTRUCTURE

- Reaffirm commitment to major projects including all phases of HS2 and the third runway at Heathrow airport
- Commit to a clear UK energy strategy
- Eliminate mobile 'not spots' together with industry through a shared rural network, programme of public investment, and planning reform
- Commit funding to get local roads back up to scratch quickly

## BUSINESS COSTS AND INVESTMENT

- A one-year moratorium on all policy measures that increase business costs, including no new business taxes or added regulatory burdens.
- Ensure businesses across the whole of the UK benefit from rates holidays on new property builds and improvements
- Launch a root and branch review of the current business rates system



## BREXIT AND TRADE

*As Chambers of Commerce we are proud of the frontline role we play in facilitating international trade. In 2018 we worked with over 30,000 international traders, issued over 670,000 trade documents and helped £20bn of goods into more than 190 markets worldwide. We see every day that British business is resilient, innovative and resourceful. But the three years since the referendum result and the ongoing political impasse has created unprecedented frustration and uncertainty in businesses throughout the UK. Firms will differ in their views about the desired end point for the Brexit process. However, with future trading conditions unclear and business investment at its weakest levels since 2008<sup>1</sup>, all are looking to the new Prime Minister to quickly provide the clarity they need to prepare for the future.*

*We are concerned by the UK's persistent current account deficit. In Q1 of 2019 the deficit was equivalent to 5.6% of GDP – the fifth highest on record. Once a messy and disorderly Brexit is avoided, the economy needs to be rebalanced towards exports to secure long-term economic growth and reduce exposure to economic shocks. This requires a domestic policy environment that supports businesses to trade globally and a trade policy that secures the current advantages that companies enjoy in third-country markets beyond the EU and builds on them.*

### IMMEDIATE PRIORITIES

#### **Avoid a messy and disorderly Brexit**

A messy and disorderly Brexit would mean immediate and significant change in market conditions for many businesses, across a huge range of sectors. The results of our Quarterly Economic Survey in Q1 reflected the uncertainty this scenario created for businesses in the run up to the 29<sup>th</sup> March 2019 deadline: balances for export orders, cash flow, investment and confidence declined significantly on the previous quarter. The Prime Minister must deliver a sensible and pragmatic plan to break the current parliamentary impasse and avoid this outcome.

#### **Step up government planning and enable businesses to plan for all scenarios**

While a large majority of Chamber member businesses want to avoid a messy and disorderly Brexit, they also need to be able to plan for all scenarios. Urgent answers are needed to BCC's substantial list of unanswered 'no-deal' questions, particularly around the areas of trade and borders. We do not believe that government or its agencies are prepared for a 'no deal' scenario, nor are many businesses. Additionally, in any Brexit scenario where significant challenges arise for business, HMRC should reinstate the 'Time to Pay' scheme for flexibility and forbearance in tax payments to help firms maintain cashflow.

#### **Automatic registration for key trade simplifications**

BCC has long called for VAT registered companies to be issued automatically with an EORI Number – the basic legal requirement to trade with the EU in a "no deal" scenario – as they are elsewhere in Europe for trade with third countries. The requirement for firms to apply to HMRC is an unnecessary barrier and risks leaving many thousands of firms high and dry in the event of a "no deal" exit from the EU. By May 2019, less than a third of the 240,000 EU-trading UK firms estimated to need EORI status had applied.

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<sup>1</sup>BCC forecast 2019



### **Ensure continuity of trading conditions with third countries**

It is critical that businesses continue to benefit from existing Free Trade Agreements (FTAs). Our survey of 2,300 business in late 2018 showed that over a third of respondents considered trade preferences and red-tape in the UK and overseas markets as important factors in the decision to pursue cross-border sales and purchases. According to the Department for International Trade, 37% of the UK's trade that is covered by EU FTAs, and for which the UK is seeking continuity agreements, are yet to be underpinned by any such agreement. The UK government must make every effort, working with governments in third countries and the EU-27 to grandfather existing EU FTAs.

### **Clarify intentions on the UK Shared Prosperity Fund – the proposed replacement for EU monies**

As the current EU funding period draws to a close, business communities across the UK are still in the dark about what will come next for the range of projects and initiatives that rely on European monies. From city regeneration schemes to business support, investment finance to research collaboration, businesses do not want to see 'cliff-edges' in funding. But nor do they want a copy-and-paste approach to replacing the current system of EU development finance. Government must publish long-overdue proposals for a UK Shared Prosperity Fund for consultation – with a commitment to maximum local autonomy, a strong voice for business and a focus on economic growth.

*UK businesses still lack the information they need to plan for all scenarios. Concerningly, many questions still remain unanswered in an unwanted 'no deal' scenario.*

*Will my shipments be stopped and delayed?*

*Will I face new procedures when trading across the border between Northern Ireland and Ireland?*

*What are the restrictions for my staff working in Europe?*



## PEOPLE

*People are at the heart of any business. Without them, businesses simply couldn't operate. Yet never has it been so hard for firms to find the people they need to grow and succeed. BCC's latest Quarterly Economic Survey found that 70% of manufacturers and 58% of service firms attempting to recruit faced recruitment difficulties and official numbers show record numbers of job vacancies. Companies must be able to unlock the potential that exists in communities across the UK.*

*Chambers of Commerce and Chamber members up and down the country are making huge efforts to support the development of homegrown skills and talent and investing in the workforce of today and of tomorrow.*

*Yet in a rapidly changing world, and at a time of high employment, it is essential that firms can also access the skills and people power they need from outside of the UK.*

*BCC is calling on government to deliver both a skills system that is fit for purpose - so that firms can recruit and develop the people they need - and a pragmatic, easy to use future immigration regime that is responsive to economic needs and skills shortages at all levels.*

*BCC's latest Quarterly Economic Survey found that 70% of manufacturers and 58% of service firms attempting to recruit faced recruitment difficulties and official numbers show record numbers of job vacancies.*

## IMMEDIATE PRIORITIES

### **Protect and enhance funding for further education and training for those already in work and those yet to join**

Businesses rely on academic and vocational skills in the workplace, so we need adequate funding for both academic and vocational routes. Investment in further education should be increased, by raising the 16-19 education base rate by £1000 per student to ensure training providers can offer a sustainable and high-quality range of provision at the local level and be responsive to local economic demand. The new Prime Minister must work with all devolved governments to ensure optimum levels of further education funding are available UK-wide.

The government must protect investment in technical education to ensure the successful roll-out of T-Levels, as well as ensure the apprenticeship system is fully funded. It must not be a situation of robbing "Peter to pay Paul" - the university system must also be funded in full.

### **Reform apprenticeship funding and standards to drive take up of training by businesses**

Businesses support the drive for more and better apprenticeships, and significant numbers are planning to take on apprentices in the future. The BCC's Workforce Survey 2019, which polled more than 1,100 business people, found that 24% were planning to take on apprentices and nearly a third of respondents had done so since 2017. But they also reported significant barriers in the current system that prevent it from fulfilling its goals:

10% had attempted to use apprenticeships but faced too many barriers and 40% had no plans to use apprenticeships at all.

## PEOPLE

BCC is calling for urgent reform of the apprenticeship system and to the levy that underpins it:

- Increasing transparency around where the money comes from and goes to
- Improvements to the Institute for Apprenticeships and Technical Education, enabling them to deliver standards quicker and giving independence to make the best decisions for businesses and learners
- Evolution of the apprenticeship levy into a training levy where all forms of accredited training could be funded from it.

### **Deliver a light-touch, streamlined immigration system that works for business and ensure employers have ongoing access to skills at all levels, with minimal costs, barriers or delays**

Exiting the EU, particularly in a “no deal” scenario will very soon change the way businesses access talent from overseas. Yet the arrangements for a new immigration system are still out for consultation making it hard to plan ahead. The current system is overly bureaucratic and costly for firms and is in need of reform. The Prime Minister and their new government should quickly agree an immigration system that works for business, which includes:

- Setting exacting standards for the Home Office on business visa and work permit applications - with a presumption that firms should get an answer within two weeks on straightforward cases
- Lower minimum salary threshold for higher-skilled workers than the current £30K cap that applies to non-EEA workers. This would be more reflective of economic realities across sectors and regions
- Removal of the Immigration Skills Charge entirely
- Extend the proposed lower-skilled visa to enable employment for any period up to 3 years – this will facilitate recruitment of both seasonal and long-term roles, with the option of moving to a skilled route during this period.





## INFRASTRUCTURE

*Investment in infrastructure is critical to the success of businesses, and local and national economies. Yet, BCC's 2018 Infrastructure Survey of more than 1,100 business people showed that 39% of firms don't believe that UK's rail network meets their needs in accessing new and existing customers, suppliers and employers, and 68% regard the UK road network as less reliable than five years ago. An efficient transportation system has multiplier effects through improved accessibility to labour, investment, markets and international trade. Investment in major infrastructure projects also sends a strong message to our global partners that we remain a great place to invest and do business.*

*Investment in infrastructure goes hand-in-hand with efforts to reach the 'net-zero by 2050' target through increased use of environmentally-friendly transport modes. World-class digital connectivity and a comprehensive energy strategy are also critical foundations to our ability to hit this target. The government must, through deep consultation with business communities and wider civil society, develop a concrete plan for how we as a United Kingdom will reach this target, together.*

*Getting the basics right is important too. Despite accounting for the vast majority of route miles in the UK, our local road network is in desperate need of an overhaul, with the backlog of maintenance growing year-on-year. Committing funding to carry out this long-overdue work would not only boost business productivity and confidence but support local economies through spending with local contractors and suppliers.*

### IMMEDIATE PRIORITIES

#### **Reaffirm commitment to major projects including all phases of HS2 and the third runway at Heathrow airport**

Successive governments have under-invested in infrastructure and stalled on major decisions. Business communities around the country have thrown their support behind projects such as HS2 and expansion of Heathrow airport because they can see the tangible business, economic and reputational benefits that will come from these investments. The incoming government must urgently reaffirm its commitment to the delivery of HS2, whilst at the same time redoubling efforts to ensure the project's costs are controlled. It must also reaffirm its support for expansion at Heathrow and for continued growth at other airports around the UK. Any move to row back from these decisions would undermine business confidence and damage our reputation as a place to invest.

#### **Commit to a clear UK energy strategy**

Together with business communities, government should build a plan for how we will work across the four nations to reach net-zero by 2050, while also maintaining security of energy supply and stable prices. A simple, first-step along this path should be to ensure that businesses are not penalised for investing in energy efficiency by making permanent the temporary exemption of microgeneration from business rates in England and Wales. The government should work with devolved governments across the UK to achieve equivalent support through the tax system.

## INFRASTRUCTURE

### **Eliminate mobile ‘not spots’ together with industry through a shared rural network, programme of public investment, and planning reform**

BCC’s ‘No More Not Spots’ campaign aims to put an end to poor signal coverage and dropped calls. If delivered and held to account by Ofcom, industry proposals to share infrastructure in rural areas, and use public funding to fill in the remaining gaps where public demand exists, would go a long way to achieving this.

To guarantee the success of this programme, and to ensure the UK takes full advantage of 5G, the government must commit to sympathetic reforms to the planning system that support network rollout, including extending the scope of permitted development rights. It should also drive through changes at the local level to ensure that strategic processes, such as Local Industrial Strategies in England, prioritise digital infrastructure, and there is more consistent access to public assets (such as council buildings) to deploy and maintain network equipment.

### **Commit funding to get local roads back up to scratch quickly**

Significant investment is needed to bring the UK’s network of local roads back into ‘reasonable’ condition. These are the roads that businesses rely on for getting goods to market, delivering services, and for connecting people to jobs. Locally-managed minor roads account for over 87% of the total road length of Great Britain so when they are in poor condition this undermines business productivity. The 2019 Annual Local Authority Road Maintenance Survey put the estimated one-off cost of getting roads in England and Wales ‘up to scratch’ at £9.79 billion. This is growing year-on-year, piling costs on business such as vehicle maintenance and higher insurance premiums. The government must break the cycle of inadequate funding and invest in this vital but often overlooked infrastructure asset.



## BUSINESS COSTS AND INVESTMENT

*For UK businesses to compete globally, they need a competitive environment here at home. Yet, the BCC's 2019 Business Taxation Survey of more than 1,100 businesses found that nearly three-fifths (58%) of respondents thought that the UK tax regime was unfair to businesses like theirs. Against a backdrop of global economic change and Brexit uncertainty, the current picture is one of an economy in stasis. Urgent, concrete action is needed to stimulate the economy, increase business confidence and send a clear and positive signal that the UK remains open for business.*

*A weak currency combined with a relentless increase in tax and policy burdens has ramped up the cost of doing business in the UK, squeezing cashflow and investment. In Q1 this year, business investment was down 1.4% in annual terms. Our latest forecast shows investment falling further, by 1.3% over the remainder of the year, which if realised would be the weakest performance since 2009.*

*Business rates in particular, create a disincentive to invest and grow. The BCC's 2019 Taxation Survey found that over a third of businesses said that they are likely to reduce or cancel investment over the next year, following the most recent increase in business rates.*

*Although the headline rates of corporation tax have come down, businesses see reliefs for investment as more important than further cuts to headline rates. The UK still lags behind its competitors in the generosity of reliefs on investment - both in scale and scope.*

*Those that do intend to invest in new premises often encounter a planning system that is complex, inconsistent and costly to navigate. Reform is urgently needed in order to unlock greater business investment.*

### IMMEDIATE PRIORITIES

#### **A one-year moratorium on all policy measures that increase business costs, including no new business taxes and added regulatory burdens**

In the last five years alone policy changes include higher business rates for many firms; hikes to Insurance Premium Tax; the introduction of the Apprenticeship Levy; the rollout of pensions auto-enrolment and Making Tax Digital; and increases to the National Minimum Wage, which has led to many firms having to increase pay across their workforce structure in order to maintain pay differentials. While many firms support some of these changes in principle, they have the cumulative effect of creating a cost burden that leave many firms struggling to cope.

#### **Ensure businesses across the whole of the UK benefit from rates holidays on new property builds and improvements**

The BCC's 2019 Taxation Survey found that as a result of the April 2019 business rates increase, 58% of firms were likely to increase prices, 57% were likely to take lower margins, and 35% were likely to reduce or cancel investments. Over and above this, businesses spending money on improving or expanding their existing premises or constructing new commercial space see their rates bill increase with the value of their property, undermining the financial case to invest. The BCC therefore calls for the extension of a 'business rates investment incentive' - already in operation in Scotland - to all businesses, which would provide a 12-month delay before rates are increased when an existing property is expanded or improved, and also before rates apply to a new build property.

#### **Launch a root and branch review of the current business rates system**

While short-term relief is needed now to incentivise greater investment, the business rates system overall is in dire need of reform. There is no easy alternative to the current system, but it cannot be right that the tax regime is holding back business growth, which ultimately contributes to our nations' prosperity. The government should begin by launching a business-led review of the system, including Chamber representatives, to make recommendations for reform.

**The British Chambers of Commerce sits at the heart of a unique network of businesses that spans the globe.**

Across the UK, the 53 Accredited Chambers that make up our network are trusted champions of businesses, places, and global trade. Together, we represent tens of thousands of businesses of all shapes and sizes, which employ almost six million people across the UK.

Our growing Global Business Network also connects exporters with over 50 markets around the world.

Working together, we help firms of all sizes to achieve more. We believe it's our relationships with others that lead us to achieve goals beyond those we could ever achieve alone. We're the only organisation that helps British businesses to build relationships on every level, in every region and nation of the UK.

Our network exists to support and connect companies, bringing together firms to build new relationships, share best practice, foster new opportunities and provide practical support to help member businesses trade locally, nationally and globally. Because we sit at the heart of local business communities in every part of the UK, we are uniquely placed to help businesses of every size and sector to thrive. This includes the active role Chambers and their members undertake to improve the local business environment and communities in which they work.

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