



# Select Committee on the European Union

## Goods Sub-Committee

### Corrected oral evidence: Beyond Tariffs: Facilitating UK-EU Trade in Manufactured Goods

Thursday 9 July 2020

11 am

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Members present: Baroness Verma (The Chair); Lord Berkeley; Baroness Chalker of Wallasey; Lord Faulkner of Worcester; Lord Inglewood; Baroness Kramer; Lord Lamont of Lerwick; Lord Lilley; Lord Russell of Liverpool; Lord Shipley; Lord Turnbull; Lord Wood of Anfield.

Evidence Session No. 7

Virtual Proceeding

Questions 73 - 86

#### Witnesses

I: Margaret Wood, Chair, ICW; Barry Leahey MBE, Managing Director, Playdale; Jayne Moorby, Marketing Manager, Oxley Group.

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## Examination of witnesses

Margaret Wood, Barry Leahey and Jayne Moorby.

Q73 **The Chair:** Good morning, everybody, and welcome to our three witnesses to the inquiry, "Beyond tariffs: facilitating UK-EU trade in manufactured goods". It is a great pleasure to welcome our three guests from the SME sector. You had the questions in advance. Once the session is over, please send back the transcripts with any corrections you may find and they will be corrected very quickly.

I introduce to the Committee Barry Leahey, managing director of Playdale; Jayne Moorby, marketing manager at Oxley Group; and Margaret Wood, chair of ICW. Everybody has received your biographies, so I will not go into that detail, but I will start by asking that the questions and responses be as sharp and concise as possible so that we can get extra supplementaries in if required.

If everybody is happy, I will ask the first question. Start, if you could, by describing your businesses, how much trade you do with the EU and third countries, and the main non-tariff challenges that could affect your businesses from January 2021.

**Barry Leahey:** Good morning, everybody, and thank you for allowing me to share this with you all this morning. Playdale manufactures outdoor children's playground equipment of the kind that you see in your public parks, but we are lucky enough now to export it to 50 countries around the world. We have been doing this for 40 years. We have 23,000 playgrounds across the globe. Some 50% of what we manufacture goes to export, of which 25% currently goes to the EU.

What do we see as the main non-tariff barriers? It is still to become clear, which is one of the main barriers we have in preparation. However, we are envisaging potential for stockpiling and tying up cash and competitiveness there. We are really concerned about the alignment of regulations. It is a heavily regulated industry. Approximately two-thirds of the globe adopts the European Norm, the EN, and about a third of the globe adopts the American standard, the ASTM. We are concerned about that alignment and what we will do as a UK body.

Then there are concerns over delays, paperwork, training our staff on any paperwork and what delays that would give us. For example, we spend about an additional hour per order for Norway and we think we may have something similar. We do not know yet. Those are the kind of things. I hope that gives you a flavour.

**Jayne Moorby:** Good morning, everyone. I am from Oxley Group. We are a manufacturer of high-specification electronic systems and LED lighting for the aerospace and defence market. We do everything in-house in Cumbria. We have been there for 80 years, exporting for 50 years. Our customers include Boeing, Airbus, General Dynamics, Rheinmetall and BAE Systems. We export 74% of our product to 34

countries around the world. Of our total export, the EU proportion is about 45%. We exported to 20 EU countries last year.

Similar to what Barry was saying, our major concerns are about customs checks and border delays, and the EU regulatory regime—EASA<sup>1</sup>—particularly for aviation safety. Our concerns are about not knowing what is coming, what the administrative burden will be on the business, and whether we will have the time available to train people. With Covid, there is a pressure on cost that will impact on things like strategic buying. Generally, there is an impact on bureaucracy if we have to do a lot of duplication by following different regulatory systems.

**Margaret Wood:** Good morning to everybody. ICW is slightly different from the other two witnesses' companies. It is a small manufacturing company in Wakefield, West Yorkshire. We design and manufacture specialist glazed units for industry, nothing domestic or architectural, although we have moved slightly into the architectural market. I set the business up 29 years ago and we design and manufacture specifically for our customers. We do fire-rated windows. We do windows for hospitality, taking in the motorsport trade. We do them for pharmaceuticals and for the NHS's mobile diagnostic units.

From starting to now, I have seen a change in the way we have traded. We exported a lot into Europe. We do windows for crane cabins, so we worked a lot into southern Ireland as well. We made specialist glazed units for big dockside cranes. Our products have gone all over the world, so, as has been said, we have to abide by regulations, particularly for the fire-rated windows and the transport. We have to have everything certified. We have to have the glazed units certified. We used to manufacture to British Standards, but now it is to Europe's.

Again, the concern as we leave the EU is about the regulations. Coming together has made a difference, certainly for manufacturing. In the early days, we manufactured for the French railway system, manufacturing some of the windows for their train carriages in the UK. There was a difference in the language. There were exchanges. If we are to manufacture and go forward, as has been said, we just need that clarity.

**The Chair:** Thank you very much indeed. If I may come back with a very quick supplementary, you have talked about your asks for continued alignment, but how do you manage with third countries at the moment? Is the administrative burden very excessive? Are you worried that that is what will happen once we leave, or are there things already in place that you are quite confident will mitigate a lot of the administrative burdens that may come your way?

**Margaret Wood:** It is important for UK manufacturing to recognise the regulations and the standards to which we manufacture. It is a business that, as I say, I started 29 years ago, so the integrity of the business, and again the standards to which we manufacture, are important to me.

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<sup>1</sup> European Union Aviation Safety Agency

It is the understanding of the regulations and the clarity that need to come through this.

**Jayne Moorby:** EASA in Europe and the FAA in America really dominate the civil aerospace market, so those are the two standards that would be adopted. Although we sell to third countries, we use only those two standards.

**Barry Leahey:** I mentioned that 80% of our business is to third countries. The EN standard dominates the globe, which is why I need clarity on that.

Q74 **Lord Lamont of Lerwick:** Good morning. Thank you for coming. What steps have you taken to prepare for the end of the transition period, and how has Covid-19 affected those preparations?

**Margaret Wood:** When Covid-19 came into this country as a silent killer, everybody was unprepared for it and for the government dictates to close. My concern was the understanding of key workers, including those in manufacturing. We manufacture particularly for the pharmaceutical industries, and we were doing the mobile diagnostic units, which were used for the testing stations.

We need clarity about the standards that we have to adhere to. As I said earlier, all our automotive products need to carry the automotive standard marks. Through our supply chain network, we export into America, which is a different standard again. We have to comply with the regulations. We are members of certain organisations, and we need to understand what is coming through and the information that will allow us to move into a new era of manufacturing.

**Jayne Moorby:** We have been planning for Brexit for over two years in four category areas: customs checks and delays, the impact on our workforce, customs compliance and costs, and EU regulatory regimes. We feel that we are as well prepared as we can be, given the level of information that we have at the moment. We already ship outside the EU, so we have an understanding of the processes we need to follow to do that.

Everybody will be clear about the huge impact that Covid has had on the aerospace industry. Small businesses have been just in business continuity measures over the last three to four months. There has been a big impact on SMEs because of the requirement for working safely. Staff have been furloughed and there has now been a need, in a lot of cases, to look at re-planning and reshaping the business.

Over the last four months, there has been very little bandwidth to give any consideration to Brexit, because people have been working full time on adopting Covid measures. A lot of small businesses will have also had a financial impact, because everybody is putting a rein on cash. They are low on people, because we have had to furlough people who are shielding. That limits the ability to do strategic buying or to take on an additional bureaucratic burden.

**Barry Leahey:** Similar to Jayne, we have been preparing for way over two years now. We have a senior management team, and every month at a board meeting we have been looking at a Brexit risk register. I have that risk register in front of me. Each individual is assigned a certain subject area, ranging across taxation, currency, mitigating IP, contracts we have in place and our supply chain. We wrote to over 80 of our suppliers with our questionnaires and our Brexit risk register to try to force it down into the supply chain for them to become prepared. We have looked at our product conformity and our operational impact, as well as workforce and movement of people.

We felt really well prepared. In fact, in February we decided to look at it bimonthly, and then Covid arrived in March, right on the day of the March board meeting. We will be forgiven for not talking about Brexit at that board meeting. We talked, as in Jayne's case, about business continuity, and that has been the main focus. That has meant that we have restructured the business, taking out any additional resource so that we are now even tighter on overheads and resource to go into January. That is a concern and it is firmly back on the agenda. At every webinar that I attend where people talk about Covid, I purposely ask, "What about Brexit?" It is important to get us and other SMEs back focusing on it.

**Margaret Wood:** As a very small business, we have the flexibility that perhaps larger organisations do not have. Since Covid we have been working, and fortunately we have not had to furlough any of our staff. In fact, our order book is three times what it was pre-Covid. We need to be very aware with Brexit coming, as has been said, particularly as we are part of a supply chain that exports globally.

Q75 **Lord Inglewood:** Perhaps before putting my question, I hope it is not excessively north-ist, wearing my hat as chairman of the Cumbria LEP<sup>2</sup> and one of the NP11, to say how nice it is to have a full hand of witnesses from northern manufacturing.

The focus of this inquiry is EU-UK trade post Brexit, and each of your businesses clearly does a significant amount of work in that respect. It is that segment of your activities that we are interested in. It must follow that if, post Brexit, there was more rather than less co-operation between the UK and the EU on regulatory standards and certification, that would be to your advantage. Given that, what do you think the priorities are?

**Jayne Moorby:** EU regulation is a key issue for us. As I mentioned earlier, the particular area of focus for us is EASA and the aviation safety measures. We would like to see a system whereby the UK is an associate member of EASA, because we feel it is really important that we retain our access to the global market. We need to have one set of regulations to avoid duplication. If we had a separate set of UK regulations, we would still need to meet EASA regulations, which would create the need to qualify under two processes, with the cost and administration that go alongside that.

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<sup>2</sup> Local Enterprise Partnership

Our other area of concern, if we created a standalone UK system, is how long that would take and whether the CAA in the UK has the capability to do that. Our trade association estimates that it would take five to 10 years for that full capability to be developed. That is a real concern for us, because we would face long delays in qualifying our products, which would put us at a disadvantage to our European competitors. We have a lot of competition in Germany in particular, and we feel that having to qualify to two different standards, a UK standard and a European standard, would put us at a disadvantage and create cost and delays for us.

**Barry Leahey:** The priority for me is swift regulatory alignment. I do not want us to reinvent the wheel, not only because of the bureaucracy and, as Jayne said, the double testing costs, but for credibility among our distributors. They have a choice in where to place their business and will take the path of least resistance. If we put an extra burden on them in any way, they have to convince their customers that the British regulation is actually the same as the EU regulation. We just need a really swift and simple alignment process. I would love to see that as the priority.

**Margaret Wood:** I agree. Over time, we have seen the standardisation of regulations and requirements. It has certainly benefited customers, in that they know they are getting something they have asked for and it is certified. I agree with the two other witnesses that to have the British standards and then the EU standards, as we have had before, can cause complications. At the moment, if you buy something and it has that certification with it, you know that it aligns with all the regulations of that particular country. That will be so important.

**Lord Inglewood:** Just thinking through what you have said, given that each of you sells a certain amount to the UK and a certain amount out of it, if your market focus changes, presumably the European market will become more difficult, as you have suggested, and the other market will remain as it is now.

**Barry Leahey:** Yes.

Q76 **Baroness Chalker of Wallasey:** Could I ask what the consequences will be if there is no EU regulatory co-operation, including, above all, testing processes, which seem to me the most important for your industries?

**Barry Leahey:** Testing is huge. We have to retest a huge number of products every year, so that would be a costly experience in year one and we would have to ramp that up very quickly. We would not be allowed to move a product into the EU until we received that certification, so I would envisage our export sales reducing by up to 25% in that first year, as well as the additional costs to go through on the back of Covid, which we are suffering now.

**Margaret Wood:** Testing is critical. We have found competition for our products coming in from various parts of the globe without the regulation

and certification that we are required to produce and manufacture to in Wakefield, West Yorkshire. It is very important that we have some standardisation, and it can affect the way we will see the future market.

This is pushing for the change in manufacturing in the UK. I hope that we can take that and go forward with it, and that we have the support of government in doing so.

**Baroness Chalker of Wallasey:** Jayne, you have twice mentioned aviation safety, and testing is part of having safety. Can you think of any other areas that would be a burden on your business if we were not to have the EU-UK common agreement on regulatory co-operation?

**Jayne Moorby:** Yes. Aviation is such a heavily regulated industry and everybody can understand why, so retesting would be a huge burden. Outside the EASA qualifications, there would be implications for the other regimes that manufacturers need to follow, such as REACH<sup>3</sup>, RoHS<sup>4</sup> and conflict minerals. We want to see mutual recognition of certification to avoid the need to retest to meet a variety of different standards.

Q77 **Baroness Kramer:** I would like to ask a short follow-up to the questions we have heard and then move to a different topic. I will do it all in one, but I am asking for some mental gymnastics from our witnesses. I just wanted to clear up something that I thought I heard and I may have misunderstood. If I understand what the witnesses were saying, in order to export you have to either meet EU standards for the many countries that have adopted them, or meet US standards for the many countries that have adopted them. Therefore, a separate and distinct British standard that it is not aligned to either of those is highly problematic. Would you let me know if I have heard that correctly?

As I say, it is mental gymnastics and I apologise. The question I am moving on to shifts the conversation to UK-EU customs requirements at the end of the transition period so that we can understand the impact of that on your businesses and what steps you have taken to prepare. I know that various other Lords will also come in on this issue.

**Barry Leahey:** If I can clear up point one first and probably cover this for everybody, two-thirds of the globe in our industry follows the EN and a third of the globe follows the American norm, for simplicity. Each country may have little caveats at the end of its norm standards, but if we come along and say, "Hey, we are the British and our standard is just as good as everyone else's", it just adds complication.

**Baroness Kramer:** Could you follow up on the issue of UK-EU custom requirements and how prepared you are for them?

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<sup>3</sup> EU regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals

<sup>4</sup> Restriction of Hazardous Substances. The EU Directive restricts the use of specific hazardous materials found in electrical and electronic products.

**Barry Leahey:** I talked earlier about what we do for Norway. I thought that was a good example to share, because the paperwork takes about an hour. That is only an hour a week for 50 orders a year going to Norway. If the EU comes in, there will be much more of that. It does not sound like an awful lot of time, but it is an extra resource that we probably do not have currently.

We have AEO<sup>5</sup> status. We were the first SME of our size in the north-west to get it and we are very proud of having it. To give you an idea, we got it a good 12 months ago now and it features in all our paperwork, but we have not used it yet. It is a symbol that we have. HMRC told me two years ago that we really needed to get AEO status, so we have it. I have seen no benefit from it, bar that it improved our IT systems 12 months ago. We have not tested it yet, so how it works with freight forwarders is a great unknown. We have prepared as much as we can, but we do not know what we have prepared for.

**Margaret Wood:** It has been easy to trade with the EU. While, in a digital age, trading and customs should be easier for us, if the systems are not in place post Brexit it will be a challenge for all businesses. I have seen it change the way my business operates over the last few years and we have to go back to where we were before. Yes, these are interesting times.

**Jayne Moorby:** On the first part of your question about European and American standards, yes, that is the case in aviation. The EASA system and the FAA system are highly harmonised, so although we work to both systems there is a lot of harmony between them.

In terms of customs requirements, one issue will be additional paperwork. As Barry said, we ship within the EU and outside, so we can compare the two and we know how much of an additional paperwork burden there is ship outside the EU. The other concern is delays. We have taken steps to look at our supply chain and earlier ordering. We are increasing lead times to customers, which then puts us at a competitive disadvantage.

We are already seeing increased costs in freight from Covid. If we see an increased cost, increased paperwork and increased lead time, we have a threefold problem.

**Margaret Wood:** Listening to the two witnesses, we are finding that a lot of customers that traded into Europe are now coming back into the UK to buy rather than buying into Europe, so it will change the dynamics of trading, and imports in particular.

Q78 **Lord Berkeley:** Yesterday in the House of Lords, the Minister Lord True said that the Government were going to publish a border operating model later this month, which will provide guidance to business and industry to prepare for the introduction of each of the three stages of controls. He

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<sup>5</sup> Authorised Economic Operator

seems to think that all imports and exports are chains in three stages, but, as we all know, that is not true.

All of you have talked about exporting this morning, which is in one stage, as I understand it, so you may import things that are subject to two or three stages. Are you worried at the delay in this guidance being published? Can you give us any idea of the costs in money, time and delays? Will you need to increase stockpiling or other means of mitigating any adverse effect?

**Margaret Wood:** You are right. It is really about that clarity of message coming forward. We import from the EU. We have to buy our fire-rated glass from the EU. We cannot buy it in the UK, because all glass is produced as float glass and then it is processed through various companies within the UK.

Time is money as a business having to wait for the customs checks. If you read the papers, there will be queues of vehicles at ports waiting to come into this country. I have had a rationale within the business of trying to buy locally and within the UK, but, as I said, we have to go into the international markets to get some of our product. Yes, it will cause delays.

**Barry Leahey:** We have already gone through the cycle of stockpiling, so we know what that cost is. We prepared for a hard exit back in January and we tied up another few hundred thousand pounds' worth of stock. Call it fortunate, but during Covid we saw delays from the east and from Europe, so we had experience of delays in our supply chain and we had surplus stock. Stockpiling is not a solution for an SME.

**Lord Berkeley:** No, quite.

**Barry Leahey:** People say, "Just stockpile". The space costs money and the stock costs money. It is working capital that we just do not have. We are unwinding that and we are meeting only this week to talk about how we possibly increase that stockpiling again, at a time when cash is severely compressed due to Covid.

**Lord Berkeley:** Ms Moorby, are you worried about the delay in government documentation?

**Jayne Moorby:** It is the same scenario that Barry talked about. We have also done some strategic buying to make sure we have stock, but that is tying up cash. We are concerned about delays. We need to understand what the picture will be so that we can get people trained and systems set up ready to go live. Any delays only increase our lead time to customers, which puts us at a competitive disadvantage.

Q79 **Lord Lilley:** What types of customs facilitations would you like to see? Mr Leahey mentioned that his company has authorised economic operator status, but we heard from the head of the freight forwarders in Europe that there are other facilitations available under the European customs code that initially we will adopt. Will any of those to be suitable for your

businesses, and, in particular, will the facilitations now being announced for the first six months make things easier for you?

**The Chair:** Who are you directing it at?

**Lord Lilley:** Ms Wood is looking eager.

**Margaret Wood:** I am always eager. I want to get us going. I want to make it happen. We have a new future. Sorry, I will let Mr Leahey answer that one.

**Barry Leahey:** The recent announcement of a phased introduction reduced the impact. To give you a real example of our understanding of that, as a business leader I am also chair of the Institute of Directors in our region. I am probably the most networked attendee of webinars.

That information is out there in the public domain. I cannot deny that, but is it communicated to SME owner-leaders how it will help? I have heard the headlines—especially through the research in preparation for coming here today, really—but I do not know how it will help. I am still preparing staff. Staff training was offered by the Government. It probably started about six or seven months ago and was on documentation. There was even help for IT and software. We have done all that preparation, but I do not have enough knowledge of the other systems you have just mentioned to know how they will help us, to be brutally honest.

**Jayne Moorby:** We do not have AEO status. We have looked at it because our customers have asked us to. Our understanding is that it will probably take us about 18 months to implement. The real problem for us is the paperwork trail that we would need and how it would interface with our MRP system<sup>6</sup>. At the moment, we cannot do that. We just do not have the systems that are capable of doing it. We would like to see a simplified version of AEO that could be utilised by SMEs. If there was a three-tier system for larger organisations and smaller organisations, and SMEs could get a lower level of AEO, that would be really helpful for us.

We would like a system for imports that works like the US. As imports came into the country, we would be able to log into a system and release them. We do not want a system with long delays, where goods are held in warehouses and then it is costly and time consuming to get them released. It is all about how quickly we can operate, reducing cost and time in the process.

Couriers are a really important part of this picture, because most SMEs work through a courier system. They will be vital in the knowledge and the training they have to enable the customs process to be completed effectively between the business and the courier.

**Margaret Wood:** I concur with the other two witnesses. It is about simplification and it will bring about a new way of doing business. We need help and support, particularly from government, to understand what

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<sup>6</sup> Material requirements planning system

the requirements will be post Brexit. We went into the EU and now we are coming out of it. We will deal with it, but we cannot do it with one hand tied behind our backs, so we need that simplification. We need the message to come out strongly and clearly that they are there to support us as small businesses. We are part of an integral supply chain that supplies globally. There are costs that come back to the business, but I shall keep trading.

**Q80 Lord Lilley:** It puzzles me that something like 600 companies, a year or two ago, had AEO status in Britain, but over 6,000 have it in Germany. Is that because German companies are more used to complying with things, or are German customs officials making it more valuable to them than our customs people make the AEO valuable to us? Mr Leahey is the obvious person to answer that.

**Barry Leahey:** It is just knowledge in the owner-operator SME world. Like I said, I do other roles in the region. Someone contacted me very recently to say that they have customers insisting that they get AEO status and that they will lose an order because they do not have AEO status. This individual runs a very successful business in the chemical industry. He did not know what AEO was.

That is not a slight on that individual. It is new knowledge that is out there, and the majority of British SMEs, rightly or wrongly, are concentrating on the day to day. They do not have the big teams to look at it. In the evidence given to this Committee recently it was very large organisations that have teams. We have individuals who are looking part time at segments of how to do it.

When we got AEO, it took the whole senior management team several months and lots of questionnaires. We got through it. We applied early. It took maybe six months start to finish, and now I am hearing quotes about 18 months. It is about the willingness to get the knowledge across to our British business leaders.

**Q81 The Chair:** Do you agree with Ms Moorby that there might be a better, tiered system with simplification for the SME sector? If so, that may be one of the SME sector asks that should go to the Government at this point.

**Barry Leahey:** I totally agree that that would help, if businesses were incentivised. If we can take a positive out of Covid and how the Government have worked, there has been a warm, fuzzy feeling in SMEs of being supported during the crisis. People have been attending webinars and looking for help. If we can keep that motivation or momentum going, you will see a bigger uptake. Otherwise, people will go back into their shell and say, "Well, we'll just trade in the UK".

**Q82 Lord Russell of Liverpool:** Could we move on from customs to rules of origin and understand from each of you how important the negotiations on rules of origin are for your businesses? What outcome would you like to see?

**Barry Leahey:** We assessed it very early doors. The percentage of our product manufactured and added value in the UK far outweighs anything that we are bringing in. Therefore, I would say that we have not really focused on it.

**Jayne Moorby:** Rules of origin apply to us because of the nature of the defence work we do and the implications of regulations like ITAR<sup>7</sup>. We find the rules very difficult, very complicated and very bureaucratic. We would like to see the simplification of the process.

**Lord Russell of Liverpool:** What stage are you at now? Have you had any discussions with the Government about what may or may not happen?

**Jayne Moorby:** No.

**Margaret Wood:** Rules of origin are critical, particularly for our business. They are important to me and to the business going forward. We had a dedicated business service in the UK, going back to Barry's point earlier, to support particularly the SME community. He is right: we need some handholding. As I say, we are a small business; we are flexible. There is so much information out there and it can be overwhelming for a small business, but with a dedicated business service where there is a bit of handholding we can take this forward.

**Lord Russell of Liverpool:** Did you say there used to be such a service that did that?

**Margaret Wood:** Yes.

**Lord Russell of Liverpool:** What happened to it?

**Margaret Wood:** There was Business Link and the international trade people. Sometimes it just needs a person to come round and see you face to face. I understand that in the digital era we can have all these meetings on Zoom, but an explanation for some of these smaller businesses would be helpful. An expert from a dedicated business service in the UK would help to mitigate some of these issues going forward, particularly customs and trade issues after Brexit and Covid-19.

Q83 **Lord Shipley:** Part of my question has been answered. I am particularly interested in Margaret Wood's statement that small companies need some handholding, and I can understand that. We are five months from the end of the transition period. What have the Government done so far to support SMEs in preparing for the end of the transition period in five months? We heard a number of things about what the Government might do to help over the next few months. What else should the Government be doing?

I note that all three witnesses are based in the north of England. We hear a lot about the needs of business in Scotland, Wales and Northern

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<sup>7</sup> International Traffic in Arms Regulations, a US regulation

Ireland. Is there anything in your geographical locations in Yorkshire and Cumbria that you as SMEs would wish to draw our attention to? Perhaps the answer to that is no, but it might be helpful if we heard.

**Margaret Wood:** We have the LEPs locally but, no, I do not think we have a dedicated business service that has the interests of business going forward. That is a very personal view.

**Lord Shipley:** Is there anything in the north of England?

**Margaret Wood:** In Wakefield, West Yorkshire, where the Industrial Revolution started, I have worked on regeneration and seen the impact of dedicated business support in ensuring that people have jobs to go to, that new businesses are started and that we develop the UK and its economy. As I say, there are the local enterprise partnerships. There are city regions now, as we look to devolve government to regions rather than down there at Westminster. For business to understand the politics of it is difficult.

**Barry Leahey:** It was going through my head while Margaret was talking that there are organisations. The Department for International Trade has done a great job for us over the last 10 years as we have gone into export. I have personally seen that service having less overhead and fewer people on the road. It is really easy to talk about digital. As we saw in the preparations for today, digital can be complicated: "How do I mute? How do I unmute?" It can also ignore you. If someone comes to your reception area to hold your hand and help you, that gives you a reason to move forward.

We have lost that resource. We have a great LEP in Cumbria. We have a great chamber. We have the Institute of Directors. All will do events, but they are extracurricular; they are not in the middle of the day, and there is no one knocking on the door saying, "Hi, I'm from the Brexit department and I'm going to help you trade globally". That is missing. There is lots of help, but you have to choose to go and get that help, like everything. There seems to be a void surrounding Brexit readiness.

**Jayne Moorby:** I agree with Barry. We have a very strong LEP in Cumbria, which has been a really good support to us. The Department for International Trade in the north-west does a really fantastic job. Barry and I are northern powerhouse export champions and we have a very strong network of exporters in the north-west. Other areas we get support from are the Institute of Export and International Trade and the ADS, a very strong trade association in defence. As Barry said, a lot of these are extracurricular, but as an organisation we feel very supported. We know where to go to get the help we need, but a lot of organisations do not have the network that we have and that Barry has.

Q84 **Lord Wood of Anfield:** I want to continue this question about the transition period and take you forward to the end of it. What is the date by which you need certainty, or at least near certainty, to be prepared for 1 January 2021? I can already anticipate the answer to that: "As soon as

possible, please". Assuming we are not going to have another extension of the transition—the Government keep ruling it out, so let us take them at their word—there will be changes afoot. What is the absolute minimum period you would need to make those adjustments to your business model? I know it is an unfair question, because obviously now would be good, but what is your sense about the timeframes? It would be useful to hear your three perspectives.

**Margaret Wood:** Thank you, Lord Wood. It is good to see that we share the same surname. It gives me time to think. We have been left hanging for a while. We have been with Brexit; we have been without it. The vote came and we voted to leave. We have had extensions; we have had elections. It has left a lot of uncertainty for business. We need some certainty that we will leave on that date.

I know the Prime Minister has said that we are leaving whatever, but it is important for our negotiators to take into account the evidence that you are hearing today. Large business, as Jayne alluded to, have the resources. Small businesses do not. We are an integral part of a supply chain; we supply a lot of larger organisations in this country that export around the globe. We have worked with a company in Bristol, which can now export to South America and America for cleanrooms. Cleanroom technology requires a lot of regulation because it has different levels. Yes, we need that certainty. We need to see the goalposts, which keep getting moved, and that does not help.

**Jayne Moorby:** I took this question back to our business and we thought it through. We would say that four months is the minimum time that we would need. We would need to look at training staff as well as putting in place new paperwork and potentially some automated systems. That would take us four months, we think.

To reiterate, this would come on the back of what we are dealing with at the moment due to Covid. We are in business continuity measures. We are very lean in terms of people, so our preferred answer would be as soon as we can get some surety. Any kind of gradual or phased introduction would help us as a business.

**Lord Wood of Anfield:** By the start of September at the absolute latest is your sense. Thank you. That is really helpful.

**Barry Leahey:** I can give you some dates. Our August board meeting has been set as the date when we decide to stockpile again. That is purely down to lead times coming into the UK. It is to ensure that we are competitive and we do not turn any of our customers off with delays. We will start our budgeting process for 2021 in September, and those budgets will be signed off at the board meeting in mid-October. In those, we will talk about additional resource needed in dispatch and for regulation and testing. That will all have to be worked into that.

To focus on what Jayne was saying about being lean, we got a very large CBILS<sup>8</sup> loan recently to protect jobs and ensure that we can keep the

engine running. If I am going to be tying up cash in stock, I am taking some of that CBILS loan and additional resource. We are fast approaching that date.

**Lord Wood of Anfield:** Thanks for the clarity of those answers. That is great.

Q85 **Lord Faulkner of Worcester:** Good afternoon, everybody. I should start with a declaration of interest. I am the Government's trade envoy to Taiwan. If any of you have any interest in exporting to Taiwan, we ought to have a conversation offline separately from this hearing.

I have the doomsday question for you all. How would you assess the consequences of a potential no trade deal outcome? What effect will that have on your businesses?

**Jayne Moorby:** We would be worried about a loss of confidence and a loss of trade. We are already getting questions from customers, particularly in countries like Germany, about how it will work, what will happen and what our plans are. We can give them plans in that we are looking at these headings, but we cannot give detailed plans because no detail is available. We feel that as a business we have done everything we could to prepare to this point, but we know that other organisations have not. We are having conversations with people who do not ship outside the EU. They have not looked at their ratings. They do not understand the additional paperwork burden they will face. We know that there will be big issues for small businesses. We are at a point where there are so many unknowns that it is very difficult to quantify what the impact will be.

**Lord Faulkner of Worcester:** Thank you very much. You have answered the second half of my questions about how prepared you are.

**Barry Leahey:** In pounds and pence, we know it would be 10% additional cost if we went to WTO tomorrow. We will put that into our budgets, but it is bigger than that. It is what Jayne was talking about, and this is lost a bit in the SME community. There are 60 companies in the UK that do what I do and hundreds across the EU. I talk about the path of least resistance or credibility. My German and American distributors have already called me. It started off being humorous, but they talk about Brexit as reality TV. They say, "We've turned it on and seen what you're doing". Everyone smiles when I tell them that, but that is credibility.

I have been in 60 countries over the last 10 years and I ask every time: "How do you feel about British manufacturing?" We are indoctrinated in the UK to assume that everyone around the globe believes that British is best. I can look you all in the eyes and tell you that I have been told three times in answer to 60 questions that British is best. A lot of the time people say, "It must be good, because you're in Europe". Probably

five or six times people have said to me, "It must be good, because you're near Germany".

If we go to this no-deal doomsday operation, we will go down the tree of credibility. People in the SME market look for security. We are not selling fighter jets. It is a commodity item almost. We talk about our quality. That is why we are in 60 countries, and I would love to be in Taiwan, but it is easy for the people from eastern Europe to say they have quality. I would argue that they do not.

**Lord Faulkner of Worcester:** If you had asked whether British is best, say, 20 years ago, would you have got a very different answer then?

**Barry Leahey:** I would have still been at school, but I believe so, yes. We still hark back to history, and that worries me. I am using this opportunity to make sure that you hear this, because I get it coming back the other way all the time: "It's the union flag". I have been in 60 consulates and embassies in 10 years, or more than that now: probably 62 or 63. Yes, if Rolls-Royce walks in, everyone disappears and leaves me standing there, because I am just this little SME and the big ticket has just walked in. Rolls-Royce does not need that team, because it has 100 people following holding bags.

The customers I deal with just want some good-quality play equipment. The fact that I have gone out there, seen the whites of their eyes and told them about our product is why we have been successful. If I just give them another reason not to go with us, as in the credibility that I am supported by, it will be more than the 10% I just talked about that is tied up in WTO. You will see the phone ringing less.

**Lord Faulkner of Worcester:** Thank you for being so frank. I am sure we have listened to that very carefully.

**Margaret Wood:** Lord Faulkner, can I ask you a question? Do you want manufacturing in the UK? I have seen the decline over the years. I am perhaps a bit older than Mr Leahey. I have seen the changes. I voted not to join the EU, but having joined it and gone through all the integration of the UK with the EU I have seen the decline of manufacturing and the investment in it in the UK. Do you still want the UK to have a manufacturing base?

**Lord Faulkner of Worcester:** I cannot speak for the Committee. I can speak for myself and I can say desperately, "Yes, of course". I think West Yorkshire could be the heart of quite a lot of that.

**Margaret Wood:** Yes, I agree. I always say that Yorkshire fired the Industrial Revolution; the people of London spent the money. Now we need the fourth industrial revolution and we need to move it forward. Over the time I worked with local government and the city regions, I always felt that we were going to become a federal Europe. That is the route we were taken down. I felt that the public were never kept informed as to the way we were going and then we had the Brexit vote.

We will deal with it, but we need to have that clear message coming out from government that UK manufacturing is important.

**Q86 Lord Turnbull:** Thank you for the distinctive insights you have provided. By way of summary, if each of you had an opportunity to put one question or request to the Government on the future relationship with the EU, what would your No. 1 ask be? Alternatively, where would you say, "No, for God's sake, don't sign up to X"?

**Margaret Wood:** It has to be about compromise. It is all right to stand your corner and I stand my corner, but do not destroy everything that has been built up. Come out with a deal, please.

**Jayne Moorby:** Do not underestimate the impact that Covid has had on SMEs and the position we find ourselves in at this time. We really need clear guidelines in a good timeframe that will minimise disruption and duplication and therefore minimise the impact in time and cost that it will have for SMEs. Small businesses do not have much bandwidth at the moment to deal with a lot of additional administration requirements on top of what they are already doing. Looking at the impact it has had particularly in the aerospace market, we do not want to push businesses over the edge and lose high-value and high-skilled roles and businesses across all the UK regions.

**Barry Leahey:** Please do not be arrogant and ignorant in relating back to the past, because it could stifle the future. This is not a question but a suggestion. Use this problem as an opportunity. Government support has been fantastic over the last few months. We would not be here today if the Government had not supported me several months ago. I know that the money is not an endless pit, but if we can just keep that momentum and help going we can have a really good future. Let us not fill it with more bureaucracy. Let us simplify it. That would be the ask. Please can you simplify processes, not recreate processes?

**The Chair:** Thank you very much indeed. That has been an excellent session. Can I thank our three witnesses for being so honest and candid with us? It is really refreshing to have witnesses who speak from the heart. I am sure it has been very helpful session for all our Committee members. As I said earlier, if any corrections need to be made to the transcript, send them back to us as quickly as possible. We are extremely grateful for you joining us this morning. You have given us a very, very good insight into the SME sector from all perspectives. I am sure the Committee will join me in thanking you for coming in.