

The Crafts Council – Written evidence FUU0009

Introduction

The Crafts Council is the national lead body for craft

- Craft contributes £3.4bn to UK economy
- There are 11,620 craft businesses
- Craft employs 149,510 people
- Craft exports total over £4.8bn and make up 1.5% of total UK exports
- Craft sales total over £3bn in 2019

Figures pre covid-19

1. As opposed to other possible outcomes, what does the presence of an EU-UK free trade agreement mean for trade in goods?

Around 42% of makers export products, but confidence is shaky with Brexit changes still to impact and many organisations and businesses preoccupied with managing the impact of covid-19.

A number of businesses have voiced concerns about the need to increase prices, their ability to sell abroad and their viability.

There is still little practical advice for small businesses on Brexit. It is difficult to engage businesses and provide support when information is so generic. The impact of policies on movement of people, goods and e-commerce are especially significant.

2. What is your assessment of the relevant provisions in the TCA and their impact on your business or policy area?

Mobility (movement of people from the UK to EU member states and vice versa)

The UK attracts many talented makers wishing to work here with a huge amount to offer, but many may not fit the definition of "useful" or be able to meet the minimum income needed for residency. This will impact particularly on early career makers.

There is significant movement of people between nations as craft businesses and makers take part in international exhibitions and trade shows or teach overseas at universities or summer schools. Many may still be unaware they might need visas in the future, while others question whether the risk is too high to take part.

There is serious concern about the variance in the difference country's visa and work permit requirements.

There are a high number of EU makers in the UK who can't have two passports e.g. Dutch and are thinking of going home.

Movement of goods (temporary and exports/ imports)

There is uncertainty about border controls and tariffs on work for sale or exhibition and about potential transport delays. These add to nervousness amongst EU makers about how to supply work to the UK. One fair which had 10% European exhibitors represented at its events has lost them all due to concerns over red tape.

UK craft businesses who supply wholesale to EU businesses have had profit margins squeezed already. There is concern that tariffs will lead to EU businesses purchasing new stock elsewhere, and that ATA Carnets may be needed to movement equipment between countries.

There is still insufficient knowledge of relevant paperwork needed and a lack of capacity amongst sole traders and micro-businesses. Compounded by the demands of e-commerce under Covid 19, this may deter them from exporting at all.

Hundreds of UK companies across all sectors could switch operations to countries inside the EU and we are aware of at least one in our sector which is planning to set up in Holland in order to access the leather they import from Italy.

The UK government is applying VAT at 20% on goods from the EU, so charges are made at "point of sale" to customer. B to C businesses not registered for VAT are being charged up to 25% VAT on imports, plus 10% handling charges and increased shipping costs.

EU hauliers are being asked to provide tens of thousands of pounds in guarantees to cover VAT or potential tariffs on arrival in Britain. Some that provided a shipping service for small and medium-sized firms have decided they do not want the extra financial burden. "We've got people that are trying to bring textiles in from Italy but we are being told there is no haulage availability on that."

The new reductions in cabotage – whilst they do not unduly affect the craft sector, they are a wider concern for the creative industries and extremely restrictive for any form of touring.

Northern Ireland

Many large brands have temporarily stopped trade, but it will take longer for small sellers who may just stop selling. For example, there is uncertainty about what happens to makers who bring their products to England to sell and on return to NI will they be paying customs on unsold work?

Supplies

Raw material prices were rising before Brexit and there are difficulties and delays in getting supplies. Gold, for example, has increased by 30%, rising to 40% once passed onto the consumer. This will be a challenge if supplies increase further in price or become unavailable.

The importing of materials especially gems and ceramic glazes is becoming prohibitive and, in some cases, these are craft businesses which have used these supplies for decades but believe they will have to stop and find alternatives in this country. The challenge being there may not be an alternative in the UK.

For example, Brexit has severely restricted the manufacture of a fundamental component in ceramic production. This component is Calcium Borate Frit. Frit is the component of ceramics glazes and enamels. 'I only have enough to last six months and then I will have to change all my glaze recipes that I have been using for twenty years.'

EU funding

The loss of EU funded partner programmes is significant for participating craft organisations. These programmes have supported the exchange of people, educators, exhibitions, work and ideas, all crucial to sustaining the development of culture and the creative industries.

There is concern that the lack of trust and confidence following Brexit could lead to a decline in soft power and engagement with the UK.

E-commerce

Makers sell services and digital goods as well as other products but there is little information and awareness about, for example, VAT MOSS regulations, tax on selling digital downloads and the introduction of a new 2% tax for online sales. This could be a big issue for micro businesses. It is disappointing that Amazon has ensured that sellers should pay the new tax rather than Amazon itself.

Rules of origin

Since January the provenance of all goods must be documented e.g. metal from China in a bicycle made in Italy could mean varying tariffs up to 14% on bicycles.

Jewellers are particularly suffering with this as it is an added value to imported materials.

3. What do those provisions achieve?

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4. What, if any, challenges arise because of those provisions? How should these challenges be addressed and what support is needed, if any?

We suggest government support in the following ways

- Tax credits to support shipping costs.
- Exemption of the craft sector from some tariffs.
- Investment in digital export.
- Tailored guidance and advice for our sector.
- Removing VAT from international exhibitors at fairs.

5. What do you identify as the most important issues that the TCA leaves for further negotiation? What would represent a best-case resolution of these issues?

Friction free trade remains the best case and only resolution

6. Within the parameters of the TCA, what should the UK seek to accomplish with the EU in relation to your industry or policy area in the short, medium and long term?

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End

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