Minutes of the APPG's meeting on:

'Brexit and London's businesses'

Monday 11th February 2019, 1 - 2pm

Macmillan Room, Portcullis House

Chaired by Steve Reed MP, APPG for London Co-Chair. Fellow APPG for London Co-Chair Bob Neill MP also attended.

Panel speakers:

Mark Reynolds, Chief Executive of Mace (a consultancy and construction company)

Rachel Kent, Partner at Hogan Lovells (a global law firm)

Seth Williams, Head of Public Affairs at the Association of British Insurers.

Introduction

Less than fifty days until Brexit is due to take place, uncertainty over the consequences of leaving the EU is impacting businesses across the country. As London is the economic dynamo of the UK, there are significant concerns about the effect that various Brexit outcomes could have on the capital. The APPG for London therefore invited senior business figures from three key sectors to share their perspectives on this crucial issue.

Mark Reynolds, Chief Executive of Mace:

There are four primary risks in the construction sector; movement of goods, freedom of movement, product regulation changes and data assurance.

This sector represents 7% of GDP, employing around three million people. In perspective a one-week delay to construction work in London and south east will cost about £2 million, borne across the supply chain.

Of the 11,000 people employed by Mace, 40% are EU, 10% are non EU, with this figure not changing in neither the previous two years nor in the last month.

The risk of leaving the EU without a deal is significant, especially in regards to continuing a smooth flow of materials. For example, 92% of soft wood timer comes from EU sources – that's why we need to know what kind of deal we will have. Stockpiling is unrealistic, can't grow more trees to stockpile etc.

Scale of challenges: just to stand still Mace has to recruit about 30,000 new apprentices into the UK. Need clarity on tariffs, materials, freedom of movement, and need to know about immigration. Immigration White paper from December - this sector should have requirements lowered to NVQ level 2 and salaries of £25,000. We need to make sure that workers in this sector know about pre-settled status. Sajid Javid said that if there was no deal then we wouldn't accept pre-settled status. An example of what this means: last week Mace secured a major deal with a Spanish company, but one key team member won't come to the UK because of concerns for him and his family; MACE have to deal with penalty clauses if this particular team doesn't come – there is a knock-on effect of immigration uncertainty.

Rachel Kent, Partner at Hogan Lovells:

Our industry looks at financial services out of the UK. Firms need a license in this sector. This can be used across the EU. With a hard Brexit, passporting would be lost and so financial entities would need to set up another organisation in the EU, which is a waste of time and is inefficient. Firms need to transfer jobs and clients and contracts.

The Frankfurt perspective for incoming firms shows what London is losing; for every job in Frankfurt, three other jobs will be created to service this. A proposed solution from the industry is a bilateral agreement, with mutual accessibility, supervisory cooperation and regulatory shared framework. We have worked with the UK government and EU27 governments, but all are keeping cards close to their chest. We need support from similar organisations.

Seth Williams, Head of Public Affairs at the Association of British Insurers:

The UK is the fourth largest insurance market in the world, sitting behind the US, Japan and China. Still known globally as the insurance capital of the world, with a very high level of expertise in the London market. The UK has the biggest trade surplus of any insurance market in the world, around 42% of which going to the EU. It is an important part of the UK economy, with financial services employing 1m people and insurance 300,000.

This sector is international by nature and so need a good Brexit and a good transition period. If the PM's deal doesn't pass, an EEA-style deal would be bizarre as it would hinder the fourth largest insurance market from being able to influence world rules.

Firms are already taking contingency actions, including creating subsidiaries, transferring contracts, and UK side is doing all it can to make sure that contracts can be serviced, especially in regards to contract continuity and data rules, after 29 March.

UK authorities have done all they can, including a no-deal scenario and working out a regime in which EU firms can work, but it is not the same with the EU, who are only just starting to think about it the other way. What we don't have – and what the EU is not willing to implement with no-deal – are data transfer adequacy agreements. A delay will cause problems for customers and businesses. Firms are more jittery the closer the deadline gets.

Questions and discussion

Following the presentations from the guest speakers, the chair invited questions from the floor.

Alexander Jan, Chief Economist at Arup, asked Mark Reynolds how Mace has maintained such a relatively high number of workers from the EU when other firms have seen EU recruitment fall. Mark responded that, although Mace experienced a short dip during the summer, he is surprised the company has been able to keep so many EU workers. The challenge will be achieving settled status for these employees as quickly as possible.

Steve Reed MP asked whether businesses' concerns could be addressed by a deal agreed by 29 March or would negotiations need to be extended. The panel all expressed the view that they did not expect legislation to be passed in time. Rachel Kent said that financial services had hoped a deal would have been agreed at an earlier stage – contingency plans are now being put in place. Mark Reynolds highlighted that there are already hold ups happening in ports, with concerns that construction materials won't be released.

Bob Neill MP commented that the Justice Select Committee has major concerns about how uncertainty over data transfer between the UK and EU post-Brexit will affect the criminal justice system. He asked the panel what they want to see happen next.

Seth Williams made clear that more time is needed so that businesses can adjust. He suggested that another referendum would add even more instability. Mark Reynolds felt that everything had become too politicised and trust had broken down.

Further comments from the floor included a call from **Mark Hilton, Executive Director of Policy, London First** for Article 50 to be revoked. **John Stevenson** from the **Port of Tilbury** highlighted the need for HMRC to have more dialogue with port and ship owners.

In their concluding remarks, all the guest speakers on the panel agreed on the need for compromise.