MAKING A SUCCESS OF BREXIT

A WHOLE-ECONOMY VIEW OF THE UK-EU NEGOTIATIONS

DECEMBER 2016

INTRODUCTION

When the UK voted to leave the European Union on the June 23rd 2016, it was clear that businesses would be faced with change. Firms continue to manage this change and uncertainty with focus, determination and a clear message: the final result must be a coherent deal that delivers the best outcome for every region and every sector of the UK economy.

The CBI has a central role in helping to secure this deal. We represent 190,000 businesses of all sizes and sectors, across the regions and nations of the UK. Together, these firms employ roughly a third of the private sector workforce and their insight is essential in shaping a consistent, whole economy view for the negotiations.

To provide this insight, the CBI has undertaken one of our biggest ever consultations, having had thousands of conversations with companies of all sizes and sectors, and the experts and representatives at dozens of trade associations. Across the country, the CBI have found that businesses are determined to get on with the job of delivering the goods and services that keep our economy moving forward. However, firms are also exploring how the choices the UK and EU make together over the coming months and years are likely to affect them: directly – through rule changes, impacts on employees or the choices of international investors – or indirectly through the fortunes of customers, suppliers, and the industries that enable everyday activity.

This document aims to set out the priorities of each sector and by doing that, give clarity on the issues that apply across sectors, helping the government to maintain the key principles of openness, stability and certainty of trade, immigration, regulation and funding that are shared by all.

The CBI and our members are committed to playing our part throughout the process of leaving the European Union. By providing the full picture and working in partnership with government, industry will help shape the best deal so that we can build an economy that works across the UK.

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EXECUTIVE SUMMARY

In the months following the vote to leave the EU, the CBI has undertaken a wide-ranging consultation to gather the views of the business community. Companies and trade associations - from advertising agencies and airport operators, to water suppliers and warehousers - have contributed their views. This report, Making a Success of Brexit, is the result of that consultation. Featuring a sector-by-sector breakdown, over 50 trade association partners, and quotes from a wide range of CBI members, this report gives a unique whole-economy perspective on the UK's departure from the EU.

The UK's new relationship with the EU must be one that meets the needs of every sector of the economy. This may seem a challenge, as some industries prioritise certain issues over others, and of course there are areas of disagreement. But there are six principles every sector agrees should guide the UK's negotiation with the EU:

1. *A barrier-free relationship with our largest, closest and most important trading partner*
2. *A clear plan for regulation that gives certainty in the short-term, and in the long-term balances influence, access and opportunity*
3. *A migration system which allows businesses to access the skills and labour they need to deliver growth*
4. *A renewed focus on global economic relationships, with the business community at their heart*
5. *An approach that protects the social and economic benefits of EU funding*
6. *A smooth exit from the EU, avoiding a "cliff-edge" that causes disruption*

Achieving all these principles within the negotiation is certainly a challenge. Difficult choices will have to be taken. Business' responsibility is to ensure government is informed by the best information to make these choices.

For its part, the UK government should approach this process in partnership with industry, ensuring continued close engagement with companies in every sector. It should also take the opportunities available to it now to improve UK competitiveness before the UK leaves. And when faced with difficult decisions, should make decisions based on the evidence of what is in the best interest of the whole economy.

The CBI will help the government navigate the complexities it faces. Businesses are the source of economic growth, jobs and opportunity in our communities, and have a vital role to play. And delivering the best settlement possible in the UK-EU negotiations is just one of business and government's shared aims. The challenges of productivity, industrial strategy and spreading growth across the UK's regions and nations must also all be met to build a more prosperous economy that works for everyone.

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SECTOR PRIORITIES

Summary of sector-specific priorities for the UK-EU negotiations

The CBI's consultation on how to make a success of Brexit has involved businesses across the economy. Every sector will be affected by the UK's exit in some way, and while all agree on the six principles for leaving the EU, some prioritise different aspects over others.

Sector	Key stats	Brexit views
Agriculture	• 476,000 employees • £8.5 billion GVA • £18 billion exports • £38.5 billion imports	• The industry is concerned about facing high tariff and non-tariff barriers to UK-EU trade • Continued access to non-graduate labour is critical, both on a full-time and a seasonal basis • It would be helpful for the government to provide further assurances on the future of agricultural regulation, funding for the rural economy, and international trade
Aviation	• 961,000 employees • £52 billion to UK GDP (3.4% of total GDP) • £26 billion exports	• Leaving the EU must not disrupt the UK's access to the Single Market for Aviation or international aviation markets • The UK's world-leading status in this sector is enhanced by high-skilled immigration and collaboration over international rules • Any new funding deal should support innovation in our aerospace industry
Chemicals & Plastics	• 277,000 employees • £17.5 billion GVA (1.1% of total GVA) • £26.9 billion exports • £27.8 billion imports	• The chemicals and plastics industry is highly regulated through EU mechanisms and is seeking reassurances of a stable regulatory environment • Preferential trading with the EU is important and needs to be as comprehensive as possible for this sector • Openness to skilled immigration supports innovation in this sector, as does international collaboration through EU research programmes
Construction	• 2.2 million employees • £102.3 billion GVA (6.2% of total GVA) • £1.6 billion exports • £1.2 billion imports	• A large percentage of construction materials are imported from the EU so a tariff-free relationship is important • There may be opportunities for more flexible domestic regulation in the construction sector after the UK leaves the EU, but benefits of harmonisation of standards are also important • Filling vacancies is already a challenge in the construction sector and must not be exacerbated by the UK's departure from the EU

Creative Industries	• 1.9 million employees • £87.4 billion GVA (5.3% of total GVA) • £19.8 billion exports • £8.7 billion imports	• It is important that the UK's creative industries are not disadvantaged by tariffs and non-tariff barriers to UK-EU trade • Long-term mechanisms for regulatory cooperation with the EU may have to be sought to support this sector • Creative businesses are global and mobile, so openness to talent is important for this sector
Education	• 2.9 million employees • £98.1 billion GVA (5.9% of total GVA)	• Uncertainty in the education sector is affecting collaborative projects and international staff and students • One of the strengths of the UK's education sector is its openness to people, which is vital • Collaboration with European partners enhances the UK's research excellence and options should be explored to continue involvement
Energy	• 140,000 employees • 36.2 billion GVA (2.2% of total GVA) • 76.7 million tonnes of oil equivalent exports • 154.8 million tonnes of oil equivalent imports	• Continued smooth cross-border trade of energy is vital • Uncertainty is high in the energy industry, therefore clarity on domestic policy trajectories will be important throughout the negotiation process. The future of Single Electricity Market on the island of Ireland is a particular concern for businesses in this sector
Financial Services	• 1.1 million employees • £119.2 billion GVA (7.2% of total GVA) • £63.7 billion exports • £8.8 billion imports	• Easy trade with the EU is crucial for continued provision of high-quality financial services • Continued access to skilled international workers is important for the financial services industry • The UK and EU would both benefit from temporary transitional arrangements in financial services
Food & Drink	• 444,000 employees • £26.0 billion GVA (1.7% of total GVA) • £18.2 billion exports • £38.5 billion imports	• Much of the regulation of the food and drink industry is from the EU, and the sector is looking for stability and certainty • Mutual recognition of regulations enables easier trade in food and drink, which can be complex • Non-graduate EU workers play a vital part in the food and drink industry and as such reassurances and continued access to workers is important
Hospitality, Leisure & Tourism	• 3.1 million employees • £121.1 billion of GDP (7.1% of total GDP) • £22.0 billion exports (overseas residents visiting UK) • £42.4 billion imports (UK residents' visits abroad)	• A new UK migration system should accept the need for non-graduate migration to fill vacancies in this sector • Travelling to the UK should be simple in order to attract business and leisure tourism

Housing & Real Estate	• 2.1 million employees • £101.6 billion GVA (6.1% of total GVA)	• While the majority of regulations of this sector are domestic, many cross-cutting areas of regulation are important • This sector is concerned that the UK's international reputation as a place to live and do business is not affected by departure from the EU • It will be important to minimise uncertainty for this sector wherever possible, so businesses have the confidence to invest
Life Sciences	• 53,000 employees • £6.4 billion GVA (0.4% of total GVA) • £20.7 billion exports • £19.6 billion imports	• The ease of cross-European flows of life sciences products must be maintained by keeping tariffs and non-tariff barriers low • Much of the regulation of the life sciences sector stems from the EU, so reassurances of stability are needed – particularly in terms of the sector's European regulator • Openness to people and international collaboration are important for innovation in the sector
Manufacturing	• 2.7 million employees • £162.4 billion GVA (9.8% of total GVA) • £228.9 billion exports • £313.3 billion imports	• For manufacturing, the integration between the UK and EU is significant and means low barriers and long-term regulatory cooperation is important • Manufacturing companies have concerns about continued access to workers at all levels of skills and about flexible movement • Partnership between international education institutions and UK manufacturers have enhanced innovation in the sector
Professional & Business Services	• 5.8 million employees • £204.4 billion GVA (12.3% of total GVA) • £70.5 billion exports • £40.4 billion imports	• Critical to professional and business services is the health of the wider UK economy and the UK's reputation on the global stage • Barrier-free access to the EU market in services is linked to regulation and is important for the sector's growth • International skills and flexibility of movement support growth in professional and business services
Retail	• 5.0 million employees • £182.0 billion GVA (10.9% of total GVA) • £11.4 billion exports • £6.1 billion imports	• When it comes to trade with the EU and the rest of the world, the retail industry is primarily concerned about keeping costs low and choice and quality high for consumers • Maintaining a tariff-free and barrier-free relationship with the EU should help UK retail businesses keep costs low for consumers • A smooth exit is necessary to ensure the continued supply of retail goods for consumers

Technology	• 1.2 million employees • £95.5 billion GVA (5.7% of total GVA) • £20.8 billion exports • £29.0 billion imports	• Barrier-free access to the EU is important, particularly around data flows and the benefits of the digital single market • For a global industry like technology, continued access to international talent, expertise and innovation is crucial • There are concerns in the sector that if the UK's exit from the EU is not smooth, there will be disruption and regulatory confusion for businesses
Transport, Distribution & Logistics	• 1.5 million employees • £76.8 billion GVA (4.6% of total) • £24.1 billion exports • £21.7 billion imports	• Additional barriers to trade in goods would complicate the workload of this sector first, and should be avoided wherever possible • Many jobs within this sector are supported by non-graduate labour from the EU • It is vital that the exit from the EU is smooth and involved an adjustment period to allow this industry to adapt
Utilities & Environmental Services	• 414,000 employees • £46.9 billion GVA (2.8% of total GVA) • £6.4 billion exports • £4.7 billion imports	• Continuity is needed for the regulations in this sector that originate from the EU or are international but implemented by the EU • A smooth exit will ensure that these important services can continue without disruption • New domestic funding streams for infrastructure should consider the needs of this sector

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The business principles for the UK-EU negotiations

Through consultation with businesses of every size and sector, in every region of the UK, the CBI has developed six principles to guide the UK-EU negotiations. These principles are built from the bottom up, turning individual sector views into whole economy priorities. They cover the major ways in which the UK and EU have become economically integrated over the past 40 years: trade with the single market, regulation, immigration, trade with the rest of the world, and funding. The government's plan for leaving the EU must address all these areas, and be as smooth as possible. The most successful departure from the EU will use all six principles as a guide for our new future.

EU TRADE

A barrier-free relationship with our largest, closest and most important trading partner

Our consultation shows that the UK's new relationship with the EU needs to be tariff-free, with minimal non-tariff barriers across every sector. There are some companies for whom avoiding high tariffs on their goods trade is critical and others who prioritise avoiding non-tariff barriers to trade, particularly around services. Critically, it is clear that, for the UK's modern, interdependent economy, additional barriers to any sector's trade will be detrimental to other sectors. A new arrangement with the EU must therefore be open and comprehensive, covering goods and services, tariffs and non-tariff barriers.

The EU is the most important single trading partner for every major sector of the UK economy

The UK's new trading relationship with the EU must appreciate the current importance of the EU market to every sector, the level of integration between the UK and EU economies, and its future significance as a market. These factors set the EU apart from other markets for business.

For every major sector of the UK economy, the EU is currently more important than any other international market. There are, of course, many individual businesses, product and sub-sectors where trade with another market is more important: for example, Norway's role in the UK's supply of crude oil and the USA's dominance in platform technology. However, around 44% of UK products are exported to the EU and 53% of UK imports are from the EU [1]. For many companies, that means major suppliers, customers, contractors and components are based in the EU – and makes a barrier-free UK-EU relationship economically crucial.

Many UK companies have business models predicated on integration with the EU, as a result of deliberate government policy actions over the past 40 years. For example, many manufacturing businesses have integrated supply chains, criss-crossing the UK and EU borders. There are many prominent examples of these in aerospace, automotive and life sciences. This integration is even more significant for companies set up to treat the UK and Republic of Ireland as a seamless market. The Republic of Ireland will continue to be a member of the EU, and businesses in sectors such as agriculture, energy and consumer goods gave strong all-Ireland networks. Additionally, many international investors in professional and business services, financial services and technology use the UK as a European headquarters. This existing integration may make a new relationship with the EU easier to negotiate. However, it also makes disruption more critical to avoid.

The EU is the largest market in close proximity to the UK and will continue to be so for the foreseeable future. The significance of trade with nearby nations is particularly pronounced for industries that deal in heavy goods – such as chemicals or machinery – or perishable products. 72% of UK agricultural exports are destined for the EU[2], as they are less likely to expire or be damaged before they reach customers' shopping baskets. These practical considerations means the UK's long-term interest lies with a barrier-free relationship with the EU.

Keeping the cost of trade low requires zero tariffs and minimal non-tariff barriers to all UK-EU goods trade

The new UK-EU trading relationship must be tariff-free across all categories of goods. Without a preferential trade arrangement with the UK, the EU would be legally obliged to apply the same tariff rate to UK goods as it does to those from any other third country. This would threaten the competitiveness of exporting businesses on which the EU imposes high tariffs. For example, the EU imposes a 12% tariff on clothing[3] imported from third countries and an average 22% tariff on food and drink products[4].

Exhibit 1 Average EU MFN tariffs[5]

Category	Approximate tariff rate
Dairy products	36%
Sugars and confectionery	Nearly 30%
Beverages and tobacco	Over 20%
Clothing	Over 10%
Cars	10%
Textiles	Over 5%
Chemicals	Nearly 5%
Coffee and tea	Over 5%
Electrical machinery	Over 3%

However, tariff-free UK-EU trade is important beyond these high-tariff sectors. There are numerous sectors, such as the technology and life sciences industries, where end products are zero-rated, but who highlight tariff-free UK-EU trade as important. These sectors have concerns that input costs – already rising as a result of currency depreciation – would increase if UK imports from the EU attracted tariffs. This view is echoed by companies providing domestic services such as energy, utilities and environmental services. These industries want to avoid vehicles, machinery and other supply chain costs increasing. Businesses in every sector of the UK economy therefore want UK-EU trade to be tariff-free across all goods.

There is agreement across sectors that non-tariff barriers to UK-EU goods trade must also be kept as low as possible. Technical barriers to trade such as rules of origin declarations, quotas, labelling and packaging requirements create costs and delays, and require skilled employees to navigate. The many manufacturing and retail businesses that require just-in-time deliveries particularly prioritise minimal non-tariff barriers: delays in these carefully calibrated supply chains are extremely costly. Avoiding additional non-tariff barriers to UK-EU trade is also crucial for small businesses with limited resource. It is likely that SMEs will increasingly turn to large companies to facilitate EU trade rather than develop expertise internally if it is made more complex. Indeed, the only sectors which benefit from additional non-tariff barriers are those employed to help other businesses navigate these burdens. It is therefore crucial that the new UK-EU relationship keeps the cost of trade as low as possible, and the ease of trade as high as possible, by minimising non-tariff barriers.

The whole economy benefits from minimal barriers to trade in services between the UK and the EU

A new UK-EU relationship should encompass liberal trade in services. UK companies benefit from the ability to sell into and receive services from the EU. International service companies create competition and drive innovation in the UK, and the UK is a global leader in services. To avoid barriers to UK-EU trade in services, the new relationship should include the rights to simply establish and provide services across borders.

However, the EU single market in services is still developing and as such a long-term view to liberalisation is important. This is particularly important for financial services, professional and business services and the creative industries. There are also specific areas of regulation that help facilitate easy trade in services. Continued regulatory equivalence with the EU in these areas should be explored. This includes the mutual recognition of professional qualifications in hospitality, leisure, tourism, and professional and business services.

The relationship between goods sectors and services sectors is inextricable, and one cannot be considered without the other. A competitive goods company in any sector is supported by a range of services: architects and engineering services design office space; professional and business services advise on legal issues and help to hire staff; financial services provide capital, insurance and manage for pensions; creative industries, travel and technology companies help design and sell goods across the globe. A thriving, competitive services sector is dependent on a thriving, competitive goods sector, and vice-versa. The most beneficial new relationship between the UK and EU will be on that considers goods and services and the relationship between them.

Recommendations: EU Trade

The UK government's plan for negotiations should include a barrier-free relationship with our largest, closest and most important trading partner:

1. *The EU's place as the UK's most important trading partner should be the cornerstone of these negotiations*

2. *The new UK-EU trading relationship should be as comprehensive as possible, covering both goods and services across the economy*

3. *The new UK-EU trading relationship should be as open as possible, covering tariff and non-tariff barriers across every sector*

REGULATION

A clear plan for regulation that gives certainty in the short-term, and in the long-term balances influence, access and opportunity

Our consultation shows that the prospect of departure from the EU has led to uncertainty about a huge range of regulatory issues. The UK's reputation as a place to do business relies on regulatory clarity and stability. There are steps that the government can take to offer more reassurances in the short-term by providing more information about how the UK and EU can continue to cooperate over future regulation. This is vital to securing a preferential trading relationship. The government should also focus on the many regulatory opportunities that can be seized now, which do not affect UK-EU trade.

Businesses want stability and certainty in the regulatory environment

EU regulation plays an essential role in the UK domestic framework. Government must make regulatory stability and certainty a priority. A stable and competitive system of regulation and tax is vital to the UK's ability to maintain its international reputation as a good place to do business. A significant amount of the UK's existing regulation currently stems from the EU or cross-European bodies. For vital areas of the economy – such as life sciences, agriculture, chemicals and plastics – EU regulation ensures high quality goods, services and employment environments. Industry-led standards at a UK, EU and international level help companies in sectors such as energy, manufacturing, transport, distribution and logistics to practically implement some areas of this regulation, and provide best practice across the economy.

Businesses across the economy are seeking greater understanding of how the government will approach EU regulations, EU directives and European standards going forwards. Businesses are seeking as much stability and clarity as possible. The Great Repeal Bill has the potential to provide some of the continuity companies are looking for. Businesses will welcome the Great Repeal Bill if it succeeds in its aim of comprehensively 'carrying over' legislation. This is widely believed to be the only sensible approach for the short-term.

However, it is not clear how the Great Repeal Bill process will result in a complete legal framework. For example, regulations governing sectors such as the creative industries and life sciences are currently enforced by European regulators, either directly or indirectly. Businesses are seeking clarity about how the roles of their regulators may change. Similarly, there are other advisory bodies who have uncertain futures – such as European Work Councils domiciled in the UK.

There are also practical concerns about the Great Repeal Bill. UK policy makers have only limited time, resource and political capital available in the two year Article 50 period. Additionally, adherence to EU legislation and European standards is written into existing commercial contracts. Numerous sectors – including the chemicals, plastics and technology industries – are requesting assurances that these contracts will not face challenges as a result of regulatory changes.

In order to deliver the regulatory stability businesses need, interim arrangements may be necessary. For very complicated regulatory issues, it may take longer than the time provided by the two-year Article 50 period for details to be negotiated. As such, interim arrangements are important to minimise disruption. This has been raised as a priority by various sectors, including life sciences, aviation, financial services, technology and food and drink.

It is crucial that new levels of domestic regulatory control do not come at the cost of access to EU markets

There are considerable areas of regulation where continued cooperation between the UK and EU is necessary to provide shared preferential access to markets. Business understands that this creates a challenge for government as it seeks to address voters' concerns over the UK's sovereignty.

In order to maintain preferential trading arrangements with the EU, the UK must seek a wide-ranging agreement that accepts the UK and EU regulatory systems are currently harmonised. The single set of rules that is fundamental to the EU single market makes the process of doing business across borders significantly easier. There are particular advantages to this harmonisation for small businesses. However, the Prime Minister has indicated her intention to adopt new "British rules" and to remove the UK from the purview of the European Court of Justice. The advantages of preferential trade with the EU could be put at risk if the UK deliberately causes divergence between its regulations and standards. It is therefore vitally important that regulatory harmonisation plays a substantial part in the UK-EU negotiations. It is critical that – in a range of areas – the EU agrees the UK's regulatory system meets its requirements and allows UK-EU trade to continue on a preferential basis. The reverse is also true to allow two-way trade.

The benefits of harmonised regulations have been raised by a range of businesses, including those which do not export. For many businesses across domestically-focused sectors, the principle of a multinational level-playing field is one that should be championed. When it regulates well, the EU is a leading enabler of that principle. Whether it's around rules for drivers in the transport, distribution and logistics sector or standards in manufacturing, fair international competition is important to business. It will be a challenge for government to communicate this in the political environment. However, companies have direct exposure to the benefits of shared policy making and are willing to help.

There are financial costs to the implementation of EU legal requirements, but the advantages of access provided by harmonisation outweigh these costs. Notable examples of costly EU regulations can be found in the chemicals, plastics, food and drink and financial services sectors. However, the view emerging in every sector is that these costs are largely sunk for current regulation and seamless access to EU markets is a prize worth paying for.

Opportunities for deregulation after the UK leaves the EU should focus on areas that do not impact the ease of trade. Leaving the EU may present opportunities for more domestic flexibility in the EU's regulation. However, businesses are clear that this domestic flexibility must not come at the cost of a preferential trading relationship with the EU. Companies in a range of sectors – including construction, transport, food and drink – have highlighted this as critical. There may, therefore, be most opportunity for long-term flexibility around areas that do not put up extra barriers to trade. This includes areas of EU regulation that the UK has over-implemented, which could be streamlined without harming preferential trading with the EU. And industry has suggestions for areas where the government can use its existing powers to improve domestic regulation now. The government should consider these opportunities before leaving the EU in order to boost UK competitiveness.

Questions remain about the UK's long-term strategies for regulatory cooperation with the EU – as UK say over UK law is an important principle

As long as the UK remains a member of the EU, it is obliged to continue implementing EU legislation – and must therefore remain involved in these processes. Companies in a range of sectors – from creative industries to energy, financial services to logistics – have highlighted the need for continued UK involvement in ongoing legislation. This includes implementation of agreed regulations and directives. This is a challenge for government given resource constraints, and it will be important for industry to step up and influence those processes directly in the meantime. This engagement is also necessary if there is to be continued regulatory cooperation between the UK and EU after the UK's departure.

Business and government must work together to agree how to secure long-term regulatory cooperation between the EU and UK markets after the UK leaves. The EU is not a static organisation and its regulatory framework will continue to evolve after the UK leaves. This presents numerous challenges. It is not in the UK's interests to be a rule taker. In areas such as social and employment regulation in particular, it would not be acceptable for the UK to implement laws over which is has had no say. The business community is still debating how long-term regulatory cooperation between the UK and EU could work, including: what form mechanisms for equivalence arrangements should take for vital services sectors; whether adequacy agreements in the technology industry are sufficient to support data flows; and how harmonisation of standards and practices should continue in manufacturing, food and drink and energy.

Comprehensive consultation of a wide range of sectors is needed before regulatory changes are implemented

When the UK government is considering its long-term approach to current EU regulations, directives and standards, it will be important to have wide consultation across the entire UK economy.

Many legal requirements introduced by the EU have cross-sectoral implications and as such will require whole-economy consultation. Areas such as employment law and VAT affect every sector. Energy and environmental regulations affect not just energy, utilities and environmental services firms, but many other sectors. This includes construction, housing, real estate, manufacturing, agriculture hospitality, leisure and tourism. Similarly, digital regulation is important for every sector that handles data or has an online presence. This is primarily highlighted by the creative industries and technology companies. However, the range of sectors it is relevant to is vast - from education to financial services, and retail to logistics.

Wide consultation over sector-specific regulation is also needed because these legal frameworks have consequences for sectors that supply and are supplied by the intended industries. There are numerous pieces of regulation stemming from the EU that are sector specific – such as detailed regulation of the chemicals and plastics industry or sub-sectors of creative industries. However, these sectors do not operation in isolation and changes without comprehensive consultation can lead to unintended effects. To take the example of one sector, the future of financial services regulation has been raised by firms in the automotive, housing, real estate and retail sectors. Some companies in these sectors directly offer financial services themselves, but the majority are strongly supported by them.

UK-wide consultation of business is necessary for multiple reasons. Firstly, the priorities of businesses can vary by region and nation. Secondly because there are areas of regulation where competence is devolved at a UK level but currently harmonised as a result of EU rules. Minimum pricing of alcohol is one example of this.

> *“The UK’s reputation as a place to do business relies on regulatory clarity and stability.”*

Recommendations: Regulation

The UK government's plan for leaving the EU should give regulatory certainty in the short-term, and in the long-term balance influence, access and opportunity:

1. *Government must address the practical challenges that come with removing the UK from EU systems and jurisdiction, giving businesses clarity and stability*

2. *The UK's regulatory systems will need to remain harmonised with the EU's many areas to provide ease of trade, but business should be widely engaged in mechanisms for long-term cooperation*

3. *There are long-term opportunities for domestic flexibility but as these depend on the UK-EU deal, government should focus on opportunities available to it now*

MIGRATION

A migration system which allows businesses to access the skills and labour they need to deliver growth

Our consultation shows that there is a whole-economy need for labour and skills from abroad. Sectors which may initially prioritise highly-skilled employees have a reliance on non-graduate employees in their supply chains, and the benefits of innovation and productivity brought by higher-skilled employees from abroad are directly felt in every industry. An immigration system which promotes openness and flexibility of movement must go hand-in-hand with the domestic skills agenda.

Even before the referendum, businesses in all sectors of the economy were highlighting difficulties in recruiting staff, with gaps filled by workers from abroad

Hard-to fill vacancies are found in almost every sector, from construction to the creative industries, tourism to transport. Sectors from energy to technology project rapid growth in vacancies over the coming years, and there is a huge pressure for engineers from manufacturing to professional and business services. With the UK's employment levels at a record high at 74.5%[6], over a third of businesses are not confident about filling their high-skilled jobs in future[7].

The challenges of hiring workers from the domestic workforce has led companies to look abroad for employees. Access to workers from abroad has been part of the solution to support economic growth. This has led to a significant number of employees from other countries – but particularly from the EU – in businesses in every sector of the UK.

A solution is needed for skills in the UK. However, this must be a long-term solution, reached by co-ordination and collaboration between the many pressured industries, government and the education sector. Firms across the economy are already committed to developing talent in-house and working with schools, colleges and universities to help find a long-term solution[8]. 78% of companies surveyed by the CBI make use of external training and development[9] to meet needs in house, and UK business invested £45billion[10] last year in training - more than the entire secondary school budget. But there is more to do to develop a range of high quality routes to higher skills throughout our education system.

Urgent guarantees are needed to allow EU migrants already in the UK to remain. This is vital for businesses in every sector. Businesses across the economy have invested in their workers from abroad. They have provided opportunities, training, support, and earned their loyalty. The business community is highly motivated to ensure that migrants from EU countries already working in businesses can remain in the UK, and reciprocal arrangements are ensured for UK citizens in the EU.

The consequences of restrictions on non-graduate workers from abroad would be focused on labour-intensive sectors, but would have effects across the economy

Numerous labour-intensive industries have many hundreds of thousands of EU migrants already forming an integral part of their workforce. This includes sectors such as agriculture, construction, care, food and drink, hospitality, leisure, tourism and retail. As long as the UK remains a high employment economy, this need is likely to continue. Employers value the experience and talents that many EU migrants in these industries can bring, particularly if they have worked in the same sector in different geographies. Some of these sectors have a particular need because they undergo seasonal fluctuations in their requirements. However, this is not the case for all industries which require non-graduate migration to support their workforces.

It is important for the whole economy that the UK's new immigration system allows business to access the non-graduate labour it needs. The role that non-graduate migrants play in our economy is vital, particularly in labour-intensive industries that also play crucial supporting roles for other sectors. For example, difficulties fulfilling orders in the transport, distribution and logistics sector would have a negative effect on retail, manufacturing, food and drink, chemicals, plastics and life sciences – any industries that require goods to be moved from one location to another. Similarly, difficulties fulfilling construction projects as a result of labour shortages would impact infrastructure that supports the whole economy. Additionally, this would affect the cost of housing and real estate, with effects on every sector struggling with the effect of high house prices on workers and the cost of office space.

There are also numerous cross-sectoral occupations where shortages of UK workers have been filled by non-graduate workers from abroad. This includes hospitality roles within businesses in other sectors – cleaning and catering. It is important therefore that the UK's new system for non-graduate immigration recognises sectoral as well as occupational need.

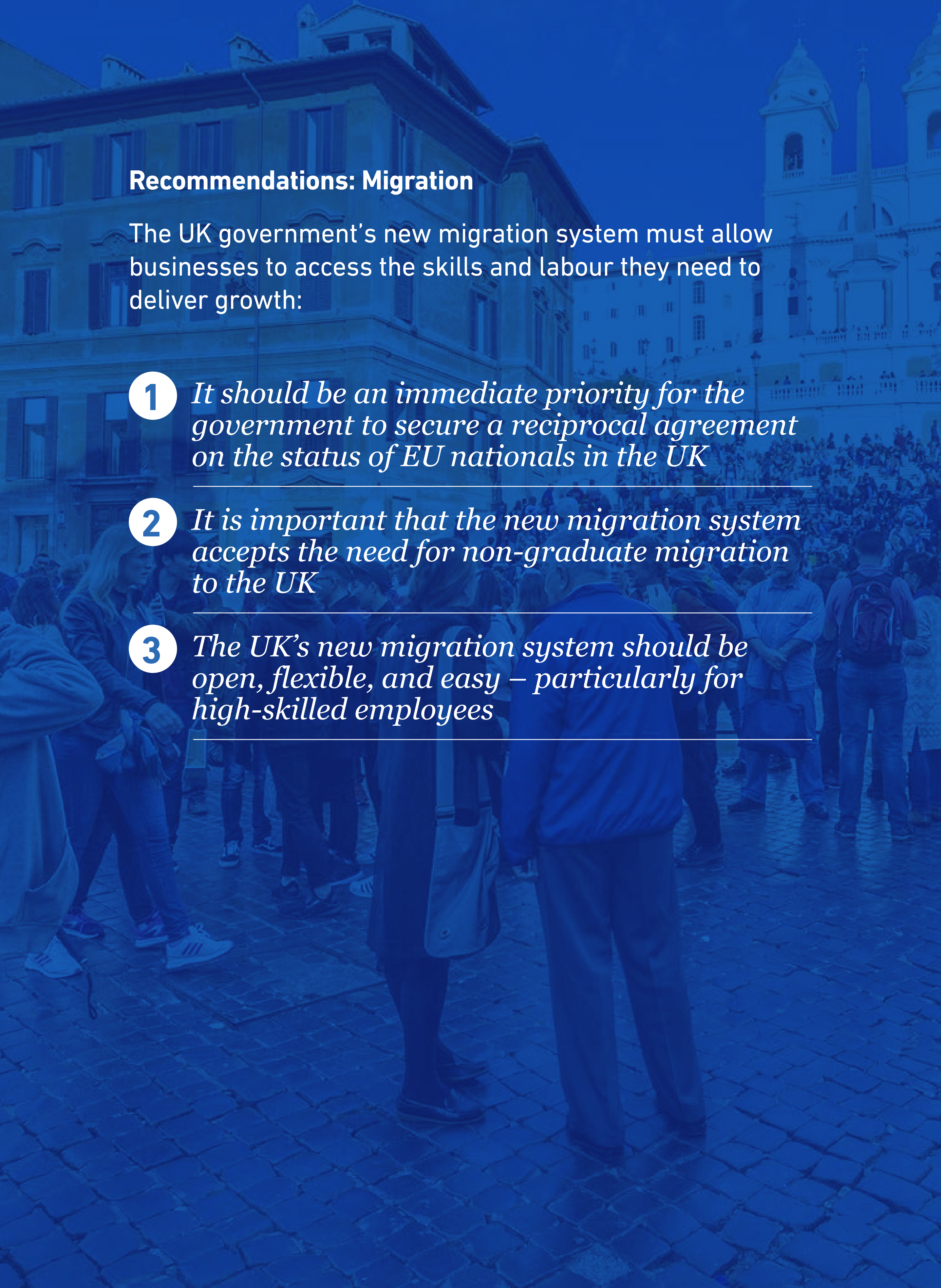
An open, flexible, simple immigration system is needed, particularly for high-skilled immigration that boosts innovation and productivity

The advantages brought by openness to highly-skilled people are felt across the economy. These advantages must be protected. Employees from abroad work in every sector of the economy – from chemicals to education, life sciences to energy. There is a welcome, growing demand within industry for higher skills: over three quarters of businesses expect to have more jobs for people with higher-level skills over the coming years[11]. In particular high demand are more people with intermediate-level and leadership and management skills.

Remaining open to highly-skilled employees bring wider benefits. The innovation fostered by openness and international specialism is often highlighted as a prize of the creative industries, professional and business services, education and technology. Those businesses which are more labour intensive – such as food and drink and construction – also highlight the ability of highly-skilled employees from abroad to contribute expertise that the UK does not currently possess in large enough numbers. The UK also benefits by attracting jobs that serve global markets.

Global mobility is also important for all corners of the economy. Sectors which have strong global networks – such as professional and business services, technology, and financial services – want to protect the benefits of easy inter-company transfers. These allow companies to move employees to work in other EU countries simply, sometimes for several years. Companies in numerous other sectors – such as manufacturing, energy and utilities – also benefit from the ability to temporarily assign workers to projects abroad at the times when it is most needed. And an easy system for visitor travel benefits the aviation, hospitality, leisure and tourism, and transport, distribution and logistics sectors.

For those companies which do business on the island of Ireland, the future of the Common Travel Area is one of the highest priorities. Companies in agriculture, food and drink, manufacturing, life sciences and retail have all raised this issue. This is critical both in terms of travel between Northern Ireland and the Republic of Ireland, and other parts of the UK and the Republic of Ireland. The last Census recorded 14,800 people commuting regularly between Northern Ireland and the Republic of Ireland[12].



Recommendations: Migration

The UK government's new migration system must allow businesses to access the skills and labour they need to deliver growth:

1. *It should be an immediate priority for the government to secure a reciprocal agreement on the status of EU nationals in the UK*

2. *It is important that the new migration system accepts the need for non-graduate migration to the UK*

3. *The UK's new migration system should be open, flexible, and easy – particularly for high-skilled employees*

INTERNATIONAL

A renewed focus on global economic relationships, with the business community at their heart

There are many reasons to be optimistic about global trade opportunities. The UK is one of the best places in the world to do business and has many areas of international excellence. But businesses across sectors are clear that the approach the government takes to both the UK-EU negotiations and wider international policy making will affect the UK's reputation as a place to do business and underpin the new global framework. Government and business must therefore work together to prioritise the most beneficial new deals and the nature of those deals so they support investment and growth across the economy.

For the whole economy, the UK's reputation in the world is crucial, and entwined with the EU negotiations

Every opportunity should be taken to champion the UK as a place to work, invest and trade. Although business optimism is currently improving, it is low[13], and as such it is more important than ever to champion the areas where the UK is a global leader. The UK is the seventh best place in the world to do business[14]. It has a rapidly growing hub for creative industries and technology, with universities that consistently rank among the top in the world. It is the world leader in many financial services, and a setter of global standards in a range of professional and business services. All the UK's interactions on the international stage should be an opportunity to showcase these strengths.

Maintaining the UK's positive reputation as a place to do business is important for companies at a number of levels. In the boardroom, the UK's standing is vital for international investment. Companies in advanced manufacturing, life sciences and energy have all reported concerns from global headquarters about the UK's attractiveness for investment as a result of the vote to leave. Uncertainty at board level has knock on impacts for the industries that deliver investments: construction and real estate are particularly sensitive to confidence.

The UK's international reputation also affects business relationships. Anecdotal evidence from agriculture, manufacturing, transport, distribution and logistics sectors show international suppliers and customers of UK businesses reacting with caution to the referendum result.

And the UK's reputation is vital for attracting skilled individuals and jobs which can be based anywhere in the world. There is fierce international competition for these jobs and for highly-skilled individuals. The UK's success in attracting these is linked to productivity. There have been reports since the referendum of skilled individuals choosing not to work in the UK. These wide-ranging impacts mean a deliberate strategy is needed to signal the UK's openness to the world.

The overwhelming priority for the UK's international trade agenda is the UK-EU deal. Additional trade agreements are a long-term ambition for most sectors

Businesses prioritise the negotiation of a new UK-EU relationship over a deal with any other market. The EU is the UK's largest and most important trading partner, and will continue to be. There are also other reasons why businesses prioritise the UK-EU deal. Firstly, until the UK has formally exited the EU, it cannot launch formal trade negotiations with any third country. Secondly, business understands that all future trading relationships will depend on formal acceptance of the UK's schedules at the World Trade Organization. The process of submitting new UK and EU schedules to the rest of the WTO for approval will happen in parallel to UK-EU negotiations. It is expected that new international trade deals will be negotiated subsequent two these major milestones, and will take some years to go through negotiation, translation, legal scrubbing and implementation. New international trade agreements are therefore viewed as a long-term benefit, secondary to both the UK-EU negotiations and the necessary process of getting independent UK schedules approved by the WTO.

For the short-term, business sees opportunities to work with government to boost the UK's export performance within current arrangements. The Britain is GREAT campaign has made good progress in showcasing the UK market, as well as making companies aware of the opportunities for them to grow through exporting and supporting them to do so. Giving even more companies in every sector the support to export their goods and services will help businesses grow and create jobs. And business and government should work together to develop programmes of targeted support for firms that don't currently export but have the same characteristics as those who do. Together, business and government can make sure that this work is aligned with the efforts to create a modern industrial strategy that maximises our strengths as a trading nation.

Because there are multiple views between sectors on the priorities for the UK's international trade agenda, business must be consulted thoroughly

Close cooperation between government and business will be required to ensure the new international trade agenda is right for the whole economy. Overall, businesses most value Free Trade Agreements that remove both tariffs and non-tariff barriers, through cooperation on market access, regulation and trade rules. Focusing on delivering these comprehensive deals is the best way to keep costs down and deliver cheaper products and services for consumers. However, there are a range of views across sectors when it comes to the detail, and care must be taken to get it right.

The government will have to strike the right balance between the numerous benefits of international trade and concerns in some areas about more liberalised imports. There are challenges from further opening of UK markets to imports, as well as the benefits of lower prices, greater choice domestically and new opportunities for UK exports. The government will have to balance different interests, opportunities and challenges across sectors with care. Consultation on new opportunities for international trade will have to take place across the full breadth of the economy.

Once the UK's trading arrangements with the EU and at the WTO are clear, the challenge for government is to decide on the key markets to approach. Through EU membership, companies in many sectors – including food and drink, retail and manufacturing – have benefited from current preferential trade deals and mutual recognition agreements. These cover over 50 markets[15]. Additionally, through current WTO commitments (under the EU's Generalised System of Preferences) the UK also facilitates competitive access to the UK's markets for certain developing countries. Avoiding disruption to these deals is critical, as they guarantee companies preferential trade. If UK businesses established in these markets can no longer benefit from such treatment, they will be put at a competitive disadvantage to companies from the EU27, and there will be implications for the entire supply chain. Additionally, the effort UK industry invested in the potential opportunities provided by Trans-Atlantic Trade and Investment Partnership should be recognised. A trade agreement with the USA has emerged anecdotally as a priority in our consultation from the chemicals and plastics sector and the creative industries.

Markets which have most benefits for the whole economy should be carefully prioritised. As there is limited resource and capacity for negotiation at home and abroad, it will be important for the business community and government to undertake comprehensive quantitative research into international markets. These calculations should also consider the capacity of the aviation, transport, distribution and logistics sectors – as changes in international trade volumes may require adaptation to current infrastructure arrangements.

A number of sectors have highlighted the EU's role in international regulation as an important area for the government to prioritise in its planning

Before the UK leaves the EU, it must have a plan in place for areas where the EU currently influences, implements and enforces international agreements. There are, at present, a number of areas where EU mechanisms implement international regulations. That includes regulations for financial services agreed by the Basel Committee on Banking Supervision; environmental agreements that encompass energy and utilities; and health and safety agreements affecting life sciences, chemicals and plastics. It also includes agreements and regulations on aviation and on the free flow of data.

The UK's exit from the EU must not disrupt its involvement in or enforcements of international obligations. In the short-term, interim arrangements may be required to ensure this. In the long-term, the UK government may need to make appropriate resources available to handle new international agreements independently.

Recommendations: International

The UK government should have a renewed focus on global economic relationships, with the business community at their heart:

1. *A deliberate strategy is needed to promote the UK's openness and reputation as a place to work, invest and trade*

2. *A firm partnership between business and government will help make the most of opportunities to boost international trade, both in the short-term and the long-term*

3. *There must be a plan in place for the continuity of international regulations as the UK leaves the EU*

FUNDING

A new funding deal encompassing social and economic needs

Our consultation shows significant short-term concerns about funding streams. It also shows businesses' willingness to provide ideas for the long0term. Business and government can work together to avoid gaps in funding for infrastructure, innovation and the rural economy, to meet economic and social needs. Government should be open to the idea that the best way to meet those needs may be continued involvement in some specific EU programmes.

Uncertainty around EU funding remains despite welcome government efforts

The government has made concerted efforts to offer protections for programmes currently supported by EU funding – but further steps are needed. Business welcomed the government's initial efforts to provide certainty in the area of EU funding. However the Chancellor's Autumn Statement made no mention of a future funding pathway and uncertainty still needs to be resolved. This is important for private partners involved in long-term infrastructure investments, particularly capital intensive ones in energy and utilities. It is also necessary for UK businesses, colleges and universities currently undertaking new applications for EU funding. Many bids for funding are made with partners from other EU countries, and these opportunities for partnering are shrinking.

Full clarification is urgently needed for funds that have not yet been allocated and the future of the UK's involvement in collaborative projects in order to avoid "cliff-edges" in the planning and execution of important projects that support the UK's economy. Without further steps from the government, uncertainty is expected to continue and dampen these investments and opportunities for collaboration.

There are specific EU programmes where the UK's continued involvement should be explored, as they provide benefits beyond funding

There are no comparable international alternatives to the European Investment Bank or the EU's collaborative research programmes – currently Horizon2020 – and as such, continued involvement should be seriously considered.

The European Investment Bank (EIB) provides the most significant amount of funding for UK infrastructure from the EU. It uses its expertise to lend and co-finance infrastructure projects at very competitive rates. Between 2011 and 2015, the Bank invested over €29billion in British infrastructure[16], with the energy, utilities, construction, transportation and education sectors all benefiting in various ways.

As for funding in the innovation space, there is no other multi-lateral funding programme in the world that can compete with the EU's. The EU's partnerships between education institutes and the private sector are world leading. Being part of them adds prestige and boosts the excellence of the UK's science and research base. Industries as diverse as food and drink, life sciences and the creative industries have highlighted the benefits of collaboration these international partnerships provide as well as the substantial funding. While other intergovernmental research programmes do exist, these are limited in scope and do not have the same reach as the EU's. As it is vital the UK maintains its place as a home for international collaboration and innovation, ways should be explored for the UK to remain heavily involved in these programmes.

The UK government's long-term funding strategies must avoid shortfalls in vital areas

The breadth of areas – both regions and sectors – that receive EU funds creates a challenge for government to prioritise. At present, EU funding streams are targeted at areas of economic and social deprivation and need. There are some regions of the UK which receive particularly high amounts per person – including Wales, Northern Ireland, the Scottish Highlands and islands, Cornwall and the Tees Valley. Similarly, there are some sectors which receive significant amounts, particularly in the fields of innovation, infrastructure and the rural economy. A long-term vision for funding in these areas will require government to take a careful look at how public finances are currently managed – in respect of supporting strategic sectors, in important projects that support growth, and in how funds are allocated across the UK's regions and nations.

The UK government can ensure that leaving the EU does not disrupt efforts to provide infrastructure projects that support the whole economy by making an ambitious commitment to build an infrastructure system fit for the 21st century. From roads and railways that connect the UK, to the homes people live in and the energy supply that powers homes and businesses, infrastructure provides the essential foundations business needs to deliver jobs. Firms from all sectors report that a lack of affordable homes is undermining their ability to recruit and retain staff, and that challenges with broadband, energy and transport infrastructure can frustrate their growth. Each of the sectors involved in delivering infrastructure has emphasised the long-term nature of their investments and the importance of meeting local and strategic needs in future domestic funding streams. A determined effort to meet the long-term infrastructure needs of the economy and avoid dislocation from leaving the EU will lift both the confidence and long-term growth of businesses of every sector.

As the UK leaves the EU, a renewed domestic focus on science and innovation will be even more important in driving economic growth. The UK currently has a great environment for new ideas but invests less in research and development than its international competitors – and must not fall further behind as a result of leaving the EU. Innovation is at the heart of economic and social development in the UK. It drives productivity, anchors international investment, helps to raise living standards and lays the foundations for our future. It benefits individual businesses which innovate or adopt innovations, as well as society more widely. To ensure our ongoing international competitiveness and anchor investment in the UK, innovative businesses needs a funding roadmap for areas currently covered by EU funds and grants. Alongside this, business is calling for government to set a target for joint public and private R&D expenditure to reach 3% by 2025.

The agricultural sector has widely received the vote to leave as an opportunity for a refreshed look at how agriculture and the rural economy is supported, but there is strong debate within the various agricultural sub-sectors about the form that should take. A new approach to this support will have to consider the food and drink industry and retail sector – which support efforts to keep food prices low for consumers – and the leisure and tourism sector, which has strong interests in the preservation of the countryside as an attractive destination.

"A long-term vision for funding in these areas will require government to take a careful look at how public finances are currently managed."

Recommendations: Funding

The UK government's plan for leaving the EU should include plans for a new funding deal that meets economic and social need:

1. *In the short-term, further clarification is urgently needed for funds that have not yet been allocated and the future of the UK's involvement in collaborative projects*

2. *Government should explore continued participation in EU funding programmes where suitable alternatives are not available*

3. *In the long-term, work will have to take place at the domestic level to establish priorities for investment in the areas currently covered by EU funding – especially in the areas of infrastructure, innovation, and regional development*

EXIT

A smooth exit from the EU, avoiding a "cliff-edge" that causes disruption

For businesses, the final arrangement that the UK and EU negotiates is critical – but so too is the process of reaching and implementing that final settlement. There are serious concerns in the business community about disruption if the day after the UK leaves the EU its final 'deal' is not complete, with all trading and regulatory issues fully ironed out. Companies are also clear that there must be adequate time to implement any changes as the UK moves from EU membership to a new relationship.

The staging of the UK's exit from the EU is still unclear, and a smooth movement through the stages is necessary

In order to plan for the future, businesses are trying to understand the flow of events throughout the Article 50 period. This is particularly challenging given the unprecedented nature of the situation. The staging of technical, legal, and political decision-making is not yet clear. The two year period laid out by Article 50 adds a complicating factor to this.

Whatever the timing of the various stages of this process, it is important that it is a smooth one. Business wants to see a new UK-EU trading relationship secured from the day the UK leaves the EU. However, it does have to consider that this many not be possible. If the time allowed by Article 50 does come to an end before that new trading relationship is secured, there would be very real challenges from the resulting "cliff-edge".

Temporary interim arrangements may be needed to avoid a "cliff-edge"

To leave the EU without a new preferential trading arrangement in place would create considerable disruption for businesses. The effects of a "no deal" or "cliff edge" scenario would be felt right across the economy.

The EU would be obliged under WTO law to treat the UK as a third country, with no preferential access. This would mean the imposition of tariffs on UK exports to the EU. It would also mean new customs checks and other non-tariff barriers that create costs and delays on goods trade. The ability for both the UK and EU infrastructure to cope with this scenario is questionable. The knock on effects through supply chains means this would have consequences even for businesses that do not trade. It is not clear what affect this scenario would have on the UK's imports, as this depends on the UK's position at the WTO.

The UK's services businesses would no longer have preferential rights to offer services in the EU, and existing service provision would be open to challenge. This could potentially impact a huge range of services – from UK broadcasters in the EU to EU financial companies providing services to consumers in the UK. If no separate aviation agreement is secured, for example, it may also prevent UK airlines from flying to and from the EU in a legally compliant manner.

In this scenario, regulatory confusion and uncertainty would affect businesses in every sector. This could be reduced by the actions of the Great Repeal Bill, but this alone is unlikely to provide certainty in the event of a sudden exit.

It is critical that the UK does not leave the EU in this sudden fashion. Its exit must be a smooth transition from one arrangement to the next one. The government should be open to the need for a temporary interim relationship to bridge the gap and prevent the UK facing a sudden "cliff-edge" should negotiations not conclude in a deal by the end of the Article 50 period.

Once a deal has been secured with the EU, an implementation period will be needed

As the UK moves to a new relationship with the EU, an implementation period will be needed after the agreement has been signed. It is in the interest of both government and business for this to take place, as new guidance must be produced, new skills taught to staff or brought in, and IT systems updated. Those companies within supply chains may need to adjust them. Contracts with EU regulations written in may need to be renegotiated. Infrastructure may need adapting – particularly if more land is required for storage of goods.

The length of the implementation period will depend on the scale of the changes required. It may also differ by area of change, as it does with existing regulatory changes. Two years is allowed for companies to adjust to the requirements of the General Data Protection Regulation, for example. Whereas the transition to a new system of a labelling chemicals had a transition period in two phases over five and a half years.

The government must make commitments to a smooth Brexit as soon as possible to give businesses confidence to continue investing

At this moment, companies are weighing up investment, hiring and other spending decisions – and the UK-EU negotiations are known to be a factor in many of these decisions. Reassurances that the UK will avoid a cliff-edge scenario will help companies make the decisions for growth, especially once Article 50 has been triggered and the formal process for leaving the EU is initiated.

The UK Government should make its commitment to a smooth exit from the EU as soon as possible. This will provide the right signals to business and to EU member states. It also sends a signal across the rest of the world that the UK is a solid, pragmatic partner to do business with. But there are many different ways in which this smooth exit can be secured and many different elements involved. By moving agreement on a smooth Brexit to the start of the negotiations, the government will ensure it has time to focus on the details that will make this process work for all businesses.

Recommendations: Exit

The UK government's negotiations with the EU should feature a commitment to a smooth Brexit:

1. *The government should avoid the many complex effects of a "cliff-edge" in a "no deal" scenario through temporary interim arrangements if necessary*

2. *An implementation period after the UK leaves is needed to ensure companies and government can adjust to changes*

3. *Clear expressions of openness to sensible measures to smooth Brexit should be made as soon as possible to give businesses more confidence to invest*

The views of business: sector-by-sector

Businesses across the economy agree on the over-arching principles for the UK-EU negotiations. However, different sectors prioritise particular aspects of the relationship between the UK and EU. Through consultation with 50 trade associations and hundreds of businesses, representing 18 major sectors of the economy, the CBI has compiled a more in-depth look at these principles and their importance to different industries. Each of these sector breakdowns looks at how no sector operates in isolation and demonstrates how interconnected the modern UK economy really is.

AGRICULTURE

There is currently limited economic data on what the impact of the vote to leave has, meant for the industry, but there have been signs of some impacts in the sectors it is closely linked to – namely retail where investment intentions are somewhat weak[17] and food and drink manufacturing where price increases are anticipated[18]. The industry is also heavily involved in both energy production and consumption. It relies on the chemicals industry for pesticides, the pharmaceutical industry for animal health and innovative manufacturing companies to help increase crop yield.

Key stats

- **476,000** employees
- **£8.5 billion** GVA (0.7% of total GVA)
- **£18 billion** exports
- **£38.5 billion** imports

EU Trade: *It will be important to avoid prohibitively high tariffs on trade in agricultural products*

As 72% of agricultural exports are to the EU[19], agricultural businesses want UK-EU trade to take place on a preferential basis free of tariffs. The EU's importance to the sector as an export destination is likely to remain high, as perishable goods – such as milk and fresh produce – do not travel long distances well, despite innovations. The UK's agricultural businesses could therefore be put at a real long-term competitive disadvantage if their products become subject to tariffs in their largest market – with an average tariff on dairy products of 36%, animal products 20%, fruit and vegetables 10%[20]. Different types of farming will be affected by exit in different ways depending on the UK's future trading relationship with the EU because of this range of tariffs differing between industries[21].

The agricultural industries in the UK and the Republic of Ireland are also tightly integrated. Large amounts of the Republic of Ireland's agricultural products are sold in the UK, and there is a highly interdependent supply chain on the island of Ireland. For example, a quarter of the North's milk pool is processed in factories located in the South[22].

Regulation: *New domestic systems of regulation must still allow simple access to the EU for agricultural products*

The agricultural sector widely holds the opinion that leaving the EU provides an opportunity for a completely new domestic approach to farming in the UK. The quality, grading, weight, sizing, packaging, wrapping, storage, transport, presentation, origin and labelling of agricultural products is currently regulated by the EU, and businesses in the sector also have a keen interest in environmental rules too. However, there is a challenge to balance this new approach with one that will still ensure favourable access for UK agricultural goods to the EU market.

Migration: *The agriculture sector employs many EU workers in full-time and seasonal roles*

Any new immigration system in the UK must take into account that 65% of the 34,000+ non UK-born workers employed in agriculture are EU migrants[23]. These workers do both full-time jobs in year-round industries like dairy and farming, and are employed for seasonal work, for example in horticulture[24].

International: *New international trade opportunities must consider the needs of domestic producers*

There is a real opportunity for the UK's agricultural sector to expand its exports across the world with a revived trade agenda. However, the UK government will have to take care to balance access to UK markets with the needs of domestic producers.

Funding: *Leaving the EU is an opportunity for a new funding deal for the rural economy*

While agricultural business owners would generally rather not rely on subsidies to be viable, the way the global market works has rendered this necessary. Outside the EU, a new funding deal for agriculture must be agreed. An average of 55% of the total income from farming currently comes from CAP support payments[25].

Exit: *A smooth exit is needed to ensure continued trade in agricultural goods*

If the UK leaves the EU without a deal, international law will oblige the EU to implement tariffs on the UK's agricultural products. UK goods would also be subject to EU quota rules, with effective upper limits on volumes. Many companies are likely to find these prohibitive to trade. This would be a very difficult situation for Northern Ireland in particular. There would be considerable regulatory confusion and complication. This situation must be avoided, through interim arrangements if necessary.

Our members say:

"If the UK left the single market and customs union, moving to WTO terms of trade with the EU, tariffs on grains and flour sold to the EU would be over 50%, which would hugely disrupt our competitiveness in a global market."
- *flour milling organisation*

"We have all the same legislation and labels when we sell with EU countries. US cheese has to be labelled separately in pounds and ounces, and little changes like that can add a lot of complication and cost." - *medium-sized Somerset dairy farmer and cheese manufacturer*

"There's a massive short-term labour need during the Christmas turkey season which we couldn't fulfil from the UK labour market alone, but there is an all-year round need." - *medium-sized poultry farm*

Our partners have more information:

- Country Land & Business Association
- National Association of British & Irish Millers
- National Farmers Union

For agriculture at the CBI, contact: John Stevens on 0207 395 8218 or John.Stevens@cbi.org.uk

AVIATION

As an island trading nation, the UK relies on aviation for its connections to the rest of the world. The UK has the third largest aviation network in the world, after the USA and China. And it is the second largest aerospace manufacturing industry in the world[26]. Aviation is an important economic enabler for other key UK industries by facilitating trade and investment through manufacturing supply chains, employment, skills development and tourism. The aviation sector has a turnover of over £60 billion and contributes over £52 billion to our GDP[27]. Aviation will be a key foundation upon which any successful trade deal will be based and therefore needs to be a key priority as the UK leaves the EU.

Key stats

- **961,000** employees
- **£52 billion** to UK GDP (3.4% of total GDP)
- **£26 billion** exports

EU Trade: *Access to the Single Market for Aviation is a priority*

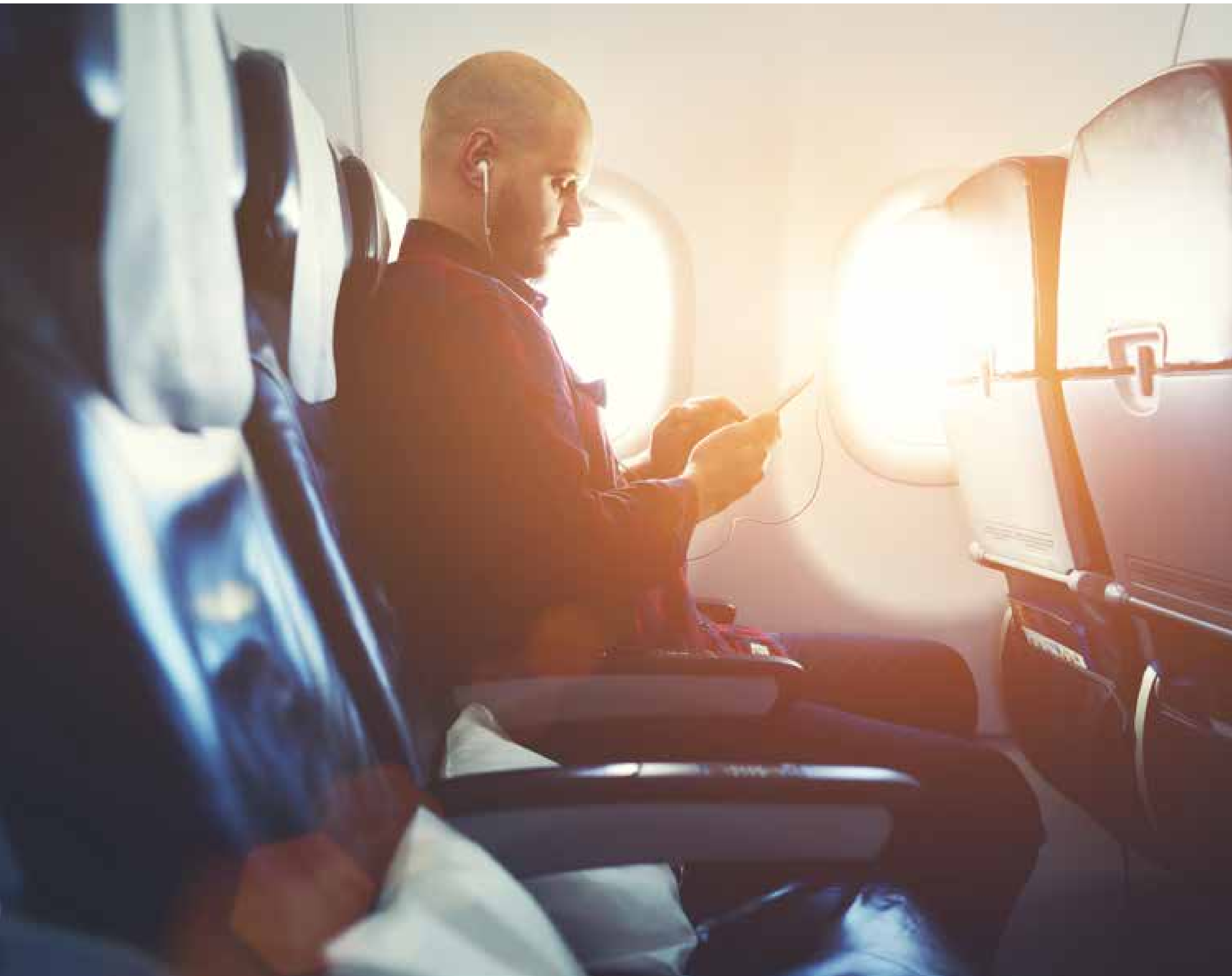
The legal framework for airlines to fly in Europe is underpinned by the Single Market for Aviation Service Provision in Europe and the European Common Aviation Area (ECAA) – or the Single European Sky. It allows any EU airline to operate from, between and within any country of the EEA in return for compliance with safety requirements and economic cooperation. Access to the Single Market for Aviation in Europe will be essential in allowing the aviation industry to operate competitively. If agreements cannot be reached within the Article 50 period, an interim agreement may be required to ensure flights can continue in a legally compliant manner. Aviation agreements are usually negotiated separately to economic agreements.

Regulation: *As a world-leader in this sector, the UK and EU would benefit from continued collaboration over aviation regulation*

The UK has played a leading role in EU aviation regulation, particularly in the European Aviation Safety Association (EASA). The UK should continue to play a leadership role given the size of its network and manufacturing industry. However, if this is no longer possible as the UK leaves the EU, it will be advantageous for the UK to maintain influence in determining European aviation policy over the long-term.

Migration: *High-skilled international immigration supports the aviation sector*

Aviation will need a pipeline of highly skilled employees across a wide range of areas including engineering, manufacturing and services to remain competitive. Access to apprentices, graduates, as well as professionals and STEM skills from across the EU is also key to the success of the sector. Airlines operating in Europe are international businesses, often employing a combination of international and local staff.



International: *Uninterrupted access to international aviation markets is vital*

A number of airspace access agreements the UK currently participates in have been bilaterally agreed between the EU and third countries. As the UK leaves the EU, new arrangements will need to be put in place prior to leaving to prevent any hiatus in the UK's connectivity. A principle concern lies around the 'Open Skies' regime, the aviation agreement between the US and EU, and the implications for access to Trans-Atlantic routes. This regime allows US airlines to fly between EU airports and EU airlines to fly from the US to non-EU countries. No longer being part of the 'Open Skies' agreement would pose a significant risk to the UK's aviation industry given the UK's geographic position between Europe and North America. It could have harmful implications for the attractiveness of the UK aviation market for foreign airlines.

Funding: *A new funding deal must support innovation in aerospace*

UK Aerospace currently receives funding from the EU through Horizon2020 and SESAR (Single European Skies). Maintaining levels of investment in Research & Development in the aerospace sector will be vital to keeping the UK's position as the largest aerospace industry in Europe and second in the world. While the government has committed to underwrite Horizon 2020 funding after the UK leaves the EU, long-term programmes and schemes should replace current funding mechanisms. The UK aerospace manufacturing sector generates annual exports of £26billion and has an estimated global market opportunity of £3.5 trillion over the next twenty years. It also employs over 100,000 highly skilled British workers[28] and provides technology and research that has significant catalytic spin off benefits to the wider UK economy.

Exit: *A smooth exit is needed to ensure continued ability to fly*

If the UK leaves the EU without a deal covering aviation access, the ability of UK airlines to fly to, between and within EU countries and the US would be legally dubious. It is imperative – both for the transportation of persons and of goods – that this is avoided, through interim arrangements if necessary.

Our members say:

“The negotiations need to deliver two vital things; an Open Skies agreement with the EU, and with the US; and policy control back to the UK so that the EU cannot change our laws without the UK at the table to represent the British aviation sector.”

- transatlantic airline operator based in the UK

“To prosper in a post Brexit world, Britain’s airports and airlines need to be able to continue to provide the excellent passenger experience that they do today and provide the international connections that will ensure that we remain at the heart of the global economy.” - major UK city airport operator

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“The UK is a thought leader in regulations such as the Single European Sky, which benefits consumers in service quality, cost and safety. Common rules serve consumer interests at all stages of a flight, not just in UK airspace.” - small aviation consulting business

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Our partners have more information:

- Airlines UK
- Airport Operators Association

For aviation at the CBI, contact: Samir Nanji on 0)7739 494 068 or Samir.Nanji@cbi.org.uk

CHEMICALS & PLASTICS

The UK chemicals and plastics sector has initially been cautious about the impact of currency depreciation on profits, as it relies on imported raw materials. However, surveys show hiring, investment and sales are holding up at present[29]. Any future price shifts will have knock-on effects on numerous related industries.

Products of the chemicals and plastics industry comprise important raw material and intermediates to almost every other industry with examples as diverse as: adhesives, artificial limbs, automotive parts, cosmetics, dialysis machines, food packaging, military helmets, inks, pesticides, sports equipment, solar panels, window frames and more.

Stability thus far is encouraging news for suppliers to the chemicals and plastics industry, such as those which produce the specialist machinery and materials needed for chemical and plastic manufacture. The energy sector is particularly strongly linked to the chemicals and plastics sector as these businesses are the largest industrial users of UK energy, accounting for 14% of industrial consumption[30]. The UK's expertise at chemicals also supports numerous jobs in services, with 23% of global service providers for chemical regulatory compliance headquartered in the UK.

Key stats

- **277,000** employees
- **£17.5 billion** GVA (1.1% of total GVA)
- **£26.9 billion** exports
- **£27.8 billion** imports

EU Trade: *Tariff-free and barrier-free trade with the EU will continue to be important for the chemicals and plastics sector*

The UK chemicals and plastics industry has relatively high logistics costs as part of the total supply chain and thus 53% of the UK chemicals industry's exports are to the EU[31]. It will be important to keep UK-EU trade in chemicals and plastics tariff-free and as simple as possible. The average EU tariff on chemicals is 4.6%[32], with higher tariffs in areas like finished paints and coatings, which face a 6.5% tariff[33].

Regulation: *As a highly regulated sector, chemicals and plastics businesses are seeking regulatory stability and certainty*

The regulation of the UK's chemicals and plastics industry is predominately European, and businesses are concerned that any significant changes to these could be seriously disruptive and costly. This includes EU regulations such as REACH – through which UK companies have made 5,000 registrations of chemicals manufactured in or imported into the UK[34] – and COSHH, which requires employers to control hazardous substances. The EU has also facilitated international regulations, such as the adopting of the UN's system of labelling and classification, so the symbols for 'corrosive' and 'flammable' are universal.

Many of these regulations have been expensive to implement, with particularly severe burdens for SMEs. However, if the UK's chemicals regulations are no longer recognised as equivalent to the EU's, chemicals businesses may face multiple sets of requirements. Some businesses see opportunities for risk-based reform of what are today hazard-based regulations in the long-term, provided they do not undermine quality or access to the EU – which is the priority. Additionally, given the detailed nature of these regulations, a lengthy transitionary period for businesses and regulators to adapt to any changes would be needed, with clarity for existing supply agreements, where compliance with existing regulations is already embedded.

Migration: *With fluctuating demand, chemicals and plastics businesses need access to international skills on a flexible basis*

The chemicals and plastics industry needs large but fluctuating numbers of skilled workers for project turnarounds. As these peaks do not happen every year, contractors are dependent on certain groups of craftsmen from abroad – such as scaffolders from Poland or Croatia, insulators from Portugal, and specialists from Germany. The chemicals and plastics industry needs to maintain access to these workforces from abroad at times of need.

International: *There could be advantages for chemical and plastics businesses through new international trade agreements*

A sophisticated trade deal with the US, covering both tariffs and non-tariff barriers, would benefit the UK chemicals industry. Tariffs currently cost UK companies an average of 3% on £4.9billion of exports to the US[35], and differences at customs and around classifications create barriers and costs.

Funding: *A new funding deal must support innovation and research and development in chemicals and plastics*

The UK chemicals industry spends around £612million a year on R&D, and benefits from a thriving innovation environment. It will be important to avoid funding gaps as the UK transfers from EU funding to domestic systems of funding, in order to avoid harming innovation. It would also be of great benefit to the sector to maintain access to EU research systems – including data sharing.

Exit: *A smooth exit is needed to ensure regulatory certainty in the chemicals and plastics sector*

The extent to which the chemicals and plastics sector would be affected by the UK leaving the EU without a deal or interim agreement depends on the progress of domestic regulatory arrangements. Some certainty could be provided by transposition of EU regulations and directives. However, there would certainly be detrimental effects on trade from tariffs and new compliance requirements to exports if no agreement is secured.

Our members say:

"Scale is important in chemical manufacturing. The UK market is too small to support modern scale facilities without significant access to export markets." - major chemical group in the UK

"We have spent a lot of time and money over the years in order to comply with all the EU regulations, such as the Biocidal Product Regulations, and feel that we will have to continue to abide by them if we wish to be able to export to the EU." - small manufacturer of cleaning and hygiene chemicals

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"Free movement of workers matters. Without it, British talent will be disadvantaged from EU opportunities, British plants will be deprived of access to the best people." - multinational chemical business

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Our partners have more information:

- British Association for Chemical Specialties
- British Coatings Federation
- British Plastics Federation
- Chemical Business Association
- Chemical Industries Association

For chemicals at the CBI, contact: Nicola Hetherington on 0207 395 8080
or Nicola.Hetherington@cbi.org.uk

CONSTRUCTION

The construction sector – both housebuilding and larger infrastructure projects – is closely linked to the overall health of the economy. The sector depends very much on the confidence of buyers and confidence from investors. Construction companies have been reporting that, while confidence of buyers has remained largely positive, confidence of investors, in particular overseas investors, has raised concerns.

Key stats

- **2.2 million** employees
- **£102.3 billion** GVA (6.2% of total GVA)
- **£1.6 billion** exports
- **£1.2 billion** imports

EU Trade: *A large percentage of construction materials are imported from the EU so a tariff-free relationship is important*

Given that the UK imports more than it exports, it is vital for the entire sector to have clarity on the status of these material imports from the EU. Furthermore, the concentration of imports of building materials and components to the UK is from EU countries rather than non-EU countries.

Regulation: *Opportunities for more flexible regulation must be balanced against the benefits of harmonisation*

EU regulation has been embedded into the sector for some years. Clarity is therefore vital, including on regulation, public procurement and health and safety requirements, as well as the future of climate and environmental regulation and directives such as the EU Emissions Trading Systems and Industrial Emissions Directive. There may be some opportunities to deregulate in construction. However, the view of many companies in construction is that this benefit is outweighed by the importance of harmonisation in standard setting. Construction products are currently subject to EU-wide standards such as Eurocodes – which have been embedded into Building Regulations - and CE marking which is an important standardisation for those companies exporting across EU member states. The UK construction industry believes this should be maintained, as easy trade with the EU is a greater priority for the sector.

Migration: *Access to EU skills and labour is important to the construction sector, as is the domestic skills programme*

The skills gap is already a significant issue for the construction sector. There is a need for a better understanding within the sector of numbers of those with EU passports working in its companies and their future. The sector employs a considerable number of EU nationals in the UK: in 2015, 11.6% of the UK Construction workforce was of non-UK origin[36]. Their future status needs to be clarified. While there are regional variations, access to skilled professionals remains vital for the sector as a whole. Uncertainty from construction companies over their future access to adequate workforce means they are now limited in the future projects they can bid for.

Government and industry must continue to work together to tackle the skills shortage in the sector as a core tenant of this partnership. This means developing the skills of the UK workforce, providing good quality careers advice in schools and ensuring that companies can recruit the people and skills that they need from outside the UK. But this is a long-term solution and the industry has needs now.

International: *New international trade opportunities must consider the needs of domestic producers*

There is a real opportunity for the UK's agricultural sector to expand its exports across the world with a revived trade agenda. However, the UK Government will have to take care to balance access to UK markets with the needs of domestic producers.

Funding: *Long-term funding for infrastructure must not be interrupted by leaving the EU*

Long-term funding for infrastructure must not be interrupted by leaving the EU. As a member of the EU, the UK has access to both the European Investment Bank and the European Investment Fund. Both funds have invested around €7.8billion in major UK infrastructure projects[37], including the expansion of the port of Liverpool. Ensuring continued investment for infrastructure projects across the UK will be key for the construction sector, since they are a necessary prerequisite for successful housing, office, retail and industrial developments.

Our members say:

"Continued government investment programmes in infrastructure is key to provide some clarity for the sector." - *British construction services company*

"We're seeking clarity over a huge range of issues. Climate and environmental regulation, status of material imports, eurocodes, standards, CE marking and Scotland – just to name a few."
– *multinational building materials company*

"The projects that we work on are longterm. We're at the start of a four year planning cycle, we want to invest in the UK, but it's hard to see how we can plan for strong growth in the economy during that time." - *multinational construction company*

Our partners have more information:

- British Property Federation
- Build UK
- Construction Employers Federation
- Construction Products Association
- Federation of Master Builders
- Home Builders Federation

For construction at the CBI, contact: Fiona Geskes on 07469 155 269 or Fiona.Geskes@cbi.org.uk

CREATIVE INDUSTRIES

Businesses from the creative industries operate in sectors ranging from advertising to architecture, and film to games. Together they represent a key sector, worth £87.4billion in 2015[38], and with growth twice that of the wider economy[39]. Since the referendum, creative companies have reported contracts being cancelled and there are concerns some will re-locate to hubs elsewhere. As a sector strongly linked to inward investment and exports it's essential to ensure it can build on its global success, contributing to UK jobs and growth.

Key stats

- **1.9 million** employees
- **£87.4 billion** GVA (5.3% of total GVA)
- **£19.8 billion** exports
- **£8.7 billion** imports

EU Trade: *Both tariff and non-tariff barriers on the creative industries must be avoided*

Ease of trade is critical for the creative community, and it will be vital to avoid tariffs and non-tariff barriers on services and goods. For the screen industries, if UK works do not continue to qualify as European, they may face quotas and become subject to EU trade barriers.

Regulation: *Long-term regulatory cooperation with the EU helps the creative industries compete in a global world*

Alignment with key European frameworks around design standards, intellectual property, data protection, and audio-visual media services is vital for the creative industries. With ongoing developments around the digital single market - including on copyright and digital content - likely to have a profound impact on the creative industries, government should play a full role in current legislative negotiations. Meanwhile the ongoing free flow of data is vital to ensure companies doing EU business can transfer information easily, and architects benefit from mutual recognition of qualifications.

Migration: *Openness to global talent helps the UK's creative industries be world leaders*

The UK is a hub for the creative industries, with many international firms headquartered here. The ability to source talent from across Europe is a major asset to them. With jobs in the sector increasing and skills shortages in areas such as visual effects and software engineering, non-UK EU nationals plug the gap. Industries ranging from advertising to music also value the ability to move employees from country to country for short periods, be it for touring purposes or secondments. In the long-term, digital skills policy should evolve to help fill roles in the sector. But given global competition for the talent required we need an immigration system that enables creative businesses to attract and recruit from the EU and beyond to maintain the sector's leading position.

International: *Ambitious new international trade agreements could boost the creative industries*

As the UK carves out a new international role the EU will be continue to be a key market. Meanwhile, there are clear opportunities elsewhere, with global demand for creative goods and services on the rise. Government must now work in partnership with industry to open up global trade opportunities. Future trade agreements should incorporate strong IP protection and retain scope for continued public support for our media and creative industries.

Funding: *A new funding deal should recognise the economic and social benefits of the creative industries*

The Creative Europe Programme has supported the UK's media and video games sector with €40million over two years[40], boosting development, distribution, export, and exhibition. Creative businesses across the country also receive support from funds such as European Structural and Investment Funds and Horizon2020. If access to these initiatives is removed, new funding streams tailored to UK needs should be designed, including a significant investment in skills.

Exit: *A smooth exit is needed to ensure regulatory certainty in the creative industries*

The regulatory environment for creative industries would be very uncertain if the UK left the EU without a deal or an interim arrangement. Some of this uncertainty could be mitigated by direct transposition of EU rules before exit. However, there would be confusion for UK companies operating in the EU. This could include challenges to the rights for companies to transfer data, provide audio-visual services with equivalent privileges, and intellectual property arrangements. This must be avoided through a comprehensive new UK-EU deal – and temporary interim arrangements if required.

Our members say:

"Very few fashion labels manufacture entirely within the UK. The majority rely heavily upon sourcing and importing materials from or via the EU and/or manufacturing in European factories using a skilled workforce. The immediate impact of Brexit has been to increase these costs by an average of 30%." - *Midlands-based online fashion retailer and marketer*

"If we get the right framework in place, there is tremendous opportunity for the UK's film and screen sectors to continue to grow internationally."
- *representative of the screen industries, London*

"We cannot have innovative, creative, and globally competitive products and services to trade unless we have a diversity of talented people making those products." - *spokesperson from the games sector, London*

Our partners have more information:

- Advertising Association
- Design Council
- UK Interactive Entertainment Association
- UK Music

For creative industries at the CBI, contact: Jessica Dickinson on 020 7395 8053 or jessica.Dickinson@cbi.org.uk

EDUCATION

Universities and colleges are a major source of competitive advantage to business, in terms of their research, support for innovation and as a source of talented recruits. Colleges play a vital role in the further education, not just of young people, but of mature students, through retraining and upskilling in communities. Universities are also economic anchors in their regions and magnets for inward investment. Through both direct and multiplier effects, the higher education sector generates over £73 billion of output and 760,000 full-time equivalent jobs throughout the economy[41].

Some immediate concerns in the education sector have been allayed by government announcements on research funding and student access to finance, but concerns remain over the impact of longer-term uncertainty. There are also already many anecdotal reports of potential EU collaborators showing reluctance to work with UK partners on EU funded projects, particularly if it involves the UK participant as project coordinator. The sector has placed considerable resource into calming the concerns of staff, students and collaborators, and evidence from the Universities and Colleges Employers Association suggests this has so far limited effects.

Key stats

- **2.9 million** employees
- **£98.1 billion** GVA (5.9% of total GVA)
- **6.4%** of University students are from EU

Migration: *The UK's new immigration system must recognise the education sector's need for skilled international staff and students*

Universities employ around 32,000 non-UK EU nationals, making up 16% of the academic workforce[42]. Additionally, 6.4% of full-time undergraduate and post-graduate students at UK universities are non-UK EU nationals[43]. A clear international message that the UK is open for business and an attractive destination for talent, and assurances that existing EU staff will be able to remain in the UK following the UK's exit from the EU, are high priorities for the sector. Clarity over the financial position of students beginning their course in 2018-19 would also give the sector some respite.

Similarly, numerous colleges have voiced concerns about protections for their EU-national students and staff members. Calculations are ongoing to assess the full numbers of EU students and staff within colleges. But the skills shortages in certain sectors – such as construction and engineering – are reflected in the challenges of recruiting talented staff to teaching roles in these areas. It is important that leaving the EU does not make it even more difficult to fill vacancies in these areas.

Funding: *A new funding deal for innovation must consider the benefits of international collaboration*

Universities received £3.9 billion in research income from EU sources between the 2009/10 to 2014/15 academic years[44]. The majority of funding since 2014 has come from Horizon 2020 (including via the European Research Council). However, Universities also benefit from other EU funding streams, particularly the European Structural and Investment Funding, European Regional Development Funding and European Investment Bank loans on attractive terms.

Many of the funds received by UK colleges from the EU fulfil social aims, through European Social Funding. In the years 2014-15, colleges received £100 million ESF income and £18 million in direct European grants[45]. These schemes target unemployment, small businesses and enterprise, and also facilitate international collaboration on serious shared challenges like domestic violence and homelessness. New domestic systems of funding can fulfil these objectives, but the UK alone cannot replace all the benefits conferred by full participation in Horizon2020 and the collaboration of academia and industry on an international level.

Exit: *A smooth exit is needed to ensure no funding shortfall for education*

Given the significance of funding from EU sources for the education sector, a smooth transition from EU funding to UK funding is needed. A shortfall must be avoided.

Our members say:

"The key concern right now is the view held by potential European partners that UK institutions are not a good bet when it comes to putting together research consortia." - *Scottish university*

"The fees European students pay represent a proportion of the college's income that we could ill-afford to be without, and by improving their skills, these people go on to make a greater positive impact on our local economy as more productive employees." - *medium sized further education college*

"I think it is very likely that the UK will negotiate its way back into Horizon 2020 and its successors, although we need to keep up the pressure. Much more problematic is the importance of EU students to the finances of many universities, including my own. In addition, our EU students are among our brightest and best, adding to the vitality of our learning community." - *London University with over 20,000 students*

Our partners have more information:

- Association of Colleges
- Universities UK

For education at the CBI, contact: Pippa Morgan on 07940 116044 or pippa.morgan@cbi.org.uk

ENERGY

The impact of the vote to leave the EU on the energy sector is uncertain and will largely depend on the nature of the UK's continuing relationship with the EU. There is a risk that energy costs could increase as the value of sterling continues to drop, driving up prices for consumers and businesses (especially in energy intensive industries which have to compete globally). The current climate of uncertainty could also impact on investor confidence, and the funding and development of energy projects, so clarity will be important to maintain energy security and deliver the UK's decarbonisation goals.

Key stats

- **140,000** employees
- **£36.2 billion** GVA (2.2% of total GVA)
- **76.7 million** tonnes of oil equivalent exports
- **154.8 million** tonnes of oil equivalent imports

EU Trade: *A barrier-free relationship with the EU is vital for the UK energy sector*

As a net importer of energy since 2004 and with import dependency expected to grow, the UK's continued trade in electricity and gas across borders, and through interconnectors, particularly between Northern Ireland and the Republic of Ireland, is important for providing secure, reliable and affordable energy for UK customers. Additionally, barrier-free access in cross-border trading and preserving the benefits of joint harmonisation with our European partners will benefit the economy. Trade in goods and services is also critical to the efficient operation of the energy sector, and to future investment. While gas and electricity do not face high tariffs under WTO rules, it will be vital to avoid tariffs across the supply chain.

Regulation: *As a highly regulated sector, energy businesses are seeking regulatory stability and certainty*

A stable legal and regulatory environment is key for investment in the energy sector. Continued co-operation and engagement with EU stakeholders and Member States on energy policy issues will be important to safeguard the UK's future interests. This is particularly important in Northern Ireland which shares an electricity market with the Republic of Ireland. While it will be important to retain the benefits of the Internal Energy Market (IEM), continued participation will depend on the UK's ability to influence rules and standards that may still apply to our energy sector. The EU Emissions Trading Scheme (EU ETS) is a key instrument to drive decarbonisation in a lowest cost way. However, if the UK is to continue to participate in the EU ETS, it will be important to secure a continuing say over its future development.

Clarity will also be needed over the UK's long-term participation in other key pieces of EU energy legislation, which have clear interactions with domestic policies and consequences for industrial competitiveness. A long-term vision will also be required for the UK''s role in international agreements, such as the Paris Agreement, which – while agreed on an international level – are implemented through EU regulation.

Migration: *The UK's future immigration system should allow energy businesses to access the skills and labour they need*

The UK energy sector currently faces a skills shortage in some areas, for example offshore wind farm engineers. The total number of jobs in the energy sector is also forecast to grow by 15.5% by 2022[46], so it will be vital to ensure all businesses continue to have access to the skills they need.

Funding: *The energy sector is interested in new funding deals for both innovation and infrastructure*

UK energy projects are currently able to compete for EU funding through programmes such as Horizon2020 and Projects of Common Interest, which can help with important investments. The UK is the biggest recipient of the EIB's dedicated energy funding, securing 24% of total available funds[47]. The government's announcement that it will guarantee funding for UK research and innovation projects under Horizon2020 is a welcome step, but there is a need to clarify the longer-term funding framework.

Exit: *A smooth exit from the EU is needed to ensure certainty for investment in the energy sector*

Given the range of energy regulations currently enforced by the EU, leaving without a deal would create an unprecedented situation. Domestic regulation could blunt some of these effects. However, the UK could lose the privileges of the IEM and joint legal mechanisms for managing the all-island Ireland electricity market. Avoiding this situation through a new deal, and interim arrangements if necessary, is imperative for current and future investments.

Our members say:

"Swift action on domestic policy measures at the government's disposal could help mitigate much of the risk of Brexit in the energy sector and shore up investor confidence." - *global renewable energy company*

"Energy is a devolved power in Northern Ireland. Brexit could have an impact on Ireland and its 'All-Island' electricity market, and that's a concern for us." - *UK utilities company*

"We find it a real challenge to hire engineers experienced in building offshore wind farms. There's a very specific skillset involved, and at the start of new projects we inevitably need to draw on a global talent pool." - *British electricity generation company*

Our partners have more information:

- BEAMA
- EnergyUK
- Scottish Renewables
- The Association for Decentralised Energy

For energy at the CBI, contact Elsa Venturini on +32 (0)2 286 1139 or Elsa.Venturini@cbi.org.uk

FINANCIAL SERVICES

Financial services underpin the health of the UK economy. They provide: the entrepreneurial capital to start new enterprises; the payment systems that are the DNA of the day-to-day economy; the finance packages that accompany the lease of vehicles, facilitate the manufacturing and shipment of export goods; the insurance of all our transportation and businesses; the consumer finance; mortgages for housing; the financing of the UK's infrastructure; and the management of savings and pensions for millions of people.

As the financial leader in Europe, the UK provides financial products and services to the EU and the rest of the world. It has the expertise and infrastructure to be a global centre of excellence – not just in London but across the UK.

Key stats

- **1.1 million** employees
- **£119.2 billion** GVA (7.2% of total GVA)
- **£63.7 billion** exports
- **£8.8 billion** imports

EU Trade and Regulation: *Easy trade with the European Union is crucial*

It will be crucial for the UK government to secure the means of continued reciprocal access for financial services between the UK and the EU. This is not just important for the UK, but for the EU, with 8,000 EU firms selling financial services into the UK or operating within its hub. The FCA further reported that nearly 5,500 UK firms are providing financial services to clients within the EU and EEA[48].

Third party access or regulatory equivalence alone is not enough to ensure the continuation of the smooth flow of financial services between the UK and EU, as it is a patchy system that poses the risk of being changed or even removed at any given point in time.

International: *The UK's international reputation matters for financial services*

It is paramount that the UK retains its attractiveness as a global financial hub from a regulatory, taxation and political perspective. The UK plays a key role in international regulation and expertise and the reputation of the UK as a place to do business and a hub for financial services is critical. So it is important therefore that the UK government and regulators continue to take an active role in EU legislation that is in development during the negotiation period. The UK must maintain its position as a global leader in, rather than a recipient of, financial regulations.

Migration: *Continued access to skilled international workers is important for the financial services industry*

It is important for the financial services sector that the UK government commits to an immigration system that attracts the best global talent. The international success of the sector is built on attracting global talent and an openness to the rest of the world.

Exit: *The UK and EU would both benefit from temporary transitional arrangements in financial services*

It will be important to secure agreed temporary transitional arrangements to allow both UK and EU financial services firms the time to adapt to any changes in our trading relationship. This time will ensure that all of our financial services firms will be able to continue to provide products and services to their clients – consumers and businesses in the UK and across the EU and EEA.

Early clarity that transitional arrangements will be developed for UK businesses across all sectors will provide the confidence to both UK and international financial services firms to continue operating their EMEA businesses out of the UK, whilst the exit negotiations are in hand.

Our members say:

"UK financial services serves UK customers, EU customers and markets beyond such as US where non-EU business comes to London to access the EU. So UK losing access means other international markets losing access." - financial service infrastructure provider

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"Anything that causes London to fragment, such as a loss of passporting, will results in higher costs, lower liquidity, more trapped capital and less-efficient capital markets." - global bank

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"We are looking at wherever we have an office now, plus Malta and Luxembourg, which have good regulatory structures." - insurance Firm

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Our partners have more information:

- Association of British Insurers
- British Bankers Association
- British Venture Capital Association
- Building Societies Association
- Investment Association
- TheCityUK

For financial services at the CBI, contact: Flora Hamilton on 0207 395 8153 or Flora.Hamilton@cbi.org.uk

FOOD AND DRINK

While reports suggest consumer confidence remains high, latest polling shows that confidence in the UK's largest manufacturing sector is fragile. Nearly 70% of food and drink businesses are less confident about the UK business environment following the vote to leave the EU[49]. While food and drink exports are more competitive, three quarters of businesses face increased ingredient costs as a result of the weak pound, with product margins falling for most businesses.

Manufacturers selling domestically are under significant pressure to keep prices as low as possible for the consumer, and – as over a quarter of food consumed in the UK is imported – the fall in the currency has increased this challenge.

Rising food and drink prices do not just effect profits for manufacturers and retailers, but may also result in reduced orders for equipment manufacturers and distribution firms. Lower levels of investment could also impact on efforts by food and drink companies to expand renewable energy production and R&D.

Key stats

- **444,000** employees
- **£26 billion** GVA (1.7% of total GVA)
- **£18.2 billion** exports
- **£38.5 billion** imports

EU Trade: *It will be important to avoid prohibitively high tariffs and delays on food and drink trade*

It will be vital to avoid tariffs on EU trade for the UK's food and drink sector, as agri-food products would face tariffs averaging 22.3%[50]. UK dairy exports would experience tariffs of 42%, sugars and confectionery more than 25%, beverages and tobacco over 20% and coffee and tea over 5%. However, there are some exports – such as Scotch whisky – which are zero-rated, and avoiding non-tariff barriers is particularly important to these industries. Delays and costs to food and drink sales can put perishable goods at risk and are estimated to add an additional 8% to the price of traded goods[51]. This is particularly important for the sizeable flow of agri-food products across the island of Ireland, and between the Republic of Ireland and the UK.

Regulation: *There may be some opportunities for domestic flexibility, but not at the expense of market access or quality*

The majority of food and drink regulations and codes of practice – including on labelling, food safety, genetically modified food, organic food, storage, contaminants and packaging – are harmonised across the EU. This creates a level playing field and makes exporting to the EU easier, particularly for SMEs. However, regulation can also create barriers and burdens – particularly at the implementation stage – so there is the possibility for improvement. The current EU regulatory framework for food law has been shown to be fit for purpose. The main elements and principles of this should be rolled over into UK legislation in order to apply as soon as the UK leaves the EU. At their core, EU food laws are well designed, have the principle of ensuring safety across the food chain and are founded on sound science, best practice and internationally recognised systems such as HACCP.

It is equally important that any legislation, particularly when based on global standards, is not over-implemented as this can result in distortions of competition. Leaving the EU provides the opportunity to develop a smarter and more risk based enforcement and inspection regime which is tailored to meet the needs of UK businesses, while upholding the high standards already in place. However, this cannot be at the expense of access or quality, and any change would need a sufficient period of transition for implementation.

Migration: *EU workers play a vital part in the food and drink industry and that need will continue*

The UK's future immigration system must recognise the essential role migrant workers play at all skill levels in the food and drink industry. 29% of the food and drink workforce are non-UK EU nationals[52]. The UK is supporting record high employment rates, and jobs in food and drink can be challenging to fill. EU workers can help fill that gap, from labourers in processing facilitates to researchers and food scientists. Businesses have also invested heavily in the skill sets of the workforce, including many current migrants, so retaining existing EU workers is critically important.

International: *New international trade agreements could bring exciting benefits, but only if designed in close partnership with businesses*

Negotiating international equivalence agreements and tariff-free, quota-free trade agreements is complex and food and drink is often the most politically controversial area. As 94% of exports and 97% of imports of food and non-alcoholic drinks are with the EU or with countries the EU has signed or is negotiating trade agreements[53], preserving current preferential arrangements is crucial. Opportunities for future trade deals are exciting and can provide significant opportunities for importers and exporters alike, if they properly consider geographically protected brands, and tackle high tariffs – for example on alcohol – and restrictive quotas on raw materials.

Exit: *A smooth exit is needed to ensure uninterrupted trade in food and drink products*

If the UK leaves the EU without a deal, international law will oblige the EU to implement tariffs on the UK's food and drink products. UK goods would also be subject to EU quota rules, with effective upper limits on volumes. Many companies are likely to find these prohibitive to trade. This would be a very difficult situation for Northern Ireland in particular, given the integration of the food and drink industry across the island of Ireland. There would be considerable regulatory confusion and complication. This situation must be avoided, through temporary interim arrangements if necessary.

Our members say:

"Ingredients bought from EU countries at the moment can be ordered as easily as from elsewhere in the UK. When we import from outside the EU, we have to pay larger suppliers who can cope with those complications." - *small tea company*

"British Gin is recognised for its quality the world over. High standards in food safety ensure consumers have confidence in our products around the world and will allow us to continue successfully growing." - *A medium-sized distillery*

"We want government to understand that we may hire people from the EU at low levels, but we train them up to be team leaders and managers. They're looking to us for assurances they'll be able to stay, and we're looking to the government in turn."

– *large fruit processor*

Our partners have more information:

- Food and Drink Federation
- National Association of British & Irish Millers
- National Farmers' Union
- The Federation of Bakers
- Wine and Spirit Trade Association

For food and drink at the CBI, contact: John Stevens on 0207 395 8218 or John.Stevens@cbi.org.uk

HOSPITALITY, LEISURE & TOURISM

Hospitality, leisure and tourism businesses are affected by lower business confidence and GDP in the wider economy – as companies may restrict spending on travel and hospitality. At present, business tourism accounts for a quarter of all visits to the UK, and business visitors spend an average of 50% more than leisure visitors on hotels, restaurants and events[54]. Companies in this sector also rely on thriving rural economies, and are reliant upon aviation, real estate, maritime, road and rail infrastructure within the UK and without. The food and drink sector is also of importance.

Driven mostly by the depreciation of sterling, some areas of the UK's hospitality, leisure and tourism sectors have seen a small boost in interest over the past few months[55]. The increased cost of foreign holidays for UK residents and decreased costs for visitors from abroad mean caravan parks, seaside towns and cultural attractions embrace more visitors. But the industry is complex. This can be to the detriment of British providers of package holidays abroad, financial services supplying travel insurance and retailers selling everything from sun cream to ski equipment. Overall, it is not a beneficial effect experienced by the vast majority of firms.

Key stats

- **3.1 million** employees
- **£121.1 billion** of GDP (7.1% of total GDP)
- **£22 billion** exports (overseas residents visiting UK)
- **£42.4 billion** (UK residents' visits abroad)

Regulations: There may be new opportunities for more flexible regulation, but not at the expense of quality

Once the UK has left the EU, there may be opportunities for more flexible domestic regulation that better reflects the needs of the hospitality and leisure industry. These will have to be balanced with areas of harmonisation that support both UK and EU businesses in this sector, including mutual recognition of drivers' licenses and qualifications in diving and skiing. Additionally, areas of consumer protection are currently legislated for by the EU. Many businesses have indicated the need to keep levels of protection for consumers high to give visitors the confidence to travel to the UK.

Migration: *EU workers play a vital part in the industry, and ease of movement of visitors is crucial*

Any immigration system that the UK adopts in future must take account of the needs of sectors experiencing skills gaps and labour shortages. Prior to the referendum, 42% of vacancies in the hotel industry were recorded as hard to fill, 38% in restaurants, and 28% in the tourist service sector[56] – with difficulties recruiting for occupations as varied as chefs and cleaners. As companies can struggle to hire British workers, an estimated 25% of employees working in hospitality and leisure are migrant workers – including 700,000 from the EU[57].

The UK's reputation as a place to visit is also important to businesses in this area, which includes its position as a welcoming environment and ease of travel – particularly with regard to Ireland.

Exit: *A new funding deal for the rural economy must include consideration for this industry*

€2.6billion in CAP funding currently directly supports rural services, SMEs, tourism, and cultural and heritage activities, alongside €25billion that funds farmers and environmental schemes which make it attractive for visitors[58]. This figure for the years 2014-2020 should be viewed in the context of national public funding of tourism, which was around £84million this year[59].

> *Many businesses have indicated the need to keep levels of protection for consumers high to give visitors the confidence to travel to the UK.*

Our members say:

"We are an outdoor location with a mostly local audience, so the important thing is that residents still have disposable income." - *independent wildlife park*

"We already struggle vastly to attract across the business for all positions. Any attempt to restrict this will have devastating effects on us and the industry as a whole." - *independent hotel business*

"Leaving the Common Market would be very bad for our industry. Europeans come to Northern Ireland for their holiday. Out of the EU, there would be travel restrictions and all sorts of issues that would not be helpful in our industry."
- *small hotel chain based in Northern Ireland*

Our partners have more information:

- British Beer and Pub Association
- British Holiday and Home Parks Association
- Country Land Association
- Tourism Alliance

For hospitality, leisure and tourism at the CBI, contact: Polly Haydn-Jones on 0207 395 8182 or Polly.HaydnJones@cbi.org.uk

HOUSING & REAL ESTATE

With businesses ranging from housing associations operators to international property portfolio holders, the housing and real estate industry is very broad, and the effects of the vote to leave similarly diverse. But given the long-term nature of the sector, volatility is a serious problem.

There are investment decisions being undertaken at the moment about properties which will not start construction until 2020 or beyond; uncertainty makes estimating value very difficult and can create delays about decisions. On the other hand, the falling currency can make the UK property market more attractive for international investors.

The real estate industry is very sensitive to the health of the rest of the economy. The strength of the construction sector is a major factor, but the growth of the hotel, industrial, leisure, medical and retail sectors all have specific consequences when it comes to real estate, as does the general demand for office space.

Key stats

- **2.1 million** employees
- **£101.6 billion** GVA (6.1% of total GVA)

Regulation: *There are many cross-cutting areas of EU regulation that are of interest to this industry*

Because many planning regulations are domestic, it is easy to assume housing and real estate businesses are isolated from potential changes after the UK leaves the EU, but the reality is more complex than that. While stamp duty land tax, conveyancing, and formalities such as leases and tenancies are largely domestic, there are many relevant policies which stem from the EU. These include: insolvency practice, insurance, regional development policy, energy and environment, financial services, land use, health and safety, economic managements and product standards – among others.

There is also significant interest from the housing and real estate sector in the future of public procurement and about the future of EU financial services regulation, since much UK real estate development is financed by equity and/or debt, and there are a large number of pan-European real estate funds that are managed in the UK. Any changes in any of these areas must be handled with care, in close consultation with business, and with smooth transition from EU to UK competence.

International: *The international reputation of the UK is hugely important to this industry*

It will be crucial over the coming months that the UK's openness is promoted abroad. Openness is one of the key factors attracting real estate investors to the UK – alongside relative political stability, rule of law, transparency and domestic flexibility. The reputation of the UK as a place to invest in, trade with, and work in are all intertwined.

Funding: *Long-term funding for infrastructure must not be interrupted by leaving the EU*

Ensuring continued investment for infrastructure projects across the UK will be key for the real estate sector, since they are a necessary prerequisite for successful housing, office, retail and industrial developments. The UK currently receives funding from the EU for infrastructure projects. It is important that a drop-off in the support for building and development of housing is avoided, given the serious shortage of houses in the UK which affects both individuals and businesses.

Exit: *The UK and EU would both benefit from temporary transitional arrangements*

For housing and real estate companies reliant on a stable financial services sector, it will be important to secure temporary transitional arrangements to allow both UK and EU financial services firms the time to adapt to any changes in our trading relationship. This time will ensure that all of our financial services firms will be able to continue to provide products and services to their clients in the housing and real estate sector.

Our members say:

“There are incredible challenges in the housing sector right now, so we have very little time to spare to work out what challenges Brexit might bring. We’ll just deal with them best we can.”

– social housing provider

“The government needs to communicate a clear strategy business can get behind. Continued support for London’s position as a global financial services capital is particularly important for us.”

– international property services firm

“We are hopeful existing agreements will be continued so we can keep servicing the properties of clients in the EU. If health and safety rules start diverging and the UK accreditation body stops being recognised as equivalent, that could limit our growth here.” – property health and safety consultancy

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Our partners have more information:

- British Property Federation
- Home Builders Federation
- National Housing Federation

For housing and real estate at the CBI, contact: Fiona Geskes on 07469 155 269 or Fiona.Geskes@cbi.org.uk

LIFE SCIENCES

The life sciences sector is one of the most productive sectors in the UK and has remained resilient in the wake of the vote to leave. However, given the complex and global environment companies in this area work in, concerns over uncertainty are very real. The health of life sciences is also supported by an innovative industry of technology firms – producing machines to do everything from filling capsules to isolating molecules – educational institutions, digital companies and venture capital-providing financial services. The sector itself supports both human healthcare and veterinary medicine, and thereby agriculture and productivity across the economy.

Key stats

- **53,000** employees
- **£6.4 billion** GVA (0.4% of total GVA)
- **£20.7 billion** exports
- **£19.6 billion** imports

EU Trade: *As an integrated sector, a tariff-free and barrier-free relationship with the EU is important for life sciences*

As the EU currently accounts for around 44% of the UK's pharmaceutical exports, continued barrier-free trade between the UK and EU is crucial[60]. The EU's import tariff on the majority of pharmaceutical products is currently 0%, but many of the raw materials pharmaceutical companies use and process do potentially face tariffs – including a 6.5% tariff on the salicylic acid used in aspirin[61] – as do the components of supporting machinery. As supply chains for this industry criss-cross EU borders, there is a fear that businesses could face tariffs and non-tariff barriers at numerous stages of production. An increase in the costs of producing and importing life sciences products should be avoided as far as possible to prevent price rises for the UK's healthcare provision and agriculture.

Regulation: *As a highly regulated sector, life sciences is seeking stability and certainty*

The production of life sciences products is regulated at every stage – through clinical trials, authorisation to market, advertising, packaging, labelling and checking throughout its lifetime – to ensure medicines are effective and safe. The life sciences sector takes particular pride in the quality of its processes and products as a result. These stages of production can currently take place in different locations, with the process criss-crossing borders. Through close alignment of regulatory systems, the pharmaceuticals authorised for sale in the UK can be sold throughout the EU, monitored by the pan-EU European Medicines Authority (EMA) which is based in London. The life sciences industry is clear that any UK regulatory agency must remain as closely aligned as possible to the EMA, avoiding duplication, with concerns about impacts to patient access to medicines in the UK and potential business implications, such as the possible deterrence of investment into the UK. Any movement away from this system would require a transitionary period to allow for the establishment of an independent UK regulator.

Rules on Intellectual Property and data flows are also particularly important to life sciences companies, and the UK government will have to consider whether future involvement in the European Centre for Disease Control may be beneficial to share intelligence on disease spread. Other areas for continued cooperation for expertise and data-sharing between the UK and EU include on designing future medical devices, with benefits for public health as well as industry.

Migration: *Access to international skills and labour is vital for the life sciences sector*

Retaining access to the skills the UK life sciences sector needs is vital, alongside support for the skills agenda domestically. Currently, 17% of STEM academics at UK research institutions are EU migrant[62]. However, there is also concern about the ability to attract lower-skilled migrant workers in the supply chain.

Funding: *A new funding deal for innovation must support R&D in life sciences*

The life sciences sector welcomed the government's reassurance for Horizon2020 funding, but as life sciences companies spend £4.1billion on R&D a year[63], a long-term strategy for R&D funding and innovation is needed.

Exit: *A smooth exit is important for the uninterrupted provision of life sciences products*

Before the UK leaves the EU, it will have to transpose EU regulations related to life sciences. If it does not, and the UK leaves the EU without a deal, there will be a significant amount of regulatory instability, potentially affecting companies' abilities to sell products. Even if the UK does take domestic action, without a deal UK companies will have to secure EU licenses to sell into the EU market. This may disrupt both current and future contracts if no interim agreement or new deal is secured.

Our members say:

"Each employee in our sector is estimated to generate £330,000 GVA. Our company has been able to thrive through hiring members of staff from all corners of the EU and at all levels, from data scientists to labourers in our packaging facilities."

- medium-sized bio-engineering firm

"Many products have part of their manufacturing in two or more European countries. Disruption to the easy flow of products across borders would have significant impact on our operations."

- pharmaceutical company

"Our packaging suppliers are already putting price increases on the table. We might not face tariffs on our finished products, but Brexit will certainly mean increased costs in other ways."

- medium-sized animal health business

Our partners have more information:

- Association of the British Pharmaceutical Industry
- UK BioIndustry Association

For life sciences at the CBI, contact: Nicola Hetherington on 0207 395 8080 or Nicola.Hetherington@cbi.org.uk

MANUFACTURING

From planes, trains and automobiles to whisky, pharmaceuticals and light bulbs, the rich and diverse nature of the UK manufacturing industry is the foundation of a balanced and robust economy. The UK has recently had many manufacturing success stories such as the automotive sector where car manufacturing hit a 10-year high in 2015 at nearly 1.6 million vehicles, 77% of which were for export and is the second highest export to the EU[64].

The biggest challenges that manufacturers are expecting to face in a post-Brexit world are around supply chains, labour skills and movement, technology and innovation. There are serious concerns about the disruption leaving the EU could bring to manufacturers' business models and trading, as well as their regulatory and business environment. This has an effect on the UK's reputation as a place to do international business, as noted in the public concern of many international manufacturing companies.

The fall in value of sterling has seen a surge in competitiveness for both EU and non-EU trade, benefiting manufacturers. However, the downsides of the weaker pound lead to an increase in unit costs, with manufacturers concerned this will be passed on to consumers.

Key stats

- **2.7 million** employees
- **£162.4 billion** GVA (9.8% of total GVA)
- **£228.9 billion** exports
- **£313.3 billion** imports

EU Trade: *As an integrated industry, a tariff-free and barrier-free relationship with the EU is important to manufacturing*

Manufacturing outperforms every other sector in exports: it accounts for 45% of UK exports, 57.5% of which are to the EU[65], and therefore the question of trade is of utmost importance to it. Manufacturers are part of complex integrated supply chains that extend across the EU, for example 60% of parts supplied for cars built in the UK are imported[66], mainly from Europe. The potential imposition of tariffs between the EU and the UK has the potential to hugely increase costs for manufacturers. For example, food manufacturers could face an average EU tariff of 22.3% against 2.3% for non-food products[67]. However, non-tariff barriers that interrupt just-in-time delivery models and increase compliance costs could be just as disruptive – if not more so, for many manufacturing sub-sectors.

Regulation: *Regulation that allows continued easy access to our largest market is important for manufacturing*

Manufacturing exports are subject to many regulations and standards that keep products harmonised across the EU, simplifying trade and creating a level playing field. The majority of businesses in manufacturing believe the UK should continue to meet these mutually recognised product standards, and continue to be involved in their design, in order to support ease of movement of goods across the region and across the globe.

There are also manufacturing businesses raising questions about cross-sectoral EU regulations in areas including energy, the environment and financial regulation.

Migration: *International labour, skills and flexibility of movement support growth in the manufacturing sector*

With hard-to-fill vacancies from engineering to IT roles, nearly two-thirds of manufacturing firms surveyed by the CBI see challenges in recruiting the skills they need in the years ahead[68]. Some of the skills gaps in manufacturing have been filled in recent years by EU citizens. However with the future uncertain for these employees, it is crucial that government takes action. In the long-term, this issue must be addressed in the education system by the continued encouragement of STEM in schools as well as by providing high-quality careers advice that portrays manufacturing as an attractive career. However, the labour implications of Brexit go beyond this: manufacturers often move highly skilled engineers between the UK and Member States at short notice and Brexit risks a loss of this flexibility. If UK engineers cannot move quickly from the UK to the EU, talent pools will be developed there and the UK capability may be affected.

Funding: *A new funding deal for innovation must support R&D and collaboration in the manufacturing sector*

It is primarily through innovation and R&D that EU funding will affect the manufacturing sector. Manufacturing alone accounted for 68% of UK R&D expenditure in 2015[69] and therefore is highly exposed to changes to the funding scheme landscape. While the government has committed to underwrite Horizon 2020 funding after the UK leaves the EU, there must be programmes and schemes established to replace the EU funding mechanisms in the long-term. It is also vital for UK manufacturers to be able to maintain collaborative links to ensure that they avoid being left behind.

International: *New international trade agreements could be an opportunity for this sector*

There could be new opportunities stemming from an ambitious international trade agenda that benefit the manufacturing sector. However, the EU deal is the priority, and business will have to be closely involved in the process of new deals – as some domestic producers have already raised concerns about challenges from countries that do not operate on a level playing field. Additionally, many manufacturing businesses benefit from current preferential trading agreements in place, including with South Korea and South Africa, and are seeking clarity about the future of those deals.

Exit: *A smooth exit from the EU is necessary to ensure uninterrupted trade in manufactured products*

The process of leaving the EU must be as smooth as possible for the manufacturing sector. In a scenario where the UK leaves the EU without a deal or temporary interim arrangement, the sudden imposition of tariffs and complex customs processes would be hugely disruptive. Confusion and delays for imports and exports have the potential to affect entire supply chains if sufficient time is not secured to transition to new arrangements. A period to adapt to any new deal is critical.

Our members say:

"For manufacturing to survive the challenges of Brexit, business investment, market access and freedom of movement and skills are the three most crucial areas. HMG and industry need to work together and send signals that overcompensate for any loss of confidence in the UK."

- South West aerospace manufacturer

"In a post-Brexit world the future competitiveness of UK manufacturing and continued growth in our economy is crucial, which makes securing the right deal with in our largest market the EU vital."

- UK-wide cement manufacturer

"This has been a trigger for us to look more at international markets such as the Commonwealth. But that's hard to do when dealing with currency fluctuations and calculating the risks for our well-established EU trade." - small manufacturer of components

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Our partners have more information:

- ADS
- Food and Drink Federation
- Society of Motor Manufacturers & Traders

For manufacturing at the CBI, contact: Nicola Hetherington on 0207 395 8080 or Nicola.Hetherington@cbi.org.uk

PROFESSIONAL & BUSINESS SERVICES

The UK's accountancy and legal sectors are world leaders, management consultancy is growing swiftly, and the UK is home to internationally-renowned architects, human resources, financial, business and strategy firms that make up the professional and business services sector.

While there may be a temporary uptick in demand for some professional and business services companies as a result of leaving the EU, the economic health of the client base is paramount to the world-leading professional and business services that the UK offers. Latest surveys show optimism among firms in the UK service sector has fallen this quarter, as rising costs and sluggish volumes of business have led to a drop in profitability[70]. As the clients of professional and business services companies span every single sector, the prospects of businesses in this industry are closely linked to whole-economy growth. However, the reverse is also true – where professional and business services thrive, so do their clients. For example, where UK services expand abroad, so too do UK goods firms, with a better chance of offering inputs.

Many of the costs professional and business services cite as a concern as a result of the UK leaving the EU are opportunity costs – particularly if the single market in services develops further.

Key stats

- **5.8 million** employees
- **£204.4 billion** GVA (12.3% of total GVA)
- **£70.5 billion** exports
- **£40.4 billion** imports

Trade and Regulation: *Barrier-free access to the EU market in services is linked to regulation and is important for the sector's growth*

EU membership currently allows professional and business services companies in the UK to establish and offer services in any other EU country. This has come through breaking down complex regulatory barriers such as national limitations on the number of sellers in the market, restrictions on levels of foreign ownership and forms of commercial entity. The removal of these barriers is particularly advantageous for small businesses, who offer their services through phone, email and physical meetings to EU clients.

There are concerns that if no deal with the EU is secured which covers services liberalisation, the UK's professional and business services industry will face the restoration of these obstacles. If the UK is not treated preferentially compared with the rest of the world, numerous regulatory measures designed to discriminate against "foreign" firms may be restored. These could impose additional costs on UK firms – such as the imposition of additional requirements for supervisory approval in several jurisdictions – or remove access all together – for example through exclusion from public procurement procedures.

Migration: *International skills and flexibility of movement support growth in professional and business services*

The professional and business services industry is a people industry, where human capital is their greatest strength. It is also mobile, with its people moving across sectors and countries, bringing the innovation and high standards that give companies a competitive edge. Continued access to high-skilled workers and simple systems of intra-company transfers – without limitations on stays – is one of the leading priorities of the professional and business services sectors.

International: *The international reputation of the UK is important to this sector*

In a global marketplace, competition for business is fierce. The UK's reputation as a world-leading provider of services will be important to maintain. Additionally, any advantages the UK's professional and business services could secure through new international trade agreements could provide an edge.

Where UK services expand abroad, so too do UK goods firms, with a better chance of offering inputs.

Our members say:

“A number of our transactions were put on hold whilst funders and investors waited to see how Brexit was panning out. A number – but not all – have come back on recently.” - *medium-sized UK-based legal firm*

“We’re paying close attention to the rhetoric around immigration. Imposing the lengthy process required to hire the best and the brightest from outside the EU onto EU hires would be frustrating and expensive.”
- *multinational accountancy firm with over 10,000 UK employees*

“As a service provider and an employer of talent from across the EU to clients who are dependent on the single market we benefit greatly from the single market for services.” - *leading international legal practice*

For professional and business services at the CBI, contact: Lara Robinson on 0207 395 8040 or Lara.Robinson@cbi.org.uk

RETAIL

The UK retail market is fiercely competitive, and is sensitive both to price changes and the mood of the public. While some UK retailers have footprints abroad, most of the industry operates domestically, so the depreciation in currency does not work in its favour. Nevertheless, retailers have worked hard to mitigate the effect of currency change and have managed to ensure that by and large cost increases have not been passed on to customers so far.

Retail does not operate in a vacuum and its success has a positive effect on other industries. Retail companies are at the public-facing end of sophisticated and varied supply chains – including but not limited to agriculture, food and drink, consumer manufacturing, pharmaceuticals, cosmetics and the creative industries. As the retail sector is predominately goods based, transport, distribution and warehousing are also important. The rapid uptake of new payment systems by UK retailers, driven by a focus on meeting changing consumer demand, has helped support the growth of financial services and fintech in the UK.

Key stats

- **5.0 million** employees
- **£182.0 billion** GVA (10.9% of total GVA)
- **£11.4 billion** exports
- **£6.1 billion** imports

***EU Trade:** Maintaining a tariff-free and barrier-free relationship with the EU should help UK retail businesses keep costs low for consumers*

The overriding objective of UK retail is to keep prices low for consumers. Leaving the EU may present some challenges to realising that objective if tariffs and customs red tape are applied to the UK's trade with the EU. Therefore, UK retail's top priority for the forthcoming Brexit negotiations is to secure an agreement that will allow two-way duty-free trade to continue.

***Migration:** Access to international labour helps support growth in the retail sector*

Domestic retail supply chains, especially food supply chains, rely upon access to non-UK labour and restrictions to accessing this labour may undermine the ability of these supply chains to meet retailers' requirements and consequently consumer demand. In addition, retail itself employs 120,000-200,000 EU nationals. Retailers believe that it is right that these valued colleagues are given the earliest possible assurance that they will continue to have the right to stay and work in the UK.

***Regulation:** The retail sector is seeking regulatory stability and certainty, and to maintain quality for consumers*

UK retail is affected by EU regulation, ranging from consumer information, through environmental protection, product safety, competition law and health and safety in the workplace. Transferring responsibility for these areas from the EU to the UK promises to be a complex and resource intensive process. As far as possible, the government should indicate how it will handle this process and restrict itself to making only those changes to regulation that are strictly necessary in order to make any regulation "work" in the UK. In particular, the government should resist the temptation to make substantive changes to regulation until the process of transferring responsibility has been completed.

International: *New international trade deals could broaden choice and lower costs for retailers*

Leaving the EU may have implications for the UK's trading relations with other countries. Whilst in the longer term there maybe opportunities to open up new trading relations, the immediate priority will be to ensure that the benefits of the EU's existing preferential trading agreements are still available to UK firms post-Brexit.

Exit: *A smooth exit is necessary to ensure the continued supply of retail goods for consumers*

It will be an enormous challenge for the UK to negotiate a duty-free deal with the EU, and put in place effective customs procedures within the 2 year time frame envisaged by Article 50. The immediate imposition of tariffs and paperwork, particularly on perishable products, would create complexity and cost at borders. Every effort must be made to avoid that. Therefore, the government should give serious consideration to the need for transitional measures that will help smooth the path of Brexit and ensure that UK firms and consumers are not adversely affected.

Our members say:

“Customers could benefit from lower prices if the UK were to sign free trade agreements with countries across the world. However, the cost to the customer if the UK is not able to access tariff-free goods from the EU would be several times greater.” - large British supermarket

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“Our business buys, sells and physically moves thousands of different items between the UK and the rest of the EU on a daily basis. In the best case, Brexit means we sell our goods at a higher price. In the worst case, tariffs and/or administration burdens have the potential to destroy our century old business.” - women’s fashion clothing retailer

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Lots of the goods we sell come from the Republic of Ireland because consumers wants fresh, local produce. Any delays would affect our very fine margins and potentially our perishable products.”
- medium-sized retail chain

Our partners have more information:

- British Retail Consortium

For retail at the CBI, contact: Polly Haydn-Jones on 0207 395 8182 or Polly.HaydnJones@cbi.org.uk

TECHNOLOGY

The UK is a world leading digital economy, and the UK technology sector is an exciting mix of home-grown entrepreneurial talent and international businesses helping put the UK at the top of several key indicators. The UK is number one in the world when it comes to e-commerce[71], and the World Economic Forum places us at 5th in the world when it comes to the availability of technology[72].

The London technology scene is internationally recognised, with tech hubs flourishing all around the country from Newcastle down to Bristol.

All of this means that our tech businesses are largely pragmatic and opportunity focussed in the wake of the EU referendum result – as long as the government can negotiate to overcome some of the economic challenges that could arise as part of our departure.

Key stats

- **1.2 million** employees
- **£95.5 billion** GVA (5.7% of total GVA)
- **£20.8 billion** exports
- **£29.0 billion** imports

EU Trade: *Barrier-free access to the EU is important for a global industry like technology*

The nature of technology and online businesses means that economic activity is virtually borderless, with smaller businesses in particular benefitting from the ability to more easily access the EU's 500million consumers. Losing access – virtual or otherwise – to our biggest trading partner and consumer base should be avoided so that our tech sector can continue to thrive.

Working toward a digital single market in Europe – and the possible £1.7billion reward its completion could bring to our capital by 2030[73] – has been a sought after prize for the tech sector in recent years and we should continue to exercise influence to shape it, as well as seeking to access it upon leaving the EU.

Regulation: *In the short-term, technology businesses are seeking regulatory stability and certainty*

There are a number of areas of EU law that will continue to be important to the UK technology sector after we leave the EU, one of the most prominent of which is data protection. In an increasingly interconnected world, data is at the heart of doing business.

The UK is a world-leader in promoting data-enabled innovation across all sectors, not just technology. In order to have a thriving tech sector and pioneering digital economy, we need a robust, internationally recognised data protection framework that allows us to trade and process EU data.

Migration: *A flexible, open immigration system is important for growth in technology*

Digital and technical skills are critical to all sectors, especially the technology sector. These skills are often in short supply, and as such competition for them is great, with salaries for 'digital' jobs averaging at around £50,000[74] – much more than the national average salary.

Out of necessity, tech businesses look for these skills abroad, with some businesses employing as many as 70% non UK nationals, as well as deploying lots of UK staff to the EU and beyond. Access to priority skills, and the ability to deploy them elsewhere freely, will be important for the technology sector and the wider digital economy.

International: *International relationships supported by the EU are important to preserve*

At present, UK technology companies are also able to transfer data safely and easily between the UK and the US, and several other international countries, as a result of EU agreements. It will be important to preserve these arrangements in new forms. Prioritisation of this can play an important role in supporting the UK's reputation as a global technology hub.

Exit: *A smooth exit is needed to ensure regulatory certainty in the technology sector*

There are numerous regulatory cliff edges that the technology sector faces if the UK leaves the EU without any deal or interim arrangement. While some uncertainty could be mitigated by direct coping of EU rules before exit, the UK needs to provide clarity on key regulatory issues going forward. Business critical issues such as data protection require the UK government to secure an adequacy decision from the EU, a process that the UK government needs to initiate as soon as possible. For the UK to remain a leading digital economy, a smooth exit is required and this mean identifying regulatory cliff edges and solving them through comprehensive UK-EU arrangements or interim deals.

Our members say:

“Almost every business and person in the UK has enjoyed the benefits that rapid communication and access to information have brought. We must ensure that we stay part of European and global digital communities to be relevant on the world stage.” - cloud technology firm

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“Digital trade is crucial to the UK being a globally competitive economy. Clarity and international compatibility of key regulatory issues, such as the future of the UK data protection framework, are essential for business confidence and investment.”
– multinational technology company

“Access to highly skilled people, particularly engineers, is the lifeblood and the major obstacle to progress of our business. We need a clear strategy from government that the UK is open for business and will remain a leading tech hub in the world.”
– international communications equipment business

Our partners have more information:

- Association of British Insurers
- techUK
- UKIE

For technology at the CBI, contact: Roxanne Morison on 0207 395 8043 or Roxanne.Morison@cbi.org.uk

TRANSPORT, DISTRIBUTION & LOGISTICS

As an enabling industry, the transport, distribution and logistics sector supports and relies on the whole economy. It is crucial to the continuance of both goods and services trade, as it facilitates the movement of both goods and people, with 2.3million tonnes of freight entering and leaving the UK by air – with higher values of non-EU, just in time and luxury goods – and 8.5million TEUs of containers handled at UK ports in 2015 – 80% of which travelled to or from the EU[75]. Over 4 million accompanied goods vehicles made trips to and from mainland Europe by road[76].

Key stats

- **1.5 million** employees
- **£76.8 billion** GVA (4.6% of total)
- **£24.1 billion** exports
- **£21.7 billion** imports

EU Trade: *Barriers to trade in goods with the EU could have a real effect on this sector*

The ease of goods trade between the UK and the EU is absolutely critical to the transport, logistics and distribution sector. The EU is the UK's most important trading partner in terms of export value, but also in terms of volume - as the UK continues to excel at e-commerce, the EU is the UK's most important destination for the export of small packages.

Any changes to the trading relationship with the EU will be faced by the transport, logistics and distribution sector in the first instance. There are concerns that leaving the customs union and the single market will cause additional costs and delays, requiring a huge increase in staff and capability. There will be a particular effect on Northern Ireland, the only region of the UK with a land border with an EU member state. The practicalities of delivering these changes without a transition period as the UK leaves the EU are serious concerns.

It is important to maintain the smooth flow of goods through the ports. There are serious concerns that there will be delays on in-bound and/or out-bound movements of goods that will compromise the ability of the haulage sector to maintain the service levels that supply chain customers require. Many ports simply do not have the space required to introduce customs controls or immigration controls on movement of goods and people between the UK and EU.

Regulation: *Any new approach to regulation of this sector must consider access and the need to avoid multiple sets of burdens*

At present, EU regulation on the transport, logistics and distribution sector covers a huge variety of issues, including the condition of vehicles, additional 'blind spot' rear view mirrors, speed limitation devices, warehousing, and the training, health and safety of drivers. There are aspects of EU rules that the industry would like to see dropped or reformed, but on the whole the rules governing logistics operations are widely accepted by the industry. On a practical level, it allows UK drivers to operate under the same rules in the EU and vice versa. This is particularly important in Northern Ireland, and has encouraged competition and service expansion.

Migration: *The transport, distribution and logistics sector is supported by international labour*

The transport, distribution and logistics sector faces severe skills shortages, with an aging worker population and the percentage of companies reporting difficulties in hiring goods vehicle drivers as high as 60%[77]. EU workers have helped fill roles as drivers and as workers in packaging and distribution supply chains. Continued access to these labourers will be important.

Funding: *A new funding deal for transport must take a long-term approach to local need*

A range of transport infrastructure projects currently in operation or under construction have been built as a result of EU funding, with EU investment in rural rail networks in Cornwall, studies into South Wales railway electrification, and low carbon vehicles. New domestic systems of funding for transport infrastructure will have to be designed.

International: *New international agreements could bring exciting opportunities*

For transport, distribution and logistics companies, growth in trade – domestic or international - means growth in opportunity. New international trade agreements which boost trade volumes could support growth in this sector, with a deal with America particularly highlighted as an opportunity. As businesses in this sector will need to adapt to any changes in demand, they should be closely engaged in the process of new international trade agreements.

Exit: *A smooth exit is needed to ensure the transport, distribution and logistics sector can meet its legal obligations*

If the UK leaves the EU without an interim arrangement or new deal, the transport, distribution and logistics sector is likely to experience the brunt of this impact. The UK and EU's legal obligations to treat each other as a third country would be in place immediately, and companies in this sector would be expected to facilitate this change in partnership with government. The capacity of IT systems, human resource, space and physical infrastructure to support these additional burdens – such as new customs checks at the border - are very much in doubt. A temporary implementation period to allow adaptation to new systems is absolutely necessary, and a new deal vital.

Our members say:

"We import a third of our vans from Germany, so we've invested a great deal of time at a senior level in negotiating bulk deals to keep our costs as low as we possibly can." - *refrigerated goods distribution company*

"There are huge concerns that leaving the customs union and single market could lead to delays. There are questions about sequencing, and how we'll adapt in time." - *UK port*

"Our company really struggles to hire UK drivers, and those we have tend to be of an age where they're starting to look towards retirement. EU migrants have helped us plug that gap, and are a valued part of our workforce." - *medium-sized logistics and distribution company*

Our partners have more information:

- British International Freight Association
- British Ports Association
- Food Storage and Distribution Transport Association
- Freight Transport Association
- Road Haulage Association
- United Kingdom Warehousing Association

For transport, distribution and logistics at the CBI, contact: Thomas Barlow on 0207 395 8149 or Thomas.Barlow@cbi.org.uk

UTILITIES & ENVIRONMENTAL SERVICES

Encompassing vital services such as water supply and sewage, waste disposal and recycling, telecoms and broadband, the UK utilities and environmental services sector supports consumers and businesses in every other industry. Many of the expected potential effects of the vote to leave are long-term rather than immediate, and are mostly related to the effect on long-term investments. There are opportunities as well as concerns for businesses in this sector.

Key stats

- **414,000** employees
- **£46.9 billion** GVA (2.8% of total GVA)
- **£6.4 billion** exports
- **£4.7 billion** imports

EU Trade: *A barrier-free and tariff-free relationship with the EU is important to this sector*

Given the public-facing nature of utilities and environmental services – both directly servicing the consumer and public bodies – there is a significant motivation to keep costs as low as possible. However, if the UK is unable to secure a tariff-free relationship with the EU, there are concerns about increasing costs. There may be direct increases in the costs of exporting waste, for example, if the UK does not secure a new deal with the EU. There may also be rising expenses found in the supply chain of the infrastructure that supports utilities and environmental services – such as the cost of stainless steel.

Many companies within this sector seek to provide services and expertise on an international basis, including with the EU. There are concerns that, outside the EU, UK businesses will be unable to provide these services on a preferential basis and will face numerous non-tariff barriers.

Regulation: *As a highly regulated sector, businesses in utilities and environmental services are seeking stability and certainty*

The EU plays an important role in regulating utilities and environmental services businesses – and high quality regulation and enforcement in this area is vital, as it protects public

health. Currently, the EU is the source of numerous regulations around areas such as energy, clean water and telecoms. There are also numerous environmental standards that are agreed at a European level. These regulations and standards are complex, detailed and comprehensive – covering everything from the end of life disposal of vehicles, batteries, asbestos, fridges and fertilizers. In the short-term, these regulations should be upheld in order to provide certainty for businesses. There are areas where the UK could seek a more flexible, tailored regime in these areas – however, this is a long-term objective.

Additionally, there are numerous international regulations that are important to this sector, particularly related to the environment. The EU currently plays a role in the implementation of these regulations. For example, the EU – rather than the UK – is a signatory to the international agreement governing the safe recycling of ships. Additionally, the EU Waste Shipments Regulation implements international requirements agreed at Basel level regarding international transportation and disposal of hazardous waste. It is important that these obligations are upheld, and that regulatory stability and clarity is secured as soon as possible to remove uncertainty in the industry.

Funding: *A new deal for infrastructure funding should be long-term and meet local needs*

The EU is currently the source of significant amounts of infrastructure funding, particularly for telecoms. For example, in July the European Investment Bank recently provided €21million for broadband in the UK. A new funding deal for vital infrastructure such as the UK's telecoms system should be designed in partnership with business, with long-term need at its heart.

Exit: *A smooth exit is needed to ensure regulatory certainty in the utilities and environmental services sector*

IIt will be important to ensure the UK's exit from the EU is a smooth one to maintain a stable regulatory environment. Initial transposition of regulations is one way in which the Government can go some way towards securing this for this sector. But business remains concerned about the potential risk of challenges to existing interpretations of the law if this process leaves some regulatory uncertainty.

Our members say:

"As a largely domestic sector, we expect to be largely shielded from any short-term effects. We expect the UK government will continue to commit to the high standards that protect public health in the water industry." - water supplier

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"We'll be paying close attention to the future of environmental standards and regulations in the UK. The benefit of any changes will have to outweigh the costs of implementing those changes."
- medium-sized environmental services company

"Our priority is keeping costs as low as possible for consumers." - water supplier

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Our partners have more information:

- WaterUK

For utilities and environmental services at the CBI, contact Lara Robinson on 0207 395 8040 or Lara.Robinson@cbi.org.uk

CONCLUSION

The business community is committed to making the best of Brexit. It is confronting the challenges it presents and is ready to chase the opportunities. By laying out its six principles to guide the UK-EU negotiations, it is hoping to guide the direction the negotiations take to seek the best possible deal for the whole economy.

The government has stated that it will not be providing a running commentary on the negotiations. Business accepts that. But there are steps that the government can take to help provide more certainty.

Step 1: Partnership

Continued close, deep collaboration between business and government is vital to help shape the country's future economic relationships.

Government should reach out more widely than ever before across the UK's business community, to companies of all sectors, all sizes and – vitally – from all parts of the UK. And the business community should step up to help, with individual companies providing views and experts at sectoral trade associations offering specialist advice and data.

Step 2: Opportunity

How the UK shapes its new relationship with the EU and the rest of the world is one of the business community's leading priorities – however it is not the only one. There are numerous areas where work is needed to get more firms hiring, training, innovating and expanding.

Government should take ambitious steps now to put the UK in the best position possible after the UK leaves the EU. And the business community should aid this process, offering the big ideas on skills, tax, innovation and infrastructure that can spread prosperity to all.

Step 3: Evidence

As the government approaches the many complex decisions ahead, it will be important to comprehensively appreciate the interconnected nature of the UK economy, both between sectors and between the UK and the rest of the world.

The government should make careful assessments of the decisions they make and the impacts of decisions on the whole economy, because it is absolutely crucial that no decisions are made about industries in isolation. And the business community should do all it can to provide evidence and insight that government cannot gather on its own.

CBI members understand that the process will be complex and – at times – difficult. Industry across the UK is committed to playing a constructive role and urge the government to embrace partnership, opportunity and evidence so that together we can get the best deal for the UK's nations, communities and families.

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*the estimates are compiled by summing figures for the manufacturing of computer, electronic & optical goods, plus computer programming & consultancy, information services, and telecommunications.

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Please note that there may be overlap within some estimates of employee number, GVA and trade volumes in the sector-by-sector breakdown of this report. Details of how these have been calculated are laid out in the below.

Sector	Data point	Brexit views
Agriculture	GVA	DEFRA UK Agriculture Statistics October 2016
	Employees	DEFRA UK Agriculture Statistics October 2016
	Trade	DEFRA aggregate for food, drink and animal feed by SITC division (at 2015 prices)
Aviation	GDP	Sustainable aviation report, January 2016
	Employees	Sustainable aviation report, January 2016
	Trade	Sustainable aviation report, January 2016
Chemicals and Plastics	GVA	ONS National accounts ESA 2010, GVA, nominal, (chemicals & chemical products)+(rubber & plastic products)
	Employees	ONS workforce jobs (NSA), (chemicals & chemical products)+(rubber & plastic products)
	Trade	ONS trade in goods, chemicals excluding pharmaceuticals
Construction	GDP	ONS National accounts ESA 2010, GVA, nominal, construction
	Employees	ONS workforce jobs, annual average, construction
	Trade	ONS pink book, trade in services, construction
Creative industries	GVA	DCMS sector economic estimates, August 2016
	Employees	DCMS sector economic estimates, August 2016
	Trade	DCMS sector economic estimates, August 2016
Education	GVA	ONS National accounts ESA 2010, GVA, nominal, education
	Employees	ONS workforce jobs, annual average, education
	Trade	UK council for international student affairs: international student statistics
Energy	GVA	ONS National accounts ESA 2010, GVA, nominal, (mining of coal and lignite)+(extraction of crude petroleum and natural gas)+(electricity, gas, steam and air conditioning supply)
	Employees	ONS workforce jobs, annual average, (mining and quarrying)+(electricity, gas, steam and air-conditioning supply)
	Trade	EIS, Energy trade
Financial services	GVA	ONS National accounts ESA 2010, GVA, nominal, financial and insurance activities
	Employees	ONS workforce jobs, annual average, financial and insurance activities
	Trade	ONS pink book, trade in services, (financial)+(insurance & pension services)

**the estimates are compiled by summing figures for the manufacturing of computer, electronic & optical goods, plus computer programming & consultancy, information services, and telecommunications.*

Food and drink	GVA	ONS National accounts ESA 2010, GVA, nominal, food products, beverages and tobacco
	Employees	ONS workforce jobs (NSA), food products, beverages and tobacco
	Trade	ONS pink book, trade in goods, food, beverages and tobacco
Hospitality, Leisure & Tourism	GDP	Tourism alliance statistics 2016
	Employees	ONS classification of employees in tourism-related business
	Trade	ONS overseas travel and tourism
Housing and real estate	GVA	ONS National accounts ESA 2010, GVA, nominal, (construction of buildings)+(real estate minus imputed rent)
	Employees	CBI 2013 construction fact sheet
Life sciences	GVA	UK Chemical and Pharmaceutical Industry Facts and Figures
	Employees	UK Chemical and Pharmaceutical Industry Facts and Figures
	Trade	UK Chemical and Pharmaceutical Industry Facts and Figures
Manufacturing	GVA	ONS National accounts ESA 2010, GVA, nominal, manufacturing
	Employees	ONS workforce jobs, annual average, manufacturing
	Trade	ONS pink book, trade in goods, (semi-manufactured goods)+(finished manufactured goods)
Professional and Business Services	GVA	ONS National accounts ESA 2010, GVA, nominal, (professional, scientific and technical activities)+(administrative and support service activities)
	Employees	ONS workforce jobs, annual average, (professional, scientific and technical activities)+(administrative and support service activities)
	Trade	ONS pink book, trade in services, other business services
Retail	GVA	ONS National accounts ESA 2010, GVA, nominal, wholesale and retail trade; repair of motor vehicles and motorcycles
	Employees	ONS workforce jobs, annual average, wholesale and retail trade; repair of motor vehicles and motorcycles
	Trade	ONS international trade in services
Technology*	GVA	ONS National accounts ESA 2010, GVA, nominal, (Manufacturing of computer, electronic & optical goods) + (information & communication services)
	Employees	ONS workforce jobs (NSA), annual average, manufacturing of computer, electronic & optical goods, plus computer programming & consultancy, information services, and telecommunications.
	Trade	ONS pink book, ONS UK Trade in Goods By Classification of Product by Activity CPA(08)
Transport, Distribution and Logistics	GVA	ONS National accounts ESA 2010, GVA, nominal, transportation and storage
	Employees	ONS workforce jobs, annual average, transportation and storage
	Trade	ONS pink book, trade in services, transport
Utilities & Environmental services		ONS National accounts ESA 2010, GVA, nominal, (water supply, sewerage, waste management and remediation activities)+(telecommunications)
		ONS workforce jobs (NSA), annual average, (water supply, sewerage, waste management and remediation activities)+(telecommunications)
		ONS pink book, trade in services, (Telecommunication services)+(waste treatment and de-pollution, agriculture and mining services)

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Printed by Duncanprint on Amadeus 100 pure white silk, containing 100% recovered fibre certified by the FSC®. Duncanprint is certified to ISO 14001 and registered to EMAS environmental management systems NEZ052.

Product code: 11783

www.cbi.org.uk