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Title: Brexit transition period

Executive Summary

On 17 June 2020, the Economy Committee resolved:

That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree a letter to the UK Government recommending that the Brexit transition period be extended in light of the pandemic.

Following consultation with party Group Lead Members, the Chair of the Economy Committee sent a letter to The Rt Hon Michael Gove MP. This will be reported to the next appropriate meeting of the Economy Committee.

Decision

That the Chair, in consultation with party Group Lead Members, agree the letter to The Rt Hon Michael Gove MP.

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature

Date 13/07/20



Printed Name Léonie Cooper AM, Chair of the Economy Committee

Decision by an Assembly Member under Delegated Authority

Notes:

1. The Lead Officer should prepare this form for signature by relevant Members of the Assembly to record any instance where the Member proposes to take action under a specific delegated authority. The purpose of the form is to record the advice received from officers, and the decision made.
2. The 'background' section (below) should be used to include an indication as to whether the information contained in / referred to in this Form should be considered as exempt under the Freedom of Information Act 2000 (FoIA), or the Environmental Information Regulations 2004 (EIR). If so, the specimen Annex (attached below) should be used. If this form does deal with exempt information, you must submit both parts of this form for approval together.

Background and proposed next steps:

On 17 June 2020, the Economy Committee resolved:

That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree a letter to the UK Government recommending that the Brexit transition period be extended in light of the pandemic.

Following consultation with party Group Lead Members, the Chair of the Economy Committee sent a letter to The Rt Hon Michael Gove MP. This will be reported to the next appropriate meeting of the Economy Committee.

Confirmation that appropriate delegated authority exists for this decision

Signed by Committee Lauren Harvey
Services

Date 30/06/20

Print Name: Lauren Harvey

Tel: x4383

Financial implications

NOT REQUIRED

Signed by Finance N/A

Date

Print Name N/A

Tel:

Legal implications

The Chair of the Economy Committee has the power to make the decision set out in this report.

Signed by Legal



Date 06/07/20

Print Name Emma Strain, Monitoring Officer

Tel: X 4399

Supporting detail/List of Consultees:

Shaun Bailey AM (Deputy Chairman of the Economy Committee) and Caroline Russell AM.

Public Access to Information

Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? No

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

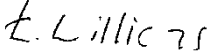
Is there a part 2 form - No

Lead Officer/Author

Signed Dan Tattersall Date: 6/7/20

Print Name **Dan Tattersall** Tel: x1328
Senior Policy Adviser

Job Title

Countersigned by  Date 7/7/20
Director

Print Name **Ed Williams** Tel: x4399

Chair of the Economy Committee



Leonie Cooper
London Assembly Member

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The Right Honourable Michael Gove MP
Cabinet Office
70 Whitehall
London
SW1A 2AS

Sent by email to: michael.gove.mp@parliament.uk

30 June 2020

Dear Michael Gove,

Recommendation that the Government seek an extension to the transition period for the United Kingdom's withdrawal from the European Union beyond 31 December 2020

I am writing to you on behalf of the London Assembly's Economy Committee, as supported by a majority of the Committee's members, to request that, in light of the coronavirus pandemic and the UK's expected long road to economic recovery, the Government agree to seek an extension of the transition period for the United Kingdom's withdrawal from the European Union beyond 31 December 2020. This letter is not supported by the Conservative members of the Committee, and the reasons for this are outlined in the endnote.ⁱ

The Government will know that the UK's economy has been severely impacted by the Coronavirus pandemic – Office for National Statistics data released on Friday 12 June shows that in the three months to April 2020, GDP fell by 10.4 per cent.¹ This is a considerably greater fall than any other the UK has experienced previously, even during the height of the global financial crisis, during which GDP did not fall by more than 2.1 per cent in a single quarter.²

London has been significantly impacted by the pandemic, with data showing that the business activity index for private firms in London fell from 56.0 in February to 31.5 in March - and

¹ Office For National Statistics, [GDP monthly estimate, UK: April 2020](#), June 2020

² Office For National Statistics, [GDP monthly estimate, UK: April 2020](#), June 2020

reached a historic low of 13.4 in April.^{3,4} Richard Burge, Chief Executive of the London Chamber of Commerce and Industry, told the Committee during its June meeting that of 500 companies across London, 60 per cent reported a major decline in their income; all companies reported being dangerously reliant on reserve cash-flow capacity; and export capacity has fallen to 40 per cent of normal levels.⁵

The Committee is most concerned that a withdrawal from the European Union without an agreement on tariffs, non-tariff barriers, trade and on the arrangement for the movement of people could cause long-lasting, if not permanent, damage to London's economy.

It is important to recognise that even prior to the pandemic, London's economy, and the UK's economy more broadly, was being harmed by the prospect of the UK withdrawing from the European Union without a trade agreement. Uncertainty over future arrangements has not been helpful for business. Since June 2016 annual growth in UK business investment after inflation increased by less than 0.5%, which is low compared to historical averages.⁶

The Netherlands Foreign Investment Agency in February this year highlighted that since the EU Referendum, 140 companies have opted to leave the UK for the Netherlands, with 78 leaving in 2019. These businesses include large media companies like Discovery and Ridley Scott, and life sciences manufacturers like Shionogi.⁷ Some large companies in the financial sector are also downsizing their London operations. For example, the insurer Aviva moved nearly £8 billion in assets to Ireland, and the Bank of America Merrill Lynch is making Paris its preferred new European headquarters, moving staff out of London.⁸ In the interest of balance we do also note that there have been some developments which indicate the positive impact of Brexit. For example, January's positive Lloyds Business Barometer figures showed overall business confidence increased for a fifth consecutive month, rising 13 points to 23 per cent and economic optimism surged to 23 per cent from 2 per cent: an 18-month high⁹. It was also reported in January that over a thousand EU business offices are planned to open in London after Brexit.¹⁰

The Committee is aware that the Government have formally notified the European Union that it will not extend the withdrawal transition period, and that the Prime Minister is confident that the UK can secure a trade agreement with the European Union by July 2020.¹¹ However it is the Committee's strong view that in order to provide businesses in London, and the UK, with certainty that the UK will not withdraw from the UK without a trade agreement, the

³ GLA Economics, [London's Economy Today](#), April 2020

⁴ GLA Economics, [London's Economy Today](#), May 2020

⁵ London Assembly, [Economy Committee meeting \[17 June 2020\]](#), June 2020

⁶ Office of National Statistics

⁷ The Netherlands Foreign Investment Agency, [Uncertainty of Brexit Remains, More Companies Choose the Netherlands](#), February 2020

⁸ The Independent, [Companies leaving UK list job cuts](#)

⁹ Lloyds Banking Group, [Overall Business Confidence hits 14-month High as Economic Optimism surges](#), January 2020

¹⁰ CityAM, [Over 1000 EU Financial Firms Planning to Open UK Offices after Brexit](#), January 2020
<https://www.cityam.com/over-1000-eu-financial-firms-planning-to-open-uk-offices-after-brexit/>

¹¹ The Guardian, [Boris Johnson: outline of Brexit deal should be 'done by July'](#), June 2020

Government should seek to agree an extension to the negotiation period beyond 31 December, and will need to agree this extension before July. It is concerning to the Committee that this confidence does not currently exist, with Sky News reporting recently that the Governor of the Bank of England has urged banks to intensify their readiness for a no-deal eventuality.¹²

An extended transition period could provide certainty for businesses, particularly those that export to European Union countries, since they will have the time needed to understand and adapt their business practices, to meet new rules and requirements. As Richard Burge highlighted during the Committee's June meeting, re-establishing supply chains is a key post-Coronavirus concern to businesses.¹³ Withdrawing from the European Union without a trade deal could make this process much more difficult, with new and complex levels of bureaucracy, and could cause long-term harm to many of London's vital export/import businesses.¹⁴

The Federation of Small Businesses have also highlighted, in 2018, that withdrawing from the European Union without a trade deal could disproportionately impact small businesses, citing internal research that showed:

- Nearly two-thirds of small businesses that export goods to the European Union Customs Union would be negatively impacted by the imposition of customs checks and declarations;

One-in-ten small businesses would have to stop exporting to the European Union completely.¹⁵ On Monday 1st June, the Mayor of London wrote to you calling for an extension of the transition period, highlighting the risks of further disruption and uncertainty in the wake of the devastation wreaked by the coronavirus pandemic. I share his concerns, and on behalf of the Assembly's cross-party Economy Committee, I ask that you consider our **recommendation to seek an extension to the transition period for the United Kingdom's withdrawal from the European Union beyond 31 December 2020.**

We would be grateful to receive your response to this letter by Tuesday 28 July 2020. Please send your response by email to the committee's clerk, Lauren Harvey (lauren.harvey@london.gov.uk).

Yours sincerely,



Léonie Cooper

Chair, London Assembly Economy Committee

¹² Sky News, [Bank of England governor urges banks to step up no-deal Brexit plans](#), June 2020

¹³ London Assembly, [Economy Committee meeting \[17 June 2020\]](#), June 2020

¹⁴ London Assembly, [Economy Committee meeting \[17 June 2020\]](#), June 2020

¹⁵ Federation of Small Businesses, [Small businesses say no to a disorderly 'No Deal' Brexit](#), August 2018

ⁱ Reasons for non-support from Shaun Bailey AM and Susan Hall AM

1. **Remit** - Brexit is not an issue within the remit of the London Assembly or the Mayor of London and is a topic that has been discussed exhaustively. The committee needs to focus on scrutinising the Mayor's record on delivering for London's economy
2. **Priorities** – The committee and the Mayor of London have more immediate priorities to deal with, in terms of supporting London's economic recovery from covid-19.
3. **Decision Made** – The Government has already formally confirmed to the EU that the transition period will not be extended. The premise of the letter is obsolete.
4. **Uncertainty** – Any further delays to Brexit and an extension to the transition period would increase uncertainty, which whilst in the midst of a pandemic, is the last thing London needs.