

## **Special Select Committee on the Withdrawal of the UK from the EU**

Ladies and gentlemen of the committee, thank you for your invitation to appear before you today. I do not intend to provide a macro-economic analysis of the effects of a WTO-Brexit on small business. The economic effects have been well ventilated elsewhere.

Brexit has been impacting business directly for the last year, stalling investment decisions, changing marketing policies, curtailing employment in at-risk areas, and most obviously, reducing confidence.

In the case of ISME members, the quarterly business confidence indicator we employ to analyse business sentiment has not been so low since 2011. We thought this would lift after the postponement of Brexit in March, but it has not. Members told us they had invested in inventory ahead of hard Brexit fears; inventories that are now being liquidated.

They now face the same cycle again, building up inventories ahead of the October deadline, without any clarity whether such inventories will be needed or not; sucking up working capital and management time. Brexit now ranks ahead even of insurance as a business concern for our members.

While we acknowledge the political difficulties in concluding a withdrawal agreement with the UK, when that country has not come to an internal agreement on how to exit the EU, we do need creative solutions on how to assist our nearest neighbour and largest trading partner.

The 'backstop' may, or may not, be the material obstacle some suggest it is to the conclusion of a withdrawal agreement. However, blind adherence by Ireland to the maintenance of the backstop could prove a costly policy, if it proves to be the root cause in producing that which it seeks to avoid. We therefore ask you to be imaginative and flexible in your approach to what may be the end-game discussions on Brexit.

Small businesses lack the expertise, the bandwidth, the foresight, the finance, but most of all the time, to carry out contingency planning for every conceivable form of Brexit. They rely on you, their political representatives, and on State and Local Authority agencies to assist them. More worryingly,

many have adopted a fatalistic 'wait-and-see' approach. The low uptake of EORI numbers is indicative of this.

We are conscious of our duties as a trade association in helping SMEs prepare for Brexit, despite the uncertainties. Brexit assistance measures are included in all our communications with members, and on our roadshows. We have a dedicated website area for all matters Brexit. But members will need more than information in November.

In particular, small business does not wish to take on more debt while addressing a problem that could reduce sales or increase the cost of sales. That doesn't make sense, but it does explain why the 'Brexit Loan Scheme' has been less successful than the members might have intended.

We wish you well in the crucial four months ahead, and ISME will assist the members, and the Government in any way it can.