



BITE SIZE BREXIT FOR BEGINNERS

Brexit means Brexit is unhelpful. At the moment Brexit could be one of a number of options. What any Brexit does mean is change. This (very) short note looks at what businesses can do to get ready for that change.

Mindset:

Don't panic - our data suggests many businesses have not done much serious planning for Brexit - largely because they don't know what to plan for. However, businesses can and should take charge of their future and prepare as best they can for the opportunities and risks that Brexit brings.

Will my business be seriously affected?:

You should already be heavily involved if you are in financial services. Obviously international businesses eg aviation will be affected. Those in sectors with significant European regulation will need to adjust and, if possible, seek to influence

the debate. Any business in goods with continental European suppliers or customers will be impacted, to the degree of their exposure to that territory. Business with non-EU countries will also be affected by losing access to the EU's current free trade arrangements and any customs blockages. Domestically focused service industries are less affected. Everyone will be affected by the economic impacts (eg reduced investment, recession) and some by manpower issues (migrant workforces; skilled worker shortages).

How do I assess the risks?:

Your business needs to determine what assets/processes/relationships are business critical/material? These are the areas on which to focus your assessment of Brexit risk. With concerns over falling investment and risk of recession, a financial health check is wise.

Key issues:

Different businesses face different challenges but the key issues are (a) supply chain; (b) customs border/tariffs; (c) access to workforce/skills; (d) regulatory compliance/non-tariff barriers; (e) economic uncertainty.

- **Supply chain:** the issues are increased cost and administrative complexity. Who bears those costs needs to be determined and delivery lead times adjusted or buffer stock planning prepared. Relationships with customers and suppliers on pricing and expectations will need to be adjusted and there is the potential for disputes too.
- **Customs border/tariffs:** this will be a whole new experience (either completely or as a matter of scale) for many UK businesses. Depending on what Brexit we get, this is at a minimum an administrative headache but, where tariffs apply, a significant cost that needs to be allocated. Strategic planning is needed to minimise the cost impact and administrative burden of cross-border business and will be either a necessity or competitive advantage.
- **Workforce:** certain industries are dependent either on transient migrant workforces (think fruit pickers) or skilled workers (think NHS). Other businesses are considering relocating functions overseas. Businesses need to ensure key workers do not leave and/or they can recruit/hire an adequate workforce and relocations need careful planning.
- **Regulation:** the regulatory impact of Brexit is largely industry dependent (think safety and certification in various guises) but potentially enormous. In many areas, we largely work to European-wide standards. It is likely we will continue to harmonise (but with no ability to shape policy) but there will be difficult transitional adjustment issues and conscious or unconscious divergence over time is likely to create barriers and delays in market entry.
- **Economic issues:** This is the "biggy", likely to affect every business but indirectly related to Brexit. Uncertainty has already affected investment. Many economists are predicting recession and currency volatility. Businesses will consolidate/integrate and some may struggle or fail. Recession management skills/risk management come to the fore and disputes may increase.

Other issues:

There are many other areas where Brexit will have an impact - think data, intellectual property (especially grey market), cross-border litigation.

Opportunities:

Brexit is frequently seen as only a risk or negative event. However, it will also create new opportunities. Currency volatility will favour some and new trading relationships at an individual and national level will be explored and forged. Depending on our future relationship with the EU, our domestic laws in various sectors may change in form or substance. Businesses either directly or through trade bodies have an opportunity to influence government in shaping future regulation.

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Gowling WLG has set up a team of legal experts who are on hand to answer your questions as they arise. They can work with you to tackle the challenges, but also seek the potential opportunities, that Brexit will bring. Find more Brexit related information at [Brexit Untangled](#).