

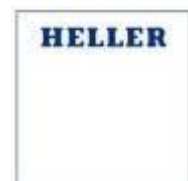
GERMAN INDUSTRY UK

THE VOICE OF GERMAN BUSINESS IN THE UNITED KINGDOM



SURVEY ON THE CHALLENGES OF BREXIT AND COVID-19 FACING GERMAN BUSINESS IN THE UK 2020

Businesses who took part:





GERMAN INDUSTRY UK (GIUK) has been at the forefront of German business in the UK, one of Germany's most important markets and locations worldwide for over 45 years. We are a private organisation of 100 members of the board of German businesses in the UK. They represent 250 businesses, employing 250,000 people.

German business, like the rest of business in the UK, has been experiencing difficult times since 2016 because of Brexit and since the beginning of the year, because of COVID-19, a double blow.

GIUK's mission is to support German business in the UK. This includes lobbying Government on matters of concern to us. Brexit and COVID-19 are currently our main concerns in the UK.

In order to proceed with our lobbying Government, we asked for the views of German business in the UK during October and November. We had 30 replies, amongst them major companies such as Bayer, Bentley Motors, BOC, Boehringer Ingelheim, Lufthansa, ThyssenKrupp, Volkswagen and others.

Results of the Survey:

1. Brexit

A majority does not expect a `no deal` but some basic agreement between the UK and the EU by the end of the year. COVID-19 has affected preparations for next year somewhat but most of us are now ready to trade with the UK from 1 January 2021, `deal` or `no-deal` which of course we do not want.

2. COVID-19

A majority found the Job Retention Scheme and the VAT Payment Deferral Scheme helpful. A majority did not find the Business Interruption Scheme, the Bounce Back Loans Scheme or the Job Retention Bonus to be of benefit.

A majority said their sales have been affected by COVID-19 but they had not announced any redundancies so far and will not make any employees redundant during the next few months either.

3. Your Presence in the UK

A majority said there would be no change



Details:

1. Brexit

Do you expect a `no-deal` at the end of the year, which we do not want?

Yes	27%
No	47%
Not sure	26%

Comments:

- *No confidence in current government to get this done & prolonging the stand-off at the detriment to businesses importing & exporting to the EU*
- *Absolutely hope not*
- *Believe a basic deal on goods is more likely but either outcome is possible.*
- *Somewhere between "Yes" and "Not Sure". I believe that there remains a possibility of a deal but am disappointed at the approach being taken by the UK Government*
- *We have been preparing as best we can on the basis of a No Deal but hoping there will be a deal of some sort for trading goods*
- *No confidence that a trade deal will be achieved in time.*
- *I think this was the ambition of the Government from the beginning! However they will end with a tariff free period.*
- *It's within the interests of both parties to agree a deal but the fact that no deal has been reached 10 months into the transition period suggests that we must be prepared for a no deal scenario*
- *We believe that the consequences of a no deal are too large for both UK & Europe, there will be a deal of some sort.*
- *We are preparing for all scenarios.*
- *We have been planning for one right from the outset as it has been the only option that can be planned for with any certainty*

Do you think there will be at least some basic agreement between the UK and the EU by the end of the year?

Yes	70%
No	13%
Not sure	17%

Comments:

- *With further negotiations in 2021*
- *Looks very unlikely as EU will make an example of the UK*
- *Hope for more than just a basic agreement - We need to trade freely*
We had massive disruption and negative impact due to COVID and Brexit uncertainty
Further restrictions, changes and uncertainty needs to be avoided
- *Believe a basic deal on goods is more likely but either outcome is possible.*
- *Important is we need clarification; better a no deal (although it will be a disaster) now than a prolongation of the discussion which corresponding insecurity*
- *Britain has never had intentions to have a deal and are totally unprepared for this event according to their own British Chamber of Commerce.*
- *Somewhere between "Yes" and "Not Sure". I believe that there remains a possibility of a deal but am disappointed at the approach being taken by the UK Government*
- *WTO rules.*
- *Again it is in the interest of both parties to work towards a sustainable deal. Whilst our understanding of the transition period is it cannot be legally extended (EU Withdrawal Agreement Act 2020); if no deal is concluded by the end of the transition period we remain hopeful that a basic agreement can be*



- put in place whilst discussion continues*
- *As above (a), we will have a deal in some format, hopefully with a bit of sensible give & take on both sides.*
 - *We are preparing for all scenarios.*

Has dealing with COVID-19 affected your preparation for next year?

Yes	64%
No	33%
Not sure	3%

Comments:

- *Delayed apprentice intake, also we wait for Brexit*
- *Had to put time and effort into pivoting to react to Covid impact*
- *We have just secured a small warehouse unit in Belfast to continue our frictionless trade with the ROI inside the single market which NI effectively remains in. We will import directly to the new NI unit, bypassing our current premises.*
- *It is difficult to plan anything in the UK as the Brexit and Virus hysteria occupies the British Minds 24/7.*
- *Another major diversion from the "day job" along with Brexit.*
- *We are now not planning any physical Exhibitions next year. Marketing has switched to Digital Marketing*
- *Increased focus and more resources allocated.*
- *We expect a slight decline in income for sure but I think it is a combination of Covid, Brexit and the wider economic cycle*
- *Huge time commitment to COVID has totally distracted us from Brexit*
- *We only have a 'scenario' plan for the revenue this year, we are very cautious on the hiring policy for the year. Even though our situation is currently positive. We expect a low level of orders coming through during Winter 21.*
- *Dealing with COVID 19 has not had a direct impact on our preparation for Brexit*
- *It's made things more difficult, but essentially we have still prepared our business to accommodate BREXIT.*
- *COVID adds further overall uncertainty. We continue to prepare for all Brexit scenarios.*
- *Brexit preparations have continued unabated through the pandemic. However, dealing with COVID-19 has been a separate significant issue in its own right requiring unrelated preparations for next year.*

Have you got your business ready to trade with the UK from 1 January 2021?

Yes	90%
No	3%
Not sure	4%
No answer	3%

Comments:

- *As ready as we can be*
- *Yes, but still many unknowns*
- *We have been preparing for Brexit and the future EU UK trading relationship since the outcome of the 2016 Referendum.*
- *Yes, we are moving our EU business to the EU. UK Staff, UK production and £ operates in the UK – EU Staff, EU production and Euro operates in the EU. Result - No customs papers necessary – no staff travel from the UK to the EU and EU to the UK.*
- *On paper, but if border check/admin will slow down the process significantly- the business will struggle*
- *As a larger organisation we have access to skills and expertise to assist with this however it has come at a financial cost*
- *Still working with our European Distribution Centre in Germany and UPS to finalise process*



- *Internal project in place.*
- *We have been preparing for a worse case for a long time now*
- *Inbound to UK is ok. Export to Ireland (NIU & RoI) is a huge task with too many open questions*
- *We try the best to prepare for a “no-deal” scenario, however the uncertainty and COVID-19 does have impact on our possibility.*
- *We have prepared for a no deal scenario, with the hope of a deal in some format.*
- *We are preparing for all scenarios to ensure the continuity of our business in the interest of our customers.*
- *Although there are issues beyond our control for example transport infrastructure issues that could still disrupt best-laid plans*

2. COVID-19

Do you think that the Job Retention Scheme followed by the new Job Support Scheme has been/will be helpful for your company?

Yes	54%
No	40%
No answer	6%

Comments:

- *We have the same amount of people employed, no redundancies, no furlough*
- *But could go further*
- *It looks like that is more cost effective than to make redundancies*
- *It will help if it's enough depends on further Covid restrictions and Brexit*
- *Not used*
- *Not required by our company*
- *Entrepreneurs do not need these schemes – they bring in orders to pay for all.*
- *In the short term this has been useful however the new scheme is significantly less generous*
- *Not used in any form*
- *JRS was helpful; the JSS does not support us.*
- *Not needed / relevant for Agriculture*
- *Due to the capacity requirements we will not need to reduce capacity currently.*
- *The job retention scheme has been useful in preserving skills and experience within the business. It is too early to assess value of the Job Support Scheme*
- *Yes this has been extremely helpful. Events have overtaken this question, some of our companies will continue to use JRS up until March*
- *The CIRS gives business flexibilities in the current unpredictable COVID and Brexit environment.*
- *We made a policy decision not to avail ourselves of support provided by the UK Government or any Government across the world*

Do you think that the Business Interruption Loans Scheme has been helpful for your company?

Yes	10%
No	74%
Not sure	10%
No answer	6%

Comments:

- *Not valid for banks*
- *Not needed*
- *Didn't need it*
- *Not used*
- *Only indirectly by supporting suppliers*
- *Not required by our company*
- *A business needs orders and profits – not donation loans which have to be paid back.*



- *Cash flow has remained good and we are able to draw on our German parent for money if required*
- *Not used in any form*
- *Do not qualify.*
- *No, too large*
- *The scheme has indirectly been beneficial for the company in that many of our customers will have been recipients of the scheme and it has enabled continued trade.*
- *Our company is not utilizing this scheme.*
- *I believe these have been valuable life lines to some business, we have not actually used the scheme*
- *The scheme could offer benefits for companies in our wider value chain.*

Do you think that the Bounce Back Loans Scheme followed by the new Pay As You Grow Scheme has been/will be helpful for your company?

Yes	3%
No	70%
Not sure	20%
No answer	6%

Comments:

- *Not needed*
- *Took bounce back loan to add some safety*
- *Not used*
- *Not required by our company*
- *Only indirectly by supporting suppliers*
- *You have to pay it back – I cannot see the logic.*
- *Cash flow has remained good and we are able to draw on our German parent for money if required*
- *Not used in any form*
- *Do not qualify.*
- *Too early to determine if these schemes will be leveraged by our customer or supplier base*
- *Our company is not utilizing this scheme.*
- *Again these are helpful to a lot of struggling companies, we have not used the schemes.*
- *The scheme could offer benefits for companies in our wider value chain.*

Do you think that the VAT Payments Deferral Scheme followed by the new VAT Payments Deferral Scheme has been/will be helpful for your company?

Yes	54%
No	30%
Not sure	10%
No answer	6%

Comments:

- *Not required by our company*
- *VAT has to be paid only a bit later. This only prolongs the insolvency*
- *At the beginning of the crisis we were unsure how badly our business would be impacted therefore being able to keep a short term cash buffer was useful*
- *The scheme has indirectly been beneficial for the company in that many of our customers will have been recipients of the scheme and it has enabled continued trade*
- *We initially used the VAT Payment Deferral Scheme, we have replayed all deferred VAT early, at present we pay all VAT on time, there is no doubt this scheme has been extremely helpful.*
- *It allows efficient cash flow management.*
- *This was a scheme which we did not use but would have been helpful if we had taken a different overall stance*



Do you think that the Job Retention Bonus will be helpful for your company?

Yes	20%
No	57%
Not sure	16%
No answer	7%

Comments:

- *Limited*
- *Not used*
- *Not required by our company*
- *Helpful but will not lead to different decisions*
- *I cannot see the point – you need profitable orders to keep staff. If you make profits then the country will make money, the Nation will prosper.*
- *Wouldn't make any difference for employment levels*
- *Although the bonus is welcome for an organisation of our size it is not material enough to impact our underlying decision making process*
- *Not used*
- *Even though we have restructured, we have retained a high number of people.*
- *It will support our profit level and can go towards a pay increase*
- *Too early to determine if this schemes will be leveraged by our customer or supplier base*
- *I have said yes, but some of our companies will, others that are trading well despite the pandemic will not use the scheme.*
- *TBC – based on changing environment / scheme availability*

Have your sales been affected by COVID-19?

Yes	84%
No	16%

Comments:

- *Mixture of Covid and Brexit impact*
- *At first positively then negatively*
- *It is starting now and it shall be worse in 2021.*
- *Our short term sales in some areas have risen however in other areas such as elective surgery they have fallen sharply. Given the specific expertise required in each area it is difficult to move people from areas of low sales to areas of high sales*
- *But not as much as we originally feared. However we think 2021 will be flat overall, down first 6 months, up 2nd six months*
- *40% reduction year to date (expect -30% for full year).*
- *20% reduction in sales, and a plan for 33% reduction this year*
- *Sales volumes have been adversely impacted by COVID-19*
- *Sales dropped during the first lock-down time but recovering well*
- *Sales have impacted divisions at different levels*
- *UK registrations have declined due to COVID-19.*

Have you already announced redundancies?

Yes	33%
No	67%

Comments:

- *Announced and implemented*
- *Our order book is still healthy and our team has realized that extra ordinary efforts are necessary to survive.*
- *Only voluntary*
- *Process completed.*
- *Voluntary occurred in June – 5% reduction*

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More of a clearing of the deck process.

- *Redundancies were announced in September 2020*
- *Yes in some divisions, but not all.*
- *None related to COVID*

Are you going to announce redundancies during the next few months?

Yes	13%
No	57%
Not sure	23%
No answer	7%

Comments:

- *Still under review*
- *Hopefully not - we have survived in the UK for over 40 years. We want to be here for the next 1000 years. I have seen the UK in recession every 10 years – this time the UK literally begged for a recession for four years with their Brexit Euphoria.*
- *Everyone will accept pay cuts*
- *Our short term sales in some areas have risen however in other areas have fallen sharply. Given the specific expertise required in each area it is difficult to move people from areas of low sales to areas of high sales*
- *But not for Covid or Brexit but because we are phasing out a range of products from the market for technical reasons*
- *Yes, some may be delayed due to the extension of the JRS scheme with hope of business recovery.*
- *No plan at the present time*

3. YOUR PRESENCE IN THE UK

Over the last 12 months how has your business commitment to continued investment in the UK evolved?

Increased	17%
Decreased	23%
No change	57%
No answer	3%

Comments:

- *Mixture of Covid and Brexit impact. Overall our Risk department is concerned about the medium and long term impact of Brexit*
- *Yes a deal is however important (no answer to increased/decreased etc)*
- *This time the recession will hit hard – Brexit, Covid and Electric Cars without cables in the streets and Power Station Infrastructure are too big for the UK to handle on their own – this is my personal opinion – I hope I am wrong.*
- *Although the support from our parent remains strong there is no doubt that they now consider the UK to be a riskier investment area than before the Brexit vote*
- *We might grow organically once business returns to normal, but don't expect to grow beyond that, certainly not over the next 2/3 years.*
- *UK is recognised as a 'hot spot' for Life Sciences R&D and remains an attractive market to invest in to be embedded in the UK Life Sciences eco-system*