

LONDON BUSINESS AND THE EU REFERENDUM

In January 2013, Prime Minister David Cameron announced he would seek to renegotiate UK membership of the European Union (EU) and then hold a referendum on whether the UK should remain in the EU under proposed new terms or leave the EU.

Following that 2013 announcement, London Chamber of Commerce and Industry (LCCI) published a number of reports related to the impact of the EU on London businesses.



May 2013: *Help or Hindrance? The value of EU membership to London business* assessed the costs and benefits of EU membership to London's economy



December 2013: *Let them come? EU migration and London's economy* examined the role of EU migration in London's economy



June 2014: *London and the EU: Refocusing to support business growth* discussed the areas where reform at the EU level could benefit London businesses

In November 2015, Mr Cameron outlined his demands in a letter to President of the European Council, Donald Tusk. Following an agreement reached at the Council Summit in February 2016, the Prime Minister announced a referendum would be held on 23 June 2016.

In the lead-up to the Referendum LCCI will not be campaigning either to 'Remain' or to 'Leave' but will seek information and facts, on a range of matters, from both of the official campaigns to assist our members to make an informed choice on 23 June 2016.

This paper is intended to provide a snapshot of the views of some London businesses on the European Council agreement and on the EU more generally. Views expressed do not represent the view of LCCI as a corporate body.

AREAS OF RENEGOTIATION

After negotiations with other member states' leaders, the UK Prime Minister agreed a package of changes to the UK's membership of the EU. This covers four broad areas:

1. Economic governance

- A mechanism that can be used unilaterally, to safeguard countries that do not use the Euro from further financial union regulations
- Explicit recognition that the Euro is not the EU's only currency and that businesses cannot be discriminated against on that basis
- Guarantees that any British money spent on bailing out Eurozone nations will be reimbursed

2. Competitiveness

- A commitment to "fully implement and strengthen" the single market in the services, digital and energy sectors
- Reducing excessive regulation and taking "concrete steps towards better regulation"
- Expanding the number of international free trade agreements

3. Sovereignty

- An explicit statement that the UK will not be part of an "ever closer union" with other EU member states to be incorporated in EU treaty change
- A new "red card" mechanism allowing national parliaments to block unwanted legislation

4. Migration

- An "emergency brake" allowing the UK, for up to seven years, to limit in-work benefits for EU migrants during their first four years in the UK, in case of an "exceptional" level of migration
- A provision to recalculate child benefit payments to migrant workers with children living overseas on the basis of the cost of living in their home countries

The deal secured by the Prime Minister has attracted a degree of scepticism. Some commentators have asserted that the reforms achieved did not meet all of Mr Cameron's initial demands and that these may be further diluted by EU institutions after the referendum.

Of the renegotiation areas, competitiveness is of particular interest to London businesses, who have long called for the extension of the single market and new international trade deals, as well as a reduction of the regulatory burden on business.¹ Economic governance is also of note, with London businesses concerned that the capital's financial services industry may be disproportionately affected by EU-driven regulation.²

While the UK public appears to have strong views on limiting EU migration, London business has looked to the positive economic impact and reliance on migrant workers for specific skills, attitudes and experiences that are not readily available in the UK labour market.³ The detail remains unclear on what impact the 'brake' may have on migration.

"As a businessman, I need access to labour. Getting people from outside the EU is a real problem, as securing tier 2 work visas is difficult, time consuming and costly. For me, restricting immigration from the EU would need to be countered with better access to skilled labour from outside Europe."

Executive Chairman, media company

¹ LCCI (2014): *London and the EU: Refocusing to support business growth*, at www.londonchamber.co.uk/research/EUreport2014

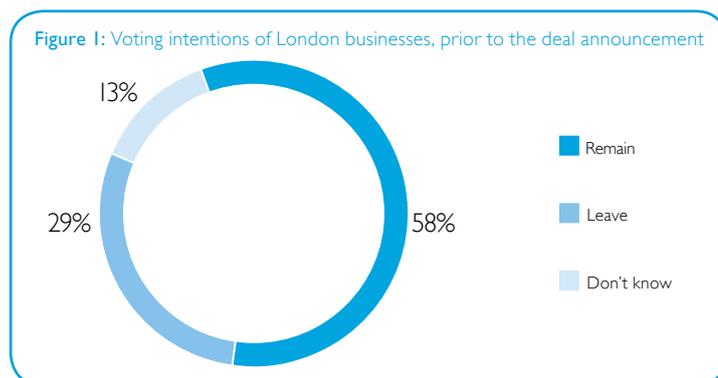
² LCCI (2013): *Help or Hindrance? The value of EU membership to London business*, at www.londonchamber.co.uk/research/EUreport, pp. 15-16

³ LCCI (2013): *Let them come? EU migration and London's economy*, at www.londonchamber.co.uk/research/EUmigration

COMRES LONDON BUSINESS SURVEY

Prior to the announcement of the European Council summit deal, LCCI commissioned polling company ComRes to survey over 500 London business decision-makers, representative of the London economy by company size and broad industry sector, on the EU referendum.⁴

Asked about their voting intentions if the referendum were held tomorrow, 58% said they would vote to remain in the EU, 29% said they would vote to leave, and 13% said they did not know (Figure 1). Micro businesses (with 0-9 employees) were less likely to say they would vote to remain (57%) than larger businesses (68%).



Q. Thinking of your business's needs, if a referendum on the UK's membership of the European Union were held tomorrow, how would you vote on the following question: Should the United Kingdom remain a member of the European Union or leave the European Union? Base: all London business leaders (n=506)

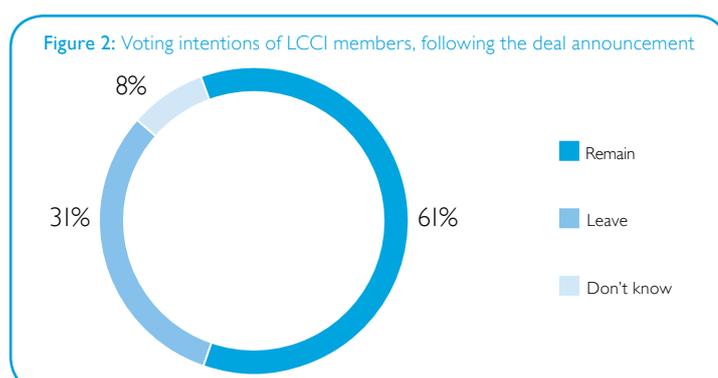
Asked if the outcome of the renegotiation would affect their voting intentions, business leaders who intended to vote to remain were unlikely to change their mind based on the deal (fewer than one in six said they would vote to leave instead, if Cameron failed to secure change in each of the four areas). However, 55% of business leaders who intended to vote to leave said that David Cameron securing change in the area of immigration would make them more likely to vote remain. This was also the area most likely to influence business leaders who were undecided.

Probed about the economic impact of EU membership, the top areas London businesses thought would be best served if Britain remained in the EU were the ability to trade with EU markets (55%), the ability to attract foreign direct investment from EU countries (55%) and access to labour from EU countries (49%). The two areas where business decision makers were more likely to say it would be better if the UK left than remained in the EU were the overall cost of employment regulations (39% better if the UK left, 22% better if it remained) and access to labour from non-EU countries (27% better if the UK left, 19% better if it remained).

LCCI MEMBERS SURVEY

LCCI conducted a separate poll of our member businesses immediately after the European Council summit deal was announced.⁵ Asked about their voting intentions, 61% said they would vote to remain, 31% would vote to leave, while 8% were undecided (Figure 2) – a split that broadly reflects the ComRes poll of London businesses.

Asked about their views on the reforms secured, the majority of LCCI members were satisfied with all four areas; however, a significant proportion were 'fairly' or 'highly dissatisfied' with the reforms in immigration (39%), sovereignty (32%), competitiveness (30%) and economic governance (23%).



Q. Given the deal reached, if a referendum on the UK's membership of the European Union were held tomorrow, how would you vote on the following question: Should the United Kingdom remain a member of the European Union or leave the European Union? Base: all LCCI member respondents (n=215)

⁴ ComRes survey for LCCI of 506 London business leaders, 1-22 February 2016. All data has been weighted to be representative of all London businesses by company size and broad industry sector. Comres is a member of the British Polling Council and abides by its rules. Full data tables are available at www.comres.co.uk.

⁵ LCCI online survey of member businesses, 22 - 26 February 2016, based on 215 responses, unweighted

IN THEIR OWN WORDS

What LCCI members said about the impact of EU membership and the forthcoming referendum:

"UK businesses are struggling to find people with the right skills and rely on people from outside the UK. In some cases, skills are found from those who want to move around for flexible short-term work. Being members of the EU, employment legislation has given businesses extra challenges and more would lessen the impact of flexible working."

Managing Director, recruitment company

"The UK remaining part of the EU is incredibly important. We transport and deliver customer's volume to and from the EU on a daily basis. If we left the EU, we would potentially lose the free movement of goods and face customs barriers and tariffs. We could also potentially be excluded from the biggest and the best trade agreement the EU could yet negotiate, with the US."

Public Affairs Director, international logistics company

"I am unhappy about rules made in Brussels being imposed on the UK with little opportunity to influence or change them. We joined a Common Market for trade and it does seem to me that the EU is progressing to a Federal European State, which I do not wish to be part of."

Chief Executive Officer, tourism company

"I am in favour of staying in the EU as the UK is primarily a trading nation and we need to trade with our neighbours. There is also the argument that nations which trade together don't fight one another, which was the main reason the EU was founded in the first place."

Managing Partner, executive search firm

"I think Europe needs to be much more entrepreneurial, but instead is trying to become 'fortress Europe' by building regulations that make it more difficult to do business. I believe the EU in its present form is unworkable and I will vote to leave the EU. I don't see any real risks involved in leaving. We have lived outside the EU before and that was never a problem."

Executive Chairman, media company

"Within the tourism industry there is a concern that leaving would affect free movement to the UK, and that we will be penalised with expensive flights, both of which would deter the very large EU market from travelling here."

Chief Executive Officer, tourism company

"I feel strongly that we should stay in the EU, as many businesses are reliant on the single market for trade. If we leave the EU, this will affect export documentation and certification, and I will need to employ two or three more people to process additional paperwork. We also don't know whether EU members will put up tariffs on doing business with the UK, which would be a massive added cost."

Managing Director, international energy services provider

For more information on this paper and our polling, please contact the Policy and Public Affairs team on

T: +44(0)20 7203 1817 or E: research@londonchamber.co.uk

Sean McKee
Director of Policy and Public Affairs
E: smckee@londonchamber.co.uk
T: +44 (0)20 7203 1882

Silviya Barrett
Policy Research Manager
E: sbarrett@londonchamber.co.uk
T: +44 (0)20 7203 1817

Thomas Wagemakers
Policy Research Officer
E: twagemakers@londonchamber.co.uk
T: +44 (0)20 7203 1925