

Offshore Electronics, Brexit and Guernsey's position in Europe.

Please find below our current assessment of the potential effect that Brexit could have on Guernsey as the UK exits the European Union (EU) with or without a favourable outcome.

Guernsey is not part of the EU and does not contribute to, or receive anything from the funds of the EU. The Channel Islands do however enjoy a formal relationship with the UK and the EU which is governed by Protocol 3 of the UK's Act of Accession to the European Economic Community that has existed since 1972.

The current position (1st October 2019) :

- Guernsey is a self-governed, sterling based dependency loyal to the Crown that has free trade movement unrestricted by tariffs, quotas or other barriers with the UK and EU. Guernsey does not impose VAT, enjoys low personal tax and NI rates with a headline corporate tax rate of 0% for most business activities.
- Under Protocol 3 Guernsey trades 'within' the EU for the purposes of the free movement of goods, services and persons but is 'outside' of the EU for other purposes including the right to work and for residency in the Island. Protocol 3 requires that all traded goods and services meet the standards and requirements of EU legislation.
- With the uncertainty that any Brexit outcome has for the UK and EU, Guernsey along with Jersey and the Isle of Man have recently signed a formal customs arrangement with the UK Government that safeguards tariff free trade between the Crown Dependencies and the UK. The agreement also secures membership to the World Trade Organisation (WTO) and will position Guernsey favourably in respect of all new free trade agreements negotiated with the UK.
- While it is very apparent that the EU27 members do not want the UK (as a significant contributor) to leave the European Union the exit process under Article 50 has been triggered and the UK Government is actively working to avoid a 'no deal' Brexit or second referendum. We are hopeful that a tariff free trade deal between the UK and EU will be agreed as this is the best possible outcome for the UK and our customers.
- With the threat of Customs delays between the UK and EU borders we continue to procure customers components at least one month ahead of the acknowledged due date to minimise the prospect of late shipments without excessive stock holding. Under the new customs arrangement we do not expect any delays shipping between Guernsey and the UK.

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The anticipated post Brexit position (31 October 2019) :

- Locally we have been involved with our Government officials who have been very proactive collaborating and preparing Brexit contingency plans with the UK Government department responsible for exiting Europe (DExEU) and MP James Duddridge the Under Secretary of State for DExEU. We have been invited to contribute at planning and briefing meetings and have co-hosted visits from Westminster officials including DExEU, The Business Energy and Industrial Strategy (BEIS) Department and Ministry of Justice (MoJ). Our Guernsey representatives continue to have meetings with senior UK Government officials and we have written assurances from the UK Government that the Channel Islands special and constitutional relationship with the UK would not be threatened under any scenario so we are hopeful of a good conclusion for Guernsey whatever the Brexit outcome between the UK and EU.
- The legal sector is well represented in Guernsey and this sector has concluded that the most likely outcome for Guernsey when the UK leaves the EU is that very little will change locally. The Brexit agreement detail is expected to take as long as ten years to negotiate with little likelihood of any significant changes to UK Law in the interim.
- Trade tariffs and free trade agreements remain the biggest concern in the event of a 'no deal' or change of Government in the UK but these scenarios are completely out of our control so we will wait and see what the political landscape looks like at the end of October 2019 and react accordingly.

Outside of the formal Protocol 3 relationship Guernsey and the Channel Islands remain independent and are treated as a 'third country' by the UK and EU27 members. With our convenient geographical location, independence and free trade agreements the Channel Islands arguably have the Brexit deal that the UK would like to negotiate with the EU.

More significantly, we believe that our unique relationship with both the UK and EU will provide our customers with a safe haven, stability and certainty through a very uncertain period of time politically and economically as the UK and EU argue over the detail of the UK leaving the European Union.

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