

Foreign Affairs Committee

Oral evidence: [Implications of Leaving the EU for UK's role in the World](#), HC 431

Tuesday 5 July 2016

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Members present: Crispin Blunt (Chair); Ann Clwyd; Mike Gapes; Stephen Gethins; Yasmin Qureshi.

Questions 58-145

Examination of witnesses

Witness: Rt Hon Oliver Letwin MP.

Q58 Chair: Welcome to today's session of the Foreign Affairs Committee. Chancellor of the Duchy of Lancaster, I am immensely grateful to you for coming to us to take questions. You will obviously appreciate the enormous interest there is in the work of your unit. I suspect that pulling all this together is very possibly the biggest challenge you have faced in your time in government in the last six years. Perhaps I can invite you to tell us: what's the plan?

Mr Letwin: Thank you, Chairman. It may be helpful if I begin, briefly at least, by explaining what we are doing and almost equally importantly, what we are not doing, because I think there has been a certain amount of misconception about this. The task of deciding how to negotiate our exit from the EU and how to negotiate the arrangements that follow with the EU and, indeed, with other countries that are trading partners is one that can only be undertaken by a new Administration, a new Prime Minister and a new Cabinet. There are some very important decisions to be made. It is no part of my remit in any way to compromise those or to prejudge any of those decisions—that, we are not doing.

Secondly, the actual beginning of negotiation is something that has to be done once there is a new Prime Minister in place and a new Cabinet—and indeed, new Ministers doing whatever the Prime Minister has appointed them to do. Therefore, the second thing we are not doing, contrary to some popular misconceptions, is engaging in negotiations. I have no mandate to negotiate, nor am I negotiating—nor will I negotiate—with anybody.

That brings me to the question of what we are doing. The answer is that we are trying to do the most we can between now and 9 September to prepare the ground so that the incoming Administration can conduct those



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negotiations, which are complicated and arduous, with the best possible chance of successful and smooth outcomes. In order to do that, there are essentially three things that we are setting out to do, and have been doing for the last week and will continue to do for the next couple of months.

The first is to build a team. The new permanent secretary, Oliver Robbins, is not only appointing some people inside the Cabinet Office, but drawing together—at this stage on a virtual basis, but under the new Administration, no doubt wherever they are located, on an actual basis—all the expertise from all the various Government Departments, where that expertise lurks. Obviously that is from the FCO and BIS and Treasury, but also from a wide range of other Departments where there is specific expertise that is relevant. He is also charged with identifying gaps in our armoury—things that Whitehall isn't collectively equipped to do today. For example, I am sure the Committee will be well aware already that because trade negotiations to date have been conducted at an EU level rather than a national level, we clearly need a new cadre of highly skilful and highly experienced trade negotiators. Preparations are now under way to identify how best to recruit those and how best to use those who are experienced to train up people within Whitehall to assist. Before 9 September, I hope all that will be under way—so, team first.

Secondly, there is a great deal of factual work that can be done—fine-grained, detailed work—identifying, very highly specifically, various constraints and background situations that need or will need to be understood by those who are undertaking the negotiations following 9 September. That is a wide-ranging task. To give an example or feel for the sort of thing I am talking about, the detailed analysis of precisely which kinds of tariff and non-tariff barrier a particular subsector's goods or services might be exposed to under circumstances in which there was not a free trade agreement—and hence, what items would be in question in a free trade agreement for that particular product or service—is the sort of thing that will need to be built up on a factual basis and which is already under way as well. Of course, a good deal of analysis has gone on in the past over those things, but we need to make that much finer-grained, in much more detail and much more comprehensive. So first, team; second, fact base.

The third element of the activity is to draw together options papers on a wide range of individual issues so that those can be presented to the present Cabinet—I stress, incidentally, that it is to the present Cabinet that this group reports and answers and all that it does will be exposed to all the members of the present Cabinet. The intention is that by the time we reach 9 September, the Cabinet will have received—and these will therefore be on record and available to the new Cabinet—a series of issues papers that show the options for dealing with a wide range of different issues. For example, how do we continue to have co-operation on police or security? What are the options for structuring those following an exit? How does one deal with the funding of innovation and science post exit and so forth?



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Clearly there is a very wide range of specific items that individual Departments of State know quite a lot about. We are dragging their expertise out of them to build those options papers. But we are also making sure at the centre that what is said in one options paper reflects anything that is relevant from others, and co-ordinating the whole package so that what is given to the Cabinet is the best possible basis for the incoming Administration to work off.

Tediously to repeat, no part of my intention or remit is to prejudge what decisions are then made about which options the incoming Administration follows. We are trying to create the greatest possible flexibility for the incoming Administration to make its own judgments about how to proceed in light of that. I hope that is a helpful description of what our task is.

- Q59 **Chair:** That is a helpful introduction. The fact that you having to do this now obviously contrasts with the statement by the Governor of the Bank of England, in the immediate wake of the nation's decision, on the Friday morning following the decision. How much is it an act of gross negligence that this contingency planning was not undertaken before the referendum?

Mr Letwin: Well, actually, I don't think there is any contrast in the sense that there was a decision—a very clear-minded decision—made to do one thing, and not to do another, before the referendum.

- Q60 **Chair:** But that decision was widely criticised and you are now left picking up the pieces.

Mr Letwin: It may have been criticised, but it was absolutely right that we needed to have, in the Bank of England and in the Treasury, a very full contingency plan for dealing with the immediate financial market effects of a Brexit vote. That was done. I think actually that both the Governor of the Bank and the current Chancellor have done an excellent job in using that contingency planning to restore stability in the markets. I think that was all very well carried out. No doubt there will be further need to provide reassurance; indeed, the Prime Minister and the Secretary of State for Business, for example, are having a series of conversations with investors and businesses to provide the necessary reassurances in this period also.

We have always recognised that the process of negotiation following an exit is arduous, quite lengthy, not to be rushed and can only be followed once the person who is Prime Minister, and the Cabinet that they have appointed, have adopted a clear-minded strategy about how to pursue that. Therefore, the only things that we can do in advance of a new Prime Minister and Cabinet coming in are actually the very things we are currently doing, and those we can do—

- Q61 **Chair:** Well, hold on a minute. The current Prime Minister made it crystal clear in the run-up to the referendum that he was going to carry out the instructions of the electorate, whether the electorate chose to stay or leave. I still put it to you that it was, frankly, a dereliction of duty for there to be no contingency planning.



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Mr Letwin: There has never been any doubt—

Q62 **Chair:** It was never suggested. There was no suggestion that there was going to be a new Prime Minister following a referendum result.

Mr Letwin: There has never been any doubt that the instructions of the British people—in the sense of the vote that occurred on 23 June—had to be carried out, evidently, whichever way they went.

Q63 **Chair:** Since there were only two options it might have been an idea to plan for both, don't you think?

Mr Letwin: There has never been any doubt that we should carry out the instructions of the British people; but actually it is only the Prime Minister of the day who is doing that job, and the Cabinet that they have, that can make the decisions about strategy.

Q64 **Chair:** Yes, but the Prime Minister was clear there was going to be no change of Prime Minister regardless of the decision of the electorate. So why on earth was there no contingency planning going on? There were only two scenarios: stay or leave.

Mr Letwin: I don't agree that there are only two scenarios, in the sense that leave means leave, but how you decide to go about the process of negotiating your exit is a very important series of decisions in itself and can only be taken by the incumbent at the time.

Q65 **Chair:** But there was going to be an incumbent at the time. The whole premise of the referendum was that the incumbent was going to remain in office, so surely this planning should have been going on.

Mr Letwin: But, Chairman, do you not observe also that that isn't how it fell out? We are actually going to have a new Prime Minister and a new Cabinet on 9 September. If you are asking the practical question, "Would it have been possible to pre-design the strategy for negotiation?" the answer is that as things have turned out it would not have been possible. I believe it is actually possible to do the work and preparation we are doing in the period between now and 9 September. It is hard work, but I think we can do it.

Q66 **Chair:** So let me just understand the logic of this situation. The Prime Minister says publicly that he is staying whatever the result and orders there to be no contingency planning, therefore making it quite impossible for him to stay in these circumstances, because he would then be seen as negligent. You do see that there is a contradiction sitting in the middle of that somewhere.

Mr Letwin: I don't think there's any contradiction here. As events fell out, the Prime Minister did not remain in place, and therefore a new Prime Minister will have to make decisions about the negotiating strategy, and those are very important and very difficult decisions to make. I repeat: in the period available to us—this is the point that is material to the nation—we are able to provide the firm base on which those decisions can be made.



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Q67 **Chair:** Do you think the Prime Minister had a mandate to carry on?

Mr Letwin: The Prime Minister made it perfectly clear in his resignation speech that he felt that he did not.

Q68 **Chair:** Why was he saying the opposite in the run-in to the referendum then?

Mr Letwin: If you want to interrogate the Prime Minister on the conduct of the referendum campaign, that is a separate inquiry. I am not here—

Q69 **Chair:** The Prime Minister declined to come before this Committee to take questions on Libya, so I think it is highly unlikely he is going to come before the Committee now.

Mr Letwin: I cannot speak for that, Chair.

Q70 **Chair:** You're the one left holding the baby.

Mr Letwin: I can only say that the baby is being firmly held and that my intention is that the baby should prosper, because I care about the baby in question—it is, in fact, our country.

Q71 **Yasmin Qureshi:** Continuing on from what the Chairman has said, we had a very strange scenario where the people who were saying, "We want to leave", had no plan and thought No. 10 should have a plan, and No. 10 presumably thought that the Brexit people should have a plan. It is important to emphasise the fact that the Prime Minister indicated throughout the whole referendum period that he was going to stay in office. It is therefore quite natural to assume, especially in light of what the polls were saying, that there was a great likelihood of us exiting and that no one had come up with an exit plan or a plan to deal with one of the biggest challenges our country has faced in the past 50 years. That shows clear dereliction of duty.

Mr Letwin: Well, as I've said before and I say again, actually as events turned out, the Prime Minister did not remain in place. It simply would not have been possible to impose on a new Prime Minister a plan that had been developed before that new Prime Minister came into office. That is not a practical proposition.

Q72 **Yasmin Qureshi:** After the vote for exit, immediately there was a collapse of shares and an economic downturn, and the Governor of the Bank of England stepped in and said that he was going to do certain things. Surely that could have been anticipated—the immediate aftermath.

Mr Letwin: It was totally anticipated, and the Governor of the Bank of England and the Treasury put in place a very comprehensive contingency plan for precisely that eventuality, and executed it very well. The result was that the markets have stabilised, and that is a very important thing to have done.

Q73 **Yasmin Qureshi:** But that was the Governor of the Bank of England stepping in; it was not the Government pre-planning with him or saying,



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"We need to sort this issue out."

Mr Letwin: On the contrary, as I explained in relation to the question from the Chair, that was very carefully co-ordinated between the Treasury and the Bank of England. If you look back, you will see that the Chancellor and the Governor of the Bank of England made it clear that they were doing that contingency planning. They did do it; it was successful and it was successfully executed. There is absolutely no question of anything not having happened that needed to happen on 23 and 24 June. It did happen, and it worked.

- Q74 **Yasmin Qureshi:** Can I ask you this? The Prime Minister has been leading the country for the last six years. He has been on the international stage and he has friends in the European Parliament and among international leaders on the European scene. Is it really right that she should have left the country at this critical point, bearing in mind he never said, "If I lose, I am going to go"? He always said, "I will carry on." Therefore, to abandon ship at this point is a complete dereliction of duty. It is like he had the keys to the country and he crashed it.

Mr Letwin: You are obviously totally entitled, as a fellow Member of Parliament, to whatever view you take of that matter. The Prime Minister explained in his resignation speech, which I thought was one of the most dignified and powerful speeches in recent times, why he had chosen to resign, and that is why he resigned.

- Q75 **Yasmin Qureshi:** You said the economic issues were looked at, but there are some immediate issues that need to be resolved. I know you are saying that the purpose of the unit is effectively to put structures and processes into place, but, for example, there are issues about the situation of EU nationals living in this country and British nationals living in the European Union. There are immediate implications for those people and for some institutions like universities, and their research sides in particular, with students coming and going, which will be impacted immediately. Have any plans been put in place for those two immediate, urgent situations that need to be resolved?

Mr Letwin: There are many issues which will need to be resolved. None of the items that you describe are immediately affected in the sense that there is no change in the status of anybody who is a UK citizen living in the EU today, nor is there any change in the status of any EU citizen living in the UK today. Both continue exactly as before 23 June. There is no immediate effect, unlike with the financial markets where there was an immediate effect and a contingency plan.

There therefore fall to be decisions made and both the Prime Minister and the Home Secretary have made it perfectly clear that they wish to see a situation in which both the position of UK nationals in the EU and the position of EU nationals in the UK are fully protected. How that is brought about is a matter for decision by the next Prime Minister and Cabinet.

- Q76 **Yasmin Qureshi:** I have constituents who have written to me who are very worried about their particular statuses, and constituents who live



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abroad have written to me. So clearly that was something that was very fundamental and you would have thought that somebody in the Government would have forward-planned on that one in the sense of saying, "This is what is going to happen to these European citizens". Even now, one of the Prime Ministerial candidates is swinging from one to the other. On one occasion she says, "Yes, they may have to go," and then she says, "They may not have to go." It is one of those things that people could have predicted, and no assurances have been put forward by the Government to say, "No, it's fine. You will be okay." People are left with uncertainties.

Mr Letwin: This is a reciprocal issue in the sense that there are two groups of people who we are all concerned about: one set are UK nationals living in the EU; the other set are EU nationals living in the UK. It is not possible for the UK Government simply to determine both of those outcomes; it has to be discussed between the remaining 27 members of the EU and the UK, with a solution reached that protects the rights of both.

Q77 Yasmin Qureshi: Can I just ask, on the question of setting up the Cabinet Office unit that will manage our exit from the European Union, whether you know approximately how many people will be in it?

Mr Letwin: Not yet, though obviously as we move through the next few weeks I would be delighted to come back to the Committee or write to it, as we evolve the plan, with numbers. There are quite considerable numbers of people around Whitehall that are already doing jobs that make them clearly suitable to be part of the operation. For example, in BIS there is a group of I think 43 employees plus a small number from the FCO and DFID who deal with trade policy and they are natural candidates to be brought in. But we need to get very careful work done to identify exactly which groups of people are needed back home in their Departments and which groups of people can move towards the unit. Then, as I say, we need to identify the gaps in our armoury: how many people from the outside will need to be brought in and the processes by which they are brought in. So it is not a simple matter of adding up some sum of people who are easily identified. However, it is work that needs to be done apace over the next four, six or eight weeks, and before 9 September we should have an answer to that question.

Q78 Yasmin Qureshi: Can I ask about the relationship between the new unit and the various Government Departments involved in the transition process? I am trying to ask whether it will be a case of each Department having a representative in the unit or will there be sub-divisions within the units looking at different areas of responsibility, be it trade, education or citizenship issues, and that each unit will report back to the main unit or the different Departments. How is that relationship foreseen?

Mr Letwin: The intention is to identify groups of officials in each of the relevant Departments who are working in the relevant spheres and bring them into the unit. In the course of the next eight weeks that will be virtual in the sense that they will be physically located in their home



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Departments but they will be working in a co-ordinated way with those from the other Departments through the good offices of the unit and in regular meetings that Oliver Robbins will be holding with the relevant officials from around Whitehall. Where the whole team then ends up depends on the decision of the incoming Prime Minister about how they want to arrange this. Obviously, there will be various options for where to put the team for demergers and under what kind of ministerial supervision at that stage. That we need to leave open for the new Prime Minister, but we can make sure they have available to them nominated persons in the various places that are available whose work is being co-ordinated.

I should add that in many of those cases a good deal of work is already under way and has been for some time looking at specific issues. For example, Oliver Robbins came over from the Home Office. He was already looking at a whole series of issues about how to deal with the remaining co-operation that there will clearly need to be after an exit.

Q79 Yasmin Qureshi: In this system of relationship, will there be any opportunity or space, publicised nationally, for a group of people or a particular industry or area of activity who feel that their interests are not being looked at to have an input into the Cabinet unit to allow them to put forward their specific interests if they will be affected by the exit from the EU?

Q80 Chair: Groups such as farmers and from the universities, for example.

Mr Letwin: Yes, absolutely. It is a matter of considerable concern that we need to make sure that the issues we are studying are comprehensive. You mentioned farmers and universities, and one can add manufacturing industries, financial services and so forth who may have specific issues and concerns that they believe need to be studied, or to have option papers written about them and facts assembled. We are hoovering up all that information.

Many groups have already written to me and many have approached other Ministers. We are collecting all that information together and making sure that each interest group has the ability to provide in an organised way their views about what we ought to be studying and what facts are material. That will certainly help us in our work over the next couple of months.

Q81 Yasmin Qureshi: I have one final question about different groups. One group that has written to me, apart from people concerned about their citizenship, is people in education and the university sector, which may lose something like £900-odd million. I think you know that most research projects in our university sector are with other European Union countries. They are concerned about students coming and going and the loss of revenue. A number of outstanding universities may collapse if they do not have enough finance. In the process of putting it together, will you please look at this sector? They have to plan two or three years in advance, obviously, in working out their research and moneys. Perhaps that could be one of the priority areas.



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Mr Letwin: The first point to make is that there is of course no change in the funding streams for our universities or research institutes today. We remain fully paid-up members of the EU until we leave; the funding streams therefore continue.

The Treasury is currently considering the question of how to deal with contracts, entitlements and funding that have an EU component, across quite a wide range of areas. Universities are obviously a very important one, but others engaged in infrastructure projects are another, and there are other examples of people doing important kinds of work in various fields who depend to varying extents on funding streams from the EU. The Treasury is studying all of that as a matter of priority in order to come up with a response which can provide the reassurances necessary and enable business as usual to continue.

Q82 **Yasmin Qureshi:** Do you have a budget set for this new unit, or is it—

Mr Letwin: Uniquely in my experience of the last six years, which have been very difficult fiscally and during which we have been operating on very tight budgets, in this instance, the importance of the matter is so great for our country, and the amounts involved in transferring civil servants and hiring some outsiders are so small, that I am glad to say nobody has suggested any budgetary constraints. We are simply trying to do the best job we can on the best value for money that we can provide. I would imagine that the Committee shares my view that that is the right approach at this stage.

Q83 **Mike Gapes:** So it might be £350 million?

Mr Letwin: I would be completely astonished if it were £350 million.

Chair: A week!

Q84 **Mike Gapes:** Er, yes. Can I take you back to something you said in answer to Yasmin Qureshi? It follows on from the questions from the Chairman. You said that you could not impose a plan before a new Prime Minister came into office. If that is the case, is there no point, really? Is this not just some kind of fig leaf? Isn't it an irrelevant fig leaf unless you can get assurances, at least from the two candidates who finally go into a ballot, that they will abide by the work and the recommendations that you come out with?

Mr Letwin: No. I know this is a cause of great difficulty in all the reporting, so let me try again to explain. We are not making any recommendations. There is no question of them abiding by anything. We are providing a basis for them to make decisions. That is a very important distinction. You ask the question, "Is it worth doing that?". I would have speculated a week ago that it was abundantly worthwhile; I can now tell you after a week of very intensive effort that it is totally necessary and abundantly worthwhile, for sure.

There is a vast array of issues about the team, about the fact base and about the options for dealing with specific issues where it can only make sense to make the decisions required when we have the whole of it in



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front of us. We can prepare the basis for the decision making; we are not making and cannot make any recommendations about what decisions should be made on that basis.

- Q85 **Mike Gapes:** When you come to your options, are you likely to have an option that says, "The Prime Minister and the new Cabinet immediately trigger article 50, and therefore these things happen."? Or, as I hope, do you expect a parliamentary discussion, a parliamentary decision and a parliamentary consideration of all these options prior to any triggering of article 50?

Mr Letwin: It is entirely a matter for the new Administration to decide how to conduct the entire negotiations. Obviously, part of that decision is about when to trigger article 50. That is not something that I can in any way prejudge. On the question of whether article 50 will involve parliamentary discussion, one has to separate very importantly between two sub-questions. One is: what is the legal status of article 50? Can it be exercised by the prerogative power or does it require Parliament? There are, as I understand it, conflicting views about that.

- Q86 **Mike Gapes:** And there is a legal challenge.

Mr Letwin: I gather that there is a legal challenge. I am not a lawyer. I am not offering any opinion about it because I am not qualified to do so. I am advised by the Government lawyers that, in their view, it clearly is a prerogative power. No doubt this will be heard in court. In the strange way in which these things happen, I will be named as a litigant, but we will discover the answer to that in court.

However, in my view, that is an entirely academic issue because, wholly uncontroversially—no one in the Committee and no one in the House will in any way dissent from this—in order to exit the European Union, as well as reaching various external agreements, we very clearly will need either to repeal or substantially amend the European Communities Act. That requires action from both Houses of Parliament in primary legislation, and I don't have the slightest doubt—I am sure no member of the Committee will have the slightest doubt—that in the course of debating that legislation, questions about article 50, among many others, will be debated, inevitably.

- Q87 **Mike Gapes:** Let's get back to the actual triggering of article 50. Even if it is a prerogative power, do you think it is politically wise for an unelected Prime Minister, in the sense of only being elected by 120,000 or so Conservative party members, to trigger it without having parliamentary consent and approval when the country is so bitterly divided?

Mr Letwin: I am in a very unusual position in the next two months. I am not taking a view about what it is wise or not wise for the next Prime Minister to do in any of these respects. Once I start taking that view, it is a route to perdition. I have to prepare on an entirely neutral basis and therefore, as the Prime Minister has announced to the House, I am entirely neutral in the leadership election.

Q88 **Mike Gapes:** You are a member of the Government, and the Government must have a view.

Mr Letwin: No. I am, but it is not a view for this Government to take. It is a view for the new Government under the new Prime Minister to take, and I am engaging in what you as a fellow politician will recognise as a heroic act of self-restraint in refraining entirely from taking a view about what it would be appropriate for the new Prime Minister to do. That is a decision for them. I shall continue to say that as many times as I am asked it.

Q89 **Mike Gapes:** Okay. I won't pursue it, but others might.

This team that you are putting together, will it be entirely made up of civil servants who are already working in Whitehall, or are you going to bring in people from outside and give them some status so that they can get access to documents and so on? If you are—perhaps you can answer that before I continue.

Mr Letwin: Sure. The answer is we absolutely definitely will have to bring in a significant number of people from outside who have the relevant expertise that we don't possess on the inside. I have given one example of the trade negotiators, but there will be many others.

Q90 **Mike Gapes:** Right. Have you got any sense of, proportionately, how many people you need to bring in from outside?

Mr Letwin: Not yet. One of the things that I have asked Oliver Robbins to do as a matter of urgency—his task has begun already this week—is to precisely identify the scale of the gaps and the expertise that we are clearly going to need. Of course, we may discover as we go along that further areas of expertise are required, but even now it is possible to scan the horizon and see the areas of expertise that we will need and which we don't already have or don't have sufficiently in Whitehall. Then the task is to come back with propositions about who should be hired in, and what kind of people and what processes should be used for selecting the particular individuals. I will be happy to expose all of that to the Committee a few weeks from now.

Q91 **Mike Gapes:** So these people may well be people who have been working for other Governments around the world.

Mr Letwin: Quite possibly.

Q92 **Mike Gapes:** They might be from academia.

Mr Letwin: Possibly.

Q93 **Mike Gapes:** They might be from the private sector.

Mr Letwin: Could be.

Q94 **Mike Gapes:** Okay.

Mr Letwin: I am trying to give you the truth, which is that I have a completely open mind.

Q95 **Mike Gapes:** You haven't got a clue.



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Mr Letwin: I have a completely open mind about that because we need to attract the relevant expertise. When we have identified where the gaps are, we will know what we need. Then we can work out where it lies and then we should hire from the best source available.

- Q96 **Mike Gapes:** Given the importance of London to our country in terms of our tax revenues, our prosperity and our overall position in the world, have you given any consideration to asking the Mayor of London and organisations like London First to second people or provide people to give you a perspective on the needs of our capital city, which is clearly very vulnerable in the current uncertainty?

Mr Letwin: The concerns of London are very high in our minds, and that is one of the reasons why I met the Mayor at a very early stage of these proceedings, at his request, to discuss those issues. We had a very constructive engagement. He has gone away to reflect on various issues and will be coming back to me; and we will certainly engage with him throughout this process, as we are doing with the other devolved Administrations.

In addition, a whole series of discussions are being inaugurated with firms, not just in the manufacturing sector, the agricultural sector and so on but, very importantly, in financial services, many of which of course—not all—are in London. They also have organised themselves in various ways. I believe that Shriti Vadera, for example, is heading a particular committee. Various other groups have been formed.

From all these sources, we will seek to draw expertise on the issues we need to study. Whether from any one of those particular sources we second people is a matter for later, but we need immediately to take and are immediately taking steps to garner knowledge and understanding of the issues that need to be studied, to make sure that the work, which is quite considerable, that has already gone on in the Treasury and BIS about this can be made comprehensive.

- Q97 **Mike Gapes:** Okay. This is my final question. You said in response to Yasmin that there was a degree of certainty with regard to EU citizens living here and British citizens in other EU countries. There is clearly great concern that there isn't certainty in the long term, particularly for people making decisions about buying houses long term. They have families here, sons and daughters who are going to school here, and are making decisions about whether they go into the secondary school or whether they try to move back to their country of origin and so on. Would it not be helpful if, when your party comes to a final two, you get an assurance from both those candidates that they will swiftly implement measures to make absolutely clear what the position is in September?

Mr Letwin: Well, the point that I have been trying to stress to the Committee on that front is that there are two groups of people we have to be concerned with here—both of them, equally.

Mike Gapes: I understand that. I'm—



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Mr Letwin: We are in a position to decide about one group, eventually, or the country is in a position to do that, but about the others we are not in a position to decide. That is going to be decided by the remaining 27 EU members. And therefore we are concerned to ensure that the protections are afforded to both, by achieving the right resolution. That is the current Government's position on it.

Q98 **Mike Gapes:** So we are using British citizens in other EU countries as some kind of hostage or bargaining chip. It sounds absurd.

Mr Letwin: No. Nobody is using anything as any kind of bargaining chip. We are simply—

Mike Gapes: Shouldn't we just do the right thing?

Chair: I know this is going to be the subject of an Opposition day motion tomorrow. It was the subject of an urgent question yesterday. I suspect we won't have heard the last of it.

Mr Letwin: But let me just restate that we are seeking to guarantee protection for both those groups of people. That is the current Government's aim.

Q99 **Chair:** I appreciate the aim. Plainly, my view on this issue is the same as Mr Gapes expressed yesterday in the urgent question: this does need to be resolved urgently and it cannot possibly wait for the negotiations, because of the length of time people will have to wait. In that sense, it is blindingly obvious that we are going to have to move on this, and the sooner, the better, not least as there probably isn't a majority within the Conservative party to support the Home Secretary's current position, let alone in the rest of the House.

While we are on the issue of people, how many British nationals work in DG Trade?

Mr Letwin: I don't have the figures for the numbers in DG Trade.

Q100 **Chair:** Thirty-two is the answer, or at least it was on 1 February.

Mr Letwin: Well, okay. You may be right. We have 1,357 people altogether working in the Commission, the European Parliament, the Court of Justice, the Council and the European Court of Auditors, as well as 54 people working in WTO. Those are the figures I currently have. I don't have the figures by directorate, although those are coming.

Q101 **Chair:** What measures are you taking to recruit those people to the service of the United Kingdom?

Mr Letwin: It would be entirely a matter for them, as one of your previous witnesses rightly pointed out, to make a decision about whether they wish to—

Q102 **Chair:** Of course they will have to make the decision, but my question was what efforts you are making to recruit those people to the service of the United Kingdom. That doesn't mean they will necessarily come, quite



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obviously.

Mr Letwin: That will depend on the analysis of the gaps in our current expertise that I was referring to, and the analysis of where we best—

Q103 **Chair:** One doesn't need to be as intelligent as you, Chancellor, to work out that a gap in trade negotiation capacity is a rather obvious one, from the fact that that now belongs to the EU.

Mr Letwin: I agree. I have said that to the Committee several times in the past half hour or so.

Q104 **Chair:** Have you instructed your team to begin whatever efforts are required to recruit these people to the service of the United Kingdom?

Mr Letwin: No, I have instructed my officials to study where the very best expertise in the world is to be got and how best to get it. If it happens to include those people, which it may well, I would expect them to come back with that proposition. But I don't want to prejudge where the best people can be drawn from, because that is a very serious matter that needs to be properly looked at over the course of the next week or two weeks or three weeks.

Q105 **Chair:** Well, these people are now in a competition, not least with Mr Juncker making it clear that they can continue to work for the European Commission. I think we might need to be modestly fleet-footed on this, to make sure that they are being offered sufficiently generous terms in order to be able to move—which would not, presumably, be the standard British civil service salary. If you don't get these people, you will be recruiting some extremely expensive consultants from the private sector.

Mr Letwin: I haven't any doubt that recruiting the trade negotiators we need is going to be something that requires very considerable flexibility on the terms offered. I am, obviously, anxious to ensure that we do so on a basis that is good value for money and gets the right people.

Q106 **Chair:** As you pointed out, your budget at this stage is unlimited, because of the importance of the task you are charged with.

Mr Letwin: It is not a question of an absolute budgetary constraint, but we need to get the right people on the right terms and I want the officials to do that in a proper and orderly way. I am sure that if you were in my position you would take the same view. It doesn't mean you need to—

Q107 **Chair:** I think I would probably instruct a decent set of executive search consultants to get on with it, and I think I would have done it by now.

Mr Letwin: I think officials will come forward with the right process for doing this. I don't want to prejudge that and, as I say, I don't think that if you were in my position you would wish to do so either.

Q108 **Stephen Gethins:** Given that it doesn't sound like you have enough plans to fill the back of a fag packet at the moment, would you agree that the UK is a pretty uncertain place to be right now?

Mr Letwin: No.

Q109 Stephen Gethins: Why not?

Mr Letwin: The UK's current position is the same as it was on 22 June. We are fully paid-up members of the EU; we benefit from all the benefits, we make all the payments, we have all the obligations, and so forth. Nothing has changed in the UK today.

Q110 Stephen Gethins: But we are not the same place we were on 22 June.

Mr Letwin: I am not saying that there isn't going to be a change. Manifestly, the British public voted for a change—that we exit the EU—and we will obviously carry out that mandate. The next Government's task, in great part, will be to carry out that mandate, as well as fulfilling our manifesto. But you asked whether Britain is an uncertain place to be in today, and my answer to that is no. It is not an uncertain place to be in today; it carries on exactly as it was on 22 June. At the moment, nothing has changed.

Q111 Stephen Gethins: What are your long-term plans for UKREP? Will you be staffing up at UKREP?

Mr Letwin: The question of drawing on UKREP's expertise, which we will certainly be doing in the course of these eight weeks in this unit, is settled in the sense that we clearly need UKREP's help as we progress the work of the unit. How the unit and UKREP will relate to one another after 9 September is not yet settled. Again, I would be happy to offer views to the Committee once propositions have been developed.

Q112 Stephen Gethins: So we don't know if UKREP is staffing up or not.

Mr Letwin: Whether or not we choose to staff up the unit and also increase the scale of UKREP is a decision we need to take.

Q113 Stephen Gethins: Given the importance of this not just here but elsewhere, can you fill the Committee in on the discussions that you have had with Ministers in the devolved Administrations about where they are and whether they will have a formal role in this process?

Mr Letwin: The position is that, as the Prime Minister announced on 24 June, we are obviously keen to see the maximum possible engagement with each of the devolved Administrations as we go forward in this process.

Q114 Stephen Gethins: Sure, but I asked what discussions you have had with Ministers and whether they will have a formal role.

Mr Letwin: I am coming to that. Therefore, we asked officials immediately to engage with officials from each of the devolved Administrations. You will be very aware, and I am very aware, that politicians in those Administrations—in particular in the Scottish Administration—also took other steps, which is of course a matter for them. We have also arranged for the Cabinet Secretary to have direct discussions with the permanent secretaries of each of the devolved Administrations, and finally, we have made it clear via the officials that our doors are open and that if any or all of the Ministers in the devolved



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Administrations wish to make contact and have Minister-to-Minister discussions in this period, both I and my territorial colleagues, the Secretaries of State for Northern Ireland, Wales and Scotland, are available to have those. We have not yet received approaches, but we are open to them at any time.

Q115 Stephen Gethins: Would you be up for approaching them? It sounds like you have not picked up the phone to them yet.

Mr Letwin: We have asked officials to make it clear that we would be happy to do so. I do not want us in any way to be precipitate in our action, but I want to make it clear that our doors are open.

Q116 Stephen Gethins: Right. The Scottish Government have huge responsibilities over the food and drink sector, the energy sector, tourism—all these enormous industries—as do the Welsh Assembly and Northern Ireland Assembly. Yasmin rightly picked up on the education sector as well. If you are saying, “Wait for another three months”—I mean, should you not be speaking to these Ministers at the moment and giving these industries a little bit of certainty right now? Or should the devolved Administrations wait until the Tory leadership battle is over?

Mr Letwin: There are two separate issues here. There is the question of gathering information and views about the issues that need to be studied as we develop the fact base and the options papers. You are absolutely right that officials in the devolved Administrations have very specific knowledge, as do industries in the devolved areas—the nations of our United Kingdom—and we need to draw on all of that and are doing so now. The second and separate question is how the negotiations themselves are conducted. For that, everyone will indeed have to wait until there is a new Prime Minister and a new Cabinet in place and the negotiating strategy has been resolved.

Q117 Stephen Gethins: If you were involved in the food and drink industry or the energy sector, would you think it was a good state of affairs to have to wait another three or four months until the Conservative party have agreed who is going to be their next leader?

Mr Letwin: There will be a considerable length of time over which these negotiations are conducted. When we look back on it at the end, this period of a couple of months will not seem particularly long. These are arduous and complex negotiations that will take time and need to be approached in a sensible, workmanlike way. There is not a rush, because as of today, nothing has changed at all.

Q118 Stephen Gethins: Wait a minute now. During the independence referendum, you had a real go at the Scottish Government over questions of certainty. The Scottish Government set out a 670-page White Paper. You may disagree with that, and that was a legitimate debate to have. Do you think it was irresponsible of Vote Leave not to have produced any plans?

Mr Letwin: I am absolutely not going to comment on the conduct of the referendum campaign by either side. That is now behind us. We are



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engaged in the very serious business of trying to take this country forward in as co-operative and engaged a way as possible with all the devolved Administrations and all the industrial and other interests around the country, and for that reason I think it is unproductive to reflect on the referendum. It is much better to look forward.

Chair: And we need to reflect on the responsibilities of the Government, who we are here to hold to account.

Q119 **Stephen Gethins:** Would it have made the Government's life easier if it had had plans from Vote Leave?

Mr Letwin: As a matter of fact, it is not possible, as I have tried to explain, for the present Government to impose plans on the new Prime Minister and Cabinet, even if there were fully developed plans sitting there. What actually matters at the moment is to prepare the groundwork for those decisions to be made.

Q120 **Stephen Gethins:** Okay. I know the Chair wants to move on, but as a final question, because you didn't answer it earlier on, will there be a formal role for the Ministers in devolved Administrations in this process? Yes or no?

Mr Letwin: There is an open invitation to have discussions about any issues.

Q121 **Stephen Gethins:** That's not what I asked. This is up to you; it is not up to the devolved Administrations. Will there be a formal role for Ministers from the devolved Administrations?

Mr Letwin: I can only repeat what I have said. We are already engaging at an official-to-official level. We will continue to do so. We are more than willing to engage at Ministerial level.

Q122 **Stephen Gethins:** When they engage will there be a formal role for the Ministers from devolved Administrations? You have not answered my question.

Mr Letwin: What do you mean by a formal role?

Q123 **Stephen Gethins:** A formal role in the process. Will they be consulted? Will they have formal consultation? Will they be able to veto plans that are within their remit? Will they be able to talk about and ask about which powers will be coming back? What will the formal role be?

Mr Letwin: None of those are issues that we are currently dealing with. Our engagement at the moment is the work we're doing, which is to shape papers that look at options and papers that look at facts and establish the team. If they have views about those, as they may well do, we are more than open to those views now.

Q124 **Stephen Gethins:** So you will listen, but you might not take them on board; there will no formal role.



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Mr Letwin: We will not only listen, we will also take what they say very seriously and try to accommodate all the views they may have about issues that we need to study.

Stephen Gethins: I mean, you don't have a strong track record on this, but I will leave you to come back to us another time on whether there will be a formal role and what that formal role will look like.

Q125 **Ann Clwyd:** I don't expect you saw the session of the European Parliament broadcast on BBC Parliament this morning?

Mr Letwin: I didn't, I am afraid.

Q126 **Ann Clwyd:** It was an extremely angry session. They were obviously extremely disappointed with the result of the referendum and they are very angry. Person after person, of different nationalities, stood up and spoke very crossly about the UK. It gave the impression that the UK will find it very difficult to restore any sort of diplomatic relations. Sir Simon Fraser told us last week that: "We absolutely have to launch a major diplomatic set of initiatives in response to this action, first to explain what we have done, where we are going and the rationale behind it, and then to develop the relationships that we are going to need in future, both with our traditional partners and with new partners around the world. Those are obviously high priorities, and you cannot do that if you do not have an effectively resourced diplomatic service."

The diplomatic service has been cut back substantially over the last years. Sir Simon told us that to carry out the implications of withdrawal from the European Community will mean doubling the size of the Foreign Office, aside from any other Departments. Presumably the Foreign Office will be expected to take the lead role in those negotiations. Is that how you see it?

Mr Letwin: I read the transcript of the session that you held and so I have seen what he said. I have no doubt that the future Prime Minister and the future Foreign Secretary and so forth will also read it and take account of it. It's not part of my role to judge the question of the total diplomatic effort that Britain makes over the next several years. I am restricting my efforts to what I have been asked to do, which is to get this particular unit—it will certainly heavily involve the FCO, though it is not being led by the FCO—properly staffed up and properly equipped with external expertise and ready to serve the incoming Administration.

Clearly there are very serious issues about making sure that, from 9 September onwards, the right relationships are established with our European partners, who remain very important allies and with whom we will have to have serious and prolonged grown-up discussions about what will succeed once we have left the EU. Obviously that can only be done in a sensible spirit—it is obviously highly regrettable if people are angry and cross. But actually, over time, I think people on both sides will recognise that it is in all our mutual interests to establish the best possible working relationships and trading relationships so that this country and indeed the EU can prosper.



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Q127 Ann Clwyd: Points were made at the debate this morning that I suggest might be worth looking at, because many debates in the European Parliament are good debates. Unfortunately, there is never enough coverage in this country of what actually goes on there. When people talk about how there has been no change and no reform, that is absolutely untrue. If people had been better informed, they might have taken a different view.

Speaking as an ex-Member of the European Parliament, I know that when we were first elected in 1979, people were hostile to us because we produced far fewer MEPs on the Labour side than were expected. That hostility continued for about three years, and we were in the same political group. How much more difficult it is going to be to work with other political groups and restore some sort of working relationship cannot be underestimated. That is why the role of the diplomatic service and the FCO in all this is very important. I don't know that everything is going to be left to this unit, but how will you ensure that the team includes the FCO's best and brightest, which is what Sir Simon Fraser thinks is necessary?

Mr Letwin: That is the part of the task that Oliver Robbins has been set: to draw into the unit people with both the very high levels of skill and the relevant expertise from the FCO, among other Departments. Clearly the issues that we are dealing with in this case are so multifarious that they go beyond the expertise any one Department could possibly have. We need to draw on expertise of very many different kinds, but the diplomatic skills of the FCO are, of course, very highly prized amongst those.

Q128 Ann Clwyd: Are you not concerned that the FCO will be too overstretched?

Mr Letwin: That, as I say, is an issue that the incoming Government will have to consider in the light of what we have built here. It will need to look at its dispositions of funding and of administration in the light of what it believes is necessary to conduct diplomacy effectively, both vis-à-vis the UN and around the world. My task is simply to ensure that there is a properly founded team ready to carry on this particular incredibly important task.

Q129 Ann Clwyd: Most of the emphasis seems recently to have been on trade. How will you ensure that, in future, issues of traditional British values such as human rights will be included in the work of the unit in looking at what happens next?

Mr Letwin: The issues that we are dealing with are the issues involved in negotiating the withdrawal from the EU and in negotiating the succeeding agreements. I am not currently aware of any proposition that would suggest that there would be any discontinuity in the laws on either side as far as human rights are concerned. I doubt that that would become an issue, and I certainly wouldn't want to see it becoming an issue if it wouldn't naturally do so.

Q130 Chair: What use are you intending to make of former European



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Commissioners, particularly the more recent ones such as Cathy Ashton and Jonathan Hill?

Mr Letwin: Well, I think they are amongst the people who clearly have the greatest possible background and experience here. I don't want to preclude this possibility, but I doubt that they would wish to be part of a civil service unit. But I can't imagine that the future Administration would not want to have their advice as part of its movement forward. I would imagine, therefore, that the future Administration would want to talk to them about how they could best help and participate.

Q131 **Chair:** Why is there no mention of Brexit in the national security strategy?

Mr Letwin: Because the Government's firm intent was to remain part of the EU.

Q132 **Chair:** But the Government had decided to place that in the hands of the people so, since the people could come to only one of two decisions, should there not have been some modest thought that the people might come to a different conclusion?

Mr Letwin: No. The Government's national security strategy was the strategy of the Government and the strategy of the Government included remaining in the EU. This, as you say, has been altered as a result of the decision of the British people. Clearly, that will need to be reflected in the next issue of the national security strategy.

Q133 **Chair:** So what exactly was the point of the decision that the Government should carry out no contingency planning for the electorate having the temerity to vote against the advice of then Government, given that a significant number of members of the Government were giving that advice anyway?

Mr Letwin: We are slightly returning to the beginning of the session. My answer remains the same. A huge amount of contingency planning was done to ensure that the markets could be stabilised on the day after, and that has succeeded. It was not possible to construct the negotiating strategy in advance. You could not have imposed that on a new Prime Minister. We are now going to be in a position, when the new Prime Minister comes in, to furnish that new Prime Minister with the grounds for carrying forward a strategy that that new Prime Minister and their Cabinet will decide.

Q134 **Chair:** You have explained that in the mind of the Prime Minister he did not feel he had a mandate to carry on. I was one of 84 colleagues promoting Leave who wrote to the Prime Minister at 10 o'clock when the polls closed on the referendum to say that he not only had a mandate but a duty to stay on. What is your view?

Mr Letwin: I do not have a view about the question of whether the Prime Minister should have stayed on. I observe what he said in his resignation statement, where he made it clear that he did not feel he had a mandate and therefore had to resign, which he did.



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Q135 **Chair:** Do you think that if we had had the contingency planning done so that he had a clear degree of certainty as to what the path forward would be in the event of Leave, he might have found it unnecessary to resign?

Mr Letwin: No, I do not think that. As a result of a conversation with him, I became entirely clear that he took the view that having passionately argued for the country to remain and the country having clearly decided to leave, it was time for him to go.

Q136 **Chair:** In which case, contingency planning would have been just as urgent anyway, if he knew he was going to not be around.

Mr Letwin: I am terribly sorry but all I can do is go back to what I have said already. Given that he was not there and that the new Prime Minister has to make the strategic decisions about how to negotiate, it would be impossible to determine the negotiating strategy in advance. We did provide for the immediate reassurance of the markets, and that occurred and succeeded.

Q137 **Chair:** We are a full member of the European Union until we leave, and that is at least two years, presumably, from when we invoke article 50. Are we going to take up our responsibilities of the presidency in the last six months of next year?

Mr Letwin: It remains to be seen what will happen in relation to the presidency. We are, as you say, a full member of the European Union and obviously we are participating in all the forums that membership involves, paying the subs, collecting the funds and doing all the other things we were doing before 23 June.

Q138 **Stephen Gethins:** In that case, can you tell us when you will be appointing a new Commissioner, please?

Mr Letwin: I cannot tell you that, but I can tell you that the Prime Minister has made it clear that he thinks we should have a new Commissioner in place, as we are a full member and are paying the subs.

Q139 **Stephen Gethins:** Are we going to have to wait another three months for a Commissioner?

Mr Letwin: I said, and I repeat, that I do not know on what date the Prime Minister will appoint a new Commissioner, but he has made it clear that he wishes to do so.

Q140 **Stephen Gethins:** As a final question: do you know think that this is a pretty important time to have a Commissioner?

Mr Letwin: I think it is important that we should have a Commissioner, and the Prime Minister has made it clear that he thinks that too.

Q141 **Stephen Gethins:** But you do not have any plans to appoint one.

Mr Letwin: It is not in my gift to appoint a Commissioner. The Prime Minister appoints the Commissioner and he has made it clear that he intends to do so.

Q142 **Mike Gapes:** Which Prime Minister are you talking about?

Mr Letwin: The current Prime Minister.

Q143 **Mike Gapes:** So although he can't take any decisions about EU nationals he can make a decision about a Commissioner.

Mr Letwin: The decision about the Commissioner is like all the decisions that are being made day by day. On an ongoing basis as members of the EU, we are involved in a whole series of negotiations and discussions, and all those decisions are being made in a perfectly ordinary way by reference to Cabinet Committee clearances and so on. This is just another of those.

Q144 **Mike Gapes:** But if you have as a new Conservative leader somebody who voted to leave and the Prime Minister appoints a Commissioner who is a remainer, is this not going to cause a problem?

Mr Letwin: I'm not in a position to answer hypothetical questions about possible Commissioners. If the Committee wants to interrogate the new Commissioner once appointed, I am sure the Committee will do so.

Q145 **Chair:** I think the Commissioner works for the Commission, not for the United Kingdom. The fact is that there is concern already at this stage, plainly, about the lack of contingency planning, which means that you are obviously now working in a screaming hurry to begin even to scope the need for people, to task—what is going to happen to UKREP and the representation there—and the identifying of people in key gaps, such as our trade negotiating capability. Chancellor of the Duchy of Lancaster, you have a hugely important task here. Plainly there is a vast amount more work to do and the Committee will obviously want to return to this, because it is going to be a matter of the utmost importance and interest.

Obviously we wish you the very best of luck in carrying out your duties, with the fact that you have received this task—in my judgment—without the preparation that should have taken place to make this a rather easier exercise than it is now. I am extremely grateful to you for giving your time now to come and give your account to the Committee. We are going to have an open inquiry into the whole process of Brexit, as you would expect, and I sincerely hope that we will continue to see you in the deliberations on this, well beyond 9 September.

Mr Letwin: I will certainly not be doing this job beyond 9 September because it is a job that comes to an end on 9 September; but I am intending to be here almost every day of August and all the days in July and up to 9 September, so I am at your service.

Chair: Chancellor, many thanks indeed.