HOUSE OF COMMONS

Exiting the European Union Committee

Oral evidence: The progress of the UK's negotiations on EU withdrawal, HC 372

Wednesday 4 September 2019

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Watch the meeting

Members present: Hilary Benn (Chair); Stephen Crabb; Peter Grant; Wera Hobhouse; Jeremy Lefroy; Seema Malhotra; Stephen Timms; Mr John Whittingdale; Hywel Williams.

Questions 4952 - 5020

Witnesses

I: James Hookham, Deputy Chief Executive, Freight Transport Association; Andrew Opie, Director of Food & Sustainability, British Retail Consortium; Karen Wheeler CBE, former Director General, Cross Government Border Delivery Group, HMRC.

Examination of Witnesses

Witnesses: James Hookham, Andrew Opie and Karen Wheeler CBE.

Chair: On behalf of the Committee, can I extend a very warm welcome to our witnesses this morning? We are extremely grateful to you for coming to give evidence to us today. Can I introduce Andrew Opie, Director of Food and Sustainability at the British Retail Consortium, Karen Wheeler, former Director General, Cross Government Border Delivery Group, HMRC, and James Hookham, Deputy Chief Executive of the Freight Transport Association? I should make it should clear that Ms Wheeler is a former HMRC official, having retired in June. Therefore you are not today speaking on behalf of HMRC and clearly you have not been privy to confidential Government papers since you left the service of the Government. We have a lot of ground to cover, as always with this Committee. As succinct answers as possible would be really helpful, and all three of you do not have to feel obliged to answer every question.

I wanted to begin with the practicalities. Let us focus on Dover-Calais, because we have read what was in the Operation Yellowhammer report. The day before yesterday there was another report that was revealed, which was apparently analysis that had been done for the Department for Transport, again about what might happen on the Dover-Calais strait. In both cases, the reports said that there would be significant delays even under the best case, and even longer delays under the worst case. I would like to get from each of you what your assessment is of what is likely to happen. What kind of delay are we going to be looking at from 1 November if the UK were to leave without a deal? I do not know who wants to go first. Mr Hookham, do you want to start?

James Hookham: Thank you, Chair. Good morning, everybody. Our assessment of the Yellowhammer report was that it offered a more severe scenario than even we were predicting based on our understanding of the checks and arrangements that would be in place. It is very important, though, in this discussion, as I have said to the Committee before, to distinguish between the directions of flow. Inbound imports into the UK are expected to have a relatively smooth ride because of the, shall we say, pragmatic approach that we expect border officials to take to checks and the arrangements that we understand are in place to move as much enforcement activity as possible away from the border and further in land.

The great unknown for my members, be they traders or hauliers, is exactly the position and enforcement strategy of French customs officials and other border officials. Although there are good arrangements in place in Calais, the port itself has organised itself in such a way as to increase its capacity to hold vehicles within the port that may require checks. It is impossible to foretell just how stringent those checks will be, what the intensity of those checks will be and, if you like, the assumed risk factors that the French border officials assume on British imports, as they see them. That, for us, is the single biggest unknown and will determine the overall level of services that are able to run, simply because if ferries or shuttle trains are not able to turn around, to discharge their vehicles and return from Calais back to Dover, then obviously the frequency of service drops. The overall capacity across the Dover strait declines, and that is when you start to get the queues backing up into Kent and the need for Operation Brock and so on.

Q4952 **Chair:** Had the Government shared with you their thinking that we have seen revealed in the Yellowhammer report?

James Hookham: No, not on all of the details of the report itself. Obviously we were familiar with many of the aspects that the report talked about.

Q4953 **Chair:** Were you surprised that they had not shared it with you?

James Hookham: I was surprised that perhaps they had not thought to share some of the consequences that they had anticipated with the leading voice of logistics in the UK, simply because the biggest surprise in the report for us was a supposed threat to domestic fuel supplies. Clearly that affects all transport operators in the UK, not just those that travel between the UK and the rest of the EU.

Q4954 **Chair:** As I recall, that is partly to do with the impact of traffic congestion in Kent, which is something that has been warned about before, because of the backing up of the lorries that you described. There was also then a reference to the impact of the new tariff regime on a couple of refineries. There were two elements to that. What percentage of trucks trying to get into France would you anticipate are going to have the right paperwork on 1 November?

James Hookham: Goodness. As many of them as we can possibly reach and communicate to, Chair. That is, again, another unknown question. As an association, we have commenced briefing sessions and developed our own briefing material to try to raise, first, the awareness and, secondly, the detailed knowledge of our members. That is our major focus at the moment. We obviously hope a deal will be struck and would much prefer a deal with a transition period, but we accept the stated position of Government and therefore we are committed to reducing the impact of no deal on our members through informing them, training them and auditing them, as well as trying to influence the arrangements to be as frictionless as possible.

Q4955 **Chair:** Do you have any idea what percentage of them are geared up to have the right paperwork?

James Hookham: Not in a way that we can quantify that reliably for the Committee.

Karen Wheeler: I can say something about that. Up until the end of June, we were working on the assumption that the French will impose full customs and other controls on all goods entering the EU through Calais and that their preparations were good and they looked ready; I am sure there will be teething problems but they will be ready. The key constraint, as you suggest, is about the extent to which the trucks have the right documentation. As of the end of June, it was still operating on the basis that only 70,000 of the 145,000 businesses had even got as far as getting an EORI number, which is the easy prerequisite to being able to be make customs declarations. That was less than 50% at that time.

We tried to assess the impact of those numbers on the number of trucks going through Dover and Calais. That is very difficult. We found it very difficult to quantify that, but our assessment at the time was that less than 50% of the trucks would be prepared with the correct documentation. We found it very difficult to really get into much more specificity than that based on the numbers and the information that HMRC had available. With that in itself, though, if less than 50% were ready and prepared, given there are something like 10,000 trucks a day going through Dover, Calais and Eurotunnel, clearly it would not take very long for the available space at Calais and Eurotunnel to fill up with trucks that the French could not let through. We were operating on the basis of something like 300 spaces in Calais and Eurotunnel, which would be filled up within a couple of ferry-loads of trucks.

Then it would all rest on how long they sat there waiting. These customs preparations cannot be done within minutes or even hours, so it depends on how long the French hold them there before releasing them into France. We made some assessments about that but our views were that that would cause very significant delays. You would immediately get queues as trucks cannot be released into France and that would cause thousands of trucks to be held up in Kent. As James has said, because those trucks are held up in Kent and unable to get across, that would impact on imports that otherwise would not be impacted by UK controls significantly.

Q4956 **Chair:** When Operation Yellowhammer came out, the Government said, “Oh, that is the very worst-case scenario”, and yet it sounds to me, from what both of you have said already, that, even in the best case, there are going to be delays.

Karen Wheeler: Yes.

Q4957 **Chair:** Do you think it is correct that Yellowhammer is the worst case? You may not be able to reveal this, but did it also have a most likely or medium scenario along with the worst case?

Karen Wheeler: Yellowhammer was all based on the reasonable worst case. There is an unreasonable worst case that would be even worse than Yellowhammer. “Reasonable worst case” means that it stands a chance—a significant chance—of happening but it is not a likely thing. If you think of the normal distribution curve, it would not be right on the extreme end but it would stand a reasonable chance of happening. All of these things are judgments, of course, but that is where we were operating. Therefore, we felt it was at the less likely end of a reasonable possibility. Yellowhammer per se did not necessarily come up with plans for what is a likely case, because the whole point about Yellowhammer is it is a contingency for what is the reasonable worst case of what might happen.

In our planning around the border and Dover-Calais, clearly what we were trying to do was also think about, "If that is the reasonable worst case, what is a more likely case? Is there a best case where there is no delay?" Again, while we could not be definitive about that, we ended up feeling that if it was 40% to 60% flow rate going through in a reasonable worst case, it might get up to 70%, possibly 80%, in a best case. Even in those cases, which seem just as unlikely as the reasonable worst case, you would still get delays under those circumstances, because 20% of 10,000 trucks a day would still cause Calais and Eurotunnel to clog up and that would still cause problems going through, but they would not be as extreme, for obvious reasons.

Q4958 **Chair:** Your assessment was that, whatever the outcome, there is going to be clogging up and there are going to be delays and problems.

Karen Wheeler: Yes.

Q4959 **Chair:** To help us, where the French customs officials apply the full panoply of checks required because we will be a third country from 1 November in these circumstances, is it just a question of checking the correct paperwork, for example in respect of phytosanitary checks, or does it also involve having to open the back of a lorry and look at stuff? Opening the back of a lorry and looking at stuff is going to add additional time to the time taking to check the paperwork, assuming you have the right paperwork in the first place. Is that correct?

Karen Wheeler: It is certainly true that there is a whole panoply of requirements for phytosanitary checks. Andrew may well know more detail about those precisely. There are different types of products: some will just be a documentary check; some will be that, yes, we actually have to check that the food is fresh and safe; some of those checks can take more time than others because they may need to test samples, whereas others probably will just have a simple test. The French have specially built facilities for those checks and have space for holding trucks. They had factored that into their assumptions. Provided the correct documentation was there, that was not an additional delay on the delays that I was describing. That was not something that we felt that we needed to factor in as an additional delay.

Chair: That is very helpful.

Andrew Opie: I agree with everything that has been said. All of the analysis that we have done with our members has been based on the briefings we have had directly from Government and we have been working directly particularly with Defra every week since October last year, preparing for a no-deal Brexit. We feel that our members are pretty well equipped to know what the delays are going to be. Then we can overlay that to the imports that we make at that time of year. That time of year is a really crucial problem for retailers for two reasons. First of all, we are pretty close to peak imports at that stage, because obviously we have gone out of the UK growing season, we are importing our fresh produce in particular from Europe, and that all needs to come through Calais. I am sure we can talk about why fresh produce needs to move so quickly through Calais.

The second problem is that the end of October is the really peak period for retailers in general. Everybody is gearing up for Christmas at that time, so everybody's logistics are already at full stretch. Warehousing space is at an absolute premium at that time, and it is very difficult to flex any extra space in terms of storage because that is taken up already to account for the additional consumer demand that there is always likely to be at Christmas. For us, the end of October is probably the worst time to face a no-deal Brexit.

This is just the immediate problem for food retailers because, of course, as both speakers have already said, the UK is not going to operate checks but it cannot operate on that system forever. We know from discussions with the Food Standards Agency, for example, that things like meat and meat products will need to be certified before they come into the UK, which means that they will be checked within six months. Then you will have border checks the other side of the Channel, our side of the Channel, and how we accommodate those as well as the bureaucracy that goes with them.

There is one thing I just wanted to add to the SPS checks. On top of the SPS checks, there is an added problem in that you also have to comply with the European regulations in terms of transport of food. Things like heat-treated pallets are necessary to move food across borders. At the moment, this country does not have enough heat-treated pallets to move all the food we export from GB—and I include our exports into the Republic of Ireland, where many retailers have stores, as well as into Europe. There is the checks issue going out but there is also the physical infrastructure for us to be able to move the product as well.

Q4960 **Chair:** On that specific point of the heat-treated pallets, has anything been done to try to increase the availability of those?

Andrew Opie: We are told that it is being increased.

Q4961 **Chair:** By Government?

Andrew Opie: Yes.

Q4962 **Chair:** Are they stockpiling them?

Andrew Opie: No.

Q4963 **Chair:** How are they going to increase the supply?

Andrew Opie: My understanding is they have been talking to the manufacturers.

James Hookham: There has been an obvious opportunity for manufacturers to put into the market what are obviously pallets at higher cost. They require this additional treatment and certification, but I doubt if there has been time to build up sufficient supplies to meet this need. Certainly a lot of my members are telling me that they are having great difficulty sourcing these pallets and questioning whether or not this will actually be significant in the early days of a no deal. It is a very significant additional burden.

Q4964 **Chair:** In other words, the problem is if French customs officials say, "Everything else is fine but I am terribly sorry; your pallets have not been heat-treated so you are not coming in". You will only have enough if the people who are moving the stuff have got the pallets to put the food on at the moment it is required. That is a point we can pursue. There is one other question from me and then I will bring other colleagues in. On Sunday, Michael Gove told Andrew Marr, "There will be no shortages of fresh food". As I understand it, the British Retail Consortium issued a statement after Mr Gove's comments, which began, "It is categorically untrue that the supply of fresh food will be unaffected under a no-deal Brexit". Could you explain to us why what was said is not the case?

Andrew Opie: Our assessment is based on discussions with our members who move fresh produce into the UK every day. These are the people that sell food to us every day. In terms of the likely disruption that we have just been talking about, we have modelled that with our members, who have made it clear to us that there will be a disruption to fresh food. I am sure we can talk about categories of fresh food that are going to be more likely to be affected by that. It will affect fresh food in various ways: availability, shelf life and potentially cost pressure on fresh food in particular. We have shared that information very widely over the period.

Q4965 **Chair:** Is that including with the Government?

Andrew Opie: Including with the Government and every MP. In fact, we wrote to every MP back in January when we were facing a March Brexit at that time, which was signed by a number of our CEOs as well as by ourselves, which did receive some publicity at the time. That made it clear that the biggest threat was around fresh produce because of the delays we have heard about and the short shelf lives we have to move that product from farms in places like Spain and Holland to the shelves in the UK.

Q4966 **Chair:** Do you have any explanation at all as to why the Secretary of State should have said there will be no shortages of fresh food, given what you have just told us? Do you know on what basis he might have said it?

Andrew Opie: No.

Q4967 **Jeremy Lefroy:** During the recess, I visited a business in my constituency, which is the largest grower of spinach in the UK and probably the largest grower of iceberg lettuces and other lettuces, and it expressed precisely the concern that Mr Opie has said. During the off season, obviously it has to continue to supply its customers but it does it from Spain. It cannot see how it is going to be able to do that as effectively as it does at the moment. That very much backs up, as against what the Government was saying, what the businesses who know what they are talking about are saying. In terms of this six-month period during which basically the UK is going to have an open border, is that not basically a smugglers' charter?

Karen Wheeler: I do not think HMRC would have described it as an open border. We would not have described it as an open border. The normal security type of checks would certainly still apply. There would be no diminution or change to any of those. What would not be happening would be physical checks on every lorry as they arrived in Dover to check whether they have the correct customs documentation. The easements that HMRC are applying would enable people to discharge their customs processes away from the border and subsequently. It would not be a real-time process; it would be something that they could legitimately do after they have brought the goods into the country. That helps.

Because processes would not be 100% initially, there would be some potential issues of people getting away with not doing customs documentation, but I know that HMRC would be, with Border Force, aiming to increase controls and checks at the rate that they could do that without interrupting the flow of goods. That was the approach: that it would gradually ramp up over a period of time as they could do that legitimately. The aim was also to use intelligence, which of course they do at the moment, to target high-risk organisations and make sure that the high-risk organisations would be followed up and interrogated.

Q4968 **Jeremy Lefroy:** Was there any assessment of those checks, i.e. the red tape was being ramped up, and how much extra red tape that would mean for British business?

Karen Wheeler: The six-month period allows the easements to continue for that six-month period including the easement on safety and security checks, which is one of the things that would have been problematic. The aim that HMRC was planning was how quickly they could put in place automated or different solutions that would make it much easier for industry to be able to carry out the checks or prepare the right paperwork so that they were not overly bureaucratic. Clearly, the requirement from day one on every importer is to still do customs processes. It would not be an increase in checks or in customs processes; it would be an increase in the Government process of how they can identify whether people have carried out the right processes.

Q4969 **Jeremy Lefroy:** Turning to the question of VAT on imports, how ready do you think businesses are to have in place the financial facilities to cope with VAT on imports, where that will now be applicable?

Karen Wheeler: I am no expert on VAT so you might want to ask HMRC specifically on that. Our sense from the business community was that it was customs processes that were much more likely to be problematic for them than the VAT processes. They obviously already have good processes for VAT and, although there would be differences, that was never described to us as a significant problem for them. They were much more concerned about the customs processes because that was new and much more complicated than some of the VAT processes, but I could not actually tell you how ready businesses were.

James Hookham: Could I just make an extra point on VAT? One of the big points we are making to Government at the moment is that they could considerably ease the pressure and burden on all of these systems by reconsidering the decision to abolish something called low-value consignment relief. The Government have decided to do this ahead of the rest of Europe but this effectively brings into the import VAT net relatively small consignments, often consumer-to-consumer consignments—internet sales, effectively—below the value of £25. I have seen various estimates for the number of shipments that would then have to be declared and on which VAT would be payable. It is several tens of millions a year.

This is causing huge concerns amongst the carriers—the parcel and express courier businesses—that are responsible for bringing these goods into the country. Quite apart from being a business burden, it would also throw a huge additional stress on to what I suspect would already be highly pressured computer systems in HMRC. It is a very simple step for the Government to take to simply delay this and at least align with the timing the rest of Europe has adopted.

Q4970 **Stephen Timms:** Can I go back to what you were saying about trucks turning up at Dover or Calais and not having the correct documentation? You said that at least 20% of the trucks turning up, according to the HMRC estimate when you were there, would be in that position. Were you referring to UK trucks arriving at Dover to go into the EU or EU trucks arriving at Calais to come into the UK?

Karen Wheeler: It is a good question, because obviously the only estimate that we were able to make on readiness of organisations was about UK businesses, and UK businesses generally would be exporting their goods rather than importing. However, we have no real way of estimating how many organisations would be ready for French customs. It would obviously be the readiness for French customs that would cause the problems. We were using our own figures of UK businesses as a proxy for what we anticipated would be the case for French businesses. That may have been wrong. I know the French took a slightly more optimistic view of the numbers of businesses that would be ready. They, like us, believe that the lack of readiness by organisations was the biggest hurdle to free flow across Calais and Dover. I cannot remember what number they thought of but they were slightly more optimistic about their numbers. They had not done the detailed modelling and analysis that we had done on our numbers, so I was not sure I had complete confidence in their modelling.

Q4971 **Stephen Timms:** That is very helpful. It is estimated that at least 20% of the trucks turning up at Dover will not have the correct documentation. Is that because there will not be an EORI number, or is it other things?

Karen Wheeler: I should emphasise, of course, that this was our assessment and these were our assumptions as of June. One of the key things that caused that was because a very large number of businesses were still listening to what was being talked about and were saying, "No deal is never going to happen, so why should I bother? I do not need to invest this resource and effort into getting my business ready for a no deal because Government are telling us it is never going to happen". We always thought, even then, that if there was a change in Prime Minister and a change of narrative around no deal, that would have a very significant impact on the number of businesses who suddenly said, "No deal might happen; I had better prepare". Those numbers almost certainly are shifting and the numbers that I was referring to may have shifted significantly.

However, the other factor is that big businesses have capability and resource to be able to prepare for customs. Small businesses and SMEs do not. They are normally busy trying to keep their business going and cannot really take time and money out to hire customs agents that might never be used. A large number of those trucks will be associated with small businesses. I would expect—and I think we all expected—that the small businesses might still leave it to the wire before they started to prepare. If they left it to the wire, they would not have enough time. You cannot get these things done within a day. That would be a problem.

Q4972 **Stephen Timms:** Is it essentially about getting an EORI number or is it other things?

Karen Wheeler: Yes, the EORI number is literally the prerequisite. You cannot do a customs declaration unless you have registered with HMRC, and the process is that they give you an EORI number. That is a two-minute job. The difficult job is carrying out a customs declaration; typically businesses find that so complex that they hire a specialist customs agent to be able to help them through that complicated process. There are thousands of commodity codes for all the different products, depending not only on what they are but where they come from and how they are sourced. You have to apply rules of origin. It is a complex process. It is not something that Joe Bloggs will normally be able to do.

Q4973 **Stephen Timms:** I have one more question and then I will ask Mr Hookham to comment. If a truck turns up at Dover without the correct documentation, what would you expect to happen? One possibility, surely, is that the truck will be sent back: "Sorry, you do not have it. You have to go". Do you envisage it will sit there for hours, or maybe days, while some process is pursued? What would happen in practice?

Karen Wheeler: What would happen in practice is that the French have their computerised systems ready, so they would expect that if you do have a customs declaration you will be able to scan that, go into a green lane and then they will let you through.

Q4974 **Stephen Timms:** Will this happen in Dover or in Calais?

Karen Wheeler: It will happen as part of the ferry crossing process. It is normally as you board the ferry or as you board Eurotunnel. That scanning process would happen on the carrier or as part of boarding the carrier. That would enable trucks that have the correct documentation to be waved through into a green lane and that would enable them to go into France. The truck that does not have the correct documentation will be waved into a red lane. The red lane will be where the French will then stop the truck and look to see what documentation they have.

What they told us, informally, is that they might hold those trucks for between two and eight hours. That almost certainly would not be enough for that truck to be able to get the correct documentation, but it might be enough time for them to collect enough detail from the truck driver about the goods to enable them to then subsequently follow up and get the right customs documentation. They were not sure, I think, exactly how long they would be holding those trucks, what they would do with them and whether they would let them go before they have customs documentation or not. Those were things they were working through at the time.

Q4975 **Stephen Timms:** That is very helpful. These trucks will be held in Calais for a period. Do we know what the capacity is in Calais for holding trucks?

Karen Wheeler: We understood there was something like 300 spaces that were allocated in Calais for holding trucks that were not ready.

Q4976 **Stephen Timms:** You have told us that at least 20% of the trucks will be in this position, so the 300 spaces will fill up pretty quickly.

Karen Wheeler: That was precisely why we estimated that there would very quickly end up being queues, because they would fill up those spaces, which would be full potentially for at least eight hours. That would mean that, for the course of that day, effectively no more trucks could cross and would be held up unless they are ready with the correct documentation.

Q4977 **Stephen Timms:** The queues would be in Dover, would they?

Karen Wheeler: The queues would be in Dover because they would not be able to cross into France, yes.

Stephen Timms: The French will say, "You cannot send anyone else", so the queue will be here.

James Hookham: I was going to, hopefully, illuminate your question a little bit. If a truck is carrying a consignment from one sender, one seller, to one buyer, then it is a relatively straightforward process—a full container or vehicle load. A huge proportion of the goods going across is on groupage—multiple consignments in one vehicle. Of course, the vehicle could be detained even though one, two or a handful of the consignments in the back of the vehicle do not have the right paperwork. We are very dependent, in those kinds of loads, on everything being right first time. The chances of that not happening are then multiplied probably by an order of magnitude when you look at parcels and mail traffic where you could have thousands of consignments, with each one possibly requiring an individual declaration. It could be very dependent on just one or two poorly informed declarations.

In addition to all the checks about the loads, there are a whole range of new requirements coming in for the vehicle and the driver. There will be new paperwork and documentation, effectively giving the truck permission to travel on the roads of the EU. The driver will need driving permits and so on, as well as a range of other items that are going to need to be complied with by the haulier, as opposed to the consigner of the goods. These could also be potential points of enforcement and potential delay if they are not fully complied with. There is going to be a lot to get right first time.

Q4978 **Stephen Timms:** I wonder if you could talk us through what will happen for trucks coming the other way. In terms of the trucks turning up at Calais, we do not know what proportion of them will not have the right documentation. What would happen to them? Would they be checked as they go on to the ferry as well? Who would do that checking and what are the requirements that they would have to meet?

Karen Wheeler: No, there was not going to be a process. Certainly we were not asking the French to check trucks before they got on to the ferry or Eurotunnel. The aim, unless something has changed, was not to implement a formal routine check on every truck as it entered the UK. That is why, so long as there were enough lorries that were not being held up in Kent, imports would not be slowed by British customs and other controls.

Q4979 **Stephen Timms:** On that basis, can we be reasonably relaxed about food supplies coming into the UK?

Karen Wheeler: No, because there are only so many trucks, and if you have 6,000 or 10,000 trucks stuck in a queue in Kent, then they are not going to be able to go across to Europe, pick up the food and bring it back. Some will, of course, but it will be a lot slower. That is the main source of delay on foods; it is because the trucks are held up, stuck in a queue this side.

Andrew Opie: To reinforce that, a third of trucks going back are empty. They have brought the food over, they have brought it to us so we can sell it, and they are going back empty to pick up the next load from Spain, Holland or wherever. It is a continuous circle. The supply chain moves 24/7. If you have a dislocation, wherever it is in that circle, then it affects the food supply chain. It does not really matter whether it is this side of the Channel or the other side; if you break that circle, that is a problem.

Q4980 **Stephen Timms:** If you have a truck bringing food in and then going straight back, presumably it will have no difficulty going back because it will not have a load that needs to be checked.

Andrew Opie: It will be in a queue behind all those other ones.

Karen Wheeler: Yes, it will be in a queue. That is the problem. As Andrew says, 30% of trucks going through Dover-Calais are empty. They will be able to go through. They will not be held up, of course. That increases the flow through Dover-Calais. That is not the case at Eurotunnel, because empty trucks tend to go through Dover-Calais because it is cheaper. They will not pay the extra premium if they are empty. They can certainly go across and pick up goods, but the issue is they are stuck for a day in a queue in Kent before they actually get as far as Dover.

Q4981 **Stephen Timms:** I have one final point. There was a bit of confusion at the end of August about whether UK businesses need one EORI number—a GB number—or two, so whether they need an EU EORI number as well. Has that now been clarified?

Karen Wheeler: My understanding is that it probably has. I do not know the official answer to this but my understanding was always that there were two separate numbers: a GB number and a French number.

James Hookham: That is true, because you are effectively interacting with two different systems.

Karen Wheeler: They are a similar number. They look similar but one has GB at the start of it.

Q4982 **Stephen Timms:** You made the point that lots of UK businesses do not have a GB EORI number. Presumably the proportion that have a French EORI number will be lower still.

Karen Wheeler: Not necessarily. Certainly, they are two completely separate processes and, if they are going to trade in both directions, they need both. If they are only trading in one direction then obviously they only need one.

James Hookham: We have successfully persuaded HMRC to issue an EORI number automatically to every VAT-registered business that they are aware of. Everyone is going to get one, so hopefully that will initiate a process that makes people say, "I now need to register".

Q4983 **Stephen Timms:** That will just be GB EORI number.

James Hookham: They will still need an EU one, which of course is not in the UK's gift to deliver.

Q4984 **Peter Grant:** Good morning. Karen, can I start by asking you some questions about the Yellowhammer report? I appreciate that there are maybe things that you still are not able to tell us. I am trying to get clear what the actual nature of the document was. *The Sunday Times* certainly gave the impression that they had received a document, either in paper or electronic form, that had a date on it and was current as of that date. Government sources, or some of them, have tried to suggest that it was something much more vague: that it was a collection of pieces of information back and forward that never actually stopped and that it was a work in progress. Michael Gove certainly tried to imply that it was already out of date by the time *The Sunday Times* got it. Are you able to tell us anything of what you know as to the currency of the information in Yellowhammer at the time that *The Sunday Times* got it in early August?

Karen Wheeler: I am not sure there is much light I can shed on that. I was not familiar with all of the Yellowhammer plans. I was responsible for two of them, which related to disruption at the border for goods and for people. Every plan was written down in some way but I am not sure how that got collated into any single document and what date that document was. From my reading of the newspaper and what I read in the newspaper about the report for the sections that I read, they looked completely like the documents that I would have seen before. They looked entirely valid at the point in time. I cannot comment on the actual document because I do not know what it was.

Q4985 **Peter Grant:** Were you still working on that document pretty much until the time you left the service in July this year, or was it something that had been done months and months ago?

Karen Wheeler: Yes, it was constantly being refreshed and updated. Obviously some things got landed and then you did not particularly update them because they were still current, but I know our broader assumptions on goods going through the border was a fundamentally important one for all of the Yellowhammer plans. Therefore, we were constantly updating it.

Q4986 **Peter Grant:** If anything significant had happened that would have either changed the underlying assumptions or changed your assessment as to the impact, presumably it would have been incumbent on you to update the document.

Karen Wheeler: Yes, absolutely.

Q4987 **Peter Grant:** You gave a very helpful explanation as to what the phrase, "a reasonable worst-case scenario", would mean. I think you said that it was something that was possible but at the less likely end of the scale of probabilities. Are there standard criteria that the civil service would use in deciding at what point in the spectrum you draw the line that says, "That is a reasonable worst-case scenario. Anything worse than that is probably not going to happen"?

Karen Wheeler: We struggled a lot with this and found it very difficult to do something that was formulaic and that could not be challenged. The only way that we could do it was by a group of cross-Government directors general agreeing that they do seem likely. Each of the sub-assumptions under each of the assumptions was normally owned by a particular Department and then they would provide as much evidence as they could of that and provide evidence associated with why they think that assumption is likely or less likely. Some of them were very difficult to provide evidence for and some you could.

Q4988 **Peter Grant:** Is it possible to quantify, in any useful sense, the probability that the reasonable worst case or something worse will happen, or alternatively the reasonable best case or something better would happen? I am just trying to get some kind of indication as to how confident we could be, for example in terms of the best and worst-case scenarios you have outlined for freight traffic, that we are going to finish up somewhere in there. Can we be optimistic that it will be better than that? Do we need to worry that there is a significant probability that it could be even worse than that? Is there a point at which you say there is a 60%, 80% or 5% probability? Is there anything even approximate that puts numbers on it?

Karen Wheeler: We were often being asked to try to put probabilities around the assumptions, as you can imagine. I do not think we could do that with any other basis than a finger in the air. Ultimately, it gets down to how people behave. The fundamental bottleneck on trucks going through Dover-Calais is how the French deal with the blockage. You could take a very worst-case assumption, which is that they will stop and not let anything go until every formality has been completely covered and that will take days. Therefore, it would become extremely difficult to get things across the border. The best case would be that 100% of every trader and truck is ready with perfect documentation and it goes through. There are some boundaries but they are not realistic. I do not think there was any way of doing this other than coming to a sensible judgment.

James Hookham: French officials take a similar risk-based assessment of the threat, which is what HMRC will be doing, which is exactly what they do now. Certainly my members would argue that the goods are no different, the carriers are no different and the issues are no different on the first week of November than they were on the last week of October. It is purely pragmatic.

Karen Wheeler: Absolutely. We spent a lot of time worrying about what the French would do. We knew they would obey the rules, but we know they are also in favour of trying to get flow going. Somewhere between completely obeying the rules and a pragmatic approach is where they are likely to act. That might be impacted by the politics of a no deal and how fractious it is, but it is very hard to predict exactly how that would work.

James Hookham: Can I offer another view on how to think about Yellowhammer, because this is the process we went through when we saw the story? My first question was what the assumptions are that underlie all of this. One of the big ones was about the enforcement approach by French customs. Also, there are certain easements that have been agreed by each party in the run-up to 29 March that removed some of the real showstopper issues that I have spoken to this Committee about before.

For example, the European Commission agreed that not every single journey made by a British truck into the EU would require one of these haulage permits—the ECMT permit. There was a stay of execution on that particular requirement that was signed off in Brussels and was valid until the end of the year, which was reasonably generous, given an exit date in March, but was practically useless when it was rolled forward to October. One of our big asks in Brussels has been for that concession, and a similar one was agreed for aviation issues, simply to be rolled forward by at least the period of time that Brexit would be delayed.

Your assessments about the severity of delays would be very highly influenced by what you assumed the outcome of that to be, because if those provisions were not eased then it would not simply be a question of being ready. As I explained before, there simply are not enough permits to meet the demand. It is a question of permission to travel, rather than readiness to comply. It would be interesting to understand what assumptions were made in the assessment about those kinds of easements because if they were assumed to apply, if those easements were assumed to be carried forward, then we need to make sure that happens. There are similar easements that were allowed by the UK Government—Karen has mentioned the safety and security declarations—which again would have a significant bearing on the number of trucks able to comply coming into the country. Again, was the assumption that that easement would be renewed or not? That would significantly affect the outcome.

Q4989 **Peter Grant:** If I could come back to you, Karen, after the Yellowhammer document was leaked, an unnamed No. 10 source said, "This document is from when Ministers were blocking what needed to be done to get ready to leave. Those obstructing preparation are no longer in government". Now, throughout the last several years, the policy of the Government, regardless of who the Ministers had been, had been that we do not want to leave without a deal but are actively preparing for it. Did you, at any time in your time at HMRC, have any concerns that anyone in the civil service, or indeed any Ministers, were actively blocking the Government's own policy of preparing for a no-deal Brexit?

Karen Wheeler: No, not at all. Generally, people were supportive of trying to find solutions so that the preparations would succeed. That is true. There were, of course, always conversations about money and about how funding might best solve some of the problems or not. Of course, it was always the Treasury's job to make sure that there is an appropriate judgment between spending money to ease the problems and getting value for money and not disrupting trade as well. There were those sorts of discussions, but I do not think they were trying to block preparations.

Q4990 **Stephen Crabb:** Can I ask a couple of broad questions? I read today in the newspaper that the Government are going to announce another £2 billion to help with no-deal planning. Of course, we have heard some of these announcements before and we have read headlines suggesting that the Government are going to increase the pace of preparations. From where you sit in your organisations, have you noticed any difference when these announcements are made? Does it translate into an increase in the tempo of preparations? Is it something you can feel from your interactions with Government agencies?

James Hookham: The short answer is yes, actually, because the money is often largely for the Government's own use to equip themselves with the means of enforcing a border and managing, for example, the Operation Brock situation. There have been recent announcements about that. The Government did announce that money was available for trade associations to support communication activity. Certainly the FTA will be seeking to make use of that because the communication task is now huge. We are grateful for that support because we only have limited means ourselves of delivering this scale of communication exercise.

The important thing is that, whilst that funding is helpful, there are still many issues that the Government need to resolve and sign off around the actual border procedures. In communicating what businesses need to do, we need to be in possession of the complete picture. At the moment, there are several really important missing pieces of the overall picture that we just need to get some clarity on. We are sending regularly to the Government, to Michael Gove in particular, our shopping list and our hit list, of issues that remain undecided. Therefore, we cannot give the clarity of advice and information to our members that we would like. Yes, there is a willingness to support business and trade bodies, in particular, and to communicate this information, but we still need to know completely what that information is to deliver that.

Andrew Opie: I would agree. The additional spending is always welcome, particularly if it does work in terms of information being cascaded further up the supply chain. In our experience, it tends to be that the larger companies are more attuned to this and understand it better, but the further up the supply chain you go, the harder it is to engage those suppliers to be ready. I include European suppliers in that, of course, not just UK suppliers. For us, we are primarily talking about imports. We need our European suppliers to understand what they need to do and to reassure them as well, because one of the fears we have is that European suppliers may worry that their trucks are delayed here for two or three days. Therefore, why supply GB when you can supply Germany and drive your truck straight from Spain to Germany, for example? It is welcome, but the pace is often set by the political agenda, rather than necessarily the Government's agenda, if that makes sense. Certainly, when it got to the end of July and into August, we saw a significant increase in inquiries coming to us from all of our members and, from them, through their supply chains about the risk of no deal, dusting off the plans they had made for March and then preparing to ramp those up ahead of October. That is what really sets the pace of engagement.

Q4991 **Stephen Crabb:** As best as I understand and have heard directly from Boris Johnson describing it to me, the strategy is about showing that the UK is credibly ready to walk through the pain barrier of 31 October. When you can show that, that is the moment that you can create maximum pressure to try to get a better deal from the EU. In terms of this whole concept of being ready, is that the correct way of looking at it? Is there ever going to be a point where people like yourselves can turn around to civil servants and senior politicians and say, "Yes, the work is now done. We are, from where we sit, ready", or is that the wrong way of handling that concept?

Andrew Opie: You can have that conversation to say, "We are as ready to manage the system as it stands, but within that you need to understand that there are some consequences of that". In other words, retailers cannot manage the disruption that we are likely to see across the short straits. We are ready in terms of our businesses being ready. We are managing stocks in advance of 31 October. We are communicating with our suppliers. We are thinking about everything we need to do as a business, particularly if we export. For all of those things, yes, we can say that we are ready as we possibly can be but there is no getting away from the fact that a major dislocation, which is what we are likely to see, will have a consequence of the food that we sell in our stores. We have been very frank about that and we have worked very closely with Government to try to get as ready as possible, because our aim is to serve British consumers and make sure that we mitigate the impact. However, we are mitigating the impact; we cannot remove all of the impact. There is a difference between being ready and being able to mitigate all of the impacts.

Q4992 **Stephen Crabb:** Would you agree that there is no state of readiness that does not have a negative by-product to it?

Andrew Opie: There are two questions. There is a state of readiness. If we knew all of the facts and we knew what we wanted to do—and we might talk about how we trial some of those processes later, which we have not had the opportunity to do yet—if we could do all that and we had practised and we were ready to go, you could say that we are ready for what we expect to see.

What we cannot ever be ready for is a major dislocation with our biggest trading partner, which is Europe. That is further complicated by it being 31 October, when we are very reliant on imports from Europe. There is a difference between being ready and being able to wholly mitigate the impact.

Karen Wheeler: What is really important is that our view about being ready is distinct from the view that it is all going to be fine. You can be ready for a crisis situation because you have your crisis teams stood up, prepared to deal with the unexpected. You can be ready to deal with the traffic queues in Kent and potential impacts on supplies of goods. That does not mean they will go away. It is just that you are ready to cope with it. It is being careful about what we mean by "ready".

Q4993 **Stephen Crabb:** I do not know if you want to add anything, Mr Hookham.

James Hookham: No, I absolutely agree.

Q4994 **Stephen Crabb:** Could I ask one final question? It is to Mr Opie and it is slightly off-piste, because it does not actually relate to cross-border movement of goods, but since you are before us it is quite useful to ask you. During the recess, I met a very large poultry supplier, which supplies one of the leading high-quality supermarket brands with all its organic turkeys at Christmas time. They were very spooked by the press reports, which came from people close to the Home Secretary, that freedom of movement for people would end abruptly on 31 October in the event of a no deal. They were explaining to me that in early November they would bring in 200 Romanians, as they do every year, to help get the turkeys packed up and on to the shelves for the Christmas season.

The question they are asking me is whether, if they have entered into contracts with agents now for that labour to come across, they will still be in a legal position to do so if freedom of movement ends abruptly on 31 October. When I have talked about this with Ministers, they said, "Oh no, there is nothing to worry about", but do you pick up any concerns within your organisation about this?

Andrew Opie: Aside from the problem of bringing food over, the issue around immigration is the biggest threat facing the retail sector, not just in terms of our suppliers, which was really well articulated. We have had the same discussions with the National Farmers Union. We are well aware of those businesses, such as turkey producers, who are bringing people over seasonally at that time. Retailers are also ramping up all their operations at that time of the year, so our logistics and distribution networks are even busier than they are normally. You are heading into

Black Friday, as well as into the Christmas deliveries. We also rely very heavily on EU workers, who do a brilliant job in our system, and some of those will come over for that period, specifically to work in the run-up to Christmas.

All of our retailers, food and non-food, are saying that they have a major concern about the impact that those signals that are coming out of the Home Office are giving to potential workers who may be in in the EU at the moment, who would come over under normal circumstances to work in our businesses. We really need those workers at that time of the year, whether it is in the supply chain or in our own logistics and distribution.

Q4995 **Stephen Crabb:** Have the Government given enough assurances around that since those press reports in the summer?

Andrew Opie: They need to be much, much clearer about what the situation will be. We have a real fear that workers who are currently in Europe are not getting the reassurances that they would want to think, "I am going to go to the UK. I am going to plan my trip to the UK. I am going to work there for three to six months"—whatever it is—"I am confident that I can go to the UK and work". Our real priority is to give the clarity to those workers who are crucial to our system.

One interesting thing for your organic producer is it will not be able to export into Europe, because we will not have certification and status as a third country with the EU on day one. That has been made clear to us. Organic producers in this country have the biggest problems in terms of food producers.

Stephen Crabb: That is helpful. Thank you.

Q4996 **Mr Whittingdale:** I have a very quick question to Mr Opie. You have explained 31 October is in some ways the worst possible time to choose to leave the European Union. Out of interest, when would be the best time?

Andrew Opie: If I picked a time, I would probably pick June. Early June would be the ideal time. We have switched fully over to UK produce at that time. If you take lettuces, for example, it almost flip-flops from 10% produced in the UK and 90% from Europe in the winter to the other way round in the summer. Anybody who understands our seasonal production in this country will understand we source as much as we can here in the UK, and so that would be the best time. The other thing about June, of course, is you would then have a bit of headroom, probably up to the end of October, to get all the systems working; everybody is ready to go. It is not up to me, but if it was that is what I would pick.

Chair: That was a very succinct answer. June what year? You do not have to answer that.

Q4997 **Wera Hobhouse:** We have already touched on the EU workforce, and I would like to elaborate a little bit more. Particularly, I am in close contact with the3million and the current EU workforce, and possibly people have seen what has gone through the press with Richard Bertinet, a famous baker from France living in this country for over 30 years, having a family, a British wife and British children, and he did not get full settled status but only pre-settled status. We cannot overestimate the human cost that the uncertainty over what is being said by this Government, particularly recently, creates for these people. It is stressful. It is humanly very stressful. It is no wonder that certainly a lot of EU citizens who are living and working here currently are considering leaving. What about that sentiment that is created in Europe? Of course, people see what is going on here. How has it already affected workforce?

Andrew Opie: In terms of our own workforces, we have not seen major numbers of EU migrants currently in our workforce leaving the UK. I think that would be true to say. It might be different in our supply chain, but I have not called the NFU up recently to know what they would be saying about the availability of workers, but there remains a concern. Those workers are really key to the food we put on the shelves in the UK. It is particularly acute in some areas of our businesses, logistics and distribution being the obvious one. We did a survey of our own members a few years ago, and figures in logistics and distribution were particularly high, and particularly high in the south-east, east midlands and west midlands. Those workers are crucial to our system and they need the reassurance. We are working with the Government to get that reassurance through our companies to their workers, because they are so valuable to their companies, but we are not seeing major departures at the moment.

Q4998 **Wera Hobhouse:** But what about in terms of the future workforce that we were talking about?

Andrew Opie: Yes, absolutely. We have made it clear that the current systems that are being proposed do not sit well with us in terms of the demand for labour that we anticipate we will need going forward. We do not anticipate the types of worker we are going to require going forward are going to change. We work really hard with UK communities here to try to recruit as many as we can from the local communities to work in our businesses, but, again, it is back to a realistic assessment of what actually happens. Those figures are supplemented by great EU migrant workers who come and work in our businesses, so we are heavily dependent on those for moving food around the country.

Q4999 **Wera Hobhouse:** Did the Government discuss the labour needs for your industries with you?

Andrew Opie: Yes. We have engaged with Government and we obviously took part in various consultations over the last year or 18 months. We have made it clear where our demand for workers needs to be and, if you look at a future immigration system, in terms of how that system works best for us and some of the proposals that work worst for us, for example setting a salary threshold that is too high and unrealistic for the type of worker that we would need in our businesses.

Q5000 **Wera Hobhouse:** Obviously one of the big announcements from the Home Office over the summer break was that free movement would immediately end. Were you made aware of that?

Andrew Opie: We were not, no.

James Hookham: We have a long-standing driver shortage in domestic logistics activity. Our survey suggests 13%, 14% or maybe 15% of our resident drivers—so just driving around the UK, rather than international work—are from the rest of the EU. They hold non-UK driving licences, issued by another EU member state. They are absolutely fundamental to us as an industry providing support not just to the food sector and the retail sector but all of British commerce, in terms of a distribution function. It is not a question of simply substituting with UK drivers. Those drivers, qualified to the standard necessary to drive a heavy goods vehicle, are not available.

Our playback to Government on this has been, "You need to urgently revisit your apprenticeship funding arrangements and the criteria for eligibility for funding, because all of a sudden your domestic training needs are fundamentally different from when that apprenticeship levy was designed and introduced". We need far more flexibility in the types of course that are eligible for funding. If we are going to have to confront these new consequences of the ending of freedom of movement at some time, we need to start the process of sourcing the necessary skilled workers within the UK. We therefore need an apprenticeship levy and training arrangements that suit that kind of environment; that is very different to when that scheme was first designed and introduced.

Q5001 **Wera Hobhouse:** Could you paint a scenario? Suddenly, on 31 October, we have no deal. What would that actually look like, if free movement and all the consequences would end that day?

James Hookham: As has been described, it could jeopardise the ability of, let us say, a driver from eastern Europe to decide, as Andrew was describing, to come and spend the peak season, when the demand for drivers is greatest, working in the UK, because there is reliable work and his or her driving licence remains valid. It is a very much used arrangement. Drivers move between jobs and contracts. If all of a sudden there are new checks, controls and requirements to register or seek certain status which were not there before, as we have discussed, it may well be far more attractive simply to go and do your work in Germany, France or somewhere, where those checks are not required. On top of the administrative burdens we are talking about, do not forget the actual financial attractiveness of working in the UK has declined quite dramatically, consistent with the fall in the value of the pound. It is simply not worth what it was to come over here and work, so we are fighting those forces in being an attractive employer as well.

Q5002 **Wera Hobhouse:** Did you get the impression that Government had thought this through, or was it just something that was announced because there seemed to have been a politically opportune moment to say something like that?

James Hookham: No, I do not think there is a deep understanding in Government of some of these second and third-order consequences of the ending of the freedom of movement. The Government are still working their way through some of these consequences. Employers—our members—are themselves struggling to come to terms with exactly what they might have to do in order to give advice to current employees and, presumably, to encourage them to complete whatever paperwork and registration they need to. Clearly, these are very valuable employees and they would like to keep them, so they are working through those consequences as well.

Q5003 **Hywel Williams:** Good morning. There has been quite a lot of attention given this morning already, and in the press, to the situation between Calais and Dover, the narrow strait crossing, but less attention to what is happening between Ireland and Wales, which is what I would like to ask you about now. God knows there are sufficient complications between Northern Ireland and the Republic, so I do not want to go into any of that, especially as we do not have anyone from Northern Ireland here, as we usually have.

I would just like to talk about perishable foods. I met some food producers from Northern Ireland a few months ago at a meeting organised by the then Secretary of State for Northern Ireland, and asked them a few questions about the north-south trade and particularly the west-east trade. They were quite concerned that insufficient attention had been given to this. There are a lot of primary products, chicken or whatever, and also manufactured meals and that sort of thing, which are very time-sensitive, that go north-south. What is your understanding, as far as the Republic is concerned, as to the checks they will impose and whatever else? Is it going to be as with Calais? There has been a great deal of talk about not having any physical infrastructure on the border itself. How do you understand that trade will be affected if we leave with no deal?

Karen Wheeler: The Dublin-Holyhead route was probably next on my list, in terms of priority, after Dover-Calais, because it is the next busiest route. It is 20 crossings a day, as opposed to about 60 for Dover-Calais. As you say, it is a huge source of all sorts of goods, but a lot of food goods, and very time-sensitive to the shops opening and getting goods in. Exactly the same situation will apply between Holyhead and Dublin as between Dover and Calais, i.e. the Irish will have to do customs checks and SPS checks on goods entering Dublin from Holyhead. At Holyhead, again just as in Dover, the UK is not going to put any controls or checks in the way of goods coming from Dublin.

On the plus side, associated with that, because of the lower frequency, because it is only 20 crossings as opposed to 60 crossings a day, our estimate was, while there would likely be delays because of the time taken for checks happening in Dublin, they would all be constrained within a day. You would not get queues building up over days as you would in Dover and Kent. The impact of the delays will not necessarily be 12-plus hours, but, as you say, some of those delays are very time-sensitive. If they miss the 2.00 ferry, they do not hit the 5.00 deadline for getting into the shops. Those sensitivities are there, and there were concerns about that.

I know there were concerns, as we talked to Northern Ireland stakeholders, that, if there were likely to be delays on that route, traders may choose to go through the border. That would not have any delays at least on our side of the border, because the UK Government were not going to put any controls and checks on any of the goods going across the land border, but, of course, then they would need to go across the land border and to the northern port, into Larne, into Scotland, and that is a much longer route. The assessment was that probably not a lot would choose to re-route through the land border, because it would be more difficult to do that, but there was another attraction through that route, which is that you get no tariffs and no customs, so there could well be some trade disruption and some different flows of trade, which would have impacts. Andrew is probably better placed to say what the industry view of that is.

Andrew Opie: It is a big problem. A number of UK retailers operate stores in the Republic. It actually accounts for quite a large percentage of their grocery market. Lots of that food is shipped from GB over to Ireland through Dublin. It highlights the problems of becoming a third country and then trying to export into the EU. The food export rules into the EU are not set up for retail just-in-time deliveries. They are set up for a large consignment of New Zealand lamb coming over, where it is the same kind of product and it is relatively easy to have one export health certificate. A retailer will be sending over maybe 200 or 300 different products. A large proportion of those will have products of animal origin, so that is either meat or meat products that have been manufactured here in GB and shipped over. Each of those needs its own export health certificate, which needs to be signed off by a vet. The lorry has to carry multiple certificates with it to do that. If there are any mistakes, the lorry is then held and the appropriate paperwork needs to be sent.

For a retailer to try to work through that system and send the same supply that we are currently sending is nigh on impossible, just in terms of the bureaucracy and administration of trying to get through all the rules you need to in order to send that vehicle across. The Irish have told us that they will administer all the rules in Dublin, including the pallets that we talked about earlier. They are saying, “This is the border with the EU. You need to send stuff over”, but it will have a significant impact on

GB retailers, or UK retailers, trying to send product to their Republic of Ireland stores.

James Hookham: That is an excellent summary. I certainly agree.

Q5004 **Hywel Williams:** Being mindful of the previous answers you gave on preparedness, is there the same degree of preparedness as far as Dublin-Holyhead is concerned, as compared with Dover-Calais?

Karen Wheeler: We were probably less close to Dublin's arrangements than we were to the arrangements of Calais and Eurotunnel. We had very close relationships with the French, who worked very closely with us. Obviously, they were constrained in what they could do and say by the EU, but nevertheless we got quite familiar with it.

We have not been able to get as close to Irish arrangements because Ireland has been less willing to talk to the UK about border arrangements. I would have less confidence in them, but that is not to say they are not prepared. I could see that the French were very well prepared. That is why I probably have less confidence: because I am less sighted on them. We worked on the assumption that they would be able to cope as well as the French with their arrangements. There would probably be more teething problems there. They are used to operating systems. It is just not at Dublin, but yes.

Q5005 **Hywel Williams:** I have one other question, which I asked the Northern Ireland food producers. I asked them, "Do you know what proportion of your exports to the south then go on to the UK?" They did not really seem to be able to give me an actual percentage. It is an imponderable in a situation where there are quite enough details to deal with already, as it were.

Karen Wheeler: No. I personally, when I was there, tried to get a better handle on percentage of goods and trade flows and products travelling through the various routes. They are very difficult to pin down because, to date, we do not have any information. The only information we would ever get would be through the ports and the carriers themselves, through industry giving us that information. Defra probably had a better picture of that, as far as agri-food goods.

Q5006 **Hywel Williams:** We are going over to Ireland shortly and we will have a go at them again. Lastly, it seems to me that the preparations are focused on day one and then a few months subsequently. If we could stand back a little bit, I think it was Pascal Lamy who was before us and said that we might be able to prepare in the short term but it is when divergence occurs that the problems will really stack up. Is that your view as well?

Andrew Opie: Absolutely, yes. There has been too little debate around the three, six and nine-month periods. For us, we will have a temporary tariff on food, but how long will that temporary tariff last? How sustainable is it to last? There are SPS checks on goods coming into the

UK from outside the EU. It is not sustainable not to administer those checks, because surely the New Zealanders and the Australians, who are acting as third countries and exporting food into the UK, would say, "Why is our food being checked and European food is not similarly being checked?"

For me, there is the immediate disruption and dislocation around 1 November, which will have serious consequences, particularly in fresh produce. From the consumer perspective, there is so much uncertainty from not having a robust deal with our biggest trading partner. There is no getting away from that. 80% of food imports into UK supermarkets come from the EU, so probably about 25% of everything we sell comes from the EU. A fraction comes from the rest of the world and only about 10% of the products we sell currently attract a tariff, which is probably 10% of imports, which is probably about 3% of the products we sell. These are really big questions that need to be answered quite quickly, because otherwise they are going to have a huge impact on consumer prices going forward.

We have always said the best thing for consumers would be a good deal with our immediate trading partner, with the EU. That should be the first consequence of the Brexit, and then you move on to trading partners after that. For food, we are so reliant on that EU trade that we need to secure that really quickly. Of course, the dislocation of going with no deal may make that trading arrangement harder going forward, as well as to get a deal.

Karen Wheeler: It is worth saying that part of my role, when I was there, was to look at all scenarios, whether it was deal or no deal. Inevitably, we ended up spending much more of our time on no deal because it was the one thing that we could actually pin down and know what the plan was, unlike deal scenarios. That included what happens after day one, in terms of the longer-term scenario after no deal and whether you carry on having a no deal or you subsequently get a deal after that no deal, because obviously you are still trying to make a trade arrangement. The problem was, and probably still is, that lots of people want to plan for those scenarios, but what scenario are you planning for and what is the best set of scenarios you should plan for? That is the difficulty.

In Ireland, for example, it was clear that both the customs regime and the tariff regime would not be sustainable in the long term. They would both, therefore, only apply for a short period of time, so what is the plan after the short period of time to get out of that? I am sure people were thinking about it, but it was not clear what the solutions were. Once you know what the solution is, you think, "Why do I not go straight to that?" and that is not obvious. There are absolutely people worrying about it, but it is actually quite hard to pin down because it is not known policy.

Hywel Williams: It reminds me of a colleague of mine who used to say, "Do not start a fight in a pub unless you know where the back door is".

Q5007 **Chair:** That is very wise advice in many circumstances. Can I pick up two points? On food price rises, Mr Opie, the Government have said there will be some food price rises, but that there could also be some food price reductions because of the new tariff schedule, although the one that was published has now been, in effect, withdrawn. The Government are consulting on a new one. We do not yet know when it is going to appear. What is your assessment of what the overall effect will be? Do you accept there will be price reductions as well as rises, and what will the overall effect be on the consumer?

Andrew Opie: It is really difficult to predict food prices, but we can look at some of the pressures that are likely to be on food prices. One of the key things is we probably are expecting a further devaluation of the pound. The pound, against both the euro and the dollar, is really important for food prices because then you incorporate things like oil as well as commodity prices themselves. We are expecting that to happen.

We are expecting extra costs in the system in a no-deal situation. There will be extra waste. There will be extra costs for distribution because you will need two drivers or your lorry will be stuck for two days, so you will not be able to get it over. The tariff thing is great, but do not forget we already operate on a zero-tariff schedule with the EU, so there is no saving in the zero tariff. We are just taking that over here. Further than that, unless we can compensate all of our food exporters, who also form the backbone of our supply chain, they are going to come under increasing pressure because they will find it very hard to export to their key market in Europe because of the high tariffs.

My view is that, if you put all those together, the weight looks as if they are inflationary pressures there. It is difficult to see where the deflationary prices would be in that.

Q5008 **Chair:** That is very clear. Thank you. Ms Wheeler, can we look at the land border between Northern Ireland and the Republic of Ireland? What was the Government's planning assumption about what would actually happen at the border on day one? Then I want to come on to the point you just made a moment ago about the unsustainability of what might be happening.

Karen Wheeler: The Government published their policy in February or March about how they would avoid infrastructure at the border, which was the priority for the Government. The policy was no customs and a minimum amount of essential checks on certain goods in certain circumstances. That was to avoid having to do any sorts of checks at a border. That would mean in principle any imports from the Republic of Ireland would be able to cross into Northern Ireland without any sort of checks or customs or tariffs. That flow would potentially be fine, but the trade in the opposite direction would not, because our assumption was

Ireland will have to impose customs and SPS checks on goods from Northern Ireland.

Q5009 **Chair:** Would that be at the border?

Karen Wheeler: It has said it will have to do those checks, but it is not going to put any infrastructure on the border. Therefore, it has started to talk about ways of trying to do that away from the border. I do not think it has been hugely detailed or specific about exactly what and how it would do that, but it would aim to do SPS checks in existing facilities in other locations away from the border. The difficulty with that is the tariff differential would immediately make it uneconomic.

I can only tell you what stakeholders in Northern Ireland told us. They told us that it would immediately become uneconomic for Northern Ireland agri-food businesses to trade with Republic of Ireland because of the tariff and potential customs control barriers, especially in the circumstances where they do not actually know what would happen and how it would happen in Ireland. That will be exacerbated by the fact that they would be able to see Republic of Ireland traders being able to still bring their goods into Northern Ireland without any barrier and without any tariffs. That, in itself, would cause problems immediately, within days or even hours, I think some of the stakeholders were saying. That would cause issues for Northern Ireland traders, and would lead businesses to go out of business. That was the situation as we were anticipating. We obviously were not anticipating delays as such, but simply a stop of normal trading business going across the border.

James Hookham: That has a real human dimension. If you think of the haulier instructing the driver that morning, "Make your usual journey south into the Republic", is that driver going to be held somehow accountable for retrospective or delayed checks that the Republic may want to make on that vehicle? There is quite an interesting grey area here with what is deemed to be smuggling because no declarations are made. In this situation it is a very vague legal area, but there will be individuals needing to confront that and run that risk. That is not fair, dropping the political indecision down on to the daily working lives of drivers and hauliers.

Q5010 **Chair:** You said it would not be sustainable, and indeed Operation Yellowhammer said that, so what would have to happen next?

Karen Wheeler: That was precisely the problem. It is not sustainable because the border between Northern Ireland and the Republic of Ireland would be potentially subject to challenge by other EU countries saying, "That is not fair". It would break WTO rules. The assumption was that could be sustained for a period, up to 12 months. What was not clear was what would happen after 12 months. The assumption was there would need to be some sort of special deal, which obviously takes you into a different place. It was not clear to me and I was not sighted on any policy thinking about what that might look like.

Q5011 **Chair:** It sounds like some kind of backstop arrangement, but I might say that and you might not want to comment. You had said earlier that the ability to have effective communication with your Irish counterparts was more difficult, in that they were less willing to share with you what in fact it was that they were going to do.

Karen Wheeler: Yes, absolutely. UK Government officials and Ministers were constantly trying to have conversations, but Ireland officials and Ministers, as far as I could see, were simply not able or willing to talk to us about no-deal arrangements. My assumption was, at that point at least, that there was not a no-deal plan. There was certainly an assumption by the Republic of Ireland that no deal could not happen and would not happen, because it could not happen, and therefore it was not clear that there was a plan at all. I am sure there is some sort of plan now, but it is not clear what it is. Certainly by the end of June we still were not able to talk to them about it.

Chair: That is very clear.

Q5012 **Jeremy Lefroy:** I apologise. I had another meeting very briefly and I apologise if you have already answered this. It seems to me, therefore, that you have the two cliff edges with no deal. You have the cliff edge of whenever it is, 31 October, which hopefully will not be the case, but then, after a period of time, non-EU countries will challenge the situation. As you have said, the border situation in Ireland may be challenged by other EU countries. At what point do you think non-EU countries will say, "Britain is not complying with the WTO rules about fair treatment of all other parties to the WTO"? Would there be a risk of us being excluded from the WTO if we were not to respond to that and therefore impose similar tariffs on food coming in from the EU, which, as you said, is 80% of our imports, as we do from New Zealand, Australia or the United States?

Karen Wheeler: You are definitely outside of my area. I was not really sighted on the thinking. I know that Government felt their approach for Northern Ireland was legally compliant—they definitely felt that—but not sustainable. The assessment, "We would need within 12 months to move it to a different place", probably reflected their assessment of the risk of challenge.

Q5013 **Jeremy Lefroy:** As far as tariffs in general, not just for Northern Ireland and Ireland but for the whole EU, being at 0% on certain things, food products particularly, they would have to then change to WTO tariffs, I would imagine.

Karen Wheeler: The EU would apply WTO tariffs on our goods coming in.

Q5014 **Jeremy Lefroy:** But what about on imports?

Karen Wheeler: The UK tariff regime, as you know, was always identified as a sort of temporary regime specifically to try to get the balance between what is a legal requirement, what we need to do to protect certain specific goods and protect the public from price rises. That regime had not come in through a proper consultation process, which is normal for a tariff regime. The assumption would be that within 12 months, there would need to be a proper consultation around a different or possibly the same tariff regime. There was more thinking about what that process and timescale would be, although I am not clear what the new tariff regime might end up being.

Q5015 **Jeremy Lefroy:** Presumably the same scenario that you painted about Northern Ireland producers being pretty upset about the disparity quickly, in terms of their exports as against the other way round, would apply to people in Great Britain. For instance, I do not know what the tariffs would be on spinach that they are exporting, say to the Netherlands, but a producer of spinach might find that in the end it is cheaper to import those goods from Europe, because the tariffs imposed by the UK are zero, rather than grow it themselves, with a consequent impact on food security and much else.

Andrew Opie: It would not stop sourcing, because it would still be zero tariff whether we buy it from Lincolnshire or Holland in that case, so that would not affect them.

Q5016 **Jeremy Lefroy:** They would not be able to export.

Andrew Opie: Yes, exactly.

Q5017 **Jeremy Lefroy:** For instance, the Netherlands in June had a good period of hot weather, which meant their production went right down, so British producers were able to fill that gap. That would no longer be nearly as profitable for British producers.

Karen Wheeler: That is exactly right.

Q5018 **Jeremy Lefroy:** British producers would, again, be put at a disadvantage by these arrangements.

Andrew Opie: That is the dilemma with the tariffs on food, which are extremely high, but also are a real balance between consumers and producers.

Q5019 **Stephen Timms:** Very briefly, can I go back to the discussion we were having earlier about what would happen in practice at Dover-Calais? You made the point that a third of the trucks that bring food into the UK go back empty to the EU and the problem would be they would be stuck in the queue in Dover with all the other trucks. This is no doubt a rather naive question, but could you not just introduce an empty lorry lane at Dover so they could bypass the queue, get straight on the ferry and go back?

Karen Wheeler: It is a good question. With the Department for Transport, we were trying to explore the potential for doing Brexit readiness checks on lorries that were queuing to go out to Europe, to check if they had the correct documentation or if they were empty, and ensuring that the queues enabled that the trucks with the correct documentation or that were empty were prioritised for going to Dover and Eurotunnel. I know that work is underway to try to put in place those Brexit readiness checks to enable that to happen.

The problem is Brexit readiness checks can happen either at Manston Airport or while trucks are queuing, but there are no other locations where you can do those checks. Manston Airport is only going to be full of trucks if the queues have already built up, and we can only do checks on trucks on the M20 if it is completely stationary. You do the checks if the trucks are stationary. You do not do them if it is flowing, but that work is underway to try to enable that to happen.

James Hookham: You also perhaps need to ask that question of the Port of Dover, because it was always very clear that there just simply was not the physical space to provide for that kind of fast-track arrangement. You would then of course have the argument as to whether or not a truckload of British exports were in fact more valuable and should be prioritised over an empty returning foreign truck. That is going to get you into a very difficult set of decisions, is it not?

Q5020 **Jeremy Lefroy:** In terms of the point you made about what would happen once the 300 spaces at Calais were full, would Calais then say that no more ferries could come in until there were enough spaces?

Karen Wheeler: Yes, it was our assumption that the ferries would only carry across trucks if they could see they were going to be able to be discharged off the ferry. Otherwise, the ferry is just stuck there. These things will be a natural dialogue between the carriers and the ports, but that is precisely what the impact will be.

James Hookham: That was based on the experience when Calais was effectively brought to a halt by industrial action in the summer of 2015. The ferries simply stopped running because they could not get access to the port and of course it is unsafe to leave a ferry moored off of Calais in the Strait of Dover.

Karen Wheeler: Obviously, Calais and French officials were very clear that they did not want that to happen. They would be trying to find ways of mitigating that and were very keen for us to find ways of trying to almost prevent trucks that were not ready from arriving in France so we did not hit that situation, but that is what we were preparing for.

Chair: On behalf of the Committee, can I thank you once again very much for coming? Your evidence has been really helpful and illuminating and is absolutely to the point, given what else is going on today here and over the next few days. Thank you very much.