

## **Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee**

**Wednesday 2 December 2020**

### **PRESENT:**

Councillor Winter, in the Chair.

Councillor Drean, Vice Chair.

Councillors Bridgeman, Buchan, Corvid, Stevens and Wheeler.

Apologies for absence: Councillors Allen (Councillor Corvid Substituting).

Also in attendance: Giles Perritt (Assistant Chief Executive), Kevin McKenzie (Policy and Intelligence Advisor), Anthony Payne (Strategic Director for Place) and Jamie Sheldon (Senior Governance Advisor)

The meeting started at Time Not Specified and finished at Time Not Specified.

*Note: At a future meeting, the Panel will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.*

#### 14. **Declarations of Interest**

In accordance with the code of conduct the following declarations of interest were made –

Member	Subject	Reason	Interest
Councillor Drean	Economic Impact and Business Preparedness.	Wife employed by one of the ferry operators	Personal
Councillor Buchan	Economic Impact and Business Preparedness.	Council Representative and Vice Chair of Devon and Severn Inshore Fisheries and Conservation Authority  Cattewater Harbour Commissioners (Board Member)	Personal

#### 15. **Chair's Urgent Business**

There were no items of Chair's Urgent Business.

#### 16. **Economic Impact and Business Preparedness (including witnesses)**

Giles Perritt (Assistant Chief Executive) and Kevin McKenzie (Policy and Intelligence Advisor) presented the Economic Impact and Business Preparedness item to the Committee –

- (a) The government's own analysis forecasts that a no deal Brexit would reduce UK GDP by 7.6% after 15 years, while reaching a free trade agreement (FTA) with the EU would lead to a 4.9% decline;
- (b) Differences remain over the level playing field, fishing rights and role of the ECJ;
- (c) If no agreement the UK would revert to trading under WTO rules on 31 December;
- (d) Any trade agreement must allow the UK to modify its labour laws and to set its environmental priorities;
- (e) The UK would not be bound by the dispute resolution mechanism;
- (f) Plymouth's international exports in goods were valued at £742m in 2019, 14.2% of the city's GVA;
- (g) In 2019, 489 (8.3%) Plymouth businesses exported goods to the EU and 757 (12.8%) of Plymouth's businesses imported goods from EU countries;
- (h) The UK Government had taken the decision to introduce new border controls in three stages In January, April and July 2021;
- (i) A Border Control Post (BCP) was essential to keeping our continental trade routes open;
- (j) Our fishing fleet would be allowed to catch more fish but we export a high proportion of what we catch;
- (k) Plymouth had industrial sectors which disproportionately depend on migrant labour;
- (l) From 1 January 2021, free movement will end and the UK will introduce a points-based immigration system;
- (m) Skilled workers would need to speak English have a job offer from a registered sponsor and earn over £25,600 p.a.;

- (n) Plymouth had a relatively low wage economy, in 2019, Plymouth's pay stands at 93.2% of the UK average;
- (o) The Government declined recommendations from the Migration Advisory Committee to include senior care workers and bricklayers on the Shortage Occupation List;
- (p) New processes for moving goods between GB and the EU are set out in the Border Operating Model;
- (q) The UK regulatory framework would diverge from EU law;
- (r) The UK would not weaken labour and environmental laws to encourage trade or investment;
- (s) The UK would set its labour and environmental priorities and adopt or modify its labour and environmental laws;
- (t) The UK government will cease to follow EU state aid rules in favour of the less restrictive WTO rules;
- (u) The UK would seek 'adequacy decisions' from the EU to maintain the continued free flow of personal data;
- (v) UKSPF would match EU funding to the devolved administrations but regional distribution unclear;
- (w) Between 2014-2020 the HotSW LEP area received £120m of ESIF and ESF provided £26m to Devon;
- (x) Horizon Europe, currently provides c20% of our Marine research funding;
- (y) FDI supported businesses are some of our largest employers, employing roughly 7,900 people;
- (z) FDI reached a high point in 2019/20 with 12 new projects but the value of the investment projects is lower than previous years, at circa £94m;
- (aa) Recent PMG event suggested most PMG members are aware that whether there is a trade deal or not there will be impacts;
- (bb) Tax expert from KPMG advised that they may need to have VAT representative;

- (cc) Business don't really look for third party intervention – most likely to use trade bodies e.g. Make UK, Business West and the Devon and Cornwall Chamber;
- (dd) Most likely to access our advice and support via the growth board;
- (ee) Situation may be very different for SME manufacturers;
- (ff) Small exporting businesses find it easier to trade with the EU because of the shorter distances;
- (gg) Members actually conduct a higher value of trade with China (£1.5m) than the EU (£893,000);
- (hh) Around 29% expect to export less due to the impact of Brexit;
- (ii) Plymouth City Council has robust risk management strategies in place however not all risk can be mitigated;
- (jj) Risk registers maintained for organisational and citywide impacts and regularly reviewed and updated;
- (kk) Currently gauging local business preparedness but anecdotally most businesses do not feel well prepared in part because of COVID response;
- (ll) Local Resilience Forum gearing up for early December – emphasis was on joining up Brexit/COVID/extreme weather, etc.

The current priorities were –

#### Asks of government

- Plan to mitigate the loss of EU funding;
- Prioritise marine and maritime research sectors;
- Reform the fishing quota system and provide capital for infrastructure improvements.

#### Local action

- Review business continuity arrangements and those of key suppliers;
- Support EU citizens in Plymouth who have not yet applied for settled status;
- Proactive communication to residents and business.

The committee also received a presentation given by Sarah Holmes, a legal director of solicitors, Womble Bond Dickinson, a legal specialist in European legislation especially that covering the chemical sector, waste sector and environmental law.

The presentation titled Brexit, Business and Brute Facts covered: -

### **Known knowns**

- The basis on which the UK would leave due to the Withdrawal Agreement;
- That the UK would no longer be in the EU Single Market. There were consequences of this for British and Plymouth businesses via the NI and UK border. For example, the chemical sector would have to register in both EU and UK and have to prove they had secured recognition in relevant markets;
- Customs declarations would be required between the UK and EU for all movement of goods. At a recent Northern Ireland Select Committee, it was said that 11 million customs declarations were expected annually from UK to NI;
- A new UK points-based immigration system had been introduced. British citizens with holiday homes in the EU could only stay for up to 90 days annually;
- Trade agreements could reduce but not avoid principle barriers including customs declarations and export health certificates;
- People would no longer be able to catch fish and put the catch straight onto a lorry. Prior notification will be required for the catch. This will be up to the individual Border Control Post to decide;
- Catch certificates will require 72 hours notice for EU importers to EU border control posts;
- Export Health Certificates would require 24 hour prior notice. Individual states can reduce these timings;
- Bureaucracy, delays and costs need to be addressed by British businesses. Businesses now have to take the costs as it no longer falls to national UK government;
- Some headquarters of businesses had been relocated to EU;
- Goods are no longer being brought into the UK for dispatch but rather to Rotterdam as this avoids businesses having to pay double tariffs and controls;
- The Chemical sector now faces £1 billion cost to access their own domestic market. The UK had to set up its own regulator and cannot use the same data as the EU;
- Haulier and European Conference of Ministers of Transport (ECMT) 2021 permits were also an issue. We don't currently know if we will have enough

haulage permits. Only 2,000 would be permitted without a deal. However, if we have a deal we should have enough;

- A lot of work has carried out for Trademarks to make the transition as easy as possible, but there will still be some further work needed as we have to recreate our own frameworks;
- Roll over trade terms have been agreed with a number of countries. In 2018 the Department for Trade predicted the UK would gain around £4.6 billion with a deal with Japan. In recent evidence given this had now reduced to £2.6 billion as the terms in the agreement are not as good for British businesses;
- GB food labelling would also change;
- Clients had been advised to check wording within their contracts concerning INCOTERMS. The contracts may give responsibility to the exporter for the cost and it is important for businesses to understand these to avoid suddenly being billed;
- It has been reported that the customs IT systems may not be fit for purpose. After the transition period there would be disruption as a result of IT issues. There were also not enough customs brokers to support UK businesses. Lots of the work was instead going to Eastern Europe workers as they were well aware of the process for third country imports coming in;
- Port preparedness and export processes were discussed. UK was poorly prepared but the EU was ready. Information regarding this was given to the UK government in early 2017;
- US businesses spend nearly \$600 billion employing nearly 1.4 million workers in transatlantic law firms;
- Rotterdam estimates clearance delays from between 20 minutes to 24 hours;
- The extra costs and delays would impact on supply chains. EU businesses had to be willing to export to the UK;
- There were already concerns about the variety of goods that would be available to the UK and the quality of products;
- The chemical sector was expecting to see a loss of some chemical content in market as it just won't be viable;
- The service industry would be heavily affected by the more complicated process for the mutual recognition of qualifications.

### **Known unknowns**

- Still not clear whether there would be a UK/ EU agreement on trade, including tariffs, subsidies and data adequacy;
- Welfare standards were still largely unknown, including UK's ability to retain high animal welfare standards with the USA and WTO;
- Changes to UK regulatory frameworks still to be confirmed, particularly concerning what divergence would look like;
- Still not clear how dispute resolution would work, including recalls to the UK producer;
- Needed clarity on how goods at risk would be determined e.g. Northern Ireland won't clear goods for market.

### **Unknown unknowns**

- Actions from other nations, investors in the UK and criminals were the key unknowns;
- Rules based international trade system and laws of Single Market mean that there was little in terms of the consequences of leaving the EU that wasn't a known known or known unknown in 2016;
- It was not permissible to let data leave the EU so a large unknown surrounds data after the transition period.

The committee thanked Sarah Holmes (Womble Bond Dickinson) for her excellent presentation.

Key areas of questioning from Members related to –

- were local businesses talking to similar businesses around the country or are they just keeping to the South West;
- what sectors would be the beneficiaries of state aid if we went to WTO rule;
- whether there would be funding for border control posts and the lorry park;
- would access medicines and PPE required to fight COVID be effected by Brexit or WTO rules;

- The impact of data trade issues if we leave EU without a deal and what would this mean for local government and local business;
- How many local jobs could be lost due to Brexit and what was in place to assist local business;
- What types of personal data would be effected if a trade agreement wasn't reached.

The Committee agreed the following recommendations which would be submitted to Cabinet at the 08 December 2020 meeting;

1. That Cabinet sign off Pledge 11;
2. That Cabinet considers whether the terms of reference of the Committee should be amended in the light of the end of the Brexit transition period.