

Jeremy Miles AM
Counsel General and Brexit Minister

4 December 2019

Follow-up work on Brexit preparedness

Dear Jeremy,

Issues relating to the Brexit preparedness of public services, and key sectors of the economy, have been central to our scrutiny work since the referendum of 2016. We have previously carried out detailed work in a number of areas including:

- the implications of Brexit for Welsh ports;
- a report on how the Welsh Government is preparing for Brexit;
- our look at how key sectors of the economy are preparing for Brexit; and
- our joint work with the Wales Audit Office on the preparedness of public sector in Wales.

With the 31 October 2019 deadline in mind, we arranged evidence sessions with the transport sector; farming and food; and representatives of key public services. A full list is available as an Annex to this letter. The evidence sessions took place on **4** and **11** November 2019. Transcripts from the sessions are available to read online.

Additionally, the Committee held scrutiny sessions with the UK Government's Chancellor of the Duchy of Lancaster, Michael Gove MP and the Parliamentary Under-Secretary of State for Exiting the European Union, James Duddridge MP. These sessions provided the Committee with the opportunity to question senior UK Government Ministers regarding their work in preparing for a no deal Brexit, as well as wider areas of work such as intergovernmental relations, common frameworks and the UK's future relationship with the EU post-Brexit. We are also grateful to you for appearing before the Committee on 4 November, during which we also explored the issue of Brexit preparedness.

Following the sessions, we write with a number of questions, findings and conclusions, which are set out below.



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Background

It is worth noting that the backdrop to our work has been highly uncertain. The focus of our work therefore has been scenario-dependent.

The UK Government and the European Union agreed a revised Withdrawal Agreement on 17 October. The revised Withdrawal Agreement was largely unchanged from the deal agreed by Theresa May in October 2018, with the exception of the Protocol on Northern Ireland, which was changed in a number of significant ways.

Subsequent to the agreement of a revised Withdrawal Agreement, an extension to the Article 50 period was agreed by the UK Government and the European Union. The new deadline for leaving the European Union is 31 January 2020. The UK Parliament was dissolved, with a general election called for 12 December 2019.

Our views and conclusions therefore are being presented to this highly fluid background.

Ports and transport

Representatives of the Welsh Ports Group and the Freight Transport Association were able to give us a level of assurance in relation to the preparedness of Welsh ports. The main area of concern for the sector related to the revised proposals for an East-West border (“down the Irish sea”) between the island of Ireland and Great Britain. The Welsh Ports Group said that whilst the revised Withdrawal Agreement would mean “broadly the same controls enforced on [...] ferry services between Northern Ireland and England and Scotland as well as between the Republic of Ireland and Welsh ports” there would still be “a major challenge for operators” and a “big culture change for them to get used to”.¹ Both the Welsh Ports Group and the Freight Transport Association (FTA) called for greater clarity on the implications of the revised Withdrawal Agreement, and the longer term arrangements, for their sector.

Our previous work found that there was a risk of cargo and freight bypassing Welsh ports via an open Irish land border combined with frictionless transit from Northern Ireland to Scotland or England. Our understanding, and that of the sector, is that the revised Withdrawal Agreement, may reduce this risk.

Of more pressing concern is the assessment of the potential impact of the revised Withdrawal Agreement on Wales’ major Ro-Ro ports – particularly the port of Holyhead. The Chancellor of the Duchy of Lancaster, Michael Gove, told us that no impact assessment had been made and that it was “difficult” to have an impact assessment with “so many variables in play”.

- 1. We recommend that the Welsh Government outlines the ways in which it is pressing the UK Government to conduct a full impact assessment of the revised Withdrawal Agreement on Welsh ports.***

¹ All quotes and references are taken from the Record of Proceedings for [4 November](#) and [11 November](#) 2019



In terms of new infrastructure at Welsh ports, we heard that clarity is needed as soon as possible on the need for new infrastructure arising as a result of the revised Withdrawal Agreement and Protocol on Northern Ireland.

- 2. We recommend that the Welsh Government update us on preparations for new infrastructure at Welsh ports (to accommodate potential customs and other checks), including details of the financing of such infrastructure.***

The issue of 'Free Ports' arose during our sessions with stakeholders, and in our previous work on ports. In our 2017 report on the implications of Brexit for Welsh ports, we called on the Welsh Government to be "more proactive in its approach" to the designation of Free Ports. In our more recent work, we heard that work is underway to create new Free Ports in the UK (as outlined by the current Secretary of State for International Trade, Elizabeth Truss MP).

We are aware that the Minister for Economy and Transport wrote to the Secretary of State in September regarding her Free Port Advisory Panel. He noted that at that time there had been very little engagement by the UK Government with the Welsh Government, and sought assurance that the Welsh Government be included in this work.

We note that the creation of new Free Ports is a stated objective of the current Secretary of State for International Trade. We are clear that the Welsh Government must ensure that it has a developed, evidence-based view of the advantages and disadvantages of creating new Free Ports in Wales and the impact that the creation of Free Ports elsewhere in the UK may have on Wales.

- 3. To that end, we recommend that the Welsh Government commissions further research on the potential advantages and disadvantages of Free Ports for Wales and the impact that the creation of Free Ports elsewhere in the UK may have on the Welsh economy, in order to inform how it engages with the UK's work in this area, and shares this work with the Committee on completion.***
- 4. We ask that the Welsh Government update us on any engagement it has had with the Free Ports Advisory Panel, and for its view on whether the panel is giving adequate consideration to Welsh ports.***

Food and farming

In our sessions with the Farmers' Union of Wales (FUW), NFU Cymru, and Hybu Cig Cymru (HCC), we heard of a number of issues relating to the preparedness of the agri-food sector. In terms of general preparedness, all three panellists agreed that preparations for a potential 'no deal' in October were better, and more developed, than they had been in the run-up to the original March 2019 deadline.

HCC said that, working with the Welsh Government, they had "ramped up" work in terms of finding new markets for the red meat sector. However they also noted that the EU market of 500 million customers, which had been built up over a period of over 40 years, would be very hard to replicate, at least in the short-term, and that new markets would take many years to mature.



We welcome the efforts to open new markets for the red meat sector, and recommended in our December 2018 report on the preparedness of the food and drinks sector in Wales that the Welsh Government's new strategy for the food and drinks sector in Wales (expected in 2020) set out "clear and ambitious targets" for increasing Wales' access to new markets for the export of food and drink products.

- 5. We would welcome an update on the Welsh Government's work in this area including the anticipated timescales for publication of the new food and drink strategy.***

HCC reiterated the view that the UK should seek close regulatory alignment with the EU and expressed concerns about the fact that Boris Johnson's deal is predicated upon the UK leaving the EU Customs Union. Similarly, the FUW and NFU Cymru expressed concerns about the looser future arrangements (with greater barriers trade) between the UK and the EU as suggested by the revised Political Declaration setting out the framework for the future relationship between the UK and the EU.

We note the concerns of the sector in relation to future trading arrangements. We agree that the future relationship with the European Union should prioritise frictionless trade, free from tariff and non-tariff barriers. We will continue our work in this area.

Both farming unions expressed concerns about the negative impact of continuing uncertainty in terms of the UK's future trading relationships with the EU and the rest of the world. They noted that it was very difficult for farm businesses to plan adequately for the long-term in these circumstances. Additionally, all three representatives of the sector highlighted concerns that recent domestic policy and legislative proposals by the Welsh Government have added to the uncertainty caused by Brexit, to the industry in Wales.

Furthermore, FUW and NFU Cymru indicated a preference for the Welsh Government to bring forward a Wales-only Agriculture Bill and expressed concern that the detailed policy work needed to underpin a Wales-only Bill had not yet taken place.

NFU Cymru emphasised that 'the one regulation that's not within the withdrawal agreement is the direct payments regulation'. It highlighted that the Welsh Government would need to ensure legislation was in place 'pretty quickly' to ensure that the direct payments regulation would continue throughout any transition period.

Both farming unions also emphasised the need for greater engagement on the part of the Welsh Government with stakeholders from the sector on the development of future policy.

We note the significant concerns expressed to us by representatives of the farming industry particularly in relation to the impact of continued uncertainty; the lack of Wales-specific legislation; and more generally the development of future policy in this area, after Brexit.

- 6. We intend to draw these to the attention of the Climate Change, Environment, and Rural Affairs Committee and hope that they will give them active consideration as part of their ongoing scrutiny of the Welsh Government and its policy work in this area.***



On the preparedness of the veterinary sector NFU Cymru noted that funding had been made available through the Welsh Government's EU Transition Fund to upskill the veterinary sector in Wales, and stated that "a significant number" of vets in Wales had taken advantage of that support. However, they also stated that it was difficult to gauge whether or not there were sufficient numbers of vets, with the right skills, in place for increased checks after the UK leaves the EU. Similarly, HCC agreed that there were risks that the veterinary sector would not be ready for increased checks after the UK leaves the EU. They also noted that there were concerns within the wider meat processing sector about the availability of labour as the sector is very reliant on European migrant workers.

Preparedness of public services

Representatives of key public services – health, higher education, and local government – gave the Committee a level of assurance in terms of the preparedness of public services. This chimes with the findings of the work undertaken by the Wales Audit Office in its most recent report on Brexit preparedness.

The Welsh NHS Confederation told us that detailed work had been undertaken by local health boards, including a Brexit Toolkit, and that in their view messages were getting through to NHS staff, but less so the social care sector.

The WLGA stated that all 22 local authorities had Brexit Coordinators in place and that local authorities had been encouraged to share key messages with frontline staff.

The WLGA and the NHS Confederation stated that more work was needed to better understand the implications of future trade deals for Wales and their respective sectors. The NHS Confederation stated that the NHS Confederation in London had produced a briefing on future trade and the impacts for the NHS and that it was likely to produce a Wales-specific version in due course.

In terms of workforce and recruitment, the WLGA and the NHS Confederation told us that Brexit preparedness work had resulted in benefits in terms of greater understanding of, and data on, their respective workforces. The NHS Confederation and Universities Wales also expressed concerns about the potentially negative impact of future changes to freedom of movement rules on recruitment to their sectors.

We note the evidence received from public services in Wales and will continue to engage with stakeholders as part of our ongoing scrutiny of the Brexit process.

In terms of freedom of movement, we recently published our [report on the implications for Wales](#) and are awaiting the Welsh Government's response. We intend to keep a watching brief in what is an evolving policy area.



Transition period and the risk of 'no deal'

The majority of stakeholders we spoke to expressed explicit concerns about the impact of 'no deal'. The FTA, and others, highlighted that under the terms of the revised Withdrawal Agreement, the UK could still face a "cliff edge" at the end of the transition period if no trade agreement between the UK and the EU is forthcoming. The Welsh Ports Group expressed doubts regarding the current timescales and argued that a longer transition period would be needed for a "seamless" exit. Currently, the transition period is scheduled to end in December 2020, however it could be extended once for up to two years if both the EU and the UK agree to an extension by 1 July 2020

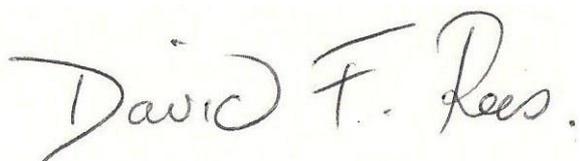
The FUW also highlighted the fact that such an outcome would be particularly damaging for the agriculture sector in Wales stating that tariff rates in a 'no deal' scenario "do not demonstrate support for British food production" and compared the proposals to a "valve—they would allow food in, but we would have a huge barrier to our own exports."

We recognise the risks of 'no deal' at the end of the transition period as highlighted by stakeholders and continue to have deeply held concerns about such an outcome and its damaging implications for Wales.

- 7. We recommend that the Welsh Government set out how it intends to ensure that the sector is sufficiently supported in the event of 'no deal' at the end of the transition period (i.e. ending the transition period without a free trade agreement in place) and to outline what lessons it has learned from its preparations to the three previous Article 50 deadlines.***

I look forward to your response within the usual timescales and will be copying this letter to the Chair of the Climate Change, Environment, and Rural Affairs Committee.

Yours sincerely,



David Rees AM

Chair of the External Affairs and Additional Legislation Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

