

A Brexit-readiness check: Three Months to Halloween!

By Professor Alex de Ruyter, Director, Centre for Brexit Studies, Birmingham City University

So now it seems summer is here (belatedly) and we await for the outcome on July 22nd of the Conservative Party leadership postal ballot of Party members, for which the front-runner, “Boris” Johnson is widely expected to win in the run-off against Jeremy Hunt.

Given Johnson’s continued admonishments that the UK will be leaving the EU on October 31st of this year, “come what may”, we at CBS thought we would take a look behind the scenes in the “real world”, as it were, and try to ascertain just what is being done by UK PLC to prepare for an abrupt departure from the EU come “Trick or Treaty” day.

In so doing, we will put to one side – for the moment – the prospect that Parliament will use whatever means it has at its disposal (motions of “no confidence” in the Government etc.) to prevent a no-deal departure come October 31st.

So what then is the Government’s “Brexit health check” report as things currently stand?

Generally, preparations for Brexit sit on two levels: broader preparations made on a department-by-department basis and Operation Yellowhammer, which is the Government’s main plan for leaving the EU without a Withdrawal Agreement (i.e., the “no deal” scenario).

Operation Yellowhammer has swallowed up the vast majority of funding, around £1.5bn to date – although it is believed that total no-deal contingencies are likely to come in at nearer £4bn^[1]. Planning under Yellowhammer has “identified” 12 areas of risk^[2] and these are:

- Transport systems

- People crossing borders
- Key goods crossing borders
- Healthcare services
- UK energy and other critical systems
- UK food and water supplies
- UK Nationals in the EU
- Law enforcement implications
- Banking and finance industry services
- Northern Ireland
- Specific risks to overseas territories and Crown dependencies (including Gibraltar)
- National Security

Planning for a No Deal scenario has involved coordination of some 30 Government departments, 42 coordinating bodies for local bodies such as police and Local Authorities and devolved administrations.

However, the effectiveness of these planning exercises is largely unknown due to the high degree of official secrecy surrounding them. What we have seen, for example, the parading of some 200 trucks through the back roads of Kent earlier this year (compared to the estimated 10,000 lorries per day from the Port of Dover that would require shunting in the actual event of a No Deal), suggests that such exercises have not been anywhere remotely near the scale needed to adequately simulate what we could expect come November 1st if we leave the EU without a Withdrawal Agreement.

And herein lies a barely concealed fact, in that the UK Government's mitigating strategies in the event of a no deal lie in no small way on the preparedness of Calais to also cope with the disruption involved.

Reports to date suggest that authorities in the Port of Calais could struggle to cope with the massive increase in the volume of checking of UK vehicles bound for Europe, particularly sanitary and phyto-sanitary checks. Are we simply to believe, or hope, then that Calais authorities will simply adopt a "light touch" regime in the first instance?

Perhaps, but I wouldn't bet on it.

Returning to the project team overseeing Operation Yellowhammer, the preparations have now essentially been 'stood down', with civil servants being returned to their original roles^[3]. It is unclear what role the additional 'no deal' recruits are playing.

If this is the case, then we are even less prepared now for a No Deal outcome than we would have been had we abruptly exited the EU in March 29th of this year.

This deteriorated scenario also confronts private sector companies, for example, the automotive sector, which had planned (and undertook) two week shutdowns in March this year (e.g., BMW) at significant cost in terms of foregone output on the expectation that the UK would be leaving the EU on March 29th 2019.

This will not be an option for such companies now, who are simply unable to exercise such shutdowns of production at short notice, given their complex supply chains. Stopping production in such an emergency fashion has been estimated by some in the industry to cost up to £60m per day^[4].

Little wonder then that businesses are now extremely anxious at the current Tory leadership contest, where both candidates are bending over backwards with their party membership to demonstrate that they would be prepared to leave the EU with no deal, if needs be.

Perhaps we should take time to pause and take these candidates' utterances with a good grain of salt. After all, they are playing to a membership gallery comprised predominantly of hard-core Brexiters. But more substantively they face a hostile parliament that will move to block any attempts to leave the EU with no deal.

However, as we have mentioned in these pages, time is running short if you are of the persuasion that no deal is to be avoided as the Parliamentary summer recess and September conference season will limit the actual number of parliamentary sitting days this side of October 31st.

It is of course, possible, that an incoming PM will seek to exert their legitimacy at the ballot box, but current polls suggest that this would be highly risky for a Conservative Prime Minister to undertake; which

in my view just leaves the option of calling another referendum and asking the EU to permit another extension of the UK's membership in order to allow this to happen.

I could well see a PM Boris entertaining this scenario, campaigning for Leave, and promising to "respect" the result. Unlikely? Maybe, but given this individual's past about-faces, I wouldn't be surprised.

Irrespective, no deal is still the default scenario if Government and Parliament cannot agree and articulate a response to EU leaders in terms of the UK's intentions come October 31st.

And if we do end up leaving with no deal, I don't expect the sky to fall in, but I do expect supply chain disruption and another run on the pound. And for the EU to gradually implement a tariff and checking regime that will over time strangle our agriculture and manufacturing sectors. In this climate we will see jobs and investment drain away from the UK, or a slow "death by a thousand cuts" as it were.

If the UK is a patient being submitted to a Brexit health-check, then it is the EU who will decide when to turn off the life-support.

[1] <https://www.independent.co.uk/news/uk/politics/brexit-latest-no-deal-emergency-plans-suspended-theresa-may-a8866236.html>

[2] <https://www.nao.org.uk/wp-content/uploads/2019/03/Contingency-preparations-for-exiting-the-EU-with-no-deal.pdf>

[3] <https://www.theguardian.com/politics/2019/apr/11/uk-stands-down-6000-no-deal-brexit-staff-after-spending-15bn>

[4] <https://news.sky.com/story/no-deal-brexit-could-cost-60m-a-day-jaguar-boss-warns-11495300>