

# No Deal Brexit

Imagine the scenario. It has just turned midnight on 29 March 2019, and the Spirit of Britain ferry carrying a fleet of freight vehicles docks at the port of Calais. But instead of driving straight onto the motorway with no checks, the first lorry is stopped at a French customs post. For the driver and those behind him, it is not a happy experience.

The driver is now required to pay VAT on the goods in his truck, as well as import duties. Worse, the truck is carrying a consignment of lamb, and "food of animal origin" can only be imported into France from a non-EU country via a registered border inspection post. Calais is not one of these so after lengthy negotiations he is told to return home.

Back home, the skies are also quieter. As Britain has that day fallen out of the European open skies agreement and has not agreed access as a so-called third country, only domestic and non-EU flights can depart and land from British airports.

This is a scenario which would apply if the UK crashes out of the EU without a deal and on antagonistic terms with Brussels. It represents the worst case outcome in which the EU applies its standard rules to non-EU countries and does not agree to transitional arrangements to minimise disruption.

David Davis, the UK's Brexit secretary, has expressed confidence that Britain will strike a deal with the EU which would provide a smooth path to new arrangements with Brussels rather than a disruptive change.

However, a no deal scenario would be disruptive because of the laws governing Britain's relationship with the EU would cease immediately. "Calling it a legal vacuum would be underplaying where we would be," says Malcolm Barr, economist at JPMorgan. "I think there would be a significant contraction in GDP."

How a 'no deal' will hit industry —

## **Food and Drink**

"There would be massive disruption." - Ian Wright, director-general, Food and Drink Federation © Bloomberg

Problem: Supply chains are extremely efficient, enabling almost a third of food in UK supermarkets to be imported from the EU and onto the shelves within two days. Any import delays would lead to food shortages

Industry comment: "There would be short-term disruption to food supply and it would be significant. Nobody is saying the country goes hungry, but there would be massive disruption" Ian Wright, director-general, Food and Drink Federation

## **Road hauliers**

Problem: Existing ports have insufficient facilities and staff to cope with the imposition of new customs inspections, duties, VAT collection and assessment of conformity of goods with EU regulations

Industry comment: "We expect that movements will rapidly grind to a halt as vehicles back up waiting to be processed by customs authorities" Road Haulage Association spokesman

## **Ports and airports**

Problem: A lack of facilities, staff and physical infrastructure to deal with onerous new customs checks causes delays and rapidly leads to queues and backlogs.

Industry comment: "Don't let it happen. A cliff-edge scenario is entirely avoidable. It would be a colossal failure of leadership on all parties to the negotiation" John Holland Kaye, Heathrow airport chief executive

## **Aviation**

A no deal scenario could see flights to the EU from the UK cease with immediate effect. © Bloomberg

Problem: Air traffic requires agreements from the EU to land in their territories and Britain will have fallen out of the European Open Skies regime. It will also cease to be a member of the European Aviation Safety Agency controlling authorisation of third country operations. Flights to the EU cease.

Industry comment: "There is not a legal mechanism in which the airlines can operate in a hard Brexit no deal outcome" Michael O'Leary, Ryanair chief executive

## **Chemicals**

Problem: Exports and imports under the EU's so-called Reach regulations, which cover most chemicals, would cease by law. These range from heavy industrial chemicals to the products that are ingredients in toothpaste and shampoo.

Industry comment: "It's not the tariffs that would hurt . . . Technically, we would be excluded from the marketplace and that would be pretty catastrophic" Steve Elliott, chief executive of Chemicals Industry Association

## **Orchestras**

Problem: Orchestra tours to the EU, which are used to raise money to keep UK operations going, rely on the EU posted worker directive to ensure taxes and social security is not deducted from musicians fees abroad. This would cease immediately.

Industry comment: "If in March 2019 we leave the single market, the next day an orchestra can no longer apply to HMRC for an A1 certificate, so they would get social security deducted from the fee to the orchestra on a tour in Europe. A tour goes from breaking even to making a loss" Mark Pemberton, director of the Association of British Orchestras

## **Automotive**

Problem: Tariffs and port delays plus the difficulties of chemicals imports undermine the just in time business models of UK automotive manufacturing.

Industry comment: "Our biggest fear is that . . . we fall off a cliff edge — no deal. This would undermine our competitiveness and our ability to attract the investment that is critical to future growth" Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders

## **Medicines**

Medicines licensed in the UK would need to be re-licensed elsewhere in the EU following a no deal scenario in order to maintain sales in the single market. © Bloomberg

Problem: All medicines legally marketed in the EU must be licensed in a member state of the union. Well over a thousand medicines will need to have their licences moved from the UK before Brexit to ensure they can still be sold afterwards.

Industry comment: "This is not like transferring a filing cabinet from one location to another . . . This will take time and investment" Virginia Acha, Association of the British Pharmaceutical Industry executive director

## **Farming**

Problem: Animal and food products can only be exported to the EU from a third country through registered border inspection posts. And northern France has only two: Le Havre and Dunkirk. These do not have the capacity to take the current flow of products from the UK which currently do not need checking.

Industry comment: "We would see huge disruption in terms of cost and actually getting [products] there. It does work both ways . . . surpluses and shortages, good and bad for farmers" Tom Keen, National Farmers Union

## **Nuclear**

Problem: The lack of international agreements between the UK and EU over regulation of the nuclear industry would prevent the export of nuclear fuel and medical radioactive isotopes used in cancer treatments. These currently fall under the remit of Euratom, the pan-European nuclear regulator.

Industry comment: "The Royal College of Radiologists, like others in medicine and industry, is seriously concerned about continued access to these materials if we leave the Euratom treaty under Brexit" Nicola Strickland, President of The Royal College of Radiologists

None of the tens of thousands of job positions required to administer these are currently being filled. None at all. With less than 20 months to go.