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House of Lords
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Dear Tim,

Thank you for inviting me to appear in front of the House of Lords European Union Select Committee. I am delighted to accept the invitation and am looking forward to appearing before the Committee today. I understand that the Earl of Kinnoull is taking over as Chair of the Committee from 9 September. I appreciate your hard work as Chair of the Committee and I wish you best of luck for the future.

The Government is currently reviewing the Operation Yellowhammer assumptions and we would not want to share these until that process is complete. I would be happy, however, to provide further information on the assumptions with you at this afternoon's session. Please see overleaf the answers to the questions that you provided.

I look forward to discussing my responses with you in further detail this afternoon.

With every good wish,

1. You have stated that planning for no deal is now the Government's No 1 priority. In what specific ways have the Government's preparations been accelerated?

- Brexit funding for this year has been doubled, with £1.1 billion being made available to departments and the devolved administrations immediately and a further £1 billion made available if required. In total, HMT has made £6.3 billion of funding available for Brexit planning since 2016.
- This Government has launched the 'Be Ready' Public Information Campaign. The Campaign will make preparedness a matter of national importance and shared responsibility.
- Two cabinet ministers are now focused entirely on Brexit preparations. The Chancellor of the Duchy of Lancaster is responsible for no deal preparations and working directly with the Secretary of State for Exiting the European Union, who is leading on negotiations with the EU and Member States.

2. What are the biggest areas of risk in the event of a no deal outcome? How can they be mitigated?

- I made a statement to Parliament on no deal preparations on 3rd September, which set out some of the risks and mitigations.
- We will ensure that there is as little disruption to national life as possible. With the kind of national effort our people have made before - and will make again - we believe that is possible.
- Getting ready for a 'no deal' scenario depends not only on government action but also on action from a range of third parties, including businesses and citizens. The Government is providing businesses and the public with the appropriate information in order to be prepared for 31 October 2019. Since August 2018, the Government has released over 750 pieces of 'no deal' guidance, outlining in detail the potential impacts of a 'no deal' scenario, as well as the steps that businesses and traders should take to prepare.

3. What prospect is there of 'mini-deals' or 'side deals' with the EU to cover specific issues in the event of a no deal?

- It is vitally important that both sides get ready for the UK leaving the EU on 31 October. What is clear is that we can't just prepare in isolation. We have to work together to mitigate the impact of no deal and we need to be having those conversations now in parallel with our discussions on a deal.

- We welcome the work the EU has done so far to ensure that we will have as orderly a Brexit as possible. It's in both of our interests to work together on our Brexit preparations to provide certainty to businesses and citizens, and we stand ready to do so.
- The recent extension of the EU's no deal mitigation measures on aviation and road connectivity are a welcome step. However, further engagement is required; in particular, we continue to encourage member states to match our offer on citizens' rights.

4. What legislative measures are required to prepare for no deal?

- The Government has taken the necessary steps to ensure the UK leaves the EU with certainty, continuity and control by working to deliver an unprecedented programme of legislation. All Brexit-related legislation, both primary and secondary, provides the necessary legislative foundation to ensure readiness on Brexit day in all scenarios, including leaving the EU without a deal. The legislation provides certainty for both businesses and the public and ensures legal and administrative clarity for the nation.
- If we leave the EU without a deal then no further primary legislation is needed before 31 October. We are confident that any necessary secondary legislation will be in place by 31 October. If we are able to agree a renegotiated deal, as is our preferred approach, then we will need to pass a Withdrawal Agreement Bill, and this will be set out in the Queen's speech. Further primary legislation will be needed after exit day as a result of the UK's exit from the EU.

5. Theresa May's Government published a set of tariff schedules that would apply in the event of a no deal. Is this still Government policy, and if so, can you explain how they will work and what impact they will have on businesses and consumers?

- If the UK leaves the EU on 31 October without a deal, the UK would implement a temporary tariff regime. This would apply for up to 12 months while a full consultation, and review on a permanent approach, is undertaken.
- Since announcing the policy in March, the Government has continued to listen to stakeholder feedback and remains responsive to their needs. Any changes to the temporary tariff policy will need to balance the impacts between producers, downstream producers and consumers. The Government's tariff schedule will be published shortly in its final form.
- The temporary tariff regime aims to minimise costs to business and mitigate price impacts on consumers, while also supporting UK producers.

6. What will happen to UK-EU internal security cooperation in the event of a no deal? What steps are you taking to mitigate any negative impact?

- The continued safety and security of our citizens remains our top priority.
 - The Home Office continues to work closely with operational partners and engage with EU Member States to prepare for our departure from the EU in October, keeping our planning under rigorous review.
 - If necessary, we will be ready to transition our cooperation with EU Member States to alternative, non-EU arrangements. Broadly speaking, this would mean making more use of Interpol, Council of Europe and other forms of cooperation with European partners, such as bilateral channels, where available.
 - Whilst these alternative arrangements are not like-for-like replacements, and there will be a reduction in mutual operational capability in the event of no deal, these arrangements are largely tried and tested mechanisms that we already use for cooperating with many non-EU countries.
- Our preparations for no deal have included:
 - Funding the establishment of the new International Crime Coordination Centre to act as a hub of expertise for police forces;
 - Providing additional funding for the National Crime Agency to increase resource in their International Crime Bureau and bolster their International Liaison network;
 - Leading a programme of engagement with Member States to ensure they are ready to cooperate with us via the alternative arrangements from day one; and,
 - Passing the necessary secondary legislation.

7. What will be the impact of no deal on Northern Ireland, and on the land border and North-South relations on the island of Ireland? What steps is the Government taking to prepare for and mitigate any negative impact, and what resource is required?

- The UK Government is absolutely committed to keeping an open land border between Northern Ireland and Ireland. Our priority is meeting this commitment, ensuring no new physical infrastructure or related checks and controls at the land border under any circumstances. We are committed to the Belfast ('Good Friday') Agreement, to maintaining the Common Travel Area, to upholding the rights of citizens of Northern Ireland, to ongoing North-South cooperation and retaining the benefits of the Single Electricity Market.

- The cumulative impact of no deal is expected to be more severe in Northern Ireland than in Great Britain, and to last for longer. In no deal, the border between Ireland and Northern Ireland will immediately become an external border between the UK and the EU. We are expecting that UK exports into the EU will face the EU's Common External Tariff, which will impose new costs and question business viability of those exporting to the EU and whose supply chains cross the land border between Ireland and Northern Ireland. Rules of the Single Market are also expected to apply, with regulatory and legal requirements for UK exports crossing the border. Although the Irish Government and the EU have not yet made clear how these will be enforced.
- We will do everything we can to support the Belfast (Good Friday) Agreement, to ensure the free flow of goods into Northern Ireland and to mitigate the impacts on Northern Ireland, including by providing targeted support for our agriculture sector and for Northern Ireland's economy.
- Our approach to the border on day one of no deal is 'no new checks with limited exceptions', which aims to maintain the status quo as far as possible for imports that cross the border from Ireland into Northern Ireland. It does so by applying zero tariffs to all goods moving from Ireland into Northern Ireland, and introduces no new checks and processes with the exception of where absolutely necessary to support businesses in Northern Ireland, to maintain the biosecurity of the island of Ireland as a single epidemiological unit, or to comply with international agreements. However, this policy is temporary and the nature of the border will necessarily be affected by the approach taken by the Irish Government and the EU, as well as by decisions of individual businesses.
- We are committed to entering into immediate discussions with the European Commission and the Irish Government to deal with the unique circumstances on the island of Ireland and to do everything possible to maintain an open border.

8. What will the impact of no deal be on Gibraltar? What will be the status of the various agreements between Gibraltar and Spain to manage the impact of Brexit in the event of a no deal?

- The Government of Gibraltar is responsible for its own contingency planning and communications to its citizens, but the Government is working closely to support the Government of Gibraltar's preparations, including through regular Ministerial meetings such as the UK-Gibraltar Joint Ministerial Council (Gibraltar EU Negotiations). To accompany Gibraltar's inclusion in the Withdrawal Agreement, a number of agreements were reached between

the UK, the Government of Gibraltar and Spain, including four memoranda of understanding covering issues such as policing, customs and the environment. These agreements were specifically aimed at managing the impact of Brexit, and also to take forward cooperation in promoting prosperity and security in the region. Additionally, a Tax Treaty was signed and is in the process of being ratified. It is for Gibraltar, Spain and the UK to determine the best form of cooperation in these and other areas in the event of No Deal.

9. You also have ministerial responsibility to “oversee the devolution consequences of EU exit”. What is your assessment of the implications of no deal for Scotland and Wales?

- The Government will continue to work with the devolved administrations to ensure that preparations work for the whole of the UK, in particular where these relate to areas of devolved competence. The devolved administrations are important partners in the Government’s ‘no deal’ preparations. For example, the Government has worked closely with the Scottish and Welsh Governments to ensure that over 200 Statutory Instruments legislating in a devolved area and required for 31 October have been laid before Parliament.
- The longer term economic effects of a ‘no deal’ are likely to be similar across the UK. However, a ‘no deal’ exit is likely to feel different in different parts of the UK, particularly in the short to medium term. The Government has provided £54.7 million to the Scottish Government and £31.1 million to the Welsh Government via the Barnett formula in the 2019-20 departments’ EU exit allocations.
- The Government has developed a programme of work with the devolved administrations to manage returning powers from the EU in areas where it is necessary to maintain UK wide approaches. In these areas, we are developing ‘common frameworks’ in line with the principles agreed between the Governments in October 2017. On the basis of the continuing joint progress and collaboration on common frameworks, the UK Government has not sought to bring forward any section 12 regulations to ‘freeze’ devolved competence under the European Union (Withdrawal) Act 2018, and the Scottish and Welsh Governments have committed to not create divergent policy in ways that would cut across future frameworks, where it has been agreed they are necessary or where discussion continues. We continue to work with the devolved administrations to identify areas where there is a risk of policy divergence between different parts of the UK in the medium to longer term in a ‘no deal’ scenario and agree interim arrangements to minimise such divergence.

