

EU Exit Working Group – Tuesday, 30 October 2018

Transcript of Item 4 - The Possible Effects on London of a "no-deal" Brexit

Len Duvall AM (Chair): Can I welcome our guests for this session? We have William Bain, Policy Advisor on Europe and International Matters from the British Retail Consortium (BRC); Sonali Parekh, Head of Policy for the Federation of Small Businesses (FSB); and Tim Rycroft, Chief Operating Officer for the Food and Drink Federation.

We have a number of questions. You will be given an opportunity [to respond] throughout. As I said, if you think that we have not asked the right questions or if you wish to make a statement towards the end of the meeting, we are more than happy to take that. We have already had a session with the Mayor as well as our leading officers on resilience and we understand you have been given some of that information.

If I can just ask you all, to set out what you see as the immediate risks of a no-deal Brexit from your organisation's perspective?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Thank you, Assembly Member Duvall. It is a pleasure to be invited to speak before the Committee this afternoon.

For retail - and the BRC represents about 70% of the United Kingdom's (UK) groceries market and also covers food-to-go and online retail, as well as many typical high-street names - the key issue for us is the efficiency of supply chains. At the moment, goods coming through Dover and the Eurotunnel are very much conducted on the roll-on, roll-off principle and that means that food, particularly fresh produce, is able to get into store very quickly indeed. Consumers have become very used to being able to buy a full range of meats, fruits and vegetables at a time that suits them. Being able to satisfy that consumer demand becomes, we believe, very difficult in terms of a no-deal Brexit.

We know in terms of the technical notices that the UK Government has said that it does not plan to have border controls for fruit, vegetables or meat products on day one if there was a no-deal Brexit, but of course there are going to be border controls in terms of Calais and the other ports. Therefore, we are going to see a reduction in port capacity, the efficiency of these supply chains will be reduced, and the ability of retailers to get the goods onto the shelves for consumers to buy is going to be compromised.

Sonali Parekh (Head of Policy, Federation of Small Businesses): From our perspective the biggest risk of no deal would be that there would be no transition period and, therefore, smaller businesses would effectively face a cliff-edge, which would have a very significant impact, particularly on those that are exporting directly or indirectly to the European Union (EU) and also those smaller businesses that rely on EU workers, whether they are high-skilled, mid-skilled or low-skilled.

In September [2018], we surveyed our membership to assess state of readiness for the eventuality or the possibility of a no-deal scenario and our results were quite sobering. In effect, 48% of our members stated that there would be a negative short-term impact upon them in terms of their business continuity in the event of a no-deal scenario. The figure for London, if we just isolate London's smaller businesses, was higher than the UK average at 58%. When we looked at those smaller businesses that are trading into the EU whether directly or indirectly through supply chains, 66% perceived a negative short-term impact in terms of their

business continuity. When we asked those of our smaller businesses who have employed EU staff since the outcome of the referendum, the result was 61%.

We then asked our smaller business if they had actually started to plan and started to prepare for this eventuality. Only 14% of our smaller businesses have prepared and have some form of contingency plan. When we looked at London's smaller businesses, that figure is 8%. A further 41% of our smaller businesses across the UK anticipate that they will be impacted upon by a no-deal Brexit scenario with no transition period but have not yet started to plan. That figure is 52% for London's smaller businesses.

Our priority right now is to really push both the Government and the EU for the benefit of smaller businesses on both sides to get a deal to avoid this cliff-edge scenario.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I represent food and drink manufacturing, which is Britain's largest manufacturing sector, and so my members are William's customers. I would echo a number of the points he made.

I would draw attention to the particular nature of food and drink: typically perishable, short shelf lives. The just-in-time supply chains that William referred to are very fragile and any disruption to those will very quickly be felt at the retail end of the spectrum. Of all the food we eat in this country, around a half comes from outside the UK and is not domestically produced, and 78% of the food we export goes to the EU.

The movement of food and in particular what I would describe as the final mile - how we get food into the shops, how we get it to the restaurant and hotel and catering trade, and how we get it to schools, hospitals and prisons - is the thing that probably concerns us most at the moment. For the reasons William described, we are expecting there to be an increase in friction in the event of no deal and that will very quickly snowball into, potentially, some quite serious disruption, we think.

Len Duvall AM (Chair): In fact, you have described the Government's technical notice it has published as particularly frightening for small and medium-sized enterprises. Is that correct in the sense of the guidance been given at this moment in time?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Sonali is exactly right and we find very much the same among our members. Of course, the majority of food and drink manufacturers are small, medium and micro-sized businesses. Those that have the resources for contingency planning are able to do that and are doing that, but for anything from small and medium down, people just do not have the resources to do this and are hoping that someone else will find an answer to this.

Len Duvall AM (Chair): We have heard evidence that it is not as straightforward as people saying, "You should stockpile", and doing that. Can you just elaborate a little bit further on why, in your particular sector of the industry, we do not stockpile anymore? We understand it but it would be useful for our evidence as well to see it from your point of view.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): There are some practical considerations, of course. Fresh food cannot be stockpiled. It has a shelf life; it is perishable. The industry has built itself around seamless movement of trade, and one of the things that Brexit has revealed is the complexity of food and drink supply chains. Raw materials, ingredients, part-finished goods and finished goods are crossing borders typically very often before the final product gets to market.

Food prices generally have fallen for a long time now with a spike since the referendum back upwards but typically food prices were falling. That reflects efficiencies in the supply chain like the fact that people have been taking out warehousing because they can move products much more quickly in a just-in-time way and get it to customers just at the moment they need it. It is the idea that you can put that all into reverse and start finding extra warehousing space, particularly refrigerated warehousing, and that you can find the lorries to move stock to stockpile.

Of course, there are knock-on effects of starting to do that. Some of our members are starting to move ingredients and raw materials either into the UK or to continental Europe to provide them with some contingency, but the balance of opinion among my members is that two weeks is about the most you can possibly set aside. We will start to see some effects of that behaviour because, as people buy ahead, prices will rise and availability will diminish.

Len Duvall AM (Chair): The recent National Audit Office (NAO) report, if people are familiar with that, found that neither the Government nor business - and maybe you can echo this out - have really had time to put in place the people, systems and infrastructure to ensure effective trading operations in the event of no deal. Is that something that comes through more and more from the people you are dealing with?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Assembly Member Duvall, you have hit the nail on the head. What that report sums up is the range of border controls that would have to be met to get goods in and out of the country. It is not just about customs; it is not just about checking that the right tariffs have been paid and the rules of origin. It is also about things like the Common Transit Convention. We found in the NAO report that the infrastructure simply is not there to be able to guarantee that that could operate if the UK were an independent member of the Common Transit Convention for next year.

We produced a customs roadmap last summer [2017], which set out the whole range of border checks and border controls, things like safety permits and security permits for goods, checks for value-added tax (VAT) and excise on goods as well if they were VATable items. You can see that moving from frictionless trades to a system that is going to involve huge hurdles and huge problems to get over is going to impact on the quality of goods, the supply of goods and the price of goods.

Our other concern is, if we do get no deal and there was to be a further depreciation in the value of sterling, it would also drive up the price of imports. As Tim said, a great amount of food is imported. Our members tell us of the food that they import: 79% of that comes from the EU. If you have prices of imports going up, the consumer is going to pay more.

Len Duvall AM (Chair): Is that borne out by work that your organisation has done?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Yes. From the smaller business FSB perspective - and of course we are cross-sectoral - we would be particularly concerned about the impact on our members who currently exclusively export to the EU and therefore in all likelihood have not had any experience of completing customs declarations or indeed of rules of origin. In the event of a no-deal scenario, if EU and UK content had to be treated as distinct, we would have concerns about their ability to select the correct preferences. That is a significant concern for us.

Also, more broadly, when we have surveyed our members, of those who are currently exporting to the EU right now, approximately 59% say that their decision to export would be materially impacted if they or their

intermediaries needed to complete customs declarations. That is an important part of the picture. It is also about the capacity of intermediaries, freight forwarders and custom brokers to potentially be able to deal with an upsurge in the smaller businesses, in particular, that might need to utilise their services and whether that capacity really exists and whether it can be scaled up in time in a certain eventuality.

Len Duvall AM (Chair): Tim, anything to add?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): My colleagues have really covered it all. These are the practical issues that food and drink manufacturers are trying to wrestle with at the moment. Authorised economic operator (AEO) status is something the Government has referred to as something that may form the basis of a future way of making trade more frictionless. However, our members say to us that although once you have submitted the application you might get a response within four months, to get the information necessary to fill out the form to apply for AEO status might take a business a year. If you have not applied for it by now, you are probably not going to get it.

Caroline Pidgeon MBE AM: What advice have you received from the Government about what your industry to what the people you represent should do to prepare for a no-deal Brexit and is there anything missing from that advice and information from the Government?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): We have had relatively good engagement so far with a range of Government departments - the Department for Environment, Food and Rural Affairs (Defra), HM Treasury, the Department for Transport - covering a range of issues from the Agreement on the Application of Sanitary and Phytosanitary Measures rules to haulage to VAT. We have also been consulted by the Government's border delivery group, which has been effective in terms of it having a good understanding of what our food supply chains are like.

In terms of the technical notices, they were pretty much declaratory. They did not tell us much that we did not know before. We were able through our campaigning to get a tweak to the Government's position on VAT if there was a no-deal Brexit. They took the BRC's advice and have decided to have a deferred accounting system for VAT. That at least would prevent importers having to pay up at the border before being able to bring their goods into the UK.

However, there is still a lot we do not know, frankly. We do not know the slightest bit about what is going to happen in relation to the Irish border. That was a common factor around all 80-plus of those technical notices. We do not know, of course, what tariffs are going to be applicable from 30 March next year [2019]. Of course, if we have most favoured nation (MFN) tariffs that come in, that is going to impose a great cost pressure on food retailers in particular.

Caroline Pidgeon MBE AM: There has been engagement but there is just such a void in terms of actual clarity and what is going to happen?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Indeed.

Sonali Parekh (Head of Policy, Federation of Small Businesses): We have - again, echoing William's points - had good engagement. We called for the publication of advice from the Government to support smaller businesses and so we did welcome the publication of the technical notices, but by definition they are incredibly technical, complex and difficult to penetrate. We welcomed the recent publication by Her Majesty's

Revenue and Customs (HMRC) of a partnership pack that tries to simplify some of the technical notices in key areas such as customs, which we think will be particularly useful to our members.

The tricky issue right now is that our advice to small businesses is to start to plan and to start to think about what you need to do in terms of contingency, but we are still waiting for the Government to make clear if and when this point comes, about when the general advice is that smaller businesses need to actually start to take action and spend actual money on engaging with consultants or buying certain types of software or establishing relationships with intermediaries. In this eventuality we will be looking for something more tangible in terms of financial incentives to support those additional costs that smaller businesses will need to incur.

It is important to say that this is not just about the Government putting advice out. We have also produced our own small business Brexit hub where we try to summarise the key aspects of technical notices and wrap that around a bit more of a narrative of what is occurring right now, whether that is in relation to the backstop, potential end-state scenarios, to educate and inform smaller businesses about what is really going on with Brexit.

Caroline Pidgeon MBE AM: You are trying to explain in plain English to your members, “This is what is going on. Start preparing”?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Yes, and to try to categorise the information in a way that can help them to process and understand it.

Caroline Pidgeon MBE AM: Yes, very good.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): William is right that the technical notices answered some questions but left many others unanswered. If I take one specific example relating to organic food and producers who export to the EU, the technical notice confirmed that they will no longer be able to use the EU certification mark for organic and they will have to wait until we become a third country in order for the UK then to apply to have its new organic certification mark recognised by the EU, and that that process typically takes six months. That is obviously a terrible prospect for organic food exporters being locked out of their markets for six months. Many of them would not survive that. Defra’s response to that is, “We are seeking ways to minimise that six-month period”, but that is not a sufficient level of detail for a business to be able to know what its future is. That is probably the case around the technical notices

William raises an important point that we probably did not cover enough about the fears of the immediate impact of no deal, which is around cash flow. A lot of these impacts - whether about having to pay tariffs or whether about contracts being broken by *force majeure*, insurance consequences, legal consequences - for small and medium-sized businesses could be very material to their trading. We do not yet know whether the Government is going to stand behind some of that, help to support some of that or encourage the banks to provide more support to small businesses in that scenario. Again, there is a whole series of potentially very worrying questions for smaller food and drink manufacturers.

[The Rt Hon] Michael Gove MP [Secretary of State for Environment, Food and Rural Affairs] in front of the House of Lords Environment Committee has talked about this idea that at some point quite soon the Government might declare that no deal is now the most likely option. That, certainly for my members, fills us with a great sense of fear and trepidation that that becomes the trigger point for many more businesses to start actively instigating contingency plans and all the knock-on effects I talked about earlier.

Caroline Pidgeon MBE AM: Have you been giving specific advice to your members?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): We have been giving, I would say, general advice. Some of this is about things as simple as reviewing your supply routes into and out of the country since we know the short sea crossings are the ones that are likely to be most impacted. We have talked about ensuring that they do their due diligence up and down their supply chains. Satisfying yourself that your own business knows what it is going to do is not enough; you have to know that your suppliers have done the same and your customers are also ready for the impact. It tends to be things at that kind of level. We are not really set up to provide individual-level advice to members but we are doing our best and increasingly now focusing on practical things that they need to be doing that can help them to mitigate impacts.

Caroline Pidgeon MBE AM: What products do you think are most at risk from possible supply chain disruption? You have talked about the organics, which I had not considered before. That is a huge issue.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Yes. I would think the things with the shortest shelf lives. Fresh produce that may have a shelf life of only three, four or five days, clearly, is going to be most impacted by friction. William will know more about this than I do, but a lot of the supermarkets will have contracts of supply with their suppliers to guarantee a shelf life when it arrives into the warehouse. If your journey is disrupted on the way to the warehouse, you are potentially in trouble, not only with the knock-on effects on retail but also the commercial relationships between supplier and retailer.

Caroline Pidgeon MBE AM: I will come to William in a second. Are you actively considering stockpiling some produce or some materials?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Some of our members are already moving, as I say, raw materials and packaging materials. People forget that you have to be able to put the food into something before you can sell it, typically, and most of our packaging materials that we use in this country are imported from the EU. People are already doing that. That has started to happen. Where they can, they are trying to move things either to continental Europe or to the UK in order to mitigate some of the impacts and to try to provide a bit of a buffer.

One of our members was telling me that although one of the confectionery products they sell has a shelf life of a year, some of the ingredients that go to make it have much shorter shelf lives and it is only when they are combined into the finished product that you get the one-year shelf life. There are complexities upon complexities in this.

Caroline Pidgeon MBE AM: Yes. I had read somewhere that Cadbury's is stockpiling ingredients for chocolate. That filled me with huge horror. Maybe that, quite frankly, should have been used in the campaign and we would not be in this position.

William, do you want to comment on stockpiling but also on the supply chain risk for your members?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): It is simply not practical for our members to stockpile foods. Some of our larger retailers have two to three days' supply of commodities like tomatoes. The warehousing space is not there. The chilled warehousing is not there. Even in terms of non-food retailers, there is the cash flow element to this. If you buy up a lot of stock now and it

emerges that we do get a deal, then how can you disperse that stock efficiently? Businesses are having to look at whether it is prudent to hedge against certain outcomes. For food, it is simply not a practical solution to stockpile. That is the very clear answer that we have had.

One of the things that has been very interesting speaking to our food members in particular is the degree of knowledge that they have, even down to a particular product and month level, about where produce is coming from. For products like apples and oranges and avocados, they are aware where the pinch points are in particular parts of the year in terms of ensuring supply. It has been very instructive in that respect.

However, it is simply not possible to replace products which are imported from the EU and which come in through very efficient supply chains from products elsewhere. That has been the clear message, particularly from food retailers.

Caroline Pidgeon MBE AM: You acknowledged earlier that you think prices are going to go up if there is no deal.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): One of the things that we have established through our Data Analytics Team is the impact that reverting to MFN tariffs would have on prices that consumers face. If you look at the current tariffs, for beef it is around the low 40s, for cheddar it is around the mid 40s and for tomatoes around the high 20s. We have established that you could be facing estimated increases of between 5% and 29% on beef. We take a lot of beef coming in from the Republic of Ireland. Depending on what happens to sterling and depending what happens to commodity prices, cheddar has estimated increases of between 6% and 32%, tomatoes between 9% and 18%, and broccoli between 5% and 10%. If we have a no-deal scenario with MFN tariffs, there is simply no way the retailers will be able to defray the cost of these extra tariffs and so consumers will have to pay more.

Caroline Pidgeon MBE AM: This is a huge concern. Does anyone have anything else to add on that?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Cheese is a very interesting example. It is one of our most successful food and drink exports. It is our third biggest by value after Scotch whisky and smoked salmon.

Caroline Pidgeon MBE AM: Wow. Really?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Yes. If you think about it, you have the impacts at William's end of the supply chain in retail, but that cheddar cheese is made in big factories around the country. There is a big one in Northern Ireland. There is big one in North Wales. You have an impact on my members, the food and drink manufacturers, when suddenly the market for export has disappeared. Then you have an impact at the farmers' level because the dairy farmers are producing the milk that is making the cheddar. These impacts have reverberations right across the supply chain.

Caroline Pidgeon MBE AM: Was there anything reassuring - perhaps, Sonali, you might answer this - at all from the Government yesterday in the [Autumn] Budget?

Sonali Parekh (Head of Policy, Federation of Small Businesses): The Budget, we felt, was small business friendly. There is a recognition that the costs of doing business right now are impacting on smaller businesses and that that is exacerbated by the inevitable uncertainty that Brexit is creating within the small business community.

Our latest small business index, where we track small business confidence, has shown for quarter 3 that for only the third time since the beginning of 2013 small business confidence is in negative territory. If you look at London's small businesses, you will see one of the most extreme areas of real lack of confidence across the UK.

The measures in the Budget that we particularly welcomed yesterday were around relief for those smaller business retailers with a rateable value of below £51,000 who are not already covered by Small Business Rates Relief. They are going to see some benefits, one hopes. In addition, the freezing of the VAT threshold for a further two years is very much welcomed by us as VAT is one of the most cumbersome and administratively complex taxes for small businesses to get their heads around. We welcomed some good news for the self-employed around the New Enterprise Allowance being continued and good news also in terms of infrastructure and skills. For example additional funding to tackle potholes, a real scourge for many of our smaller businesses particularly those in rural areas. Overall, as a package, it was a well-received Budget by the smaller business community.

Caroline Pidgeon MBE AM: Against the backdrop of Brexit and the challenges?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Against the backdrop of Brexit and this decline into negative confidence that we have seen amongst the wider small business community, it is fair to say that there has been a lag effect. Our smaller businesses were confident in the first two quarters of the year but, as the uncertainty has continued, we can see smaller businesses including those in supply chains now are beginning to see some of the consequences perhaps of investment decisions being paused or being halted altogether. It was really important that a boost was given to smaller business confidence and the Budget went a large way to achieving that yesterday.

Caroline Russell AM: We have covered quite a lot of the ground. I am wanting to focus in on small businesses and in particular what advice and support the Government is giving to small businesses about how to navigate any technical advice that is coming out. Do you think there is enough information for small businesses to be able to deal with the type of information or lack of information that they are getting from the Government?

Sonali Parekh (Head of Policy, Federation of Small Businesses): In terms of the technical notices that have already come out, we really welcome the partnership pack that has been produced around customs-related issues by HMRC and we would like to see that approach taken for other groups of technical notices. Of course, there is a wide plethora of issues that they cover, everything from the exchange of personal data between the UK and the EU, which is incredibly important to many of our smaller businesses, particularly those that are exporting services. Non-tariff barriers are just as important as tariff barriers and will be exacerbated, it is fair to say, in the event of a no-deal scenario.

At the moment the Government's technical notice is not asking for all smaller businesses that do not already have an EORI (Economic Operator Registration Identifier) to go out and get one yet. However, if the event that the advice changes to, "No, you need to now take action", then we need a much clearer flowchart of what smaller businesses need to do, when they need to do it and who they need to go to.

At that point if that set of circumstances were to materialise, FSB would be calling for some financial support for smaller businesses because they are going to have to, potentially, take on these additional preparations

alongside their day-to-day business and they simply do not have the same resources, wherewithal, capacity or capability to do that as a larger business would.

Caroline Russell AM: What about those microbusinesses like small convenience stores. Maybe it is just a couple of people or even a sole trader who is buying, possibly, food from the EU wholesale and then selling it retail here in London. What kind of advice and support are they getting? It seems there you are talking about people who may not even have English as a first language, potentially, but yet the moment are able to manage their business perfectly well. Is there support for those really small businesses that are still going to get caught up in the detail of all of this?

Sonali Parekh (Head of Policy, Federation of Small Businesses): They are a really important group for us and, as William says, in the event of a no-deal scenario, one would anticipate a further depreciation in sterling and the impact of that in terms of the price of imports will be felt very sharply by businesses of the ilk that you describe. It is important that those smaller businesses that currently do not think they are going to be directly impacted by Brexit begin to realise that there are going to be very few individuals who will not be affected *per se* by a no-deal Brexit scenario. Through our small business Brexit pack, we are trying to get that message across: even if you are not directly or indirectly via a supply chain trading with the EU or you do not directly employ an EU member of staff, there are still going to be a plethora of areas where your business will be impacted upon by a no-deal scenario if it were to materialise.

Caroline Russell AM: One of the things that we have heard about is that across the EU governments are providing Brexit-ready conventions to help people to prepare with roadshows and loans to access expert advice and to help prepare to transform supply chains. Do you think that the Mayor should be doing something like this here in London to help Londoners? I am thinking both of the larger businesses but also of those very small microbusinesses. Wherever we live in London, we all have these small corner shops that are selling us all bread, butter, onions and the can of tomatoes that you can use to make your soup for supper. Could the Mayor be doing something like that, do you think, to help those businesses?

Sonali Parekh (Head of Policy, Federation of Small Businesses): The time is coming now as negotiations head to a crescendo when the direction of travel is going to become clearer. If it looks as if no deal becomes the most likely possibility, in that particular eventuality, then there is a function for government as a whole to look at what financial support - for example, through a voucher - could be provided to smaller businesses that need to undertake tangible action to prepare for a scenario that has become more likely. We are not quite yet at that stage but we are very close to it.

Caroline Russell AM: You say we are not quite at that stage. It has felt since June 2016 like the clock has been ticking and we now have about five months. At what point do you think it gets to the point when people just have to act and assume that there is not going to be a deal because they do not have enough time otherwise to prepare?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Yes, that point is coming very shortly now. Some of our smaller businesses have already started to enact their contingency plans. They have effectively told us that the consequences of no deal would be so extreme for them that, even if at that point a couple of months ago when it looked less likely than it does at the moment, they still made a business decision to prepare and then any other scenario they could always deliver against because they had planned for the worst-case scenario. That would apply to a lot of our businesses that are heavily exposed to trade with the EU or that very heavily rely upon EU workers as part of their business models. In a way, a business has to make a decision dependent on their individual circumstances.

We are in the space of saying, in terms of our general advice, we do not want smaller businesses to have to rush out and spend money on a scenario that may not materialise, but it is such a fluid situation that we can see within the coming few weeks, where we are looking for that clarity from the Government when the general advice stops being, "This is what you need to start to think about or plan for. These are the kinds of questions you should be thinking about", to, "This is what you should now start to do". For example, if you do not already have an EORI number, you should start to get one. You should now start to actively try to engage with lawyers on looking at the commercial basis on which you could import personal data from the EU. When does that point of "think about it" shift to "undertake activity and expend money"? At that point you have a financial exposure and that is when we would be looking to the Government to say, "This is the additional support that should be made available for smaller businesses". As you say, microbusinesses and sole traders in particular will be exposed and will need that additional help and support not just in terms of advice on what to do but also money to help them do it.

Caroline Russell AM: Tim, do you want to talk a bit about the kind of support that the businesses that you represent would want perhaps from national Government given that you are a national organisation?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Yes. I would certainly echo a lot of what Sonali has said. The technical notices of course were very careful to say that they were not advising businesses to take action but merely to advise them on what action they might choose to take in the event of no deal. Sonali is right that that has created in a sense a bit of ambiguity. People can read that as saying, "I do not need to do anything yet. I have not yet been told to do anything".

If we get to the stage that [The Rt Hon] Mr Gove [Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs] talked about when the Government formally says that no deal is now the most likely option, then it is not sufficient for the Chancellor to say, "I have £19.5 billion of headroom in the event that we go into a no-deal scenario". We need to start knowing where that is going to be spent.

The Irish Government has been very active in supporting particularly food and drink manufacturers but other sectors of the economy too. I do not know a great deal about it, but they have a voucher scheme that supports people who are being impacted by Brexit. That is one very practical thing they have already identified.

Sonali talked about the costs of contingency planning. One of the things that is coming across very clearly from today's session is that the costs of a no-deal Brexit are already being felt. They are not going to happen on 30 March [2019]. With each day that passes without a withdrawal agreement, the costs will be going up. Businesses are wondering, "Am I ever going to get that money back? The Government tells me it will sign a deal. I have to make the contingency plans because my audit and risk committee would not countenance the idea that I did not do my due diligence and plan for that outcome since that is what the Government is telling me to do, and so I am now incurring costs that potentially may be wasted". The Government needs to give some clear guidance on that so that businesses can have some reassurance.

I talked earlier about cash flow, insurance, the cost of borrowing and those kinds of things. They are important.

One of the things that is important for London is to ensure that the Mayor is closely involved in the contingency planning that Government departments are doing. All those short sea crossings lead by motorway to London and you cannot get any of those containers to the rest of the country without going at least around

London. William will have, I am sure, a massive concentration of his members in London and all of those have to be served by lorries of one size or another. There are some particular challenges for London in this.

The Government is definitely stepping up its engagement, I would say, in the last three weeks. In October [2018] we have seen a real step change in the Government wanting to work with us to start to think some of these contingencies through, but there remains a reticence, which I guess one can understand, on their part to spell out a worst-case scenario. However, in some ways, that is really what we need to start to need now because we have to plan for a worst-case scenario. That is continuing to generate anxiety when you do not know how bad it might be.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): I would echo Tim's comments. It is very noticeable that in the Republic of Ireland they have Brexit preparedness which is being led from the Taoiseach [Prime Minister of the Republic of Ireland] down and we are seeing these roadshows across Ireland with concerted one-stop-shop Government assistance being provided. To follow from what Sonali said, one can see the point that if we do get to the time where no deal looks far more likely than there is going to be a deal, we would be looking for all Government agencies and all governments across the UK to be working together to provide that similar one-stop-shop service.

Many of our members are already looking at what they can do to limit exposure around increases in tariffs or extra duties and at what VAT implications there might be or what the impact on data might be, but it is really haulage and people that we have to say are two of the biggest concerns right now. If we fall out without having an agreement with the EU, the number of haulage permits falls to fewer than 1,300 a year and so the availability and price of haulage are dramatically affected by that. That is going to be a huge impediment --

Caroline Russell AM: That is for UK haulage contractors?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): That is correct, yes.

Caroline Russell AM: Would EU haulage contractors be able to bring stuff here?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Our understanding would be potentially but there would be limits on that as well because it becomes determined by --

Caroline Russell AM: Would they be UK limits? I am just trying to understand.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): In terms of the technical notices, we fall back to the Vienna Convention and that would create some limits on the number of cross-border haulage trucks that could enter the UK, but in terms of UK permits it falls to fewer than 1,300. It is a massive concern. We just have not --

Caroline Russell AM: Just to put that in context, how many are there at the moment?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Our understanding is that there are around 75,000 hauliers and around 38,000 permits that would exist at the moment. We are falling to a mere fraction of the haulage that would be required to get goods from our members in and out of the UK.

The other issue is people. We have 170,000 European Economic Area (EEA) nationals who work in the retail sector, many in the logistics and distribution parts of that. In London, some of our members can be employing as many as one in two people from the rest of the EEA. We are already seeing gaps not being able to be filled. If we go into a complete cliff-edge Brexit on 29 March [2019], we simply do not know where we are going to be able to source that labour to keep the logistics and the distribution networks around London flowing and to get goods to parts of the south and east and across the whole of the UK.

Caroline Russell AM: There just seems to be a terrifying lack of knowledge surrounding everyone.

Sonali Parekh (Head of Policy, Federation of Small Businesses): I was just going to add that when we surveyed our members in September [2018] we asked those who were going to be impacted or felt they would be impacted by a no-deal Brexit with no transition period what intervention would they find the most useful from the Government. Just over a quarter said that some sort of voucher or tax credit would be helpful in supporting their preparations.

Caroline Russell AM: A voucher for advice?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Advice and support costs generally. Also, though, popular was a one-stop shop. It is not just about government advice but often a smaller business will be likely to go to their accountant or to their lawyer. There is an important local ecosystem of advisers that they would turn to first and how they are going to be tapped into for advice that is available from the public sector and indeed from lobby groups such as ours.

Len Duvall AM (Chair): I get some of the risks and challenges for London and they are virtually the same nationally, but Tim mentioned the road network and Sonali talked about people and specifically about haulage. You are national organisations but are there any London-specific issues apart from those that have already been mentioned that we should be looking out for in terms of preparing the plan?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): They are particularly in terms of infrastructure because we are going to have, in terms of no deal, potentially, lanes of the M20 and the M26 becoming effectively trailer parks. That is going to have an impact on flows of vehicles. Covering a market as big as London and ensuring that my members - superstores but also convenience stores - can keep sufficiently stocked with fresh produce is going to be a real challenge.

One of the things that perhaps has not been completely appreciated is that often trucks will go to specific stores; they are not even going to warehouses. The supply chains are so efficient that the goods are going straight from the back of a truck onto the shelves. In London, there would be a particular concern about how we could supply the market that is involved given the amount of food consumed here.

Len Duvall AM (Chair): Any other contributions?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): One of the things that seems reasonably clear is that part of the Government's approach to no-deal planning is the decision potentially to waive some of the regulations that might slow down supply chains. Of course, every decision to do that has a knock-on effect in some other way, but, if we think of London, it has a Low Emission Zone and it has a Congestion Charge Zone. If we are thinking about free movement of vehicles, presumably at

some point we might need to consider whether those are things that we would also need to waive. As with all these things, there are big consequences for stepping aside from some of those regulations.

There are some London-specific challenges. According to the Office of National Statistics (ONS) there are 1,500 food and drink manufacturers in London. They will all be small businesses with the exception of perhaps five or 10. One of the things about our industry is that it is very geographically diverse. I do not know if it is strictly correct, but we often say that Westminster is the only constituency that does not have a food and drink manufacturer in it.

Sonali Parekh (Head of Policy, Federation of Small Businesses): From a wider smaller business perspective, for those providing services and relying on being able to go to the EU to discharge contracts and undertake short-term business travel, how the mobility is going to operate in the eventuality of a no-deal scenario would be quite concerning to a lot of our service-providing smaller members within the London area.

Len Duvall AM (Chair): I know you talk to the government and I know you talk to others, but in this particular building and in the rest of our [GLA] family, have you been approached or have you made representations about no deal and do you think we have our listening ears on? We are scrutinising the Mayor strategies, but are we sufficiently engaged with you to understand some of the challenges that we need to prepare for? Do you feel that is the case?

Sonali Parekh (Head of Policy, Federation of Small Businesses): It depends who you ask.

Len Duvall AM (Chair): I know you have different sizes of organisation.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): We have a meeting scheduled, I believe, towards the end of next month with our Chief Executive Officer and another colleague with the Mayor --

Len Duvall AM (Chair): Good.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): -- and so we are delighted to be able to take the needs of retail right to the heart of the Mayor's office. We are very pleased about that.

We have had very good engagement with Ministers, with other key Members of Parliament and with the devolved administration as well. Also, there are some issues of course like trading standards on goods that would be coming from the EU, which of course are a local authority function. We need to ensure that we have engagement right down to local government level as well.

There is an appreciation about the effects that no deal would have. The Office for Budget Responsibility laid it out very clearly yesterday: severe short-term disruption to the economy. In terms of food and purchasing goods both online and in-store, consumers will see the difference in price, availability and quality, and it will not be a difference for the better.

Len Duvall AM (Chair): Does anyone want to add to that?

Sonali Parekh (Head of Policy, Federation of Small Businesses): We have a separate FSB London office, our sister office, and engagement has been good but we would always welcome more of it.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I am very happy with the level of engagement thus far, but I hope what is coming across quite strongly from us today is that there has been a step change very recently in the way in which we are all thinking about this and in a way in which our members are starting to respond to it. I suspect that that is a challenge for you and for all government at every level in the UK now.

Len Duvall AM (Chair): Some of the evidence we have heard is that the Government could be -- for all sorts of reasons, we are not here to create fear, but for scenario planning and resilience planning, we need to understand what their assumptions are. We are trying to push on that, but we do not have time. Time is not on our side and we need that information. It becomes very clear for us in terms of those managing the resilience planning on our side that they could do with that information as quickly as possible and no doubt your members could as well.

Caroline Russell AM: Just very briefly and really picking up on what Len has been talking about and specifically the Mayor's Brexit Business [Resource] Hub, William, is the meeting you have coming up with the Mayor connected to the Mayor's Brexit Business Hub or is that a separate thing?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): We will be discussing the Hub alongside the other particular issues for Londoners. As we discussed, people is particularly pressing for retailers in this city. I talked previously about the logistics and distribution elements. We have members who are involved in supplying services. We have many of the big coffee chains that we are pleased to have within our membership. They are finding it hard to fill the vacancies now partly because of the uncertainty about whether EEA nationals would have to prove their right to work in the UK. Also, there is the issue about the depreciation of sterling in the last couple of years. It is much more difficult to fill those vacancies from the EEA. Those are the key issues along with supply chains that we will be, hopefully, discussing with the Mayor.

Caroline Russell AM: Sonali, have you had any contact with the Mayor about his Brexit Hub?

Sonali Parekh (Head of Policy, Federation of Small Businesses): We have through the meeting we were at. It was crime focused but it also had an important discussion on Brexit. Again, that is an area where we would really welcome ongoing engagement.

We have our own hubs. The Mayor has a hub. How do we get as much co-ordination between all of those bodies that are trying to provide help, information, advice and support so that smaller businesses know the best place that they can go to? That can only be of benefit.

Caroline Russell AM: Co-ordination and collaboration.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I am not aware that we have had any direct contact with the Mayor on that issue, although I suspect it is one that he might well have gone direct to food and drink companies on rather than to us. We would certainly welcome it, yes.

Caroline Russell AM: Yes. Thank you very much.

Caroline Pidgeon MBE AM: Should this no-deal scenario persist, thinking longer-term, what are the implications for your sectors?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): One of the biggest concerns is that if the Migration Advisory Committee (MAC) report were translated into Government policy, it would cut off the ability to secure lower-skilled migration into the UK. In a tight labour market, it would be very difficult to fill vacancies. That is probably the toughest concern longer term that retailers have.

Of course, things like automation will continue to filter through and artificial intelligence as well. There is very much a changing experience on the high street and a movement towards online sales, but we are still going to need people involved in front-of-shop functions, particularly in the logistics and distribution chains. We see that being the biggest threat really from a no-deal Brexit for the long term.

Caroline Pidgeon MBE AM: What about the concerns of EU nationals who are employed within the sector you represent? Are you having concerns expressed by them? What are the issues for those who are currently employed, not the ones who have left and decided to move elsewhere, and would like to carry on working in whatever job they do?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Clearly, settled status has not been fully rolled out and, of course, that is a step that around 3.5 million people are going to have to go through. There has been some confusion with the statement from the Minister of State for Immigration [The Rt Hon Caroline Nokes MP] this afternoon that people might have to prove their right to work in the UK. That would be a big imposition for employers if that had to happen before exit day. It is the sense that EEA nationals, who are very valued by employers, need to get simple, straightforward guidance and ensure that the registration process works as smoothly as possible because, when your status is not sure, it is a concern over your head the whole time and clearly has an impact on productivity, etc, at work.

Sonali Parekh (Head of Policy, Federation of Small Businesses): From a people perspective, one in five of our smaller business employers have at least one member of EU staff, and so I very much echo William's points around welcoming the Government's commitment to respect the rights of EU nationals living and working in the UK.

Caroline Pidgeon MBE AM: Has there been that commitment?

Sonali Parekh (Head of Policy, Federation of Small Businesses): We have interpreted what the Prime Minister said as providing that, but I would also add to that though that there has been no technical notice on how the settled status scheme would operate in a no-deal scenario. We are very much hopeful that reassurance can be provided, even more so than has already been provided, as quickly as possible because so many EU workers are employed by smaller businesses, and of course not forgetting those EU nationals who are self-employed.

Also, in terms of more broadly trade in the event of a no-deal scenario and looking at the medium and longer term, how are small businesses, not only those that are currently exporting but also potential exporters, going to be supported in taking advantage of future trading opportunities when trade may not be as easy as it currently is both with the EU and also with all those countries that we are currently party to free trade agreements or preferential trade agreements with or even just mutual recognition agreements through our membership with the EU? How is that going to be compensated for and, of course, how are our small businesses going to be supported in trading with wider markets across the globe? They will need a particular help and support. It will not just automatically happen. What is the Government strategy for supporting smaller businesses in that space?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I have not said very much about people so far but I certainly associate myself with the comments everybody has made. We employ about 400,000 people nationally, about 30% of who are EU immigrants. Even before the referendum, we were facing a demographic problem. We had an ageing workforce and we thought we would need to fill 140,000 vacancies by 2024. That was before the referendum and so we are facing some very serious problems about shortage of people. The 30% figure hides some quite high spikes in bits of food and drink manufacturing. If you look at the meat trade, for example, there are massive numbers of migrant workers working in meat processing. People will be a big thing and it is an area where the Government can do more to incentivise businesses to invest behind automation, to see it as a long-term investment, perhaps to reward investment or to provide tax breaks for those kinds of investments to encourage that to happen more quickly.

On trade, the reason a lot of our trade is with the EU is because food has short shelf life and is perishable and, therefore, you tend to trade with the nearest markets. Realigning our trade to more distant markets is not just a simple proposition that we can switch overnight to a different boat. There will of course be opportunities for import substitution if some of the food that we currently import is no longer available or not at the price that consumers will pay for it, and so domestic producers may have opportunities as a result of that.

Then maybe the biggest and most difficult issue is that consumers here are used to very high standards of food safety and quality and they have access to a very wide range of nutritious food at all price points, particularly in London. If we open ourselves up to trade from other countries that have a different approach to those issues, there will be trade-offs. We will have to make some decisions about whether we think potentially cheaper food is something that we would rather have or whether we are rather attached to the standards of quality and safety that we have had for many years now.

Caroline Pidgeon MBE AM: They are some of the challenges that have been in the news about the United States and some of their standards and so on.

Could I just move on to ask you about European funding? Many firms access European funding to support employment and skills training. I know the Government has promised to replace this with a Shared Prosperity Fund. Are you reassured that this fund will continue post 2020 in that you have confidence that the people you represent will be able to access that training fund going forward into the longer term?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I do not cover employment policy, I am afraid, and so I cannot give you a very good answer to that question.

Sonali Parekh (Head of Policy, Federation of Small Businesses): We are very keen to input into what we understand will be an upcoming consultation on the shape of the UK Shared Prosperity Fund. We welcome the commitments that have been given in the technical notices recently about generally maintaining current levels of EU funding on with the current funding until the end of the EU funding round term in the eventuality of a no-deal scenario until the end of the current EU funding round. That enables bids to continue to be awarded, which is really important not just for those of our small businesses that directly receive that money but also for the wider support that that funding gives, which indirectly benefits a lot of smaller businesses and indeed wider communities.

Going forward, we think the UK Shared Prosperity Fund is going to be incredibly important in terms of supporting the wider business support landscape, which is arguably going to become even more of a priority for smaller businesses as we face the challenges and opportunities of Brexit. We are very keen that the needs

of the whole of the UK, including of course the devolved nations, are carefully considered in the upcoming consultation.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): The BRC has just launched an initiative called Project Apollo, which is used to ensure that companies make full use of things like the Apprenticeship Levy. It is a way of making sure that retail can be a career and that there can be progression within retail and you can start on the shop floor and end up in management. We have an excellent qualification that we are working with Leeds Beckett University on. If there were some additional support to make up for what is being potentially lost in terms of European funding, we think it going into the Apprenticeship Levy would be a very good idea.

Len Duvall AM (Chair): Thank you. I suppose we are talking about a no-deal scenario but most scenarios here are going to generate a degree of pain and challenge for many of the businesses you represent. In terms of mitigation, how key is clarity of information from the Government about different scenarios or circumstances to minimise the pain? It is almost asking how much morphine you are going to take or whatever the equivalent is of supporting business. I cannot from this conversation think about what would mitigate some of the risks and challenges under no deal. Apart from clarity of information, what else would you be asking the Government or those in power to say, "All right, in the next couple of weeks, I need you to do this"? That is where you were heading, Sonali, in one of your earlier answers. What are the asks?

Sonali Parekh (Head of Policy, Federation of Small Businesses): As you say, there are a range of scenarios out there and the first step is to outline them in easy-to-understand language.

In terms of end-state scenarios, clearly the most extreme of those is a no-deal scenario with no transition period. Of course, there can be other variations of no deal that are not quite as extreme as that particular scenario.

Then of course you have the Chequers Agreement, you have the EEA, you have the European Free Trade Association (EFTA), you have the free trade agreement (FTA) model, for example Canada+++. There are a range of eventual end-state options out there. Through our Brexit Hub, we make an attempt to outline what they will mean in terms of trade, in terms of movement of people, in terms of business travel and short-term business continuity and in terms of data exchange to start to educate and orientate our members on the spectrum of possibilities that there are.

Right now, our small businesses though really do need that standstill transition period. Where trade and access to EU labour and skills can continue on pretty much the same terms as currently exist to give them the time to be able to prepare for a different end-state system. For example, if we take the issue of people, we have some concerns around the MAC's proposals including, for example, salary thresholds being introduced and immigration surcharges being applied to EEA and EU labour coming into the UK. We think that that could have quite a disproportionate impact on smaller businesses if it were to take place.

This is not to say that we do not understand the argument that there are productivity gains out there if there is greater use of automation, but the fact is that it is a journey for smaller businesses to go through. Our recent research has shown that even in relation to the adoption of relatively basic digital technologies, many smaller businesses still have a long way to go. We are really keen to make sure that whatever the end-state scenario is, there is no cliff edge and that there is enough time to allow small businesses in particular to be able to prepare for whatever that end state is going to be, whether that is in relation to their trading arrangements or whether that is in relation to how they access skills and labour.

The Industrial Strategy is a really good starting point but it will take many years for, for example, T-Levels and technical education reform to be able to provide the skilled labour that smaller businesses need particularly in that mid-skilled area that the MAC has rightly nodded to as being very important. Those are long-term endeavours. How are we going to deal with a shorter to medium-term scenario when smaller businesses right now say that the second biggest barrier to their growth aspirations is being able to access people with the right kinds of skills?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): If there is a deal in November or December [2018] --

Caroline Pidgeon MBE AM: A big if.

William Bain (Policy Advisor - Europe and International, British Retail Consortium): -- or maybe even January [2019], who knows, what the Government has to do is to explain exactly what a standstill transition means. It is something that we are all familiar with in the policy community, but particularly some of the smaller businesses might not quite understand that it means that nothing changes in terms of hiring people, the customs procedures and the regulations as far as foods and other products are concerned. Getting that message out that a standstill transition means that nothing changes is really important.

There are some parts, however, even of a standstill transition that are still of concern. For example, many of our members import products using the FTAs and the other trade agreements that the UK is party to. We saw a figure yesterday that only 14 of these agreements were in position to be transitioned over, which is a very low number. One thinks of places like Turkey as a very important source of clothing and textiles, and Bangladesh and India via the Generalised System of Preferences (GSP). We also have significant quantities of wines and fruits coming from South Africa, Peru and Chile. There is quite a sizable proportion of retailers' imports that come in via this route. It is a concern for us - and for Tim even more so on the export side - that these agreements are not fully in a place to be put into complete operation on 30 March [2019]. Therefore, the other thing we need from the Commission and from the UK is to ensure that, if there is a deal, these side deals with third countries are also fixed up very quickly and in plenty of time for the end of March.

Len Duvall AM (Chair): There almost has to be a real step change once we get to a clearer position, whether it is a parliamentary vote and when. The dragging out, if that is the case, even if it achieves a deal is good but also bad in terms of giving us time to do what we need to do. Is that a fair assessment?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Absolutely, Assembly Member Duvall. Every second wasted is investment that is forgone by retailers.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): It is enormously frustrating and disappointing that we are still talking about the withdrawal agreement when we could have been focusing on trying to design a great future trading relationship between the UK and the EU that would enable all of our members to grow and prosper and for London to grow and prosper, too. That is very disappointing.

The MAC report in many respects has been disappointing with the decision to equate skill levels with salary levels in food and drink manufacturing. There are lots of things that that we regard as a skilled like fish filleting that are not technically regarded as skilled occupations and we see that as a real threat to an already challenged labour market in our sector.

We talked briefly about Ireland. One of the many reasons why the Irish border is a difficult issue is the absolutely seamless trade in agri-food across that border. We need to start finding some really imaginative solutions for that that can preserve the seamless nature of it.

As the spotlight has been turned on the different models we have just mentioned, whether it is Canada or whether it is Turkey or whether it is EFTA or the EEA, agriculture and food are always the hardest bits of the trade deal to do, which is why there is no agri-food element to Turkey and a lot of agri-food is excluded from the Comprehensive Economic and Trade Agreement (CETA). It is going to take time to work that through. Rules of origin are critical for food and drink exporters - which I remind you generate £22 billion every year for the economy - to get right and are incredibly complex. We should be starting to think about that now.

There are definitely opportunities to be had but it is frustrating that we are still focusing on the backward-looking part of this.

Len Duvall AM (Chair): The Mayor has his own political position, but in terms of some of the ways that he has used this platform of the mayoralty to argue for business, is that something you recognise or do I have my romantic beer goggles on around that? I have spoken to other forms of business and they have said, "He has been a great champion for us and pushed us into the room with the Government so that it can hear some of our problems". What is your perspective of that in terms of the Mayor? What would you want the Mayor to do at this next crucial phase? He has just been to Europe. We took evidence from him around that. Do you think he has an important role here of speaking up for Londoners? I know you work on a national scale and we are governed by boundaries in some ways, but in terms of that platform do you think he should continue to use that to promote business and promote some of the challenges that you are going to face over the coming months if not years?

William Bain (Policy Advisor - Europe and International, British Retail Consortium): Clearly, the Mayor has been a very strong voice for London businesses in the last few months and indeed since the Brexit referendum. We particularly welcome the focus on the impact on people. London is a welcoming city. It is also a growing city with many more consumers buying more and more food and furniture and the kinds of items that our members want to sell.

The key issue is to have as many of our key players in politics engaged with the realities about what this means for people. This is about the uncertainty of an employer being able to hire the person who is the best qualified for the job and who they want to hire but being prevented from doing so by the nature of the final deal we negotiate or the absence of any final deal there at all. This is about businesses wanting to import the best products at the best value for consumers and not being able to do it because we do not have a customs system that really works for the modern economy. It is about making sure that, on things like VAT and excise, companies do not face nasty hidden traps of extra spending that consumers do not face and extra tax as well.

Yes, the Mayor has been a great champion for that and we need many more like that throughout the UK, doing what is right for retailers and consumers.

Len Duvall AM (Chair): Continue on?

Sonali Parekh (Head of Policy, Federation of Small Businesses): Yes, we very much welcome engagement and our London small businesses in particular having the opportunity to be able to express their particular concerns, their top issues and having their voices heard. That has been happening and more of it is always welcome.

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): I would absolutely agree with what both my friends here have said. Having a strong voice in London is very important not only because of the economic power of London but, as William has referenced, the cultural power of the voice here is also very important and the sense of leadership from every level of government is something that we need to see.

Len Duvall AM (Chair): Thank you for that. Is there anything else you want to say to us as a Committee? We will take the transcript away and will look at what you have said to us. We will look at our previous evidence in our previous sessions. Then we usually write to the Mayor but on this occasion we are going to be writing to the Government because we think more and more of those people there need to understand what we think and the evidence that you have presented to us. I must say that I am very grateful for the way that you have answered the questions today. There are a number of points we need to reflect on because we have never heard them said in that way with the stark reality in terms of what your members are dealing with or indeed your sectors are dealing with. Is there anything else you want to say to us?

Tim Rycroft (Chief Operating Officer, Food and Drink Federation): Only that we are grateful for you taking an interest in this. It gives us another opportunity to air the arguments and to explain, we hope in a very calm and careful way, the important issues that are at stake here.

Len Duvall AM (Chair): Yes, they are and it is crucial not just for individual prosperity but for the community's and our nation's prosperity to get this right, to be honest.

We do not work with the different executives of the devolved assemblies but we do work with the other scrutineers and will be sharing some of our work and some of the information you have given us to those scrutineers as well, so they can talk to their executives. We will be doing that. Much of the Northern Ireland [Parliament] is not sitting at the moment but the information will be shared with civil servants there and we will certainly talk to the Scottish and Welsh Assembly scrutineers. Thank you very much.