

**11:30-13:00**  
**Thursday 2nd September, 2021**

**Chaired by Commissioner Aodhán Connolly**

## **AGENDA**

**Live Evidence Session (11:30-13:00) Commissioners and Witnesses**

### **1. Q & A**

**Apologies:** Alison Williams; Andrew Ballheimer; Layla Moran MP; Professor Shearer West

2 September 2021

### **Aodhán Connolly**

You're very welcome to this extraordinary session of the UK Trade and Business Commission. Today we'll be looking at driver shortages and the effects that this has had on supply chain. Our expert witnesses today will be asked which factors they consider to be causing these issues and will be asked about driver shortages, immigration policies, food security, complex supply chains and of course Brexit. With their frontline experience we can begin to understand what the Government needs to do to fix the problem and stop further disruption from our supply chains.

I'm delighted that we have our expert panel, today we have Andrew Opie, the Director of Food and Sustainability from the British Retail Consortium. Richard Harrow, the Chief Executive of British Frozen Food Federation and Alex Veitch from Logistics UK. The format of the meeting is the usual, that I will ask all witnesses to a one minute intro about themselves and the issue at hand and then we will get into our questions, as usual members you have seven minutes on your questioning each and you don't have to use it, and I will tell you if you are running over. With that, I'm going to move to our witnesses to give a brief introduction. Before our first witness speaks I have to make a declaration of interest because I actually work with Andrew, that means that I generally respect his opinion on these things anyway, but I want to put that down for the record. Andrew, if you wouldn't mind doing your one minute introduction please.

### **Andrew Opie**

Morning everybody, I'm Andrew Opie, Director of Food and Sustainability at the British Retail Consortium. So we are the trade association for all UK retailers, everybody from those that you are very familiar with on the High Street right through to many of the major online businesses as well. In terms of this issue, I mean we ... not surprisingly as a sector have been coping with supply chain disruption for a very long time now, right through the Covid period up to the current day, but what's been interesting since about May time, when the economy has really restarted following the Covid outbreak and the relaxation of the restrictions, is how much pressure we've seen particularly in the supply chain particularly around haulage and haulier drivers, but actually throughout the supply chain in terms of workers in distribution and in manufacturing. And then the only other factor I'd like to overlay on that maybe for the group to think about as we go forward of course, during that period

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because of Covid and other factors we've also experienced major problems in terms of our global supply chains, supplies into the UK from places like China for example, so the sector as a whole has been coping with major challenges in the supply chain now for close to two years, but they definitely have become more of an issue and more of a problem in terms of getting goods on the shelves in the last six months. Thanks Chair.

**Aodhán Connolly**

Thank you very much Andrew. Richard?

**Richard Harrow**

Sorry, just taking myself off mute. Good morning, thank you very much for inviting me along. My name is Richard Harrow, I'm the CEO of the British Frozen Food Federation, we're the trade body that really looks after anyone who's involved in the frozen food industry. So we have some common members with Andrew in terms of retailers, but we then also have wholesale members, so companies like Brakes and Bidfood. We then have a whole range of manufacturers, companies like Birdseye and then a range of smaller manufacturers that supply into the private label market. We've probably not been impacted quite as badly with driver shortages because although we do get delays on our product, the product life that we have means that product doesn't spoil. If you're in the short life market this not only creates delays but it creates huge wastage as well. So, you know it's really critical and I actually really echo Andrew's comments earlier that it's not just about driver shortages, we are seeing skills shortages across the entire supply chain, so you know if you can't get engineers, then you can't run your production line. So it doesn't matter if you can't get a driver to come and pick your goods up, you can't make it in the first place. And I think I've never seen the sort of pressures that our members are under across such a wide range of issues from availability of labour to cost pressures, whether that be labour costs or raw material costs. I mean I was talking to a member the other day and I said where are the major pressure and he said literally everything we're touching at the moment is going up, so I think we are actually facing what I can only describe as a perfect storm.

**Aodhán Connolly**

Thank you very much, and last but by no means least, Alex please.

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### **Alex Veitch**

Good morning everyone, thanks for having us on the session and a pleasure to see lots of people that I've spoken to before, maybe even seen in the real world eons ago. Logistics UK is the largest freight trade association, we've got over 18,000 members and we represent road hauliers but also freight operators and freight customers across air, sea, rail and we represent as well a lot of customs intermediaries, freight forwarders and others in the supply chain and work a lot with BRC and indeed many other groups and have a lot of shared members as well. You know, you called this session, I'm sure you know the issues around the driver shortages, I think where perhaps I can add value today is to explain a bit about the why, and I'm sure the other panellists will have a lot to say about the what, as in what the impacts are right now and you'll be aware we've written to the Secretary of State for BEIS together with BRC about this very issue quite recently. So I think hopefully that will serve as an intro and again thanks for having us on this session.

### **Aodhán Connolly**

Thank you very much. I'm going to ask one question and then we're going to move through each of the Commissions who have put a question forward today. You've already outlined in your intro a bit of a brief position but is there anything else that's happening in the UK supply chains right at this moment that we should be aware of? Andrew first please if you don't mind, then Richard then ...

### **Andrew Opie**

Well obviously we are preparing for the Brexit changes which are due to start affecting the UK borders from October, it's electronic to begin with, certification for products of animal origin, which is a major challenge for our European suppliers, and then obviously for full border checks from January, so our companies and their suppliers are gearing up for those changes on top of the issues that we're seeing at the moment and obviously they overlay a complexity in terms of things like the time it may take to bring products into the UK and what that then has a knock-on effect on our own supply chains here. And I think the other thing that I would raise is that this is actually just going into our busiest period now for consumers, so you can imagine particularly for our non-food retailers a massive proportion of their business is actually done in the next three months in the run up to Christmas, as sales really increase. Similarly with food, although it tends to be more constant through the year in the run up to Christmas you're probably still looking at 30% plus increasing volume. So, we are already challenged by the factors that we've got in front of us, but if you look

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forward over the next few months we are going to see a huge demand required both in that distribution sector that we spoke about but also haulage as well, to make sure that consumers aren't disappointed for Christmas. So, it's challenging at the moment and we're expecting it to get much more challenging over the next few months.

**Aodhán Connolly**

Richard, anything to add?

**Richard Harrow**

Yeah, I'd sort of echo a lot of those comments from Andrew, I think we're obviously operating in the same sphere Andrew. I mean one of the things we're also hearing is members who would normally be laying stock down now for Christmas, they're saying they don't actually have the resource to do that, so I mean typically we build stocks before Christmas because you just basically can't handle that volume in terms of production and so we're just seeing people saying we can't lay that stock down. I think the other thing I would highlight also is we've still got a great deal of uncertainty around Northern Ireland, we've obviously seen the Command Paper come out but I was on a call this morning with DEFRA and basically you know they're telling businesses you know to wait and see, well you know businesses can't wait and see, we have to plan, you know it takes time for us to make these changes and I think that is a real concern to us overlaid with the changes to the import rules from the EU, from the 1<sup>st</sup> of October.

**Aodhán Connolly**

Alex, I'm going to pause and I'm actually because we've sort of strayed into the territory of Hilary's question, I'm actually going to ask Hilary Benn MP to ask his question.

**Hilary Benn MP**

Aodhán thanks very much indeed. Richard, you said a moment ago that you, I paraphrase, you've never seen anything like this and talked about perfect storm. Can I ask you Andrew first, looking at the shelves themselves and where the gaps are, have you ever known supply problems like this before? Andrew, sorry.

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#### **Andrew Opie**

Apologies. We have seen obviously periods where we have had major problems, I mean it was pretty well documented in the run up to the Covid shut down, the sort of middle of March last year where there was excessive purchasing and for a short period we just couldn't get enough product on the shelves for people to buy. That was actually less of a problem with the supply chain I would have said than it is now, in that that was really a case of just physically being able to restock the shelves quickly enough for consumers who were actually in the stores. All of the products were in the supply chain and they could move through the supply chain quite quickly, it was just keeping pace in the store itself with the volumes that were being bought.

So I would say we have had sort of you know various points where we would have had some very challenging periods, but I think what's different this time is it just feels like we are always just on the edge of coping with where we are and anything that comes which is exceptional is going to prove a challenge. So the exceptionally hot weather we had a few weeks ago where we saw some shortages around products you'd expect to see bought exceptionally, like soft drinks and those sorts of products, that put pressure. The pandemic was absolutely a massive problem for us in June, which again led to some shortages. Now we're not seeing major shortages in the stores at the moment and we're not anticipating major shortages, but it's that kind of just the constant challenge at the moment which I've never known before, where the supply chain is always just trying to keep its head above water, everybody is working as hard as they can through the distribution chain to make it work, but it's incredibly challenging and there's no slack in the system and therefore when we do get these little peaks that's where we get the problem.

#### **Hilary Benn MP**

OK, do you think it's going to get worse? And what about Christmas?

#### **Andrew Opie**

Well, Christmas is going to be incredibly challenging I think in some areas, so even things like delivery times for online could be more difficult. Now, I think it's too early to predict that we're going to have problems in Christmas, but I think it's also not too late for the Government to do something to make sure that it isn't a problem, so the letter that was referred to, you know we're asking for some very sensible issues around short-term measures to make a difference. So I think it is possible to stop it. Our members that we're speaking to are not anticipating major problems for Christmas at the

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moment, but they are also saying that you know it's so challenging at the moment, it's really difficult to keep their head above water and maximise what for many businesses is that crucial period in the run up to Christmas. So we are not in any way saying that we're anticipating major problems at Christmas, but all I can say to you is where we are at the moment and then if we do see problems then that is going to have an impact on products on the shelf.

#### **Hilary Benn MP**

OK, can I put the same question to you Alex, have you ever known supply problems like this before?

#### **Alex Veitch**

Well I've been at Logistics UK, Freight Transport Association as was, for six years and I've never seen anything like it. And we've had a shortage of drivers in the UK, we call this a chronic shortage, for many years. That was going on when I joined six years ago, but now it's an acute shortage which is the bit I haven't seen before. So, I mean Andrew has summarised this extremely well, I won't repeat what he said and of course we look at it slightly differently, we look at it from the point of view of drivers doing the job as opposed to where the sectoral impacts will be and I'm sure we'll tease that out in the session, but no, it's definitely more difficult and you know it's really to do with Covid to a very large extent and Brexit actually to a lesser extent, added to the long-term chronic problem of not enough people joining the sector.

#### **Hilary Benn MP**

Right, could I ask about transport costs because one children's clothes retailer was quoted this week as saying that it has seen shipping costs quadruple in recent months. Alex, could you say something about the costs of transportation?

#### **Alex Veitch**

Well we've seen, or perhaps heard reports on a regular basis since the start of the year about transport costs going up and we have a lot of feedback on this through the Brexit Business Taskforce and the companies they were engaging with. So we know that for international freight movements there does seem evidence that the transport costs have gone up and that's to be expected, when we leave the Single Market and the Custom's Union there's more work to do and you need to pay people

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to do it. So the newer stuff is the reports about transport costs going up on domestic journeys and you know I don't have data on that today I'm afraid, we are looking at all of our data and will be producing that as soon as we can, but anecdotally we're certainly hearing that as well at the moment, yeah.

**Hilary Benn MP**

OK. And do you think that the measures that the Government has announced so far to address the shortage of lorry drivers is going to be sufficient to deal with the problem?

**Alex Veitch**

Yeah, if we can put it into the two buckets of chronic and acute again, so the long-term problem yeah, a lot of this is for industry to do and so we do need to make sure this is a place people want to work, that means we are needing to address the way that drivers feel about the job, we need to make sure they have good facilities, wages are going up that is here to stay.

**Hilary Benn MP**

But in the short-term Alex?

**Alex Veitch**

Short-term we would like movement on the temporary work visas as well, thank you.

**Hilary Benn MP**

OK, thanks very much. Right back to you Aodhán.

**Richard Harrow**

Sorry, Aodhán could I just add something in there, sorry. Part of the question was about international shipping costs, we've seen massive increases in container costs, so one of our members

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talked about he was paying \$1500 for a container coming in from China, he is now being asked for \$10-12,000 for the same container.

**Hilary Benn MP**

Wow!

**Richard Harrow**

And he also can't guarantee that he can get the container when he books it. So, not only are they being asked to pay much higher costs there is no certainty that the container will arrive on the date that it was scheduled and we are hearing now that lead times are being pushed out, so typically you would have a lead time of about six to seven weeks, we're now hearing that people are having to cope with lead times of up to 16-17 weeks, it's just crazy.

**Hilary Benn MP**

Thank very much.

**Aodhán Connolly**

We will return to global supply chain issues in a moment. But first I'm going to move to the Honourable Member for North Down, Mr Farry please.

**Stephen Farry MP**

Thanks very much Aodhán, I have to confess I did bump into one of our local supermarkets this week, so we were both supporting our local economy. Just want to ask something specific in relation to Northern Ireland, the first couple of months of this year most of the stories around the [inaudible 0:18:32.8] of Brexit were in relation to Northern Ireland, in terms of this current phase of concerns most of the stories do relate to Great Britain, or that's exactly what it seems in terms of the media narrative but equally I'm conscious that in Northern Ireland like the rest of the UK we have had problems in terms of shortages of people in terms of the haulage sector which indeed have become more acute and indeed by logic we should also be experiencing some of the difficulties in terms of



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supply chains as well. But are you seeing a differential impact of this in Northern Ireland at present and if so, I mean how do you account for that, I mean are they factors related to the protocol or different supply routes or some other factors in terms of the nature of our particular economy and perhaps arising from that are there any lessons that could be applied elsewhere from that? I'll maybe start with Richard given he did mention Northern Ireland in his introductory comments, I'll move to Alex and then to Andrew.

#### **Richard Harrow**

OK, I mean yes, I just think Northern Ireland just remains a particular challenge at the moment even though the Government have allowed a lot of easing for, especially the supermarket groups under the Stamney [ph 0:19:48.8] system, but it's still hugely complex. There's a massive level of additional bureaucracy that's needed, I mean we are aware that some of our members have even pulled products out, so one of our big members actually reduced his range into Northern Ireland by about 22-23% because he's just said you know couldn't afford the tail [ph 0:20:11.4] to go in. I'm not aware of any specific extra challenges for Northern Ireland around the driver shortage, although I would suggest and this is more anecdotal, that if a haulier has got you know a restricted number of vehicles available he might choose not to go to Northern Ireland because it's just that much more difficult to make the crossing at the moment and until we can see that easing perhaps you could suggest that that will continue for a while. Because that's the other thing we're hearing with hauliers you know, what they're doing is they're picking the easier jobs and I think that's probably where the British Retail Consortium members may benefit because they are seen as actually having sort of relatively easier deliveries, where it becomes harder where you're into multi-drop, you're going into parts of the country where you know there are more drops, I think those will be disproportionately impacted.

#### **Stephen Farry MP**

Indeed, actually Northern Ireland could be the most adversely affected region despite some of the media balance.

#### **Richard Harrow**

I think it's potential, I don't actually have the evidence for it but if you're a haulier and you're saying look I've only got so many vehicles, I'm gonna put it where there's the greatest chance that I'm gonna

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get a vehicle in and out quickly you'll probably look at Northern Ireland and go hmm, yeah, perhaps a little too difficult at the moment.

**Stephen Farry MP**

OK. Thanks Richard, then over to Alex and then to Andrew.

**Alex Veitch**

Thanks Stephen, just a quick couple of points from me. In January/February we did see a bit of an issue which was where a back haul, so you had NI hauliers going across to GB were having difficulty with loads coming back just because depending on the product, you know if they were on one of the products that was bound to follow all the full EU border control issues then that was a problem, so you know the issue is probably about hauliers who are used to carrying just about anything to be really simplistic about it, some of the things they carry now have to meet border requirements and some don't because we're still in the grace period and so I think Richard put it really well, it's all to play for, we've put in a lot of comments ourselves, an agent of BRC and others about how we'd like protocol to work going forward to make things easier for food, for parcels, these sectors that are going to struggle if things don't carry on, and we've had this sort of 'keep calm and carry on' message just like Richard has, like the 1<sup>st</sup> of October, so we think the sector has adapted reasonably well to the new requirements as they are today, although I'm sure there are still problems. But you know the big question is what happens after October.

**Stephen Farry MP**

Of course. Absolutely. And we're still living in huge uncertainty in that particular regard. Finally over to you Andrew, thank you.

**Andrew Opie**

Thanks Stephen, I feel like we should have probably asked the Chair to actually do his day job and answer the question. But from our perspective, I mean we really run as you know pretty much UK supply chains and quite a lot of food that is sold in Northern Ireland is sent over via Scottish depots to Northern Ireland so I wouldn't say it's any worse or any better than we're seeing here, in fact just seeing the same challenges. A slightly bigger challenge may come in the winter period when

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obviously we are heavily importing lots of fresh fruit and vegetables from European suppliers at that time of the year and generally it takes a little bit longer to get to Northern Ireland than it would do to some of the stores in England for example. So if we are worried about shelf-life which may be a concern going forward into the winter period, that's where I potentially could see a slight difference between Northern Ireland and the UK, but if we took the protocol out I don't see that it's any better or any worse than it is in the rest of the UK.

**Stephen Farry MP**

Super, thanks very much. I'm sure that's exactly what the Chair would have said.

**Andrew Opie**

I hope so!

**Aodhán Connolly**

Not as succinctly and not as eloquently thank you very much.

**Stephen Farry MP**

Back to you Chair, thank you very much.

**Aodhán Connolly**

Thank you very much Stephen. We're going to move to global supply chain issues now and Tamara please.

**Tamara Cincik**

Thank you Chair. We hear about global supply chain issues but this country seems to be fairing worst of all, is that correct and if so why do you think that is. And I will start please with Andrew, I guess we'd like to know whether you think it's down to Brexit for us.

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#### **Andrew Opie**

I don't actually agree with that summary, simply because global supply chains are global supply chains, I don't want to sound glib about this but basically our European retailers import from the same parts of the World as we do and are hit by all of the issues like container costs and shipping problems that we've seen out of China in particular over the last 18 months, so I don't think it's any different to there. You know lots of product will come direct to the UK anyway from those ports into our container ports here, so it's not as if we were as reliant on places like Rotterdam for example as we might be for some of the big bulk carriers for food deliveries for example which tend to be split in Europe and then come to the UK afterwards.

#### **Tamara Cincik**

That's interesting because I heard that, I heard from the health food area that most of that went into Rotterdam and that they were very concerned for that area of food that they were going to be impacted.

#### **Andrew Opie**

Yeah, there are some, as you say there are some big food imports which come from places like Brazil which are split in those very large ports and then come via there, so that will be an interesting development as we go through to Brexit and our own controls coming in, of course at the moment we don't really, we're not really operating many controls on food imports at the moment, even though we're outside the EU, so that will obviously be something we'll be looking at very closely going forward into January in particular when full checks come in at our own ports here where we are more reliant, but generally I think you know it's a global problem around the containers, containers being in the wrong part of the World at the wrong time, costs really escalating, all of our members particularly in the non-food area are heavily reliant on imports from the Far East, they've been reporting to us an increase in transport costs and I think as one of the earlier speakers has said and picking up from our own sales data we are seeing pressure building, price pressure building in the supply chain and it's just how long retailers can continue to hold that back from consumers.

#### **Tamara Cincik**

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So you don't see this as a Brexit related issue that pivoted in January.

**Andrew Opie**

I don't in this case, I'm reserving judgement on Brexit's full impact until we see the borders really close from January and then I think we'll be in a better position to see how it's going to impact on consumers.

**Tamara Cincik**

OK that's very interesting thank you, Richard I wonder if you'd like to comment on the question.

**Richard Harrow**

Yeah I'd agree to a large degree with what Andrew has just said that the pressures that our members are facing are actually common across the global supply chain, I mean you know we've heard that the American administration have launched investigations into pricing of containers through the World, so you know we're being faced with exactly the same thing. I think the only thing I would add to that though is when we start to look at that supply chain one of the issues that does come up is the inefficiencies of one of our main container terminals which is Felixstowe which according to the data we see tends to be one of the poorest at turning container ships around and unloading them quickly, which obviously doesn't help. I think there is also an element of Brexit in this because obviously if a container ship used to have a problem coming into a UK port it could go into Rotterdam and then they could just basically trans-ship the product from there, I think it is a little harder to do that than it used to be. I do take Andrew's points that we're obviously not doing import checks at the moment, but there is an extra level of administration that would be required in order to get containers from Rotterdam back into the UK if they were originally scheduled to land in the UK.

**Tamara Cincik**

I mean anecdotally ... I think what you're both saying is interesting before I go to Alex because anecdotally what I've heard within my industry, the fashion industry, is massive delays and is escalated costs across the supply chain for instance cotton thread comes from Gutermann primarily in Germany and I spoke to one manufacturer where the cost of importing that had quadrupled and it was delayed, so I think it's very interesting that what I'm hearing in my sector is definitely been a

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Brexit escalation of the issues but you're seeing this in a more kind of global picture and that it's a shared issue. I'd like to bring you in Alex if I could on this, thank you.

### **Alex Veitch**

Yes, so our representation stops at the borders so we don't represent the major global multi-national container shipping lines which is good for what I'm about to say, which is that we are worried, we've been worried in my association for about 30 years about the market power of the major players in the container shipping market, we were disappointed that the European Commission extended what's called the Block Exemption Regulation, so special treatment for the container shipping market under EU competition law, this is now in the competency of the Competition and Markets Authority and it's something that should be addressed, this actually could be a Brexit dividend, because UK could take a much firmer line about the extent to which container shipping lines are allowed to cooperate than the EU have done and that would help because at the minute shippers who we do represent, so buyers of freight, are faced with higher costs, poor competition and less market choice than they ever have before. And the one point about disruption, I think Richard's right about that, so disruption means container ships docking in a different place to where they're expected to, so UK were blessed with lots of very efficient large container ports, so they can normally find a berth in the UK but if that's not possible, if they go to Rotterdam unless there's an authorisation to move the goods in something called 'Customs Transit' customs transit with a capital T, then yeah it's really tricky to do it because you have to clear it and then potentially re-clear it again. And then what happens if it's a food-related product, you know all bets are off. So yeah, it is more complicated in that sense but if it's something directly shipped to here Brexit doesn't make much difference.

### **Tamara Cincik**

That's really interesting and thank you very much for your answers, I've learnt a lot from your answers thank you. I'm going to hand back to the Chair.

### **Aodhán Connolly**

Thank you very much Tamara. Moving on next question from Liz Saville-Roberts MP, thank you Liz.

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#### **Liz Saville-Roberts MP**

Thank you Aodhán, my first question is to Andrew. Could you give us just briefly please an overview of the sectors that have been particularly affected up till now, say in the last six months, and why.

#### **Andrew Opie**

Yeah I mean if I look at in the whole which we've been talking about, so not just sticking with haulage but looking at distribution and manufacturing, it's definitely been more acute in the food area. You probably saw the recent report by the NFU FDF around the vacancies that are on the whole food supply chain right from manufacturing and farming right through to retail itself and hospitality, I think anywhere in the region of 500,000 vacancies they've been running at for the last year or so, 10-13% on average I think, absence rates. So we see it most acutely there because you know various factors just cannot recruit enough workers in the UK, do not have the access to some of the migrant workers who maybe have come over seasonally in the past to the UK are unable to do that, so I would say it's also the consumers will see it most because obviously these often tend to be quite short shelf-life products where if they are delayed coming into a depot at supermarket they make it almost impossible to sell because the shelf-life is so short that no consumer is going to want it and therefore the supermarkets won't necessarily want to take it into their supply chain. So that's the area that I would say that we've seen the most acute problems.

Going forward we may see that with some of our non-food retailers because as I said earlier, they are just about to enter their very, very busy period and they will be taking more people, trying to take more people on in their distribution and sales area at the moment.

#### **Liz Saville-Roberts MP**

Thank you very much. That was exactly what my question was leading to and thank you also for referring to the NFU report. Moving ahead now towards Christmas there's been discussion about the shortage of container units and the cost of those, should we be, without being scaremongering, but should we be looking at what the shortage of containers per se and products that are going to arrive in the UK through containers might imply for the next you know, the run up to Christmas.

#### **Andrew Opie**

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We're hoping not, I don't think you know like I said earlier, the feedback we're getting from members is there may be some small scale disruption for consumers over Christmas but they are not anticipating major issues as we stand at the moment. So, I think as where we are at the moment, no, I think what we do have though if I look at right across the industries, food, non-food, in some of these areas we have really structural problems around recruitment and employment. You know our own businesses have been running with a shortfall of staff for the last few years now, for whatever reason we are, we would love to recruit more here in the UK but we are struggling to recruit even with higher wages, more benefits, better terms, it's really, really difficult and we've really noticed that since we've come out of the Covid restrictions and we've gone back to full employment near enough, certainly the economy reopening, so I think as I said to Hilary before, I think our concern is not at the moment we would anticipate major shortages, but that the supply chain is at full capacity every day at the moment and if we are to see, if we see any kind of disruption it will have a knock-on for consumers.

#### **Liz Saville-Roberts MP**

Thank you very much Andrew. And Richard, you mentioned earlier in one of your responses that your members usually lay stock down before Christmas, they're not doing that at present, again what I'm trying to look at here is what we can predict for the next three months specifically in food products now.

#### **Richard Harrow**

Yeah I think that's actually quite a difficult prediction to make actually. I think just going back to the point you made Andrew about containers, I think a lot of the container traffic will already be moving for Christmas because you know we start to build stocks now. You know well in advance, especially if you've got lead times of six weeks and they're extended. I think it's very difficult to actually put an accurate prediction on what the shortages may be. I think what we're more likely to see rather than shortages is probably a reduction in choice. So you know, the supermarkets are very, very adept and they showed that when the Covid crisis first started, that they cut out what we call the tail, so it's the small ... normally, typically it's about the 20% bit, you know the 20% generates 80% of your sales, so you just get rid of that tailing and that makes production very much more efficient and you're quicker at producing products. So I think we're going to see an element of that and I think you're already seeing it in some areas.

What I'm more concerned about it's the areas outside of retail, it's the smaller catering operations, the smaller wholesalers that again may suffer disproportionately to the retailers. Andrew mentioned



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the NFU report, we were actually co-sponsors of that and we were heavily involved in creating the report because although we were very focused on the HGV driver shortage it goes wider than that, you know we've got shortages of engineers, we've got shortages of butchers, we've got shortages just of production operatives and if you haven't got the staff to produce the product, as I said earlier, if you can't run your lines even if you've got a lorry, you can't supply the product. So you know, half a million is our best estimate and Andrew was right, it's around sort of a 10-13% shortage across the board.

**Liz Saville-Roberts MP**

OK, I'm going to ask for Aodhán's patience with me just a moment Richard, because you touched upon smaller wholesalers, could you give us a little bit more of an overview of the situation that they're facing?

**Richard Harrow**

Well, they're obviously not ... first of all many of them have seen their businesses almost close down through the pandemic with the restaurant industry closed, and so they had a very, very difficult period. Now they've come out of that and they're seeing you know a much stronger demand, they're then struggling to get drivers, they're struggling to get deliveries because again it comes down to this point that I made earlier, that if you're a haulage company and you've got restricted, you're gonna go where the work is easiest. Well if you're then being asked to drop one or two pallets to a number of different locations it ticks the too difficult to do box and so they will, I think they will be disproportionately impacted. In fact we're aware that some of the wholesalers have now taken the decision to buy smaller vehicles so that they can make deliveries to their customers where they can use drivers that don't need to have an HGV license.

**Liz Saville-Roberts MP**

Thank you very much.

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**Aodhán Connolly**

Thank you very much Liz. Moving onto Professor Alan Winters please.

**Prof. Alan Winters**

Thank you very much Aodhán, and thank you gentlemen. So we have problems, I guess I'd be interested to know a bit about sort of what industries, what the different sectors are doing to try and address these problems and we think about, you know more than just about Christmas, thinking about two or three years out. And in particular since I'm an economist, I'm really interested to know how much we are likely to see increases in the costs of the whole supply chain process. If I can perhaps start with Alex and just ask you really about sort of internal logistics and then perhaps come onto Andrew and Richard for a broader horizon.

**Alex Veitch**

Thank you, thank you yes, so we're a very interesting case study, I'm sure this will be studied for years to come by economists, so yes we have a short supply, a shortage of people to do the jobs, so logistics is really strange in this regard, so to become a truck driver you don't only get the training you need, you then have to take the exam and the exam is run by the Government, it's run by the DVSA which is an agency of Government, so the problem we're having isn't so much lack of people wanting to become drivers, it's literally getting a driving test. So I'm trying to think of an analogy. Imagine that you came up to do an exam at school, went to do your A-levels and there were no invigilators, so you can't take the exam, it's a bit like that. And so you know people will be attracted to these roles because wages are now growing substantially, we estimate the starting salary has gone up by at least 5k from a 25k base already, but full figures of that will be coming out shortly. And you know clearly there does need to be a close look by us and by Government to how we can get better facilities for drivers, safe parking spaces etc, etc. So the costs of transport will go up and salaries will go up, that is baked in, you've got fewer people with a growing business, quite how much that will be we're not sure in the long-term and quite what the impact that will be on other, on the whole of the economy I don't know. I think that will depend of course on lots of other factors and other labour shortages as well. And in logistics we also have other shortage roles, but they're easier to fill, you know so we've got a shortage of warehouse operatives, they are easier to get people onboarded, trained and up and running, it's just easier because you don't have to sit them in front of an exam run by the Government and it's not the Government's fault the exams are so behind, it's because of Covid. You have to have someone sitting in the cab of a truck to pass the test and that was impossible for months and months, and we're not blaming Government for that and they are

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catching up, but this is why it's taking so long to catch up, so I hope that's helpful as an intro to the issue.

**Prof. Alan Winters**

Yes, thank you, that's very helpful. Perhaps we can turn to Richard, you know from your seat, how much do you think you're adjusting and how much it is likely to cost us in the long run.

**Richard Harrow**

It's always difficult to actually put a real estimate on that because obviously whilst we've got costs within the supply chain what the retailers then choose to pass onto the consumer is a commercial position. But we mustn't forget that not only have we got the costs that we're currently discussing today but we've got a range of costs coming through to us from Government initiatives, so from April next year there's £200 a tonne going to be applied to plastic that doesn't have a 30% recycled content. We see the subsidy for red diesel for refrigerated trucks being removed. So you know they are just two small things that will actually add cost into the system which are totally unavoidable, and they are in certain categories significant costs. I was talking to a manufacturer of a thing called a polyliner which is a plastic liner that goes into a bulk case. Now they are used in intermediaries, so if you're in a factory and you're producing something you want to hold you may pack it in that, or they're used for a lot of the catering industry. And this small company, and they reckon that their tax bill alone is going to be £2.2 million and they're just a small business. So you know there's that cost coming as well.

I think there will inevitably be some price inflation around food, I think because there are so many different elements increasing, I can't see how everyone can absorb all of it.

**Prof. Alan Winters**

But of course you don't know what retailers would pass on, but in terms of the costs of the supply chain itself, you know the logistics, I mean do you see that for instance you know restocking the van fleet so that it gets in below the regulatory size limits for HGV licenses and so on. I mean do you see this going on to an extent that you think is going to add 5-10% to the cost of transporting goods around?

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**Richard Harrow**

I think it's very difficult to actually draw an exact line and an exact number. I think actually adding smaller vehicles is just about survival, actually it's just about keeping your business running, but the members that I've talked to, they're telling me that overall, they're seeing their costs rise on a total basis anywhere between 5-10%.

**Prof. Alan Winters**

Thank you. Andrew do you want to add to that?

**Andrew Opie**

Yeah I mean just picking up on, I think it is very difficult to predict where we're going to go with food inflation because there are so many factors which are behind it. But I think if you look at all the factors they're near enough all going in the wrong direction at the moment for consumers, commodity prices, global shipping costs that we've been talking about, certainly labour costs. Although labour costs can be a relatively small component of the final cost of the food that's on the shelves and then we have the unknown of what the Brexit costs will be. There'll be certainly a very minor charge around things like SPS checks and forms, but we don't know for example whether there'll be greater disruption in January and February when we're importing the bulk load of our fresh fruit and vegetables from Europe and whether that will have a knock-on. Our own figures show still deflationary in terms of consumer prices for non-food and for food at the moment, but interestingly those prices actually increased month on month for the first time for a while this month just gone, still cheaper than they would have been last year, prices in the stores, but possibly just the first signals that we're starting to see some of that price pressure coming through. And speaking to our members, you know although we're in a massively competitive sector which is great for consumers, they are all facing into these increased price pressures and it's hard to see that not translating at some point. You know, as Richard said everything will be done to protect the consumer where possible, but if you sit back and look at all of these different factors on food production that are going in, there is enormous pressure in the supply chain at the moment.

**Prof. Alan Winters**

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OK thank you very much. Aodhán back to you.

**Aodhán Connolly**

Thank you very much Alan. Moving onto Dr Geoff Mackey please.

**Dr Geoff Mackey**

Good morning, thank you Chairman. I should apologise for being a little bit irascible this morning, where I'm parked I'm unable to get a cup of coffee because there's no drivers to deliver disposable cups, so I'd like to start my question from there if I may. Given the fact that Covid has been with us for about 18 months properly if I may, and Brexit since January and we saw that one coming allegedly, I'd just like to ask could we not have been able to do something more quickly or are value chains and supply chains so fixed that we cannot adjust better than we have done so far, and can I start with Alex please if I may.

**Alex Veitch**

First off I'd be a total nightmare in your shoes Geoff because no coffee is not good, so I'm sorry about that. Yeah it's a good question actually and I think the productivity question is something we all as a group the interest here today and others are looking at. You know, I went to a physical conference for shippers recently and everyone I spoke to, big companies, small companies, everyone I spoke to are looking to do more with less, so how can we get product where it needs to go with fewer drivers and that is the reality, there will be in the shake-up of this fewer people doing the HGV driving job than there were before, so quite probably, very likely. So I don't think that that's not going on just because it's invisible and there are some hopefully isolated shortages of staff. We do need to avoid if we can stuff coming out of HGVs and onto vans if it can be avoided because it's much more efficient and actually much better for the environment as well to move stuff on an HGV, it's a rolling warehouse and you know in fact we're pleased to see DFT allow longer, heavier semi-trailers to be used going forward having done a very long trial to prove that they are just as safe as regular HGVs if used correctly. So we've got to look for productivity gain, don't think it isn't going on. One trouble we've got in our sector is it tends to be a low margin business logistics, and so you do see quite a lot of pass through of cost and that of course does make things difficult for the retailer end, whereas Andrew and Richard I think were saying the choice of how much to absorb, how much you can absorb versus how much to pass through is, they're really at the sharp end of that. So productivity is

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a huge issue and I completely agree we do need to see, and we will see things getting yeah more productive over time.

**Dr Geoff Mackey**

Thanks very much Alex. Richard, Alex also brought in the wider spectre of what we do going forward, could I also throw in the question, is anybody listening when we talk about things like this across the sectors?

**Richard Harrow**

That's a really hard question. I think at times we feel that we're not being listened to by parts of Government, but also at times they do listen to us. I think the biggest concern we always have is that we don't feel we're given enough time to plan and change, that's one of the biggest things we have. I think what we've gone through over the last sort of 18 months, a combination of obviously Brexit but obviously with Covid as well, I think we've seen a massive change in a lot of supply chains, so if you take just supplying product into Republic of Ireland is a good example, I think Andrew will agree with me, a lot of UK manufacturers and retailers consider Republic of Ireland just like another part of the UK retail sector, so we would flow products into Republic of Ireland just like it was another region of the UK. Because of Brexit many companies have had to totally change their supply chains, so I'm aware a lot of our members are now shipping product directly in from Europe into Republic of Ireland because it's the simpler way of doing it, it's not as efficient or as cost-effective but it does mean the product gets there easier.

**Dr Geoff Mackey**

Thanks Richard. Andrew, Richard also brought up the question of Government, if you were Walt Disney what would you be asking the Government to do, what should they be doing to solve these issues?

**Richard Opie**

I mean the letter that Alex referred to that we sent jointly to Government was an incredibly kind of pragmatic approach to this so what we're saying is everyone in the industry is investing here, we want to recruit more in the UK, we've got a short-term problem here with where we need licensed

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drivers and we don't have a big enough pool to pull on, so the first thing the Government could definitely look at doing is getting some kind of seasonal short-term visas for skilled drivers to come and drive our HGVs. We've got vacancies, we will pay better, we understand how the market works better than anyone else, we will pay what's needed to do to attract these drivers here, the problem is we just don't have a big enough pool to pull on in terms of getting those drivers. So that's the first thing the Government could do and it doesn't need to completely, it seems to be slightly worried about its sort of, you know this is a major change in immigration policy, we don't see it as that, we see it as a short-term measure to allow us to invest and to get to where we need to be. So that's the sole thing that I would say to the Government it could do quickly and can make a massive change for us overnight.

**Dr Geoff Mackey**

I think given that definitive statement Chair, I think I'm going to leave my question there for the moment. That gives us some options to go forward, back to you. Thank you Aodhán.

**Aodhán Connolly**

Thank you very much Geoff. We now move to the Honourable Member for Sheffield Central, Paul would you mind?

**Paul Blomfield MP**

Thanks very much Aodhán and I'd really like to follow on from Geoff's line of questioning really because across a whole range of sectors from social care through to logistics the Government have been saying look, the country has voted to end freedom of movement, industries need to step up to the mark and resolve the problems without overseas labour, so I wonder if you could say a little bit more about what you think the industry can do, I'll probably start with Alex because you talked earlier about the industry needs to improve, was beginning to take action on wages and facilities but how much further does this go and what sort of timescale are we talking about before you could anticipate us being self-sufficient in labour?

**Alex Veitch**

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Thank you, another excellent question. So, let's just start quickly with where we are, so we've got the backlog of people that haven't been able to get driving tests and so that we anticipate will clear in about the spring of 2022 and that's going faster than DVSA has ever done before, but yeah the intent of the question is about how do we encourage people to join so let me address that. Yeah, wages are going up, we've seen that, perhaps I've spoken about that enough already. We are you know, we are working as a sector to encourage members and you know also the members' customers to make sure the facilities for drivers are excellent across the piece. There's a Government ask here as well, there is a shortfall, the Government says, of about 1,500 secure lorry parking spaces and there was a Ministerial promise four years ago to address this and we have seen insufficient action on that. So one of the many things needs to happen is to reduce the number of lorries that one sees parked by the side of a field if you live where I live, or perhaps in other laybys where all of you live which don't seem to us to be particularly pleasant and safe places to sleep if you're doing an overnight trip.

Just on the policy side if I may, we need I think ... this issue about drivers has illuminated a whole suite of other issues which are common to other sectors, so there's a real gap in Government policy making for things below level two, certification of standard level ... sorry level three, below level three, so HGV drivers and I think roles in the care sector and hospitality as well are often at level two, doesn't mean they're low skilled it just means they're lower skilled than the other roles and for whatever reason the big money for Covid recovery, the National Skills Fund, was set ... the bar to get funded training was set at level three, so you can't use the National Skills Fund to do the type of training to be a driver or indeed to be a vehicle technician, some warehouse roles as well are level two, there's loads and loads and loads of other jobs, probably hundreds if not thousands of other jobs at level two that can't be funded through the National Skills Fund. So, DFE is consulting on that right now, closes mid-September and we and many others are encouraging them to change that, to open it to level two. But something has gone a bit better for us recently is the apprenticeship system, we have now got a new and improved driver, HGV driver standard with a 7k funding band which we're very pleased about, and so part of our job actually is to promote apprenticeships. Apprenticeships is the main vocational training policy of the Government, at least short to medium term, cannot see it changing, so we really do need ... and we've been working on this with our partners in Government to really promote the opportunities about using apprenticeship levy funding to train people as well. So sorry, I went a bit around the houses there but I hope that was a useful answer nonetheless. Thank you.

**Paul Blomfield MP**



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Thanks, that kind of illuminates another issue around skills which is really helpful. I wonder if I could perhaps extend it out to Andrew to come in because you talked earlier about the problems of recruitment. Both on that general question that I posed in terms of how far do we need to go and referencing back to Alan's point earlier what cost does that potentially impose to make the logistics sector sustainable?

### **Andrew Opie**

Yes so I think you know what we've spoken about before, I think we have a short-term solution here and then you have an investment in a UK structure, so we address the structural problem which is a shortage of qualified drivers which is going to take us a while to catch up with and all we're asking for when I spoke about the visas before, was actually a short-term measure to give the UK breathing space to use all the tools that Alex mentioned there and some of our own members are actually using apprenticeships at the moment to train up their own drivers as HGV but that takes time to be able to do that. I think where we have more of a problem actually ironically than drivers is some of the roles in our manufacturing and processing areas where despite every effort that's being made by food factories and various other people to get out and recruit people to come into those roles, we cannot recruit enough indigenous people here, they just do not want to do those roles for whatever reason, whether that's because it's a full economy and there's other options to go to, we are struggling. And therefore I think it leaves the Government with a kind of a choice in some ways, does it want to maintain the level of food manufacturing as it is, as it stands at the moment in this country, or does it risk offshoring that production to other countries and then we import those finished goods into the UK, we've actually got a very highly skilled well run food manufacturing sector in this country at the moment which exports quite widely, but it's under such strain at the moment and if we cannot recruit people and we can't fill those vacancies then retailers who need to buy those products to sell to us as consumers will need to look elsewhere and will end up offshoring some of that production into places like Europe. So I think the Government faces quite a stark choice here about where it wants to put its resources, where it wants to put its immigration policy and where it wants to invest in the economy in terms of the products that are manufactured here in the UK.

### **Paul Blomfield MP**

Many thanks. I'm conscious I'm running out of time, but if I can just push you quickly on the question of the temporary visa because obviously where that sort of solution is being looked at in

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other sectors, agriculture for example, there's a seasonality, you know obviously the problem here doesn't appear to be about seasonality so what's the nature of the visa ask?

**Andrew Opie**

I think the nature is to allow for the catch-up in the licensing that Alex spoke about before, so the Government postponed its licensing of new drivers for about 18 months during Covid, now it is trying to accelerate that process at the moment to bring more UK drivers back into the market so we can use it, so all we are asking for is a breathing space into 2022 to allow us to pull on more European drivers for a short period, maybe into half way through 2022 rather than, and then we can make up that shortfall with UK qualified drivers here, so we're not talking about seasonality, we're really talking about a short-term solution to give us the breathing space to be able to get the right number of UK qualified drivers here.

**Paul Blomfield MP**

And do you think that short-term solution will be sufficiently attractive to European drivers?

**Andrew Opie**

I think it will be. I think you know if you look at the wages that our own members have been offering in terms of increases to their people in their distribution chains I think it will be attractive. And we know in the past that we have had seasonal people who have migrated and worked in the UK for more than just in fruit picking or processing, so I think it would be and it would be then for us as retailers then to say we've got a market, we need to fulfil our distribution, we'll go out and get that employment. Our problem is at the moment the pool is just too small for us to get enough labour.

**Paul Blomfield MP**

Well, many thanks Andrew, love to pursue it but I think I need to pass back to Aodhán now.

**Aodhán Connolly**

Certainly do, thank you very much Paul. Moving on to Dr Philippa Whitford MP please, Philippa.

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### **Philippa Whitford MP**

Thanks very much Aodhán. While it's clear from this session that the key issue is a shortage of drivers and other workforce, certification checks on EU food imports will start next month with full physical checks in January, so how do you think the introduction of these checks will impact on supplies from the EU and do you think it will affect availability, range, price, freshness, these different aspects? If I could start with Andrew please.

### **Andrew Opie**

So, it's a great question and the answer we really don't know as we stand at the moment and the reason we don't know at the moment is not only do, well there's three elements that need to work well, we need European suppliers to know the processes they need to follow and be able to do that correctly, we need Member States who have the officials, so they will have officials who issue the certificates for example, export health certificates, we need them to be ready to support their industries who are exporting to the UK and that's things like being open 24/7 which some of them aren't at the moment and facilitating some of the other kind of easier movements that are possible under our schemes. And then the third element is are our ports ready this side of the Channel. Now I don't anticipate that being a problem immediately in October because we're looking at e-certification, there's no physical checks at the borders at that stage. In January we will then be stopping lorries, holding lorries, checking the back of a certain percentage of them. Now not all the facilities are currently available in places like the Welsh ports who take a lot of Republic of Ireland imports, around Dover the facilities aren't ready there yet, so the big unknowns are, are our European suppliers ready and getting the support they needed, but also what's going to happen if those facilities at Dover or Holyhead do not work correctly and we start to see a backlog of lorries go back either over the Channel to the Republic what that will mean for our supply chains. So we have got these three massive unknowns at the moment but the challenge is enormous I think. From January if you look what happened to our own exports into the EU from January this year.

### **Philippa Whitford MP**

If I could come to you Richard next on the same question and do you think from Andrew's comments that there will be learning from the experience, we've had of difficulties exporting things like particularly fish and seafood, so that we are more prepared in our ports, or do you think we're in the same limbo that we were back at the beginning of this year?

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#### **Richard Harrow**

I think Andrew actually put it very eloquently and summarised it very well the three different strands that need to work. I think we did see a lot of challenges and we continue to see challenges getting product into Europe with variability and different interpretations by Border Control points which is a real challenge and we do sincerely hope that our officials have learnt from that and try to get a level of consistency. However, I am slightly concerned that whenever we talk about this with DEFRA colleagues we're always told go and talk to the Border Control point, now that doesn't give you a degree of consistency across the Border Control points if you're talking to each individual Border Control point. I'd also agree with Andrew, at the moment we lack clarity on when the Border Control points for the UK will be ready and even which Border Control points will be able to handle which products of animal origin or high risk products, we still don't have that clarity. So, I think there are a lot of unknowns. We've been trying to do some work with our international contacts on are they prepared with vets, because again we're really concerned about sort of vet shortages across many of the EU Member States. We know for instance, we've been talking in detail with one of their big members who has a production unit in Ireland, they are very concerned about the capacity they have there for vets to sign health certificates.

#### **Philippa Whitford MP**

Obviously, that could be a concern here in that we have a vet shortage and yet 95% of the certification vets are EU citizens, so there would be a danger that when they fix their problem, they might worsen ours.

#### **Richard Harrow**

Yeah, could well be. And definitely we are coming increasingly concerned that we are really not that far away from the changes coming in, we don't have clarity yet on just how easy or difficult the system will be.

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**Thursday 2nd September, 2021**

**Chaired by Commissioner Aodhán Connolly**

## **AGENDA**

**Live Evidence Session (11:30-13:00) Commissioners and Witnesses**

### **1. Q & A**

**Apologies:** Alison Williams; Andrew Ballheimer; Layla Moran MP; Professor Shearer West

**Philippa Whitford MP**

Just to ask you Alex, have you anything that you want to add, obviously we're talking about you know perhaps earlier Northern Ireland or other areas of the UK being a bit too far down the supply chain, I certainly would see that as a risk in the Highlands of Scotland or the islands if we don't maintain these supply chains, so do you think the new checks might worsen that?

**Alex Veitch**

I'm going to have to change a habit of a lifetime and give the Government a bit of credit here for phasing these checks in, because what the plan A don't forget had been full checks both ways from 1<sup>st</sup> of Jan, you know so instead we had first of all six months for import controls to be delayed which has then become staged through to actually next March for the full extent of all the checks to happen and we've also had loads of funding for customs agents, don't forget, 83 million quid for customs agents, if only some of that pragmatism and money could come into some of the problems we're having in other sectors now, one might think. Whether there'll be delays depends on preparation on the EU end because once they get into the truck there's not a lot can be done about it by the haulier because this is very specialised stuff, the certifications are very tricky. As you say, authorised vets, right IT systems and one thing that we had outbound that we won't have coming this way is we had the check on HGV is ready system, and every haulier had to do a checklist, am I ready, have you got this, this, this, this, this. Anything that said no, don't even come to Kent. So we can't do that because you're dealing with the whole of the Continental EU, so the capacity for things to go wrong somewhere is much higher when it's inbound, but to be fair we have had this pragmatic staging of controls, we have left the Single Market, love it or hate it, the controls that are coming have to come, so I'm hoping that we can all adapt and we've been working with EU partners on the haulage side and the shippers' side to try to support them with their preparations.

**Philippa Whitford MP**

OK thank you very much Alex. Back to you Chair.

**Aodhán Connolly**

Thank you, there's a supplementary question on this from Caroline Lucas MP please.

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### **1. Q & A**

**Apologies:** Alison Williams; Andrew Ballheimer; Layla Moran MP; Professor Shearer West

**Caroline Lucas MP**

Thanks very much Chair. Yes, I just wanted to go back to an issue of food waste which I think was raised right at the very beginning of the meeting by Richard just briefly. We were hearing back in June from Tesco that already back then 50 tonnes of food a week was going to waste because of driver shortages and I wanted to ask maybe Andrew first just whether we imagine that these new checks could have an impact on the amount of food that is ending up being wasted because of delays and I was interested in what you were saying too about short shelf-life by the time the food does get onto the shelf, the shortage then in terms of the amount of shelf-life that's left on them also means that that leads to more wastage.

**Richard Opie**

Yeah, there's definitely a risk and interestingly the risk might not necessarily be getting as far as the supermarket because the retailers won't want to take it unless it's got sufficient shelf-life for consumers, so the risk is ... the one I've always used is strawberries from Spain, so you pick strawberries in Spain, they've got about nine or ten days basically of shelf-life from the moment you pick them and it takes them generally about four or five days to get them onto a shelf in a supermarket by the time you've trucked them up, got them into a distribution centre and then got them into the store and onto the shelf. So you can imagine if you start to lose maybe a day if we had really bad border delays you know because of a backlog at the points we've just been talking about, they start to become pretty unsellable because you're almost reducing them as soon as they go on the shelf because customers tend to quite rightly want a reasonable shelf-life on them. So I think there is a risk if we don't get it right with those very, very perishable products. Things like soft fruit, salad vegetables, exactly all the things that we import by the way in January and February when the major border checks come in. I think at that time 90% of our lettuces and about 70% of our soft fruit comes from Europe. So for those type of products there is a real concern around not just waste but also can we get enough on the shelves for our consumers to be able to buy as well.

**Caroline Lucas MP**

Thank you very much, I don't know if Richard or Alex wanted to add anything?

**Richard Harrow**

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Well I could be quite parochial about it just encourage everyone to buy their products frozen, they have the longest shelf life. That doesn't work on everything.

**Caroline Lucas MP**

That wasn't the conclusion I was expecting.

**Richard Harrow**

No, absolutely. I must admit the one thing we haven't suggested to Government which unfortunately has been rejected is that perhaps they should think about not introducing the physical checks from the 1<sup>st</sup> of January because obviously you know we're on a Bank Holiday then, it's New Year's Day. We did make a suggestion that they perhaps should do it a few days later when everyone was back at work, but that was rejected. I mean you may have noticed that the EU recently have delayed the introduction of their new health certificates that they've changed to do with our animal health regulations and they've chosen a new date for next year of the 15<sup>th</sup> of January, which we thought was quite a practical solution and we were just hoping that the UK Government would take a similar practical solution.

**Caroline Lucas MP**

One might have hoped. Thank you very much. Back to you Chair.

**Aodhán Connolly**

Thank you very much. Moving now to Sir Roger Gale MP.

**Roger Gale MP**

Thanks, Aodhán. A couple of points I wish to raise. I was interested in Andrew's pitch for short-term visas for European HGV drivers. The people that I spoke to in the freight forwarding business tell me that basically there's a shortage of drivers throughout the European Union, they can command virtually, not literally but almost literally their own fees. I cannot see how it is going to be attractive given, and this is really what I want to get to, is the deterrent factor of the bureaucracy, the

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#### **1. Q & A**

**Apologies:** Alison Williams; Andrew Ballheimer; Layla Moran MP; Professor Shearer West

paperwork, the potential delay of coming to Britain when they've got the whole of Europe to play with. Andrew I'd be interested if you could clarify why you think attracting European drivers is likely to prove any solution whatsoever, please.

#### **Andrew Opie**

What we'd like is at least to have that option to go to a bigger market pool than we've got at the moment which is what would have been our solution until last year. So, leave it to you know, we're big believers in the market and being able to secure what we need to get the stuff on the shelves to the consumers, what we don't have is the option to dip into that extra pool at the moment, so that's what we're suggesting that if we could do and have that option then we would, we feel that it could make a difference. And I think what we've shown already is slightly worrying in some ways from other sectors because I think what retailers have done by reacting very quickly securing more drivers within their own fleets, I think we are concerned actually that some of the drivers in other fleets of things like delivering to schools, prisons, we talked about wholesalers before, will be gravitating towards our chains which is great for us and our consumers, probably not great for the economy, so there'd probably be a wider benefit if there was a bigger pool for drivers and leave it to, you know leave it to the market to secure what it needs. But at the moment as Alex was very clear on, this is the one sector where you have to be qualified, you have to have the license to be able to do it and the pool of available drivers is just not big enough.

#### **Roger Gale MP**

Well in that case Alex, tell me why a driver that can drive cheerfully from Berlin to Barcelona with no hassle would want to come across the Channel at all.

#### **Alex Veitch**

Money. Competitive wages. I mean Andrew's right, the market will decide and the market will land on a price point where it is attractive for them to come. We do have some numbers on this which I'm afraid are internal because we've talked to our members about exactly this point and we are, well we have asked publicly for 10,000 short-term visas and we're very grateful to the support for BRC and joint work with them on this ask and Andrew's fielded most of the questions on this already, but you know that's our ask is 10,000. I think others have called for slightly different ways of slicing the same cake. We know we're down about 13,500 EU HGV drivers, those are figures that we came out with a couple of weeks ago from the Office of National Statistics, so 10k wouldn't quite cover that



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but it would get a fair way to do it and as Andrew says let's let the market decide, we're confident they'll be taken up and we're confident they'll be taken up quickly.

**Roger Gale MP**

But the reason that we're short of those drivers and bear in mind I happen to represent Manston Airport which turned itself into a lorry park just before Christmas last year, is that a hell of a lot of those drivers went home for Christmas and just simply [inaudible 1:16:38.1] and the terms and conditions [inaudible 1:16:42.2] they didn't need to. So, what's the answer? Alex?

**Aodhán Connolly**

I think you're breaking up there Roger. Would you mind saying that again?

**Roger Gale MP**

Yeah, sorry I don't know why I'm breaking up. As I said I represent Manston Airport in Kent which was a lorry park before Christmas. A lot of the drivers were very bruised, they were delayed there, missed Christmas in some cases, went back home for Christmas and simply don't want to come back because the money and the terms and conditions are not worth it. I'm perfectly prepared to make a pitch to the Home Office but I don't see that this is actually going to solve the problem. Alex, why do you think it will?

**Alex Veitch**

Well, that was a slightly glib answer about wages but that is a huge part of it and that's important because of the exchange rate, it used to be more favourable for EU nationals than it is now. But also you make an absolutely fair point about it's not just about money it's about conditions and of course as a sector we have to make sure this is an attractive place to work for anyone regardless of nationality, so that's our job, we're happy to take on that challenge, it's a fair challenge that you make back to me, all we ask is the opportunity to try and fill some of the roles, just while ... this is the really important bit, as Andrew has said many times on this call, the reason is because you have to take a test, be invigilated essentially by a Government official, if it wasn't for that I think it would be very difficult to make this case, but the exam board has been closed for so long there's been a

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total of about 45,000 missed tests, that's why we haven't been able to keep the stock of drivers up following Brexit.

### **Roger Gale MP**

OK, very briefly the second point which I hadn't flagged up, but it came up yesterday in a conversation that I was having. I don't know whether you can answer this because all this morning really has been about, well largely about food, now and I appreciate that's your speciality but I am told that as a result of a shortage of timber and other building materials, cement, insulation materials that come from mainland Europe, and other items there are now notwithstanding build, build, build, there are now building sites actually closing down because they cannot get the materials. Are you able to clarify that and to say whether or not that is correct? Nobody knows.

### **Richard Harrow**

Just anecdotally we've just had some work done in our house and the tradesmen were complaining bitterly about how difficult it was to get hold of materials.

### **Roger Gale MP**

I think it's something that we ... I don't know who is organising this on the team, but I think it's something we're going to have to raise in another quarter, I appreciate you're probably not qualified to answer that, but there is clearly a shortage of materials and that shortage is impacting upon whole other programmes like the construction industry, but thank you very much that's fine, that's all I want to ask, thank you.

### **Aodhán Connolly**

Thank you very much Sir Roger, certainly we can come back on construction, we know that a lot of that has been pushed as far as global supply chains, not just in the UK but certainly it's something that we can come back to. I'm now going to move to the Honourable Member for South Belfast, Claire Hanna MP please.

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**Claire Hanna MP**

Thanks very much Aodhán. We've focused a lot on the impact on transport at the moment but I wanted to come back briefly to how this is going to affect production, producing and processing in the medium to long term. Andrew, could you speak about that briefly?

**Andrew Opie**

Yeah, I think it comes back to the point I was making earlier and I think Richard referred to as well, we've got a major problem I think with labour availability in the processing sector at the moment and recruiting here is proving very, very difficult both in terms of both skilled and unskilled workers into those areas, so I think it just comes back to there becomes quite a stark choice about do we want to maintain a large processing and food production sector in the UK or not, because if we don't solve the labour crisis then we've got a major problem.

**Claire Hanna MP**

Is it a viable option to not maintain that I mean would we, I suppose you're saying I don't know if that's a rhetorical question about whether or not we want to keep that capacity within the country, but are we coming down with options in that front?

**Andrew Opie**

Yeah, I mean as consumers we do, I mean there's still a preference for UK produced products in the stores that, you know the stores that we represent here, particularly for some of those processed products like meat for example, there's a strong association with meat which, meat and dairy which is produced here in the UK and processed here in the UK. So I think there is a willingness from consumers and consumers actually do already pay a small premium for those products as well because you know to support those industries. I think what it needs which is kind of another diversion but the Government is about to produce a food White Paper in January in response to Henry Dimbleby's food strategy paper that he published earlier this year and there is an enormous opportunity here to take stock of the kind of food supply chain that we want for the next two to three decades, which would include things like productivity, labour availability, sourcing here in the

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UK and our relationship with global supply chains. So this is the time to be raising all these issues and the Government is going to come back and have to come back in January and February and say to food producers and consumers this is the supply chain that we are going to support going forward.

**Claire Hanna MP**

But essentially, you're saying with the workforce availability and the situation as is, we wouldn't be able to continue in the medium term with ...

**Andrew Opie**

I don't see how it's sustainable to continue at the moment. I think there have been scare stories in the past, we've often heard about you know fruit and vegetables rotting in the fields and we've never really seen that to a large extent, but I think if you look at the vacancies in the kind of the processing sector which is so important to both the primary production and to the sales and retail they are really struggling now with availability. They don't have the access to the seasonal workers, there's a small seasonal workers' scheme obviously which is running as a pilot still here, but we don't have the freedom of movement that we had previously that would allow those companies to be able to make up the shortfall for employing people locally. So we are in a very different situation, I think we need to, you know we accept that in terms of you know we are no longer in the EU and therefore we need to respect the immigration policy but we need to find some solutions working with businesses, otherwise as I said before all we're going to do is offshore our food production back into Europe.

**Claire Hanna MP**

Sure, they are fairly fundamental questions. I don't know Richard if there is anything you wanted to add to that and I suppose looking ahead do you see an end in sight to these challenges and/or is the worst yet to come I suppose in terms of these difficulties in shortages?

**Richard Harrow**

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I think unless we get some short-term flexibility from Government around some short-term visa access, whether that be on drivers or even certain areas of production staff, I think we are in for a rocky time because I think a lot of the solutions are longer term, so you know we need to be out there training people, but that also predetermines that we can actually move labour around the country because you know if you live in Newcastle but the jobs are down in Birmingham are you going to move, you know that is always a challenge. And I'd say that what we're starting to see is we're starting to see definitely some of our members are delaying investment decisions because they're saying if I can't get the staff I can't actually spend the money to expand my production and I think Andrew's point is absolutely right, that what the supermarkets will do is they'll just go and find that product in Europe or further afield, they won't go short of it they'll just go and find it somewhere else.

**Claire Hanna MP**

I know the Chair is going to pick up about recommendations for Government but Alex, just by way of rounding up I wanted to look at the longer-term consequences, do you think I suppose obviously it will depend on the interventions but are we likely to see less consumer choice or higher prices in the longer term do you think?

**Alex Veitch**

I mean if it's a yes/no the answer is no in the long term. We're confident that the acute phase of the driver shortage will be cleared in the spring of next year when we catch up with the driving tests, that's going to take until then and then the on-going challenge for us as a sector is to make sure we get enough younger people and more diverse workforce into these roles and that we're valuing them highly as a society and as a sector, but of course I'm talking in code there about wages and so the wages have been low, that's part of the issue, so that may be one of the contributors to higher costs across the economy, getting into Professor Winters' world really, it's one of the pressure on inflation and costs, one of many. But no, I don't think in the long term we should worry about cost, I think, about choice, no I think that the market will right itself and where there's a market there's a way to deliver to that market.

**Claire Hanna MP**

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OK I think that's optimistic about freight and logistics, notwithstanding though the points Richard and Andrew make about production, but that's all from me Chair, thank you.

### **Aodhán Connolly**

Thank you very much Claire. We're almost at the end of the session and I know that our expert witnesses have given some recommendations during their evidence, what I want to ask you now is to unequivocally set out the two or three things that you think Government should do as soon as possible to relieve some of the pressure. So I'm going to start with Alex because you were shaking your head there and you just ...

### **Alex Veitch**

I'm sorry, I didn't mean to shake my head. Yeah, so I'll pick one from in the bubble of logistics is please do listen to the ask about temporary visas as a short-term measure. The other one I'll chuck in there is please take another look at vocational training and why is it set at level three and up on the National Skills Fund, the big Covid recovery, why don't we make it open to level two, level one, make it open to everyone to benefit from the Covid recovery package. Thank you.

### **Aodhán Connolly**

Thank you Alex. Richard.

### **Richard Harrow**

Well I'm going to be very boring, I'm going to echo Alex's point you know, the short-term temporary visa for certain skills is something that we have called for within the NFU report which we were co-sponsors and I think it's very similar to what Alex and Andrew have asked for in their letter. And I think the other thing we would ask for is greater access to the apprenticeship levy, for easier access to the apprenticeship levy so that we can actually get out there and actually start to train and bring young people into a food industry that actually is the envy of the world and we need to really, really promote that strongly.

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**Aodhán Connolly**

And Andrew please.

**Andrew Opie**

Just three things I think from me, absolutely with the visas that we've spoken a lot about today, so definitely endorse that. I think the second one is to work with businesses over the period where the border checks are starting to come in and try and be as flexible as possible, nobody really knows how well that's going to work and the Government has as Alex said shown some flexibility around implementation of those, hopefully we can see that particularly as we start to pick up any issues from October with the first wave of electronic certification, so that would be good. And the final thing would be to always remember at the end of our chain is consumers and to put consumers right at the heart of all of the policy-making it does. We tend to always forget about consumers and the impact on consumers, so whether it's the food White Paper next year, whether it's looking at the impact of Brexit, whether it's around disruption in choice, that always comes back to consumers, so I'd always start with the perspective of a consumer and then work back in terms of the policy from there.

**Aodhán Connolly**

Thank you very much. This has been a challenging and enlightening session, it's very clear that there are immediate problems but also there are systemic problems here. All that's left for me to do is to thank our expert witnesses, thank you Richard Harrow, thank you Alex Veitch and thank you Andrew Opie. Thank you very much to our members, our Commissioners for coming together so quickly on this, it was a lot of work to do in a week and a special thanks to our Secretariat, to Naomi, to Flo, to Niall and to Jack for the unbelievable job that they did not only in pulling this together but making sure that the Commissioners were well briefed. With that I will finish today's session, thank you very much.

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