

BREXIT VIEWPOINT: SIGNALS AND DEVELOPMENTS

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The Brexit election is on ■ ■ ■



Brexit Developments

The UK's Article 50 period has been legally extended by the EU until 31 January 2020. It can leave earlier (on the first day of the month following deal ratification) pending the deal passing in Parliament. The EU “firmly” excluded any reopening of the withdrawal agreement and has ruled out discussions of the future EU-UK relationship (the Political Declaration) until the deal is ratified. The Government's No Deal contingency plans, Operation Yellowhammer, have been stood down and its ‘Get Ready for Brexit’ campaign paused.

Confirmation that No Deal cannot happen for three months helped MPs to vote, by a majority of 438 to 20 votes, for an early general election on Thursday 12 December. As pledged by the Government, there will be no further House of Commons debate on the Withdrawal Agreement Bill (WAB) until after the election.

The Government hopes the election will “refresh” Parliament, by unlocking the deadlock and it is likely to make the election a vote on the parties' respective positions on Brexit. Predicting the implications of the election for Brexit outcomes is difficult, especially if it results in a hung Parliament. On the parties:

- ▶ Campaigning to deliver the Prime Minister's deal, a Conservative majority would make ratification of the WAB in late December / January more likely.

- ▶ A Labour Government would look to implement its policy to renegotiate the deal to make it more closely aligned to the single market and customs union, and then put a revised deal to a confirmatory referendum.

In a hung parliament, how a minority Tory or Labour Government would reconcile their policies with the need for support from the Liberal Democrats, SNP or Brexit Party is unclear. The Liberal Democrats would revoke Article 50 (were they to win a majority), and both the Lib Dems and SNP would push for a second referendum in return for any support in Government. The Brexit Party would like a “clean break Brexit” with the UK leaving with No Deal rather than the current deal.

Key messages for business planning

As manifestos are released, businesses should consider not just Brexit but how wider policy measures (e.g., taxation) could impact their operations.

Other than in the case of a strong Conservative victory, the Brexit process is unlikely to resume until MPs return from their Christmas break - however, impacted companies cannot afford to push Brexit readiness work into January 2020. Whilst the situation is volatile, a No Deal on 31 January is the new default planning scenario, with the likelihood of 1 January exit with a deal being remote. We suggest taking the following actions before the break:

- ▶ Secure a call for key Brexit stakeholders in diaries now for Tuesday 17 December to reflect on the election outcome, weekend analysis and any Monday announcements. Agenda items to include:
 - No Deal plans lead times and triggers working back from 31 January No Deal risk.
 - Access to adequate cash levels to mitigate Brexit 'unknowns'.
 - Ongoing communications with stakeholders and wider supply chain.

Brexit outcomes

Outcome	Likelihood	Rationale
No Deal on 31 January	10%	A No Deal can still happen after the extension. With the electoral timetable and recess, there is limited time to progress the WAB.
A deal	55%	Elections are unpredictable but the bookie-predicted Tory majority makes a deal more likely than not.
Stopping Brexit	35%	A Labour win or hung Parliament coalition makes an extension followed by a second referendum more likely.

What does the dissolution of Parliament mean for Brexit?

Parliament will be dissolved 25 working days before the election. Before business can resume, all MPs must be sworn in and a new Speaker elected (if this isn't done before Parliament dissolves). The WAB would have to be reintroduced from scratch i.e., from first reading.

Key milestones to look out for

- ▶ 1 November - New EU Commission takes office
- ▶ 6 November - Parliament to be dissolved at one minute past midnight
- ▶ 12 December - General Election
- ▶ w/c 16 December tbc - Parliament begins Christmas recess
- ▶ w/c 6 January tbc - Parliament returns
- ▶ 31 January - End of proposed extension date.

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