



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Culture, Tourism, Europe and External Affairs Committee

**Thursday 29 November 2018**

**Session 5**



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**Thursday 29 November 2018**

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**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**  
**30<sup>th</sup> Meeting 2018, Session 5**

**CONVENER**

\*Joan McAlpine (South Scotland) (SNP)

**DEPUTY CONVENER**

\*Claire Baker (Mid Scotland and Fife) (Lab)

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Cowdenbeath) (SNP)

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Jamie Greene (West Scotland) (Con)

\*Ross Greer (West Scotland) (Green)

\*Stuart McMillan (Greenock and Inverclyde) (SNP)

\*Tavish Scott (Shetland Islands) (LD)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Paul Buckley (General Medical Council)

Jennifer Hunter (Culture Counts)

Matt Lancashire (Scottish Council for Development and Industry)

Alastair Sim (Universities Scotland)

Clare Slipper (NFU Scotland)

Chris Yarsley (Freight Transport Association)

**CLERK TO THE COMMITTEE**

Stephen Herbert

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Culture, Tourism, Europe and External Affairs Committee

*Thursday 29 November 2018*

*[The Convener opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Convener (Joan McAlpine):** The first item on the agenda is a decision on whether to take agenda item 3 in private. Do members agree to do so?

**Members** *indicated agreement.*

## Article 50 Negotiations (Preparedness)

09:30

**The Convener:** The second item on the agenda is on article 50—preparedness. This round-table evidence session forms part of the committee's scrutiny of the article 50 negotiations process. I welcome Alastair Sim, director of Universities Scotland; Clare Slipper, political affairs manager of NFU Scotland; Paul Buckley, director of strategy and policy at the General Medical Council; Matt Lancashire, director of policy and public affairs at the Scottish Council for Development and Industry; Jennifer Hunter, executive leader of culture counts; and Chris Yarsley, policy manager for the Freight Transport Association.

As set out in the committee papers, there are four themes for discussion today. The first theme is the impact of the Brexit process to date. I invite our witnesses to share with us what the impact of the Brexit process has been on their sectors to date.

**Clare Slipper (NFU Scotland):** Thank you for having me here today. The last time that I came to this committee was shortly after the referendum result, when we were trying to process exactly where we were and where things were heading. To some extent, we are still in that state of flux.

About 8,500 farming and crofting businesses are members of NFU Scotland. I am here to represent them today.

On the impact of the Brexit process to date, I should make it clear from the start that, prior to the referendum, we were of the view, having taken independent advice, that staying in the European Union would probably be the best-case scenario for our members to ensure continuity of markets and support. Obviously, however, we are where we are now.

On the immediate impact, the fall in the exchange rate has resulted in some short-term relief in terms of prices, particularly for the sheep sector. When the exchange rate falls, farm-gate prices tend to increase. However, that is very much a short-term benefit for the sector. Because of the fall in the exchange rate, we have had quite serious issues in recruiting labour from the EU. That is a problem that we had prior to the referendum, but the fall in the exchange rate has sped up that process, particularly in relation to seasonal labour for the soft fruit and field vegetable sectors. We anticipate that that will continue at pace.

The on-going uncertainty around Brexit has been very damaging to the confidence of our

members. It has been frustrating that, for the past two and a half years, we have felt unable to progress with domestic policies such as looking at regulation and supply chains. There has been continued political stagnation on where we will go with Brexit, which is very damaging to confidence. At the time of the referendum, our members were taking business decisions that will have an impact long into the future, and we still do not yet know exactly what the impacts of Brexit will be. We have seen a fall in investment in the sector. People are holding off making big investments and taking business decisions until they know what the outcomes will be.

**Matt Lancashire (Scottish Council for Development and Industry):** Thank you for having the SCDI here again today.

I echo some of Clare Slipper's points. Since the article 50 negotiations started, there has been a negative impact on businesses in Scotland. I should say that the SCDI has about 1,200 members across the private and public sectors in Scotland.

Business values stability and predictability. Many business leaders whom we speak to—from the oil and gas sector and the financial services sector to the professional services sector—bang the drum that they value stability and predictability. The article 50 negotiations have given us a lack of stability because what we are stepping into in the next few months and years is unknown. The difficulty and complexity of the deep political nature of the negotiations has generated uncertainty for not just businesses but their employees, particularly people from the EU who work in Scotland, including some very highly skilled labour. Should they stay in Scotland or move back, even though there is an assurance that they have the right to remain post leaving the EU?

To echo Clare Slipper's point, we have seen people delay, postpone and cancel investment decisions to expand their businesses and scale up or develop opportunities that would really progress the Scottish economy. Investment is a key lever in supporting productivity—that is crucial for us at the SCDI. We all know that productivity is a massive issue not just for the Scottish economy but for the United Kingdom economy as a whole, and we need to change that quickly to ensure that we still have a front-runner economy that competes with the rest of the world and keeps Scotland competitive.

All in all, there are deep concerns about the negotiations, and that has had a massive impact, reduced investment and made talented people consider leaving the country post the end of March. In a nutshell, the process is probably not

the best thing for business that we have seen in the past couple of years.

**Kenneth Gibson (Cunninghame North) (SNP):** I want to follow on from Matt Lancashire's comments. The SCDI submission says:

"Between 2014 and 2020, Scotland had been expected to receive €5.6 billion from the EU".

It goes on to say:

"The UK Government has previously announced that the UK Shared Prosperity Fund will replace the European Structural Funds programme. However, little to no information on what it will be or how will it will operate has been released. More clarity on the design of this and other replacement schemes, particularly the successor to the CAP, is urgently required."

Do you have any further information on that? If not, when do you think that you will receive that information?

**Matt Lancashire:** To date, we have not seen more information on the amount that will be available through the prosperity fund to support businesses and other organisations, and we have not seen information about how the fund will be distributed, which businesses will qualify and the criteria for doing so. Will it replace EU funds as such? I would not like to give you an answer to that, because I do not know the amount that will be in the fund. Is it something that could mitigate some of the impacts of Brexit? I would say yes, but it will not mitigate the impact that Brexit as a whole will have on our economy, particularly if we take into account yesterday's statement from Mark Carney at the Bank of England.

**Kenneth Gibson:** From the information that you have received, will the fund be a short-term fix or will it be more permanent?

**Matt Lancashire:** From the information that we have received, we are unaware of whether it will be a short-term or a long-term fix, but we have asked the UK Government for more information, and I am sure that it will disseminate that shortly.

**The Convener:** Does anyone else want to respond to Kenneth Gibson's question?

**Alastair Sim (Universities Scotland):** On the first question, on the generality of article 50 anticipation, as other witnesses have said, the uncertainty is the biggest problem. Our interaction with Europe is hugely important. Seventeen per cent of academic staff are from the EU. They are a huge part of our community, and that mobility of talent and ideas is essential to a university being successful.

To date, we have tried to get on with business as usual in anticipation of a deal that sustains our membership of European research networks and maintains student mobility, but obviously that prospect is uncertain. So far, universities have

been getting on with recruiting European staff, applying for European research funds and recruiting European students. What we have seen so far is that, in general, although they are nervous at the moment, the people who have made the commitment to come and work in Scotland's universities are staying.

There are experiences of staff recruitment from European Union countries to Scottish universities having been more difficult because of uncertainty about the future, but that has certainly not come to a stop. We are still relatively successfully recruiting European students, who add much to our academic mix.

The real concern, which becomes more and more pressing, is what will happen next. Are we heading towards a no-deal scenario? If that happens, vast uncertainties will hurtle towards us extremely quickly, including about the mobility of staff and students, our participation in European research networks and students' ability to go abroad and do Erasmus courses as part of their studies. The sooner we know what the future will look like and what our relationship with the EU will be—and the closer that that is—the better.

**Paul Buckley (General Medical Council):** Good morning, and thank you for inviting the GMC to this round-table discussion.

I echo my colleagues' comments about uncertainty. The main issue for the GMC in the regulation of the medical profession is uncertainty, particularly in relation to the basis on which European Economic Area doctors will be registered by the GMC from the end of next March. Currently, European professionals benefit from automatic recognition—that is, their qualifications are automatically recognised by all member states. The process of getting doctors into the national health service and on to the front line is very quick and straightforward, but we do not know what the arrangements will be from the end of March, particularly in the event of there being no deal.

As far as Scotland's health service is concerned, about 6 per cent of the 20,000 doctors are from the EEA. They make an enormous contribution across the service, particularly in remote and rural territorial boards and in certain specialties, such as anaesthetics, pathology and surgery, where they account for about 15 per cent of the workforce. They are a significant group in the workforce.

As far as registration is concerned, the position of doctors who are already here will not change whatever scenario happens next March. The issue is more the future flow of doctors into the health services across the UK. We are not clear about the basis that those doctors will be registered on

and about what impact that lack of clarity might be having on their plans to move to the UK.

**Stuart McMillan (Greenock and Inverclyde) (SNP):** Alastair Sim mentioned Erasmus. I hosted an Erasmus event in Parliament earlier this year and I studied on an Erasmus scheme, so I know how important Erasmus is. I also know that getting Scottish students to take part in courses and study elsewhere has been a challenge over the years. Are any discussions taking place in universities about not running as many courses in which there is an opportunity to study in the European Union over the next number of years?

**Alastair Sim:** Broadly speaking, we are trying to maintain confidence that we are heading towards a negotiated outcome with the EU. In that context, one of the priorities that we have stressed to the UK Government—which, I think, it has taken on—is continued participation in Erasmus for the reasons that you have described. It is vastly important for talent coming here and for the internationalised experience of our own students.

The problem that we face now is that we do not know whether we will crash out of the EU on 29 March without a deal and fall out of the Erasmus programme as a consequence. Equally, we do not know where Erasmus would fit in if we had a deal. If we leave the European Union with a negotiated outcome, that will at least provide for immediate continuity in people doing Erasmus courses and similar programmes. At least there would be the probability of such courses being part of our long-term relationship with the EU.

**The Convener:** Have you been given any indication of how the UK Government will evaluate Erasmus and other schemes? We have heard that that might be on a value-for-money basis.

**Alastair Sim:** The simple answer is that I do not know. If you look at the UK Government's various position statements on Brexit, its no-deal note on Erasmus and even the very generalised words of the political declaration, you will see that they point in the direction of continuing relationships with the EU on student mobility and research co-operation. However, we are in a position of high uncertainty.

09:45

**Alexander Stewart (Mid Scotland and Fife) (Con):** We have touched on there being a high level of uncertainty, and you have all indicated that confidence and continuity are vital. What contingency plans have you put in place to mitigate the circumstances in which you might find yourselves? How is that process being managed? Are you still working with partners in Europe? How will that relationship develop after next March?

**Paul Buckley:** Our strong advice to the UK Government has been to maintain continuity of supply as far as possible, even in the event of a no-deal situation. We have said that, if we were no longer part of the automatic recognition arrangements, it would make sense—it would be important—for the GMC nevertheless to be able to recognise European qualifications without having to put those doctors through the laborious and time-consuming processes that apply to doctors from other parts of the world. We would want to see that in place for a couple of years or so, during which time we could work with partners, Governments including the Scottish Government and other colleagues to devise a more flexible registration framework that would apply to the whole of the world outside the UK.

We have also been doing a lot of work on our information technology systems, so that we can switch on a number of different possibilities depending on what the eventual outcome is. That is costly. We are also having to recruit additional staff in order to cope with all eventualities.

Our registration systems will be able to deal with the mechanics of a no-deal outcome, but we are now very close to EU exit day and we still do not know what the position is. It is very important that we get certainty on that issue as soon as possible.

**Matt Lancashire:** I will be brief, so that others can join the discussion.

We have seen preparations being made across the business sector in Scotland on the basis of the divergent scenarios that could take place—no deal, or this or that deal. There is also still something to play for in the transition period if there is a deal of any kind. I do not think that the position is clear cut, because the deal has to go through the UK Parliament next week.

The degree to which businesses have managed to do that has been to do with their size. Larger, global businesses probably have the resource, the knowledge base, the capability and the capacity to build those scenario plans and look at what each scenario will mean for trade, exporting, their supply chain and X, Y and Z. They are able to support that work. That is probably not the case for small and medium-sized enterprises, and Scotland is a nation of SMEs. Although our business base is not made up entirely of SMEs, they are significant to our economy, and they do not have the resource, the time or, generally, the capacity to plan for those scenarios. That is a significant concern, whatever deal is agreed—whether it is the deal on the table, no deal or whatever transpires over the next few weeks.

We have also seen a lack of clarity in relation to the scenario-building process. The only saving grace is that the UK Government has put out

technical notices across the different sectors and streams, which have provided some comfort for some of the industries and sectors in which we work. However, they do not go the whole hog and detail what the deal will be. It does not matter what scenario you build; what matters is clarity about the deal.

**Chris Yarsley (Freight Transport Association):** The FTA represents freight and logistics companies across the UK in all modes of transport—road, rail, maritime and aviation. The uncertainty is causing a great deal of problems for our members because, as always, business needs to know what it is planning for. If you do not know what you are planning for—and we do not know what we are planning for—it is impossible to plan.

On contingency planning, I will pick up on the point about skills. We have a declaration from the UK Government that EU27 nationals will be given the right to remain and work in the UK under a settled-status scheme, but the legislation is not there at the moment. We need that to be brought forward quickly so that we have legal certainty rather than simply a statement of intent from ministers. As with all sectors, there are a great many EU27 workers in the UK's logistics sector, which is already facing extreme skills shortages. Any loss of labour will cause serious problems for the supply chain.

On how we keep Britain trading on day 1, the notices have been useful but business needs to know what it is planning for, and it does not have the resource to put in place plans for every outcome. At the moment, we are advising our members to plan for the worst outcome, so that anything else is a positive. We agree that a no-deal exit is simply not acceptable, and there is now no time left to put in place the legal framework for us to keep moving on day 1. For example, an agreement on air services between the UK and the USA was published this morning, which is fine for passenger aviation, but it would not cover the belly-hold cargo that most civil aviation carries. The security clearances would not be in place before Brexit day, so all the belly-hold cargo would have to be taken out of planes.

Just this week, the Government opened the permit scheme, so British hauliers can now apply for permits to use for crossings to the EU after Brexit. However, that will cover only about 5 to 7 per cent of the demand. It is the view of our association that we desperately need the withdrawal agreement to be agreed, to allow the transition period to come into play. We can then get the agreements in place so that there is continuity of business post 29 March next year.

**Kenneth Gibson:** You have just touched on something that you say in your submission:

“Another major concern is, under European law, unless an agreement is reached, there will only be 103 international haulage Permits to cover the 300,000 journeys made by British trucks to Europe each year.”

In effect, as you say, you are being asked to “destroy the businesses” of your international haulage members. Can you comment a wee bit on that? Having only 103 permits seems alarming, and you said that only 5 to 7 per cent of demand will be covered. What will be the resulting impact on the delivery of goods and services to the UK?

**Chris Yarsley:** The permit scheme is the European Conference of Ministers of Transport permit scheme, which exists already but which we do not use because we are part of the single market. There is a multiplier effect, so the 103 permits get multiplied if Euro 6—the cleanest emissions standard for heavy goods vehicles—HGVs are used. In that case, we get up to 1,000 permits, but that is it. Also, the permit is per vehicle, not per company, so the permit has to travel and come back with the vehicle. That will put a great strain on the ability of UK plc to trade outside the UK and go into the EU27.

That is just the vehicle aspect—it does not touch on the recognition of professional qualifications such as the driving licence and driver certificate of professional competence, which all need to be put in place. We are talking about having very restricted access to the wider European market. Conversely, coming into the UK, have the other member states prepared their permits to enter the UK? We are unsure about that. There could be a bit of a bottleneck if the permit needs to come into use.

**Claire Baker (Mid Scotland and Fife) (Lab):** I am interested in the culture counts submission, which talks about the impact that the uncertainty is having on the culture sector. That impact is perhaps more evident in the other sectors that are represented around the table. Does the Government have an understanding of the issues that are being faced by the cultural sector, which is important to Scotland?

**Jennifer Hunter (Culture Counts):** “Culture” comes up in some of the documents, but usually under agriculture or aquaculture, not by itself.

There are various issues, but there is a problem in that we cannot gather evidence on them. We cannot prove, for example, that UK artists are not booked to play a European festival because they are UK artists; the festival organisers could just say that the artists were not chosen because they preferred other bands or whatever. It is hard for us to get the evidence to show what is happening.

Basically, we are quite unpopular. For example, if you were a booker in France, would you risk booking British bands when you did not know how

much it would cost you in visa fees or currency costs? It is the same with digital publishing. If you were booking for the “Grey’s Anatomy” soundtrack, would you choose British publishing when you did not know what will happen with the digital single market?

There is lots of uncertainty in everything that we do, whether that is in goods, services, people or digital stuff. As for other sectors, uncertainty is our big problem. Some of the recent announcements on goods are quite interesting and could help us a little, but most of our work is in services and digital, so the stuff about goods will help us only with vinyl, DVDs and books, which is quite a small area for us.

**Claire Baker:** In your submission, you talk about big festivals and that kind of thing, for which, I imagine, a lot of international acts are booked. There must already be a system that deals with visas, and the sector must be used to the costs that are involved in booking a band from Canada or America, for example. Is the European issue as much about the degree of uncertainty about what additional costs will be attached? Is there a significant difference in the decisions that are made about who to book, based on where people come from and the additional costs?

**Jennifer Hunter:** Yes, but it depends on the level. For high-level stuff, they have the budgets anyway; the issue is more for the low to medium level, such as little folk festivals, which is the day-to-day work for a lot of people. It is not really an issue for the big festivals, because they have the budget to pay for visas for anyone they like; it is the day-to-day stuff such as small touring bands—small to medium-sized enterprises, basically—that are hit most, because they play smaller gigs that have smaller budgets for visas.

Another problem is that visas are allocated per person; so, if there are seven people in the band, it is not just one visa that is required but seven, plus all the equipment. If someone does not know how much all that will cost and they have a small budget, they will probably not take the risk on it.

**Jamie Greene (West Scotland) (Con):** I will pick up on a couple of points from our interesting conversation. My first question is for NFU Scotland, which, in a previous written submission to the Parliament, said:

“Leaving the European Union presents the first opportunity in over 40 years to overhaul and rebalance Scottish agricultural policy.”

That conflicts somewhat with your opening statement, in which you said that previous analysis showed that the status quo is better. Will you explain that to me?

**Clare Slipper:** You are quite right. We see the opportunity of leaving the common agricultural

policy in being able to recast and redesign the way in which we support our farming businesses. What I was referring to in my opening statement was the quantum of funding that would be guaranteed if we stayed in the EU, along with the trading and regulatory frameworks that support our farming businesses. In the face of the possibility of there being no deal and the uncertainty of that time, we took the decision that it would be best to stay in the EU if we had all those things.

However, we are leaving the EU and we see it as a significant opportunity because, as useful as the CAP has been in providing a financial cushion and certainty for farming businesses, the money could be much better targeted, particularly in Scotland. At the moment, we are doing a huge amount of work on the policy tools that we could use in Scotland to better support our farmers.

There is a big question mark over funding. The UK Treasury has guaranteed that the same quantum of cash support will be provided up to 2022, which is welcome, but it will be provided only up to 2022 and we need some commitment beyond that point. We need our agricultural businesses to start thinking 15, 20 or 30 years into the future and to be supported by policy in doing that.

We are pleased with the proposals that we have come up with and their reception by stakeholders and the Government. Leaving could be an opportunity so long as we are supported by the trading framework and do not come crashing out of the EU, which would be the worst-case scenario.

10:00

**Jamie Greene:** That is very helpful. I have another question, which is for the General Medical Council. The pipeline of doctors is obviously very important to the NHS in Scotland. I think you said that, currently, 15 per cent of doctors in Scotland are of EEA origin—is that correct?

**Paul Buckley:** It is actually 6 per cent, but in some specialties it is as much as 15 per cent.

**Jamie Greene:** Do you have any statistics on what percentage of doctors are non-EEA but from overseas?

**Paul Buckley:** We do, but I do not have that figure in my head. It is around 20 per cent, but we can confirm that subsequently.

**Jamie Greene:** Okay. Given where we are at the moment, and notwithstanding any uncertainty about access to labour from the EU, what do you think needs to be at the heart of any future immigration policy concerning the NHS, both in Scotland and in other parts of the UK? Should future policy include changes to visa or

immigration services, to provide opportunities for doctors with the skills that we need to come from anywhere in the world, who may currently be finding that difficult? Would that be a welcome change and shift in policy?

**Paul Buckley:** Immigration policy is outside our direct responsibilities. However, earlier this year, when there were a lot of media reports about doctors seeking to come to the UK but being unable to get a visa, meaning that NHS shortages were being exacerbated, we made it clear to the Government that it was very frustrating that, while health departments were trying to get more doctors into the system, the immigration arrangements were working against that. The Government has now relaxed those arrangements. It is not directly a matter for us, but we have contributed to that debate.

**Jamie Greene:** Does your organisation get involved with Government strategy on supporting a pipeline of doctors from within Scotland or the UK to ensure that, no matter what happens, given the time that it presumably takes for somebody to become qualified to do that specialist work, we have an adequate supply of workforce from within the UK in the event that there are shortages from overseas?

**Paul Buckley:** We have a statutory responsibility for all stages of medical education, including undergraduate education, and we quality assure medical schools including Scottish ones and the new Scottish graduate entry medicine programme—ScotGEM—that is just getting under way. The numbers are not directly a matter for us, but quality and standards are. We work closely with the Scottish Government and other colleagues to maintain those standards.

**The Convener:** Our second theme is the proposed withdrawal agreement, the political declaration and alternative approaches to Brexit. I have a quick supplementary for Clare Slipper, who talked about the transition period. When we were in Brussels, we were told that the transition could be extended until 2022 if need be, as the withdrawal agreement says, but it then came out that the funding for CAP in Europe will change halfway through that period. According to the withdrawal agreement, any policy decisions made in the UK would need to align in some ways with whatever happened in Brussels, but we would not have any say in shaping that. What is your response to that?

**Clare Slipper:** There are a few issues there. You are right that Europe is currently looking at the next phase of CAP reform. The policy is reformed every seven years, and the next period will kick in in about 2021.

As for what we can spend money on domestically, whether we are inside or outside the EU, we need legal mechanisms to ensure that ministers have the power to make payments. That is guaranteed to some extent under either the Scottish Government's UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill or the UK Government's European Union (Withdrawal) Act 2018.

Policy alignment would depend on whether the transition period was extended, and I presume that there would be some form of agreement, the wording of which we would have to study, in due course. With regard to regulatory alignment, we do not want to diverge too much from what Europe is doing, because we still need to trade with it—indeed, it is our biggest market—so we will be looking for some form of regulatory alignment in the short to medium term. The issue is more about the specific policy tools that we design within that framework and which we deliver here in Scotland, because there could be some leeway to do things rather differently from what is currently done under the CAP. That is the opportunity that we see. In the medium term, we do not want to diverge too much on the regulation of, for example, animal health and welfare, pesticides and chemicals, because we still need to trade.

**Ross Greer (West Scotland) (Green):** Although I understand why some people believe that the only options left are the deal negotiated by the UK Government or a no-deal situation and that, in that scenario, the deal would be preferable to no deal, I have to disagree with them—I think that there are other options. However, looking at the UK Government deal in and of itself, does anyone believe that it will leave their sector in a better place than it is under current arrangements, or in a situation that is just as good? No?

**Chris Yarsley:** The deal will leave us in exactly the same situation, because we will enter the transition period. What happens after that is another question. That is as far as I can answer your question.

**The Convener:** Does anyone else want to come in on that?

**Kenneth Gibson:** The silence says it all.

**Clare Slipper:** I agree with Chris Yarsley. The political declaration seems to guarantee a commitment to free and frictionless trade with the EU, particularly for agri-food goods. That is really important for us, but—

**The Convener:** That is only during the transition period.

**Clare Slipper:** Yes, but the political declaration seems to set out some sort of joint ambition to achieve that in the longer term through the free-

trade agreement. I cannot possibly comment on how the negotiations will end up, but as long as the commitment is there, that is really important for certainty within our sector.

**Annabelle Ewing (Cowdenbeath) (SNP):** If we are not in the single market, there cannot be frictionless trade. What is the point of the single market otherwise? It is the benefit of being in the club.

That raises a question for all of you. If the deal gets through the House of Commons—all the commentators suggest that that will not happen, but let us assume for a second that it does—that will not be the end of Brexit, but the start of a very long road of wrangling for years and years. However, if the UK Government is not pursuing an option to remain in the single market, we will clearly not be in the single market and, therefore, cannot have frictionless trade. Given that obvious and axiomatic fact, what planning are you all doing on the basis that at some stage you will not be in the single market?

**Matt Lancashire:** Annabelle Ewing got in before me. With the deal on the table, we will, potentially, not have frictionless trade. The withdrawal agreement that has been expressed is not the EU single market agreement that the SCDI called for and favoured and which was its position at the start of the process. The issue is movement not just of goods and services but of people and how the part about skills will work.

I believe that the UK Government is trying to mitigate concerns about the immigration of skills with a white paper that is due in the new year. It will be interesting to see how that can support the frictionless movement of people post-Brexit. The other part of the EU single market issue is our access to current negotiated trade deals and what happens in that respect under the current deal, and I am not sure whether we will lose that access.

Going back to the transition period, I note that both Barnier and someone from the UK Government—the energy minister—indicated or mooted an opportunity to extend the transition period to 2022. The SCDI has championed that longer transition, too, to allow businesses to adjust and ensure frictionless movement of people, goods and services. There could be a longer transition period, but the deal on the table certainly does not look like a frictionless trade deal.

**The Convener:** Thank you. Claire Baker has a supplementary question.

**Claire Baker:** I will try to be brief. Matt Lancashire mentioned the immigration white paper. One of the issues with single market membership is freedom of movement, which is one of the four freedoms, and the UK

Government's decision to end it. That seems to be one of the blocks. When we had Professor Manning, chair of the Migration Advisory Committee, in front of the committee a few weeks ago, he argued that immigration has created a low-wage, low-skill economy in the UK and that immigration has been the driver of that. Do our witnesses have views on that position?

**Matt Lancashire:** I can answer that quickly. Access to highly skilled labour only supports our economy in moving forward. Many of our highly skilled workers in Scotland come from different countries, whether in the EU or not, and that is a positive that we need to continue and move on. It is not just that those people have particular roles and are doing their jobs; it is the fact that they open up thinking around other cultures, innovation and how the economy moves forward. In the main, having access to skilled labour, wherever it comes from, only supports our productivity and our economy.

I am pleased that the UK Government is moving on the immigration paper. As we all know, however, the devil will be in the detail. It is certainly something on which we will all be looking to feed in evidence and responses.

**Claire Baker:** I do not know whether NFU Scotland wants to comment, but Professor Manning highlighted agriculture and tourism as sectors that should no longer expect to have cheap labour, and he labelled them as areas that have been flooded with cheap labour. Many members around the table represent agricultural areas. For example, there are lots of fruit farms in my region of Fife, and there is a real pressure on employment there. What is NFU Scotland's response to that situation? What are its proposals? How do you see that being resolved in the future?

**Clare Slipper:** It goes without saying that we were really disappointed by the comments and, indeed, quite shocked by some of the reports that came out afterwards. We fed in strong evidence to the MAC at the time and we continue to engage with it, but we feel that there has been a slight misrepresentation of our sector and how it is constructed.

There are two strands—seasonal labour and permanent labour—and the MAC has recognised that we need a bespoke solution for seasonal agricultural workers. Across the UK, we employ about 60,000 workers every year on a temporary basis; given that 99 to 100 per cent of those workers come from outside the UK, we need a solution for them.

We dispute very strongly the characterisation of the sector as one of low wages and low productivity. If we take the soft fruit sector as an

example, the Scottish Agricultural Wages Board ensures that all workers start with a base salary of £7.83 an hour, but many will earn twice that or more when overtime and higher pay for the more skilled workers are added in.

**Claire Baker:** NFU Scotland has said that, although the seasonal workers permit is welcome, the figures are not high enough.

**Clare Slipper:** Absolutely. A trial scheme has been announced for 2,500 workers from outside the EU to come in during the transition. We hope that that will be in addition to the free movement of people, which will be retained during the transition—as long as we do not crash out.

However, the UK had a shortage this year of about 10,000 workers, so even if the scheme were to bring in an additional 2,500, we already know that that would be a quarter of what we might need next year. As a result, businesses in Scotland are holding back on investment, and they are planting less crop, because this year a lot of them lost crop and, as a result, significant amounts of money. That holds back the potential of the sector.

A point that I would labour is that although soft fruit in Scotland accounts for 0.6 per cent of the utilisable agricultural land area, it is responsible for more than 10 per cent of agricultural output as a whole, and that is in a livestock-dominated sector. The talking down of the productivity of soft fruit and field veg is highly disappointing and something that we strongly dispute.

10:15

**Alastair Sim:** The UK Government's decision on immigration will be vital. As I said earlier, the mobility of talent and the openness of universities to student and staff talent are our life-blood. We are very keen to see as open a migration regime as possible for both staff and students coming from the EU. If we look at what students from the EU are doing six months after they graduate, we see that at least 40 per cent of those who are working are in the Scottish workforce, bringing their high skills to Scotland and addressing the gaps that we know we have in the numbers of people with high skill levels in our economy.

On the staff side, one of the things that disappointed me about the Migration Advisory Committee was that, although there was some acknowledgement of the importance of talent coming to the UK, it then said, "We will distinguish talent as being somebody who earns £30,000 or more." To be frank, earliest-stage researchers and creative professionals who are coming to or moving on from our universities are not going to be earning £30,000, but they bring an enormous amount of talent to our country.

The other thing that disappointed me hugely was that, despite the strong cross-party support for a post-study work visa that would enable international talent to contribute to Scotland's economy after graduation, the MAC did not recommend that. We strongly value the cross-party consensus that still exists for that.

**The Convener:** Did you feed into the MAC?

**Alastair Sim:** We fed in a great deal of evidence to the MAC. We felt that the evidence strongly supported that cross-party consensus.

**The Convener:** Right. Jennifer, do you want to comment?

**Jennifer Hunter:** Yes. I just want to say that this is a really important issue for us as well. For example, 35 per cent of Scottish Ballet are non-UK EU nationals. In the creative industries overall, the figure is the same as the one that we heard from the GMC—6 per cent—and we have 17 occupations on the occupation list. I reiterate that the issue is really important for us, too, but there is still a huge lack of detail on it.

**The Convener:** Are there any other comments about the MAC before we move on?

**Chris Yarsley:** We, too, fed into the MAC report, and we have significant questions about the conclusions that it drew. I will quickly give you some figures. We have estimated that 13 per cent of our drivers are non-UK EU nationals, but when we look upstream, up to 25 per cent of warehousing and other logistics workers are non-UK EU nationals. That is a significant proportion.

We have significant issues with the fact that the tier 2 visa scheme has a £30,000 limit. We estimate that 90 per cent of logistics workers will fall below the qualification framework level 2 and 88 per cent earn less than £30,000 but, as somebody else said, they are not unskilled. They just do not earn as much as other people. Another problem is that for the logistics sector, unlike for the agriculture sector, there is no seasonal dispensation, even though we face seasons and there are serious peaks—such as at Christmas, which is just around the corner—in the requirement for drivers.

The fact that the UK Government is taking away the preference for EU workers is problematic, too. At present, driving licences and professional qualifications are the same, compared with those of workers from the rest of the world. We hope that that will be looked at again, too.

**The Convener:** Okay—thank you. Tavish Scott is next.

**Tavish Scott (Shetland Islands) (LD):** I presume that, after March 2019, we will be in the transition period. How do you plan to make sure

that your voice is heard in Brussels? We will have no Scottish MEPs and there will be no Scottish ministers or indeed UK ministers going to Council meetings. We will be outside, but it will all still affect you. Have your organisations thought about how you will influence the European system without the normal channels that we have all relied on for decades?

**Paul Buckley:** We are part of a network of medical regulators across Europe called the European network of medical competent authorities. We will continue to work closely with it regardless of what happens in March so that, although our voice cannot be heard directly, it can be heard and amplified indirectly via our colleagues in Europe.

**Tavish Scott:** Do you think that they will be comfortable about taking your representations and making them heard in the corridors of power?

**Paul Buckley:** I certainly think that they would be interested in hearing our perspective and then finding a way of sharing it with colleagues in Brussels.

**Clare Slipper:** The UK farming unions have representation in Brussels through what is called the British agriculture bureau, or BAB. I spent some time with it earlier this year on a study trip to look at how third countries that are not members of the EU engage with the EU. My strong conclusion in my report was that they engage very well in the network and that it is very much about who you know and maintaining relationships. We will be maintaining our presence post-exit; the BAB office will stay in Brussels. When we are outside the European Council and the European Commission, it will be very much about maintaining relationships. It comes down to people at the end of the day.

**Tavish Scott:** Will the NFUS, the English NFU and the others have to up their game in terms of their presence in Brussels and so on?

**Clare Slipper:** Possibly. It will probably be a suck-it-and-see exercise. Some doors may close, but others may open and it will be about finding alliances—possibly with countries that have not have been our typical bedfellows when we were in the EU.

**Matt Lancashire:** I think that it will be challenging for anyone in this room, no matter what agencies or networks we are connected to—that is my honest answer. We will always try our best to represent our members and Scotland's interests, as everyone else round this table would, but without direct connected representation in Europe, that becomes more challenging to do. That is simple logic.

The SCDI's position, across all the sectors that we represent, is that we believe in an open, inclusive, globally connected economy. Potentially, some of that will be eroded through the Brexit process, which will not help to drive support for our economy, to drive investment, to narrow the productivity gap, or to draw talented people and people who want to relocate to the UK and Scotland because they are great places to live and to work in the rural economy, which is desperate for skills and support for its industries.

We will be less connected. I think that that is a fair and honest assessment. Our members, particularly the larger ones, have global businesses. I suspect that they will be connected into the EU through their own business networks. However, Scottish businesses, particularly SMEs, will struggle to find that representation.

**Chris Yarsley:** For me, there is a personal element to Tavish Scott's question because I lived and worked in Brussels for almost 18 years, until last year, so I have first-hand experience of what it is like—

**Tavish Scott:** So you are the person to ask about restaurants.

**Chris Yarsley:** I can give you a few addresses, yes.

The FTA is quite fortunate in that we have a Brussels office, which is situated within the Confederation of British Industry office. We have two people running our liaison with the European institutions. We are also members of wider trade bodies on a European level, so we have access to people who will continue to have access to the EU. We can look at it that way; it is a reduced level of access.

However, I know from personal experience that the officials who work in DG MOVE—the directorate-general for mobility and transport—and in the European Parliament look to the UK as a good example of best practice, certainly in road transport, because of the quality of our legislation and our enforcement, and the fact that we have some of the safest roads around. They will continue to come knocking at our door, but we will not have that open door to them in the future.

It is worth saying that one of the largest delegations in Brussels is the Swiss delegation, and the Swiss are not members of the EU. There needs to be access. It will be valuable for associations and companies to maintain direct access in Brussels because in the next couple of years, if we enter the transition period, the discussions will start. That is the beginning of the process, so we need to be there and we need to be talking to people; we need to maintain our access.

**The Convener:** Another couple of members want to come back in.

**Kenneth Gibson:** I have a question for Clare Slipper. In your submission, you say:

"NFUS has set out its grave concerns to the UK Government that the excellent standards of production adhered to in Scotland must be met by any agricultural and food imports ... This is a red line for farmers and crofters in Scotland."

Have you had any assurances that the standards will be adhered to?

**Clare Slipper:** There have been various verbal assurances. The Secretary of State for Environment, Food and Rural Affairs and the Secretary of State for International Trade recognise that we adhere to and trade on very high standards, which give us our unique selling point and provenance in outside markets. That is welcome, but there is nothing set in legislation or set in stone that would maintain that as a principle.

The Agriculture Bill that is going through the UK Parliament has some UK-wide elements. An amendment that we are pushing quite strongly, with the support of some Scottish National Party MPs, would put a principle in the bill to ensure that no free-trade agreement could be struck with a third country unless it included the principle of equivalence in relation to regulation and standards. We can have a debate about whether it is appropriate to have such an amendment in a bill about agriculture when it is an issue to do with trade, but it is essentially a probing exercise to see what sort of response we get from the Government.

There is also a Trade Bill going through the UK Parliament and we would like to see the same principle put in that bill, too. However, as an industry, we need to do a big exercise with Governments to look at how we match up our high standards of production with what happens in third countries outside the EU such as Canada or the US. If we can present to Governments where the real issues or frictions might be, they might be more inclined to put something in place to ensure that standards are upheld.

To answer your question, in short, there is nothing set in stone that will guarantee that as a principle.

**Kenneth Gibson:** There are concerns that standards may be allowed to slip in exchange for trade deals. The example of chlorinated chicken from the United States has been used many times. Is there a possibility that the concerns of your industry could be traded off in exchange for deals? Is that a concern?

**Clare Slipper:** It is a huge concern. It is a concern that we raised even prior to the

referendum, in the transatlantic trade and investment partnership negotiations. It is certainly a possibility. Notwithstanding what happens with a transition agreement and whether or not we crash out of the EU, there is a concern that the UK Government will be looking to do trade deals with third countries based on expedience, and things might get forgotten about or traded off. We have an important role to play in fighting for the interests of our industry and displaying what we deliver and how catastrophic it could be if we allowed cheaper imports that are produced to a lower standard to come in and flood our market.

**Stuart McMillan:** Chris Yarsley touched on this issue in one of his earlier answers regarding settled status. If you do not have the staff to produce the products to go to market, trade becomes a secondary issue. There is the other aspect of how the area outside Dover will become a car park. Surely the issue of settled status and the workforce should have been one of the easiest issues to deal with at the very outset of this process?

**Matt Lancashire:** I do not disagree. To produce the products, you need the people, and businesses feel that uncertainty across all sectors, whether that is in the rural economy or the more urban economy, but particularly in the rural economy, where it is a struggle to attract and retain people for various reasons.

When it comes to where we go next with our immigration policy, the ball is in the UK Government's court and it has suggested that there is a white paper due in the new year. Until we see what is in that white paper, as an organisation that represents Scottish businesses we cannot either challenge it or support or reinforce it. A good suggestion might be to bring out more information soon about what will be in the white paper. Certainly, it would help to ease some of the concerns of colleagues across sectors if the UK Government made more of an effort to share some of that information with colleagues around the table.

10:30

Obviously, because Brexit is the focus of the civil service at the moment—rightly so, as it represents a massive change to everything in the UK and Scotland—it will take some time to get that immigration paper together. However, it is critically important that that is moved forward quickly. More conversation needs to be focused on that. Whether we leave Europe with no deal or with the deal that is on the table, come 30 March, we need to know where we are heading with our skills supply from overseas.

We must also consider some of the opportunities. If we look towards the digital economy, for example, and new trade deals, how do we support that activity with skilled, educated people as well as non-skilled labour, which affects a variety of jobs in care and tourism.

**Chris Yarsley:** I fully support what Matt Lancashire said. We need more guidance and firm words on paper from the UK Government.

To go back to one of the challenges that our members are facing, we know that there is going to be a settled status scheme—it is starting to be trialled—but our members are wary about it. Going down to the level of employment law, asking someone whether they are going to get settled status is the same as asking whether they are going to start a family. A lot of our members are worried about the legal implications of the questions that they are now being forced to ask their staff. If that person answers no to that question and then loses their job, can they take the employer to court because they feel that they lost their job because they did not give the employer a guarantee that they were getting settled status? It is a legal problem at the moment. Our members are telling us that that is one of the aspects that they are worried about.

**Annabelle Ewing:** At the moment, we benefit from some 40 trade deals, as part of the customs union. In that context, I have a question for Clare Slipper on the issue of protected geographical indications. Do you have any intelligence on where that issue stands and where it is going? The issue is crucially important to the Scottish food and drink sector. Obviously, we will lose the benefit of the 40 trade deals that recognise protected geographical indications.

**Clare Slipper:** We wrote to the UK Government a couple of months ago to highlight the concerns that you raise. It gave us a level of reassurance that all GIs that are held at present will be carried over with no need for changes to be made—they will be upheld. I am not sure about the situation with regard to the trade deals being carried over, but the principle of maintaining those GIs will remain.

After Brexit, a new scheme of UK GIs will be developed. Our preference was for the UK Government to simply adopt the EU's GI scheme, because we felt that that would be less of an administrative and bureaucratic burden on anyone making an application. However, we received an assurance from the UK Government that the scheme will be a like-for-like one—essentially, the UK scheme will be very similar to the EU scheme. The UK Government is convinced that there will not be any additional cost in time or money for anyone making the application, which provides us with a level of assurance.

More widely, we were concerned that, in the recent negotiation of the comprehensive economic and trade agreement, the UK Government forgot to submit a list of UK GIs. We made a lot of noise about that at the time, and the problem was corrected retrospectively. However, that showed a level of misunderstanding about the primary concerns of food producers and exporters. I would hope that that sort of mistake would not happen again but it is for the farming and food lobby to ensure that such issues are prioritised in any new free-trade arrangements.

**Annabelle Ewing:** Indeed. However, timing is an issue. Even if the deal is agreed and there is an extension of the transition period until 2022, at some stage we will lose the benefit of the 40 existing trade deals in which the GIs are protected. What do your members envisage happening? At a certain date, there will be gap, because I presume that it will not be possible to conclude 40 trade deals in the next four years.

**Clare Slipper:** Presumably. We do not have the expertise in-house to say whether those trade deals will be carried over or renegotiated. All we know is that what we have on the table—the draft withdrawal agreement—includes a transition period, so it is a pathway to, I hope, securing the free and frictionless principle with the EU and carrying over the trade deals. We need to use the draft withdrawal agreement as a starting point and ensure that we make a lot of noise about the interests of our members.

**Ross Greer:** My question expands on Annabelle Ewing's points. The transition period, which would give your sectors and businesses an opportunity to prepare, has been mentioned. However, the question is what they will be preparing for. Given the way in which the negotiations have gone over the past couple of years and the fact that the negotiations on both CETA and TTIP took eight or nine years—TTIP then did not come to anything—how will your sectors be able to prepare over the next two and a half years? We are not at a point to know what will come after that period.

**Jennifer Hunter:** There are technical notices, Scottish Enterprise guidance and Creative Industries Federation guidance on preparedness. Big companies have the staff to be able to work on what they will do, but small companies and freelancers do not have anybody to do that work, so they are mostly unable to prepare—they will have to see what happens. For example, the bigger companies can say, "We know that we've got seven staff who we can't replace if they go, because we're unlikely to be able to get seven staff who can all speak three languages." There are some things that companies can do to

prepare, but there is nothing that the majority of SMEs in the industry can really do.

**Paul Buckley:** As far as the regulation of doctors is concerned, the political declaration talks about the need for there to be "appropriate arrangements" for the recognition of qualifications following the implementation period. That is, in effect, a blank sheet of paper. During the two years of the transition period—if that is what happens—we want to make best use of the time to develop a future framework for registering doctors. We have made clear on the record that we do not regard the current directive as a perfect instrument. In some respects, it is too permissive and, in other respects, it is too restrictive. There are alternative approaches that would work better for everyone, so we would want to use the transition period to engage closely with the UK and Scottish Governments and others. Then, we would want to get agreement with Europe that the future framework for the recognition of qualifications should retain what is good—there are lots of things that are good—but that it should move on in some areas. That should be part of any future arrangement.

**Alastair Sim:** During the transition period—I hope that we have one, because the prospects of crashing out are so appalling—we want stable arrangements in our areas for the future relationship with the EU to be negotiated. For example, we want to ensure that we buy into the horizon Europe programme to sustain our research co-operation, so that we can continue to be in Erasmus+. To pick up on the GMC's point, it is vital that there is mutual recognition of qualifications. It is incredibly important to our students who are training to be doctors, architects, vets and so on that their professional qualification will be portable across borders.

During the transition period, we will also look to work with the Scottish Government on what domestic policy arrangements could be put in place to ensure that we can continue to attract EU students on a sustainable basis and continue to have an openness to talent so that we get people coming into the supply pipeline of skills that we need in the Scottish economy.

**The Convener:** Doubts have been raised about whether a trade deal can be achieved that solves the problem of the Northern Ireland border and the commitments that have been made on that. An arrangement has been put in place that involves a UK-wide customs backstop and a deeper backstop for Northern Ireland that would mean that Northern Ireland would be a full member of the single market when the rest of the UK, including Scotland, was not. Have any of you looked at the impact of that on your sectors? In

particular, would it give Northern Ireland an economic advantage over Scotland?

**Kenneth Gibson:** On the news last night, the fishing sector—which is not represented here—said that it would give the fishing industry in Northern Ireland an advantage over the Scottish fishing industry.

**The Convener:** I represent the south of Scotland, as Clare Slipper knows, and I often hear farmers talk about the existing competition on dairy products from Northern Ireland. From the point of view of farming and food production, I would have thought that Northern Ireland would indeed have an economic advantage.

**Clare Slipper:** Certainly. I was looking back through my notes to see what my colleagues in Northern Ireland have said about that. You are quite right—if the worst comes to the worst and that backstop option kicks in, it will certainly have implications for trade flows and movement of animals and goods within the UK, which would be a concern for our producers here.

As far as what is on the table at the moment is concerned, my Northern Ireland colleagues in the Ulster Farmers Union have welcomed it. They believe that it delivers what they have been asking for: continued access to the Great Britain and Republic of Ireland markets. The hope is that everyone will put their shoulder to the wheel and find a solution to the trade issue after transition, but it is all to play for.

**Matt Lancashire:** The issue comes back to the fact that the withdrawal deal is not a customs union as such, and the Northern Ireland problem has been a critical aspect of that. I would not like to say whether the backstop arrangement would be economically advantageous for Northern Ireland, because I do not know the Northern Irish economy as well as I know the Scottish economy. The SCDI asked for the whole of the UK to be in the customs union as part of the withdrawal agreement, but that is not part of the deal.

**Jamie Greene:** I want to pursue the same line of questioning. It is pleasing that the NFU's Northern Ireland counterpart body is supportive of the withdrawal agreement, but what is the panel's view on the withdrawal agreement? Business and industry wanted there to be a transition. The idea that we could simply leave the EU and go straight into the new world was a daunting prospect for many industries. Collectively, they recognised that some form of transition period was necessary. Does the withdrawal agreement offer that?

We could pontificate on people's political wishes for what should happen next, but if we face a choice between the withdrawal agreement and leaving the EU at the end of March and becoming, overnight, a third country—regardless of whether

we call it a hard Brexit or a cliff edge; that is a matter for the headline writers—what would be preferable from a practical point of view for your industries and your businesses? Would they prefer there to be a transition period or would they prefer the UK to become a third country at the end of March?

10:45

**Matt Lancashire:** The impact of no deal would be disastrous for the Scottish economy. Although there are things in the deal that is on the table that people will support and things that people will be a bit more cautious about, no deal would just be disastrous. We need to gather support for the deal that is on the table and try to move forward, because it is not responsible to go into no deal territory, given the impact on the Scottish economy and businesses within it moving forward. If there was no deal, I would not like to say where we would be if we were having this conversation again in a couple of years.

**Chris Yarsley:** From our perspective, it is simple: we support the withdrawal agreement because it contains the transition period. We do not know what we are transitioning to, but it gives us a period of time in which to consider that. Another key element of the withdrawal agreement is that it deals with the issue of citizens' rights, in relation to EU27 citizens in the UK and UK citizens in the EU27 countries. It will give EU27 citizens in this country a firm status and will enable the Government to pass legislation on immigration. It will give legal certainty to people and to companies for a period, in which we can then find what the new world order will be. We will continue to hold the UK Government to account on that, because it has promised us frictionless trade, and we will demand that it delivers that.

**Paul Buckley:** We do not have a view on the merits of the withdrawal agreement as such, as that is largely a political question, but we have a view on the impact. We certainly see the value of a two-year implementation period. The alternative that, from the end of March, we treat doctors from the EEA as if they were from, say, south-east Asia or other parts of the world, would mean that they would have to go through various laborious assessment and testing processes, and it could take six to 12 months to get them on to the medical register. A sudden lurch to that position would pose significant risks for the medical workforce.

**The Convener:** As has been said, the political situation is that the withdrawal agreement does not look as if it will get through the House of Commons, but alternatives have been put out there, such as membership of the EEA, the single market and the customs union. If the deal

collapses, would the witnesses find that solution attractive?

**Clare Slipper:** It is a matter of record that, from the outset, our position has been that, if we have to leave the EU at all, we want to maintain single market and customs union membership. However, to return to the previous question, we realise that that option is not politically palatable for the UK Government, and we are commenting on what is on the table, which is the withdrawal agreement. To return to Jamie Greene's question, if the choice was between the withdrawal agreement and no deal, we would have to take the transition and the withdrawal agreement.

We would have to consider other options on their merits. However, those are not currently on the table, and we are very concerned that the issue is so politically fraught that we are damned if we comment on any outcome other than what is currently on the table. If an alternative arrangement is put on the table, we would have to consider that. However, to return to my comments right at the start, an elongated period of uncertainty and not knowing where we are headed has been damaging to confidence in our industry. If there were to be an extension to article 50, say, and further political to-ing and fro-ing about where we end up, that would not be palatable for our members either. We need to move on and get a deal in place.

**Alastair Sim:** No deal is the very worst possibility. Our policy objectives of maintaining openness to student mobility in the EU and our close research partnerships—really, their work is about how to make the world a better place and improve society—cannot be achieved under a no-deal scenario. Therefore, through whatever route needs to be taken between now and 29 March, we need to get into a scenario in which we have a transition period so that we can negotiate our future relationship with the European Union and its programmes. The politicians are better placed than we are to chart their way through that.

**The Convener:** Do other witnesses want to come in before I go back to members?

**Chris Yarsley:** The freight industry's role is to deliver in the best way that it can in the conditions. We will continue to work and we will put in place the supply chains that are necessary for the legal framework that is presented to us. We do not want to get involved in the political discussions because that is not our job. That is the job of the political class. We have been promised that we will have frictionless trade in the future, so it is your job as politicians to deliver that and give us that.

**The Convener:** I do not think that "frictionless" is a word that is used.

**Chris Yarsley:** It is not in the document, but—

**The Convener:** It was the aspiration and it was promised, but it did not appear in the document. Does that concern you?

**Chris Yarsley:** There are many words that do not appear in the document, but they might appear in future legal texts. We do not need to have the specific word "frictionless" in there in order to have frictionless trade. I do not think that it would survive a jurilinguist review of the legal texts because there would be many questions about what it means. Other words would be put in to get to the same—

**The Convener:** My understanding is that the legal text is not going to change.

**Annabelle Ewing:** I made the point before that, as a matter of EU law, we have frictionless trade at the moment because we are in the single market and the customs union. If we are not going to be in the single market, we will not be able to have what we have at the moment. That is clear. In that regard, the word "frictionless" would not be appropriate, because frictionless trade is what we have now, and that will be taken away unless we are in the single market. Sadly, that is the position.

I want to pick up on some of the comments that have been made. As I think I have already said, there is an idea that, if the deal gets through the House of Commons—as has been noted, commentators feel that that is highly unlikely—it will all be clear and fine. That is not the case. This is the beginning of the to-ing and fro-ing. Do you know what I mean? This is the beginning of years and years of wrangling. This is not certainty or the new dawn; this is more of the same, but for years and years. It is important that we remind ourselves of the reality of that situation. This is not the stopping of the to-ing and fro-ing—far from it. Your members should be aware of that. This is not the end, but just the beginning of a whole new period of uncertainty.

**Chris Yarsley:** We are very aware of that. The key message is that our members are very clear that they want to switch only once. We cannot have a transition period to one situation but then have another change of legal frameworks in a couple of years' time. Whatever we move to, that has to be it. The key message from our members is that they want a one-time-only switch.

**Annabelle Ewing:** That could apply equally to the deal not going ahead. I think that a UK cabinet secretary has said that, as far as they are concerned, there is no majority in the House of Commons for no deal, so we are in uncharted territory. I presume that, if there was an option to remain in the single market, that would be welcome, given your point about switching only once.

**Stuart McMillan:** Annabelle Ewing touched on this, but I think that it is worth while to remind everyone that “Scotland” does not appear in the document either. It is not just the word “frictionless” that does not appear.

I want to go back to something that Chris Yarsley said about promises. It is quite clear that, throughout the process, the Scottish Government has not been listened to by the UK Government. At the beginning of the process, the Prime Minister and the UK Government stated that all the nations in the UK would be incorporated into some type of deal, but that has clearly not been the case. How can you be sure that any promises that your association has been given will be followed through?

**Chris Yarsley:** The way to judge that is to compare what the Government has said to us with what we are given at the end of the process.

**Stuart McMillan:** As Annabelle Ewing said, further discussions will take some time—years and years. What damage will be done to the members of your association, to trade and to the economy in that time?

**Chris Yarsley:** We start from a position in which, in terms of EU trade, the situation is the same. Theoretically, the negotiations should be concluded in a way that does not bring in too many barriers to trade from that position. Hopefully, those negotiations should be concluded within the transition or implementation phase, whatever you want to call it. Whether that phase is extended is a question for other people to answer.

We need to be aware of how any decisions that are taken on that will affect our current trade with the rest of the world. If the trade agreements that have been signed by the EU and which we are part of at the moment are not rolled over, there could be damage if we do not get any new legal framework vis-à-vis the EU correct as well. Rest-of-world trade must be kept in mind with regard to new trade policy with the EU.

Your question is a tough one to answer. We are keenly aware of what our members need—they are quite vocal about that—and that is what we advance to Government.

**Matt Lancashire:** Obviously, as Annabelle Ewing suggests, there will continue to be impacts on businesses and organisations during the transition period. I think that most businesses recognise that. However, businesses also consider the opportunities. We must not forget that part of the Brexit discussion. For example, there could be opportunities around a new UK industrial strategy, the new Scottish national investment bank and other places in the economy.

Although Brexit is at the front and centre of the minds of people who are involved in business and the economy, we also need to remember that, around the sides of Brexit, there are big opportunities for Scottish businesses, and we need to support them to take advantage of those. Of course, we must always be mindful that Brexit is the key thing.

**The Convener:** Alexander Stewart wants to ask another question. Just be aware that we have very little time left, Alexander.

**Alexander Stewart:** We have talked about the dangers and threats that every one of your organisations, individuals and structures face. Do you see any opportunities for your organisations and structures within this process?

**Clare Slipper:** We touched on that earlier. The opportunity to leave the CAP and to design and implement a new agricultural policy that is fit for Scotland is a real prize. Of course, that will depend entirely on the trading framework, our ability to recruit non-UK workers and, of course, having a budget in place. However, if we get all those things, we can do what we do in terms of food production in Scotland much better if our cabinet secretary is able to design and implement measures that fit the profile of Scottish agriculture. That is a real opportunity.

**Paul Buckley:** Similarly, we would want to use whatever emerges to design a new and more flexible framework for medical regulation, with much greater flexibility. We were saying that long before anybody was even thinking about Brexit, and we are still saying that now.

**The Convener:** Does anyone want to make any closing comments? If not, I thank our witnesses for giving evidence today.

10:59

*Meeting continued in private until 11:30.*



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