



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 5 March 2020

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
8th Meeting 2020, 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)

*Ross Greer (West Scotland) (Green)

*Gordon Lindhurst (Lothian) (Con)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

Oliver Mundell (Dumfriesshire) (Con)

*Beatrice Wishart (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Eric Coulter (Surefire Television Productions Ltd)

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con) (Committee Substitute)

Rt Hon Alister Jack MP (Secretary of State for Scotland)

Bob Last

Nick Leake (Office of the Secretary of State for Scotland)

Gillian McGregor (Office of the Secretary of State for Scotland)

Barbara Orton (True TV and Film)

Arabella Page-Croft (Black Camel Pictures)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 5 March 2020

[The Convener opened the meeting at 08:37]

Interests

The Convener (Joan McAlpine): Welcome to the eighth meeting of the committee in 2020. I remind members and the public to turn off their mobile phones. Any members using electronic devices to access committee papers should ensure that they are turned to silent.

We have apologies from Oliver Mundell MSP. I welcome Rachael Hamilton MSP, who is attending as a committee substitute.

Agenda item 1 is a declaration of interests. I welcome Gordon Lindhurst MSP to the committee and invite him to declare any registrable interests that are relevant to our work.

Gordon Lindhurst (Lothian) (Con): My interests are set out in the register of interests; I have nothing to declare beyond that.

The Convener: I also ask Rachael Hamilton to declare any registrable interests that may be relevant to the committee's remit.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): As the committee has "tourism" in its title, I draw members' attention to the register of interests, which states that I have a share in a small hotel in the Scottish Borders.

Screen Scotland

08:38

The Convener: Agenda item 2 is an evidence session with a panel of stakeholders on Screen Scotland. It is intended to provide an opportunity to discuss Screen Scotland's performance, in the context of the recommendations that this committee made in our report "Making Scotland a Screen Leader", which was published in June 2018—it does not seem that long ago, but it was.

I welcome the witnesses: Eric Coulter, director, Surefire Television Productions Ltd; Bob Last, a film producer; Barbara Orton, producer, True TV and Film and Arabella Page-Croft, producer and co-founder of Black Camel Pictures.

Screen Scotland was launched during our 2018 enquiry. It was intended to provide increased support for the industry in Scotland. What are your impressions of Screen Scotland? Is it providing the enhanced support that we hoped for?

Arabella Page-Croft (Black Camel Pictures): Thank you for having me. It is nice to see you again.

There has definitely been significant progress and a big step up since I previously sat in front of the committee. The broadcast content fund is a great asset to Scotland. It is fantastic to see new leadership in Isabel Davis and David Smith. I appreciate that a lot of recruitment is going on at the moment and that the form that Screen Scotland will take is changing. It is hard to judge, but all the sounds and what we are witnessing seem positive.

That is my opening gambit.

Barbara Orton (True TV and Film): I echo that. It is pretty fantastic having all the new funds, which are opening up a lot of opportunities. We welcome Screen Scotland.

I am slightly concerned about the emphasis on high growth potential, which we can talk about a bit later. There is an emphasis on that rather than on developments in the rest of the sector, especially in some of the smaller companies.

Bob Last: It has certainly brought a renewed focus on the sector, which has coincided with a period of peak disruption. All the old models are rapidly diminishing or going out the window. The new models are dominated by pan-global platforms and nobody really knows how it will shake out.

A long time ago, I was in the music business when it went through similar disruption, which happened before the disruption in film and television. Nobody got it right when it came to

what would happen, and all sorts of business models disappeared, but, for example, vinyl is now selling more every week than it has done for decades.

It is unpredictable, but we are in a period of peak disruption. The models in which I used to operate no longer really work. For that reason, it is difficult to judge, but it has certainly brought a focus, and the new team has a real understanding and perspective. Much play was made of the new arrangements being a partnership and, therein, some challenges remain to be resolved.

Eric Coulter (Surefire Television Productions Ltd): My being here is slightly fraudulent in that, at the moment, I do not have any direct interaction with Screen Scotland. I used to, in previous incarnations, and I work for a lot of companies that do.

From a position of being slightly stood back, I think that the biggest issue is still how to manage the balance between attracting inward investment and supporting indigenous production. Everyone gets excited about companies coming here, and that is fantastic, but, in the long term, we need support for the growth of indigenous companies. That should be prioritised.

I am mainly a freelance producer and I work exclusively in television. In the productions in which I have been involved, the companies that came here and received money, whether from Creative Scotland or Screen Scotland, were by and large making television shows that were going to be shot here in any case. They did not come here because of the money; they were coming here anyway. The money was helpful to them, but I do not think that it would have made a difference to whether they came. Whether that money could have been spent boosting local companies needing a bit of infrastructure or development support is a key question.

The Convener: The tension between supporting the indigenous industry and attracting international productions came out very much in our committee report.

Eric, you said that you had not had contact with Screen Scotland. Is that because you do not get any subsidies or do not look for grants?

Eric Coulter: It is probably because of the change in my business model. The committee papers say that I am the director of Surefire Television Productions, which is a company that I set up about 10 years ago with another person. However, I work more now as a freelance producer, so I work for other companies, most of which have received funding from Creative Scotland or Screen Scotland. I am involved in that in some ways but not directly. Ten years ago, with my company, it was a different story. I tried to find

development and seed money, but I did not get very far with that. The classic example of that is trying to develop drama—I worked exclusively in drama—when we were starting up and did not have any great funds behind us. I went around all the usual places, such as Scottish Enterprise, Creative Scotland and BBC Scotland and I did not get a lot of support.

08:45

The Convener: When was that?

Eric Coulter: That was 10 years ago. That was what I did at that point but, increasingly, I have decided that my business model should involve work on commissioned projects.

The Convener: That segues nicely into my next question. Screen Scotland was supposed to create a one-stop shop, so that people did not have to go around all those agencies. As you said, it is early days, but is it your impression that a one-stop shop has been created?

Bob Last: I will speak to that, because it relates to the partnership issue. The intention might have been to create a one-stop shop that the sector could use to tap into the resources of all the other partner organisations, through one focus, but I do not see that happening. It is a one-stop shop, in that it has the knowledge and ambition to interact across the sector, but I am not sure that it is funnelling other resources or expertise—indeed, it is going the other way. My impression is that it is teaching the other partner organisations about the sector. That might be a good thing but that was not the intended dynamic.

Arabella Page-Croft: It will be interesting to see how the appointment of the business development person at Screen Scotland affects the producers. At the moment, a programme called FOCUS lends business support. However, we still do not understand what is happening with regard to business support at Scottish Enterprise and Screen Scotland.

I echo what Eric Coulter says about how we help to nurture and support the businesses of indigenous producers, who are crying out for priority attention. That tension between Scottish Enterprise and Screen Scotland remains.

Barbara Orton: The one-stop shop approach seems to have been interpreted as having a website that gives information. That falls short of the recommendations that were made in that June 2018 report. The call in that report was for all sorts of support, such as trainee schemes, mentoring and professional courses, which would go across the industry, from high-end companies to small production companies and from facility companies to craft skills development. It would be great to see

that, and I echo what has been said here about the partnership. Screen Scotland is now an interagency organisation; it is great that the agencies have come together and that they are talking together, but the danger is that the talking goes on and the agencies revert to their original remits. We can see that happening.

The Convener: Can you give us any examples of that?

Barbara Orton: Yes. For example, Screen Scotland has employed a high-growth strategy for development, which is a Scottish Enterprise strategy. A lot of things are going down that route. Although that strategy is welcome for some companies, it does not suit the broad spectrum of companies in the production sector. As has been said, people are looking for additional support for the indigenous companies.

Arabella Page-Croft: We seek more clarity on the difference between the high-growth strategy at Scottish Enterprise and the one at Screen Scotland. That question might be worth digging into so that we all understand it.

Bob Last: I also co-chair the Scottish Government's creative industries advisory group. It is interesting that you raise the issue of high growth, and that it has emerged immediately in the questions. The high-growth strategy relates to an economic insight from the 1950s but, in Scotland, we still spend a lot of time talking about it across all the creative industries. I have no idea why, as it is no longer the 1950s. However, there is a lot of evidence in the Scottish Government of a real understanding of and sympathy for the fact that microbusinesses and nanobusinesses across the entire sector, not just film and television, are the drivers of economic sustainability and ultimately growth. Therefore, there seems to be a continuing unresolved tension.

I hate to individualise specific agencies, but the bottom line is that Scottish Enterprise has obsessively maintained a commitment to that 1950s economic perception, which gets in the way of effective intervention. On a positive note, I think that Screen Scotland now has the gravitas, expertise and resources to educate its partners.

The Convener: That is interesting, and I am sure that other members will pick up on some of those points.

Claire Baker (Mid Scotland and Fife) (Lab): In the report that this committee issued almost two years ago, we recognised the need for a film studio and for increased infrastructure and opportunities in Scotland. That report followed on from an Enterprise and Culture Committee report from a few years before. We then took evidence from Screen Scotland, again almost two years ago, which told us that it was limited in what it

could say because of commercial sensitivities, but that there was an option of facilities in Leith. So far, we have had no studio announcement, and we still do not have any significant studio space in Scotland.

What is the panel's understanding of progress on that issue, and what is the impact of Scotland not having the facilities that we see in Liverpool, Leeds, London, Northern Ireland and other comparable places?

Eric Coulter: I have been working in the business for almost 40 years, and one of the first things that I did was to look for build space for studios. I am still doing it 40 years later on productions, and it is dreary and boring.

We get confused about what we need. I work exclusively in television, and if we go to Manchester or Bristol, for example, the studios are very simple; they are not huge. I am not an expert on the matter, but I think that we get wrapped up in trying to attract big productions, such as "Star Wars". However, that is not really the issue. People are not going to come to Scotland just for the studio. It is not the same as when people go to shoot in South Africa or Eastern Europe because the studios are there and it is cheap to use them. We are not in that business, because we cannot compete. Therefore, people will come here to shoot because they want to be in Scotland, but then the lack of a studio becomes an issue. For example, "Braveheart" and "Game of Thrones" were shot in Ireland.

Not having a proper studio is obviously an obstacle, but film studios are not elaborate buildings—they consist of four soundproofed walls. I know that all sorts of projects have been mooted, and others might disagree with me, but I think that any studio should either be on the west side of Edinburgh or the east side of Glasgow, on the M8 corridor.

I have just been involved in quite a big television production for which we were looking for studio space in Glasgow. We did not even look at Leith, because we would not get the crew. I know that the effort is being put into Leith, so I am sorry to pour cold water on that, but I think that the location will be an issue.

I was the executive producer on a series of "Rebus" with Ken Stott, but we shot the majority of that in Glasgow and then came to Edinburgh for some technical days. That was purely an economic decision. Therefore, the M8 corridor or central Scotland is where we should be looking.

Arabella Page-Croft: On that point, for how long can crew be expected to travel before we have to pay for overnights?

Eric Coulter: About an hour, such as the time that it takes to travel from Edinburgh to Glasgow. Unfortunately, for people who live in Edinburgh, everybody expects them to come to Glasgow and will not pay if the situation is the other way round. The reason that we did not shoot “Rebus” fully in Edinburgh was because we could not afford the overnights. If you build a studio, you want crew to sleep in their own beds.

A studio might be relying on specialist skills, which we do not really have, although “Outlander” has made huge difference to that. We are not in the same league as the big studios producing films such as the “Mission: Impossible” and “Star Wars” series and will not be for a long time. We could be, but as a starting point we need studio space like the Space Studios in Manchester, which we have used. It has three studios of, I think, 12,000 feet—it is a converted industrial unit—and television and film productions are in and out of there all the time.

Claire Baker: How do other panel members feel about the proposals? What is your understanding of the progress that has been made and what kind of studio do you think that Scotland needs?

Arabella Page-Croft: I am not sure where we are on the progress, but I have picked up from the crew that people are concerned about the travel time between Glasgow and Edinburgh and into Leith, because that is on the wrong side of Edinburgh for the majority of crew, who are Glasgow-based. That additional 40 minutes or whatever it takes to get to the motorway back to Glasgow will impact on crew decisions about whether to work over on the east coast. Bob Last is probably more up to speed with where progress is at the moment, but everybody is still waiting for decisions.

I echo everything that Eric Coulter said, but I also say, strongly, that we need to be in it to compete and we should not think too small. We are in a disruptive, golden age of television and must not miss out on those millions of pounds-worth of production. We need to get on with it. Why are we still having these conversations, several years later?

Bob Last: I believe that people from Screen Scotland will appear in front of the committee next week. Given all the promises that have been being made for a long time, it would be fairly surprising if they did not give you some clear news.

I take Eric Coulter's point. The notion that a studio in Scotland is a one-stop solution to a complicated ecosystem of production is a kind of false thinking. It is a very disruptive time in the market. The huge international peripatetic productions go to different places for all sorts of reasons—they have different needs. It has never been the case that any of the more ambitious

studio propositions that I have seen would also serve the smaller productions. I have looked at the studio saga over time—it has gone on for decades—and as a producer I have often thought, “Great! If they want to build a big studio, that is lovely, but I am still going to find a very cheap shed for my lower-budget productions.” The studio will not solve everything.

If there is a studio of scale, it will bring with it lots of other infrastructural challenges that will have to be risen to. One such challenge would be the crew base. I am a lifelong resident of Edinburgh, so of course I have a different perspective on the notion of a Glasgow crew base. However, we need to have a central belt crew base to service big productions, which will take a long time to develop. If there is increasing infrastructure, the crew issue will have to be resolved over time.

However, we do have studios. We have Wardpark, which, thankfully, is busy. We cannot say that it is a problem that it is busy; it is great that that is the case. The studios have had to drive a considerable increase in the skill set and the crew base, so it can be done.

Barbara Orton: My side of the business is really documentaries. Therefore, I am not so involved; I just have anecdotal information about the studio. I talked to crew and other people who were working on “Outlander”, who said that they could be busier and that there could be more productions such as “Outlander” in that specific place.

Eric Coulter: My understanding is that Sony spent a lot of money on that place, but it does not own it. The original person owns it and he will not do anything that might impinge on “Outlander”. That is Sony's choice, because it can afford to have that space.

Barbara Orton: Yes, but we need lots of different spaces, in other words.

Claire Baker: We rehearsed all of this when we were producing the report, but what do you think the barriers are? Why have we not developed a studio space in Scotland, whether to increase capacity for big productions or to provide facilities for smaller productions?

Sony has invested hugely in the Wardpark studios in recent years exclusively for “Outlander”, and there is a question mark about what will happen to the facility when “Outlander” has finished. That took a private investor to come in, but why are there not more of them and what are the problems in relation to Government involvement? State aid has been brought up, but Manchester took a different approach and was able to build a facility that was supported by the public sector. Why is that not happening here?

09:00

Eric Coulter: The issue is how to make money out of it, if it is a private studio. Like Bob Last, we will just go into an old shed; we are used to not paying a lot of money. If someone provides a studio, it could cost five times what it would cost to use an old shed. It seems to me that the reason that it has not happened is because private investors have looked at it and wondered whether they can make money out of it. If it would be occupied only 35 weeks a year, there would need to be some form of support.

Bob Last: It is important to distinguish between the wider economic impact of "Outlander" or of some other big production that comes in and the business model of a studio. As Eric Coulter has pointed out, a studio is a very simple thing and it has a tight margin as an economic proposition in itself. It can create or facilitate a massive amount of other economic activity, but that money does not go into operating a studio. That is the answer to Claire Baker's question.

There are other spaces, such as those at Film City Glasgow, and people are looking at smaller-scale spaces. It is not that there is nowhere to shoot.

Ross Greer (West Scotland) (Green): I will follow on from what Eric Coulter and Bob Last have said. The point about the difference between converted and purpose-built studio space has been made to us before by the likes of the Association of Film and Television Practitioners Scotland. In Leith, in particular, does the effort to convert a space into something substantial match with the priority of getting in large productions and large production companies, which is in Screen Scotland's strategy? You are used to filming smaller or lower-budget productions in a shed, as long as it is soundproofed.

Bob Last: They are never soundproofed. We have to stop when it rains.

Eric Coulter: Another example is my problem when I looked for a studio space two years ago. I looked at the old black-and-white building on the outskirts of Glasgow, which would have been fantastic as a permanent studio. It had the floor spaces, ceiling height and all sorts of things, but there was no way that I could afford to spend money on it for a production that needed a space for three or four months. Productions therefore end up in buildings that are inappropriate and, in the past—not so much now—dangerous and not good for health and safety or working hours. Those are big issues. Productions quite often end up working in environments that are not ideal.

Ross Greer: Is the issue that purpose-built space is not being pursued? So far, the developments towards a studio that have been

driven by Screen Scotland have been about converting space, particularly in Leith, rather than a purpose-built studio, such as those in Manchester, Liverpool and Bristol.

Eric Coulter: A lot of the studios in Manchester are conversions. I do not know about the economics of a new build as opposed to a conversion, but it is interesting that most of the spaces have, I understand, started from a building, although some are purpose built. If money was not an object, I think that a purpose-built studio at Harthill would be built, with six stages of different sizes. Obviously, however, that would take a lot of money.

Bob Last: As has been pointed out, what it comes down to is the economics of running a studio. It is a tight-margin business, and a substantial increase in capital investment to achieve the facilities is being talked about. One would assume that that is why, with regard to what Screen Scotland is doing, the debate about studios in Scotland has not changed much for the past 15 years.

Eric Coulter: I read an article from 1935 about the need for a studio in Scotland. *[Laughter.]*

Bob Last: The answer to Ross Greer's question is that it is a simple business matter. The capital cost of a new build from scratch is higher, so the economic model of operating it is more problematic.

Ross Greer: The wider issue is Screen Scotland's strategy and a focus on companies of scale. From looking at Screen Scotland's business plan and its strategic vision so far, as a whole, do you think that it is getting the balance right between attracting large-scale international productions and providing support for the indigenous sector?

Barbara Orton: I want to talk about support for the indigenous sector. It goes back to asking the right question. For example, if you ask how we can develop three companies to have a £10 million turnover or whatever over a certain period of time and develop a further 20 or 40 companies in the future, the answer will be one kind of strategy, which will focus on business development and growth. If you asked a different question, such as how a screen agency could create the opportunities for more quality films to be developed in Scotland, you would get a completely different strategy, which would point towards co-production and international co-production. That is what the recommendations called for: we wanted a sector that would support international co-production, with training and mentoring schemes, and relationship and partnership building. There were a lot of suggestions about the detail of that. That is what people are looking for. If the

perceived weakness of the sector is a lack of good-quality, market-ready projects, the question is, what is Screen Scotland doing to remedy that situation? If there are schemes and initiatives to develop those market-ready projects, what is it doing to broker them into the international marketplace, the domestic marketplace, or any marketplace? What is being done?

There already are such schemes. The European Union, through its Creative Europe media programme, has pioneered the kind of training schemes that create a socially and economically developed cultural sector, which has resulted in a diverse film culture in Europe. Those schemes exist. The kind of training that such schemes offer is called training, but it is really about opportunities to market. There are integrated, project-based programmes that take producers and production teams, regardless of the size of the company, and quality projects and develop them for the market. It is competitive: the projects must be of quality, and their quality is measured by whether they have distribution potential. It is not a question of how big the company will grow—or not.

It was worth setting out that detail, because what those schemes look like is really important. Such schemes are project based: they develop the storytelling side, written proposals, pitches, treatments and trailers with project teams to get quality, market-ready projects. They run in three-week blocks over a year or 18 months. Once the project is developed, there are built-in opportunities, such as in business support schemes, which cover things such as how to make financial plans, how to make deals in an ever-changing market—given that the new streaming services are coming on board—what deal packages look like and how to put deals together. That is coupled with opportunities to pitch the project to the market. The brokerage is built into the training programme. The whole point is that the scheme is integrated and any producer of any size can get on to it, as long as they have a quality project that has international distribution potential.

It is fantastic that we have the European media desk based in Screen Scotland. It can broker producers and teams from Scotland into such schemes. My worry is that that will all end with Brexit.

Two days ago, the British Government announced that it was not going to negotiate participation in the Creative Europe programme, so what do we have left in Scotland? That is now an urgent question. We need those kinds of training schemes, which represent a different strategy—an international strategy and a co-production strategy. They could be applied across the board, and indigenous companies in particular could benefit. They are crucial, especially with the

new streamers coming into the market. Apparently, we do not have enough quality projects to be brokered into meeting Netflix and Amazon as producers.

Ross Greer: We will definitely ask Screen Scotland about the post-Brexit strategy next week.

Barbara Orton: I will make a final point. We do not currently have an integrated scheme in Scotland. We have lots of different bits of schemes; there is a business scheme called focus, and there are skills development schemes and professional development schemes. Some of the skills development schemes that the training agencies do are really fantastic, but they are not joined up: they are bits and pieces all over the place. That is not what was called for in the committee's report. I think that members are well aware of all that.

We need a scheme in Scotland that is run by independent agencies, not production company-led agencies. A situation has been allowed to develop in which production companies have done a lot of new talent training, which has become a real conflict of interest issue in the production sector. Basically, it is unfair competition. It is crucial that indigenous companies have opportunities not only to develop those projects but to get brokered into a marketplace.

Bob Last: I certainly recognise what Barbara Orton is talking about. There is no doubt that that needs to be looked at outside the EU. One has to recognise that it would be very resource intensive to do that properly. It relates back to the genesis of Screen Scotland and the issue of high-growth rhetoric and large-scale companies. Developing some large-scale companies would be great, of course, but at this moment of peak disruption they would not look like what we thought they would five or 10 years ago, so we have to be a little careful.

It is worth examining the measures of success that were embedded in the creation of Screen Scotland. I think that they are problematic, and I said that to many parties at the time. I think that they are entirely unhelpful and unreasonable and that they were based on flaky numbers in the first place. The organisation has unhelpful key performance indicators, which are based on dubious numerical starting points.

Ross Greer: That is useful. Can you give some examples of that? That is exactly the kind of thing that we could raise next week.

Bob Last: I did not come prepared to quote chapter and verse on that but, in essence, Screen Scotland has been put in a position in which the only way to hit its numbers and deliver on its remit is to bring in big high-end productions. That would be a great thing; it would be great for Scotland

and, if it could be sustained in the long term, it would be great for the whole ecosystem and industry. I am not being negative about that at all. It is very important; we are missing out on it as a country, and everyone else is in there. Screen Scotland needs to have KPIs that allow it to focus on the sort of thing that Barbara Orton talked about. It is tied back into the same embedded 1950s rhetoric. I urge people to look at reviewing that part of the organisation's remit.

Ross Greer: Are you saying that the KPIs that Screen Scotland has on attracting international production are too narrowly focused on immediate economic return rather than on the broader benefit to the indigenous sector?

Bob Last: That is not exactly what I am saying, because the KPIs do not specifically relate to international production. Screen Scotland has numbers that it is supposed to hit in return for getting additional resources, which is just stupid. That has nothing to do with effectively measuring the value of the sector to the country. It is the wrong approach. There are, of course, some narrow areas in which one can use numbers, and I am not opposed to metrics, but those numbers are arbitrary, the baselines are meaningless, and the way in which they are embedded makes it more difficult for the organisation to focus on particular areas of its remit.

09:15

Barbara Orton: I can add a point about the approach as part of an international strategy. We welcome some of that inward investment, because it is great on all sorts of levels. However, if, as part of that, there were a robust set of terms and conditions that actively made partnerships with the production industry in Scotland—from the hiring of local crew right through to facility companies and production partnerships—everybody would benefit; it would be a win-win for everyone. The incoming companies would, of course, benefit from the finance; Scottish Screen would benefit from the promotional opportunities in that it could say, "Here we are with this big headline-making film"; and the indigenous companies would benefit from a whole range of benefits such as skills development and on-the-job work training.

I would like to see that as part of the vision that Screen Scotland continues to develop. That is more than just a business development vision. I would like to see a wider vision that includes an international strategy to address inward investment and indigenous companies.

Ross Greer: That is really useful. Thank you.

Stuart McMillan (Greenock and Inverclyde) (SNP): I have a few questions. My first question is on the issue of the one-stop shop, which we

touched on earlier. Is there still a feeling that, when an organisation contacts Screen Scotland, it will potentially be redirected to another agency, particularly Scottish Enterprise? Is that the message that was coming from Black Camel Pictures earlier?

Arabella Page-Croft: Probably not—if you are an incoming company or an inward producer, you will be directed to the right place. We were talking more as indigenous producers who are working here today.

Bob Last: In addition, the problem arises more around the business support. If you are trying to access support or information on a project basis, it is pretty clear; however, it becomes more complex around business support, in the way that Barbara Orton talked about. Obviously, that business support was—as I understand it—a key part of the intent of Screen Scotland. Following on from this committee's report, among other things, the intent was that it should start delivering a joined-up approach. However, it is difficult for me to speak directly to what it is really like if you come in cold.

Arabella Page-Croft: There are two different situations: coming in looking for a co-producer; and trying to find money. There is a big difference between projects and business, which we are always wrestling with as indigenous producers. You are looking for money to develop your projects and you are trying to keep your business alive while you get your projects made, where you may earn a fee—if you are in TV, you may earn bigger fees. That is the challenge.

Apropos a lot of that, I am interested in asking Screen Scotland to drill down on data in relation to what indigenous producers are working with—for example—the BBC, Channel 4 and the British Film Institute. Personally, I feel that our producers are being really left behind in that we are not developing or making enough projects with those other agencies and broadcasters. That is the sort of thing that has the potential to be transformative for our indigenous companies. That data would help us understand what we—as producers—are converting with those other partners, and whether the memorandums of understanding will be effective.

The data would also be useful with regard to issues such as diversity. For example, how many female director projects have been supported in the past decade? Those are the numbers that we need to look at, as well as perhaps giving bodies strategic goals in terms of the numbers that we are trying to hit. That would be great.

I do not want to go off on a tangent. However, one of the things that we are missing in brokerage and marketing at the moment is the market leaders programme, which has stopped. It was not

perfect, but it was a great programme because it meant that producers had a broker to help them get access to people—for example, we could ask it to help us get access to Netflix or certain people at BBC films. It is hard to get into those huge organisations. As an indigenous producer, having more brains to help us to get access to Amazon or another organisation or get to Los Angeles or talk to agencies such as Creative Artists Agency or WME was really important. That help is gone and, as far as I know, nothing has replaced it. Now, every time that we go to the documentary markets—the Berlin Film Festival or MIPCOM in Cannes—we do not have that third-party to help us set up meetings. We have to apply for grant funding. Experienced producers who have made the amount of work that we all have find that they have to complete application forms every five minutes to get £1,500. We are being micromanaged and made to do huge amounts of paperwork to try and get small amounts of money. It would be nice for someone to tell key people that we are experienced producers and we should be given an allocation for markets. That is what the people at market leaders did—they said, “Do you want to come to Berlin? What are your projects? What are you pitching? Okay, you’re in, and you’ve got support.” That was very helpful.

Barbara Orton: I echo that. The role that the market leaders programme played cannot be overestimated. However, an independent agency needs to do it. Delegations, pitches and training initiatives cannot be production company led. It is okay for that to happen sometimes, but it is an unhealthy situation if that is the only funnel for access.

The call in the committee’s report was for Screen Scotland—which was the screen unit at that time—to adopt an employment strategy that would bring producers into the team for three or four years. The idea was along the same lines as the Danish model. I do not have to go into that again, because you have heard it a million times. The call in that report was for entrepreneurial-type producers to fulfil those brokerage roles in Screen Scotland. That has subsequently been said over and over again. However, looking at the staffing structures that seem to have developed, I cannot see that that has happened. It might not be articulated yet, but I cannot see how the new positions will take on that role.

Arabella Page-Croft: We only ask that the people who are employed come from the industry, speak our language, are not bureaucrats and have experience in the field. That is what will make a big difference to us.

Barbara Orton: Will they be employed permanently? That was not the model that was suggested: the model that was suggested was that

people from the industry would come in for three or four years and they would suspend all of their production projects while they were in the agency, as they do in Denmark. They would then go back into the industry with more skills, contacts, expertise and knowledge, and all of those benefits would accrue to the sector. Although I am not saying that Denmark is perfect, that has been a good strategy for development there.

Stuart McMillan: My question is on infrastructure. The possibility of having a studio based in Leith was highlighted earlier, and it has been discussed a great deal. Has there been dialogue between Screen Scotland and the sector about further studio space?

Arabella Page-Croft: There is a studio working group. I am not on it; it is not my remit.

Eric Coulter: I do not know. We get fixated on the studio but the discussion needs to be broadened. I work almost exclusively in television drama, and one of the biggest barriers to the growth of indigenous production is a lack of commissioning power. There is an issue about “following the money”—there are a lot of film companies in Los Angeles because that is where the studios are, and the same thing goes for production companies in London.

In the past 10 years, I worked mainly in Scotland on productions that went through BBC Scotland. None of those companies was a Scottish company, although the productions were always classed as Scottish content, and the money came through the BBC’s internal workings. Certainly in drama, there is virtually no commissioning power in Scotland—or most of the rest of the UK; it is very centralised. When we are considering how companies grow, that is an issue.

Bob Last: That is an important point. Infrastructure, in the conventional sense, matters, but so does soft infrastructure, which is, in a way, what Eric Coulter is talking about. There needs to be an equal focus on soft infrastructure, not least because hard infrastructure does not work if it is not embedded in the right soft infrastructure, which is the infrastructure that sustains smaller businesses and helps them to grow.

My understanding is that there is a real determination to focus on that, but I come back to the fact that the Government has to take responsibility for the KPIs that it has given the organisation. I think that the organisation has the capability to help to develop that soft infrastructure, and it certainly speaks about wanting to do that.

I do not know the detail of the MOU with the BBC. I am slightly dubious about the effectiveness of MOUs. The BBC has a long track record of not

really honouring its commitments to spend locally, as Eric Coulter has just highlighted.

Eric Coulter: There is a lot of local spend. Earlier, I gave the example of “Monarch of the Glen”, which ran for years and was very good for Scotland. It employed lots of crew and did all those things for seven or eight years. When that finished, that production company went back to London. There was no intellectual property left in Scotland; there was no legacy in terms of development funding and so on. If that had been an indigenous company, after seven years of production, or whatever it was, it would have had a base that would have funded its development and its overheads—all the things that come with returning series.

In Manchester, Red Production Company, which has now been bought over, is a very big company and it has made such a difference to that economy. It has had returning shows and has been able to grow. We need two or three companies like that.

A lot of the spend on productions in Scotland is great in that it employs a lot of people and is good in economic terms, but it does not leave a legacy.

Arabella Page-Croft: That goes back to Eric Coulter's earlier point about not being able to find money for development. I have been working for the past couple of years with all3media, which is a distribution company. When I say to it, “I need to be in drama development and I need more investment,” it says, “As soon as you convert your first six-part drama into production, we will invest in you.” I have said, “No, you're missing the point. If I don't have the investment now, I can't get my first six-part drama to production.”

That is the chicken-and-egg situation that producers are in. You have to take so much risk to be out there developing, but, for producers, it is really worth the risk of investing in development. It is really hard, in the market, to get to that point. I know that, if Claire Mundell, who made “The Cry”, was sitting here, she would be saying how long it took her to get her first project across the line and into broadcast. That is one thing.

On the MOU, I would say that there has been collaboration between BBC Scotland and Screen Scotland on some digital content and programming that is coming through, but the budgets are not sustainable. I have just produced two 15-minute dramas for £20,000 each. I am not even really paying the living wage. We have to hold accountable our screen agency and the BBC for the productions that are being made and ask them whether their producers are paying the living wage. We are all desperate to get opportunities to make drama in Scotland, but when I am being asked to produce—and we are good producers—I

am left wondering how we will make the series happen. I am going out to the market with a very small amount of money and saying to myself, “Well, the BBC and Screen Scotland are on, but I need to go and get more money,” but the BBC is saying that it wants all these rights. I mean, I have not got any negotiating traction, either.

The issue that is arising for so many producers in Scotland is that, although we have this new channel, there is no money. For example, I have just done a £4 million deal with Sky on another series that Bob Last and I are working on, but my current deal with BBC Scotland is for £100,000. Producers are having to go elsewhere, because the money is not here.

09:30

Bob Last: Has the committee spoken to Ewan Angus since he left the BBC?

The Convener: Not yet.

Bob Last: I think that you would find that conversation interesting.

The Convener: We are going to have to bring in other committee members.

Annabelle Ewing (Cowdenbeath) (SNP): Good morning, panel. The discussion thus far has been very interesting.

On the issue of the skills strategy, Creative Scotland had said that a draft strategy was to be complete by the end of 2019. Has that happened, as far as you are aware? Obviously, we could check with Creative Scotland, but I would like to hear your views.

Arabella Page-Croft: You would have to check with it. I am not entirely sure where we are with skills at the moment.

Barbara Orton: There is an overall training strategy, which has not yet been published but I think has been delivered through a consultant.

Bob Last: The collective absence of a good answer might, in fact, be the answer to that question.

Annabelle Ewing: I see—it is the answer. Obviously, the committee will pursue that point. I just wondered whether the intention had become a reality.

Irrespective of the stage that the work on the new skills strategy might have reached, where would you like its focus to lie? Should it be on new entrants, for example?

Barbara Orton: I have talked about that a little bit. I would like to see some sort of integrated training—not just skills development, although a professional course on that is needed.

There has been an emphasis on new talent, by which I mean people who want to get into the industry. However, as I heard a Creative Skillset executive say the other day, training and development should be not just about the people who want to get in but about those who want to get on. Many mature producers in the sector still have training needs, because the market is changing all the time. In its broadest sense, training should be about opportunities to make relationships and partnerships and to develop projects. That should be the overall emphasis.

Arabella Page-Croft: But it is also about accountability. We have to drill down on the data and look at where investment in skills is paying off. For example, we should be asking how many new directors have made their first films this year, or how many female directors have made their first feature film in the past five years. Considering such questions will enable us to see where skills are developing.

As everyone is aware, there is a really big problem with getting first films made, because it is difficult for first-time—or even second-time—film makers to secure finance. It would be interesting to take a lead from Screen Ireland, which now has a programme to fully finance first films made by female directors. We should be considering such groundbreaking initiatives and innovative schemes and asking ourselves how we can do likewise, or even do better by creating our own interpretations of them. I would hope that such skills initiatives would improve accountability and outcomes.

Bob Last: There seems to be a lack of planning for training new cohorts of producers, who are often left out. Fundamentally, a producer's job is to connect creativity and money in an effective manner. That is not a simple thing to do, because it requires them to be across quite a complex array of issues and factors on which there is a shortage of relevant training. Arguably, if there was a bit more focus on training a good, new cohort of producers, that would naturally have a multiplier effect, because it is they who have to bring productions together and enable them to happen.

Another issue relating to producers has always been of interest to me. Recent data—I am not quite sure where it came from—showed that the pool of British producers is, largely, privately wealthy. I am not; I am thoroughly middle class and have always had to work for my living. Training will be important if we are to achieve economic diversity among producers. At the moment, the only way in which someone will get any experience as a producer is by either putting their house on the market or being privately wealthy. The situation is extremely difficult. I would advocate that that not be left off the training agenda.

Arabella Page-Croft: We should absolutely recognise that. A report was published in the trades recently that said that the average wage of a producer is £6,000 a year. I recently talked to a young producer about a film that she was about to make, and asked her what her fee was on that project. She said that it was £20,000, and I said that she would lose half of that closing and that she would not be able to live.

We are looking to develop new producers. However, Screen Scotland must help them, as must we. We have to protect the producers' line and empower them in closing. We might need to release some money in order for them to get their first films made, but we also need to ensure that some overheads and wages go to them. Producers are the ones who are out there taking the risks, developing the talent and representing Scotland and all of us on the market.

Annabelle Ewing: Have any of the panel members been asked to give their thoughts to Creative Scotland's skills working group?

Eric Coulter: No.

Arabella Page-Croft: I do not know who the producer is on that project—we can find out.

Annabelle Ewing: You are saying that none of you has been involved in it.

Arabella Page-Croft: None of us has.

Annabelle Ewing: With regard to downstream issues, if Screen Scotland suggested that possible funding conditions should relate to skills and training opportunities, for example, would you support that? Should any conditions that relate to the promotion of skills and training opportunities be attached to any funding that Screen Scotland might award?

Barbara Orton: Do you mean as part of an inward investment strategy?

Annabelle Ewing: I mean as part of Screen Scotland's funding grants. If it awards funds, it has, to some extent, the opportunity to say what it would like to see, and I suppose that it could argue for greater skills and training opportunities.

Eric Coulter: That would be helpful. However, going project by project, the biggest issue is training. There are very few productions like "Outlander", which is a returning show that comes back every year—it is a 12-months-a-year operation. As such, it can offer a great training programme. It is very difficult for productions to offer training, and putting the onus on them to do so is dodgy. When a producer sets up a project, they have two or three months after the green light has been given to put people in place, and training is the last thing on their mind.

There has to be a strategy for those opportunities, but it has to be led by Screen Scotland, the BBC or the broadcasters. Putting the onus on productions to do that is not the best way forward.

Bob Last: Things are a little different in animation, which I am involved in. Animation productions are set up for relatively short periods of time. There is a different timeframe—a year or a year and a half. We are always actively involved in training and are able to bring in trainees. It is critical that, if the onus were put on productions to offer training, the process would need to be made very simple and straightforward. We will not do it if it is complicated.

Arabella Page-Croft: Shadowing, for example, is easy and straightforward.

Bob Last: Even shadowing is not straightforward now, if one wants to interact—

Barbara Orton: It is a form-filling thing.

Bob Last: Exactly. We will often put trainees in, and we will not bother trying to integrate access for them. We are too busy, and we give up.

Arabella Page-Croft: It is so time consuming.

Eric Coulter: Productions have trainees, but the paperwork has to be done. Someone has to come and say, “This is your trainee. This is what we’re doing with them, and we are paying them.” Productions often do not want to bear the cost of trainees, because they are not needed to make the production.

On-the-job training is essential. I speak to quite a lot of people who have been students and have come out with an MA in film and television. I say to them, “That’s great. You will start by being a runner, because you need to get on-the-floor experience.”

Arabella Page-Croft: For some years.

Bob Last: Yesterday, the creative industries advisory group had a meeting with Mr Jamie Hepburn. It is worth noting that the issue that the panel is talking about is a cross-sectoral one in the creative industries. The business patterns in other sectors or subsectors of the creative industries are very comparable, as are their challenges in accessing support. The Government is clearly willing to support training, but craft and textile businesses face exactly the same problems as those that the panel is talking about.

Eric Coulter: One has to remember that, even on major productions, everyone from the producer downwards is freelance. It is a freelance business, so the training is different from training in a normal sector. A few key people—maybe three or four—will be employed full time by the company and the other 70 or 80 people will all be freelance, so

training has to be looked at slightly differently compared with training in other industries.

Annabelle Ewing: We are in Scottish apprenticeship week, which is an awareness-raising week. Are there any modern apprenticeships in your line of work?

Barbara Orton: It is really difficult, because the scheme involves having to take the apprentice on for a year, but we work in a freelance business. However, there is a willingness—

Arabella Page-Croft: I would love to have a trainee apprentice in my office if there are any going.

Annabelle Ewing: That is interesting. It is obvious that, in the longer term, we will have to find some way forward on training because, if we do not train people, we will not have a sustainable industry. Thank you.

Kenneth Gibson (Cunninghame North) (SNP): Good morning, panel. Arabella Page-Croft started optimistically by saying that there has been progress in the sector, but I have heard a lot of deep frustration come out in your responses. I would like to put the progress in context. I am struggling to see it in financial terms, because the figures that we have are that the value of the production sector fell from £95 million in 2017-18 to £67 million in 2018-19, which is a drop of about 30 per cent, although indigenous production went up by about 40 per cent, from £16.8 million to £23.5 million. In the same year, the UK industry was worth £3.6 billion. Scotland delivered less than 2 per cent of that, which is an alarmingly small amount.

Do you believe that Screen Scotland’s business plan to more than double last year’s production spend to £138 million within three years is realistic? If so, how can it be achieved?

Bob Last: I draw your attention to my earlier comment that I do not believe that the baseline numbers are meaningful. It is not possible to answer the question because the baseline is just an arbitrary number. It captures some things, but fails to capture others. I had the misfortune of having to look at it in some detail. It is very problematic, and it needs to be revisited.

You asked whether the spend can double, or triple—

Kenneth Gibson: The plan is to double production spend.

Bob Last: It is possible. In scrutinising Screen Scotland, it is important to recognise that we are in a moment of enormous global disruption of the industry, so it is difficult for anyone—us as independent producers or Screen Scotland—to have a clear, linear picture. However, the

platforms are spending enormous amounts of money on high-end drama and, if we are able to get our share of that, it will be possible to achieve those numbers.

I think that my colleagues have been keen to emphasise that the only way that we can achieve the big numbers is by bringing in income or money, but it is important that we do not just do that.

Eric Coulter: In the past five years, with all the video on demand, the production spend has really gone up. For a conventional BBC show, we would maybe get £1 million to make an hour of drama. With Netflix, it is £3 million or £4 million. If we can get those kind of shows in, we can really up the money.

Arabella Page-Croft: As a producer who goes to market a lot, I would say that, if your national agency has your back and you have a really trusted relationship with it, and if you as the producer are bringing in a project and you hope that you can guarantee that Screen Scotland money will be forthcoming, you can bring in co-productions, which is a good way to sustain your business. Sometimes, you have to put your own projects into hiatus while you make a co-production, but that is how you increase the spend. I hasten to add that, if we send our producers to markets—we like our producers to be out in international markets—there has to be trust. They need to know that they can deliver the money when the applications come in.

09:45

A couple of times over the past five years, I have been in situations in which Screen Scotland or Creative Scotland has not delivered the money for me. That really weakens producers at the table. They spend months nurturing, negotiating and bringing people back to Scotland, but then they do not get the money. Having spent months and months working on a project, that is devastating.

We can hit the spend, but Creative Scotland must have producers who bring in co-production projects or bring in Amazon or Netflix. That amount of money is very attractive to incoming productions.

Eric Coulter: I do not know how the mechanism would work, because it might be different. The high-end tax break is, of course, UK-wide. When I go to shoot in other countries, I have to work with a local company to be able to access a tax break. Those companies work primarily not as co-producers but as service companies, and that income is the basis for their developing their own projects. If something such as that happened here and Screen Scotland gave out money with the

proviso that the recipient had to work with a local company, that could change things.

Arabella Page-Croft: That is still not formally in place. Creative Scotland has resisted that, and I am not sure what Screen Scotland's policy on it is. It is currently looking at its guidelines.

If someone goes to Canada, they cannot get anywhere near Canadian money without a gatekeeper producer to guide them through the system. It is all about enabling the producers there. They, and not the agency, are the gatekeepers.

Kenneth Gibson: I have found your written submissions and your comments this morning really fascinating, and I would like to ask loads of questions, but we are running short of time.

We have heard about everything from the need for studios of some description in specific geographical locations—in Harthill, for example—to the need for third-party support to try to open doors. What would be your three priorities—some might be the same—to turn around and grow the Scottish industry as you would like it to grow over, say, the next five years?

Barbara Orton: We have heard a lot today about the big studio and the big money potentially coming in with that, and about long-run returning series. Those are mantras that have been talked about for years, and we need those things, but not all the energy should be directed to them.

Screen Scotland is between a rock and a hard place if it is expected to increase production spend and do all the other things that we are talking about. I am not saying no to the high-growth strategies, but there should be more emphasis on co-production and enabling producers—from the small ones to the big ones—to go into the marketplace to bring in more co-production money. Indigenous companies would benefit from that. It would not bring in huge spend, but it would bring in sustainable spend for production companies.

Screen Scotland is also between a rock and a hard place in being expected to go out, consult and develop policies. Scotland needs a screen policy that is developed by the stakeholders in the industry in much the same way as happened when the stakeholders came together under the screen leadership group. They should be the mechanism to create policy—an industry-based strategy—because the industry knows what it needs to develop.

The policy could be made and instituted by the Scottish Government, and Screen Scotland could become the agency to implement it and be accountable for delivering it. Screen Scotland would then have a straightforward role, and it

would not be charged to be everything to everybody and to have to go out to consult the industry all the time. It is difficult for Screen Scotland to do that, because, as you have heard from the panel, there are all sorts of industry groups. It could end up consulting every five minutes, as well as holding partnership and interagency meetings. It needs to get out of that talk shop and into looking at a policy and the best way to implement it, based on data and driven by the needs that are articulated by the industry. That is what I would like to see.

Kenneth Gibson: That was only two things.

Barbara Orton: Sorry.

The Convener: We do not have much time left. The Secretary of State for Scotland will be in quite sharp next.

Kenneth Gibson: I was just trying to round it all up.

Arabella Page-Croft: I probably have five things to suggest. Business company investment or a loan system would really help. We do not have a soft loan system, which would be interesting. I would like market and broadcaster brokering to help us with access. Everyone will always want the studio, but a co-producer status so that people cannot get to our funding without having a Scottish co-producer is a golden ticket. I probably speak for all producers in Scotland on that. We should also drill down on the data.

The Convener: Screen Scotland also said that it was going to do that.

Bob Last: If I had good answers, I would be working at Screen Scotland.

Partnerships need leadership. They need to be led, and a strong leader is best placed to create effective partnership working. I would like to see that clearly embedded in the on-going governance of Screen Scotland. That is important for its ability to deliver across all the things that have been talked about.

Screen Scotland is working on clearly articulating its different interventions because, as people have said, clarity is needed on inward investment and its role, and indigenous company development. Those are different strands, and the more clearly Screen Scotland articulates its interventions towards each goal, the better. To quote a phrase, it is not a one-stop shop.

We as a sector also have to be realistic. We are a small country, and there is a lot of shouting about Screen Scotland, as there was about Scottish Screen. If we want Screen Scotland to operate effectively, we have to shut up a little bit, because it cannot do everything for all of us. We all—myself included—love it when Screen

Scotland gives us money; it seems to us to be a failing, poor agency when it does not do so. That is only human, of course.

Arabella Page-Croft: I think that we are all saying that we have made a massive step in the right direction.

Bob Last: We are all saying that but, in general, there is sometimes a lack of realism. Screen Scotland cannot do everything. Sometimes we end up asking different organisations to do everything, and that makes their job more difficult.

Eric Coulter: Arabella Page-Croft covered pretty much everything that I would say. The one thing that I would add is that we need support, because it is an international marketplace out there now. The joke is that even going to London for a meeting is a £250 cup of coffee. We have to recognise that being on the periphery—we are on the periphery of the business, whether that is in London or Los Angeles—requires some extra support.

The Convener: That is a good way to wind up. I thank all the witnesses for coming to see us today. The session has been really helpful and has given us lots to think about and to put to Screen Scotland when we have it in.

I suspend the meeting briefly.

09:53

Meeting suspended.

10:01

On resuming—

Article 50 (Withdrawal Agreement and Negotiation of Future Relationship)

The Convener: Agenda item 3 is an evidence session as part of our article 50 inquiry on the withdrawal agreement and negotiation of the future relationship between the United Kingdom and the European Union. We are delighted to be joined by the Secretary of State for Scotland, Alister Jack MP, in what I believe is his first appearance before a Scottish Parliament committee. He is joined by his officials Gillian McGregor CBE, director, and Nick Leake, deputy director, policy, in the office of the Secretary of State for Scotland. I welcome you all to the meeting.

I invite the secretary of state to make an opening statement, which I believe will be of three or four minutes.

Rt Hon Alister Jack MP (Secretary of State for Scotland): Yes. You have covered the first two or three paragraphs, convener, which should speed things up.

I welcome the opportunity to appear in front of the committee. Thank you for your introductory remarks, convener. As you correctly pointed out, I have with me, on my right, Gillian McGregor and, on my left, Nick Leake, from the Scotland Office. You also pointed out that this is my first appearance before a Scottish Parliament committee. It is not only that; it is my first visit to the Scottish Parliament for any official engagement, so I thank you for inviting me. I am sorry that my scheduled appearance was postponed as a result of an unexpected Cabinet meeting, but I am very pleased that I was able to get to appear at such short notice.

On 31 January, we delivered on the promise that was made to the British people nearly four years ago and finally left the European Union. We left the EU as one United Kingdom, and we are now free to determine our own future and form relationships with old allies and new friends around the world. The UK Government will negotiate those relationships on behalf of the United Kingdom, but we are clear that the devolved Administrations should be closely involved in the process, both at ministerial level—for example, via the joint ministerial committee (European Union negotiations)—and via on-going and constructive engagement between officials.

Turning to today's session, understandably, the committee will be interested in the impact of the

Northern Ireland protocol on Scotland and the building of a future relationship with the EU. First, I want to emphasise that Northern Ireland will remain part of the UK customs territory. Tariffs are not payable for movements of goods within the UK, which will allow Northern Ireland to benefit from the trade deals that we intend to strike around the world. Furthermore, the Prime Minister has made it very clear that, beyond the limited changes that are introduced by the protocol, there will be no change to trade between Great Britain and Northern Ireland.

Secondly, there is no need for a free trade agreement with the EU to involve accepting EU rules. That is a very important point. No other comparable FTA involves acceptance by one party of the rules of the other party. The UK will maintain the highest standards, which, in many respects, will be better than those of the EU, but without being compelled by a treaty to do so.

As the Government has made clear, we want a relationship with the EU that is based on friendly co-operation between sovereign equals and centred on free trade. We are not asking for a special, bespoke or unique deal; we want a comprehensive free trade agreement similar to Canada's. In the very unlikely event that we do not succeed in achieving that, our trade will be based on our existing withdrawal agreement deal with the EU. The choice is therefore not a deal or no deal, in that respect. My priorities throughout the transition period and beyond are clear: to negotiate the best possible future relationship with the EU and other partners around the globe for Scotland and the UK, to uphold the union and to help to grow Scotland's economy.

Now that we have left the EU, our fishermen and coastal communities will be free of the common fisheries policy and our world-class exporters will benefit from new trade around the globe. Our points-based immigration system will ensure that the Scottish economy continues to gain access to the labour that it requires. We will treat everyone on the basis of their skills and contribution, rather than on the basis of where they came from. That will mean that it will get a lot easier for Scottish companies to recruit the labour that they need from outside the EU and European economic area countries, but it will be harder to recruit from within the EU-EEA countries.

The undersecretary of state and I have been very keen to meet Scottish stakeholders over the past week—and we have done so—to discuss the genuine difficulties that arise from some aspects of the points-based system. We may talk about that later. However, I am very clear that the salary thresholds that we now have in place are reasonable. The threshold for a job on the shortage occupation list is below the Scottish living

wage and we will not lower that further. The new system provides an opportunity for employers in Scotland to make the case for the inclusion of a range of roles, which, up to now, have been out of the scope of the visa regime. We believe that companies should treat employees fairly. The Scottish Trades Union Congress made that point very clearly to me last week and told me that the TUC is very pleased in that regard.

A period of adjustment will inevitably be required, but the Government will continue to support businesses through the changes as we develop the new system. Looking ahead, I am confident that 2020 will be a year of optimism and opportunity as we begin to unleash our potential. My ministerial team and I, and the office, will work tirelessly to represent Scotland's interests and secure the best possible relationship with the EU and other countries around the world.

The Convener: Thank you, Mr Jack. Can you set out for us what the UK Government's current estimate is of the economic impact of leaving the EU, for the UK and for Scotland, either on a Canada-style deal or in a no-deal scenario?

Alister Jack: We have to follow through on respecting the referendum of 2016. We believe that the best outcome is a Canada-style agreement, which will give Scotland a lot of opportunity, as the minister for the Department for International Trade said only on Monday. Scottish businesses—whether whisky, textiles or agri-food businesses—will benefit from those free trade deals. Being outside the common fisheries policy will also be of huge benefit. Over time, we will see the ability to increase the harvest that we take from our marine resources and to better manage our marine resources, and we will have the opportunity to rebuild our coastal communities and increase employment and prosperity. We think that a Canada-style trade agreement brings many benefits. There is always a bit of yin and yang in any change, but we believe that, with the change that has come, a Canada-style deal is the best way forward.

The Convener: Okay, but what estimate have you made of the economic cost of that?

Alister Jack: It is about being positive and seeing the opportunities in front of us. The situation that we find ourselves in is that we are delivering on the referendum—we are leaving the EU—and we have assessed that the best way forward is a trade deal that is based on precedent. The precedent that we like is Canada. That is the deal that Michel Barnier offered to Mrs May not so very long ago.

We have a very tight timeframe in which to do this, so we have to acknowledge that what is important is the timeframe for getting a trade deal.

To get a trade deal in that timeframe, we must go on precedent. For trade, think Canada, and for fisheries, think Norway—we want to negotiate as an independent coastal state. We are only asking for existing deals that other nations have with the EU.

The Convener: That is understood, but what I am getting at is the economic cost of it. What analysis have you done of the cost?

Alister Jack: That has been debated a lot in the British Parliament, and the Treasury has made many assessments of the cost. The reality is that, as a new Government, we have taken the view that we are going to be optimistic.

Some of the analysis was published previously and nothing has changed. On the back of that, we believe that the best way forward is to go with a free trade agreement and be optimistic about the future. The best free trade agreement is on the shelf—we are not asking for anything bespoke. The best free trade agreement for us is a Canada-style comprehensive economic and trade agreement.

The Convener: You mentioned analysis that had been published previously. I take it that you are referring to the Treasury's analysis of April 2016, which suggests that the impact of a Canada-style deal, which you mentioned, would be a reduction in UK gross domestic product of 6.2 per cent after 15 years compared to what it would be if we remained a member of the EU. Given that that is the deal that you are pursuing, is that an acceptable price to pay?

Alister Jack: I do not accept that. When I was on the Treasury Committee, we looked at a lot of the analysis that was done prior to the 2016 referendum. The one conclusion that we drew was that every single prediction and all the analysis that was done in 2016 about what would happen immediately after a vote to leave the EU, including that of the Bank of England, was completely wrong.

We have to recognise that we are a strong, outward-looking nation. We are very good at trade; we always have been. We need to focus on getting a free trade agreement with the EU that has no tariffs and no quotas, and then get on with making trade agreements with the rest of the world that will enable us to build and strengthen our economy.

The Convener: I am struggling to understand why you think that all the predictions are wrong. The Scottish Government did its own modelling of the impact on Scotland and came to a very similar conclusion to that of the UK Treasury—and it is not always the case that the UK Treasury and the Scottish Government agree. The Scottish Government said that there would be a 6.1 per

cent reduction in GDP and that that would cost every person in Scotland £1,600.

Alister Jack: When we analysed it, we had Oxbridge professors who said that they felt that the Treasury forecasts were wrong. You can go back and look at the Treasury Committee papers. We heard from people on both sides of the argument.

I still maintain that there is no point in looking backwards. We have left the EU. We have respected and delivered on the democratic outcome of the referendum, and the focus now is on taking the many opportunities that are in front of us and using them to best advantage to build the Scottish and UK economies, so that all our people prosper.

We want to level up, as you know. We want to create higher wages and more prosperity for people. There is no point in looking back to what predictions were made; the reality is that it has happened and we have left. Hindsight is 20:20 vision, and all we can tell you is that, with hindsight, all the things that were predicted would happen in 2016 if we voted to leave did not happen.

The Convener: Of course, but we are still in what you call the implementation period. We have not actually left yet. We have left, but we are still in the implementation period.

Alister Jack: That is correct, and we are now scoping trade deals. We will leave, and I am confident that, as the fifth-strongest economy in the world, we will prosper. We must look at it with optimism.

The Convener: Are you saying that the UK Treasury was wrong in its predictions?

Alister Jack: When I sat on the Treasury Committee, the Treasury's forecasts for growth and other things were often wrong. That is acknowledged. The one thing that forecasters seem to be quite consistent at is getting things wrong. That has been the case for many things, not just for this.

I will stand by this: we will grow our economy successfully outside the EU and we will do good trade deals around the world.

The Convener: The United Kingdom Government has modelled one trade deal, which is a proposed deal with the United States. The UK Department for International Trade has predicted that such a deal could increase UK GDP by between 0.07 per cent and 0.16 per cent in the long run. Do you have more confidence in that modelling?

10:15

Alister Jack: With regard to modelling, I had 25 years in business before I came into politics, two and a half years ago, and I have looked at many business plans, forecasts and models produced by banks, business advisers and accountants, but none has turned out to be the outcome. The outcome is what you make of it—the result of the gumption and commitment that you have put into making the best of what is in front of you. That is how life works.

I do not hang on the Treasury model just because it says that there will be an uplift in GDP from an American trade deal. The uplift would be based on the quality of the trade deal and the standards that we set.

The Convener: It is your Government that has said that.

Alister Jack: I am not standing by forecasts. As a practical person with a practical business life behind me, I stand by what I have said: we get on by looking at the problems in front of us, coming up with solutions and working hard to get the best outcomes.

The Convener: Notwithstanding that, you do not set a great deal of store by your Government's modelling—

Alister Jack: I do not set a great deal of store by forecasting; I set a great deal of store by planning and in making a success of things through hard work.

The Convener: Okay. You do not set a great deal of store by the UK Government's modelling. However, we have modelling on a future trade agreement with the US but not on the preferred Canada-style deal that you favour. Will we get that modelling or economic analysis soon?

Alister Jack: I ask Nick Leake to answer.

Nick Leake (Office of the Secretary of State for Scotland): Because the economic impacts of a trade deal with the EU have been the subject of considerable debate between analysts, we have a variety of figures. I have done some forecasting in the Treasury; people make their best guess, to be fair.

The Convener: Are you both going to fight it out when you leave, then?

Nick Leake: A forecast is, "All other things being equal, this is what will happen." However, all other things are never equal, so we make the best estimate that we can. That is why all forecasts are wrong. It is impossible to have a single model number or scenario that captures all the complexity that is involved in the various impacts of the changes that will be felt in different parts of the economy.

The Convener: Mr Leake, you said that you have done some economic forecasting. Are you saying that your colleagues were wrong in 2016 when they said that there would be a 6.2 per cent fall in GDP with a Canada-style deal?

Nick Leake: No forecast that I have ever been involved in has proved to be 100 per cent accurate—they cannot possibly be, because they are not modelling the same things. What was modelled in 2016 is not what is being done now. The Government has announced that it will invite contributions via a public consultation on the economic implications of the future relationship from a wide variety of stakeholders. It will take place later in the spring, and that work will not just be internal within the Government.

The Convener: That is interesting. Why is the Government consulting people after it has published a negotiating mandate? It has already decided that it is planning to pursue a Canada-style deal, but it will consult people after it has decided its mandate, as opposed to before, to help to shape its approach.

Nick Leake: A consultation will look at the economic implications and allow the Government to decide which tools it will use to maximise the beneficial implications that would result from those changes and mitigate any negative implications. That is standard practice and what Governments do.

The Convener: That consultation is not the same as modelling the economic impact. Are we going to get modelling of a Canada-style deal, to see whether it would show a 6.2 per cent fall in GDP?

Nick Leake: We will invite contributions on the economic implications of the future relationship from a variety of stakeholders via a public consultation.

The Convener: Are you going to get other people to do the forecasting?

Alister Jack: There are many forecasts. You have chosen one—

The Convener: That forecast is your Government's.

Alister Jack: You have chosen one that was based on 2016, when we did not know the outcome. Here we are, in 2020, and we know the outcome: it is a Canada-style trade agreement. As I said, what is important is that we focus our energies on securing that deal with no tariffs and no quotas. In that circumstance, our trade with the EU should carry on as normal. We should then look to do more trade around the world and strengthen our economy. That is my argument.

As a simple businessman looking at the situation in front of me, it seems that, if the Canada-style trade agreement puts us broadly in the same position with the EU as we are in at the moment, what we have at the moment will carry on as normal. I argue that that will be to the EU's advantage, because we have almost a €100 billion trade deficit with the EU—the figure varies depending on the exchange rate—and we take more German cars and German white goods than any other country in the world apart from China. Therefore, it has to be in the EU's interest to have a free trade agreement with us. In that situation, I do not see there being an impact or any difference from what would have happened anyway. The EU zone may go into recession—that is entirely possible—but that would have happened anyway.

Modelling is just modelling; it does not account for recessions or a fall in world GDP this year on the back of coronavirus, just as it did not account for a fall in world GDP on the back of severe acute respiratory syndrome, or SARS. In practical business terms, you deal with what is in front of you and you make the best of it.

The Convener: I take it from what you are saying that there will not be any new modelling on a Canada-style deal. Are we going to get any further analysis—yes or no?

Alister Jack: That is a matter for the chancellor. The Treasury may well choose to model when we see the outcome of the negotiations, but, if the outcome of the negotiations is to have something similar to CETA, the situation will be that, broadly, the forecasts at the moment will carry on. However, forecasts are forecasts; they are not outcomes.

Gillian McGregor (Office of the Secretary of State for Scotland): I will just add, in defence of my Treasury colleagues, that they will do that sort of modelling all the time. The modelling that you referred to, convener, was done back in 2016, but there will be constant modelling going on. The negotiations are at an early stage and things are changing—as the secretary of state pointed out, there are other external factors. I expect my Treasury colleagues to continue to model all the possible outcomes.

The Convener: Could I be so bold as to ask that, when you get that modelling, you share it with the committee?

Alister Jack: If the Treasury shares the modelling, we will be happy to share it, but that is entirely a matter for the Treasury.

The Convener: The Treasury might be modelling, but we will never actually see the results.

Alister Jack: It might be, but, as I say, that is a matter for the Treasury and not for us.

The Convener: Thank you. I am keen to bring in other members.

Claire Baker: I am interested in the statement that, under an FTA, things would carry on as normal. The evidence that the committee has taken from academics, stakeholders and economists does not support that position. To have a trade relationship with the EU, there is an expectation of alignment with regulations, but the UK Government has said that it does not intend to align with the EU on trading issues. I struggle to see how we can trade in the same way as we do at the moment if we are not prepared to work on a level playing field and align with the EU.

Alister Jack: That is an important point. It is absolutely the case that we are not signing up to a level playing field. I learned about the principles that we have laid out for the negotiation—basically, our objectives—at exactly the same time as the cabinet secretary, Mike Russell, learned about them. At a meeting in Cardiff, the deputy to David Frost, who is the leader of the negotiating team, presented to the devolved Administrations. It was very simple. I will set out all the principles and you can pick up on the whole, as they all knit together. One principle is that we will not trade off a fisheries agreement against any other priority. The next one is that we will not align or, if you like, accept level-playing-field terms. The third one, which is linked to that, is that we will not be ruled by the European Court of Justice on anything. We are leaving the club, and we have to do so in a way that means that the committee of the club is not telling us what we can and cannot do and does not set the rules for us. That approach was laid out at that meeting, and it was also laid out in Parliament last week.

We can still go on and trade very successfully into countries without level-playing-field arrangements and without aligning. On some things, we can set for equivalence, which means that we have the same standards or higher but not lower. Again, we are not ruled on that, because equivalence gives us freedom of flexibility on it. However, if we were ruled by the ECJ, it would make life difficult for the UK and we would not be truly outside the EU. For that reason, we have not set it. Unless you tell me otherwise, there is no precedent anywhere in the world of a free trade agreement in which one country or sovereign entity in the agreement is subjected to the rules of another. That does not exist in any free trade agreement in the world and it will not exist in ours.

Claire Baker: However, those changed circumstances would not mean that we would carry on as normal. If we are in that type of

relationship, there will be significant changes to our trading.

Alister Jack: Why can we not carry on trading as normal?

Claire Baker: The UK Government is attached to the idea of a Canadian-style deal but, because of our proximity to the European mainland, the EU has said that the situation is not comparable and that it is not willing to entertain our having a similar deal to Canada's.

Alister Jack: Why did Michel Barnier offer it to Mrs May?

Claire Baker: That was a few years ago. We are now in the current set of circumstances. You made the same argument on the convener's points about trade; you said that that was a previous situation. You argued that we are now in a new landscape, in which the negative economic effect will not be as significant as it was judged to be four years ago. In that new landscape, the EU has said that it will not entertain us having the same deal as Canada.

Alister Jack: At the moment, we have a withdrawal agreement deal with the EU and we are asking to set up a free trade agreement deal. Proximity has nothing to do with it; I have heard the EU make that remark, but that is just a negotiating position. Today, we are ending the first week of negotiations, and the EU has set out its position. If it had completely agreed with our position last week, we would not be having a negotiation but we do not agree, so we have to have a negotiation. We do not want anything from the EU that is bespoke, special or different from what it does with other countries. We want just an off-the-shelf agreement that it already has. For that reason—

Claire Baker: I am sorry to interrupt, but it cannot be off the shelf, because even if it were the same deal as Canada's, a number of areas are not involved in the Canadian deal, such as security and defence, fisheries, data protection and science and research collaboration. We are looking for a more extensive deal than the one that Canada has.

Alister Jack: You are absolutely right about that. For all those areas, there are precedent deals with other countries. We would replicate the data rights arrangement that the EU has with Norway and the fisheries arrangements that it has with Norway or Iceland. We will be a sovereign nation. We are leaving home; we are not asking to have a key to the door, keep a bedroom in the house or be paid out by the bank of mummy and daddy any more. We will be on our own; we will look outwards to the world and do the deals that we have to do. We would like to have a close trading

relationship with our closest partners, and a free trade agreement would give us that.

Claire Baker: Other members are keen to come in, so I will finish with a question about the timescales. Negotiations are starting and, at the moment, the UK and EU positions look far apart. The timescale—to conclude negotiations by December, with the threat of walking out if we cannot get progress by June—is a false deadline that the UK Government set. Do you accept that the timescales are extremely challenging and present problems for achieving a good and secure long-term deal with the EU?

Alister Jack: I do not accept that they present problems, but I accept that they are challenging; we have always accepted that. The deadline of 30 June is set in order to take stock, as the Chancellor of the Duchy of Lancaster made clear last week at the dispatch box. On 30 June, we will take stock of where we are, and the deadline is 31 December. As someone with a business background—in fact, I did deals in France and other countries around the world—I understand that you have to have a deadline to get deals done. If you do not have a deadline, things do not happen and negotiations stretch on and on. It is right to have a deadline, and the free trade agreement can be done within those times.

10:30

With regard to cynicism, I point back to the 80 days that we had to reopen the negotiations last year, when the Prime Minister was successful in doing what the EU said was “impossible”—it said that the deal was a lump of stone that could not be carved into any more, and all the other lines that we were given. The reality was that he went and renegotiated a deal that was impossible to reopen, to remove something that was impossible to remove, in the form of the backstop, and he did it within 80 days. If there is a will from both parties to get things done, things will be done.

I make the point again that I made earlier: a trade deal is absolutely in the EU's interest. We have a massive trade deficit with it. Given the levels of debt of the nations within it, the EU financial zone is fragile—Italy's debt is €2.7 trillion and rising, and on it goes. The EU needs to carry on free trade with us. It is imperative for it that we do not stop free trade with Germany, which is our biggest trading partner, because it is in Germany's interest and Germany is, after all, the country that finances the EU.

Gillian McGregor: As the secretary of state said, the Government is looking for an agreement like those that the EU has with others, so there are plenty of precedents and texts around. The other advantage that both sets of negotiators will have is

that they are very familiar with each other's systems. In that sense, there is a feeling that, with the right energy and will, there is plenty of time to reach an agreement, but the negotiations are in the very early stages. It is to be expected that deadlines will be set to check the progress.

The Convener: Kenneth Gibson has a supplementary. Is it just a supplementary?

Kenneth Gibson: Yes. It is about Canada. I did not intend to go down this road at all, but you seem to have put an awful lot of eggs into the Canada basket, secretary of state. Last week, *The Economist* said:

“The commission retorts that Boris Johnson accepted ‘robust commitments to ensure a level playing-field’ in the political declaration attached to the Brexit withdrawal agreement.”

As Claire Baker said, Britain is not like Canada. The bigger the trade flows and the shorter the distance, the more substantial the risk of being undercut by looser rules. It looks almost like a fingers-crossed approach rather than an actual policy. If Canada is the model, why has the UK Government completely rejected—without, I understand, even bothering to look at it—the Scottish Government's representations on, for example, migrant visas for Scotland? I understand that Jackson Carlaw has disagreed with Priti Patel on that issue in discussions with the Prime Minister in the past 24 hours. Why the obsession with Canada when the EU has said, “I'm sorry, that is not acceptable to the bloc”?

Alister Jack: To go back to what Claire Baker said, there is a time challenge here, and therefore we want to negotiate on the basis of precedent, and the precedents that exist are clear. There are arrangements with other countries, such as Japan and South Korea, but we believe that the Canada deal fits best for our relationship with the EU, and it is an off-the-shelf agreement or, as the Prime Minister might say, an oven-ready agreement. It makes sense for us to go with that approach. We believe that it would be good for our economy and good for their economy, and that is something that is important to us.

Yesterday, Jackson Carlaw and I met the Prime Minister. I spoke at some length in that meeting following my stakeholder engagements last week with a number of people in Stirling and Glasgow. I spoke about the challenges of migration in relation to tourism, hospitality and seasonal agricultural workers, which I believe are real and require to be addressed. Two solutions came out of my stakeholder engagements. Jackson and other MSPs have had other stakeholder engagements and have come up with ideas. The solution that I have in mind does not contradict the Home Secretary's position and can be built on effectively. I will not go into the detail, because it is a work in

progress, but I am sure that we will come up with a solution for those industries.

We came out very early—as soon as we could after 31 January—with the points-based system. We wanted people to know very quickly what was in front of them. The points-based system has many advantages. I wrote an article in *The Herald* about that last week and no one came out to contradict it, because what I said was correct. We are removing the cap for the number of migrants we can bring to the UK, we are reducing the thresholds, and there will be more people with tier 2 skills in the system. There is also the shortage occupation list but—not even in the shortage occupation list—just in the tier 2 skills list there are jobs such as filleting fish and working in abattoirs. Those jobs are all there. It will involve increasing wages and I make no apology for that. I have been to a fish-processing plant in Iceland, where the wages are substantially higher than they are here in the UK. That plant is doing a similar job to the plants in the UK and it is a viable, competitive business. I make no apology for the fact that we think that, if you stand in a cold factory filleting fish, you should be paid a number beginning with a “2” rather than a number beginning with a “1”. I think that that is absolutely right.

Kenneth Gibson: Okay, but why—given the direction of travel, which is welcome—did the UK Government not look in detail at the Scottish Government’s visa proposals? I understand that they were dismissed out of hand, which is contemptuous of the Scottish Government and of this Parliament—and indeed of your own party members within it. Given your obsession with all things Canadian at the moment, it is a rather strange anomaly.

Alister Jack: Again, that is a fair question. I know that you are referring to the prompt response from the Home Office, but the Scotland Office spent a lot of time looking at those proposals. We believe that the S code has weaknesses, and some MSPs have confirmed that. The S code is about where you live; it would be a problem for the Home Office if, for instance, the “S” on the end of your tax code is because you live in Gretna but you work in Carlisle. That issue is a weakness in the proposal.

However, I still maintain that the problems that exist for seasonal agricultural workers going to Angus to pick soft fruit are the same problems that exist for people picking apples in Somerset. There are many other examples that I could give. The problems that we have around tourism and hospitality are as extreme in Cornwall as they are in the north-west of Scotland, for instance, so we have to come up with a solution. That has been my argument to the Prime Minister and he agrees with me on this. We must come up with a solution

that works for the whole of the UK and that is based not just on the nation of Scotland but on what may be the requirements in north Wales or in Northern Ireland. We have to acknowledge that these problems are not just problems for Scottish businesses; they exist for other businesses in the UK, so the solution must be a UK-wide one.

The Convener: Other members want to come in on the topic of migration, so I think that we will be returning to that topic, but we will move on now.

Alister Jack: I am sorry if I went too far in my answer—I apologise for that.

Rachael Hamilton: Secretary of state, the food and drink industry wants to keep tariffs, quotas, product checks and inspections to a minimum. First, how will the negotiations achieve a good outcome for UK food producers and, indeed, enable them to seize new opportunities in export markets? Secondly, you mentioned CETA; CETA protects geographical indications, but tariffs remain on poultry, eggs and meat. How can the negotiations accommodate both the rules of origin in the same sense as CETA does and protect UK products, including certain food products?

Alister Jack: Right—Nick Leake will answer that. Could you just lean into your microphone a bit? I have terrible tinnitus at the moment, and I could not hear half of what you said.

Rachael Hamilton: I am sorry. Did you hear my questions, Nick?

Nick Leake: Yes. On the detail of CETA, we have all used the term “level playing field” today to mean one country following the rules that are set by another country. However, the term “level playing field” means different things in different contexts. In the context of CETA, I have just pulled up on my iPad a European Commission document entitled “The benefits of CETA”. Benefit number 2 is this:

“Thanks to CETA, Canadian and EU businesses will now compete on a truly level playing field.

That will create a host of new opportunities on the Canadian market for EU companies, especially smaller ones with up to 250 employees, which together account for 99% of all companies in Europe.

In fact, with CETA Canada has agreed to give EU companies better conditions for doing business than it gives to companies from other countries.”

It is not that CETA does not contain any provisions in those areas—it does—but it contains standard free trade agreement provisions and standard free trade agreement dispute resolution processes if one country thinks that those are missed.

You draw an example of the extremely small areas where CETA retains tariffs. I think that CETA gets rid of 98.8 per cent of tariffs. The figure for the Japan agreement is 99.5 per cent and for

the South Korea agreement it is above 99 per cent, too—I am sorry; I do not have the numbers in front of me.

At the moment, between the UK and the EU, there are zero tariffs, and it is not obvious to anyone in Government why we would wish to impose any tariffs on any products. Again, negotiations have just started, but nobody on the EU side is talking about having any tariffs, either—they always talk about zero tariffs and zero quota. Given that that is the position of both sides, you can expect that that is what we are all trying to achieve in the negotiations. We are not suddenly going to impose a tariff on European eggs, and the EU is not suddenly going to impose a tariff on our eggs.

CETA is a nice shorthand, because it is one of the most comprehensive trade agreements that the European Union has ever struck, along with those with Japan and South Korea. We think that it is a modern trade agreement with modern dispute resolution processes and modern regulation on things such as the level playing field. However, taking that approach does not mean that we have to cut and paste the tariffs on eggs from CETA. CETA gets rid of almost all tariffs, as do the agreements with Japan and South Korea. Nobody in either Brussels or London is talking about imposing any tariffs on trade between the UK and the EU.

Ross Greer: Secretary of state, the Prime Minister has insisted that there will be absolutely no checks either way between Great Britain and Northern Ireland, but you have said that there will be checks at Larne and Belfast. Can you confirm who is correct?

Alister Jack: We both are. You raise a fair point. I do not think that I said Larne and Belfast—I probably said Larne, but I definitely said on the Northern Ireland points.

As someone who brings in dairy heifers from southern Ireland and has exported beef in the past, I know about the situation. On the sanitary and phytosanitary requirements—let us just say animals, plants, seeds and other bits and pieces—the situation is that there are checks on certain of those items. The animals are all checked through Larne, and I do not envisage that changing. That is the point that I was making.

On trade between Northern Ireland and Great Britain, the protocol says quite clearly that there will be unfettered access. That is what the Prime Minister is referring to, and I agree with him on that.

Ross Greer: This confuses me. You will be aware that the leaked paper from the Treasury in November said that there will be substantial checks and that the cost would be the equivalent

of 30 per cent tariffs on goods purchased in Northern Ireland. Her Majesty's Revenue and Customs told Arlene Foster, the Northern Irish First Minister, that there would be substantial checks. Your colleague Stephen Barclay has acknowledged that there will be checks—I think that he described them as “minimal interventions”. Every trade body, every business association and every elected representative in Northern Ireland has acknowledged that, by the terms of the agreement, there will need to be checks. To eliminate any chance of a land customs border between Northern Ireland and the Republic, there has to be some level of checking between Northern Ireland and the UK, because the UK is not going to be in the customs union.

Alister Jack: We believe that those administrative processes can be done electronically. That applies to goods that are going from GB into Northern Ireland and passing on through the land border.

Ross Greer: Michael Gove said that it would take up to five years for smart border infrastructure to be in place, but the transition period ends at the end of this year.

Alister Jack: He did say that, but there have already been submissions to the Treasury on that subject. If we consider our existing trade, things are moving as people come towards realisation and practicalities. Many people have said many things on the subject. However, I say this to the committee: at the moment, we and southern Ireland have different currencies, excise duties and VAT rates.

10:45

Ross Greer: We are inside a single customs territory.

Alister Jack: I know, but we are able to deal electronically with matters such as moving goods around and different VAT rates, so it should not be beyond the wit of man, or woman, to make those arrangements work for registering goods that are moving through and into—

Ross Greer: From 1 January?

Alister Jack: I do not see why it should be a problem to do that electronically. I am not alone in thinking that—others have agreed with that view. We do many other things electronically.

Ross Greer: I could dispute that it is possible to do so, but for the purposes of our conversation I will not do that. The point is that the UK Government is holding firmly to its position that the transition period cannot extend beyond 1 January, so all the arrangements that you have described will need to be in place by then. However, no one is yet an expert on them.

Alister Jack: That is our position, but only for goods destined for southern Ireland. Again, if we have a Canada-style comprehensive free trade agreement, which is what we are working towards, that will resolve the issue.

Ross Greer: It will not. Having a comprehensive Canada-style agreement would not be equivalent to staying inside the European Union's customs territory. We are leaving that territory, but the Republic of Ireland is clearly still in it. If Northern Ireland is to remain aligned with that so that it is, in effect, still in it, there will have to be a border in the Irish Sea. Everyone but the UK Government acknowledges that borders require some level of infrastructure, whether that involves information technology or is physical infrastructure or whatever. Regardless of the level of infrastructure that you believe will be required, only 10 months remain before it will have to come into place.

Alister Jack: The Prime Minister's argument on that point is that Northern Ireland remains in the customs territory of the United Kingdom.

Ross Greer: But to remain aligned with—

Alister Jack: That is why Northern Ireland could benefit from the trade deals that we are doing.

Ross Greer: For Northern Ireland to remain aligned with the Republic of Ireland, and thus the EU, on customs, and to prevent a hard border on the island, it has to be regarded as being de facto part of the European Union's customs territory. You have created a situation in which you insist that Northern Ireland is part of both the UK customs territory and the EU's customs territory. That would be possible if the whole of the UK was to remain completely aligned with the EU on customs, but that is not the UK Government's intention. You cannot square the circle in that situation—it has to be one or the other.

Alister Jack: If we have a Canada-style free trade agreement, do you think that there will have to be customs declarations between Dover and Calais?

Ross Greer: My point was that—

Alister Jack: No, your point was that what I said about a Canada-style free trade agreement is wrong. It is not; it is right. If we have a CETA—

Ross Greer: Then why is HMRC telling the First Minister of Northern Ireland that there will have to be such arrangements?

Alister Jack: Well, HMRC may well have been answering specific questions.

Ross Greer: It works for you.

Alister Jack: If we have a CETA-style agreement, which is what we are moving towards, there will be no customs arrangements between

Dover and Calais any more than there will be between Scotland and Northern Ireland or the Republic of Ireland—or indeed between Holyhead and Dublin, as we have all acknowledged. Why would the position of Holyhead and Dublin be any different from that of Cairnryan and Larne?

Ross Greer: I think that there will have to be infrastructure at Holyhead, anyway. However, for the moment, let us accept your argument on smart infrastructure. Will you confirm that the UK Government will pay for all of that, and that neither the Scottish Government nor the Northern Irish Executive will have to pay for any additional infrastructure?

Alister Jack: I cannot make a commitment because I do not represent the Treasury, but if infrastructure has to go into place, my expectation is that the cost would be one for the UK Government and not the Scottish Government or the Northern Ireland Executive. That would be reasonable in the circumstances, and it would be entirely in line with my thinking.

Ross Greer: Would that extend to anything that could be described as secondary infrastructure, such as improvements that would be required to the roads in your constituency to ensure that there would be no tailbacks?

Alister Jack: Under the current arrangements with the devolved Administrations, we would have to come to an agreement with the Scottish Government on that. We cannot demand that money is spent on the A75 or the A77, nor can we give the Scottish Government ring-fenced money and tell it to spend that on the A75 and the A77. It is entirely up to the Scottish Government how it spends the money that comes to Scotland.

A good example is that, this year alone, north of £90 million came to the Scottish Government as part of the Barnett consequential for the building of crossrail. We cannot tell the Scottish Government that it has to spend that on infrastructure just because crossrail is an infrastructure project.

Ross Greer: That is fair. However, the question is not about you insisting on how money is spent, but about whether, if there is collective agreement that improvements are required—and are required as a result of the trading relationship that you negotiate—you will front the cost.

Alister Jack: I cannot make commitments on behalf of the UK Treasury, but as the member of Parliament for Dumfries and Galloway, I can tell you that I continually press the case for the A75 and the A77 to be upgraded. They are important roads—in fact, the A75 is a Euro route, with two villages that vehicles have to go through. The A77 action group will tell you that, over the past 10 years, only 0.04 per cent of the trunk road budget

has been spent on those roads. I think that their improvement is long overdue.

Ross Greer: I think that it is long overdue that rail infrastructure in your part of the world is expanded.

Alister Jack: So do I. Rail infrastructure is also the responsibility of the Scottish Government, and I could not agree with you more.

The Convener: Can we return to the future relationship with the EU, please?

Ross Greer: I have concluded my questions, convener.

The Convener: As you probably know, secretary of state, we visited the Stranraer area in your constituency as part of our inquiry, and we met the resilience team. Its current plan for any tailbacks that might be caused by weather or other disruption is to close a minor road behind Stranraer so that it can be used by lorries. The pertinent point is that the team pointed out that that is for an emergency situation; it is not a solution that would be feasible in the long term if there were queues of lorries requiring checks, for example.

Alister Jack: I think that that has changed. When did you go?

The Convener: We went about three or four weeks ago.

Alister Jack: The resilience plan is to use the very large car parks at the former ferry terminal.

The Convener: That is what the team was discussing at that time.

Alister Jack: That is the resilience plan.

The Convener: We have looked at the former car park in Stranraer, and it will require some upgrades. There is an issue with the local community as well. When we visited, that plan was certainly not finalised.

Who will provide the additional resources to upgrade those facilities?

Alister Jack: As we headed to 31 October, when we could have had a no-deal Brexit, we analysed these problems and discussed them. I sat in meetings of the EU exit operations—XO—committee, at which various cabinet secretaries would be videolinked in. We went through a great number of issues and concerns for Scotland to ensure that we ironed them all out. We acknowledged the problem around Cairnryan, and the car park at the former Stranraer ferry terminal was deemed to be the solution.

I am not going to get hung up on the figure, but I believe that the first tranche of money for Brexit planning that came to the Scottish Government

was £137 million, and I think that there was a second tranche, which was not nearly as much but was still a substantial amount. Money has been committed for Brexit planning.

The Convener: You are saying that that car park in Stranraer, which is derelict at the moment, must be upgraded in order to accommodate—

Alister Jack: It is not derelict. It has got weeds on it. I was there on Friday, and it is not derelict by any stretch of the imagination, although I agree that it needs a good spray of Roundup.

The Convener: It was also put to us that the regeneration plan for Stranraer, with a marina and leisure facilities and so on, will not necessarily be helped by having a lorry park in the middle of those facilities.

Alister Jack: Yes, but we should remember that the lorry park was a temporary solution in the event of a problem, rather than a long-term solution, in the same way that—

The Convener: But we are now talking about long-term solutions.

Alister Jack: Regarding the marine development, you and I both represent the area, and it would be very nice to see some progress on that. As you know, there is £16 million committed to it from the Borderlands growth deal. I would also remind the Scottish Government that, in 2015, it committed £7 million to the development, and the local authority has still not had sight of that money.

The Convener: I do not want to get into the issue—

Alister Jack: You mentioned the marine development.

The Convener: I just want to clarify whether, when you talk about a lorry park in Stranraer, you are talking about a no-deal scenario, because that was the plan. We are now talking about what will happen if we have checks.

Alister Jack: The resilience forums were dealing with the 31 October deadline, as I said. Until such time as there is a marine development, the lorry park can remain there. If there is an issue—

The Convener: Sorry to interrupt, but what we are talking about now is not an emergency no-deal scenario.

Alister Jack: Correct.

The Convener: That might still happen, but what we are talking about now is a permanent situation where there are checks on goods going to Northern Ireland, which would require lorries to be parked. Is that what you are talking about?

Alister Jack: I thought that I clarified that in my earlier remarks to Mr Greer. There will not be checks at Cairnryan. As an MP, I have had discussions with HMRC about this. The sanitary and phytosanitary checks on animals and plants will continue to happen at Larne in Northern Ireland. The checks are carried out there now and they will continue to be carried out there. There is no plan to move those sanitary and phytosanitary checks to Cairnryan.

The Convener: It is obvious that a lot of people do not agree with that. However, I know that other members want to come in.

Annabelle Ewing: I return to immigration, which is a very important issue for Scotland, as you will be aware. You mentioned that you have been speaking to various people, including businesses, over the past week. Have you had time to speak to the chief executive of the award-winning seafood processor John Ross Jr (Aberdeen) Limited, who was reported yesterday as saying that the UK immigration position is “disastrous”, “devastating” and “catastrophic” for Scotland and that the UK Government’s proposed immigration system highlights

“just how out of touch”

UK Government ministers are with businesses? How do you respond to that, secretary of state?

Alister Jack: I can understand why he feels that there is an issue. I have acknowledged that, for certain sectors, there is an issue, and we absolutely intend to address that. I think that his sector is fish processing. Is that right?

Annabelle Ewing: Yes. The company is an award-winning seafood processor.

Alister Jack: I would encourage him to get in touch with either the Scotland Office or the Home Office, and I would be very happy to explain to him why he will still have access to the labour that he requires in the fish processing industry, as I outlined in the article that I had in *The Herald* last week. Either there is a misunderstanding or it is possible that he is upset about the fact that he will have to pay a little bit more money going forward, but I am not going to make any apology for that. As I said earlier, I think that, if someone is standing in a cold factory processing fish, they deserve to be paid £20,000 plus. I think that £20,480 would be the lower level if it was on the shortage occupation list. That is above the national minimum wage, but it is still below the Scottish living wage. I would argue that we should be paying at least the living wage for someone doing such a job. We should be trying to increase people’s salaries.

In the past, there has been a tendency for us to bring in cheap migrant labour, and people have

come on the basis that they get access to our national health service and our benefits system. As you know, going forward, the rules will be that people make a contribution to the NHS for the first five years, and then that will change. However, it is right that, while they are doing that, employers should be paying them more money. We should be proud of doing that. We should be looking to raise wages and not still try to operate a low-wage economy.

Annabelle Ewing: I hear what you say. I will respond to that and then maybe bring in Ms McGregor thereafter. First, to make a sweeping assumption about what motivated—

Alister Jack: I said “maybe”—

11:00

Annabelle Ewing: I am sorry—this is my shot. I think that, to make a sweeping assumption as to what motivated Mr Leigh to make the devastating comments that he made, and to make the assumption that his position is based on wages shows a lack of prudence, if I may say so, on the part of the Secretary of State for Scotland.

Alister Jack: It is a guess.

Annabelle Ewing: You might wish to reflect on that and speak to Mr Leigh directly, because I think that you might be traducing his position. Be that as it may, the Scottish Government proposes a real living wage—

Alister Jack: Could you explain better what his position is?

Annabelle Ewing: I do not think that the UK Government is proposing a real living wage as yet, as a matter of policy.

On the statement that you made about people—Europeans—coming here to get access to our health service, that level of debate about the participation of EU nationals in Scottish economic life and Scottish life is really pretty poor from the Secretary of State for Scotland.

Alister Jack: I did not say that. You are putting words into my mouth. What I said was—

Annabelle Ewing: I think that the *Official Report* will show that you made that point.

Alister Jack: What I said was that bringing in migrants on lower wages that the local, indigenous labour force would not accept and driving wages down because of the other benefits that people get in this country that they do not get in their own countries should stop. The trade unions have cited many examples of, and have made many accusations about, that practice. That was made very clear to me in a stakeholder engagement meeting last week. I accept what the trade unions

say and the research that they have done. I am saying that, if that practice is going on, I have no compunction in saying that it should stop. We should pay people proper wages for doing a proper job. That is what I am saying, so do not put words into my mouth.

Annabelle Ewing: Okay. Well, I think that—

Alister Jack: I said “if”. I did not say that Mr Leigh was making that statement in what he said about the UK Government being out of touch. If his concern is about increases in wages, I am very happy to discuss that with him and debate it. Regarding access to labour for fish processing plants and similar things, those jobs are on the skilled list. The cap is coming off and we are reducing the threshold on the tier 2 visa limit. There should be no concern about access to labour.

Annabelle Ewing: What input did you have into the UK’s recent policy paper?

Alister Jack: Which policy paper?

Annabelle Ewing: The paper on the UK’s immigration policy.

Alister Jack: I made my position very clear in Cabinet. It was the first Cabinet meeting after the reshuffle, on a Friday morning, and I remember it quite well. I understand the points-based system and I think that it has many merits. In the white paper that made the case for independence in 2014, the Scottish Government proposed a points-based system. We agree with the Scottish Government of that time that a points-based system is a good way to move forward. However, I raised my concerns about tourism, hospitality and seasonal workers in 2014, and I continue to raise my concerns about that. I am proactively looking for a solution.

Gillian McGregor: The Home Office faces the challenge of designing an immigration system for the whole of the UK. As the Secretary of State for Scotland has noted, there are different challenges in different parts of the nation.

I will push back on the suggestion that proposals that have been put forward by the Scottish Government have been dismissed out of hand. I do not recognise that at all. It is very much the case that colleagues in the Home Office have engaged extensively with businesses and stakeholders in Scotland, and we speak to Scottish Government colleagues all the time. I want to make it clear that some of the feedback that we get from Scottish businesses during the events that we hold and the engagements that we have is that the thought of having different systems for different parts of the UK would be quite confusing and difficult. That is not to say that—

Annabelle Ewing: I do not know whether Ms McGregor has noted that a series of bodies in Scotland—NFU Scotland, the Scottish Chambers of Commerce, the Scottish Seafood Association, the Federation of Small Businesses and the Scottish Tourism Alliance, to name but a few—greeted the UK Government’s position on immigration with total dismay. The fact is that the Scottish Government put forward, in a carefully considered paper, proposals that sought not to upset the devolution settlement but to find a workable way forward. From memory, I think that the proposals were made on a Monday and had been rejected by the Tuesday morning. That does not indicate that there is any evidence of careful consideration by the UK Government.

I return to an important point that the secretary of state made. He said that he spoke up for Scotland in the Cabinet. Did he advocate a rural pilot, for example?

Alister Jack: I have discussed with other members of the Government the pilot for remote and rural areas that the Migration Advisory Committee suggested, but I have also discussed other ideas. I will not go into the detail of those ideas today, because they are work in progress and I do not want to jump the gun.

Last week, I met not only the stakeholders that you mentioned but many more. They were unanimous on one thing: they would not like immigration policy to be devolved in any way; they want it to remain reserved and a UK-wide matter. I agree with them. We will not devolve immigration policy and, as I said much earlier in my evidence, we will look for a UK-wide solution.

Annabelle Ewing: I hear what you say: you will not be devolving immigration. With all due respect, however, ultimately, that gift will not be in your hands.

Alister Jack: Why is that?

Annabelle Ewing: It will be a matter for the people of Scotland to decide.

Alister Jack: Well—

Annabelle Ewing: On the important issue of a regional approach for Scotland, which is what people want, the Scottish Government’s proposals would not at all upset the constitutional position on immigration. The Scottish Government simply proposed a workable solution. Given Scotland’s particular needs, such as those relating to the ageing population and those that have been expressed strongly by the agriculture, fishery and hospitality sectors in particular, why is the secretary of state not advocating a regional approach for Scotland? Scotland is not a region of the UK; it is a nation that has particular challenges

in those areas. Why is our position not being respected?

Alister Jack: It is being respected. I have raised the problems with the S code and said why those could become a problem for the Home Office. Clearly, there is freedom of movement within the United Kingdom, which is completely right, but the S code is about where someone's house or address is, or it might be about their PO box number; it is not about where they work. That is where that solution falls down.

We want to find a solution, and we are actively working to find a solution that works for the whole of the United Kingdom—all four nations and all regions within them. Earlier, I made it very clear that the way forward is to find a system that works as well for people in north Wales as it does for people in the north-west of Scotland, and that works as well for people in Cornwall and Somerset as it does for people in Angus and Northern Ireland. It is important that we get that right. When people come to work in this country, they should be able to do a job and to move to work in a similar industry in another part of the United Kingdom, if they want to do so. We should not tie people to one region or one nation.

Annabelle Ewing: I hear what the secretary of state has said about the technical issues relating to the Scottish Government's proposal on the Scottish visa, but I imagine that there would be many ways of resolving them. The secretary of state's response suggests that there has been a written analysis of the Scottish Government's policy paper. Can he confirm whether that is the case? If it is, can we be provided with a copy of that analysis?

Alister Jack: I cannot say what analysis the Home Office has done of the proposals, but we, in the Scotland Office, have read, debated and discussed them. As I said, we have come to the conclusion that we need a UK-wide solution.

Annabelle Ewing: Has anything been written on a piece of paper?

Alister Jack: The deputy director of policy and I have spent a lot of time on the subject. I cannot say any more than I have said already. Does Nick Leake want to add anything?

Nick Leake: We have not carried out a public consultation or asked for the public's response, and it would not be the Scotland Office's responsibility to do that. Some of the analysis in the Scottish Government's paper chimes with our own. The analysis of the demographic challenges that Scotland faces builds on Christina Boswell's very useful report, which fed into the MAC's proposal on a rural pilot that was mentioned earlier.

All that is being looked at, but the S tax code is not designed to be an immigration measure. That is not its purpose and it is not used for that. It would not work to pick a code that has been designed to manage the tax system and use it to manage immigration control.

The Convener: We will have to move on. We have invited Priti Patel to give evidence to the committee on that subject. It would be very helpful if you could make any representations to her on our behalf, as we would like to hear the Home Office's view at first hand.

Beatrice Wishart (Shetland Islands) (LD): Secretary of state, you said that fisheries would not be traded off against any other priority. How likely is it that the UK will give EU fishing fleets access to UK waters in order to gain a better deal for financial services?

Alister Jack: We will not do that. We will give EU fishing fleets access to UK waters, but on the basis that we are an independent coastal state. We will go to the agriculture and fisheries council, along with the devolved Administrations, and we will work together as we do at present. However, we are not trading off access to waters for financial services or anything else. That is a guiding principle in the negotiation.

It is kind of you to give me a chance to talk about this, because there are many misconceptions about our fishing waters. We go to the agriculture and fisheries council and have a debate about access—such as for French and Spanish boats—but the UK also has to cut a deal with the Icelanders and Norwegians, as does the EU.

Fish do not have boundaries. We had the cod wars many years ago—the cod will go north or come south, and we have to work together. The fishermen in Kirkcudbright, in my constituency, will get their scallops off the Brittany coast at certain times of the year; likewise, scallop fishermen from Brittany will come to the UK or Isle of Man waters.

We understand completely that there have to be trade-offs. We are not saying that we will deny access to UK waters, and we will make that very clear in the negotiations.

I have spent quite a bit of time working on that with the negotiating team because I take interest in what is important to Scotland. This issue is absolutely critical to Scotland because, over a period of 10 or 20 years, we can increase the number of our boats that fish in our waters and we can increase with certainty the number of our processing plants. That is because we will go to the International Council for the Exploration of the Sea for the science as we go forward. We will do zonal attachments and change the way in which we negotiate to use the science, as the

Norwegians do. At the moment, for example, cod stocks are very low, so we do not run our stocks too low. We have a sustainable fishery, which is important for the industry and the environment.

Beatrice Wishart: There is some conflict in the fishery sector about the reliability of the ICES science, although I will not get into that.

Alister Jack: If the ICES science is incorrect and there is something better, I am all ears. I will make the sector's case.

Beatrice Wishart: I will change tack slightly. Fisheries are not just about fish that are caught in the sea but about aquaculture, salmon exports and shellfish. I represent Shetland's fishing community, and 80 per cent of Scottish mussels are grown in Shetland. Can you comment on concern about how that community will continue to export?

Alister Jack: In terms of the free trade agreement, exports will continue as now. When there was the risk of no deal up to 31 October, the Scotland Office put a lot of effort into how to get exports to market. It is all about the short straits: the fish that leave Scotland go in refrigerated lorries through the short straits from Dover to Calais—mainly between midnight and 2 am through the Channel tunnel—to get to the Boulogne fish market by 4 or 5 in the morning.

Those are strong markets. In the FTA, medicines came one way and we agreed that the equivalent transport going the other way would be that of shellfish and fresh fish. We recognise that getting to markets is important, as is keeping markets open.

I mention what would have happened after 31 October 2019 because it is still possible that French fishermen could blockade the port of Calais, causing a problem for the ferry system, when there is an annual negotiation and they do not get a guaranteed 10, 20 or 30 years access to our fishing waters. However, we will still prioritise fresh fish and shellfish going through the short straits of the Channel tunnel—fishermen cannot blockade that—in the hours between midnight and 2 am to get to the Boulogne fish market. That is still on our radar and the planning committee has not lost sight of that.

11:15

Gordon Lindhurst: European Union countries, as a matter of standard, have systems in place for individuals to register where they live and to register if they move. Other requirements include that of an individual to produce identification documents for the police on request, and the police do not need grounds for such a request. When about 1 million asylum seekers and migrants came suddenly to Germany, for example,

the country changed the law within months so that those individuals were required to carry ID in order to be treated equally with German citizens.

Scotland and the UK do not have in place such systems, which allow for differentiated immigration requirements or treatment in different parts of EU states. Has the Scottish Government made any proposals or indicated in what way it would change the law, administrative systems or the rights of individuals in Scotland so that a system such as that which Annabelle Ewing suggested could be introduced?

Alister Jack: I am not aware that any such proposal has been made to the Home Office. In Whitehall, the way that the system works means that departments would have circulated to us anything that involved Scotland. The director of the office might know differently, but I have not seen anything directly.

Gillian McGregor: I have not seen anything directly either. The particular proposal on differentiation and on the S tax code set out the benefits of that system without going into the detail of what would happen if people did not abide by it.

Gordon Lindhurst is absolutely right. I remember the drive to abolish identity card systems in 2010 when the coalition Government came in—that Government's ethos has continued. It is a hugely practical issue, which requires a totally different approach in Scotland and the rest of the UK. I have discussions with my Scottish Government colleagues all the time, and I am not sure that they would have that kind of regime in mind.

Nick Leake: I think that Mr Lindhurst knows that I was deputy ambassador in Berlin before I came to the Scotland Office. I am aware of the German system, and you are right to say that Germany runs a system—similar to a points-based one—that allows car workers to gain more access to immigration when they go to Baden-Württemberg, where the car factories are, than when they go to Hamburg, where there are no such factories.

That system works only because Germany has additional internal controls, which are appropriate to a country with a huge green border that it cannot police or control in the way that we can control our borders in the UK. The only way that a person can arrive in the UK, or in GB, is on an aeroplane, on a boat or through the Channel tunnel. We can police our borders more effectively than Germany can, so we have chosen—for the civil liberty reasons that you and my director have outlined—not to go down that route in the UK.

However, you are right: a differentiated immigration system would require considerably more internal control.

Gordon Lindhurst: I will sum that up. In effect, given the secretary of state's previous comments, you are saying that an immigration system is not just about who you allow or bring in to work in the country, but about what happens in the country, which includes the services to which the people who come to work here are entitled, where they work and so on. It is not as simple as saying that we will allow certain individuals in to work.

Alister Jack: Yes—we definitely agree with you on that.

The Convener: Kenneth Gibson has a supplementary question.

Kenneth Gibson: So far, I have asked only a supplementary question, so this is my main question. You mentioned the A75 and A77 in relation to infrastructure issues. The Prime Minister has suggested that, as a Brexit bonus, a bridge between Northern Ireland and Scotland could be built at a cost of £15 billion to £20 billion—although I do not know how they will bridge the three-and-half-mile wide, 1,000-foot-deep Beaufort dyke gap, but if—

Alister Jack: I can help you with that.

Kenneth Gibson: I hope that you can. If the proposal does not come to fruition—the Scottish Government is certainly sceptical about it and considers that £20 billion could be better spent—would the estimated cost be allocated to the Scottish Government so that it could invest in other infrastructure projects, including for the A77 and A75? Frankly, I am sure that that is what your constituents would prefer.

Alister Jack: That is an excellent question. I did not think that I would be asked about this subject today, and I am delighted that I have been.

I can clear up a few things. We must remember that—I want to get out this point immediately—Mike Russell, who is now the Cabinet Secretary for the Constitution, Europe and External Affairs, had a big, big splash in one of the newspapers in 2018 when he talked about the need for a bridge from Scotland to Northern Ireland. He was quite keen on the proposal then—you can certainly read the article online.

I am very keen on the idea now. However, I am not keen on building a bridge; I am keen on building a tunnel. That would be no different to the tunnels that connect the Faroe Islands or the tunnels that go under the fjords. A tunnel would remove the problem of Beaufort's dyke and the munitions dumped there—allegedly, 1 million tonnes of world war two munitions were dumped there—and it would deal with the problem of weather. If there was a bridge, because of the weather or the wind, there could easily be 100 days a year when that bridge would not operate.

For me, the bridge is a euphemism for a link, which is a tunnel. Tunnelling techniques are quite advanced. Knowing what we know of the geography of the North Channel, it would be less expensive to tunnel from south-west Scotland to Northern Ireland. It goes without saying that, if there is to be a tunnel, before that is completed, the A75 and A77 would have to be upgraded. A tunnel would be of huge advantage in relation to those roads.

South-west Scotland's economy has the lowest gross value added per head of population in the UK, and a tunnel could only help us. There would be advantages for the Northern Ireland economy. There would also be advantages because people would be able to get from Carlisle to Belfast or from Glasgow to Belfast considerably more quickly than they can now.

Kenneth Gibson: I have been through a few of the Faroese tunnels—they are quite magnificent. However, we are talking about a tunnel that would be on a much greater scale than they have achieved in the Faroe Islands. A tunnel across the North Channel would also be far, far deeper. We would have to tunnel down 1,000 feet—

Alister Jack: That is why I mentioned the fjords.

Kenneth Gibson: Yes, but there are also issues to do with avoiding people being asphyxiated in a 20km long tunnel and so on.

Alister Jack: It would be the same distance as the Channel tunnel—22 miles.

Kenneth Gibson: Yes, I appreciate that—

Alister Jack: And, as best as I know, we are not asphyxiating people in the Channel tunnel.

Kenneth Gibson: To be fair, I think that that is correct. However, we are talking about far greater depths than is the case with the Channel tunnel.

Alister Jack: Air exchange systems work, and there are longer tunnels. Depth is not the issue. Once you are underground, you are underground. The issue is the distances, and there are much longer tunnels in China for example.

Kenneth Gibson: The question remains that, if that does not go ahead—because, for whatever reason, it proves to be unfeasible—would the money come to Scotland for other infrastructure? England is getting £109 billion invested in HS2, which stops at Leeds and Manchester. Would get Scotland get additional infrastructure—

Alister Jack: I would like HS2 to come up the spine of the United Kingdom.

Kenneth Gibson: In our lifetimes?

Alister Jack: It would be wonderful in my lifetime, and I am not looking very healthy.

Kenneth Gibson: Does it look like it will?

Alister Jack: I would like HS2 to come up through the spine of the country and I would like a tunnel to connect south-west Scotland to Northern Ireland. However, there will be a Barnett consequential from HS2, as there is from crossrail—I mentioned earlier that the consequential from that to the Scottish Government was north of £90 million this year.

Those are massive amounts of money. I cannot and will not tell you how the Scottish Government should spend that money. It will get a consequential payment, as it has already had from the HS2 exploratory work. I will not tell the Scottish Government how it should spend the money because that is not in my remit. It is up to the Scottish Government to decide whether it wants to spend it on infrastructure or on something else—it is entirely its call.

Kenneth Gibson: However, the money for the bridge or tunnel would not be ring fenced only for that infrastructure. For example, if it is decided to allocate infrastructure funds, can the Scottish Government decide—

Alister Jack: I will stop you there. The tunnel—we are not talking about a bridge—is at the discussion stage, and it may move to the feasibility stage. In the interim, we can start to have debates about whether it would be viable and whether it would help the Northern Irish and Scottish economies and about the benefits, as there are two nations, or specific interests, involved.

I completely appreciate your point about whether the money would be better spent elsewhere, and that decision will be for Government. Once we have better sight of the costs that would be involved, such as for tunnelling, and if the Prime Minister decides to press the button, as it is entirely his decision, we would engage with Stormont and Holyrood in order to get a better understanding of the benefits and challenges. We would not ride in roughshod and slam a tunnel in—by the way, under the devolution settlement, nor can we.

Kenneth Gibson: If not, would Scotland get those funds for other infrastructure projects? That is the point that I have been trying to ask about.

Alister Jack: That is a matter for the Treasury and the Prime Minister. I admire you for pressing the case and you are quite right to do so. If I were in your shoes, I would do the same.

The Convener: We are going into a bit of a tunnel in terms of the questioning. I will bring in Stuart McMillan.

Stuart McMillan: I want to clarify an issue with regard to fishing. Is it a red line for the UK Government?

Alister Jack: We do not talk about red lines. Your question is very fair—funnily enough, no one has ever asked me it before, which is bizarre; I thought that they might have done. I will again go back to what I said about negotiating deals in my business career. I never had red lines and always tried to leave the door open to get to a solution, if that makes sense. Even when there was a stand-off, I would try to leave the door open; it is important to do so to try to get deals done.

We are not talking about red lines here, and I will never set red lines. In my career as Secretary of State for Scotland, I will set out what I believe are guiding principles and objectives and I will work hard to achieve them. That is where we are. We have said that we will not trade off our fishing for anything else in this deal, and we have been very clear that we want a Norway deal. I understand from the negotiating team and from what the Chancellor of the Duchy of Lancaster said in Parliament last Thursday—the position is not mine, as I am not in the negotiating team—that we would walk away rather than trade away our fishing rights. You can determine that as a red line, in your language, if you want to, but that statement was made in the negotiating position and objectives paper that was released.

I am not a fan of the words “red lines”. Although our position is that we will not trade away fishing and we have made that crystal clear, I think that red lines get people’s backs up a little bit, and then they set red lines. Once people set red lines, they start arguing about everything and anything.

There are a number of things that we have to negotiate and agree to our mutual benefit, and we should be careful not to be too confrontational. We have had the difficult bit, which was 31 January, and we have now moved on to an environment where we want to co-operate and work with the EU as partners and build a strong trading relationship.

11:30

Stuart McMillan: To clarify, you do not like using the words “red lines”, but—I quote what you said earlier—you will not “trade off” fishing. At the same time, it will be up for negotiation with the EU in order to get some type of deal going forward.

Alister Jack: No. The position is—

Stuart McMillan: The door is going to be left open, as you said a few moments ago.

Alister Jack: I think that I covered that. In leaving the door open, what we are saying to the EU is that the Department for Environment, Food and Rural Affairs minister and the ministers from the devolved Administrations will come to the fisheries council to negotiate access to our waters.

We are absolutely not saying, “By the way, come 2021, you’re not going to fish in British waters anymore.” We understand that we have to come at this in a practical way. We want access to their waters and they want access to ours. That agreement exists with Norway and Iceland, and we believe that it is the right agreement for the United Kingdom. We actually believe that it is quite achievable.

We understand that the French are upset about that and are digging their heels in, but they are not the EU negotiating team. I think that the EU negotiating team will understand that the French have to speak out on behalf of their fishermen, and I understand that. However, the negotiating team will also understand that, in practical terms, what we are offering, which is no different from what Iceland and Norway are offering, is completely reasonable for a sovereign nation.

Stuart McMillan: So it is about negotiating access to UK and Scottish fishing waters. There will be an opportunity for—

Alister Jack: The place for that negotiation is the fisheries council, not the EU trade negotiations. We will not trade off our fishing for something else in the EU trade negotiations. We are very clear to them that, if they demand a trade-off for our fishing, that will be, for us, a non-starter. They absolutely know that. However, we are saying that we are very happy to go to the fisheries council as an independent coastal state and discuss access to our waters, as appropriate, based on sustainable fish stocks and all the other factors that come into play.

Stuart McMillan: Another issue is the Erasmus+ scheme. The Canada deal has been spoken about, but Erasmus+ is not part of that. Can you confirm today that the UK will continue to have some type of agreement on Erasmus+? I ask that question as somebody who benefited from taking part in the scheme.

Alister Jack: There are a number of schemes including horizon, Copernicus and Erasmus, and all that I can confirm today is that we are in discussions with the EU about participation in them. As to what the final outcome will be, I am sorry, but I would be jumping the gun if I commented on that.

Erasmus+ has enormous benefits and lots of people have benefited from it. Were we not to come to an agreement on participation in Erasmus+ for whatever reason, I would press hard for us to put in place a similar scheme that would both work domestically for students in the UK university system and enable students to go to the EU and America, where there are very good universities.

My personal position is that Erasmus+ should be means tested. It should be students from less-well-off backgrounds who benefit from it. If we have to replace it, something else should be put in place that achieves the same things, if not more. It is fair to ask what the outcome will be, but I cannot answer that. All that I know is that the scheme and many other European projects are under discussion.

Stuart McMillan: You said that you believe tourism to be important, and it is. My next question, which I put to the cabinet secretary a couple of weeks ago, is on marine tourism and marinas in Scotland.

A growing number of people from EU nations have been sailing into Scottish marinas and taking part in marine tourism activities. Given that there could be a situation where border checks take place at marinas, will the UK Government pay for any additional infrastructure that will be required across the sector?

Nick Leake: That is quite a detailed issue, but I note that checks on people at UK borders will not change, so I do not understand—

Alister Jack: The question is about marinas, and people sailing in on a pleasure boat.

Nick Leake: At present, someone who is French who arrives in the UK has to show a passport. After Brexit, someone who is French who arrives in the UK will have to show a passport, so I am not sure what the change is. Maybe you can explain that, and then we will probably have to get back to you on it.

Stuart McMillan: The issue has been raised in the cross-party group on recreational boating and marine tourism, which I chair. There is a fear that, particularly in the north-east of Scotland, where people come in from the Scandinavian countries and Germany—and numbers have been increasing—additional barriers will be put in place and, as a consequence, there may be additional costs for the sector. I would be grateful if you could write to the committee about that.

Alister Jack: Yes—that is fair. Nick Leake, who is a bit of an expert on these matters, will look into that and I will write to you.

The Convener: Thank you for your evidence today. We look forward to your coming back to give evidence to the committee as we continue the yin and yang of the negotiations on our future relationship with the EU over the course of this year.

11:36

Meeting continued in private until 11:36.

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