



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 25 June 2020

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
16th 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:

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)

Rt Hon Michael Gove MP (Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office)

Patrick Harvie (Glasgow) (Green) (Committee Substitute)

Bettina Sizeland (Scottish Government)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

Virtual Meeting

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 25 June 2020

[The Convener opened the meeting at 09:00]

Tourism (Covid-19 Impact)

The Convener (Joan McAlpine): Welcome to the 16th meeting of the Culture, Tourism, Europe and External Affairs Committee and our seventh remote meeting. I have apologies from Ross Greer, and am pleased to welcome Patrick Harvie as a substitute member today.

Our first agenda item is evidence on the impact of Covid-19 on the tourism sector. I welcome Fergus Ewing, Cabinet Secretary for Rural Economy and Tourism and, for Scottish Government tourism and major events, Bettina Sizeland, deputy director, and Duncan Mackay, sponsorship manager.

I remind members to give broadcasting staff a few seconds to operate your microphones before beginning to ask a question or provide an answer. I would be grateful if questions and answers could be kept as succinct as possible.

Before we move to questions, I invite the cabinet secretary to make a brief opening statement.

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism): Good morning, everyone. I think that it is safe to say that, of all the sectors of society and the segments of our industry, the tourism sector has been hit the hardest by the pandemic. It is impossible to overstate the problems that it has caused for people's lives and livelihoods. The effect has been severe and catastrophic, so this morning we are dealing with an unprecedented situation.

Ministers are listening very closely to business. I spend the majority of my time engaging with businesses as groups and individuals to ensure that we are doing everything that we can to help them through the pandemic. The £2.3 billion financial support package has provided an invaluable bridge to mitigate the financial hardship that so many have suffered. However, I am conscious that that job is not yet complete. As Kate Forbes, Cabinet Secretary for Finance, said on the radio earlier today, we need to provide more support to more people to help them through the crisis.

The sector has been in dire need of positive developments. We all need to see hope and light at the end of what has been a long tunnel. Therefore, I was pleased to announce to Parliament on 10 June that, subject to the pandemic being brought under sufficient control, we plan to reopen the tourism and hospitality sector from 15 July, which I believe was broadly welcomed.

It is important to say that that approach did not deviate from the route map; it provided as much certainty as we could at that stage. There was further good news for the sector yesterday when the First Minister announced that there would be relaxations of restrictions on travel and self-catering and other self-contained accommodation from 3 July and outdoor hospitality from 6 July, subject of course to the science being with us. Those measures, which unlock major components of our tourism and hospitality sector, have also received a warm welcome from the sector.

I have announced the establishment of a tourism recovery task force that will bring together many parts of the sector. It will meet for the first time virtually this afternoon and will have just over 30 members from across an extremely diverse sector. It is important that it does its work fairly quickly; we need to bring forward a number of measures sooner rather than later, so I envisage that it will be a short-life working group.

Guidance for the sector was published on 18 June. I put on the record my appreciation to the industry in particular for helping my officials with the good work that they did to get the guidance out to the sector to help it make the necessary preparations for restarting. The guidance sets out our risk-based approach and the core public health measures that will need to be taken to allow safe reopening: establishing physical distancing, including organisational capacity; queue management, signage and markings; enhanced hand hygiene measures and cleaning practice; advice on workforce planning, including training and equality issues; and guidance for customers, to ensure that they know how to plan ahead and engage safely with the sector.

Finally, I continue to engage with the United Kingdom minister Nigel Huddleston and colleagues from Wales and Northern Ireland. Although the discussion of that forum—which I think meets next on Tuesday next week—is turning more towards reopening and recovery, we are clear with the UK Government that we cannot divorce that on-going consideration from the vital issue of the support that the sector needs in terms of direct funding and extension of the coronavirus job retention scheme—into next year in some cases—given the seasonal nature of so much of

our tourism business, especially on our islands and in our remote rural locations.

I have sought to cover a lot of ground. I am sure that we will come back to each of those matters. I and my officials Bettina Sizeland and Duncan Mackay will do our best to answer the committee's questions.

The Convener: Thank you for your opening statement, cabinet secretary. With regard to your discussions with the UK Government minister about providing a long-term support package for the tourism and hospitality industries, where are we on your request for reduced rates of VAT? Also, returning to a matter that you discussed with the committee at a previous meeting, where are we with solutions to insurance company issues?

Fergus Ewing: We have certainly raised with the UK Government the industry's longstanding concerns about the impact of VAT and business rates. There has been no direct response yet.

I should say that the discussions are constructive and amicable in tone. Nigel Huddleston has a good grasp of the problem—there is no doubt about that. I welcome the extension of the furlough, and I think we all do. We are trying not to approach this from the workaday, status quo ante approach of partisan tribalism—quite the opposite. We have a real-life catastrophe here. It is evident to me that we really need to do more if we want businesses to survive. Nigel does, I do and so does everybody else.

Where are we? I am hopeful that the UK Government will listen to the case for VAT reduction as it is a strong case indeed. Similarly, business rates have been a huge burden, particularly on hotels, pubs and clubs. For a long time there has been a recognition that they pay a particularly high level of business rates.

On the business interruption issue, we understand that a test case is under way. I have participated, with Fiona Hyslop, in discussions with the Association of British Insurers. We are waiting for the outcome of the test case, but I really think that the UK Government could do a little bit more to put direct pressure—perhaps from the Prime Minister himself—on the insurance sector to do the right thing. There must be in business a moral element as well as a purely commercial element. In this crisis, the excuse that the insurers offer that, "We are not paying out on your claim, because this is the wrong sort of pandemic" just does not cut it, does it?

The Convener: No. I think that all members, right across the political spectrum, have mail bags full of instances of businesses being affected by that attitude from the insurance business.

I will focus again on the Scottish Government's plans for recovery. When will the recovery phase section of the Scottish tourism emergency response group national action plan be detailed? Will there be a commitment to implement the recommendations from Benny Higgins' advisory group on economic recovery that are relevant to tourism? Mr Higgins' recommendations were ambitious with regard to the jobs guarantee, investment in digital infrastructure and that emphasis on young people.

Fergus Ewing: The answer to your first question is as soon as possible; we need to get on with that. Benny Higgins was clear that at number 1, in pole position, are our young people. As always, more people are coming on to the jobs market this year, and we need to provide them with hope—a job, a training opportunity, a course, a university or a college. We cannot have a lost generation in Scotland, and tourism has a part to play. The faster, better and fuller the recovery in tourism, the better it will be for helping young people. That is why Benny Higgins' two recommendations that VAT should be reduced and business rates should be looked at are so important. They will be discussed by the task force, which, as I said, hopes to bring forward its recommendations in fairly short order.

The Convener: Thank you for that, cabinet secretary.

Claire Baker (Mid Scotland and Fife) (Lab): I will first ask about the guidance that was published last weekend. Stephen Leckie was also on the radio this morning and you will be familiar with the argument that the 2m rule should be reduced to 1m to allow businesses to be more viable. The guidance is flexible; it is a route map for the sector but it is not specific about what businesses need to do. Are you confident that the situation can be monitored and the guidance enforced, and that it will be robust enough for visitors to be confident that their safety is protected?

The guidance did not give clarity on access to toilet facilities. You have said that outdoor hospitality will open on 6 July but when will businesses know whether they can give customers access to facilities?

Fergus Ewing: Thank you for that question. The guidance was issued timeously on 18 June, which is the date that we said it would be issued on. It was produced after a huge amount of work with the industry—in particular, with Kate Nicholls of UKHospitality. I thank that association, because, behind our guidance, there is the UKHospitality guidance for eight segments of the tourist industry, so there is more specific guidance for different types of premises. You rightly say that our guidance was overarching; that is because it was intended to be for the whole sector. However,

there is more specific guidance about the nuts and bolts of self-catering, visitor attractions, hotels and bed and breakfasts. I do not think that there is any shortage of guidance.

The second question was about the advice on toilets. Obviously, at the moment, public conveniences are not open, because of the lack of capacity for social distancing. We recognise the need for clarity on that and—for obvious reasons, prior to the lifting of the travel restrictions—I have been raising that issue with my colleagues this week. I would be grateful if I could refer to Bettina Sizeland or Duncan Mackay, in case they can provide more information on that matter, which is important and is in hand.

Bettina Sizeland (Scottish Government): The issue of toilets impacts on many recreational activities. Colleagues within the Scottish Government are working on further guidance to ensure that toilet facilities can be reopened safely. I do not know when that guidance will be issued. We can provide a written submission to confirm that.

09:15

Claire Baker: It is not the most edifying subject for a Thursday morning, but there have been complaints. People are out and about more and the lack of access to toilets has led to complaints about some people's behaviour. The sooner that that is matched up to the proposal that beer gardens and so on can open, the more welcome that will be.

I have asked a number of times about the pivotal enterprise relief fund. Although it is an overarching fund for all businesses, it has been suggested that it would benefit the tourism sector. We do not yet have details of who has received money from that fund. I understand that Scottish Enterprise is meant to be preparing a list, but that that is taking a while. I have heard concerns—as other members will have—that the fund has not reached the tourism sector. Can the cabinet secretary give any assurance about the support that has been provided?

Fergus Ewing: That is a perfectly fair question. The pivotal fund has been designed to provide support in Scotland. I think it is unique to Scotland that the fund grants support to businesses that have premises with a rateable value above the threshold of £51,000 in Scotland. Some larger businesses in Scotland, such as hotels, which tend to be major employers, were not getting access to the £25,000 grant for businesses with rateable values up to £51,000. We felt that those businesses, although they had access to the furlough scheme, nonetheless had fixed costs that they had to meet.

The point was to provide a bridge to the other side of all this financial hardship. We felt that the bridge was necessary. There is no counterpart scheme south of the border. It is clear that the demand for the scheme, across the three agencies that administer it, far outweighs the available supply of finance. I know that many businesses have received help and, subject to the usual rules about data protection and confidentiality, we will be as transparent as possible. That is what the First Minister announced in the first statement that she made to the Scottish Parliament about Covid. We want to be transparent, subject to the rules about confidentiality.

We are not quite there yet because the applications are still being processed. We are still trying to get the money out and considering what more we can do. I am acutely aware of the number of business people, some of whom will be watching these proceedings, who are thinking, "That's all very well if you've got some assistance, but we haven't. What about us?"

A lot of my time in the past few weeks has been spent trying to ensure that support is provided. That task is being taken seriously by all three enterprise agencies. I am responsible for South of Scotland Enterprise and I have had numerous conference calls with Highlands and Islands Enterprise to ensure that we do the best that we can.

There is no pivotal fund in England. We are providing support in Scotland that has no counterpart, as far as I am aware. That is because we thought that it was the right thing to do. I believe that profoundly. The businesses assisted will be helped across the bridge and to the other side. That is the whole point.

The Convener: Thank you, cabinet secretary. Oliver Mundell has the next question and he will be followed by Beatrice Wishart.

Oliver Mundell (Dumfriesshire) (Con): Cabinet secretary, a number of my constituents are still having difficulty accessing the bed-and-breakfast hardship fund. The local authority tells them that they are not eligible on the basis that they have received, in some cases, quite small payments through the self-employment income support scheme set up by the UK Government. Are you able to clarify from the Scottish Government's point of view whether that was the policy intention and people are to be denied B and B hardship fund support on the basis of having received small payments from another scheme? The payments that they are receiving do not cover the costs associated with their businesses and will not get them through to the point at which they get bookings again.

Fergus Ewing: I thank Mr Mundell for raising that very serious point. It is a good point that I am familiar with. If all B and Bs that are businesses, by which I mean that if the owner or the owners—typically, it could be a couple, or husband and wife running a B and B between them—are running it as a bona fide business and it is their sole source of livelihood and not a hobby, not Airbnb, and not a second home, the aim is that they should get that help because they will have suffered because they have had no business during lockdown. That is the principle.

We found that the lack of a business bank account was a problem for some. When we set up the hardship fund, it took that into account and, provided that businesses could demonstrate that they were in fact businesses, using various formal means such as tax returns and other details of operation as a business, they should qualify.

However, I became aware some businesses that had received money under the UK self-employment income support scheme were saying that that was being used as a reason to deny them access to the £3,000. There seems to be a reasonable argument that, if they receive say £200 from the self-employment scheme, they would have a case for receiving the remaining £2,800. I have put that argument into the mix with my colleagues and we are working on it at the moment. There is a reasonable case for that. If you and those in other parties believe that that is so, please pitch in.

Incidentally, the median payment from the comparable fund down south is £2,900, so although the sum of £3,000 is not huge, it is a lot better than a few hundred pounds.

Thank you for raising the point; I appreciate it. It is important. I do not think that it has been dealt with fully, to be quite candid. I do not want to shirk the question. I want to try to see whether we can afford to sort it out. In that respect, Kate Forbes is making the argument that we need a bit more flexibility around how we can spend our money, so it would be helpful if you could use your influence and your family influence in the UK Government.

Oliver Mundell: I appreciate that answer, and I hope that the money can be found. I think that we are talking about a relatively small amount of money and it should be able to be found from existing funds. However, I agree that more support will be needed in the coming months.

On that note, I have another constituency issue that I think will affect businesses elsewhere, but it has been very acutely felt in Gretna and Gretna Green in my constituency. A number of tourism and hospitality businesses, particularly hotels and other associated businesses, are dependent on the wedding trade. Clearly, weddings will not go

back to normal on 15 July, as described on the route map, but will be on a much more limited scale. Does the Scottish Government have any plans on that? I know that a number of bespoke measures have been put in place but will the Government consider further intervention and support in that area?

Fergus Ewing: I will bring in Bettina Sizeland in a moment just to go over the detail, but suffice to say that I absolutely recognise that Gretna is associated with couples getting married. In general, weddings are a hugely important part of the business of hotels in Scotland, particularly larger hotels. From discussions on the topic with hoteliers, I am aware that many of them have bespoke function suites. Receptions are traditionally held in a separate area of a hotel, such as a conference or banqueting suite or another area with its own facilities such as toilets and, in some cases, kitchens. That means that the guests are self-contained and are in an environment where hoteliers say that they can marshal and steward the guests with relative ease. In many cases, the guests do not mix with the generality of the hotel.

That is not the case in all hotels, but the issue is important to the hotel sector, and it is tied in with the 2m rule. Plainly, operating a hotel reception for 200 guests might well be impossible at the moment with social distancing at 2m. That is the right position according to the public health advice that we have at present, although the First Minister will consider the matter fairly shortly. We all hope that we can make progress on social distancing, as soon as it is safe to do so, but we cannot ignore the science or the fear of a second wave of contagion. We have seen worrying signs recently from all over the globe, including down in Wales, for example. When we can safely change the rule, it will be much easier for hotels to manage, steward and marshal the operation of weddings and other events that involve people celebrating together in fairly large numbers.

We are working hard on the issue. I will bring in Bettina Sizeland again, just to see whether I have omitted anything in my answer to Mr Mundell.

Bettina Sizeland: The route map says that, in phase 2, we will allow marriages, civil partnerships and other ceremonies to take place outdoors, with a limited number of attendees and that, in phase 3, we will relax restrictions on attendances at funerals, weddings and civil partnership ceremonies so that those beyond the close family can attend. The matter will continue to be under review. As Mr Ewing said, one of the major constraints on that at present is the physical distancing requirements.

Beatrice Wishart (Shetland Islands) (LD): I was pleased to hear the comments about funding

for bed and breakfast operators. Just this week, I received representations from a bed and breakfast owner who has not been able to access any kind of funding. That is a real issue across the country.

My question is about guidance for self-catering providers. As we know, they should be able to reopen from next week, but one issue that does not seem to have been addressed is what should be done if a guest develops symptoms while staying in such accommodation. What are businesses supposed to do if they have to keep the guest in the property? Particularly in island situations, there is an issue with accessing health services. Will you comment on that, cabinet secretary?

Fergus Ewing: I am pleased that Ms Wishart has raised that important question. After the restrictions are lifted, if a guest is in a self-catering property and considers that he or she has symptoms, it should be possible to arrange a test through the local resilience group or general practitioner. If the test is positive, the individual should proceed to go home; the individual should not stay where he or she is. They should go home, wherever their home in the UK may be, preferably in a private motor vehicle rather than by public transport.

09:30

The additional issue that Ms Wishart rightly raises as an island MSP is that there will be a need to get the ferry in almost all cases. We have therefore asked the ferry operators to make arrangements to provide for the isolation of any such individual so that they can be separated from the other passengers on the ferry and indeed the staff. Dependent on the size of the ferry—because they come in all shapes and sizes, which I do not need to tell Ms Wishart—that might be easy to do or it might be very complicated, on smaller ferries in particular.

However, the issue has been raised. I raised it with Jason Leitch and I think that Ms Wishart was on the call on Monday this week when the issue was discussed. The relevant Scottish Government official will provide an answer to the specific point about ferries, but the general advice is that if somebody has tested positive for the virus, they should go home. They should not stay where they are, whether it is in a self-catering property or, after 15 July, a hotel or another type of accommodation; they should go home. The business owner of the self-catering establishment must then undertake a thorough clean of the whole premises preparatory to it being occupied by anyone else.

I hope that that is a satisfactory answer for Ms Wishart and we will revert to her and the other

island MSPs with regard to the specific answers about the particular ferries that operate for the northern isles, the Western Isles and the Inner Hebrides.

Beatrice Wishart: Thank you, that is helpful. My second question is on ferry capacity. As you know, the ferry route from Aberdeen is treated by islanders in the same way as a main road on the mainland would be. We are pleased that the tourism industry will be fully open from 15 July. Obviously, ferry capacity is limited at the moment because of distancing requirements. Does the cabinet secretary acknowledge that the island tourism industry might need a little bit more help, given that access to the islands will not be as easy as it was without social distancing rules?

Fergus Ewing: That is important. Businesses on islands may need a little bit more help anyway, but especially because all the challenges that businesses face on the mainland are exacerbated on the islands because of the complication of social distancing limiting ferry capacity.

I very much hope that the science will enable us to find a more bespoke solution to allow the capacity on ferry journeys to be increased. I know how important tourism is for most islands, but in particular, perhaps, Orkney, Shetland, the Western Isles, Arran, Islay and Jura and so on and so forth.

I am also aware that some communities are still a bit concerned about the reopening of tourism and we need to address that concern and make sure that we communicate that safety is paramount. There are various ways in which we will do that. We want to work with Ms Wishart and the other island parliamentarians. We have now had three conference calls with island MSPs. Jason Leitch kindly took part in the last one and gave helpful advice. We will continue with that engagement.

Incidentally, just yesterday I asked that VisitScotland arrange a session for all MSPs—

The Convener: We seem to have lost the cabinet secretary. We will suspend the meeting until we can reconnect with the cabinet secretary.

09:34

Meeting suspended.

09:39

On resuming—

The Convener: Welcome back. We apologise for our brief loss of connection but are delighted to resume broadcasting. We were in the middle of an evidence session with the cabinet secretary, Fergus Ewing, in which we are considering the

effect of Covid-19 on the tourism sector. We move to questions from Stuart McMillan MSP.

Stuart McMillan (Greenock and Inverclyde) (SNP): One issue that has arisen in the Covid pandemic is the many challenges facing coach operators. I know that you are very much aware of the challenges, as you have previously spoken to the committee on the topic. Coach operators provide various services including, for example, trips to concerts, football matches and sports events; some also do school runs. Bearing all that in mind, have you given further consideration to a bespoke package to assist coach operators?

Fergus Ewing: The functions that coaches fulfil are an essential part of the tourism sector for obvious reasons. I have engaged with the Confederation of Passenger Transport UK and had discussions with some of its members and some of the leading coach operators operating in the tourism sector in Scotland. At the moment, there is no bespoke package for them anywhere in the UK, but I have suggested to the UK Government that there should be. I have made that argument to the UK Government, but it has resisted it thus far. We have access to the pivotal enterprise resilience fund, which we discussed earlier. The fund will have been open to coach operators in that bracket. Some of them might not have received assistance from the fund, and there is no bespoke fund.

That leaves us with a significant issue, because the tourism sector is like a jigsaw, and if pieces are missing from a jigsaw, it is not complete. My worry is that the sector, unless we can provide a bit more support for it, might not be there when we get to the other side of the pandemic. We know that cruise liners and rural hotels rely on coach tour operators transporting people. For example, the coach tour operator Shearings, which is part of the InterContinental Hotel Group, announced, sadly, redundancies some time back. Shearings transports visitors who come to Scotland to play golf and operates tours for people who want to enjoy our scenery or study aspects of our ecology.

Coach operators are such an important part of the tourism sector, and I am truly worried that we have not yet found a way to protect them against the economic impacts of Covid. I am afraid that that is a gap in the support. However, I hope that colleagues on this committee and others will approach the topic in a non-partisan way and join our efforts to persuade the UK Government to look again at the issue.

Many coach operators are pretty highly leveraged, having taken out loans to purchase coaches that cost around £700,000 each. Special finance houses provide that finance and I believe that—I will not go into specifics, as that would not be appropriate—those finance houses are aware

of the coach operators' problems and are taking a reasonably sympathetic approach. That is part of the solution. However, the situation is one of the aspects of the crisis that faces us for which we have not yet provided a satisfactory answer that suits everybody.

I am grateful to Mr McMillan, who, of course, has championed the cause of marine tourism in Scotland and the cruise sector in particular, for which coaches are essential for taking passengers to visitor attractions when they land ashore. For the cruise sector to come back, we need the coaches, because the shore tours are an essential method of financing the whole sector. It is all a jigsaw, and we do not want the coaches to be the missing piece.

Stuart McMillan: I posed the question because I am working with a couple of local companies to try to assist them in that regard. One of them has managed to obtain some of the furlough moneys, but the other one has not, in addition to facing other challenges. The problems for the coach sector are both Scotland-wide and UK-wide.

09:45

My second question touches on the marine tourism sector and concerns the furlough scheme. Today, the Cabinet Secretary for Finance was on the radio talking about making a request to the UK Government for additional powers for the Scottish Parliament and the Scottish Government, which will be hugely important to enable us to try to get out of the Covid situation.

The cabinet secretary has also put in a request to the Chancellor of the Exchequer for an extension of the furlough scheme. There is a challenge for the economy—as all of us on this committee are aware, the tourism sector is even more important to Scotland's economy than it is elsewhere in the UK.

Wages will have been paid for a few months under the furlough scheme, but if it is not extended by the UK Government, what negative effects—notwithstanding the work of the Scottish tourism recovery task force, which will meet this afternoon—will that have on employment and on those economies in Scotland that face greater challenges, including over the longer term?

Fergus Ewing: What we wish to do now is help the tourism sector as a whole to make the most of the summer season, and for it to extend into the autumn. The more the sector can succeed on the resumption of business, and the more business they can do, the better. We therefore have a clear duty, working with industry, to promote staycations, for example. Three and a half million people have holidays in Scotland each year but Scots have 4 million foreign holidays baking on a

beach somewhere. We hope that some of those Scots will instead have staycations in Scotland and have a marvellous experience here. We all want to ensure that the problems are minimised and that success is maximised.

The real problem in Scotland is that tourism is significantly more important for our economy than it is for the UK as a whole. Secondly, the seasonality is such that, for many businesses, especially those in the islands and more remote areas, the season lasts only from March or April through to September or possibly October.

The furlough scheme is due to expire in October, at the very point when many businesses will have little or no business at all. We want to try to encourage, enable and use the Scottish Government's influence to assist, but that in itself is unlikely to be enough. Therefore, the First Minister has suggested to the UK that a further extension is necessary. If an extension is not granted, to go back to the question that Mr McMillan asked, I fear that there will be an increase in redundancies, particularly among larger employers, and tens of thousands of extra people in Scotland will lose their jobs.

Instead of their investing for success in the 2021 season, we will see an awful lot of people going on to the redundancy list. They may lose hope and faith, and they will perhaps not return to their former employment, which may not be available for them next year. If that were to happen, all the money that will have been invested in the furlough scheme up to October will arguably have been wasted—it may have been in vain.

There is a need for continued assistance on a focused, partial basis. That is because the state has told businesses, "You cannot do business. For the good of the wider population, you must shut your doors." When the state says that, I think that it owes a moral duty to those businesses to help them through the consequences that such an order will cause. That is the whole rationale for ensuring that the tourism sector in particular continues to receive support beyond October—welcome though the support up to that point will have been, as I said earlier.

Patrick Harvie (Glasgow) (Green): I, too, want to ask about the furlough scheme, and my question follows on fairly neatly from Stuart McMillan's questions.

You indicated that the Scottish Government supports an extension of the furlough scheme for hospitality and tourism businesses, given the particular impacts on that sector. However, this is not just about the state telling businesses to shut their doors—even once businesses start up again, they are likely to have reduced capacity and a reduced workforce. In order to ensure that

people's basic need for an income is met, there needs to be an extension of, or replacement for, the furlough scheme.

Will you say a bit more about the specific support that is needed? You talked about targeted and focused provision. What does the Scottish Government want the UK Government to do? Do you want there to be an extension of the current arrangements, or a replacement for them? Is it something more conditional? Are there details on what scheme the Scottish Government wants?

We have already seen some major tourism businesses, such as the InterContinental Hotels Group, sacking people in large numbers in Glasgow and around the country, even though the furlough scheme is still available to them. Whatever comes in, whether it be a replacement scheme, or an extension to it, how do we ensure that it benefits the workers for whom it is designed, rather than their being put on the scrap heap and businesses simply looking after their own bottom line instead of the interests of their workforce?

Fergus Ewing: We are absolutely determined to do everything that we can to minimise the number of people who lose their jobs and to maximise the number of those who stay in their jobs. I repeat what I said to Mr McMillan: during the coming months, our duty—it is a duty on us all—is to focus on maximising success and to consider what we can do, such as by having a holiday or a break in Scotland not just during the summer but beyond.

We will, if we can, through marketing efforts to encourage staycations by VisitScotland and by businesses themselves, generate as much success as possible and minimise the financial problems that businesses face. However, the recovery will undoubtedly not be complete, and it will be slow. Therefore, the question is: what precisely are we asking for?

We consider that the furlough scheme should be extended. Incidentally, the sooner the decision to do that is made, the fewer businesses will take the decision to make their staff redundant. In other words, the sooner the UK Government can clarify that, in principle, the furlough scheme will be extended, the less damage there will be and the fewer number of businesses—large businesses in particular—that will consider that they must, for a number of commercial reasons, which may be perfectly understandable from their point of view, issue redundancy notices.

To answer Mr Harvie's question, we think that the furlough scheme should, in principle, be extended. In saying that, I would hope that the scheme would not necessarily be required by all businesses, but it would certainly provide support for those businesses—such as large hotel

businesses in Scotland—for which recovery is long and slow.

I fear that, unless the furlough scheme is extended, we will see many more redundancy notices issued—tens of thousands, as I said earlier. I do not say that to make a political point—I think that we can all see that scenario in the offing. The Scottish tourism recovery task force, which—as I said earlier—is holding its first meeting this afternoon, will look forensically at all those issues.

Patrick Harvie: I am sure that we all look forward to seeing more detail from the task force's deliberations and from the Scottish Government once it is able to put more flesh on the bones.

In the tourism and hospitality sector, there are long-standing concerns about workers' terms and conditions, extremely low levels of pay, huge numbers of people on the legal minimum wage, which is significantly below the real living wage, and precarious incomes through mechanisms such as zero-hours contracts. The First Minister said that recovery from the pandemic should be about building a fairer, greener, more equal Scotland. What opportunity is there to ensure that recovery in the sector will drive up standards, levels of pay and how well we look after the workforce, rather than there being yet another race to the bottom for standards? What is your view on recommendation 9, about conditionality, in the economic recovery advisory group report—that Government business support should be conditional on driving up standards, such as building on the business pledge and fair work first? How can we make sure that recovery in tourism and hospitality is a period when we drive up rather than go through another race to the bottom on exploitative terms and conditions?

Fergus Ewing: First, the Scottish Government has long supported payment of the real living wage of £9.30 an hour ahead of the minimum wage. As Mr Harvie knows, the power of regulation in that matter is reserved to the UK, but that is the approach that we have taken. We have also indicated that we consider that all employers should aim for that when remunerating their staff.

In particular, to best ensure the success and capacity to make sure that employees benefit as well as business owners, we should assist Scotland's tourism business to overcome the major problem of seasonality, which is the absolute heart of the issue. If a business has to make all its income in six months of the year, it will not be as successful as a business that can operate fairly successfully across 12 months. One of the aims for tourism—and for Fiona Hyslop, when she was the Cabinet Secretary for Culture, Tourism and External Affairs and, before that, for me when I was the Minister for Business, Energy and Tourism—has been to increase the overall

success of the sector by trying to extend the shoulder months and encourage people to support tourism businesses across the year.

Secondly—I am pleased that Mr Harvie supports the Higgins report, or the part that he mentioned; I am sure that he can speak for himself—we need to address the high taxation that the sector as a whole faces. Over the years, expenditure for hotels, for example, has increasingly gone on wages. That is because many have treated their staff very well, as Mr Harvie has asked them to do. We want all of them to do that.

The best way for them all to do that will be to make sure that businesses can operate successfully and profitably for as long a season as possible and not face levels of VAT and business rates that, in some respects, prevent them from being able to increase staff remuneration and improve their terms and conditions. That is self-evidently true from a business point of view. I used to be an employer and ran my own business, and anyone who has done so will appreciate the difficulties arising from Scotland's seasonality.

The Convener: Next is Annabelle Ewing, to be followed by Kenneth Gibson.

10:00

Annabelle Ewing (Cowdenbeath) (SNP): Good morning, cabinet secretary. I want to pick up on an issue that has been raised a few times, which is the importance of people seeking to holiday in Scotland in the next wee while.

It was very welcome, for tourism in particular, to hear yesterday that lockdown will be eased in a number of areas. There are different dates for different things; some of them are imminent, and it is therefore important that VisitScotland runs some sort of campaign in advance of the more detailed campaign plan that is to be developed by the new task force, which will meet for the first time this afternoon. We need something to keep us going before that plan is drawn up, because people can now start to book holidays and it would be helpful for them to know what will be opening and when. Some people might find the plethora of dates in yesterday's announcement a wee bit overwhelming and confusing.

Fergus Ewing: You are absolutely right—we need to take every opportunity to inform people of the options that are available. I am delighted that, as from—can you hear me all right, convener?

The Convener: Yes, I can.

Fergus Ewing: There was a lot of noise at my end, which I did not understand.

We obviously want people to have a holiday in Scotland. A lot of people around the country will be champing at the bit and will as we speak be booking a stay at a self-catering unit somewhere in Scotland; planning a trip to their static caravan with self-contained washing and toilet facilities; or planning to visit their second home, which they have probably not been doing so far. I have been inundated with correspondence from people who want to do that. Most people will be self-starting: they will make their own plans, and they will be doing so right now. I know from the industry's response that there has been an encouraging surge in demand following the First Minister's welcome announcement yesterday.

However, Miss Ewing is also right that VisitScotland needs to continue to campaign. It has been promoting Scotland in a variety of ways during the past three months. However, there is now more clarity and we are looking to lift the restrictions, with the message that it is safe for people to travel, so now is the time when we should press down the accelerator on marketing Scotland and the staycation. VisitScotland will be doing that, not only from 15 July but right now. It will also reassure communities that it is safe for people to resume going on holiday, provided that they continue to act responsibly with regard to social distancing and respect local people's needs and interests.

Annabelle Ewing: The cabinet secretary's latter point, about reassurance for visitors and for communities that will expect visitors, is very important. It would be useful if VisitScotland could provide some concrete information on that.

My second question concerns the guidance that was issued. I note—and I think this relates to most guidance for all of the different sectors—that it is to be reviewed as a matter of course at the next three-weekly review, which is on 9 July.

Leaving aside the key issue of whether social distancing remains at 2m or moves to 1m—that is the elephant in the room, but we expect to hear more about it from the First Minister next Thursday—are any other issues with the guidance coming to the fore that may be subject to change, or is everybody happy with everything?

Fergus Ewing: The guidance that we issued on 18 June was broadly welcomed. In addition, as I mentioned earlier, the industry has been given more bespoke guidance for particular types of property. From listening to businesses—not only hotels, but pubs and clubs—it is clear that they have a lot of preparation to do. They need to arrange for the provision of personal protective equipment, including hand sanitiser, and the physical marking of premises. In some cases, they will need to set up booking systems, and they also need to train staff. We are aware of the plethora of

practical, operational things that businesses need to do, and we will work closely with them and try to provide further information to ensure that there is clarity.

On 18 June, we provided guidance for the whole sector in relation to the planned reopening of businesses on 5 July. The self-catering sector has been given a couple of weeks' notice so that people can prepare their premises. That will involve deep cleaning of premises, which is fundamental. People need to have confidence that a deep clean has been carried out before they take occupancy of a self-catering unit for a holiday.

I hope that that answers your questions. It is a big topic. We are working closely with the four nations, and with VisitEngland as well as VisitScotland. The good-to-go scheme, which I might be asked about in this session, will play an important part. Yesterday, I asked VisitScotland to arrange a session for MSPs to discuss community assurance and the message to communities. That conference call will be arranged for some time early next week; I thought that it would be useful to mention it now for the benefit of colleagues.

Kenneth Gibson (Cunninghame North) (SNP): I want to follow up on the questions from Miss Ewing—as you quaintly described your sister, cabinet secretary. You talked about staycations and all the issues that need to be addressed around physical distancing such as organisational capacity, queue management, signage and markings, deep cleaning and so on. The financial impact of all that will have to be passed on to customers. The Scottish Government is trying to encourage staycations, but what impact will the need to address those issues have on the cost of holidays? Will it price a number of families in Scotland out of the market?

Fergus Ewing: I certainly hope not. As Mr Gibson says, additional measures come with a cost. I expect that, in most cases, the additional costs would be relatively modest, although in some cases they might add £10 or £20, or something like that, to the cost of a week's accommodation. I would not expect the impact to be enormous.

We want to be as supportive as we can to business in general. We have sought to do that through the support schemes: the pivotal enterprise resilience fund; the creative, tourism, and hospitality enterprises hardship fund; the bespoke bed-and-breakfast hardship fund; the rates relief scheme; the support scheme for those who have not been employed for three years; and the UK coronavirus business interruption loan scheme and coronavirus large business interruption loan scheme.

We have focused on providing that support, but I am conscious that quite a lot of larger businesses have spent a lot of money on making arrangements for social distancing and so on. We are also aware that if the social distancing advice indicates that it is safe to alter the current position—for the avoidance of any doubt, the current position is that we should stick with 2m, because to move away from that would create additional risk—the sooner the industry knows the better, because they might have been preparing for a different distance. The First Minister is acutely aware of all those things, including the impact on businesses and the need to make decisions as swiftly as possible.

I was very pleased to hear the overwhelming welcome from businesses to the First Minister's announcement yesterday, just as they welcomed my previous announcement about 15 July. It is salutary that all the businesses that I have come across are taking the issue very seriously indeed.

Kenneth Gibson: As always, our island communities have great concerns. I am delighted that Alastair Dobson of Taste of Arran has been appointed to the Scottish tourism recovery task force. Nevertheless, as the cabinet secretary and the First Minister have taken on board, there is an issue for the islands in respect of the 2m distancing rule, which will have a severe impact on ferry capacity.

People are asking what additional support businesses on our islands will receive; on what scale that support will be; and when it will be delivered, if it is provided at all. We know that the Scottish Government is supportive and sympathetic and is lobbying the UK Government in that regard, but people want to know the position in terms of pounds, shillings and pence.

Further to that, there is the furlough issue, which Patrick Harvie talked about. Patricia Gibson MP has submitted a petition to the United Kingdom Government asking it to extend furlough specifically on islands in the eight Westminster constituencies that contain them—that includes Anglesey, the Isle of Man and the Scilly Isles as well as constituencies in Scotland—even after it ends elsewhere in the UK, because of the particular difficulties that island communities face. Would the Scottish Government support that call?

Fergus Ewing: There are two questions; I will take the question on financial support first. I agree that the islands are a special case. In order to have a holiday on the islands, people need to get the ferry, and there are currently serious constraints in that regard. In addition, there is an extra cost involved, and the season tends to be shorter. There is a case in that respect, which Mr Gibson and Mrs Gibson have put forward and are pressing.

With regard to ferries in general, we need—as Mr Gibson knows, having been the foremost advocate for the island of Arran, for which tourism is essential—a set of practical measures to be put in place to ensure that businesses are able to operate profitably this season. That applies to the other islands as well. It is essential that CalMac Ferries takes such steps, and that has been made absolutely clear.

I am very pleased that one effect of yesterday's announcement is that those who want to go to Arran and other islands to stay in self-catering accommodation, self-contained lodges or second homes will be able to travel before 15 July. Otherwise—my goodness—there would have been a real risk of a bottleneck on 15 July.

Nonetheless, that risk remains because, given the need for social distancing, CalMac has apparently said—Mr Gibson can correct me if I am wrong—that its ferries' capacity is of the order of 20 per cent or below. Another ferry company, Stena Line, believes that it can operate at about 50 per cent capacity. There might be practical reasons for that; I do not know. However, I know that it is up to those of us who are in public service, which includes CalMac, to find solutions—and find solutions we must.

Along with Mr Gibson, Linda Johnston of the Auchrannie hotel and Alastair Dobson of Taste of Arran have been foremost in pressing the case for all the businesses on Arran that depend on tourism, as well as for the island's residents, who absolutely need to be able to visit their families and travel to the mainland.

Those issues apply to a greater or lesser extent to all the islands in Scotland, not only Arran, so there is a need to look at the interests of islands specifically. That is why we have a minister with specific responsibility for the islands: Paul Wheelhouse, who is working very hard with me on all those matters.

The Convener: We move on to Gordon Lindhurst, who will be the last member to ask questions. If members wish to ask supplementaries, please indicate that to me in the chat.

Gordon Lindhurst (Lothian) (Con): Cabinet secretary, you were asked about coach operators. As you will be aware, some operators in Scotland work to a variety of contracts, such as coach operations for tourism businesses as well as bus services for local schools. A number of operators have contacted me about difficulties in getting payment from local authorities on their school run contracts. What involvement has your department had in trying to assist those operators? That sort of operation—indeed, both sides of the business—

can clearly be essential to some of the smaller operators in particular.

10:15

Fergus Ewing: The particular responsibility for the operation of school transport rests with my colleague Michael Matheson, who has spent a lot of time working on the issue. Obviously, all contractors to the Scottish Government and to local authorities are entitled to have their accounts and invoices settled on time. A lot of work has been done to ensure that payments of invoices are made within not only 30 days but a much shorter period—the guidance was actually for around 10 days.

I mention that because it is absolutely essential that businesses in Scotland receive prompt payment for the work that they do for the public sector, as soon as a relevant invoice, that is in order, is tendered. Therefore, any business that does not receive that is quite entitled to pursue the matter through their MSP or MP.

I was not aware of the issue, but it is primarily Mr Matheson's responsibility, so I am sure that if Mr Lindhurst wants to give him details of any individual case, he will consider those carefully and deal with matters as appropriate.

Gordon Lindhurst: I appreciate that the issue, in effect, covers two portfolios. Could you perhaps add a bit more detail? I am interested to know how you and Mr Matheson have co-ordinated efforts to ensure that transport operators get through this difficult period because, as you have pointed out, it is crucial for their survival that they can do so. Could you give a wee bit more detail on the co-ordination of that work between you and Mr Matheson, and between your two departments?

Fergus Ewing: Yes, of course. Mr Matheson and I have had a conference call discussion—as they all are these days rather than face-to-face meetings—about the issue, following which it was agreed that I deal with the tourism aspects thereof. Many of the coach companies that operate in the tourism sector do not also operate in the school sector, because the vehicles are of different types: tourism coaches tend to be from the luxury end of the market, not least because they often transport their passengers for longer distances than the average school trip, which is relatively short in most cases.

My understanding is that the businesses are discrete in many cases—although not in all, because every business is slightly different. It is largely my responsibility to assist with the coach sector that operates exclusively in the tourism industry, and Mr Matheson deals with the public transportation element. We clearly discussed that demarcation and agreed that our officials would

work closely together to avoid any lack of communication or dislocation problems.

I am pleased that there has been some avenue—at least in Scotland—for possible financial support through the pivotal enterprise resilience fund, of which some coach operators have availed themselves. However, the main issue is the lack of a solution for them. I have asked for a further meeting with the Confederation of Passenger Transport UK, which represents the coach travel and tourism sector, as a matter of urgency and that meeting will take place shortly. There is no doubt that we will come back to the issue in the future.

Kenneth Gibson: Thank you, convener. My question is about the supply chain, which has not really been touched on. Tourism and hospitality depend on an adequate supply of food and drink, but my understanding is that only 30 per cent of wholesalers believe that they have a 50:50 chance of surviving the year, and they are looking at what support they can get from the Scottish and UK Governments to ensure that they can survive. Without them, it is difficult to see how the hospitality sector can perform as we would like it to do, once it is back up and running.

Fergus Ewing: I have engaged frequently with the Scottish Wholesale Association and Margaret Smith and Colin Smith, its representatives. I think that I have had about four conference calls during the past three months.

I am also in fairly regular contact with Colin Smith, who will be a member of the task force. The reason for that task force is precisely as Mr Gibson says—another piece of the tourism jigsaw is the supply chain. Without the wholesalers, where do the hotels, pubs, and clubs get their food and drink? Moreover, many wholesalers in Scotland are family businesses. If any of them go to the wall, the business will probably be taken over by multinationals. I am very keen that we try to find that lifeline support for those who require it.

There is a vast range of businesses in the wholesale family. I know that some have already received support and some have not. It is, indeed, a work in progress. It is absolutely essential that we have the continued ability to provide supplies to our sector, otherwise it cannot function as it should for the reasons that I gave earlier. We are on the case.

Oliver Mundell: I am aware of a wholesale business in Dumfries and Galloway that is struggling to access the retail, hospitality and leisure grant from the local authority because it does not feel that the business is a retail business. Has the cabinet secretary come across such an issue? It is clearly a hospitality business that supports other hospitality businesses, and without

it, there would be real difficulty getting these vital supplies out in such a large rural geographical area.

Fergus Ewing: As I understand it, the categories of business that are entitled to the business rates relief include retail. Therefore, those wholesale businesses that have a retail facility would seem to be eligible, pro rata, for the value of the rateable premises. It is a matter for each individual case, and I would be happy for Mr Mundell to raise the case with me so that I can look into it for him, although I imagine that he has already done so with the local authority.

To be fair to local authorities, from the figures that I have seen, I think that they have processed the vast majority of the claims that have been made, and the vast majority of claimants who are entitled have received their grant payments. I am happy to look into that and any other case that the member wishes to refer to me.

Claire Baker: Although we are promoting staycations as an important part of the Scottish tourism sector, we usually rely on overseas visitors who bring a huge amount to our economy. If the UK Government announced air bridge arrangements with particular countries, what would that mean for Scotland? Do the same rules apply to us? What would it mean for the guidance that has been issued to the sector? Would it have to be updated to include overseas visitors?

Fergus Ewing: There are two questions there. We all hope that we can resume welcoming guests from all over the planet as quickly as possible, but that will depend upon public health advice, and we must listen to that very carefully. It is not for me to make announcements or pronouncements about public health; that really is for the experts and I should not do it.

However, as a matter of principle, we want to welcome visitors back to Scotland. We are a welcoming country, and that cannot happen soon enough, as far as I am concerned, once it is safe to do so.

Secondly, I hope that we will take an aligned approach with the UK, in so far as we possibly can, on all these matters. They are being looked at by some of my colleagues, and that includes air bridges and aviation. The airports in Scotland are also essential parts of our local economy that employ a great many people and support a range of other activities beyond aviation, such as services and associated hotels that rely on international travellers.

The sooner that we can safely restore international travel to and from Scotland, the better, but—it is a big “but”—the public health advice needs to be looked at very carefully. My colleagues in the Covid team are working on that

with the UK Government, as is appropriate, in order to find safe solutions as quickly as they can be found.

Stuart McMillan: The themed year of coasts and waters has been hugely adversely affected because of Covid. Could it be extended into next year?

Fergus Ewing: Yes. I think that we should be supportive of that idea. The themed years are now on a two-yearly cycle, so I do not think that it would impinge on another theme. Let me look into that. It is an excellent idea.

Marine tourism is multifaceted. I mentioned cruise liners, but there is also an increasingly important marina sector in Scotland and we have a number of smaller cruisers, including wildlife cruisers to see dolphins, for example. There are trips to places such as St Kilda and there is interest in angling, canoeing, kayaking and diving. I do not need to tell Mr McMillan this—he has championed the cause for as long as he has been around, which is quite a while—but the marine tourism sector has many facets.

Our coastline and lochs bring people to Scotland because they are places of outstanding natural beauty as well as being places where all those different types of recreation can be enjoyed.

The Convener: If we have a very quick question and answer, I can bring in Kenneth Gibson.

Kenneth Gibson: I was in discussion with one of the larger mainland hotels and it told me that it will take up to four years to recover because the UK Government’s soft loans, which have a low interest rate for this year, will actually go above the normal interest rate that is charged next year. That means that the hotel will have to pay a heavy price in interest over a number of years before it can get back to normal.

Is the Scottish Government in discussions with the UK Government about extending those soft loans so that our hospitality and tourism sector can recover much more rapidly?

Fergus Ewing: Yes. I assure Mr Gibson that my colleague Kate Forbes, the Cabinet Secretary for Finance, is dealing with all the issues regularly with the UK Government, including the fairness of the CBILS and CLBILS terms.

Banks have done a lot to assist businesses, but I know that a lot of businesses feel that they have not been assisted by banks or that the terms and conditions have been too high. It is not possible for me to judge at the moment where the truth lies, but we will work closely with the banks. I know from dealings with some of them that they have been working extremely hard and have provided a lot of loan finance, but it is important that the terms

and conditions, and particularly the interest rates, are reasonable.

At present we have interest holidays, but it is important that, when the interest rates kick in, they are not punitive. If banks were to have punitive rates, it would leave a bitter taste, so it would not be in their interests to pursue that approach, and I very much hope that they will not do so.

I am pleased that Mr Gibson raised that issue of principle. We all want to work together. Banks are necessary for the economy to function properly, but we all want them to charge reasonable interest rates and not excessive or usurious ones.

The Convener: I thank the cabinet secretary and his officials for joining us.

I will suspend the meeting until 11 am to allow Michael Gove MP, Chancellor of the Duchy of Lancaster, to join us.

10:30

Meeting suspended.

11:01

On resuming—

Negotiation of the Future Relationship between the European Union and the United Kingdom Government

The Convener: The next item of business is an evidence session on the negotiations on the future relationship between the European Union and the UK Government. I welcome to the meeting the Rt Hon Michael Gove MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office; and Lindsay Croisdale-Appleby, the deputy chief negotiator and deputy sherpa with the UK Government's task force Europe. We have around one hour for the evidence session, so I would be grateful if questions and answers could be as succinct as possible.

Before we move to questions, I invite Mr Gove to make a brief opening statement. Good morning, Mr Gove.

Rt Hon Michael Gove MP (Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office): Good morning, Joan. It is a pleasure to appear in front of the committee.

I just want to say that, in various different roles that I have had in Government, I have valued the opportunity to talk to parliamentarians from all the devolved Administrations, and I am looking forward to our conversation today.

The Convener: Thank you. Is that your brief opening statement?

Michael Gove: That is all.

The Convener: That is very welcome and very brief—thank you.

In the course of the inquiry, our committee has heard many witnesses say that it is vital that the UK Government extends the transition period if we are not to face a double disaster of a Covid recession and a no-deal or a low-deal Brexit. Last week, you were asked about your Government's refusal to extend the transition when you appeared before the House of Commons Northern Ireland Affairs Committee. You told that committee that the reason why the UK Government has taken that position is because

"staying in the transition period would mean continuing to pay into the EU without having a voice in the multiannual financial framework that determines how much we would pay".

Is that still your position?

Michael Gove: Absolutely. The position has not changed.

The Convener: Right. My understanding is that the withdrawal agreement is clear that the amount that we pay is determined by a decision of the EU-UK Joint Committee under the Withdrawal Agreement, which you co-chair. Therefore, not only does the UK Government have a voice, but it co-decides and ultimately it can veto any proposal. I believe that that is stated clearly in paragraph 3 of article 132 of the withdrawal agreement.

Michael Gove: We have been clear, right from the moment when the Prime Minister won the general election, that the basis on which he did so was that we would not extend our time in the transition period. Were we to do so, we would be liable to continue paying into the EU, and the multiannual financial framework would be set by the EU 27, not by us. We would also be subject to new laws that the EU could pass without our input or say. Furthermore, our ability to put in place the measures that might help us to recover effectively from the Covid-19 pandemic would be less.

It would be mistaken, foolish and perhaps naive to assume that if we asked for an extension in the EU-UK Joint Committee under the Withdrawal Agreement, the EU 27 would allow us to dictate how much we paid. I think they would say that, if we wanted an extension, that was fair enough, but we would still be benefiting—as they would see it—from unimpeded access to the single market and everything that goes with that. Just as we had been paying in during this transition period, right up to the end of the MAFF at the end of 2020, we would have to continue to pay in. We would be on the hook, as it were, for a significant sum.

The Convener: That is what you told the Northern Ireland Affairs Committee last week. I will quote from article 132 of the agreement. Paragraph 3 says:

“A decision of the Joint Committee under paragraph 1 shall ... establish the appropriate amount of the contribution of the United Kingdom to the Union budget for the period from 1 January 2021 to the end of the transition period, taking into account the status of the United Kingdom during that period, as well as the modalities of payment of that amount”.

It seems to me that, if you are co-chair of the joint committee, you could surely negotiate a good deal, given that the alternative would be to crash out with a low deal or no deal in the middle of a Covid pandemic.

Michael Gove: I think we would be a price taker, not a price maker, in such a negotiation. As I say, the EU 27 would be agreeing their budget overall, and I do not think that they would say that we could have a discount membership. That would be naive.

Formally, it is of course open to the EU-UK Joint Committee under the Withdrawal Agreement—or it was open to the committee—to agree that we

should extend, and then to agree what we should pay. However, in that case, agreement would not be a process by which the UK would be able to determine cut-price access. I think that the EU would politely but firmly inform us of our obligations and invite us to agree to accept that price for continuing membership of—or rather a continuing extension of the transition period, I should say.

People can disagree about whether or not extending is a good thing or a bad thing but, for reasons that have already been outlined and that we may go into further, I think it would be wrong, and indeed undemocratic to do so. Nevertheless, it would come at a price.

The Convener: Thank you for that answer. I do not think that we will agree on this, but I was just quoting the withdrawal agreement, and it seems to give you more influence and power than you seem to think you have. We are tight for time, however, so we now move on to Claire Baker's questions.

Claire Baker: I will ask about business preparedness. In a letter to the committee dated 9 June, you said, referring to the customs area and the single market:

“Businesses will need to prepare for life outside both at the end of 2020, and many have already done so.”

It would appear that some businesses have done that by relocating out of the UK and moving their head offices outside the UK. We heard evidence from Allie Renison of the Institute of Directors a couple of weeks ago. She expressed concern over the level of uncertainty that businesses were facing. Given the very short timescale—we have until the end of the year—how are businesses able to prepare for something that is currently unknown? Allie Renison argued for a transition phase or “implementation phase” as a formal stage that would follow from the end of the year, starting on 1 January. Could you talk a bit about that and about how you believe businesses should be preparing, given the level of uncertainty?

Michael Gove: In the first instance, we have seen a number of businesses that had been thinking about where they were going to locate their headquarters and additional production deciding that they wanted to reshore and have more jobs and do more work in the United Kingdom. At one stage, Unilever was contemplating moving its headquarters to the Netherlands, but it now says that the UK will be the base for its operations for the future. Nissan in Sunderland decided that it wanted to reshore production in the UK. We have seen a number of companies say that, notwithstanding the difficulties of the Covid pandemic, the future of the UK is

bright in the medium to long term, and that is therefore where they want to be.

You made the point about certainty, which is important, and making it clear that we will not extend the transition period means greater certainty for business. We have talked about a Canada-style trade agreement. However, whether or not we secure precisely that kind of free trade agreement, businesses will know that we will be outside the single market and the customs union, and that, come what may, whether there is an FTA or we leave without one, they will need to prepare for new customs declarations and other processes, for example.

Claire Baker: If we are looking at a six-month period for businesses to prepare, and they are still in the dark about what the new customs arrangements might be, when will businesses know what they will be? To go back to Allie Renison's point, would there be an opportunity for a more formal transition period that would allow businesses to adjust to what the new rules might be, given that they do not know what they are the moment?

In April, you gave evidence to the House of Commons committee about operation yellowhammer and preparations in relation to and economic analysis of the impact of leaving without a deal, which would create even more uncertainty for businesses. Will you respond to those points? In addition to that, on the topic of analysis, does the UK Government do any analysis that is specific to Scotland and the issues that our specific sectors face?

Michael Gove: The member raises a series of important points. First, the border and protocol delivery group communicated to business a few weeks ago what the arrangements at the border would be. Although Government can always do more to make sure that businesses and others are prepared, the nature of the relationship that we will have with the EU is clear, whether or not we get a free trade agreement, and business's requirements in relation to, for example, customs declarations have also been made clear.

On the broader point about economic analysis, we conduct economic analysis all the time. However, there are so many variables at play, not least because of the Covid pandemic, that it is important to draw a distinction between economic analysis and modelling and prediction. Sometimes, people place an enormous amount of emphasis on models and assume that they are a predictor of the future, but they are not. However, we know that the Scottish Government has done economic analysis of the impact on the fishing industry of being outside of the common fisheries policy, which, in its estimation, would create thousands of jobs and millions of pounds of

additional revenue. That is certainly an analysis with which we agree.

Patrick Harvie (Glasgow) (Green): When the joint ministerial committee on European Union negotiations was established, the UK Government, in agreeing its remit, committed to work collaboratively with the other Governments in the UK to

"seek to agree a UK approach to, and objectives for, Article 50 negotiations"

However, instead of seeking to agree an approach to and objectives for those negotiations, it seems as though the UK Government has simply decided and then told the devolved Governments what the situation is. Mr Russell told this committee:

"On 19 May, the UK Government published its draft legal texts for the negotiations, which were shared with the Scottish Government less than 24 hours before publication, with no opportunity to amend."—[*Official Report, Culture, Tourism, Europe and External Affairs Committee*, 18 June 2020; c 7.]

Is it accurate that the UK Government has shown no intention of agreeing a joint approach with the other Governments of the UK and has merely imposed its own solutions? If that is not the case, can Mr Gove give us a list of examples of the UK Government changing its negotiating position as a result of input from the other Governments?

11:15

Michael Gove: I think that it is fair to say that that characterisation is not wholly accurate. We have had extensive consultation with the devolved Administrations in Northern Ireland, Scotland and Wales.

I will give an example. On fisheries, work has been done with Department for Environment, Food and Rural Affairs officials and Scottish Government officials to make sure that the approach that we take on that uniquely important issue takes account of the fact that the majority of the fish that is caught and landed by the UK fleet is caught by Scottish boats and landed in Scottish harbours.

Patrick Harvie: I am surprised that that is the end of the answer; it seems that Mr Gove does not have a list of examples—or, indeed, any examples—of cases in which the UK Government has changed its position as a result of input by the other Governments. The failure of the UK Government to do so led to the Scottish Government and the Welsh Government refusing to take part in the most recent ministerial meeting, which was an online meeting.

Is it not the case that, as a result of the events of recent months and years, the intergovernmental

relationship is fundamentally broken? What does the UK Government intend to do differently if it has any intention at all of repairing that broken relationship and beginning to share power properly with the elected Governments and Parliaments of these islands?

Michael Gove: It is important to say that I do not believe that the relationship is broken; it is quite the opposite. There has been regular contact between me and other UK Government ministers, most notably the Paymaster General, Penny Mordaunt, and representatives of the devolved Administrations.

When we negotiate, we take account of specific Scottish, Welsh and Northern Irish interests. On everything from thinking about the impact of a free trade agreement on the livestock sector to considering how we can ensure that we maintain the economic equities of vital parts of the UK economy, we negotiate in the interests of the whole UK. Of course there are sometimes disagreements, which is to be expected when people from different political parties and traditions are involved in those conversations.

Mike Russell has a clearly expressed view on the nature of the relationship that he and others in the Scottish Government would like the UK to have with the European Union, but that is not the view of the UK Government, nor is it the view of the majority of people who voted in the 2016 referendum or of the majority of people who voted in the recent UK Parliament elections. However, I and my colleagues always benefit from hearing from Mike Russell, Jeremy Miles and others. Their expertise and insight are appreciated and, where appropriate, incorporated.

Annabelle Ewing: I would like to pick up on some of the points that have just been made. In the session that the committee had with Michael Russell last week, quite a different picture was painted. We were given examples of details of the negotiating position being provided to the Scottish Government only 24 hours before the negotiations started. We heard that there was a lack of information forthcoming from the UK Government about levels of preparedness and planning, and that there were no pre-briefs or debriefs in relation to the various discussions in Brussels.

Michael Russell told us that, in his view, the Scottish Government and the other devolved Governments were being treated as mere stakeholders rather than as Governments of nations of the UK. In answer to my question, he agreed that there was “no respect agenda”. He went so far as to say that it is now difficult for him to trust the people he has to deal with. I would have thought that you would attach great importance to the issue of trust. Therefore, are you not worried about the inevitability of the Scottish

Government cabinet secretary having reached that view?

Michael Gove: It is fair to say that Mike Russell always gives a good account of himself in whichever committee he participates, whether that is the JMC(EN) or this committee. He is a fluent and effective advocate and that fluency and effectiveness is brought to bear in our JMC(EN) discussions and others in which Mike Russell and other Scottish Government ministers participate. Of course, we take proper account of the arguments that they make, but there is a difference of opinion: the Scottish Government has a view on the nature of the relationship that the United Kingdom should have with the European Union that is not the view of the United Kingdom Government. Inevitably, if there is a difference of a kind, it will be the case that not everything that Mike Russell believes that the UK Government should be doing will be done. He is free to express his disagreement with us and he does, as always, in effective, fluent and precise terms.

Annabelle Ewing: I think that if Mr Russell were here to speak for himself, he would say that he always advocates and stands up for the Scottish interest.

I turn to another area of bilateral trade deals. Obviously, many issues are devolved to the Scottish Parliament. Notwithstanding that there appears to be the same level of disengagement on crucial issues. We have heard the serious concerns of farmers, and indeed of the people of Scotland, about the lowering of food standards that some of those deals might entail, but all we have heard in response to those deep concerns, I respectfully suggest, are platitudes. I ask Mr Gove: what trust should the people of Scotland place in the judgment of UK Government ministers such as him, who is on the record saying that it is wise to drive around for 30 minutes to test your eyesight?

Michael Gove: When we consider trade agreements we take very seriously the importance of protecting our high animal welfare and environmental standards, and your question gives me the opportunity to state that those protections already exist in law and that we are not going to dilute them. The Department for International Trade engages with the devolved Administrations, as do all Government departments when we discuss free trade agreements. When I was fortunate enough to be the Secretary of State for Environment, Food and Rural Affairs in the UK Government, I regularly talked to colleagues such as Fergus Ewing in the Scottish Government and Lesley Griffiths in the Welsh Government about making sure that we could have an approach that safeguarded animal welfare and put the environment at the heart of everything that we did. I was pleased to see that the Scottish Government

recently sought to echo and emulate the UK Government's lead on the establishment of an office for environmental protection and the adoption of high environmental principles; that has been incredibly helpful.

I agree with Annabelle Ewing that Mike Russell is an effective advocate, but there is a distinction to be drawn: the Scottish Government is of course rightly exercising a series of devolved responsibilities, but when Mike Russell speaks for the Scottish Government, he does not speak for everyone in Scotland.

Oliver Mundell: During the course of our inquiry, we have heard a lot about fishing, which is very important to Scotland, as you have already said. Can you confirm that it is the UK Government's strong position that the United Kingdom should be an independent coastal state, which is in contrast to what we hear from the Scottish Government, whose position would leave Scottish fishermen trapped in the common fisheries policy?

Michael Gove: You are absolutely right. One of the benefits of being outside the European Union is that we can have full control of our exclusive economic zone, which means that we can decide who fishes in our waters and on what terms. At the moment, because of the nature of our accession to the European Union in the 1970s, other countries have significant access to our waters in that exclusive economic zone.

We want to make sure that we are an independent coastal state, exactly as you say, so that, just like Norway, Iceland and the Faroe Islands, we can allow others in, but on our terms. As we touched on earlier, that means that, as the Scottish Government's research has shown, there will be more jobs and more money for Scotland's coastal communities, in particular—but not exclusively—those in the north-east of Scotland. It also means that we will be able to manage stocks in a more environmentally sensitive way, so it is a win-win both economically and environmentally.

You are right that the logic of the Scottish Government's position of wanting us to remain in the European Union would mean that we would be in the common fisheries policy. If, at some future date—I hope that it does not happen—there were an independent Scotland and it wanted to accede to EU membership, it would have to accept the common fisheries policy and it would lose a lot of its territorial waters. Under current terms, Scotland would also have to agree to join the single currency, which would create additional economic turbulence not only for coastal communities but across Scotland.

Oliver Mundell: Thank you for that response—I think that Scottish fishermen will be pleased to

hear that the UK Government is going to fight for that prize that Brexit delivers.

You talked about the political differences between the Scottish and UK Governments on Brexit but, as you know, more than 1 million people in Scotland voted to leave the EU. Do you share my concern that the Scottish Government tries to present staying in the customs union and the single market as Brexit? I do not think that that is what those people voted for. Do you recognise that there is an impasse in that regard where a compromise could not be found?

Michael Gove: That is very fair. Again, the Scottish Government's position is well known, and it has been well rehearsed and presented, as I mentioned, by Michael Russell and others very clearly. However, it runs counter to the clearly expressed commitment in the EU referendum to leave the customs union and the single market. Indeed, many of those who argued that we should remain pointed out that leaving would mean that we would leave the customs union and the single market; David Cameron and others made that clear.

You are right to say that a million people—38 per cent of the population of Scotland—voted to leave. I think that it is important that, when the Scottish Government presents a case on behalf of the people of Scotland, it takes account of the views of those people. Their decision was taken in a considered fashion, and the Scottish Government should seek to represent their views to the best of its ability.

Stuart McMillan: Good morning, Mr Gove. I go back to Patrick Harvie's question about the ways in which the Scottish Government has successfully influenced the development of UK policies. Can you provide the committee with five examples of where each of the devolved Administrations has successfully managed to get the UK Government to change its policies, or perhaps some of its Brexit negotiating tactics?

Michael Gove: It is important to recognise that the JMC(EN), and indeed the negotiations, take place in an environment where there is give and take. It may well be the case that, during those negotiations—because of their sensitivity, they are inevitably conducted in private—there is inevitably give and take as different positions are tried out to see whether there might be movement, and it is always best to make it clear that there is flexibility. However, the whole point of the JMC(EN) is that it is a private discussion, and the whole point about our negotiating stance is that we should not negotiate in public—that is not how international negotiations take place.

We should take everything into account: the fact that, in agriculture, as I mentioned earlier,

Scotland, Wales and Northern Ireland rely to a greater extent than England does on livestock production; the fact that there are specific equities for Scottish producers in the agri-food sector because of the prominence of geographical indications; the fact that the Scottish Government has said that it is strongly attached to access to the Erasmus+ programme; the fact that the Northern Ireland protocol and its implementation have to take account of the legacy of the Belfast agreement; the fact that, as we look again at Wales's economic future, we need to be certain that particular sectors—not only agri-food but manufacturing—have the right deal.

11:30

In all those areas, our negotiating stance has been shaped and framed by determination to do the best for the United Kingdom. In doing that, we are listening to the Scottish and Welsh Governments and the Northern Ireland Executive. However, from time to time, of course our judgment about what might be in the interests of the whole UK differs from that of, for example, the Scottish or Welsh Governments, because party traditions and the political philosophies of politicians, although it is always good if they overlap, will inevitably diverge in some circumstances.

Stuart McMillan: “Shaped” and “listening to” do not indicate amendment or fulfilling any of the suggestions. I would be grateful if you could write to the committee with specific examples. As you said, the negotiations are taking place privately, not in public—quite rightly—and it would be useful for us to have those details.

I studied through an Erasmus scheme, which you mentioned, so I know how important it is. You will be aware that Scotland benefits disproportionately from participation in EU programmes such as Erasmus+ and horizon 2020. They are of huge importance to this committee. In your recent letter to us, you stated that the UK Government is

“considering participation in the next generation of these, including Horizon 2020 and Erasmus+, which are due to begin in 2021 and are currently under negotiation. Where it is in the UK's interests, we are open to participating in some EU programmes, including elements of Erasmus+ on a time-limited basis, provided they are in line with UK interests and we can agree a fair and proportionate financial contribution.”

In their letter to you, the Scottish and Welsh Governments requested

“confirmation that in the negotiations on participation in EU Programmes, the UK Government will respect the devolution settlement by asking for, where appropriate, the option for devolved administrations to continue participating even where you have decided on behalf of England not to do so.”

How do you respond to that request from both the Scottish and Welsh Governments?

Michael Gove: Stuart McMillan has made some very important points. On the first one, about listening, it is important that I refer to the UK Government “Ministerial Code” paragraph 2.3, which says:

“The internal process through which a decision has been made ... should not be disclosed. Neither should the individual views of Ministers or advice provided by civil servants as part of that internal process be disclosed.”

That is to have a safe space for discussion.

I have mentioned a number of areas where we have taken account of the specific interests of the devolved Administrations and, more particularly, the people within Scotland, Wales and Northern Ireland. I can understand that it is a perfectly legitimate question, but I do not think that it would be right to give a blow-by-blow account of the discussions that take place, which would run counter to good practice in policy making and the need to have a safe space for discussions to take place and for advice to be offered.

On the point about a programme—I am sorry, I see that you want to come back on that point.

Stuart McMillan: I did not ask for a blow-by-blow account.

Michael Gove: I understand that, and I was explaining the context.

The Convener: I ask whether Mr Gove could move on quickly, as there are two questions from members.

Michael Gove: On horizon 2020 and Erasmus+, for the UK's involvement in any EU programme, the important thing is that we need to make sure that it is value for money. We know that Scottish universities, because of their excellent research base, benefit particularly from involvement in the UK-wide allocation of research funding. As in so many ways, Scotland benefits financially from being in the United Kingdom because of the strength of the UK Treasury and its institutions.

We will look at future participation in Erasmus+ and in science programmes. We hope that we will be able to participate in such programmes, but they need to be value for money. One thing that is unambiguously value for money is Scots universities having access to UK research.

Beatrice Wishart: Operation yellowhammer was alarming reading. Do you believe that the warnings from it still apply in the context of a no-deal scenario? Might the situation be worse now, given all that businesses have had to deal with in the past six months? Are there particular areas, such as supply chains, that might be more

vulnerable now than they were six months ago? What is the current status of operation yellowhammer?

Michael Gove: Operation yellowhammer was specifically set up to deal with a no-deal outcome. We have a deal: the withdrawal agreement. That means that some of the questions that would have been unresolved if we had not secured that withdrawal agreement are now resolved, such as the position on Northern Ireland through the Northern Ireland protocol, the rights of EU citizens in the UK and so on.

You are right to say that the Covid-19 pandemic has created difficulties for citizens and businesses across the United Kingdom. We believe that the most important way in which we can help citizens and businesses is to provide certainty about the end of the transition period and to use the strength of the UK Exchequer to underpin economic recovery.

Beatrice Wishart: On citizens' rights, the coronavirus has shone a light on the enormous contributions that EU citizens make to public services, our economy and society. The lockdown has meant the closure of settlement scheme support centres and local scanning centres, making it more difficult for EU nationals to apply for the identification needed to make applications. The Home Office claims that it will be able to ensure that every qualifying EU citizen has settled status by next year. Do you think that that is credible and should the deadline for the settlement scheme be extended to take account of the impact of Covid-19?

Michael Gove: It is credible. I do not see any reason to extend that deadline, which is halfway through next year. Some 3.2 million EU citizens in the UK have applied for settled status, which is more than the number of EU citizens that we imagined were in the UK—that figure was widely believed to be around 3 million rather than 3.2 million. You are right that the presence and participation of EU citizens in the life of the UK is a good thing.

Kenneth Gibson: How will law enforcement and security provision be enhanced by the end of transition?

Michael Gove: When we take back control of our borders, we will be able to decide more effectively who comes into our country and on what terms.

Kenneth Gibson: Do you really think that our security will improve without things such as the European arrest warrant and other co-operation with European police and security organisations, particularly in relation to efforts to tackle organised crime and smuggling? Are you seriously suggesting that that is the case? If so, does that

mean that all that co-operation in recent years has been detrimental to the UK?

Michael Gove: It is important to recognise that security and intelligence co-operation is done at the nation state level—it is a nation state competence. We freely co-operate with our European neighbours on several tools and areas. We also co-operate with other countries outside the EU in order to keep our citizens safe.

Kenneth Gibson: Glasgow and Edinburgh alone employ 62,000 people in financial services, which were worth £6.3 billion in exports last year. Again, I wonder how the end of transition will benefit that key sector, given that the CBI has said that the overall economy will shrink by 3.5 per cent in the first year after the end of transition. In particular, I am thinking about sectors such as life insurance, in which Scotland has 24 per cent of the UK's entire employment, as well as about the loss of the benefits of passporting.

Michael Gove: You are right that financial services matter a great deal to the economy of the United Kingdom and Scotland. It is not just about Edinburgh and Glasgow; in Perth and Aberdeen and across Scotland, people are employed in financial services. It is also important to recognise that, when it comes to financial services, the EU should grant equivalence to the UK. That is an autonomous EU decision; it is not subject to negotiation. A number of voices in financial services have said that the ability of the UK to thrive is greater outside the single market. For the success of the financial services sector, when it comes to making sure that we have the right regulatory and legal framework, it is important that we are not a rule taker.

Gordon Lindhurst: In the current pandemic, we have seen how important many key workers are in areas such as the national health service; some of them are not currently paid at levels that many might think appropriate to the importance of the work that they do. In Scotland, as in many parts of the United Kingdom, those who work in tourism and the care sector and seasonal agricultural workers might fall into that category of people who are essential but who are at the lower paid end of the scale. When I was on the Scottish Parliament's Economy, Jobs and Fair Work Committee, we heard evidence from a number of Scottish companies about those issues. Often, they would say that they could not remember when they had most recently tried to recruit workers within Scotland, in spite of there being lots of unemployed people, including younger people. It seemed that it was easier to bring workers in from the rest of the European Union at lower pay rates. When the Secretary of State for Scotland gave evidence to this committee, he said that he hoped that, as a result of us leaving the EU, there would

be a rise in wages for people who are lower paid, so that their work would be properly remunerated. How do you see that developing?

Michael Gove: I completely agree with the secretary of state. One of the features of economic analysis that was highlighted during the referendum and subsequently is that, although immigration is vital and valuable, uncontrolled migration in certain areas can depress the wages of some workers. A number of important thinkers on the left, such as the Labour peer Maurice Glasman, and the former Fire Brigades Union official Paul Embery, have made that point clearly. The secretary of state is right and you are right, Gordon, that in the future, we need to make sure that all work is properly valued and that people who, in the past, might not have been paid as they should have been paid enjoy the opportunity to see their earning power increase.

Gordon Lindhurst: You will be aware that training and education skills programmes are devolved but, now that we are out of the EU and after the transitional period is over, are there examples from other areas of the United Kingdom that we can look at in approaching that area?

Michael Gove: Yes, that is a very good point. I would like to encourage the adoption of good practices in the education and training sector from different parts of the United Kingdom. Whether it is the apprenticeship levy or giving more day-to-day control over schools to headteachers and professionals, we can all share good practice and it is critically important that we do so, because you are right that one of the ways in which we increase productivity as a country is by improving education alongside infrastructure. It would be beneficial overall to make it easier for students from every part of the United Kingdom to study in other parts of the United Kingdom.

11:45

The Convener: Thanks to you, Mr Gove, and to the questioners, we have a little time in hand. I return to your appearance before the House of Commons Northern Ireland Affairs Committee last week. You said:

“businesses in Northern Ireland will, as has been recognised, because of the protocol, have certain advantages that businesses in other parts of the UK may not enjoy, whether or not we have a free trade agreement.”

I represent South Scotland, which includes Dumfries and Galloway in the south-west. Businesses in my region often consider businesses in Northern Ireland as their direct competitors. What words of comfort do you have for them, given that you have said that businesses in Northern Ireland will have an advantage over Scottish ones?

Michael Gove: We all recognise the gains that have been made in the past 22 years as a result of the Belfast/Good Friday agreement. We would all want to make sure that Northern Ireland continues to prosper.

If we look at Scotland’s history, the ties of affection and respect between citizens of Scotland and those across the island of Ireland, including Northern Ireland, are strong. We do not make ourselves stronger by pulling others down. I think that Scots would want to stand in solidarity with the people and businesses of Northern Ireland and to make sure that they can build on the successes of the past 22 years. If Northern Ireland businesses succeed, the trade that plies from Larne to Cairnryan—which benefits people in Dumfries and Galloway—can continue to flow freely. That is good for all of us.

The Convener: People in Scotland, and in Dumfries and Galloway in particular, have strong fraternal ties with Northern Ireland and they wish people there well, but that does not mean that they want to be put at a competitive disadvantage.

Michael Gove: Businesses in Scotland enjoy a number of competitive advantages as a result of being part of the United Kingdom. Northern Ireland businesses have unfettered access to all of the UK. Scotland’s businesses and consumers benefit from the strength of our UK internal market. If that internal market were to be fractured, that would be the greatest competitive disadvantage that Scotland’s businesses could face. That is why the Northern Ireland protocol, the commitment to unfettered access for Northern Ireland goods and the overall strength of the UK internal market give all businesses confidence and a competitive edge.

Stuart McMillan: The World Trade Organization suggests that there will be a fall of between 13 and 30 per cent in world gross domestic product in 2020. When Philip Rycroft appeared before the committee, part of the discussion was about the 2018 modelling that was undertaken for the UK Government. He said:

“What the modelling did not accommodate at all—because, of course, it could not have done—was the impact of the coronavirus on macroeconomic conditions, around which I absolutely accept that there are huge uncertainties.”—[*Official Report, Culture, Tourism, Europe and External Affairs Committee*, 4 June; c 19.]

That being the case, and given the economic challenges that we will face, do you not agree that it would be wise to look at some of the financial frameworks that are in place, particularly the one between the Scottish and UK Governments that they signed in 2016? The macroeconomic conditions have clearly changed since then.

Michael Gove: There are two important points to make. First, as Philip Rycroft helpfully and

graciously acknowledged, the point of economic models is that they cannot accurately predict the future. The famous unknown unknowns will always occur.

Within that, one way in which we can most effectively safeguard the prosperity of the UK—as I touched on earlier—is by making sure that we have effective working across the UK and that we have a strong and free-flowing internal market.

The Convener: Kenneth Gibson has a supplementary question.

Kenneth Gibson: It is clear that the pandemic has hampered negotiations. Will negotiations still be outstanding by the end of October? If so, what areas of the UK economy will struggle as a result of the inability to conclude negotiations this year and the lack of an extension to the transition?

Michael Gove: We had a high-level agreement just the other week, when the Prime Minister talked to President Ursula von der Leyen, President David Sassoli and President Charles Michel, when it was agreed that we would accelerate the pace of negotiations. The phrase that was used was to

“put a tiger in the tank”.

That is why the pace of negotiations is picking up. There is a determination on all sides to make progress.

Annabelle Ewing: A wee while ago, there was mention of the folk in Scotland who chose in 2016 to vote no. That is indeed the case; some did. However, 62 per cent of people in Scotland voted to remain in the EU. All recent studies have shown that the forcible removal of Scotland from the single market and the customs union will be hugely damaging for the economy of Scotland. People did not vote to become poorer. Why do you want to make my Cowdenbeath constituents poorer?

Michael Gove: The last thing that I want to do is to make people poorer, in Cowdenbeath or anywhere in Fife. I am in politics in order to spread our prosperity and to generate greater equality of opportunity. One of the things that would make people in Cowdenbeath and Fife poorer would be if Scotland were to leave the single market and customs union of the United Kingdom.

The Convener: Annabelle, do you want to come back on that?

Annabelle Ewing: Yes—to say that that is utter nonsense. I go back to the first question that I raised with Mr Gove: trust is the key issue in politics these days. People hear those tired messages and they just do not believe you guys anymore, I am afraid, Mr Gove.

Michael Gove: It is unambiguous that, if Scotland left the United Kingdom, it would be poorer. I do not know anyone who would contest that.

Andrew Wilson, a gifted economist, pointed out, in the sustainable growth commission report that was commissioned by the First Minister, that Scotland would undergo additional austerity as a result of independence. Andrew Wilson and others hold the perfectly legitimate view that that is a price worth paying. However, his work draws attention to some of the weaknesses in the white paper that was published by Alex Salmond, when he was making the case for independence as the then First Minister.

I take Annabelle Ewing’s point seriously. We improve trust in politics when we are honest about the trade-offs. Last week, Andrew Wilson said on the radio that an independent Scotland would face particular economic challenges as a result of Covid. That candour helps to rebuild trust, and, with his approach in spelling out the price of breaking up the United Kingdom, that is helpful to the debate.

Claire Baker: I return to the issue of the withdrawal agreement and the current negotiations. Before the general election, the political declaration was agreed with the EU. I accept that that was non-binding.

I wanted us to remain in the EU, and I would still rather that we did. However, the political declaration gave a broader interpretation of what the relationship could be like, which might get broader support across the UK.

In the recent negotiations, the UK Government seems to have moved quite a bit from the content of the political declaration. What is left of the political declaration that is relevant? It no longer appears to be the basis for the negotiations, which it was intended to be.

Michael Gove: It very much is the basis for the negotiations—it provides a framework for them and allows us to reach what I hope will be a mutually beneficial free trade agreement. The political declaration acts as the framework. You are right that it allows for various levels of relationship and agreement, but it is definitely the framework and foundation on which the negotiations are conducted.

The Convener: Kenneth Gibson has another question. If he can keep it as brief as possible, we will make our deadline.

Kenneth Gibson: I do not recall any Conservative politician praising Andrew Wilson when he was a Scottish National Party member of the Scottish Parliament. Is it not the case that he, like 54 per cent of Scots, believes in

independence because we know that Scotland will be a more prosperous, just and equal society when it is an independent nation once again?

Michael Gove: Andrew Wilson's view is clear, and I have great respect for him. However, it is also clear, as the sustainable growth commission's report pointed out, that, if Scotland were independent, it would undergo greater austerity. Scotland would have the biggest deficit of any country in Europe, if it were independent. Some might consider that economic pain and turbulence to be a price worth paying in order to secure the goal of independence. That is fair, and Andrew Wilson's candour in that respect is helpful.

As I have said, the sustainable growth commission's report made it clear that some of the claims that were made in the independence white paper that was produced as part of the 2014 referendum campaign were perhaps overoptimistic. If we look back at that white paper and consider some of the projections that were made on the price of oil and what that would do for Scotland's economy, for example, we can show that those predictions were, if not heroic, certainly at the optimistic end.

The greater degree of proportion and candour that Andrew Wilson has brought to the argument is helpful. Of course I do not agree with him on every aspect, but some of the difficult truths that he has helped to surface and enabled us to grapple with allow us to look more clearly at the economic cost of separating Scotland from the rest of the United Kingdom. As well as the economic cost, that would undermine the principle of social solidarity, which is an important part of the United Kingdom's history. My view is that folk in Scotland, like people in Northern Ireland, Wales and England, have the same values of social solidarity, and it is important that we uphold those values across all parts of the United Kingdom.

The Convener: We have three minutes in hand. I want to ask Mr Gove a brief question before we finish.

I return to the Northern Ireland protocol and the south-west of Scotland. If we do not get a deal, where will the checks between Scotland and Northern Ireland take place? Where will the infrastructure be built to carry out the checks?

Michael Gove: There will be no need for any infrastructure in Scotland, because Northern Ireland businesses will have unfettered access to the UK internal market. There will be some additional requirements in checks on products of animal origin, because we respect the island of Ireland's status not just as a single epidemiological zone, but as a single sanitary and phytosanitary zone. However, it is already the case that there are checks at Larne and Belfast for live animals.

We will build on the existing systems in order to ensure that the checks are appropriate. It is, of the course, the case that physical checks on products of animal origin apply to only a small proportion of those goods.

The Convener: What about other goods that are bound for the Republic of Ireland from Scotland? Where will the checks on those goods take place?

Michael Gove: If they are bound for the Republic of Ireland, customs procedures will be conducted, and we believe that they can be conducted electronically as the goods make their way there. However, the overwhelming majority of trade between the UK and Northern Ireland is intra UK. That reinforces the importance of the United Kingdom's internal market and the fact that we all benefit from those economic, social and cultural ties.

12:00

The Convener: I am talking about the proportion of goods that goes to the Republic of Ireland. We have had a look at the electronic methods that are already in place at the ferry terminal. It is quite clear that, although many of the containers that go across to Northern Ireland are marked, there are containers that need to be investigated. Additional electronic infrastructure would therefore be needed if you do not get a deal for goods that will go to the south of Ireland.

Michael Gove: I would be grateful for the detail on that that the committee would wish to provide. I believe that the fears that some have expressed are misplaced, but I would, of course, be very grateful for any documentation that the committee wishes to share in order to look at the trade flows and specific goods and see whether there are any additional concerns that we can safely address through the work of Her Majesty's Revenue and Customs.

The Convener: Obviously, the withdrawal agreement forbids any checks, apart from animal checks, which you mentioned. Any new checks on the island of Ireland would not be acceptable under the withdrawal agreement.

Michael Gove: Indeed. The protocol exists to safeguard the gains of the Belfast/Good Friday agreement and to ensure that there is unfettered access for goods that are circulating in the United Kingdom and that Northern Ireland stays in the United Kingdom customs territory, but it also enables provisions that ensure that there need be no physical infrastructure at the border between Northern Ireland and the Republic of Ireland.

The Convener: We will certainly share with you any evidence that we have gathered, Mr Gove.

That completes our questions and concludes our evidence session. I thank Mr Gove for his evidence in an extremely helpful evidence session as the committee continues to scrutinise the negotiation on future relationships between the EU and the UK. We look forward to taking evidence from Mr Gove later in the year to assess whether progress has been made in the negotiations, which are, of course, of critical importance to Scotland.

The committee will consider the evidence that it has heard in private. That concludes the public part of the meeting.

12:01

Meeting continued in private until 12:55.

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