



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Tuesday 15 December 2020

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Tuesday 15 December 2020

CONTENTS

Col.

FUTURE RELATIONSHIP BETWEEN THE EUROPEAN UNION AND THE UNITED KINGDOM GOVERNMENT	1
---	----------

CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
32nd Meeting 2020, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Kenneth Gibson (Cunninghame North) (SNP)

*Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP)

Ross Greer (West Scotland) (Green)

*Dean Lockhart (Mid Scotland and Fife) (Con)

*Oliver Mundell (Dumfriesshire) (Con)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*Beatrice Wishart (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Emma Churchill (UK Government)

Jess Glover (UK Government)

Rt Hon Michael Gove (Chancellor of the Duchy of Lancaster)

Brendan Threlfall (UK Government)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

Virtual Meeting

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Tuesday 15 December 2020

[The Convener opened the meeting at 15:30]

Future relationship between the European Union and the United Kingdom Government

The Convener (Joan McAlpine): Good afternoon. I welcome everyone to the 32nd meeting of the Culture, Tourism, Europe and External Affairs Committee. We have received apologies from Ross Greer MSP.

Our first and only agenda item is the negotiation of the future relationship between the European Union and the United Kingdom Government. I welcome to the meeting the Rt Hon Michael Gove MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office. With him are Jess Glover, the director general of the transition task force; Brendan Threlfall, the director of the transition task force Northern Ireland; and Emma Churchill, the director of the border and protocol delivery group, all from the UK Government. I will ask the first question and will be followed by Claire Baker.

Mr Gove, thanks for joining us again. I will start by referencing some of the reports that have come out overnight from both the European Commission and Downing Street, which suggest that there is some movement in negotiations with regard to the operation of the level playing field. Will you update us on whether there have been movements and on how likely we are, in your view, to get a deal by Christmas?

Rt Hon Michael Gove (Chancellor of the Duchy of Lancaster): Thank you very much for the kind invitation to join you. Thank you also for facilitating us by starting a wee bit later than would otherwise have been the case. I am very appreciative of that.

It is difficult to provide a real-time optic from the negotiations. We have to respect the sanctity of that process and the fact that both the EU's and the UK's negotiators are talking about text in a necessarily fast-moving and fluid environment. However, as you rightly say, there are still three areas of significant difference: the level playing field, governance—the means by which either side might take appropriate autonomous measures if the other side is seen to be departing from

equivalence or level playing field arrangements—and the issue of fisheries, with which the committee is very familiar. I personally remain hopeful that we will secure an agreement, but, as the Prime Minister and, indeed, EU leaders have pointed out, we need to be ready for every eventuality.

The Convener: Briefly, in your view, what is the likelihood of a deal? Is it 50 per cent? Is it 20 per cent?

Michael Gove: In the past, I have attached percentages to it but I have always regretted doing so. On this occasion I will not compound the mistake. As I have said, I am optimistic, but I think that it is important that we all recognise that there are still significant issues to bridge.

The Convener: Thank you. Of course, the tariff-free deal, if you manage to secure it, will still mean significant red tape for business, as we are out of the customs union.

Thank you very much for your letter to the committee, which we received today. In it, you say that,

“From April 2021 all products of imported animal origin—for example meat, pet food, honey, milk or egg products—and all regulated plants and plant products will also require pre-notification and the relevant health documentation”.

The committee has heard all about the burden of that documentation. Can you guarantee that that level of disruption will not affect food supplies?

Michael Gove: Yes.

The Convener: Yes. What happens after April 2021?

Michael Gove: You rightly point out that there is a need for documentation for imports after that period. The key things that I would say are, first, that it is important that we maintain our own high standards of biosecurity and, secondly, that across the United Kingdom we have a very resilient food supply system. I am confident that, with all the steps that we have taken—and, more importantly, with all the steps that industry has taken—we will have a resilient food supply chain operating effectively after the end of the transition period and into the new year.

The Convener: Your colleague David Duguid MP, a Scotland Office minister, does not share that confidence. He said that consumers might not be able to purchase the type of pasta that they want after the end of the transition period.

Michael Gove: I did not see the interview that Mr Duguid gave, but the point that I think he was making is that we all recognise that there were some interruptions to the food supply earlier this year, because of the Covid restrictions that we faced, and he was drawing a parallel with that.

However, when it comes to ambient goods such as pasta, it is important to say that I do not think that there will be too much of a problem in people getting their penne and their linguine.

The Convener: I am sure that they will be pleased to hear that. However, the derogations that you have agreed for people who are importing to the UK, which you mention in your letter, do not apply to our exporters, do they? It is up to the EU what red tape it chooses to levy on them.

Michael Gove: Yes, that is right.

The Convener: As you know, our food producers—Scotland Food and Drink—wrote to the UK Government, asking for a period of grace so that they could adjust in relation to their exports, but it is clear that they are going to face huge barriers because you have refused to allow that.

Michael Gove: It is the case that the EU would be capable of deciding how long any grace period would last and also what its terms were. It is a function of being outside the customs union and the single market that the EU requires appropriate documentation of third countries. We have known, certainly since the general election result just over a year ago, that we will be leaving both the single market and the customs union, so there has been time to prepare. However, I recognise that businesses have had a lot to do this year. That is why, in areas that are within the UK Government's control, we have said that we will introduce controls in a staged way over the next six months—the period until July.

The Convener: A lot of businesses are facing those significant burdens, and that is not what they were told would happen back in 2016. In a keynote speech in the run-up to the referendum in 2016, you said:

"There is a free trade zone stretching from Iceland to Turkey that all European nations have access to, regardless of whether they are in or out of the euro or EU."

Why did you say that? What is that free trade zone? You have just said, clearly, that businesses will face significant barriers to trade.

Michael Gove: The point that I made then, which I repeat today, is that there are no tariffs or quotas in trade between those countries, but some checks apply to countries that are outside the EU and the European Free Trade Association. It is understandable that those checks might continue to be maintained by the EU.

The Convener: Most expert trade negotiators that we speak to—the committee speaks to a lot of them, as you can imagine—tell us that tariffs are the least of our worries when it comes to trade barriers. Nowadays, it is regulations that form the biggest barriers.

Michael Gove: That is an interesting point. My view is that we should try to reduce tariffs to as low a proportion as possible, but in the agreement that we are seeking with the EU it is not just the case that we want an absence of tariffs and quota restrictions but that we want to smooth trade as much as possible.

The Convener: Okay. Thank you.

Claire Baker (Mid Scotland and Fife) (Lab): We are now in the final weeks of the negotiation period and I am concerned about the preparedness of businesses. In recent days, the Prime Minister has attempted to sound positive about a possible no-deal outcome, but that is of great concern to the businesses that we have heard from. Has the Government done any assessment of what no deal would mean for Scottish jobs and businesses and our economy?

We hope that we are now coming out of the pandemic, but businesses have had a big strain on them this year. At the moment, they are facing even greater pressures moving into January because of the lack of good knowledge of what a deal will mean.

Michael Gove: You make a series of important points. The first thing to say is that we all hope that we can secure a free trade agreement. That is certainly the view of Government and business.

Secondly, we know that, whether or not we secure a free trade agreement, companies have to prepare for life outside the customs union and the single market. Free trade agreement or no free trade agreement, a lot of that preparation is similar, which is why we have been encouraging businesses—and being encouraged by business—to prepare intensively for those changes.

On your third point, it is true that we are living through a difficult time because of the Covid pandemic, but the level of support that has been given to businesses by the UK Government and Her Majesty's Treasury has been among the most generous to be given by any western Government. It is a good thing that the Treasury is able to provide furlough support and other support to businesses in Scotland and across the UK.

Claire Baker: Businesses have, however, reported to us that they are concerned about the new arrangements once we leave the EU officially in January. As you will recognise, notwithstanding whether there will be tariffs, there will be additional costs to business. The bureaucracy and the changes in how we trade will add additional costs to already thin margins. There are concerns that, notwithstanding the support that has come from the UK Government, some businesses will not be able to survive the next year, given the pressures that there have been this year and the pressures

that we foresee coming up next year. In your letter to us, you talk about the six-month period in which to submit to Her Majesty's Revenue and Customs, and there is quite a complicated picture of how businesses are due to operate. Are you confident that businesses are well enough informed?

There are two things happening here. There is a lack of certainty for businesses and, even with things that are certain, there is no certainty that businesses are prepared enough to implement the new regulations. It is a combination of not being prepared for the degree of uncertainty that businesses are operating in and being unprepared, given the degree of uncertainty that there is around tariffs and what the future arrangement will look like.

Michael Gove: That is a very fair point. As you rightly point out, we have a degree of certainty about what business faces. Different people have put a different percentage on it, but upwards of 80 per cent of what businesses will need to do remains the same, free trade agreement or no free trade agreement. Obviously, however, it will depend on the business.

You are right, of course, that until we secure a free trade agreement we do not know whether some sectors will face tariffs as a result. We also know that some sectors are more exposed to the impact of tariffs than others, but it is also the case that business has been preparing. It has been doing an enormous amount to be ready for the end of the transition period. In particular, the UK Government has provided more than £170 million to the Scottish Government to ensure that the Scottish Government can help business to prepare. Again, we do not have a breakdown of how that money has been spent by the Scottish Government, and I am sure that business will want to know.

Claire Baker: Small and medium-sized businesses have given evidence to the committee that they will find it difficult to adapt, and the sector is also looking for some confidence that there are sufficient resources in the system. For example, there is a lack of customs officers. Are HMRC and other bodies prepared to deal with the additional pressures that there will be on businesses in the future? Much of that preparation, including for customs officers and the role of HMRC, is the responsibility of the UK Government.

Michael Gove: You are absolutely right. HMRC has increased the number of people who are working for it, and it has made sure that appropriate systems are in place. We have also seen the customs intermediary sector grow in size.

I know that there are worries in Aberdeenshire about whether a sufficient number of suitably trained people have been deployed to make sure

that export health certificates for fish are provided. As I said earlier, we provided the Scottish Government with money to give to local authorities, and I hope that that money has been spent appropriately.

Kenneth Gibson (Cunninghame North) (SNP): Good afternoon, minister. It was reported at the weekend that, to avoid delays and snarl-ups at Dover, vehicles may be waved through with a light touch. You, yourself, said earlier that you want to smooth trade as much as possible. If there is a light touch, how will the smuggling of people and contraband be prevented?

15:45

Michael Gove: I will say two things. First, before any heavy goods vehicle arrives in Kent, the haulage company and trader need to make sure that the driver has the appropriate documentation, because the EU will request it of them when they arrive in Calais. Secondly, overall, the UK Government takes a very firm and clear line on dealing with people smuggling and the smuggling of contraband. We have increased the number of Border Force professionals who are in place in order to make sure that we can deal effectively with the tragedy of human trafficking as well as with any risk of organised crime.

Jess Glover (UK Government): May I supplement that, with the permission of the convener?

Michael Gove: Of course, Jess—please do.

Jess Glover: It is also worth bearing in mind that there are currently no customs checks of that nature on trucks moving from the EU into the UK. From January onwards, all checks will be enhanced, and they will be enhanced further from April and then from July. Although the full checking will not come in until April and then July, compared to the status quo there will be more checking from January than there is now.

Michael Gove: Thank you, Jess. I hope that that is helpful to the committee.

Kenneth Gibson: That is certainly reassuring. However, what will be the impact on delays if there is—as colleagues referred to earlier—more bureaucracy at the ports? How can we ensure that we do not have any of the issues that I mentioned while ensuring the free flow of goods and services?

When we took evidence from the Road Haulage Association online a few weeks ago, it talked about the UK Government's policy being a "shambles" and "bonkers" in relation to the ability of lorries and logistical services to operate post 1 January, even in the case of a low deal rather than no deal.

Michael Gove: I think that we have had additional clarity since the Road Haulage Association appeared in front of the committee. The EU has published its own document about the approach that it will take to haulage in the event of a no-deal outcome. As I mentioned, there has also been the creation of the “Check an HGV is ready to cross the border” portal, which went live yesterday and which provides a means of ensuring that anyone who is setting off to take goods to Europe knows exactly what they need to do to ensure a smooth passage.

We have also been working with DFDS Seaways and other hauliers to make sure that some of the most valuable cargo—for example, fish and shellfish—is smoothly expedited so that it can reach Boulogne-sur-Mer, which is the principal French fish market, in good order.

Kenneth Gibson: On Sunday, your Conservative colleague David Duguid—who has already been referred to—suggested that there would be no more than currency exchange fluctuations in terms of the level of tariffs. However, on the same day, *The Sunday Times* listed dozens of items—from tomatoes to cars and cheese—in relation to which tariffs on imports would range from 8 to 57 per cent. Will you confirm whether the range of figures quoted by *The Sunday Times* was accurate? If so, would they be in addition to any currency exchange fluctuations and not instead of them, as Mr Duguid appeared to imply?

Michael Gove: I will say two things. The EU’s common external tariff is there for all to see. In addition to that, the UK global tariff has been in place and published since, I think, March of this year. Again, the figures are there and are readily accessible to all.

I note that not only Mr Duguid but the Secretary of State for Environment, Food and Rural Affairs, George Eustice, has pointed out that the overall impact of tariffs on potential prices in the event of no deal would be relatively small. As Mr Duguid rightly pointed out, currency fluctuations are a significant factor in the price of goods—particularly food—but they are not the only factor. Many factors influence the price of food—everything from harvest conditions through to the cost of fuel and transport. Those are all factors, and it is important to consider them all when we consider food prices.

Again, it is important that, wherever possible, we have appropriate means to support those who are most in need through any time of economic stress and hardship.

Kenneth Gibson: Okay. Thank you. Of course, those additional costs would be synergistic.

In October 2018, Adam Tomkins said that,

“from a Scottish Conservative and Unionist perspective, what goes for Northern Ireland must go for Scotland also. In particular there can be no separate Brexit deal for each of the nations that comprise the United Kingdom. We voted as one country to leave the EU, and both the withdrawal agreement and future trading relations with the bloc must be the same for the whole of the UK”.

Why is that not the case?

Michael Gove: Professor Tomkins is one of the most distinguished voices on the constitution in the whole of the United Kingdom, and his warnings about the dangers of Scottish independence are profound and real. Of course, it is also the case that all of the United Kingdom is leaving the European Union as one UK, one customs territory and one sovereign state. Specific arrangements prevail in Northern Ireland because it is the only part of the United Kingdom that has a land border with the European Union. As we all know, Northern Ireland has made significant strides forward in the past 22 years, since the signing of the Belfast Good Friday agreement. Therefore, in the spirit of that agreement, the UK and the EU have ensured that there can be no physical infrastructure between Northern Ireland and the Republic of Ireland, and that has been welcomed across parties and across the UK.

Kenneth Gibson: Thank you for that. I know that others will want to explore that issue further.

Dean Lockhart (Mid Scotland and Fife) (Con): Good afternoon, Mr Gove. It is good to see you again after your recent appearance at the Finance and Constitution Committee.

Today, I will ask you about the EU third country free trade agreements that are being rolled over. Those free trade agreements are important for Scotland because, as you know, trade with the rest of the world accounts for 23 per cent of Scotland’s trade compared with the 17 per cent of our trade that is with the European Union. At more than 60 per cent, the vast majority of our trade remains with the rest of the UK internal market. In recent weeks, FTAs have also been concluded with Japan, Canada, Singapore and a number of other important destination markets for Scottish products.

I have two questions on that area. First, what other FTAs are in the process of being rolled over? Secondly, like me, were you surprised that Scottish National Party members in the European Parliament and at Westminster have failed to support those free trade agreements, given their increasing importance for Scotland’s trade with the rest of the world?

Michael Gove: Thank you. You make two very powerful and important points. The first and most important point is that the Secretary of State for International Trade, Liz Truss, has concluded more than 40 free trade agreements with

countries—some of which you mentioned—which ensure that we can have the seamless trade that we enjoyed while we were in the EU. The trade deal that we have secured with Japan is an even better deal for the UK than the one that we had in the EU. Of course, we are also negotiating trade agreements with other countries with which the EU does not have trade agreements, including Australia and the US.

With regard to your second point, you are absolutely right. My colleague Greg Hands pointed out in the House of Commons that SNP politicians have voted against nearly every trade agreement that the UK or the EU has entered into. When it comes to that rejection of free trade, I do not know whether the SNP tops the European league, but it has been a consistent position of the SNP to vote against free trade agreements.

Jess Glover: I will supplement that answer, in case it is helpful for the committee. If you Google “existing UK trade agreements with non-EU countries” or “EU continuity trade agreements”, you will find a page on gov.uk that has the full list of the continuity agreements that have already been signed and those that are still to be negotiated and signed. You can see clearly the state of play, and that page is kept up to date, so you can refer to it at any moment.

Dean Lockhart: Thank you; that is a helpful response, and it is encouraging to see real progress being made on that front.

My next question relates to the tariffs that the United States imposed on Scotch whisky and other Scottish products as a result of the trade dispute between the EU and the US in relation to Airbus and Boeing. As you know, those tariffs have unfortunately resulted in a decline of 30 per cent in Scottish whisky sales into the US, which is the most important market for Scotch whisky in relation to value. The UK Government recently announced that it will unilaterally suspend tariffs that arise from the Airbus/Boeing dispute in an effort to reach settlements with the US—a move that the Scotch Whisky Association warmly welcomed.

Could Mr Gove provide us with a bit more detail on how the UK Government plans to address the issue of US tariffs on Scotch whisky? On a wider note, is that tariff suspension a good example of the future flexibility that we will have in dealing with trade issues or disputes, in a manner that promotes the best interests of the UK and the Scottish economy, as opposed to Brussels making the decisions?

Michael Gove: That is absolutely right. The issue of tariffs is important, as you rightly point out. Whisky is one of Scotland’s and the UK’s most important exports. As a result of the Airbus/Boeing

dispute, America set tariffs on the EU as a whole and, as a continuing part of the EU customs union, those tariffs, which are particularly difficult for the Scotch whisky industry, affected us.

Karen Betts, the chief executive of the Scotch Whisky Association, has worked closely with Liz Truss on the issue, and Liz has talked to Robert Lighthizer, the existing US trade representative, to see if progress can be made. The flexibility that Liz has as a result of our departure from the EU would not be granted to any of the EU 27, which underlines the fact that we have additional flexibility when it comes to dealing with export markets outside the EU.

Signature Scottish exports—whisky, salmon and others—are likely to play an increasing role in consumption in the US and Asia. We can secure improved access to significant markets there, and that process is at the heart of Liz Truss’s work.

Dean Lockhart: That update was helpful. We all look forward to the increase in exports of Scotch whisky, not only to the US but across the world, as we enter into new free trade agreements. I thank Mr Gove again for his time.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): Michael Gove and I have met many times in the past, and it is good to meet him again.

In answer to one of the convener’s earlier questions, you said that we would leave the single market and the customs union. You later said that there would be one customs union. Are you telling me that there are no customs duties between Northern Ireland and the Republic of Ireland?

Michael Gove: That is an important point. The first thing to bear in mind is that, when the protocol, which is part of the withdrawal agreement, was concluded, the original position was that goods at risk of going into the single market through Northern Ireland were deemed to be due for tax. That raised the prospect of, for example, milk from Glasgow that is sold in Belfast or lamb from Shetland that is sold in Ballymena facing significant tariffs.

As a result of the agreement that we have secured in the EU-UK joint committee with the European Commission’s vice-president Maroš Šefčovič, goods that are sent from Great Britain to Northern Ireland for consumption or end use in Northern Ireland face no tariffs at all. Northern Ireland will also benefit from free trade agreements that the UK has signed and will sign. If we do not secure an FTA, tariffs will be levied on goods that come from the Republic of Ireland into Great Britain.

Stewart Stevenson: The UK Government can make the choice whether to levy tariffs on goods that enter the UK. I was asking about goods that

come from Northern Ireland into the Republic of Ireland. Will there be tariffs on them, or will they remain in the EU customs union?

Michael Gove: By definition, it will not be the case that Northern Ireland is fully part of the EU customs union. Parts of the EU customs code will apply in Northern Ireland and UK authorities will apply those, which will be subject to the agreement that will be secured through the joint committee with Maroš Šefčovič. That means that businesses in Northern Ireland will have unfettered access to the rest of the UK.

16:00

Stewart Stevenson: Yes, but my question is whether businesses in Belfast will have access to the Republic of Ireland. You said that we are not fully in the customs union in Northern Ireland, which implies that we are partially in it. Of course, that is not an abstract issue for Scotland, because we would expect to see lorries that are meeting the formalities on their way to the ferries to Northern Ireland being stacked at the Government's aerodrome at West Freugh or wherever. However, if there is freedom all the way, I see no reason why Scottish suppliers should not do a little bit of processing in Northern Ireland and export products to the Republic of Ireland. I am totally baffled as to whether there is a barrier between Northern Ireland and the Republic of Ireland.

Michael Gove: There is no customs infrastructure between Northern Ireland and Ireland. However, if an entity were to attempt to subvert that by not being a legitimate Northern Ireland business or if its goods were not destined for end use in Northern Ireland, then it would be at risk.

I will hand over to Brendan Threlfall to say a little more about the operation of the protocol.

Brendan Threlfall (UK Government): If a Scottish business were to send goods into Northern Ireland through its ports for end consumption or final use in Northern Ireland, it would be able to benefit from the joint committee decision that we have just reached. No tariff would be payable at all, irrespective of the position on the free trade agreement that will be reached with the European Union. If, per the example that Mr Stevenson has mentioned, a Scottish business was to send goods into Northern Ireland for the purposes of processing to send on to the European Union, it would pay a tariff. The joint committee's decision is about whether goods remain in the UK's customs territory, of which Northern Ireland will be a part, so the decision reflects that. Tariffs will be paid if goods go on to the European Union.

Stewart Stevenson: So there will be no infrastructure to monitor Northern Ireland businesses that export to the Republic of Ireland, but nonetheless, they will be due to pay tariffs on their goods that leave Ireland. I am a simple person; can you explain how that works? If there is no infrastructure for collecting taxes, how will taxes be collected?

Brendan Threlfall: If you are talking about goods that are produced in Northern Ireland—in other words, Northern Ireland originating goods—those goods will have tariff-free access to Ireland and the rest of the EU single market under the protocol. The position in the joint committee is about goods that are brought into Northern Ireland. There is a different system for goods that are brought in from Scotland, for example, depending on the destination of those goods. If you are talking about Northern Ireland lamb, for example, that will benefit from tariff-free access to the EU single market under the terms of the protocol.

Jess Glover: If I may, I will supplement the answer to describe how that works. As an example, take a good that is produced in Scotland, moves through Northern Ireland and is sent for onward sale to France. As Brendan has explained, tariffs will be payable. There is no customs border through which that good has to move, which is the point at which a bell rings and a tariff becomes payable. Instead, that good will be tracked by the tracking systems for goods that move across the UK and the EU. The customs systems in the EU and the UK have information on the movement of that good and the systems send alerts that a tariff is payable. That process does not happen at a border; rather, it happens through the tracking and tracing of goods in the UK and EU.

Stewart Stevenson: So will the system track every individual lamb—the majority of which goes to France, and some of which goes to Northern Ireland for finishing? Each lamb goes from Scotland to Northern Ireland, is finished there and processed tariff-free into Ireland. The lamb will then go via a new ferry route that has just started from Ireland to the continent. That sounds like a recipe for chaos for businesses, which will be put at risk. There could also be a potential loss of tariffs for people who are involved. Is that not the confusion that we are facing?

Michael Gove: No. I think that it is a good deal for Northern Ireland that safeguards its position in the United Kingdom.

Stewart Stevenson: Well, why could Scotland not get that same good deal, since it voted to stay in the European Union?

The Convener: I am sorry, but we need to move on to the next question, which is from Beatrice Wishart.

Beatrice Wishart (Shetland Islands) (LD): Other colleagues have referenced the request that the committee sent on behalf of the Scottish food and drink industry for a six-month grace period, to which you said no.

One paragraph of the letter that you sent to the committee contained references to seven pieces of paperwork, documentation and regulations that need to be dealt with by any company in the food and drink sector every time that it trades with the EU. That is a colossal amount of bureaucracy for small businesses.

Your letter goes on to mention prioritising fish. I represent a fishing community and you will not be surprised that I am interested in anything that affects it. Presumably, that prioritisation means offering fish exporters a way to bypass the traffic jams, gridlocks and lorry parks of Kent—I note reports in the media today that those lorry parks will not be ready by 1 January, because of heavy rain.

Have you set an upper limit on the maximum delay that a seafood exporter can expect? What will the Government do when a shipment approaches that upper limit? How much extra paperwork will be needed?

Michael Gove: I know that island communities, such as the one that you represent, with its strong fishing tradition, will benefit from the fact that we will ensure that, in Kent, we do not have the type of traffic disruption that some have feared. That is because, through the “Check an HGV is ready to cross the border” system, we have a means of screening out unready vehicles and ensuring that as many vehicles as possible that enter Kent are ready to travel smoothly through to Calais.

The other benefit that we have managed to secure is that there is a border control post for fish and shellfish products in Boulogne, rather than Calais. That means that there will be a smooth route through Calais to Boulogne, so that those products can reach the principal French fish market. However, we have also been working to ensure that shellfish, which, as you know, are the most perishable of items, have expedited transport. DFDS—the hauliers that operate out of Larkhall in Lanarkshire—will ensure that shellfish travel overnight and arrive market fresh in Boulogne the next morning.

Emma Churchill (UK Government): There has been some reporting in the media today about a lack of readiness at the Sevington site because of rain. I want to put on record that Department for Transport colleagues are confident that the site will be ready by 1 January for the key purpose of

traffic management. The reporting relates to the fact that Her Majesty’s Revenue and Customs is going to complete some of its functions, such as transport functions, at Ashford Waterbrook, the site next door, which was prepared for just such a contingency. Sevington will absolutely be ready for its key purpose, as will Waterbrook.

On the issue of prioritisation, as the minister said, those who have completed their “Check an HGV is ready to cross the border” paperwork and have a Kent access permit will have ticked a box on the web service to say whether they are carrying fish or day-old chicks of the kind that entitle them to that prioritisation. If queues reach the point at which it is necessary to prioritise those lorries, the drivers will be notified and will be mustered at Ebbsfleet, which is another site in Kent that will be ready, and they will move through in that way.

Beatrice Wishart: So they will not be held up at all.

Emma Churchill: That is right.

Beatrice Wishart: Okay.

Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP): I am trying to get my head round this business of what happens between Northern Ireland and Éire. Am I right in thinking that, if goods that are produced in Northern Ireland are sent over the border to Éire, they are tariff free?

Michael Gove: Yes.

Christine Grahame: And are goods going from Éire to Northern Ireland also tariff free?

Michael Gove: Yes.

Christine Grahame: That is clear. Thank you. My head was beginning to buzz. I will go back to the quote from Adam Tomkins, who said:

“what goes for Northern Ireland must go for Scotland also. In particular there can be no separate Brexit deal for each of the nations that comprise the United Kingdom.”

In an earlier answer to Stewart Stevenson, you said that, if sheep lambs were being sent to Northern Ireland for onward transmission to southern Ireland, there would be tariffs. Am I correct?

Michael Gove: Yes.

Christine Grahame: So, there are different rules.

Michael Gove: The first thing that I will say is that, for more than a year now, since the conclusion of the withdrawal agreement, people have been aware of the existence of the Northern Ireland protocol, which is there to recognise the unique position in which Northern Ireland finds

itself as the only part of the United Kingdom with a land border with the EU. Obviously, we are all well aware of the 22 years since the signing of the Belfast Good Friday agreement and the peace that has taken root there. During the negotiations, one of the points that was made consistently by our friends in the European Union was that they felt—I can entirely see the force and strength of the argument—that appropriate measures needed to be taken. We did that through the protocol, with the help and support of the EU and the Dublin Government.

Christine Grahame: I have no problem with that. During the troubles, I lived in Galloway, so I am well aware of the troubles and how we got out of them. However, the point is that you rejected the earlier proposition that there is a separate Brexit deal for Northern Ireland, but there is a separate deal. Producing lambs in Scotland is a completely different proposition to producing and processing lambs in Northern Ireland and then sending them to southern Ireland, which is part of the EU. The point that was made by your colleagues is that trading relations should be the same; however, they will not be the same. To give an example, there is nothing to prevent somebody who is a processor in Scotland, whether of fish or meat, from relocating their factory to Northern Ireland and registering as a company there, and then they are tariff free. There is no doubt that that will disadvantage Scotland.

Michael Gove: I do not think so. Scotland has many advantages, such as an educated workforce, a UK Government that stands ready to support through the power of the Treasury, and the trade agreements that Dean Lockhart mentioned earlier. They are all part of the panoply of measures that support Scotland's businesses, which will ensure that we all have an opportunity to take advantage of the new economic vista that is opening up in front of us.

Christine Grahame: Do you accept that there is absolutely nothing to prevent a business, if it sees it as appropriate to help the business and avoid tariffs, from relocating from Scotland to Northern Ireland and taking advantage of the tariff-free relationship there?

Michael Gove: I think that Northern Ireland remains an attractive place for people to live and work. The decision as to why a company locates in any particular part of the United Kingdom will always be the result of a multiplicity of factors. Relocation is not a very cheap process, but the new Office for Investment that the UK Government has set up, which is dedicated to making sure that we can get more inward investment to all of the United Kingdom, will be championing Scotland, as well as Wales and Northern Ireland, alongside

England, as a welcome destination for foreign direct investment.

Christine Grahame: Would you agree that relocation is a way to avoid tariffs?

Michael Gove: It is certainly the case that a legitimate Northern Ireland business will avoid them, but that is one way of ensuring that Northern Ireland's economic life continues to be as vital as possible. As you referenced earlier, in the 100 years of its existence, Northern Ireland has had a period of great difficulty due to the troubles; therefore, I think that we all want Northern Ireland to prosper in the future. The more prosperous Northern Ireland is, the more deep rooted the hard-won peace will be.

16:15

Christine Grahame: I absolutely accept that, Mr Gove. All that I am saying is that there is no level playing field, and I think that you have shown by your answers that there is no level playing field between the component parts of the UK—Scotland, in particular—and Northern Ireland. I will leave it at that.

Michael Gove: I will say two things in response to Christine Grahame. First, we have created a level playing field across the United Kingdom for goods through the United Kingdom Internal Market Bill. If you would like a level playing field, non-discrimination and market access, that bill will help to provide it.

My second point is that devolution, of which I am a big supporter, allows each of the constituent parts of the United Kingdom to tailor policy in appropriate ways for their citizens. The Scottish Government has a different income tax structure from that of other parts of the UK, and that will have an impact on inward investment. The Scottish Government takes a slightly different approach to skills and further education from that of other parts of the UK, and that will have an impact on inward investment.

In the delicate balance of relationships that make up the United Kingdom, we recognise that there is a need for a coherent internal market, which is why we are legislating to ensure that there is one. However, that legislation respects the devolution settlement, to which we are attached.

Christine Grahame: Well, Mr Gove, we are just going to have to disagree. Levying tariffs on one part of the UK and not on another is not a level playing field.

The Convener: We are going to have to move on. Thank you, Christine. Oliver Mundell is next.

Oliver Mundell (Dumfriesshire) (Con): Thank you, convener. I am pleased that Mr Gove is back

at the committee for the second time, especially given his busy schedule.

With that in mind, I doubt that you had time to listen to Mike Russell on “Good Morning Scotland” the other day, but do you share my concerns about the Scottish Government’s lack of transparency on where the £200 million that it has received from the UK Government to assist with preparations for the end of the transition period has been spent? Has any information been shared with the UK Government about that? Are you worried that the SNP’s determination to disrupt the Brexit process at all costs is starting to get in the way of sensible preparations and joint working?

Michael Gove: Thank you for your questions, which go to the heart of a couple of very important issues.

I am sorry to have missed Mike Russell on “Good Morning Scotland”, but it is the case that the money that the UK Government has supplied to the Scottish Government for Brexit preparations is just shy of £200 million. The key thing is that there has to be accountability for how that money is spent. Again, I respect the devolution settlement and I certainly do not believe that it is my responsibility to say to Mike Russell or any other Scottish Government minister how that money should be spent, but they should be accountable for it. The National Audit Office audits the UK Government and rightly asks questions about expenditure. Mike Russell and other Scottish Government ministers should present an itemised account of exactly how that money has been spent because, like Oliver Mundell, I have heard one or two voices of concern from some in business. I am sure that the Scottish Government will be able to allay those concerns if it is fully transparent about that expenditure.

Oliver Mundell: There is a concern that, in order to make Brexit seem as destructive as possible, the Scottish Government might not be passing that money on to businesses and local authorities and might be putting off some of the preparations that we know will be needed whatever the future trade relationship is. Most reasonable people want to see Scotland’s Governments working together. SNP ministers are always keen to create division, as you probably know as well as anyone, and they like to suggest that you and other UK ministers do not want to engage with them. On that basis, what level of work are you doing together to plan for the end of the transition period? How does the detail of that work compare with that of the work that you are doing with other devolved Administrations?

Michael Gove: We regularly invite devolved Administration ministers to come to the Cabinet sub-committee that deals with preparations for our exit. At different times, different ministers are

represented—including Fergus Ewing, Roseanna Cunningham, Mike Russell and others—and that is in addition to the regular meetings of the joint ministerial committee (European Union negotiations).

How best to put it? I will give an example. The Welsh Assembly Government has kindly invited UK Government ministers to come to one of its committee meetings to look at planning. We have not yet had such an invitation from the Scottish Government. However, exactly as you say, we and the Scottish Government work well together in a number of areas, and you are right that it is important that Governments work well together. One area where all four Governments across the United Kingdom have worked well together is in making sure that, in so far as is possible, we have a co-ordinated Covid response. I am keen to work with Scottish Government ministers, and we provide a weekly forum, at the very least, for that to happen.

Jess Glover: I greatly appreciate the co-operation that we have had with officials across the devolved Administrations—in the Scottish Government, the Welsh Government and the Northern Ireland Executive. There are a number of regular forums in which we meet to help us all to prepare for the end of the transition period, and I am grateful for that.

Oliver Mundell: Is it a fair assessment to say that, sometimes, what we read in the papers and hear presented in the Parliament does not accurately reflect the quality of those intergovernmental discussions on Brexit and other matters?

Michael Gove: Yes, I think that that is true. Obviously, the Scottish Government and the SNP take a different position from us on EU exit and a number of other issues but, as Jess Glover has indicated, on many issues the engagement between officials—and ministers—is cordial and constructive.

During my time as Secretary of State for Environment, Food and Rural Affairs—and, indeed, in this job—I particularly enjoyed working with ministers such as Roseanna Cunningham and Fergus Ewing, who could not have been more constructive in the meetings that we had. Of course, they sometimes had to make political points outside that and I completely understand that, but the UK Government works with all the Administrations. Working well together is a sign that devolution can deliver, with two Governments working for the people of Scotland.

Oliver Mundell: Thank you.

The Convener: We have a little time left for supplementary questions. I am grateful to Mr Gove for the succinctness of his answers. If we can

keep questions succinct as well, we will get a few more people in.

Kenneth Gibson: Mr Gove, back in 2007, the Hyster factory in Irvine in North Ayrshire closed and 340 jobs were lost. It closed because the UK Government built a new Hyster factory in Northern Ireland. Therefore, despite a two-year order book, Hyster moved from Ayrshire to Northern Ireland. It has been a long time since there was a level playing field between the two countries. Given that £400 million has been given to Northern Ireland for post-transition support, why has Scotland not been given the same resource, pro rata, in order that the level playing field that I think most of us want to see can be enacted?

Michael Gove: I do not have the details of what happened in 2007. I do not know whether it was Tony Blair or Gordon Brown who was Prime Minister at the time.

Kenneth Gibson: It was Tony Blair.

Michael Gove: Yes. I am happy to look into that situation. We absolutely want to make sure that the people of Northern Ireland, who have suffered so much in the past, enjoy the fruits of peace and prosperity, but we also want to help people and businesses in Scotland to prepare. That is why, as Oliver Mundell reminded us, the UK Government gave the Scottish Government just shy of £200 million to help business to prepare. I am sure that that money is being well spent but, as Oliver and others have indicated, we have not yet had an audit of how that expenditure has been deployed.

Kenneth Gibson: I am sure that that audit will come through in due course, but the specific question that I asked was why we are not getting the same pro rata transitional resource that Northern Ireland is getting. If it is getting £400 million, on a population basis we should surely get £1.4 billion. If we do not get £1.4 billion, because you believe that Northern Ireland has specific circumstances, we should at least get a share of that.

Michael Gove: Again, that is a fair challenge. The way in which money is distributed across the United Kingdom overall through the Barnett formula recognises the unique needs of different parts of the UK because of geography, history, rurality and so on. As you will know, UK Government per capita spending is higher in Scotland than in England and in Wales, but Northern Ireland is the part of the United Kingdom that receives the most from the UK Government.

That is a well-established constitutional principle. There are people who argue for breaking that link with the UK Government and ensuring that there is less funding for Scotland or for Northern Ireland. I am against that. I think that the Barnett formula works, and of course it is

supplemented by the additional support that the UK Treasury provides by enabling the UK Government to borrow at a lower rate than an independent Scotland would be able to, thus more effectively financing the necessary deficit that we have at the moment, which helps to keep businesses going.

Kenneth Gibson: That is a matter of debate.

Finally, will the UK Government look again at the post-transition support for Scotland, so that the gulf in spending per capita between Scotland and Northern Ireland, which you have emphasised, does not widen even further?

Michael Gove: We always keep those things under review. However, I would say that pitting one part of the United Kingdom against another by saying that it is unfair that Northern Ireland benefits is not the sort of thing that I am terribly keen on. My view is that the United Kingdom is built on solidarity and sharing, and that it benefits from the fact that we stand behind and support those parts of the UK that might have had tougher times in the past. That is one reason why, from Lanarkshire to Larne, the UK Government spends the money that it does. We want to show solidarity with those who might have endured de-industrialisation or other challenges at some point in the past.

Kenneth Gibson: Thank you, Mr Gove.

Claire Baker: I believe that people across the UK expected an orderly exit from the EU, and we are now only two weeks away from the point of leaving. Will you respond to the reports that Michel Barnier has suggested that, even if we reach a deal by the end of December, that will not be enough time for the EU to ratify it? That might lead to a no-deal period, even though we will know that a deal is on the horizon. Is that a scenario that we could be facing? If it is, what support is available for businesses that might have to experience a no-deal period? What would their legal obligations be? What would that mean for a future deal?

Michael Gove: I have not heard Michel Barnier say that, but I know—although I stand to be corrected—that the EU has something that is called provisional application, which means that, if a treaty or a free trade agreement is agreed, the EU can choose to apply it, almost from the get-go, and the European Parliament can approve it subsequently. Therefore, I do not think that the eventuality that you describe need occur. However, your point is a very fair one. If we can get a deal, the sooner we do so, the better it will be for everyone.

Claire Baker: Press reports suggest that Mr Barnier made those comments to a meeting of EU members. I share your concerns and hope that such a scenario would not come to pass.

However, given the timescales that we are working to, the official process that we all knew would be expected to take place cannot possibly take place in the next two weeks. The timescales are too short even if we reach a deal.

Michael Gove: I quite agree that the sooner we reach a deal—if we reach a deal—the better it will be, overall. However, the UK Parliament can still make sure that we ratify a deal before 31 December and, as I said, the EU has its own processes for making sure that a deal is in place.

The press reporting of different positions, whether of the UK Government's position or the EU's position, is sometimes very accurate and sometimes not so much, so, again, I cannot comment. I have not heard Michel Barnier make such remarks, but that might well be accurate reporting of a private conversation—I would not know.

Claire Baker: Thank you, convener.

The Convener: I will follow on from that line of questioning. Our committee's trade adviser has pointed out that if we do not get a deal—and even if we do—companies that export to the EU will need to provide certificates of origin for all the goods that they export and the component parts of those goods. Our adviser pointed out that they have no experience of using certificates of origin—that is completely new to them. What preparation have you done to help them to do that?

Michael Gove: Again, if we secure a free trade agreement, part of that will cover some of the rules of origin requirements, but I will hand over to Jess Glover to say a little more.

16:30

Jess Glover: The logic behind the question is absolutely right. It is late in the day for the free trade agreement to be agreed, which means that time is limited for businesses—where necessary—to adapt to what the free trade agreement says. As soon as the deal is reached, the Government will support businesses by explaining what the deal means and how to take full advantage of it as soon as they can.

The Convener: Have you issued any instruction on certificates of origin and how businesses would go about getting them?

Jess Glover: The rules of origin requirements that relate to the FTA are subject to on-going negotiations so, unfortunately, we cannot issue guidance on how to operationalise the FTA until it is agreed. Of course, we would have been able to offer much greater clarity and certainty if we had already concluded the FTA and were able to explain it but, unfortunately, that is not the position that we are in. Once the FTA is agreed, as we

hope that it will be, the Government will offer maximum guidance, maximum clarity and maximum support to businesses in adapting to take full advantage of the FTA.

The Convener: Thank you.

Mr Gove, this really is our final question. We appreciate your time. There have been reports overnight on Politico that the UK Government has decided not to join Erasmus+ after we leave the EU. Is that true?

Michael Gove: That is speculation. The Politico website has some brilliant reporters but, at this stage, we are waiting to see what will happen in the negotiations.

The Convener: Thank you. Our committee has produced a report on Erasmus and how important it is, not just to universities but to further education colleges and our young people generally, so we hope that you can reach an agreement on that.

I thank Mr Gove and his officials for joining us today. I wish you the best possible Christmas and new year in the circumstances.

Michael Gove: Thank you very much, Joan. On behalf of my team, I thank your committee.

The Convener: Thank you.

Meeting closed at 16:32.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba