



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Relations Committee

Thursday 27 October 2016

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE
9th Meeting 2016, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Lewis Macdonald (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Jackson Carlaw (Eastwood) (Con)

*Ross Greer (West Scotland) (Green)

*Rachael Hamilton (South Scotland) (Con)

*Emma Harper (South Scotland) (SNP)

*Richard Lochhead (Moray) (SNP)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rt Hon David Mundell MP (Secretary of State for Scotland)

CLERK TO THE COMMITTEE

Katy Orr

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Relations Committee

Thursday 27 October 2016

[The Convener opened the meeting at 10:17]

Decision on Taking Business in Private

The Convener (Joan McAlpine): Good morning and welcome to the ninth meeting in session 5 of the Culture, Tourism, Europe and External Relations Committee. I remind members of the public to turn off mobile phones, and members who use electronic devices to access committee papers during the meeting should ensure that they are turned to silent. No apologies have been received.

Our first item of business is a decision on whether to take item 4, which is consideration of a paper on the committee's scrutiny of the draft budget 2017-18, in private. Do members agree to take that item in private?

Members *indicated agreement.*

European Union Referendum (Implications for Scotland)

The Convener: Our second item of business is an evidence session on the implications for Scotland of the European Union referendum. I welcome to the meeting the Rt Hon David Mundell MP, the Secretary of State for Scotland, and James Dowler, deputy director for constitutional policy at the Scotland Office, and I ask Mr Mundell to make a few opening remarks.

Rt Hon David Mundell MP (Secretary of State for Scotland): I thank the committee for inviting me to contribute to your inquiry. The United Kingdom Government is committed to engaging widely and hearing a range of views and perspectives as we prepare for the negotiations with the EU, and the evidence that is gathered by this committee will be an important contribution to that.

I welcome the opportunity to talk to the committee about the work that the UK Government has taken forward in the four months since the EU referendum. As the Prime Minister made clear immediately after the referendum, the UK Government is committed to getting the best deal for Scotland and the whole of the UK, and that is exactly what we are focused on.

I am pleased that there has been a series of useful meetings between UK and Scottish ministers and officials. For example, last Friday the Secretary of State for Exiting the European Union and I had a very productive discussion with the Minister for UK Negotiations on Scotland's Place in Europe, on Monday the Prime Minister chaired a substantive discussion on EU exit with the First Minister and the leaders of the Welsh Government and the Northern Ireland Executive and the joint ministerial plenary committee, and yesterday David Davis and Michael Russell spoke again. Although we may have different views, it is vital that the UK Government and the Scottish Government work constructively together to secure Scotland's interests.

That is why the Prime Minister has established a new forum on EU negotiations, which is chaired by the Secretary of State for Exiting the European Union. The forum will give the Scottish Government and other devolved Administrations a direct line to David Davis, to allow them to put forward their proposals and help to shape the UK's exit strategy. The first meeting is in early November, when market access will be discussed.

As the agreement on the new forum demonstrates, we will give the Scottish Government every opportunity to have its say as we prepare for negotiations with the EU. I welcome the fact that the Scottish Government

has signalled that it will publish details of its priorities and proposals in the coming weeks. I also hope that the UK Government and Scottish Government will take forward some joint engagement on sectors of particular importance to Scotland; I have proposed that directly to Mike Russell as something that we can take forward in early course.

My priority is to ensure that Scottish voices and interests are at the centre of the negotiations to come. The UK Government is committed to engaging widely across Scotland. My colleague Lord Dunlop and I have already held more than 50 meetings with groups and sectors from all parts of Scotland, to hear directly from them about their priorities. Those organisations include NFU Scotland, the Scottish Fishermen's Federation, the Scottish Retail Consortium, the Scotch Whisky Association, the Church of Scotland and the Law Society of Scotland, as well as young people's representatives and a range of organisations from energy and tourism sectors. David Davis and I also had an extremely useful meeting with representatives from business, law and culture during his visit to Scotland last week.

The overriding message that we have heard is a desire for this dialogue to continue. That will be an on-going priority as we prepare for negotiations.

In the conversations that I have had so far, I have been struck by the appetite that there is in Scotland for taking advantage of the opportunities that will be provided by our leaving the EU. In particular, it will provide many opportunities for the UK to create new trading links and partnerships. As we develop partnerships, it is vital that the people of Scotland and Scotland's wide range of businesses are given every opportunity to contribute to the process.

I am grateful to the committee for its work, and I look forward with interest to your conclusions and to the continued engagement with the Scottish Parliament to which the UK Government is committed as we work to leave the EU.

The Convener: Thank you. Before we move to questions, I remind members that we have only an hour for today's discussion. We need to bear that in mind if every member is to have an opportunity to ask questions of the secretary of state.

On 7 August, after meeting Scottish stakeholders, you said:

"My task is to ensure that Scottish voices and interests are at the centre of the negotiations".

On 4 October, we heard about the membership of the Prime Minister's Brexit Cabinet committee. You are not a member; you attend only as required. How can you represent the voices and

interests of Scottish stakeholders when you attend that key committee only as required?

David Mundell: I am, of course, a member of the Cabinet, and the Cabinet and the Prime Minister will lead the negotiating process. The committee is an important one, which covers a range of issues. As your inquiry has established, there is a vast range of issues that come up in relation to leaving the EU. My purpose is to focus on the issues that are most important to Scotland and therefore I will attend that committee when the issues that are most relevant to Scotland are on the agenda.

The Convener: I understand from "The Cabinet Manual" that Cabinet committees have the same authority as the Cabinet. How many meetings of the committee have there been?

David Mundell: We have said that we will not give a running commentary on the negotiations, and we will not give a running commentary on committees, but I can say that the committee will meet next week and I will be there in attendance.

The Convener: You will be there. You attend "as required". Who decides when you are required?

David Mundell: We will consider the meeting's agenda and the range of issues that will be discussed, and I will determine those issues' relevance and importance to Scotland. If there are matters of importance to Scotland on the committee's agenda, I will be there.

The Convener: You will decide whether you are required.

David Mundell: I will determine whether I need to attend that committee meeting.

The Convener: Can you give an illustration of an issue that the committee might discuss that would not require your presence?

David Mundell: As I have indicated, there is a vast number of issues that relate to leaving the EU. In that process, we have to ensure that we have focus. It is not for me to replicate the role of the Secretary of State for Exiting the European Union. My role is to ensure that the issues and concerns of Scotland are at the heart of the process. There are many issues that affect Scotland and also affect the whole of the United Kingdom. I have every confidence that my colleagues who attend that committee are able to take forward those issues. Of course we have distinct issues in Scotland, some of which we will probably come on to discuss, but there are a range of issues that impact on Scotland and on the whole of the United Kingdom. As I said, I have confidence in colleagues' ability to take forward those issues.

The Convener: One point on which I think there is general agreement is that it is vital to Scotland's interests to be a member of the single market. On 13 July, you said that you want to ensure that Scotland gets the best deal. You said that that

"involves clearly being part of the single market".

Is that still your view?

David Mundell: My view is that we want to maximise our involvement in the single market. That is the objective that the Government wants to achieve, but the Prime Minister and I have also said that it is not appropriate to look at existing structures because the UK is looking to achieve a bespoke deal—a deal that is the best for the UK, including the best for Scotland, but one that is bespoke. It is not about having an arrangement that already exists; it is about doing something new and different. That is the outcome that we are looking for. I am looking for an outcome that allows UK businesses to participate in the single market without tariffs and barriers.

The Convener: So you want full membership of the single market, in the sense that you want no tariffs or barriers. However, the European negotiators have already said that that is not possible.

David Mundell: We are not going to conduct the negotiations in public. European negotiators and everybody under the sun will have their tuppenceworth as we go through the next two years and we will read all sorts of quotes from all sorts of people about what is and is not possible. The UK Government is not going to conduct the negotiations in public. As the Prime Minister has set out very clearly, we are focused on the outcomes. Obviously, an outcome that maximises our involvement in the single market is desirable, and that is what we are looking to achieve.

The Convener: There is a big difference between maximising involvement in the single market and being in the single market, with all the benefits that that brings.

David Mundell: We are leaving the EU and therefore, in that sense, we will be outwith the current EU structures. The negotiations will determine what our relationship will be with the EU structures. As far as I and the UK Government are concerned, all those issues are open for negotiation.

The Convener: Thank you.

Lewis Macdonald (North East Scotland) (Lab): I am eager to explore a little further what you mean when you talk about a "bespoke" agreement. Clearly, we are all focused on what the outcomes will be. The talk of a bespoke agreement suggests to me something that is tailored and designed to fit our needs. How will

that bespoke design be arrived at? What will the process be for determining what a bespoke agreement might look like?

David Mundell: The process will be the negotiations. As the committee is aware, the Prime Minister has set out the timetable for triggering article 50, when the substantive negotiations will begin. As David Davis set out when he was in Scotland last week, what is envisaged is a single agreement for the whole of the United Kingdom, but that does not mean that, within that agreement, there cannot be specific issues relating to Scotland, Wales and Northern Ireland. There will not be a Scotland-only, Wales-only or Northern Ireland-only agreement; there will be a United Kingdom agreement, but that agreement can include differential arrangements in different parts of the United Kingdom if that is seen, as part of the negotiation process, as the best way forward.

Lewis Macdonald: That is very interesting. The implication of much of what the Prime Minister has had to say recently is that such tailoring would be very specific around particular sectors. There has been talk, for example, about the City of London and finance, and about the car industry in the midlands and north of England. What talk has there been about Scotland? If the Prime Minister asks you—as I am sure she does—what Scotland needs out of the process, where do you start that conversation?

10:30

David Mundell: First, I would not believe all the media speculation about special deals. When we met businesses in Glasgow last week, David Davis confirmed that there is not currently a plan for a special deal for the City or the car industry. There will be specific issues that those particular industries have—we know that there are issues for financial services around passporting, for example—but there will not be special deals. It is absolutely wrong to characterise that as a suggestion that somehow certain areas or parts of the country will get a special deal and Scotland will not. Scotland will get the deal that we need to meet our interests and concerns.

Along with my colleague Lord Dunlop, I have been engaged in more than 50 discussions with all sorts of sectors across Scotland from a wide cross-section as well as a broad geographic selection—it is important that we incorporate the whole geography of Scotland. At the moment, I am feeding back to the Prime Minister the issues and concerns that arise in that process.

As I indicated in my initial remarks, a number of issues that impact on Scotland also impact on other parts of the United Kingdom. For example,

there are other sparsely populated areas of the United Kingdom where in-migration would be desirable. There are also areas of the United Kingdom where seasonal agricultural work is important, just as it is here in Scotland. Those sorts of issues can be dealt with on a UK-wide basis at the same time as addressing the specific Scottish issue.

Lewis Macdonald: When you began that answer, you used the phrase “special deal”, but that was not the phrase that I had used.

David Mundell: I know that you did not use it, Mr Macdonald, but I have seen the phrase bandied about.

Lewis Macdonald: I was seeking to understand your own phrase, which was “differential arrangements”. What do differential arrangements mean in relation to, for example, financial services, fisheries or the motor industry? How do the differential arrangements arrive as part of the bespoke package?

David Mundell: They arrive as part of our ongoing discussion and dialogue with those sectors to identify exactly what their most important issues and concerns are, so that we can understand the importance and prioritisation that they should have and feed that into the negotiating process.

Lewis Macdonald: It is clear that, in reaching that conclusion, the role of the person or persons determining which of those differential arrangements are in the package becomes critical. I return to the convener’s line of questioning about your role and how the Scottish Government can be reassured about your engagement in finalising the stitching together of the differential arrangements into the wider package.

David Mundell: Ultimately, we are all judged on what we achieve and what the final outcome is. I give you an absolute assurance that I am committed to ensuring that Scotland’s best interests are achieved in the deal. We can get a deal that will represent the best interests of both Scotland and the United Kingdom as a whole. I am positive about that. I am going into the process on a positive basis to ensure that our issues and concerns are right up at the top of the agenda. However, as I have indicated, many issues and concerns that we face in Scotland are issues that are evident across the whole of the United Kingdom and need to be resolved on that basis.

Lewis Macdonald: Thank you very much. I have one other question. The European Commission, in setting the grounds on which Michel Barnier is to negotiate from the other side of the table, has specifically picked out Northern Ireland and Gibraltar as territories to which a particular approach requires to be taken. Could you place on record your understanding of what

that means? What requires the European Commission to approach discussions on Northern Ireland and Gibraltar differently from the discussions on the other component parts of the United Kingdom?

David Mundell: The specific issue is that both those areas have a land border with a European Union member state.

Lewis Macdonald: Is there not also a legal aspect to it? I am thinking of the other treaty obligations that the UK has undertaken.

David Mundell: There are specific issues in both cases, but their geography is a significant element of it.

The Convener: Richard Lochhead has a supplementary question. Can you be as quick as possible, please?

Richard Lochhead (Moray) (SNP): My question is on that theme of the different asks that are going to be conveyed to the UK Government from around the UK. In Scotland, the position is different. We have a Government of our own with a policy position, we have a Parliament and 62 per cent of the population voted to remain in the European Union. You are Scotland’s voice in the UK Cabinet, so I assume that Scotland’s priorities are foremost in your mind. Do you agree that Scotland has a distinctive case and a voice to be heard in the negotiations, especially in relation to access to and membership of the single market? Do you also agree that it would be unacceptable if Scotland’s needs were not taken account of in asks by the UK Government?

David Mundell: Scotland has two Governments: it has the devolved Government here and, as part of the United Kingdom, it is represented by the United Kingdom Government. Scotland gets the best deal when those two Governments work together in a team UK approach, and that is what I am committed to achieving. I am absolutely committed to ensuring that all the Scottish Government’s issues, concerns and asks are part of the development of our negotiation process, and I am pleased that we have made progress.

Mr Lochhead, you have been involved in the workings of the joint ministerial committees and you know how challenging it can be to bring together all three devolved Administrations and the UK Government. It has taken slightly longer than I would have hoped, but we have now got a process that will have the Scottish Government—and Scottish Government officials behind the scenes—right at the heart of it. The first meeting of the joint ministerial committee on European negotiations is coming up in early November, and market access—an issue that we have touched on—will be on the agenda. A lot of work is going

on to determine the work programme for that committee.

I have no doubt that Scotland's issues, concerns and asks will be at the heart of the process.

Jackson Carlaw (Eastwood) (Con): Good morning, secretary of state. Your answer partly covered the area that I would like to discuss. Can you say a little bit more about the formal structures that will underpin the engagement that will take place between the Scottish Government and Westminster and between the Scottish Parliament and Westminster? How would you characterise the outcome of the meeting that took place on Monday? What will the formal structures that you have alluded to depend on for there to be a productive and successful dialogue and outcome? You mentioned that market access will be on the agenda, although you do not propose to give a running commentary. Is that, in itself, a reflection of the importance that has been attached to that issue by the devolved Administrations, which have been seeking to identify the areas that will be discussed?

David Mundell: Good will is at the heart of any process in which parties work together, and I have to say that I have had a very positive working relationship with Mr Russell to date. I know Mr Russell well of old, and he has acted in a constructive manner to date. Following the discussion that we had recently, I am keen that we engage in some joint activity. I think that it is very important that the two Governments do that. There is little point in my gathering evidence, so to speak, only to find that we have contradictory evidence. Let us work together and see what the sectors are saying, and let us share information.

The process is very much about bringing officials together and, importantly, bringing the political part of the Governments together. The committee will meet regularly, probably monthly. It will meet throughout the negotiation process and discuss the negotiations as they proceed. Until the end of March, when the Prime Minister has said that article 50 will be triggered, the committee will focus on the process and the beginning of the negotiations. There will be full and frank discussions; I have no doubt about that. I also have no doubt that the Scottish Government's voice will be heard during the process.

Jackson Carlaw: I asked about the fact that market access is to be on the agenda of the first meeting that is coming up. Does that reflect the priority that has been attached to market access by the devolved Administrations? How do you see the group's work programme developing?

David Mundell: The work programme will be brought together by the respective Administrations. A lot of detailed work is being

done to achieve that, because it is a tight timetable to work to. The Prime Minister has assured the First Minister and others that the committee's timetable will dovetail with other developments. The committee will discuss, for example, the great repeal bill, which is the legislation that is proposed to repeal the European Communities Act 1972, before it is finalised so that there is full engagement in that process. We will dovetail the JMC(EN)'s activities with other developments as they unfold.

Both sides, and the other devolved Administrations, believe that market access is important, which is why it will be the first issue that will be discussed.

The Convener: On that point, how many meetings of the JMC(EN) will take place before article 50 is triggered?

David Mundell: I cannot answer that question in a definitive way. At the moment, it is anticipated that the committee will meet monthly but if more meetings are required, there is the flexibility to do that. Likewise, there is the flexibility to have fewer meetings.

It was most unfortunate that the JMC plenary, which was the meeting of the First Ministers and the Deputy First Minister of Northern Ireland with the Prime Minister took so long to come about. There were a whole range of administrative reasons from all sides why that did not happen. However, it has been agreed that that forum will meet more regularly and there will be a meeting early in the new year.

The Convener: If the plan is to meet monthly, you are talking about four meetings before article 50 is triggered. That does not sound like all that many to me.

David Mundell: If the participants want to have more meetings, there is no restriction on the number. I am just reporting the envisaged timescale.

The Convener: Thank you.

Tavish Scott (Shetland Islands) (LD): I have a supplementary question on the process points that have been discussed. Can I take it that, when article 50 is triggered, there will be a UK position?

David Mundell: There will be a UK position going into the negotiations but the specific terms of that position will not be announced on the running commentary basis that I have alluded to, or by us making our negotiating position on issues absolutely clear. The process of triggering article 50 will involve a communication with the EU and that will set out UK priorities.

Tavish Scott: I understand that and, believe me, I have heard the phrase "running

commentary” more than I ever want to hear it again. What I was driving at is that it is therefore safe to assume that, at the point that article 50 is triggered, Edinburgh, Cardiff and Belfast will know what that position is.

David Mundell: I would anticipate that, yes.

10:45

Tavish Scott: Thank you.

The question that I wanted to ask was on the environment, fisheries and agriculture. When I came to this place in 1999, as Richard Lochhead and Lewis Macdonald did too, I read the Scotland Act 1998 and, at that point, those areas were devolved. Whatever happens in the future, those areas will remain devolved, will they not? Fisheries, agriculture and the environment will be the responsibility of this institution.

David Mundell: There will be no change to existing arrangements other than that the context of leaving the EU automatically changes the devolved settlements because the devolved settlements are predicated on the basis that the UK is a member of the EU.

It is clear that a range of changes will flow from that in terms of relationships, as well as a range of options. I am committed to engage with all those interested parties in Scotland on those options. It is very important that we do that. That is what we have done in relation to previous devolution settlements, including the settlement that preceded the establishment of this Parliament, the Calman commission and the Smith commission. All those were heavily consulted on and proceeded on the basis of engagement.

I am not proceeding at the moment on the basis of a fixed presumption. I very much understand your point. You will be aware that other interests are suggesting different options. We need to look at the options and engage fully, and that is what I am committed to do.

Tavish Scott: I understand that, but politically it would be impossible to imagine a fisheries policy for Scotland being determined in Westminster, given that it has been determined in Edinburgh by none other than Richard Lochhead and, for that matter, Ross Finnie, since devolution in 1999.

David Mundell: I could not envisage that there would be a change to the existing arrangements.

Tavish Scott: Okay. Thank you.

The Convener: On that point, secretary of state, you will be aware that this committee commissioned research from Professor Alan Page at the University of Dundee. He made the point that, after Brexit, there was a strong possibility that Scots law that was EU law could be repealed

using secondary legislation at Westminster, abandoning the presumption that there would be consultation with this Parliament.

Do you envisage that we will have to go back into the devolution settlement to make sure that that does not happen?

David Mundell: On the Scots law issues, I envisage the two Governments working very closely together to ensure that there are no legal difficulties—firstly, that the body of existing EU law continues to apply from the day that the UK leaves the EU, so that we do not reach a situation where there is any uncertainty as to what the law is. That will be a key component of the great repeal bill.

There have already been initial discussions with the Scottish Government’s legal advisers on how that process can best be taken forward, because it is complex. The process will go forward on the basis of co-operation. There is no suggestion that laws that have been passed here at Holyrood would in some way be overridden by decisions taken at Westminster.

The Convener: Right. It was not a matter between the two Governments. Professor Page was making the point that this Parliament should always have scrutiny. There should not be an arrangement where, using secondary legislation, laws can be changed without this Parliament being consulted.

David Mundell: I am happy to give you an undertaking that no laws will be changed of the type that you refer to without consultation with this Parliament. We would want to work through the process. As Professor Page mentioned, a range of instruments that refer to the EU may need to be changed. We need to find a way in which to ensure their continued validity while not changing their substance.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, secretary of state. We have heard from you today that you want to maximise involvement in the single market and that you are looking for a bespoke deal. However, I am unsure about the issue of free movement. What is your current position on whether or not you support free movement to Scotland?

David Mundell: It will be for the United Kingdom to determine who enters the UK from the European Union. There are two elements of the process. The first is bringing back control of immigration from the EU to the United Kingdom, and the second is determining the United Kingdom’s policies on who comes to the UK.

Stuart McMillan: On Tuesday evening, I attended a meeting of the cross-party group in the Scottish Parliament on science and technology, where it was highlighted that 16 per cent of

academics in the UK are from the EU and 12 per cent are from outside the EU. Last night, I attended the Royal College of Nursing Scotland event in Parliament, where it was put to me that 33,000 national health service nurses alone are from outside the UK. This week, we heard from Professor Sir Timothy O'Shea that the potential impact of Brexit

"ranges from bad, to awful, to catastrophic".

In 2015, Scotland published its first marine tourism strategy to promote and increase tourism opportunities in sailing and boating around Scotland. One aspect of that strategy is to encourage people to come here from elsewhere, in particular from other EU member states in northern Europe.

Given the potential impact of Brexit on academics, nurses, students, universities and other areas of academia, and on a range of boating and sailing activities in Scotland, how will we benefit fully if we do not have free movement?

David Mundell: There are two separate points. As I said, the objective in the negotiations is to return control of immigration from the EU to the UK so that we can determine who comes to the UK from the EU. We already have immigration arrangements in place for non-EU citizens, and Brexit does not mean that we will move from having a significant number of people coming in from the EU to having no people coming in. There are all sorts of existing criteria, particularly for specified occupations in which there is a skills shortage, and that situation is certain to continue. Our objective is to establish our own immigration system in relation to the EU.

Last week, I participated in the Scottish Affairs Committee's inquiry on inward migration to Scotland that Mr McMillan's Westminster colleagues are pursuing. The inquiry is worth while and significant because at present it is clear that, roughly, only 3 or 4 per cent of the people who come to the United Kingdom come to Scotland. That is a very small number, and we need to understand why that might be and how we can make Scotland a more practical place for people to want to come to. That is a fundamental part of the issue.

In relation to your question, there is no intention to stop people coming from the European Union completely, but we will have our own immigration system to determine who comes.

Stuart McMillan: I am sure that, if you were to speak to a family in the Highlands, they would tell you why they wanted to come to Scotland.

On the boating and sailing aspect, are you suggesting that, if we are going to have our own separate immigration system, there is a potential

for having some type of border controls at marinas not just in Scotland but across the UK?

David Mundell: I would hope that we do not have to have border controls at marinas across Scotland. I want people to come here. However, we also have to ensure that—as at the moment—we do not have abuse of the system. As I understand it, Border Force keeps a very close eye on all ports within Scotland, just in case people are using those ports to breach the current rules.

Emma Harper (South Scotland) (SNP): What discussions have you had with Northern Ireland colleagues over how the solutions for the issue of the Ireland and Northern Ireland border will impact on travel—similarly to what Stuart McMillan has said—to and from Northern Ireland from Stranraer, for instance? Can you guarantee that there will be no border controls at Stranraer?

David Mundell: There are two issues there. The common travel area with Ireland and the rest of the United Kingdom has existed from about 1923, I think. It preceded our and Ireland's membership of the EU. The Government has made it clear that we want to continue that. We want to continue to be able to have the arrangement that currently exists. That is clearly the position of the Irish Government, too.

Detailed discussions have already begun on how that can be achieved. If that is achieved, I cannot envisage why there would need to be border controls at Stranraer. However, as you are aware, many people have expressed concern over a period about the access to the UK mainland through Stranraer—concern that people had perhaps come in through that route who might not have got into the United Kingdom if they had chosen other ways to do so. We are committed to looking to ensure that the common travel area can stay in place, and detailed discussions are ongoing as to how that can be achieved.

The Convener: To be clear, do you rule out border controls at Stranraer?

David Mundell: I cannot envisage any circumstances in which there would be border controls at Stranraer.

The Convener: So, no border controls in Ireland or between Ireland and Scotland.

David Mundell: That is what we want to ensure—that we can keep the common travel area as it is at the moment, although I cannot pre-empt those negotiations. They do not just involve the UK Government and the Irish Government; there will be a degree of requirement for the other EU member states to agree to such an arrangement. However, it is an important component of our

current discussions between the UK Government and the Irish Government.

Lewis Macdonald: You have referred to the common travel area and the prospect of continued free movement of people across the Irish border and between Ireland and the United Kingdom. That is quite a different matter from the single market. Does that mean that, if we are not members of the single market, the negotiation must encompass both free movement of people and an end to free movement of goods and services?

David Mundell: No one would want to go back to any of the borders of the past that have existed in Ireland. It would be an aspiration to ensure that there were none.

Lewis Macdonald: Including the movement of goods and services.

David Mundell: Indeed.

11:00

Ross Greer (West Scotland) (Green): There seems to be a tension between the British Government's position that we can take back control of our borders and the willingness to ensure that there are no border controls. Yesterday, the Irish Government dismissed ideas that there could be British border controls in Dublin, and the Taoiseach said, on discussions between the two Governments:

"We do not know yet what the British Government is actually looking for here".

There seems to be a hard tension to resolve.

To return to Lewis Macdonald's point, does the UK Government accept that if we were to take back control of our borders and immigration policy, we would have to do so from outwith the single market, as has been repeatedly stated to us?

David Mundell: I accept on one level that if we are leaving the EU, in essence we are leaving the single market. However, I think that our access to the single market can continue in a way that does not involve tariffs or barriers, and that we can still be able to control immigration from the EU in this country. Clearly, we should aspire to achieve that as part of the negotiations.

Ross Greer: Other leaders from the rest of Europe have made it exceptionally clear that the tension between those two points of view is perhaps irresolvable.

The committee commissioned a paper by the Fraser of Allander institute on the potential economic effects on Scotland. Its pessimistic scenario included in the region of 80,000 job losses and a drop of a few thousand pounds in average wages over the next decade. Will you

outline the UK Government's evidence-based approach to deciding what is in the best interests of the Scottish economy?

David Mundell: I am pleased to find that not all pessimistic forecasts come to pass. The forecast for our gross domestic product was that it was going to be -1 today, whereas it is actually +0.5.

Ross Greer: I say, with all due respect, that Brexit has not started yet.

David Mundell: I think that it has, in the sense that the decision has been taken, the process has begun and impacts are being felt. Others argue that people are already feeling impacts: some positive and some negative.

I think that the GDP figures indicate that our economy is strong and resilient. There will be turbulence; there is no doubt about that. I am sure that in his autumn statement in November the Chancellor of the Exchequer will bring forward a number of specific proposals. We can be confident that we have a strong and resilient economy.

Of course there are difficult circumstances for some businesses, but other businesses are taking the opportunity of the lower value of the pound—for example, agricultural businesses and tourism businesses, in terms of people coming into Scotland and the rest of the UK. I am not in any way denying that there will be turbulence, but there will be positives, as well.

Ross Greer: On that note, and putting aside the UK Government's view on the value of expert advice, the expert advice and forecasting seems to be a debate on the range of how negative the impact will be. Even the most optimistic scenarios still show strong negative impacts on our economy. In that case, I can only assume that the UK Government presumes that there are non-economic benefits to Scotland's taking part in the hard-Brexit position that it seems is being adopted. Will you outline what, in the UK Government's view, the non-economic benefits are?

David Mundell: I do not think that terms such as "hard Brexit" and "soft Brexit" are relevant. They are bandied around, but as I explained to the convener in my opening remarks, we are looking for a bespoke deal for the United Kingdom, including Scotland, that gets us the best possible arrangement. It is not a hard-Brexit or soft-Brexit option; it is about getting the best deal, which will be outcome based. That is what the Prime Minister is focused on achieving and that is what we must work towards.

There will be lots of noises off: lots of things will be said by all sorts of European leaders, the European commissioner, academics and goodness knows who else about why we cannot have this or that, but the deal will be what is

actually achieved in the negotiation. I am confident and positive about our ability to achieve a good deal in the negotiations.

Ross Greer: I hope that you are not “sick of” that expert advice and that the UK Government will take it on board.

David Mundell: I can assure you that we are aware of all the contributions that have been made to the committee. It has been a very valuable exercise in terms of the engagement that you have achieved. We are obviously aware of the views that have come in through that exercise and we are aware of what experts say, but we are also focusing on what real people say and on what businesses and organisations across Scotland say.

Rachael Hamilton (South Scotland) (Con): You spoke in your opening statement about creating new trading links and partnerships. Theresa May recently set out her vision for Brexit when she said:

“A truly global Britain is possible, and it is in sight. And it should be no surprise that it is because we are the fifth biggest economy in the world.”

She also pointed out that the UK is growing fast in the G7. We should be proud of that. Can you give the committee reassurance that the UK will make Brexit a success to ensure our continued performance on that world stage?

David Mundell: Absolutely. I think that Brexit is an opportunity. I believe that it is an opportunity for us to forge a new role on the world stage and to be a champion of free trade. I think that free trade is a good thing and that some of the language we hear—particularly in the US presidential election campaign—about not supporting free trade is concerning. We have the opportunity to create new arrangements. I think that even the most pro-EU people accept that some of the arrangements that it has with other countries, which we currently operate under, are not the best deals that could have been achieved for the UK’s interests. Lots and lots of new arrangements are out there, and what really encourages me as I go round Scotland and speak to businesses and other stakeholders is that they see the opportunities. They accept that there are challenges, but they see that there are real opportunities for them and their businesses in the new arrangements and they are very optimistic and open-minded about looking at them.

Rachael Hamilton: Ross Greer mentioned the Fraser of Allander institute. We recently heard evidence from it at a business breakfast at which it highlighted that the UK is a significantly more vital trading partner for Scotland than is the rest of the EU. Scotland’s exports to the rest of the UK are, obviously, worth four times as much as those to the EU. As Secretary of State for Scotland, do you

agree that it is important that we prioritise relations with our trading partner and do not do anything to jeopardise those relations?

David Mundell: I absolutely agree. As you said, the value of the union with the rest of the United Kingdom market is more than four times the value of the EU market for Scotland. Indeed, in the 10 years between 2004 and 2014, the proportion of Scotland’s exports to the EU fell and the proportion of its exports to the rest of the UK went up, so the rest of the UK is an incredibly important market for Scotland—a million jobs depend on that market. Although I absolutely accept the legitimacy of concerns about access to the single EU market, we have to prioritise the market that is most important to us and that is the rest of the UK.

Richard Lochhead: Given the reference to my former life as fishing minister, I will pick up from where Tavish Scott left off earlier.

In my experience, we found that we did not have a Scottish fishing quota, because the quota was allocated to the UK as the member state of the European Union. Also, we were unable to take charge in international negotiations, because the UK Government deemed them to come under foreign affairs. Are you saying that if we exit the European Union there will be a Scottish quota? Are you saying that Scotland will be able to conduct international negotiations over fish stocks?

David Mundell: I am saying that I will engage on that issue—[*Interruption.*] I think that I was quite clear in my answer to Mr Scott. I am not proceeding on a presumption; I am agreeing that issues have arisen because we have begun the process of leaving the EU, and that those issues need to be addressed. I think that the best way to address the issues is through engagement.

It is clear from the way in which you phrased the question that you have a view as to what the end result of the engagement should be. Your view might be similar to that of Mr Scott; it might not be the same as the view of the Scottish Fishermen’s Federation or other interested parties.

I want to ensure that we have that engagement, because such engagement has always preceded changes to arrangements in the devolved settlement.

Lewis Macdonald: You will be aware that some of our nearest neighbours in north-west Europe are outwith the European Union but inside the single market. You said in answer to a previous question,

“if we are leaving the EU ... we are leaving the single market”.

Does that mean that when you come to discuss market access at the JMC next month, the model

that Norway and Iceland have followed will simply not be considered, or is that model something that the UK Government is prepared to discuss with the devolved Administrations?

David Mundell: That model is certainly something that we are prepared to discuss. I hope that it will not be a necessary arrangement, because the access that we will have managed to secure for the UK from the single market will meet Scotland's needs and the UK's needs. However, the Prime Minister made it clear to the First Minister when we met on Monday that all options will be looked at.

Lewis Macdonald: You accept that it is perfectly possible to be in the single market but outwith the European Union.

David Mundell: I accept that a number of existing arrangements are in place. However, we are proceeding with our own bespoke arrangement, which will not be the same arrangement as Norway, Switzerland, Iceland or any other country currently has. I understand those arrangements. At the very start of this process of engagement, when I met Fiona Hyslop, who was then responsible for these matters, on 24 June, I said that there was no manual on the shelf to determine how all this would work and that we would be open to looking at all options. That has continued to be the case, and I look forward to publication of the Scottish Government's proposals—which I understand is imminent—because we obviously want to look at those.

Stuart McMillan: In reply to Rachael Hamilton you talked about free trade. If there is a bespoke agreement in which we are out of the single market but have access to the single market, do you think that the UK will still have free-trade arrangements with the rest of the EU?

David Mundell: I envisage that we would want to have maximum access to the EU single market, rather than have individual arrangements with members of the EU.

The Convener: I understand that we cannot have individual arrangements with members of the EU.

David Mundell: No—indeed, we cannot.

Ross Greer: I want to pick up on Rachael Hamilton's question about Scotland's relationship with the rest of the UK. If this Parliament were to decide that that relationship needs to be re-examined through a referendum, would your Government—while obviously taking a clear position—be willing to grant a section 30 order to allow a referendum to take place?

11:15

David Mundell: Obviously, I do not support another referendum. I believe that the people of Scotland made their decision on 18 September 2014 and, in accordance with the Edinburgh agreement, which both Governments signed, that decision should be acknowledged. Therefore, I feel that the consultation on the referendum is unnecessary and unhelpful, and the feedback that I get from most businesses that I go round is that they want that issue off the table, because they believe that it is creating undue uncertainty.

On the specific question, the one thing that I acknowledge in that consultation is that it accepts that, if another referendum were to be contemplated, it would require the agreement of the UK Government and legislation in the UK Parliament.

Ross Greer: I will ask again. If the Scottish Parliament were to decide that a referendum should take place, would the UK Government grant a section 30 order?

David Mundell: I have just set out that agreement would be required with the UK Government for a referendum to take place and legislation by the UK Parliament would be required.

The Convener: So, we do not know.

David Mundell: No such proposal has been brought forward to the UK Government.

The Convener: Okay. Thank you very much.

You talked about the JMC(EN) meetings dovetailing with other meetings. Will the devolved Administrations have the opportunity to discuss issues of importance to them and to set out their positions clearly at the JMC(EN) before the meetings of the Cabinet Brexit sub-committee?

David Mundell: It is envisaged that development of the work programme will dovetail with those other important elements of the decision-making process. That is the objective, and that was fully understood at the JMC(EN). It would not serve any purpose or be productive or helpful to discuss things that had already proceeded in a different direction.

The Convener: So it is obviously the Cabinet that is the decision maker—

David Mundell: It is about attempting to achieve engagement with the devolved Administrations as early as possible and at the point where they can influence the outcome.

The Convener: Does “outcome” mean the actual shape of the deal?

David Mundell: Yes.

The Convener: Would that be ahead of the Cabinet meeting?

David Mundell: It would be ahead of whatever processes are going on around that.

The Convener: Right. Okay. I think that we will all be pleased to hear that you are attending the Brexit sub-committee. Will that be the first time that you have attended that sub-committee?

David Mundell: I am not giving a running commentary—

The Convener: You can tell us whether you have been at one so far.

David Mundell: I am not giving a running commentary on the number of times the sub-committee has met and who has been present at the meetings. I go back to what I said at the start: I will ensure that Scotland's interests are represented in what that sub-committee, the JMC(EN) and the Cabinet do.

The Convener: We know that the Brexit sub-committee has already met to discuss trade and immigration, which we all agree are important issues for Scotland. Were you at that meeting? It sounds as if you have not been to any of the meetings so far.

David Mundell: I know that you want to draw me into giving a running commentary, which Mr Scott alluded to. I am absolutely satisfied that my role allows me to contribute not just to that sub-committee but to the Cabinet discussions and the range of other discussions that are taking place, which will ensure that we get the best possible deal for Scotland and the UK from the process.

The Convener: I am sorry to press you, but you are giving me the distinct impression that you have not attended any of the meetings of the Cabinet Brexit sub-committee.

David Mundell: Whatever impression I am giving you, I am not giving you a running commentary on those committee meetings, who attends and what was discussed.

Richard Lochhead: A member of Parliament could table a question and find out tomorrow, so why not just tell us?

The Convener: Thank you very much, secretary of state. We will now go into private session.

11:19

Meeting continued in private until 11:31.

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