

Exiting the European Union Committee

Oral evidence: The UK's Negotiating Objectives for its Withdrawal from the EU, HC 1072

Thursday 9 February 2017, Truro

Ordered by the House of Commons to be published on 9 February 2017.

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Members present: Hilary Benn (Chair); Alistair Burt; Mr John Whittingdale

Questions 964-1002

Witnesses

I: Councillor John Pollard, Leader, Cornwall Council, Kate Kennally, Chief Executive, Cornwall Council, and Chair, Cornwall and Isles of Scilly Futures Group, Mark Duddridge, Cornwall and Isles of Scilly Local Enterprise Partnership, and Kim Conchie, Chief Executive, Cornwall Chamber of Commerce.

II: David Rodda MBE, Rural Delivery Manager, Cornwall Development Company, Patrick Aubrey-Fletcher, County Adviser for Cornwall, National Farmers Union, Dr Laurence Couldrick, Board Member, Cornwall and Isles of Scilly Local Nature Partnership, and Nicola Lloyd, Head of Inward Investment, Invest in Cornwall.

Examination of witnesses

Witnesses: Councillor John Pollard, Kate Kennally, Mark Duddridge and Kim Conchie.

Q964 **Chair:** I welcome to this evidence session of the Committee on Exiting the European Union Mark Duddridge, who is the chair of the Cornwall and Isles of Scilly LEP, Kate Kennally, who is the Chief Executive of Cornwall Council and chair of the Futures Group, Councillor John Pollard, who is the Leader of Cornwall Council, and Kim Conchie, Chief Executive of the Cornwall Chamber of Commerce. Let me say on behalf of Alistair and John that we are very grateful to you for giving up your time to give evidence to us today. Councillor Pollard, may I thank you formally for hosting our visit to Cornwall today?

Councillor Pollard: We are delighted to welcome you.



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Chair: I will kick off. Following the referendum result, Councillor Pollard, you said that the Government would need to replace the funding that Cornwall has received under the structural funds, which you have made good use of. Could you say how any conversations you have had on that subject have proceeded? Do you have some thoughts and ideas about how that might work in future, once the current commitments that the Government have given expire?

Councillor Pollard: My view is that this is a progression. Obviously, we made the point very early on that Cornwall's economy has been developed and grown over the last 20 years by the investment we have had through Europe, both in infrastructure and, indeed, investment into business. That has been a very important element of how we have managed to improve the economy. The point I was making and continue to make is that that funding was based on need—the fact that we were a part of a deprived region, so the European funds were delivered to us on that basis.

Since then, there have been a number of improvements in terms of what has been guaranteed. As you know, first of all, they were going to guarantee some of the funding for some of the projects; now that has improved and most of the money that is already committed will come and so on. I think there has been a gradual improvement over the last six or seven months for the Government to be at least acknowledging the commitment to that tranche of money that we will have had by 2020-21, which is €500 million. Of course, any transitional funding after that is still in doubt.

The purpose of making that stance and that statement was I want people to realise that, as a deprived region with a low wage economy, we need support. If that is not going to come from Europe, it needs to come from London so that we can help ourselves improve what is going on.

Q965 **Chair:** Timing is very important here because the commitments have been given, which will gradually come to an end, and presumably you would say that the sooner there is certainty about what arrangements are going to replace that and the money that will be attached, the sooner you can get on with trying to further develop the economy and put into effect the plan that you have drawn up together with the LEP?

Councillor Pollard: Yes, indeed. We have a very strong team working on our economic basis, trying to make sure of our base and making sure that that is improved. In my view the certainty over the commitment of these original funds is increasing and we are making proposals to Government of ways in which that funding could be replicated in a different form once we get further into the post-Brexit era. We are trying to take the initiative there and persuade Government of ways in which it could be done.

Q966 **Chair:** Do you, or any of your colleagues who are with you today, see opportunities for further devolution? You have your devolution deal, but



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what about further devolution arising out of Brexit? Do you have a list of things in addition to money, which we have just been discussing, that you would seek in order to help you develop the economy?

Councillor Pollard: I will let the others contribute, but I would stress that this is not just about money. This is about how we can make provision to deal with the risks and opportunities that Brexit presents and there are various methods by which we can do that. Giving us more autonomy, more control and more local decision making can only help. I am sure Kate or Mark will have more specifics.

Kate Kennally: Yes. We do see a relationship between our investments that we are making in the economy and opportunities for further devolution. Part of our pitch around a replacement for the European funding is building on the fact that we have limited intermediate body status in our current deal, to try to get more control over how the European funds are spent. Our proposal that we have for Government is that we have full local control of a replacement economic development fund, which we also want to align with our net set of devolution asks that are around skills and skills funding, because those two elements go hand in hand. Recognising as well that jobs and growth in our economy are linked with housing, we have also put in place a set of devolution asks which we are discussing with DCLG around accelerating our housing programme and bringing forward the homes that people need. Those are some of the key elements at the moment that we are in active dialogue with Government around as things stand.

We are also looking across and speaking to the Welsh Government about their sets of asks that they have in their White Paper, *Securing Wales' Future*, to look at where we have common cause and how we can use some of their experience as a devolved region Administration for thinking about some freedoms and flexibilities that could work for Cornwall.

Finally on this, it is beginning but I think the discussion that we are having with our colleagues in the south-west it is going to be increasingly important as we respond to the place-based industrial strategy. That discussion is about some significant investments into infrastructure that affect the peninsula, what is the best way of being able to secure that funding and what that could look like. It is early days, but there are some things that are about Cornwall and some things that we are also debating on a wider geographical area.

Q967 **Chair:** That is very helpful. I would like to hear from Mr Duddridge and Mr Conchie. In your response, could you say something about what you see as the key risks to the economy, and also the opportunities that you think you might be able to take advantage of?

Mark Duddridge: In response to the very first comment you made about surety of aid funding continuity, or the infrastructure funds that have recently been announced by Government, as soon as there is detail around that it will be really useful.



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The economy in Cornwall is changing, but not changing fast enough. We now share one economic plan across the council and the LEP, and Kim's colleagues have been a big part in informing that. We know where we would like to invest the money. Going forward, we see that being a different blend of revenue and capital funding. It may be a grant investment in infrastructure but also investment in loans and renewable monies as well—a different format, so that whole devolution point about the more decision making is brought nearer to Cornwall and is more locally resourced, the better, because I think there is going to be a need for that. I think we can also deliver the speed of investment much quicker as well. We would fully endorse further devolution along those lines.

We see the gap between Cornwall and the rest of the UK and Europe and beyond isn't particularly shrinking, so the productivity gap—the amount of money that each of us as employees is able to generate and therefore be paid—isn't closing. We are seeing some emerging sectors that can be truly nationally and internationally competitive, but they are emerging and they need support either in skills or in infrastructure, so the environment is changing out there.

The other part that is dearer to our minds as well is that we don't have so many people who are out of work as such, but a lot of people who are ESA claimants—people who are not within the system at the moment who we need to get back in as well. We would like to see devolution—be it in skills, be it in infrastructure investment—also directed at more inclusive growth and bringing those people back into the workforce. That is going to be increasingly important economically as well as socially in terms of health, given what is happening with the broader EU debate.

Kim Conchie: Good afternoon and thank you. As I wasn't in the former session, on behalf of the business community let me offer you a warm welcome to Cornwall.

Of course, what business wants from devolution or Brexit, come to that, is no barriers at all. Business does not like any constraints at all. Mark has laid out fairly well that we have some existing sectors—tourism, agriculture, fisheries and the care sector—which we can do enormous things with if the funding is right and comes with fewer constraints than the EU funding came with. We can really maximise productivity and take a lead in some of those sectors.

The values and ambitions that we have in Cornwall's business sector are very much looking forward to a 21st century where a sense of place and people coincides with economic growth and productivity growth and that sort of thing. There are some real opportunities here to free Cornwall's funding of some of the EU constraints and to provide the infrastructure. When John talks about the Government funding what the EU was going to fund, it is only to keep us on a level playing field with the rest of the UK that we are after, because the infrastructure—superfast broadband and so on—we need to continue to invest in. Those are barriers to doing



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business, if we cannot get the train here or the superfast broadband does not work and these sorts of things. We would like to work very closely with the Government on those.

A devolution deal that helps us be more confident in business terms locally and look outwards without the barriers to new markets is absolutely great. I am confident that the values and ambitions that we have here can help frame a larger south-west equivalent of the powerhouse, with some really embedded 21st century skills looking forward. In our Brexit summit last week, it was very much recognised that we need to play up the very powerful role and the strengths in our economy that tourism and agriculture particularly have. As I say, we can really lead the way on improving productivity in those two sectors.

Some of the exciting new areas, which I believe you might have discussed briefly earlier, are renewable energy in all its forms, including the very exciting geothermal potential, and lithium, which would be fantastic. I see those as very much in tune with the values that Cornwall can espouse going forward. There are some really exciting new industries where relationships can be powered by the values and ambitions here. For some, we would look to the rest of the south-west—the marine industries, for example—but for some, like aerospace and geothermal energy, we would want to be able to look not just at the rest of the UK but to new partners outside the UK and outside Europe to get those things driving ahead. I believe with the right infrastructure improvements and right confidence here, we can really be a lead in that.

Chair: Thank you. John Whittingdale wants to pursue a particular point that you raised.

Q968 **Mr John Whittingdale:** Yes. Mr Conchie, Cornwall has benefited considerably from European funding, but as you indicated, in order to obtain European funding you have to construct your bid to match the criteria set in Europe. It may well be that, if you had the freedom to decide what would give best value for money, it might not be exactly in line with what the European requirements are. I wonder if you feel that, if you had greater control and say over how that investment is spent rather than having to follow the European rules, you might be able to extract more value perhaps for less.

Kim Conchie: I think, both on ERDF and ESF, we would do it slightly differently if we had a say over how it was done. The whole skills agenda in an environment like Cornwall, but the rest of the UK as well, of largely small and micro businesses, you have to construct a skills agenda around letting small businesses develop the skills of their people, who then go on to be world leaders in innovation, technology or joining blue chip organisations. On that side, I think it can be done better and we can use the money more efficiently. Probably the biggest damning of the EU funding is the fact that Cornwall did vote for Brexit despite all this money, so it had not spread out in the ways that it was perhaps designed to, or badly designed to, and it did not quite achieve that.



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With ERDF, the number of individual businesses assisted has been reasonably good. I think if you spoke to those businesses that have received direct funding from the EU, they would be delighted with what they had and with the acceleration that gave their growth plans, but I think that without some of the constraints we can get it out to more small businesses. You might have heard already about Software Cornwall, which is a cluster of software businesses in a small but very fast-developing cluster of software we have here, and the same with geothermal energy. These people are absolutely ready to go with some of the best brains and technology, but getting the money out of the European Union was so difficult it has really held them back. If anything, if we can come from meetings like this with a view for those businesses that there is a real opportunity to drive ahead now, then that will increase that confidence and ambition that we are talking about.

Chair: Thank you very much. Alistair Burt?

Alistair Burt: Kate, did you want to come back on that?

Kate Kennally: Chairman, may I make a couple of points on this point around the current funding programme? Part of some of the frustration with the current funding programme has been the interface that we have had to deal with in a local area with a national European programme that has been directed through DCLG and then its relationship with Europe. In terms of the layers of decision making, some of the delays have been with the managing authority at London rather than in terms of the relationship with Europe directly. That is very important and why we have been so keen to have intermediate body status, which was in our devolution deal in July 2015 but has yet to be fully put in place because of the ongoing discussions that have been had with the managing authority and DCLG. That gives us a bit of concern around any replacement programme about it being locally driven and not driven from Whitehall, because some of the frustrations have been with Whitehall and not with Europe.

There are a couple of other points that are worth bringing to your attention. While we have seen very good progress in the run-up to the autumn statement in getting European funding programme schemes contracted, there have been some areas in the remainder of the programme that your Committee might be interested in being aware of. That has been the new tests that are being applied around value for money by the Treasury. This is interesting because the European Commission believed that the previous programme was value for money—that was agreed—so why would there be any new test? That raises a question whether the first schemes were seen as value for money.

Setting that to one side, what we are seeing happen—which is significant for Cornwall—is that the risk appetite by DCLG, as the managing authority to underwrite private sector-led schemes, has fundamentally changed for risk of clawback. What is then happening, in order to get



some of those schemes contracted under this new regime, is that the Treasury and DCLG are looking to Cornwall Council to underwrite and guarantee schemes that have private sector investment. This is a fundamental change, post the autumn statement, and one that gives us some cause for concern, because one of those areas where they are seeking that underwriting and that guarantee is in those areas where we expect there to be a higher risk profile, such as the deep geothermal, such as some of the investments into the new wave devices at Wave Hub. They are looking to a local council to underwrite that rather than Her Majesty's Government.

The other area is that we have our current programme, which does run through to 2020, but if we were and remained a member of the European Union we would have qualified for transition funding from 2021 to 2027, which would be in the region of £350 million. Our assumptions in our strategic economic plan around trying to get GVA per job to be at least 80% of the England average have been based on an assumption that some of that funding will continue to be in place. Our current baseline would see by 2030, if we did nothing and carried on as we were, that our GVA would be 69% of the England average.

We also see those transitional funds to help us drive that target around median wage levels to be at least 90% of the England average. It has been challenged: why would you want to still be less than the England average? We accept the fact that some of our cost of living is different, but we do expect it to be more than the current 77%. When we are looking at risks, the risks are that if there is not the right sort of economic development package for this part of the country—which is a less developed region—the ability for us to achieve getting to at least 80% or 90% of the England average is under pressure.

We are not, though, seeking to create a grant-dependent Cornwall. None of us is interested in that, whether it is in economic development or in agriculture. The proposal that we have put forward is around trying to create a bespoke way of working that has a mixture of loans and investment bonds to develop the right conditions to achieve that. We are not arguing for a continuation of what has been, because that has not necessarily worked in a relationship between us, Whitehall and Europe, and has not necessarily been the right form of investments, but without that we are going to struggle to be able to move from where we are at the moment if we do nothing.

Q969 Alistair Burt: I would not worry about the £350 million. That is just a week's worth of what was on the bus. So long as you can divert it to the right purpose it will be fine.

One of the reasons we wanted to come here is the work that you are doing on the Futures Group, Councillor Pollard. I would be grateful if you would talk us through a little bit of that. It will inevitably comprise those on the group who voted for remain and those who voted for leave. Initial reactions would have been a mixture of both euphoria and shock, but



now some time has gone through and people have gone into it in more detail. As people have gone into the impact of leaving in more detail, what is your sense of the mood of the group? Has it become more concerned because the complexities are great, or have the opportunities and advantages of leaving become clearer? What is your sense of the overall mood? Could you give us a feel about how that is developing now?

Councillor Pollard: Certainly. The fact that everybody now has a much deeper understanding of what is going on has helped to create greater confidence in terms of that. As I read it, there is a determination from the group to get on and do something, to take some actions, to make sure we can lobby and get the things that we need—the devolved powers, and so on—to make sure that we can take greatest advantage of the opportunity.

We have moved on greatly in the last nine months. Initially, we came together to try to focus on community cohesion and to make sure that we could identify what the issues would be with coming out of Europe. That meeting came very clearly with a message that there were opportunities here as well as risks. The work that the Futures Group has done has been enormously important in the sense that it has brought the whole of Cornwall together, representatives of all sectors together, so that they can identify the risks that we need to deal with and the opportunities we need to take in the future. I am quite optimistic and positive about it. This was a tremendous piece of work and we now need to build that into clear actions that bring dividends.

Q970 **Alistair Burt:** I want to probe those actions just now. The chief executive has described this as a catalyst for change, and that is interesting. What is it you think is going to be achieved now that was not going to be achieved before? In what way is it a catalyst, making something different happen compared to what was on the stocks before Brexit occurred? What do you think collectively?

Mark Duddridge: To answer that question and the one before, I think there is a high degree of pragmatism within the county. We are where we are. It is almost impossible to say on a business-by-business basis what the opportunities and threats are. Exposures to markets, costs and labour are all very different even within the same sectors, but people are where they are now. That sense of working together, having more flexibility and more local involvement in terms of investment down here against an aligned common plan—the strategic economic plan I mentioned before—I think people do see as opportunities, but there are still really clear concerns about things like availability of labour and skills. Availability of labour isn't just around people working in agriculture centres in the fields; it is all the way through to IT specialists in our software businesses.

That pragmatism, but the flexibility to move quicker and be more tailored in our interventions and more aligned in our interventions, and have



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more local decision making, is where people are hopefully more confident than they have been before.

Kate Kennally: We wanted to choose that title to reflect how we want to work and build that confidence. In the report, you will see at the end of each of the chapter headings that there are opportunities that are listed. We believe that those are some of the things that Cornwall and the Isles of Scilly should be pursuing. After the referendum we saw an immediate increase in the number of visitors that came to Cornwall last summer, and the opportunities around both staycations and further marketing ourselves for international visitors feel very important. We are the No. 1 tourist destination in the UK and we want to build on that.

We also believe that there is a big opportunity for the UK in understanding Cornwall and its diaspora across the world, linked to taking the skills from Cornwall to tin mining in South Africa, Mexico, Australia and New Zealand, and how those relationships that we have in place with that diaspora could also be an important factor in terms of bringing investment and looking at opportunities around trade.

We believe, and I am sure as a Committee you will explore this, that there are opportunities around agriculture and the agri-food sector within Cornwall—an important part of our economy and of our environment—around how we can think about green growth and the opportunities around Cornwall being a pioneering area for that. As we think about our place in the world and our imports and our exports, energy and security are key. Cornwall, with its agriculture and energy sectors, has an important contribution to make on a national level. This is where we think if we can pitch what the opportunities are, link it into the industrial strategy, link it into the discussions with Brexit, that perhaps this changes the debate around Cornwall from being a place that has been a recipient of grant funding into a place that can be a contributor to our future.

Q971 **Alistair Burt:** I think we are going to talk about some of the migration issues and agriculture in a moment. Let me just pick on fisheries for a second, which is of huge importance here compared with many other parts of the country. Again, there were many claims made before the referendum both about the impact of the Common Fisheries Policy on the UK and what the UK could do afterwards. As time goes on, how does the fishing industry see the future now, nine months after the vote, in terms of the balance between wanting unfettered, tariff-free access to all its markets and facing a large number of fleets in the EU who will also want free market access to us? What do fisheries think about the future now?

Kim Conchie: As is typical of fishermen and the fishing industry, they want it both ways. They are quite an anarchic lot and the referendum was an opportunity to give a kicking to anybody who was getting at them, no matter who it was. At the moment, there is still a sort of joy to be experienced among the community that they are freed of what they see as these constraints. Their leaders in Cornwall and in the rest of the UK



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have a calming job that they need to do in order to make sure that the 92%, I think, of Cornwall's catch that is primarily exported to France, Spain and Italy continues to be there without tariffs and everything else. They would have shot themselves in the foot if that was cut off in some way due to their very outspoken actions in getting out of Brexit.

At the moment, though, they are still feeling the pleasure that their vote to be freed from those shackles is out of the way. Of course, they have had years of, first, Russian trawlers—not that that is anything to do with the EU—and more recently French and Spanish large fishing boats fishing quite close to Britain's shore, which they have seen as taking part of their catch. The quotas and the constraints have been far more rigorously imposed on Britain's fishermen than on perhaps some of our EU partners. At the moment, we would catch them in good spirits. Whether that will change as the Brexit process progresses, who knows?

Q972 Mr John Whittingdale: Can I explore a little further two of the sectors that you have already touched upon? The first you mentioned was tourism, which I have a particular interest in. The spike in visitor numbers post-Brexit is presumably largely the result of the exchange rate movement. It is now more expensive for domestic tourists to go abroad and cheaper for overseas tourists to come here. Do you have any idea about the number of visitors that do come from Europe and beyond to visit Cornwall? How important to the tourist industry is it to have access to EU nationals working in the industry?

Kate Kennally: In our report we have touched on this issue. We have over 4 million visitors to Cornwall and the Isles of Scilly each year, and 335,000 of those are international visitors, the vast majority of them from the EU. We do have data from Visit Cornwall as to some of the emerging areas of people wanting to come and visit. Spain is up there—there is a great interest in Spanish visitors coming to Cornwall—but also North America. We believe it is very important to us to increase the number of international visitors to Cornwall. We also want to consider whether we have the right tourist offer to be able to attract some of the higher end international visitors, particularly thinking of visitors from the south-east Asian economies, and what we need in terms of an offer to attract them.

It is very interesting that, despite our popularity as a tourist destination, there are some challenges for international visitors wanting to come to Cornwall due to the condition of some of our hotel accommodation and the consistency of it. I was surprised to learn that many of the considerable number of German visitors who come base themselves in Torbay because of the availability of standardised hotel offer and then travel down into Cornwall rather than basing themselves within Cornwall. While our tourist offer is strong, we do need to be looking at the right mix of facilities to be able to have a compelling offer to international visitors.

The other area that you asked was around the use of migrant workers. It is estimated that two-thirds of migrant workers in hospitality in the



south-west come from the European Union. What we find within Cornwall is that in some of the smaller tourism businesses they might be less directly affected. They are tending to use staff that live and are based within the UK. We are concerned about any knock-on effect that a reduced labour market to work in the hospitality industry could have on us growing the opportunities that could come from Brexit in respect of staycations or being able to meet the needs of more international visitors. When we are looking at the Government's view on migration policies and this comment around high-skilled labour, we are concerned that some sectors might not be seen as high skilled. We need high-skilled workers to be working in sectors such as agriculture, hospitality and care, and we would be concerned if it was just seen as those roles around the medical profession or engineering, for example. This is very much on the minds of colleagues in our roundtable that we had, and you will see some of that set out in the report.

Mark Duddridge: We do recognise that, going forward, Cornwall needs to be seen as a good place to live and work and not just visit. The quality of the visit is really as important to us as the visit. It is also the opportunity to put Cornwall on the map in terms of future investment from overseas, and people seeing that, particularly given our digital connectivity, maybe future private investment might follow. All that is based upon the quality of that delivery, mindful of the fact that it is still quite expensive and difficult to get to Cornwall from many places.

Chair: Yes, that is true. Alistair, I think you want to come in on this point.

Q973 **Alistair Burt:** Kate, you are obviously assuming that the tourism economy is going to grow. Are you saying that, if that economy grows, in effect you are going to need more migrant workers coming in? Or if the economy grows, to what extent can those new jobs be taken up by people trained and skilled locally?

Kate Kennally: We believe it will be a mix of that. We will have a need for some use of migrant workers, but we do recognise in here that there is an opportunity around a work/study offer for young people working within the hospitality industry and studying here that we are keen to explore.

We are also interested in this opportunity of reinventing the model of working in the tourism industry to try to retain existing staff and attract more young people to come in, so this links with what the learning-on-the-job offer is and models of ownership. It is such an important part of our economy, but we don't want it to stay at the end of being a low wage, insecure part of the Cornish economy because that is holding us back and it is holding households back, and we want this opportunity to rethink it.

Mark Duddridge: There are some really good examples of people who have invested in skills—they have trained up sommeliers, for example.



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They have tried to up the quality of the offer and trained and developed staff accordingly, and it has become a virtuous circle in terms of those businesses prospering and reinventing. As Kate mentioned we need to be far more creative about the young end, but this also touches a little bit on those people who have fallen out of the world of work and how many of those people in the future we can get back in to support the emerging businesses and current businesses as well.

Councillor Pollard: I want to raise very briefly what Mark was saying about protecting the offer. Some of the regulatory issues from Europe, like bathing water directives and so on, are a concern to us as we go forward. That is one of the risks that that sector has been focusing on.

Q974 **Chair:** I am interested that you said that. Do you have any reason to think that, just because we are coming out of the European Union, anybody is going to want to change the level of protection? I think you would be hard pressed to find anyone who was in favour of that.

Councillor Pollard: Sure, but we do know that the bathing water quality is as it is because Europe has pushed the standards, so they have taken the lead in making sure that we have clean water in Cornwall.

Chair: Indeed. Mr Conchie, I think you want to answer John Whittingdale's question.

Kim Conchie: At the moment, productivity in Cornwall is only 72% of the UK average, which is why we have a low wage problem. All of these things that Kate and others have been saying about investment in the tourism sector are hugely important to us. It is about 28% of the GDP in Cornwall at the moment. With all the new things we are talking about, we must invest in that sector. There is just as much room for innovation in tourism—both with businesses investing in IT systems to iron out peaks and troughs and that sort of thing and making Cornwall a year-round holiday destination—as there is to the skills and heightening the skills of the individuals concerned. It is both businesses and individuals who we can invest in to make productivity a lot better in that industry. That would obviously push us up that index quite heavily if we could get that right.

It is very important—having been the No. 1 tourism destination within the UK, with an increasing number of Germans, the opportunity with Tim Smit taking the Eden Project to China and other places—that that is opening up that market. People coming back and seeing the mothership Eden in Cornwall is already a growing market for us.

Q975 **Mr John Whittingdale:** That is very helpful. Can I move on to another sector, which you spend a lot of the report discussing, perhaps understandably? That is agriculture, which is perhaps more dependent upon European funding than most other sectors. You make the point that a lot of the people who contributed to the report said that the CAP is not fit for purpose. I suspect almost nobody would disagree with that



particular proposition. It does give us an opportunity to perhaps frame a system of support that is more appropriate for our own needs in this country than the one-size-fits-all that Europe has developed. Can you tell us a bit about where you think the CAP is not meeting the purposes at the moment, and how you think a British agricultural policy could be improved?

Kim Conchie: In the second panel, you have Patrick Aubrey-Fletcher, who is the NFU county representative for Cornwall, who will be able to give a far more in-depth answer to that, Mr Whittingdale. From a business perspective, Cornwall's food and drink offering has improved enormously over the last 20 years. We are now famous not just for pasties and clotted cream but a whole range of high quality, premium products, which are being exported around the world. There is a real appetite in Cornwall. Everybody who lives and works here is very proud of the environment that they have here, so we want an agricultural policy that enables Cornwall—and, of course, I am sure everybody else feels the same in Britain—to prosper at the same time as looking after our environment in a 21st century transparent and open way.

The way to do that is to make sure that the farmers and fruit producers sing the song of what they are doing to produce the food much more clearly than they have done in the past, and that we as consumers grow to realise that we have to pay the right amount for our food if we want the environment to be looked after at the same time as the food being produced. There are some real challenges, which Patrick will be able to answer in far more depth in the second panel.

From my point of view, food and drink as a business sector is something that Cornwall is becoming increasingly famous for. I would like to see any policy that enhanced its premium value and the way the land is looked after and its production in a way that is more being suitable for Britain—an island, a much smaller land area—than we have had from the European policy in the past.

Mark Duddridge: We talked before about what happens maybe post the European structural funds generally, and I think that exactly the same applies here as regards the flexibility of the interventions. Agriculture produces food. It looks after the environment. There is a whole of society element to it as well, and I think the one-size-fits-all is very clumsy and very slow. That flexibility based around real need and the diversity of need—be it revenue, skills, grants or loans—is key so I think that will be a key part going forward.

Q976 **Chair:** Can I come back to this question of availability of workers? It was really striking looking earlier at the risks that you identify in this document, *A Catalyst for Change*. Time and again, limits to EU nationals working in the area are raised. I want to ask a question about what kind of future system you think might work. When we leave the European Union, free movement ceases to apply and we are going to have to develop our own new immigration control for those who have previously



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been able to come from the EU under free movement.

Kate, you mentioned earlier your concern that, if there is a focus on high skill, some of the need that you have here in Cornwall might get missed. There are those who say there might be a system of permits by industrial sector. That might lead to competition between different parts of the country, hospitality and catering being a perfect example because there is a need from John O'Groats to Land's End. We took evidence yesterday from the Scottish Minister. Scotland has made a proposal to be able to run its own system. There are a couple of proposals that are coming out of London because of the diverse nature of the economy. I wonder whether you had any thoughts, preliminary or otherwise, about what kind of future migration control—given that is the policy that the Government intend to implement, and we would have to have it anyway as we left—would work to enable you to ensure that you don't fall off a cliff edge, in terms of access to skills, while you are trying to train up your own or bring some people who are not currently in the labour market back to it to meet some of those needs.

Councillor Pollard: To pick up the general point: the movement from coming out of the EU to a different system must be seamless; otherwise we are going to have a real jolt here in Cornwall. I think it really needs to be Cornwall-centric because we do have different factors here that apply to Scotland and whatever. For me, it is to make sure that that labour market is available without too much constraint. I am sure others will describe some of the ways. I don't mind whether it is a regional policy, or whatever, as long as Cornwall's interests are maintained within it.

Kim Conchie: For me, that fundamentally means that they are made to feel incredibly welcome by whatever mechanism that might be. I can see a long-term policy where I would not mind if you were welcome if you had a job to come to. I can see that that combined sector in Cornwall could put a recruitment consultancy out to say, "There are these jobs available" and that goes out to a wider audience.

What I would hate, which did creep in a little bit after the referendum, is that somehow they are not welcome, that we become closed doors and close-minded again. That is absolutely the antithesis of everything that Cornwall stands for. That industry can represent us very well if we make sure that those people are welcome and they become part of this upskilling agenda in hospitality, agriculture and care, where immigrant workers all feature very large—that we use them as part of the process to galvanise those industries in Cornwall. My point there is that it has to be a warm welcome to them and not in some way off-putting. I would not want barriers from that point of view.

Chair: I think we would all concur with that.

Kate Kennally: Part of the next steps of our work through the Futures Group is we want to improve our data on EU nationals in Cornwall, so that we can see what types of jobs people are doing and try to capture



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the movement of seasonal workers. What we have found over the last six months is that we don't have that level of information as much as we feel we now need, because it wasn't information that was material for us up until the last year. I qualify anything I am saying with that big caveat in mind because we know we have to get some more information.

We are really clear that, given our issues on research and innovation, having an approach that welcomes students and researchers to be able to come and study here, without the challenges of a visa system and migration controls, is incredibly important. In terms of us moving our economy forward it is absolutely key, so we are very much backing lots of calls and some of the leading work that Exeter University has been doing around lobbying on this and making sure that students and researchers stay here. We know that it can also create this positive life-long love of the area within which you study and work, and that is important for us.

We are interested in potentially looking at the idea of a regional immigration system because, as the Leader says, the nature of the economy is different in the south-west than in the northern powerhouse or in London. The areas that we need to particularly think about are agriculture, but not just agriculture; it is the links to all of the other land-based industries. Statistics show that a significant proportion of vets qualify from overseas, and that is really important in terms of the land-based industries and having that supply chain. I am sure construction will be a challenge up and down the country, but we do know that this is a skills gap that we have.

The other areas are health, social care, public services and tourism, and we are working closely with our public sector partners and asking them to bring forward some of this information. We need to think about links to the place-based aspect of the industrial strategy, which we are looking at having that conversation. *[Interruption.]* It is just a test.

Chair: It is perfect timing because this session is just coming to an end.

Kate Kennally: No, it is not a test.

Chair: Well, that is a first.

Kate Kennally: We normally have our test at 3.30 on a Thursday. It has been brought forward two hours.

Alistair Burt: They brought it forward for our benefit.

Chair: Right. Anyway, it is a timely alarm, unfortunately. In answer to your point about more information, there may be an opportunity here because 3 million EU citizens are in the country currently. We all hope and expect that a deal will be done that they remain and the Brits abroad remain with the same rights, but the Home Office has made it clear it will need to document the 3 million in order to prove that they will continue to have the right to work, whereas new EU citizens who come will be



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subject to the immigration control system. Therefore, information will have to be collected that the Home Office does not have and maybe there is a way for you and other local authorities to plug into that. Heaven knows they may ask you to give them some assistance or it is going to be a very difficult and challenging task of dealing with that.

Anyway, it is a thought that I leave with you at the end of this session. I am sorry we have run out of time and we have the second panel that are now going to come in. On behalf of the Committee, can I thank you once again for your answers, which are of great assistance to us? Thank you.

Examination of witnesses

Witnesses: David Rodda MBE, Patrick Aubrey-Fletcher, Dr Laurence Couldrick, and Nicola Lloyd.

Q977 Chair: We will now move on to the second panel session. I would like to welcome Patrick Aubrey-Fletcher, who is the county adviser for the Cornwall National Farmers' Union, David Rodda, who is the rural delivery manager for the Cornwall Development Company, Nicola Lloyd, head of inward investment, Invest in Cornwall, and finally, Dr Laurence Couldrick, board member of the Cornwall and Isles of Scilly Local Nature Partnership. On behalf of the Committee, can I thank you very much indeed for giving up your time this afternoon to assist us with our work?

I want to kick off and address a question to you, Mr Aubrey-Fletcher. Obviously, agriculture is really important to Cornwall. The National Farmers' Union has expressed concern about the impact that leaving the single market, and potentially the customs union, might have on the industry. It would be helpful to us if you gave us a sense of how your members in Cornwall are feeling now the decision has been made. They look at the Prime Minister's speech, the objectives that have been set, the uncertainty there is about the outcome. What for your members are the most important things that they want to have secured or achieved through the negotiation we are about to embark upon?

Patrick Aubrey-Fletcher: Thank you, Mr Benn. First, I would like to welcome you to the county. It is very refreshing that there is somebody who is coming to Cornwall to find out about how Cornwall feels. Otherwise there has not been a great deal of engagement, certainly on a local basis, within the agriculture sector, so thank you for the opportunity.

The main thing that NFU members feel is the need for them to have the ability to trade, whether that is within the UK or overseas. Overseas markets are very important within Cornwall. There are bulb growers who export sometimes up to 30% of their produce, whether that is flowers or bulbs; they go overseas. There are a lot of sheep in Cornwall and there are a lot of sheep that are exported into the French market. That ability to be able to trade creates greater resilience for a farm business and,



therefore, the ability to go on doing that is critical, so trade is one of the most important things.

You talked earlier about the whole question of migrant labour and accessibility to that. Certainly, within the horticulture sector, that would be one of the primary industries where migrant labour is critical. Challenges have already arisen since the vote in June around the availability of that labour and whether they wish to continue to come to this country. Some of that is around the value of the pound and how much they are being paid, and I think some of it is around increased prosperity in their own country.

That ability to be able to access migrant labour is critical, not only on the farms and in horticulture but also in the food processing sector. We have Tulip, which processes pig meat, and 2 Sisters at St Merryn, which processes beef; to continue in business, they are heavily dependent on migrant labour not only on a seasonal basis but also on a permanent basis, because it is very expensive to train people, so the SAWS system or its successor is not necessarily the answer.

Over and above that is the ability for farmers to go forward and invest in their business, so they need confidence. We need Government to get behind agriculture. Farmers are very resilient, very adaptable people but we need confidence from Government to say that the food sector, which is critical to the rural economy in Cornwall—it is 6% of GVA in comparison to most counties at only 3%—is critical to the economy. That investment is needed both from public money and private money. Those are the important factors. As I say, farmers are resilient. They see the opportunity. They see the challenges. They will adapt.

Q978 Chair: That is very helpful. Can I come back first on trade? Obviously, we are going to seek maintenance of tariff and barrier-free trade, but that may not be achieved. There are some who say, "We fall out of the EU on WTO terms. What is the problem?" Would you like to tell us what might or might not be the problem if we fell out on WTO terms for your members?

Patrick Aubrey-Fletcher: It will create enormous problems, particularly if tariffs are imposed. Going back to sheep meat, potentially a 70% tariff makes that very uncompetitive, if not completely uncompetitive. Therefore, it will create issues for us if we are not able to do that. There is an argument for saying, "Why don't we look further afield than the European market?" but I think then the challenge that arises is: are our competitors producing food to the same welfare standards and environmental standards? We have some of the highest standards in the world.

Chair: Would that be potentially an issue in relation to a trade deal with the United States of America, for example?



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Patrick Aubrey-Fletcher: There are real concerns about a trade deal with the United States. Use of antibiotics and growth hormones is not as closely controlled in America as they are in this country.

Q979 **Chair:** We discussed access to labour in the first session. I would like to put to you the question I put at the end of that session. As the NFU, do you and your members have a view about what kind of system would work? You made reference to the seasonal agricultural workers scheme, which you said would not necessarily do the business. Have you given thought to how it might be structured to ensure that there is continued availability of workers who are clearly very important to the sector?

Patrick Aubrey-Fletcher: We have not necessarily arrived at a firm conclusion as those discussions are still going on, but to repeat what I said: that access is very important and it needs to be done in as simple a way as possible, without heavy costs being incurred by the farmer in the process. We would prefer to have a system that is not just county-based, because there are potential workers with some of the bigger companies who move around depending on the season but the access to that migrant labour is critical.

Chair: Mr Rodda, did you want to come in on this?

David Rodda: Yes, I do. On labour, you have to factor in what will happen to the rights of the people who are already here. While we are talking about the policy of the future, what happens to the rights of those who are here as EU nationals? That is an important consideration.

Q980 **Chair:** It is. I think the overwhelming view—the Government’s view, all of us—is that we need a deal that secures the position and the rights of the Brits abroad. We are all anxious that is done very early in the negotiation to deal with the uncertainty that obviously people are feeling because they don’t know what the impact is going to be.

Can I broaden this out a bit? In the report that we have been discussing, *A Catalyst for Change*, there was a reference to the Brexit decision in some respects already having had a negative impact on investment, inquiries about investment, companies and so on. It would be helpful to get a sense, Ms Lloyd, given your role, of whether you have seen any evidence of that.

Nicola Lloyd: Every single investor is different, so they are all in their own personal situations. Generally, for Cornwall particularly, we are looking at SMEs. It is always a very big decision when they are looking to locate anywhere outside where they are already. Definitely there have been a lot of questions, a lot of uncertainty and a lot of consideration to delaying decisions to locate here, especially where they are FDIs—foreign investment. One thing that is interesting is that, at the moment, we are seeing more inquiries from national investors from urban areas such as London or Birmingham who are considering locating in Cornwall and perhaps other areas as well. We are seeing that possible reassessment of where their businesses are and reconsideration as to where they should



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be as a result of that. That has been an interesting positive as a result of the Brexit decision, because we would welcome them here in Cornwall.

Q981 Mr John Whittingdale: Why should the possibility of Britain leaving the European Union in due course cause a business in Birmingham to think to move to Cornwall?

Nicola Lloyd: It is a number of things. The technology and connectivity in Cornwall allows them to still access the global market, so they are not necessarily finding that to be an issue when they locate here. They perhaps relook at what they are trying to do. As I said before, often it is a personal decision. I think it has caused some people to reassess their lives generally, to look at Cornwall as a place to operate in a slightly different way, and in quite a positive way, in terms of talent, recruitment, positivity and health for their staff. That is proving to be seen as a positive asset to a business and causing them to make those decisions as a result.

Q982 Mr John Whittingdale: Yes. But all those considerations would have applied even if we were still in the European Union.

Nicola Lloyd: Yes. It has created a moment in time for people to reflect and that is the case across the board.

Q983 Chair: Can I ask you, Dr Couldrick, what does Brexit mean for the work of the Local Nature Partnership? What do you think are the risks and opportunities?

Dr Couldrick: The risks that Cornwall faces are wrapped around the whole of our environment. We trade off the environment we have, and the Local Nature Partnership pulls together environmental growth strategy that mirrors the strategy that both the LEP and the Health and Wellbeing Board put together. It picks out the fact that everything we have in Cornwall trades off the environment in some way, shape or form and 80% of the landscape is farmed. Agriculture has a huge impact and, unlike other businesses, has a huge role in the condition of the benefits we derive, whether it be habitat, water quality or flood risk. It is quite hard to dissociate Brexit and the environment from the impact on things like agriculture and agricultural policy. We had comments earlier on the issues with funding that is in there and what we use it for. Because of the inefficiencies and the ineffectiveness of how we have used it in the past, it has not led to the outcomes we have wanted to see.

The challenge we have with Brexit is about embracing the productivity and efficiency we want for economic output, but also in delivering the common shared goals that we want for water quality, whether it is bathing water or drinking water, or habitat quality. I believe a lot of the drive to come down here is the fact that it is a nice environment and the place to come to. You have a big issue of how that 80% of the landscape is managed due to the shift in agriculture and the shift from Brexit.



On top of that, though, there are other funding streams that we utilise to look at environmental benefits, such as LIFE funding specifically for biodiversity reasons, or interregional funding where it ties us with other member states. Examples of where it is very hard to look at management without it are things like migratory fish, eel and salmon movement, which affect the whole of the Atlantic seaboard. It is very hard to have a conversation around what you do locally without couching it in that international picture.

On top of that, I think one of the key ones that is still an uncertainty in the environmental movement—and we are not only looking at in Cornwall but nationally—is how regulation is affected. The Great Repeal Act will take across some of that but it is still uncertain what is going to be left. The regulation we have serves lots of purposes for what we require of things like farmed land, but also what we require of things like the water company. As the earlier session was talking about, things like the bathing water directive led to quite a shift in how the water company saw its investment cycle. We are already seeing changes in investment now that they can work on land they don't own—things like the water company investing in upstream thinking programmes that we run. All of those are driven by those European directives.

Alongside that you also have the ability—because it is EU-based—to hold Her Majesty's Government to account because of it. There is an interesting question there: if we do bring that law into the UK side, how easy is that to enforce over the long term, considering it can be changed within terms of office? The EU legislation usually had longevity to it, which caused frustration but it also buffered that effect.

Q984 Chair: It is a fair point. Once it was in it was in, because getting 28 member countries to agree to change is quite a complicated business.

Can I bring the two questions together? For agriculture, we leave and the single farm payment comes to an end. What is going to replace it? We don't know. What is going to be the relationship between what society chooses to invest in supporting agriculture and for what purpose? One of the things Europe has sought to do—and we have ourselves—is about public goods and the extent to which funding supports farmers in ensuring that those are delivered, and I know farmers do a great deal on that anyway. Do you have a conversation locally between you about how that might work and how does it go? There will be a big opportunity because things are going to change.

David Rodda: I will start with that and then Laurence and Patrick can come in. Every time that we have gone through the six or seven-year review of the Common Agricultural Policy and the way that it is implemented—and it is the implementation of the policy that is as important as the policy itself—we have had exactly that discussion about trying to integrate the environmental outcomes that we want to achieve and the economic outcomes. Every time we have tried to do that at local level—I have many discussions with Laurence and his partners and with



Patrick and the food industry—we have failed to get the integration that we want, because the way that the Common Agricultural Policy is implemented in England does not allow that to happen. We have tried it every time. We have pushed it with Her Majesty's Government and said, "This is what we want to do. We want to integrate it so that we have a whole business approach, a whole landscape approach and a whole catchment approach, whatever is the right spatial scale," and we have not been successful.

With a British agricultural policy, we are hoping we can review that again to come up with something that is greater than the sum of the parts, is simpler to access and is cheaper to administer.

Q985 **Chair:** You definitely see that as an opportunity?

David Rodda: We see it as an opportunity, yes.

Patrick Aubrey-Fletcher: Certainly, discussions between the Local Nature Partnership and the agricultural community are going on. I see that as a positive because there is not a "them and us" situation. Agriculture and environmental management co-exist. We heard earlier that 80% of Cornwall is farmed and that is indicative of where we are. From the NFU's perspective, what we are looking for is a policy that gives stability on a long-term basis and, hopefully, cross-party support for that policy so that we are not threatened by the vagaries—if I might put it that way—of political change. One of the benefits of being in the CAP is that that has been engineered out of the system, and although CAP has not been good, it has at least given some form of stability.

Over and above that, we come back to the need for markets and investment in infrastructure. One of the challenges for farms that are not making a profit is: how do they renew their infrastructure? As a young land agent in the 1970s, I was involved with helping farmers put up farm buildings, drain fields, put in roads, in order to become more efficient and produce more food. That investment and infrastructure has now worn out. It needs doing again in order to sustain agriculture, to improve productivity and profitability. Following profitability, environmental management becomes a lot easier. Without it, it is a struggle.

Dr Couldrick: We work very closely with the agricultural sector. I sit on the Local Nature Partnership but my day job is as Director of the Westcountry Rivers Trust, which works with thousands of farmers across the West Country to understand their businesses and what they are trying to do. We talk to them about nutrient loss around soil health. We don't tend to talk to them about the environmental benefits. We talk to them about the economic benefits of being more efficient and more productive. By keeping nutrients and soil in the field, in the crop, in the cow, it means that they are not in the rivers and our bathing waters. There has always been an integrated conversation that goes on around our landscape. It is impossible to pull apart the economic performance,



the social performance and the environmental performance within any land management unit because it is one unit.

Most of the farmers and the environmental groups I work with get that; my eight year-old gets that. The people that don't seem to be able to get that is government. Within government we silo things. We silo the productivity. We silo the environmental benefit. We silo the way we pay for our food. In the UK we are really paying three times for our food: we pay to buy it, we pay the taxes that go to the subsidies, and then we pay the cost of any degradation to the environment, such as increased water bills. That means that the paperwork that any farmer has to go through to access the myriad of potential things that they generate is incredibly burdensome. That is where some of the inefficiencies and ineffectiveness of payments have come in. That is the opportunity that lies there, to simplify that.

Q986 Alistair Burt: I have a few farmers in my constituency and certainly those who voted to leave are looking forward to having the blank sheet of paper for agricultural policy that they have always wanted. We have spoken about the need to keep some of the regulations that are in place for environmental protection and the like. The Great Repeal Bill provides the opportunity for the great bonfire of regulations that will follow afterwards. Are you busy working collectively on what you are intending to throw on the bonfire?

Patrick Aubrey-Fletcher: Conversations are taking place. I don't think at this stage they are detailed such that one piece of legislation has been selected over another. There is a reality that opportunities exist to change things. From a farming perspective, we would like as much science-based evidence to support any regulation. Regulations should not be there for regulation's sake. It has to have a purpose and the person who has been asked to follow that regulation needs to understand the reason for it. Unfortunately, a lot of regulation nowadays is tied up in legal terms and is very difficult to understand. I think that is the biggest opportunity we have, but as such the bonfire has not yet been built.

Dr Couldrick: In terms of the environmental sector and the Local Nature Partnership, we have had discussions on just understanding the breadth of the EU legislation in place for things like the water framework directive, bathing water and habitat directives, as well as our own laws. I think the difficulty is that any wholesale removal of any one of those will have a huge number of unintended consequences. Things like the bathing water directive changed the way the water company invested. It still is changing the way, alongside changes in the mechanisms we can utilise there. There is definitely potential for simplifying the regulations and some of the actions we are asking of our farmers, because they are immensely complex. The question is: how do we do that so it does simplify and, more importantly from our side, how do we enforce that? We see those regulations out there at the moment and I can go to lots of



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farms where I can show you breaches, yet there is nothing done around it because it is usually so complex that something slips through the net.

Q987 Alistair Burt: You have also suggested that, over the years, some of the complexity has come from the UK Government through gold-plating or whatever. Whatever changes are going to come about, you are going to want to make very sure that that process comes to an end. It will be our own regulations but we have to make sure that they are not gold-plated in the way in which they have been. You would want us to have that message back to Government as we look at this for the future?

David Rodda: Absolutely. That is vital. Interpretation of the regulation is as important as the regulation itself. The Cornwall Development Company has projects that are funded by all four European funds. There is the same regulation underpinning that at the European level but each Government Department interprets it differently. For example, we have to calculate staff time involved in a project with each of the four funds in a different way for each Government Department and some of them are easier than others. That is getting into a level of: choose the simplest, please. Then it makes it easier for everyone and is cost efficient to do so.

Q988 Alistair Burt: Staying with the CAP for a second: if we are going to be trading into the CAP, whatever we do with our regulations, we have to be very conscious that the regulations that govern agriculture and farming throughout the EU will stay in place and they will change. Presumably, ours will have to change with them, otherwise we will not be able to trade quite as freely as we think we are going to. Aren't we going to be bound by regulations in this sphere that we don't have the chance to influence but will still be governing what we do? To what extent is that a worry?

Patrick Aubrey-Fletcher: It is a concern. We would hope that Europe would continue to talk to us. They are heavily reliant on our scientific skills at the moment. We are very much seen as being leaders in the scientific world, certainly within agriculture. Therefore, we would hope that relationship would remain and we would continue to be able to influence it. The NFU has an office in Brussels at the moment. That office in many ways is even more important now than it has been in the past. That office will stay in place so that members' interests are represented and protected, to ensure that Europe does not go off in a different direction to the way the UK might.

Q989 Alistair Burt: I am aware of that. I also noticed the passage in *A Catalyst for Change* that speaks about, "When the UK leaves the EU the CAP will be in place for the remaining EU member states and, therefore, it will be important for Cornwall and the Isles of Scilly through the UK Government to seek to influence the next round of the CAP and understand its detail in order to help agri-food businesses in Cornwall and the Isles of Scilly compete with their CAP-supported counterparts in the EU post Brexit". Is that not a little optimistic, that the UK is going to talk to the CAP about how they can arrange their affairs to make sure that we can compete better with their own farmers governed by the CAP?



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David Rodda: We are still members of the European Union. They have just launched the next round of consultations, so we need to play a full part in that to influence the direction of travel of the Common Agricultural Policy.

Q990 **Alistair Burt:** But when we leave?

David Rodda: That policy will only be in place for the next six years, so by dint of going through that consultation process we can use it to inform our own British agricultural policy that will go alongside it. Beyond the next round then, yes, we are going to have limited influence on it, but while we are there we need to try to influence its direction of travel and to understand the way it is going to roll out. It is conceivable that it will be more protectionist than it currently is, and that could be a big threat for us in the future.

Q991 **Alistair Burt:** In a sense, the better the deal the UK now works out with the EU, the closer the partnership we have—even though we are going to be out—it is going to be really important for your future and we have to make sure that partnership is as strong as possible?

David Rodda: Yes.

Q992 **Alistair Burt:** Can I ask a question about the wider aspects of trade? We have spoken about the US. I think we are all pretty clear how the US will conduct its trade negotiations, and agriculture could be on the tail end of this as they seek concessions elsewhere. What about friends in other parts of the world? Australia and New Zealand, of course, have been very interested in wider trade opportunities. You have expressed concerns about the US, but what is the sense of opportunity with Australia, New Zealand, Canada and other countries and the possibility of pressure from them?

Patrick Aubrey-Fletcher: Opportunities to trade are always interesting, particularly from the Cornwall perspective; the Cornish brand is very strong overseas. The dairy sector is a particular strength within Cornwall agriculture. We have 500 dairy farms and 26 dairy processors, and that has increased over the last few years. That product is being sought in many markets. We have Rodda's Creamery, which is well known for its clotted cream, Trewithen Dairies and others. We are not afraid of export. As I said earlier, it generates resilience within the economy of Cornwall to have that ability to trade.

The difficulty is: how do you replace the scale of the European market if we are not able to trade with them? I talked about sheep meat earlier. We export £300 million worth of sheep from the UK overseas and £280 million goes to Europe, so that gives you an indication of the scale of the market that is available in Europe.

David Rodda: If I may add to that, a really important element is the future of protected food names.



Alistair Burt: I was just going to ask about that.

David Rodda: We have the protected food names in Cornwall that are extremely important. They cover the Cornish pasty and Cornish pilchards and clotted cream. There is uncertainty about what happens when we exit: are we going to participate in those schemes as a third country; are we coming out of those schemes? Will the protections that it gives us be in the Great Repeal Bill? All those types of things are giving the industry uncertainty at the moment.

Q993 **Alistair Burt:** I will have two personal concerns then—the Bedfordshire clanger and Bury black pudding—but we will cover those elsewhere.

Agriculture in the UK has moved away from an environment in which its sector was very important to the EU to a situation where the sector is much smaller in comparison with the rest of the UK economy. How confident are you that Defra really understands this and is going to fight your corner very hard to make sure that, in the negotiations to come, agriculture is not seen as a make way for other parts of the UK economy when deals are being done for our future with the EU?

Patrick Aubrey-Fletcher: We do have concerns about that. The food protection question was not raised in the recent deal that was going to be signed with Canada. That was clearly a mistake. I think Defra is under enormous pressure. It is a very small Department. We work closely with them, but we do have concerns as to whether or not they are in the position to have the strength to fight against other Departments within Government. We know as an economy the UK is 70% service sector. Unfortunately agriculture can't stand up against that and there is real concern that we are going to be traded away against other sectors.

Q994 **Mr John Whittingdale:** On the evolution of the CAP, it is probably worth bearing in mind that a post-Brexit EU is going to be very different from the current EU and the resources available are going to be considerably less. They are going to have to bring about change in the CAP themselves, just because they won't be able to afford to continue it.

I want to come back to the other area that we spent a little time talking about with the previous panel, which is the importance of migrant workers in agriculture but also in some of the other industries we have mentioned—tourism, hospitality and so on. To what extent do you feel that Cornwall requires access to a continuing source of migrant labour? How important is it that we address that as part of the new arrangements?

David Rodda: From my point of view it is extremely important, both at the production level and in the processing sector. There is great reliance on migrant labour, particularly at this time of year with flower pickers and vegetable harvesters, but it is equally throughout the year. It is extremely important.

Patrick Aubrey-Fletcher: I would support that completely. As we speak, there are migrant workers out in fields picking daffodils.



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Unfortunately, there will be very few Cornish people out with them because there isn't the appetite from the local population to want to do that. About 70% of bulbs in the UK are grown in Cornwall; without migrant labour that would not be possible.

Q995 Mr John Whittingdale: Are the people out there picking the bulbs seasonal workers who come in for just a few months and will then return, or are they permanently resident in the UK?

Patrick Aubrey-Fletcher: The majority would be seasonal workers but, increasingly, there are those who have come on a seasonal basis who have now settled down, either because they enjoy the lifestyle or they have taken on roles of responsibility and are more than just pickers. They are now part of the management structure of the company and remain resident for a number of years. That is why the seasonal worker scheme isn't necessarily the answer to the whole migrant worker problem.

Q996 Mr John Whittingdale: If we achieved the outcome that we all want, which is for people who are now resident here to be able to stay with no change in their rights, and if we continued to have some kind of seasonal worker scheme that extended to countries that were not in the European Union at the time—places like Bulgaria and Romania, long before they joined the EU—do you think that would essentially meet the need?

Patrick Aubrey-Fletcher: Yes, I think it would. As you say, it does not have to be exclusively European countries. A scheme that brings people from around the world—whether they are agricultural students or not—is a healthy prospect.

Nicola Lloyd: May I add to that from an alternative industry point of view? I know there is a huge demand on labour in tourism and agriculture, and that is the main topic here, but there is also concern within existing businesses—software developers and so on—as to whether talented specialists are going to be able to be attracted from Europe as they currently are. There is also consideration as to whether relocating their business from the UK to somewhere in Europe would be an alternative option if that was not still going to be the case. It is very important that we remember that. It may be smaller numbers but it is just as important. For those specialists and those types of businesses in those industries, talent is what draws them to Cornwall. There is some great talent coming out of the universities down here, but it does need to be topped up by some European supply, and that is currently a real concern.

Q997 Chair: You very neatly bring me on to the question I was going to ask you anyway about: what does draw companies and businesses to Cornwall? You have touched on some of it but would you like to say a bit more about that?

Nicola Lloyd: There are some great examples of businesses in Cornwall that are growing a global client base. They are attracting talent from all around the world because of the workload and the contracts that they



have. The opportunities are one of the key things that attract them here. Likewise, the talent being here is what attracts the businesses as well, so it is quite an ecosystem that if one part was not there any longer we would really see a huge impact as a result.

Q998 Chair: We were discussing earlier, before the formal session, about people growing up in Cornwall, going to university and then going elsewhere to work. What can bring them back or might keep them here in the first place? Presumably, part of the answer is the kind of opportunities you have just been describing.

Nicola Lloyd: Yes, and it brings me on to one of the points that I really want to make. R&D and innovation is greatly enabled in Cornwall because of our connectivity. Generally there is extremely good connectivity and, as I said, it means that we have businesses here in tech fields, in the marine sector, in creative software development and all sorts of spheres that are underpinned by innovation and forward thinking. That is not unusual. There is a drive across the world for innovation to form part of business and incentives in order to enable that. What we hear more and more from other countries is that there isn't always the opportunity to implement and commercialise that innovation.

Offering opportunities like that in Cornwall, to physically see commercialisation of innovation, is drawing businesses to operate here, particularly in the health sector where there is technology that could greatly help us here in Cornwall because of our ageing population. We are attracting those businesses; there is a demand for it. They have received all sorts of funding to develop that technology in, say, Sweden or other European countries, but they don't have the commitment from the Government there to implement that technology. That is a great opportunity for us here in Cornwall and one that I would want to see echoed probably around the UK as well. Let's not just become a country that allows innovation to occur but let's allow it to be implemented as well, because otherwise what is the point in doing it?

Q999 Chair: Are you involved in trying to get people to come and take part in the Wave Hub, the renewable energy site? We heard a little earlier that Cornwall has taken it over from BEIS, which was previously sponsoring it, and there have been some changes made to make it work. Can you say anything about expressions of interest and what trials are taking place? There is a lot of potential. I would be interested to know how you are trying to tap that and what the future might hold.

Nicola Lloyd: There have been some exciting developments lately in relation to that. As you say, it has come under Cornwall Council's control. It will be classed as a marine hub, so we are trying to build that as a prominent sector because we do have a unique proposition globally for that technology to be developed, tested and implemented because it can be connected to the grid at Wave Hub. That is great, but it is a very risky sector so investment is hugely important. The appetite for investment is not as high as, say, for other forms of renewable technology because it is



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much earlier in its infancy. There are recent examples of developers that are testing devices at Wave Hub, but they have been incentivised by European grants and funding. It has been hugely important to see them arrive here. The concern is that, when that is not available anymore, will they find alternative places and will the rest of the world catch up with testing facilities that will be available to those developers.

Q1000 Chair: That brings me on to the other question I want to ask you. We started out with the first panel talking about the considerable amount of money that Cornwall has received under the structural funds and the fact that the Government have guaranteed some of those for a certain period but there is uncertainty about what is going to follow. You have just given an example, but overall how important has the availability of that funding been to creating a climate in which people will want to come and invest in Cornwall? Apart from the amount of money, what shape or form do you think that such funding, as continues to be available, should take in order to support the work that you and your colleagues are doing to try to develop the economy, in line with the economic plan that has been drawn up, and to get people who have not thought about coming to invest in Cornwall to do so?

Nicola Lloyd: There are two forms of support that have been provided for quite a long time in Cornwall. One comes in the form of grant funding and various forms of actual physical money, but the other is support and functions that are available—a bit like my project—to see that that support is available and to promote Cornwall as somewhere to locate.

One of the big concerns I have is that the Department for International Trade, for example, exists to help encourage growth and economic growth, which are very similar to my objectives, but its targets and how it views a valuable investment do not always align to Cornwall's possibilities. The DIT is looking for large-scale investors at the best possible locations in the UK. We are trying to grow towards becoming the best possible location in the UK in a number of sectors. As such, we sometimes don't receive the same level of attention for the SMEs and the new businesses, in the various sectors that we are trying to grow, that we may have if we were Birmingham or Manchester or what have you.

Alistair Burt: You make a very good point. In the presentation we had before the meeting, it was emphasised to us that your economy particularly depends on an awful lot of very small businesses. The typical pattern of a business here is much smaller than in many other places. Are you saying that, from what you see, our overseas investment and trade policy has just not picked this up yet, and we need to help you make the point to Government that in looking for that investment from overseas, don't neglect the opportunities that may arise from the volume and quantity of the numbers of small businesses, as opposed to the big beasts coming in?

Nicola Lloyd: And that that is considered relative to the location, because as it stands there are countless tech businesses, for example,



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that will be approaching DIT on a daily basis. They would be absolutely superb businesses to flourish here in Cornwall, but because they are low value, in the DIT's view, it means they are possibly just pointed to the website and asked to carry on and they don't get that red carpet treatment that Google may—albeit we would love to see some of those large investors come to Cornwall. We also realise, as you say, that generally it has to be that organic growth in some smaller businesses that can grow and develop here to transform the area.

The other issue is that the DIT is not able to focus on an area's potential, so it will only look at what that area has here and now and base their decisions as to who they will point an investor to at that given time. We are trying to grow in certain areas and we have huge potential, so if functions like Invest in Cornwall don't exist then the UK Government would not be providing us with the right level of opportunities to see inward investment here.

Q1001 Alistair Burt: Is your sense that they understand the problem but they simply don't have the bandwidth to cope with it, or are they not listening closely enough to you in the point that you are getting over, which is it?

Nicola Lloyd: It is early days but I have made my point several times and it hasn't got me anywhere. I think the trouble is that those high-value investors are incredibly important for the UK. If Tesla is knocking on our door, we should be giving them the very best treatment, absolutely, but if that is always the way in which those decisions are made, then the developing areas and the areas that require more support are never going to break through that barrier.

Q1002 Alistair Burt: It would be quite interesting if the Department developed a separate strand of officials and colleagues who were looking quite specifically at the sorts of issues that you are raising, to make sure there were still people concentrating on the big ones, but they had really understood the needs of an economy here and you had a separate strand of work going on that would help.

Nicola Lloyd: Yes. Perhaps their measures could be more based on the improvement in that particular area's economy that has been seen, so that the issue of relativity against different areas is not so much of a problem, yes.

Chair: Mr Rodda, I think you want to come in on this.

David Rodda: Yes, I do. In terms of answering your question, within the last 15 to 20 years, the agri-food sector has grown from a turnover of £900 million to over £2 billion. A significant amount of that growth has benefited from the European funds that we have had through the rural development programme—not just the structural funds, but pillar 2 of the CAP. Going forward, we need to think about how we can help and work with businesses to replace that investment and help them invest on their own.



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You asked about the type of support. We have investigated before using the Rural Development Programme for loans. In fact, I think we are still the only place—certainly in England and probably in the European Union—to use the rural development pillar 2 to help loans and to help new entrants into agriculture. That scheme is still open and we are still doing it. We have looked a number of times at trying to use a loan model rather than a grant model, to try to deliver some of the policy objectives that the money is there for. That is something we want to do. We are engaging with Defra on that. That is something we want to look at in the future, which we hope would form part of a suite of activities. I am not suggesting for one minute it should just be loans. We need a suite of payments for some activities, loans for other activities and grants for other more risky activities, perhaps.

Patrick Aubrey-Fletcher: David touched on an important point, and that is the question of new entrants into agriculture. There are all sorts of statistics around what is the average age of a farmer, and it is probably too top heavy. One of the reasons for that is the ability for younger farmers to be able to access land. There are issues with the tenancy system but probably the most important is funding. Therefore, the loan system is one that should be looked at very carefully to enable younger farmers to access that.

More importantly, the new domestic agricultural policy needs to reflect on where any support mechanism is targeted and it doesn't encourage more mature farmers to stay on their land, enjoying a payment but not utilising the land to its full capability. Therefore, younger farmers would then have the opportunity to come into the system and, with support, probably become much more productive—certainly more innovative—and push the industry forward.

Dr Couldrick: In terms of the removal of funding in things like the structural investment funds we see, often they are used for investment in assets—whether that is broadband or road or infrastructure, the usual assets we pick up—but seldom do we look at the ability to invest in natural assets and, as I said earlier on, try to have the environmental growth we need that then supports the economic growth we also want. What has happened is we have utilised things like the structural investment fund to offset difficulties within the current funding mechanisms, so things like flooding grant in aid is designed around protection of property rather than business. We have been able to look at that and try to match it, because some of the structural investment funds allow you to look at the business side, but unlike other parts of the country, if businesses flood out then the communities are quite heavily impacted because you cannot just up and get a job in the city next door.

It comes back to some of the earlier conversations: not only will there be the challenge of what happens from the Common Agricultural Policy and how that affects broad farming-based schemes, but you will also have the impact of those other funding streams changing in how we use them. As



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my colleagues have picked out, there are lots of innovative mechanisms that are already being looked at—things like green bonds, upfront investments and loans. As I say, there are mechanisms that are coming forward like the water company funding and what would be termed other payments for existing services schemes. They are still in their infancy, and a lot of the time they are still formed through the regulation behind it that is generating the need for those.

Chair: Unfortunately, we have come to the end of our time but, on behalf of Alistair, John and myself, can I thank you once again for coming? Your evidence has been really interesting and very helpful, and we are very grateful to you for giving up your time.