HOUSE OF COMMONS

International Trade Committee

Oral evidence: UK trade negotiations: Agreement with Australia, HC 1002

Wednesday 9 February 2022

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Tony Lloyd; Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Mike Wood.

Questions 29-55

Witnesses

II: Alan Vallance, Chief Executive Officer at Royal Institute of British Architects; Dr Minako Morita-Jaeger, Policy Research Fellow at UK Trade Policy Observatory; Mr John Cooke, Chairman, Liberalisation of Trade in Services Committee at TheCityUK; and Professor Daniel Hodson, Chairman at CityUnited Project.

Examination of witnesses

Witnesses: Alan Vallance, Dr Minako Morita-Jaeger, Mr John Cooke and Professor Daniel Hodson.

Chair: We will start panel 2. We have a four-person panel: Alan Vallance, John Cooke, Dr Minako Morita-Jaeger—nice to see you again—and Professor Daniel Hodson. Can I ask all four of you to introduce yourselves—name, rank and serial number—starting with Alan Vallance?

Alan Vallance: Good morning, everybody. I am Alan Vallance. I am the chief executive of the Royal Institute of British Architects.

Chair: An architect is always a good man to know. John Cooke?

Mr John Cooke: I am John Cooke. I am the co-chair of TheCityUK's liberalisation of trade in services expert group, and I am a consultant with TheCityUK in that role.

Dr Minako Morita-Jaeger: I am Minako Morita-Jaeger, senior research fellow of the University of Sussex Business School. I am also a policy research fellow at the UK Trade Policy Observatory, also at the University of Sussex.

Chair: Thank you. Your sound is not ideal, Dr Minako Morita-Jaeger. Finally, Professor Daniel Hodson?

Prof Daniel Hodson: I have a City background. I was the regulator and chief executive officer of what at the time was the largest exchange in the world—LIFFE—the London International Financial Futures and Options Exchange, a self-regulating organisation at the time. I worked in Australia setting up banking operations, both in Sydney and Melbourne. I have been a professor of commerce at Gresham College, lecturing, inter alia, on international City markets.

More recently, I have been involved in focusing on getting the very best out of Brexit opportunities, particularly through the campaign group for which I am nominated here—CityUnited— whose vision is for "a global City and UK financial services industry, serving the world and supported by a fair and competitive regulatory and taxation framework and the highest skills possible."

Q29 **Chair:** That is quite the introduction. Dr Minako Morita-Jaeger, how far does this trade agreement represent a good deal for the UK in relation to trade and services, and how does it compare with other recent free trade agreements with developed countries?

Dr Minako Morita-Jaeger: I would say that the economic impact of a services trade agreement will be modest, because the UK's services exports to Australia account for 1.7% of the UK's total exports, and services imports from Australia account for only 1.2% of the UK's total

imports. The UK's economic model, which includes both goods and services, suggests an increase in UK output between 0.05% and 0.07%. I observe that the value of services and trade agreements of this deal mainly lies in policy development.

To analyse how good the services deal is, we have to examine two things. First is the quality of the rules, such as the way we promote regulatory co-operation at the horizontal and sectoral levels, including through transparency, mutual recognition and equivalence. The second is the level of services commitments. In terms of rules, I would say that the UK and Australia successfully concluded a high level of rules in services, and the investment was at the horizontal and sectoral levels.

The services chapters appeared to use the CPTPP as a template, but the rules are more comprehensive and some provisions are more in depth than those in the CPTPP, by reflecting policy developments in other forums and business needs. For example, domestic regulation under article 8.8 reflects the WTO plurilateral reference paper on services domestic regulation, the negotiation for which was concluded in December 2021. In addition to cross-cutting rules, sectoral rules in detail are provided in annexes. These include Annex 8A, "Express Delivery Services", and Annex 8B, "International Maritime Transport Services". These provide high-standard rules, and they would provide a better regulatory environment for UK business.

In terms of liberalisation commitments, it is first of all very important to understand what FTAs in services can offer. Unlike tariff reductions and eliminations, which we can see clearly from figures, services liberalisation is all about regulatory measures. It is not easy to understand the achievements that have been made. In general, there is a policy space between the level of autonomous liberalisation and the bound level of liberalisation under international trade agreements. The Government autonomously provide a higher level of market liberalisation than those provided for under their commitment under the WTO and the FTA, but the level of liberalisation commitments under FTAs are higher than those under the GATS. Especially the OECD study shows that the recent FTAs are estimated to remove 10% to 40% of services restrictions after the MFN commitment under the GATS. This means that the major benefit of FTAs is to provide legal certainty to business.

When we come to look at Australia's de facto liberalisation, Australia's applied regulatory regime in services is relatively liberal, lower than the OECD average. In contrast, Australia's investment regulatory regime is protected, much higher than the OECD average. The UK-Australia FTA applies the negative list approach. To what extent Australia and the UK are bound to the existing regime—especially in the area of investment and maybe future measures—is important to look at, in relation to the rules.

In short, Australia's commitment improves legal certainty. However, its commitment shows that there are still many restrictive measures at the regional level, not only in the existing measures, but in the wider policy spaces to be reserved for future measures. As for the reservation for

existing measures, of the 47 reservations, 34 reservations are at the regional level. Also, the regulatory environment for investment is relatively protected. Thirty-seven cases are non-conforming measures for investment, and 24 cases are for cross-border services.

I can go into more detail on the comparison with the CPTPP—

Chair: I think, because of time, we will skip the detail. I move to Martin Vickers.

Q30 **Martin Vickers:** Going along the panel, starting with Alan, how far does the agreement represent a good deal for the sectors that you represent?

Alan Vallance: In principle, it has the potential to be a great deal, but the devil is a bit in the detail. For professions, there are some issues with the regulatory side of things. Now we have moved past the agreement, the framework has to be built underneath it.

For architects in particular, the profession that I represent, what is the framework of regulation? One of the challenges is with the Professional Qualifications Bill that is going through at the moment. It will make changes to the Architects Act, which will move through to the regulator then being able to make the changes in regulations, so one of the challenges is time. With that sequence of events, we should find ways to make things happen in parallel. There is an issue of timing there.

The early signs are very welcome. We were particularly pleased with the DIT two-page flyer in December, which said that benefit No. 2 would be better travel for business professionals, and it specified architects as one profession, so we see some positive early signs.

We are really interested to be more involved with the regulatory side of that discussion, because I think there is probably some knowledge that the regulator would welcome from us—we are talking to them about that. The mood music is good.

Even without that, there are very good examples of great schemes where UK architects have been working in Australia: the Melbourne Southern Cross station development, which Grimshaw partners did; and we have quite a bit of work going on with Weston Williamson & Partners and John McAslan & Partners, UK firms that are doing work in Australia on transport infrastructure. A framework of recognition of qualifications and enacting all that will be fantastic for potential opportunities for UK architects, and it goes the other way as well—for architects from Australia who want to come to work in big UK practices it is great.

The other thing that I am very positive about is the potential for the CPTPP opportunities. While Australia in and of itself, and New Zealand, contribute something like 3% of UK architecture services exports at the minute, the Asian region is something like 23% to 25% and North America is 18% to 20%, so the opportunities through that mechanism as well are potentially significant.

Mr John Cooke: I echo everything that Alan Vallance said on professional services. CityUK mainly deals in professional services, with accountancy and the law. On both of those, there has been a welcome reaction to the agreement for much the reasons that Alan Vallance has given. A particularly valuable thing for those areas is the wealth of regulatory co-operation frameworks that have been established. That will certainly be needed in order to simplify and make clearer the scope for mutual recognition.

Going wider, to financial services, there have not been a great many barriers in Australia to UK financial services in any case, but I think, again, the mutual recognition aspects are important because there are big opportunities in Australia in, say, the Australian pension system and pension fund management, where there is a remarkable mismatch between the volume of funds and investment opportunities that are needed to sustain the pension funds and the relative size of the Australian stock market. There is a big opportunity there. There would have been a big opportunity whether or not there was the agreement, but it is an opportunity which the agreement, through its regulatory co-operation, can help to sustain and advance.

Finally, there are in various areas a whole lot of very useful smaller features of the agreement. There are some new insurance provisions that enhance cross-border insurance opportunities for the London market. These are not retail opportunities—these are wholesale opportunities. As I think Minako was saying, there are changes in investment thresholds and investment opportunities which are also very important, and likewise public purchasing, where UK financial and related professional services will have bigger opportunities than before to tender for Australian public purchasing contracts.

Prof Daniel Hodson: I will be as brief as I can. I will again join the echo chamber, very much. I would just make one or two points. To back up the point about the enormous opportunity in asset management, the AustralianSuper arrangement means that it is one of the biggest pension fund markets in the world. In today's *FT*, there is a story talking about the AustralianSuper, one of the many funds involved, who are actually talking about increasing their investments in Europe and the UK from £76 billion to £156 billion and increasing their staff in the London office from 50 to 100, which obviously is an important issue in relation to employment.

It is a fact, as Mr Cooke has said, that because of the size of the Australian stock market, more than half of their investment has to go offshore. This is a very important opportunity.

I would also echo the point about the hard work needed to realise the opportunities here. One can talk in more detail about regulatory opportunities. The issue particularly that comes to the fore in relation to regulation, without going into the detail, is the issue of more competitive—fair but prudent—regulation. For many years now, we have moved away from a balance that I remember when I was a regulator—a balance

between ensuring that markets were well regulated, but also that they were competitive. That is an opportunity.

Finally, there is a very small thing, which is an issue that doesn't really leap out of the page, but the promotion of interoperability in electronic payments infrastructure is in chapter 9. That leads into an issue relating to SWIFT, which has geopolitical and security issues. I know that, in relation to the CPTPP, you are going to be talking about that at a future session. These are issues that you may want to put on the table, because they are related. I don't want to go into too much detail at this stage, because of the lack of time.

Chair: I just hope that, if there is that much extra investment, it is not in mergers and acquisitions and buying real estate and sending up the prices for poor Londoners, and for everybody else.

Q31 **Lloyd Russell-Moyle:** Dr Minako, the agreement says that whether an overseas service-providing company is treated the same as a domestic one in "like circumstances" depends on whether this relates to a rule on "legitimate public welfare objectives". What does this mean? And what are the practical implications of these kinds of exceptions or sub-clauses for British and Australian service providers?

Dr Minako Morita-Jaeger: I understand that what you are referring to in the national treatment clause is a footnote.

Lloyd Russell-Moyle: Yes, the footnote.

Dr Minako Morita-Jaeger: I think this footnote is unique. The CPTPP also has it, so this is a copy from the CPTPP. I really do not know the impact of this. We have to figure out what is in the negotiation, what happened behind during the TPP—not the CPTPP—when the US were there. It is not a negotiation between the UK and Australia, but when the TPP was negotiated. I think it is the US interest to come into the market—a more public policy-oriented market. Maybe other TPP members wanted to keep the policy space for their safeguard, with the regulation relating to public welfare objectives, from US business. I can't say more than that with regard to this footnote. I think a clarification from the UK Government would be helpful.

Q32 **Lloyd Russell-Moyle:** Do you think this will allow local authorities—this applies to sub-national government, so local authorities and state authorities—to claim an element of welfare objectives on, for example, health, maybe requiring geography and maybe requiring people who have an understanding of the location, locality and all that stuff? Will that allow them to put those requirements, or exceptions, in public procurement? Or is this just a political kind of footnote that makes people feel better but won't actually make any difference in practice? That is where I'm not quite clear, because it is a footnote. What is your judgment on that? Is it just a political point or is it a practical point?

Dr Minako Morita-Jaeger: It is more practical, even though this is a footnote, more than political. It is giving the kind of policy space to sub-

central government, and is crucial in judging to a certain degree. This is a sure certain level of policy space.

Q33 **Lloyd Russell-Moyle:** Are there other trade arrangements that have such a clause? How widely have such clauses, which allow our public welfare and policy objectives to override in public procurement, been able to be applied?

Dr Minako Morita-Jaeger: I must say I do not know. I have to figure out on this point. I do not know whether any other FTAs have a similar type of provision or footnote. The only thing I know is that CPTPP does it. There is not only the national treatment clause but all other provisions, such as a general understanding in the intra-country part, which just normally provide this kind of policy space for the public sectors. It depends on the course taken by FTAs. There are many kinds of schemes that exist for this.

Q34 **Lloyd Russell-Moyle:** Would any other panel member like to come in on that?

Mr John Cooke: I am happy to say something, though it may be more useful to submit a note to the Committee. The question of legitimate public policy objectives as a reason for an authority not to follow the terms of an agreement is the sort of classic question that arises in a whole number of different contexts. One of them is the prudential carve-out, where if a prudential regulator of financial services feels that there is some reason in terms of the security of a country's financial system that overrides provision of a trade agreement or any other sort of agreement—and this is reflected in the WTO general agreement on trade in services—it can be invoked.

Another area where it is arising a lot at the moment is on the protection of personal information, or the protection of information generally, or the localisation of digitised information. On the one hand, there is a trade interest in information moving freely. On the other hand, there is a regulatory interest in the accessibility of information. Accessibility is obviously important to regulators, but does it require all servers to be localised in a particular jurisdiction? We would say not. I would prefer, having illustrated this a bit, to offer to read your question and offer a note on how it affects the areas with which TheCityUK deals.

Q35 **Lloyd Russell-Moyle:** I think it would be really interesting to see how and if—it might not do; it might just be a political flag—it would affect things positively or negatively.

Alan Vallance: I have worked for an Australian Government business enterprise and a Government agency at the federal level. I have been involved as a supplier to the Victoria state government across OJEU legislation and procurement practices, and obviously what happens in the UK. What I do know is that businesses look at these requirements and find the right way to proceed, so they are very adaptable. In the context of architecture, maybe it is a design issue, such as wellness and wellbeing in a building and how you design it so. I think I am confident that businesses

will find a way through, but the harmonisation of standards makes it easier for everybody to work their way through the system.

Q36 **Lloyd Russell-Moyle:** So even if there are public welfare requirements, if they are standardised across—

Alan Vallance: That would certainly be helpful, but obviously states, federations and countries have their own sovereign authorities.

Chair: It leaves me wondering whether we will see a Melbourne opera house someday, with all this architectural cross-fertilisation.

Q37 **Mark Garnier:** Professor Hodson, you talked earlier about an Australian investment fund looking to open in the UK. Presumably it would have to get Financial Conduct Authority approval to do that and be licensed under that regime.

Prof Daniel Hodson: I was actually referring to the opportunity that it has established in terms of where it intends to place its assets.

Q38 **Mark Garnier:** I might have misused the example in that case, but what I am particularly interested in is that those financial services businesses want to do activities in the other markets. Presumably if I ran an investment bank here and wanted to open an office in Australia, I would have to comply with and be licensed by the Australian Securities and Investments Commission in the normal way, wouldn't I?

Prof Daniel Hodson: Yes, but the point about the agreement is that it makes all this procedure much easier. Mr Cooke made the point earlier that it does not change that much, but it does open opportunities, and the opportunities are there to be exploited, which is the point I was making about this particular thing. You have probably all read about the £10 billion investment to be made by Macquarie Bank, the Australian bank, in the UK, so it goes both ways. Just to point out, if I may, to the Chairman, the asset management opportunity is, of course, across the entire Union, because Edinburgh, for instance, is such a major asset manager.

Mark Garnier: As long as they stay in the Union, of course.

Chair: Well, we may follow the great example of Ireland.

Prof Daniel Hodson: And, of course, the additional work goes to the levelling-up thing.

Q39 **Mark Garnier:** If I can carry on about this point, I spent 17 years as an investment banker in the City and had plenty of clients in mainland Europe, so I was servicing my clients in mainland Europe. What I am trying to get a feel for is, first, if I wanted to open a branch office in Sydney, I would have to comply with the local regulations—but they would recognise the fact that I'm FCA compliant and, as long as I maintain that, that will help. However, if I didn't have an office there, but I wanted to go along and pitch to potential clients on a cross-border basis, would I have any problems with that? Could I just turn up in Sydney and, subject to immigration controls, get on with it?

Prof Daniel Hodson: I will defer to Mr Cooke on that. This is a bit of a hospital pass, John.

Mr John Cooke: On the whole, I think that this agreement, like all trade agreements, tends to confer freedoms but only within the obligation to continue to comply with each of the parties' rules and their domestic regime. If you're asking whether the agreement would allow you to offer services on a cross-border basis—as you might have done under an EU passport, in former times—I think one would really need to look at the precise schedule of obligations that have been undertaken, both under Australia's GATS commitments and under this agreement. The insurance example that I gave shows that these things can be quite limited and quite specific. Again, we can look into that, if that would be useful.

Q40 **Mark Garnier:** It would be really useful. Let's use the insurance example: you're trying to place business as a Lloyd's broker, so you're going to Australia to potentially pitch for business. Are you saying it's not that clearcut and that you couldn't wander in and start meeting people or telephoning people on a cross-border basis? Is that right?

Mr John Cooke: Yes. Australia's insurance commitments in annex 9A certainly cover all the usual marine, aviation and transport insurance being offered cross-border and goods in international transit. The interesting thing is that they actually open up cross-border insurance—which may have always existed, but is now on a more guaranteed basis under the agreement—for various other kinds of commercial risks. That includes motor vehicle liability, except where it has to be domestically insured, as it usually does in most countries. The ABI and Lloyd's, too, have been quite pleased with that extension.

Q41 **Mark Garnier:** On the wider point about financial services regulation with the Financial Conduct Authority and the Australian Securities and Investments Commission, are you optimistic that there is going to be a certain amount of collaboration and working together, Professor Hodson?

Prof Daniel Hodson: For a start, there is an established forum between HMT, the Bank of England, the FCA and their Australian equivalents. I think there is also going to be a lot of movement on the whole issue of regulation here in this country. We are, in many ways, the global leader in terms of this sort of approach, although I think many people in the industry feel it's got too prescriptive and that there are all sorts of things that need to be done to deal with the post-EU situation, which you would be more familiar with, Mr Garnier. Of course, Britain leads a lot of international bodies in relation to this, and I believe the British role in terms of what you might call setting a template will certainly lie well with our dealings with Australia and the ways that it can take that up. In so many ways, there is so much compatibility in terms of the approach to regulation between Britain and Australia—being based on common law, and so on.

Q42 **Mark Garnier:** That is quite an interesting point. One big argument we were looking at as we came out of the European Union was this

regulatory approach. The message that came back from the City was to run either with something similar to the European approach or with something similar to the US model—but don't invent a third model. I suppose my question is as follows. This is a great example of a good trade deal. We have got cracking on this. And we are going to have co-operation with the Australian regulators. My view is that this is a good thing, but does it potentially run the risk that we end up with a rather confused, hybrid regulatory regime that doesn't necessarily satisfy anybody because it is trying to satisfy everybody?

Prof Daniel Hodson: Well, it's early days yet. There are certainly areas where there must be change—proportionality, for instance. I am sure you would agree. I am sure you would also agree that recognition of more competition, more competitive markets, has to be there as well. The future regulatory framework consultation ends this month, and that no doubt will provide some kind of background for future work. But I think the most important thing is this. These are real markets; they are making decisions today. We need to protect our financial services markets across the country, and we need to do that by acting quickly. I don't personally see this hybrid problem that you see. I think that typically—certainly in my experience of working with American regulators, our model resembles theirs far more than it does whatever the EU model is, which is much more prescriptive, much less sensitive to proportionality and much less sensitive to competition.

Mark Garnier: That is really helpful. Thank you.

Q43 **Tony Lloyd:** You referenced—and I just had a quick look at the *Financial Times*—Australia's largest pension scheme. What they are talking about in fact isn't new investment; it's doubling the quantum of investment both in the UK and in Europe. The reason why I pose that is that clearly, for this particular pension scheme, there haven't been sufficient barriers in the past to investment. So what are the material disadvantages of the pre-existing relationship with Australia that blocked, in particular, financial services from engaging in both ways? That has not been obvious so far—

Prof Daniel Hodson: That is a very fair point. I think you have to start from what you have heard from my two colleagues and me, which is that things haven't changed that much from where they were. But I think they do re-engage the focus, in terms of exploiting the opportunities. I think that, for instance, the opportunity related to the first step, as identified, into CPTPP membership is a very important one, and that will itself lead to future opportunities.

So far as this is concerned, it may well be something that would have occurred, and probably would, given that Australian funds cannot be invested wholly in the Australian stock markets, simply because they are not big enough. But the ability to exploit that opportunity is probably better now, as a result of this deal, than it was before. No doubt, Chairman, you would want to be talking about impact assessment. I think it makes impact assessment rather hard—I'm talking about comparing the

status quo and what happens after this—because it's very difficult to identify the difference between the two. My colleagues no doubt will have thoughts on that.

Mr John Cooke: Could I just add to that? You are right. The Australian market was not a market beset with barriers that this agreement has systematically removed. I think we are talking much more about the significance of this agreement in terms of the UK's tilt towards Asia and the CPTPP and the scope that regulatory co-operation can have to help the opportunities that would anyway have existed. What will be needed is a big and consistent effort by both sides to actually use these opportunities for greater regulatory co-operation. From that point of view, we in TheCityUK are very keen on there not just being an annual meeting, which would be the bare minimum set up under the agreement, but that officials and regulators get together to identify potential problems and see how they may be dealt with on a bilateral basis before they occur, and opportunities for the creation and facilitation of new markets, rather than simply comparing notes once a conflict of laws has arisen, which very often it is very difficult to do anything about.

Q44 **Chair:** Alan Vallance, how much closer does the agreement bring mutual recognition of professional qualifications between the UK and Australia? Combined with that, what current restrictions on a UK architect practising in Australia—you will be familiar with that—and an Australian architect practising in the UK are being removed by the agreement?

Alan Vallance: Again, it is the first step in mapping out a framework for the details to be worked out. At the moment, the agreement has been reached. There are issues on both sides in terms of changes in legislation, including the Professional Qualifications Bill in the UK. There is still some way to go with the regulators themselves—in the UK, that is the Architects Registration Board, and there is the Architects Accreditation Council of Australia. Obviously, Australia is a federal system, so it has federal and state differences in some cases, so there is a bit to work through there, but with five states and two territories, it is easier than the US, for example.

Q45 **Chair:** Let me just interrupt you briefly. One thing that gets thrown up about an American trade deal is that you might make a deal with the federal Government and then find a problem with individual states afterwards. Do you envisage that being a problem with Australia?

Alan Vallance: Much less so.

Chair: But it could be.

Alan Vallance: There is a possibility of it, but the regulator itself, the AACA, put out a statement in December saying it expected to have that agreement in place by mid-2022—whether that is ambitious or not, or whether it is subject to some other things. So there is certainly an ambition there at the federal level, and I do not foresee an issue, but I am not close to the day-to-day—

Q46 **Chair:** Is it possible that New South Wales might be fantastic in co-operating with this agreement but Victoria does not have a good year, a good month, a good administration or a good whatever?

Alan Vallance: Everything is possible, but I think it very unlikely, I have to say. I think there is harmony. Full disclosure: I am a chartered professional in both Australia and the UK. I have never, in my experience, seen massive differences at the federal and state level between regulators in professions. I do not personally think it will be a big issue.

However, the issue with regulation is that regulators in the UK and Australia need to agree. We talked about the standards before. The most important things for any professional membership body and the regulator is the maintenance of professional standards at the highest possible level. Australia, New Zealand, the UK, Canada and the US are all countries that we know have similar highest professional standards. We think that that is a good sign and that agreements can be readily put in place. There have already been numerous discussions between the regulators and those jurisdictions.

Right now, there are agreements between Canada and Europe, Canada and the US, the US and Australia, and the US and New Zealand, but not between the UK and any of those jurisdictions with respect to qualifications. We are kind of fifth in the ranking of five, and we are very keen to see that resolved so that there can be that flow of expertise.

The bottom line for us—I am talking, obviously, about the profession I represent—is that British architecture is seen as the best in the world. There are export opportunities. More firms want to be involved in exports. More firms want to do that, so absolutely there is that great opportunity. I am sure there will be some specific speed bumps along the way as the regulators come to that MRPQ agreement. We are very ready to sit down with our regulator to talk about how that works out. That is a great opportunity.

We have a couple of concerns, but the one I mentioned before is the challenge of turning Bills into legislation that the regulator then picks up for the mutual recognition. If, for example, part of that agreement specifies a particular kind of expertise that an architect needs, we would worry that you only start to develop that expertise and to specify and say you have it some time down the track after all those blocks are not in place. Importantly, regulators need to be aware of that—I know they are, but I just want to reinforce that—so that, as much as possible, we develop these things in parallel.

The important issue is what happens after the agreement is in place: that the trade flows and that we realise those opportunities. For that, the clock is really ticking for us. I am not aware of any major barriers to putting that MRPQ arrangement in place, but I am not representing the regulators, so I could not comment specifically on each of those jurisdictions.

Q47 **Chair:** Before I turn to Lloyd Russell-Moyle, who wants to come in with a

supplementary, I have a supplementary of my own. The Government, without sign of a blush, boasted that there would be free movement for under-35s. All things being equal, if you had an architect aged 34 and an architect aged 36 and you were sending them from the UK to Australia, would the 35 rule have any influence on who you would send?

Alan Vallance: Everyone will make their own choices. I was born here and emigrated to Australia, and I had to go through that points system—I was under 30 at the time. I then had to requalify in my profession, so I am a product of dual exams. I am a big fan of MRPQs, because they are very similar.

The new working holiday visa is a great step forward. Previously, you could only work on a farm in Australia with that visa. Now, you can do much more. That is a great step forward but, equally, there are many professionals who are over 35 and have a huge amount to add to architecture practices and other professions. Individuals want to work in different jurisdictions and have something to add. I think that particular visa is a great step forward, but because it cuts off at a certain age, there will obviously be somebody on the other side of the fence who is slightly north of 35 and who wants to make a contribution and cannot yet do so.

Q48 **Chair:** I only have a couple of years to qualify for it myself, of course. Let's hear from John Cooke and then Daniel Hodson.

Mr John Cooke: On that particular point, I was going to add that, beyond that age, there are provisions in the agreement for business visitors, inter-corporate transferees and so on—the so-called GATS mode 4 arrangement under the general agreement on trade in services, which has been extended in useful ways in this agreement. That is important.

On the wider point, I would like to make a distinction between goods and services in agreements of this kind. In goods, you can often see immediate results in terms of reductions of tariffs—your previous session will have dealt with that. In services, an FTA is much more the start of a process and needs to be seen in that way. It has a declaratory quality—that the Governments on both sides have committed to new processes that they mean to make work. After all, we did not have an agreement with Australia before, and nor did the EU.

That feature, coupled with the tilt towards Asia generally, has to be seen as an important bilateral commitment to actually doing things. I am getting a slight sense in this Committee of questioning whether the agreement does anything in various areas, and I don't think that is necessarily the right way of looking at it. It is the start of a process, not an end in itself.

Q49 **Chair:** The end is the important thing. If I can defend the Committee, we are always sceptical and questioning, which can come across. Professor Hodson?

Prof Daniel Hodson: Just to echo the point about tariffs, regulations are the tariffs of services in some respects, and the sooner that they can be changed for benefit, the better. But the point I want to make—

Chair: That is a very good comment. Regulations are the tariffs of services.

Prof Daniel Hodson: I wrote it down here.

Chair: Very good.

Prof Daniel Hodson: On the previous point, I ran an exchange that had 1,000 employees—mostly graduates. The average age was 29. It shows that 35 is actually quite important, certainly in City terms, in terms of employability. We are talking about people who will be coming over and maybe looking to use their qualifications, which they have had the benefit of in Australia. I just say that with a bit of practical information from my own side.

Q50 **Lloyd Russell-Moyle:** Mr Vallance, you talk about how it would be good if the regulators co-operated together to passport qualifications. Why does it require a free trade agreement for that to happen? Has that happened elsewhere without free trade agreements?

Alan Vallance: It has. There are a couple of examples. To be clear, the regulators are talking. We know they are talking, and we know they are co-operating—I am talking about the architecture regulatory bodies. I am aware that other professions' regulatory bodies are also talking, but I am not aware of any problems or that they are not going to co-operate—I don't want to give that impression at all. I think for us it is about clarity on where they are at in the process. When will it be complete? What are the conditions? How can we all make sure that, as my colleagues John and Daniel were just saying, these things are the start of the process? The sooner they are in place, for the mutual benefit of both jurisdictions, the better.

Q51 **Lloyd Russell-Moyle:** I understand passporting, where you could be regulated by one body, and then operate. But with the recognition of qualifications so you could register with both bodies simultaneously, are those actual wins for a trade deal, or are you suggesting that those things are happening already—the conversations are happening already—and the Government shoves them in to make it look like the trade deal is achieving lots of things, but really they were already in train?

Alan Vallance: There were conversations with regulators in advance, but it is all conditional on the agreement being in place, to then follow up within the framework prescribed in the agreement. Talking about architecture, in principle, there was nothing to stop things being put in place, but in practice it is actually about how you go about doing that and how you make sure that it is in line with the agreement and those sorts of things.

Q52 **Lloyd Russell-Moyle:** If I may paraphrase—maybe poorly—the

agreement was needed to kick the regulators into getting to completion rather than just continuing the talking.

Alan Vallance: It provides a framework within which they all then complete. You are talking about many professions, so I think it goes back to that harmonisation point in a sense—all lined behind the central effort.

Q53 **Lloyd Russell-Moyle:** But there is nothing binding about this, so it could have been done through an MOU or a general ad hoc agreement.

Alan Vallance: Yes.

Mr John Cooke: Well, it could have, but the important thing about a commitment in a trade agreement is that it is a treaty commitment and it is subject to a dispute settlement procedure in the agreement. If we look at, say, the provisions on legal services, where existing recognition and rights of UK lawyers are recognised, it is probably important that they are recognised in the agreement. That becomes a treaty commitment, which it was not before. That is key to why we look for things in trade agreements. It is not that they could not have happened without a trade agreement; it is that if they can be guaranteed and made subject to a dispute settlement, that is a valuable thing to have.

Lloyd Russell-Moyle: So it gives security and stability?

Mr John Cooke: Yes.

Chair: We have three minutes left. Tony Lloyd will take the end of the session.

Q54 **Tony Lloyd:** You have already answered on this theme, but very briefly, under the agreement, there are temporary freedoms of movement for certain groups of individuals, although they are potentially different between the two different parties, the UK and Australia. How do you envisage that working out in practice? And—this is perhaps important—is this a social exchange? No longer allowing people to go into the bush to farm sheep is a new freedom, but it is socially significant. What is the economic significance for you all?

Mr John Cooke: As the world globalises, as there are more investments from one country to another and as more businesses have operations in different countries, the guarantees that are available to transfer personnel under various headings—intra-corporate transferees, business visitors, independent consultants and so on—get more important than they were before. They have been a source of difficulty. There are markets in which, in principle, one can make an investment, but it may be extremely difficult to get a visa to move the personnel or experts you actually need to make that investment operate—I am thinking of an investment in a business more than a portfolio investment. If those things can be guaranteed under treaty commitment, that is good. In this case, the treaty commitments actually extend from two years to four the period during which people can have that temporary stay. So, yes, I think that really is important—we certainly value it.

Q55 **Chair:** Excellent. Thank you very much, and thanks to the panel for coming along this morning. Time, as ever, has beaten us. We have had an interesting two panels. On the first panel, someone made a virtue out of form-filling for trading; that might discipline everybody for trading across the world in other markets, and we might catch up with some of our European friends or competitors—we might get as good at exporting as Germany, perhaps.

The bit that I really liked in this session was the idea that regulations are the tariffs on services. As a Scottish nationalist, I feel that the UK is the tariff that Scotland has suffered, taking us out of the European Union against our will. I just have to make that comment, for the amusement of Northern Ireland, if nothing else. Thank you all very much for coming along.