



## Treasury Committee

Oral evidence: [The economic and financial costs and benefits of UK membership of the EU](#), HC 499

Tuesday 18 November 2015

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Members present: Andrew Tyrie (Chair); Mr Steve Baker, Mr Jacob Rees-Mogg, Wes Streeting

Questions 201 - 321

### Examination of Witnesses

*Witnesses:* **John Mills**, Chairman, John Mills Ltd, and **Steve McQuillan**, Chief Executive, Avingtrans plc, gave evidence.

**Q201 Chair:** Good afternoon. Thank you very much for coming to give evidence to us. The witnesses in total will exceed the number of members of the Committee today. That I attribute to the fact we have a debate on the economy going on, which has only recently been put on the Order Paper, after we had decided to hold this meeting. I apologise. Reinforcements could appear at any moment.

We have had some difficulty in obtaining evidence from the very largest businesses in the UK, and we are particularly grateful to you for coming to give us a view from different perspectives, as I know they are likely to be. We are anxious, too, to have our evidence rooted in practical effects rather than generalities. What is it specifically—what specific measure or measures—that is causing you trouble? What is it specifically that is going on that helps you sell things that you would not otherwise be able to sell and that might be put at risk, or whatever? Can I begin with you, Mr McQuillan? Does your company board have an agreed corporate position on this?

**Steve McQuillan:** On the EU?

**Chair:** Yes.

**Steve McQuillan:** In a soft way, yes. We are all broadly positive about EU membership as a board and the positive impacts overall that it has on Avingtrans as a

business, but it is not something that is a board agenda topic on a regular basis. It is a generalised position rather than a very specific position.

**Q202 Chair:** Are there likely to be people sitting around your board table who disagree but who have gone along with it?

**Steve McQuillan:** No. Everybody is broadly positive about us being in the EU being a positive thing for us as a business. Just to specify a little bit there, our business is a precision engineering business and there are a variety of ways in which EU membership helps our business. The board generally understands that.

**Q203 Chair:** Do you think that chairmen and chief executives of plcs should have a right to speak out and offer views on an issue as important as this?

**Steve McQuillan:** Yes. I do not see why not, with reasonable weighting. There is no more reason to listen to me or to anybody who is a CEO of a plc than to listen to any of you or anybody else. Within reason, yes.

**Q204 Chair:** It does sit rather curiously—does it not?—with the Prime Minister's apparent strictures: the Prime Minister's advisers warning businesses to remain silent until the renegotiations are completed.

**Steve McQuillan:** The problem for me on that, Chair, is that I am not qualified to comment on that. That is not my brief.

**Q205 Chair:** Fine. Will what you have seen of what is being negotiated—we have the Tusk letter—make much difference to your business one way or the other, or much difference to your view about whether or not you will support membership?

**Steve McQuillan:** That is difficult for me to say. I would suggest not much overall. Certainly, as a business we would agree that there are things in Europe that could be improved in terms of general burden of regulation on businesses or the general bureaucracy that comes down to businesses from EU regulation. There is a broad agreement with the principles that the Government have of improving the competitiveness of Europe and improving the access to Europe and the way of Europe's working, but I do not see the current package as particularly making a big difference to that one way or the other.

**Q206 Chair:** You just talked about the general burden of regulation. There is presumably something also attracting to staying in that is specific. I know that colleagues might pursue this in more detail, but, just to give us a flavour now at the start, what specific measures are you talking about that are burdensome and what is it specifically that is available to you from within the EU that means you want to stay there?

**Steve McQuillan:** Let us use a couple of examples. In terms of what makes it useful for us to stay there, it gives us access to a very large market, clearly. Our business is engaged in a number of markets where that is useful. Aerospace is one key example, which is most of our business. Aerospace is very much an international market where being part of a larger trading bloc and being able to easily access that trading bloc and interact with other people around Europe in supply chains, like us, or in terms of the end customers—people like Airbus—is very useful indeed. The associated standards that go with being part of a large trading bloc and that standardisation of product, of technical equipment and of the way of working are, again, very important to us and are facilitated by being part of a trading bloc.

On the other hand, a lot of regulation comes from the EU. I would not like to suggest that our own Parliament would not pass a lot of that regulation anyway even if we were not in Europe. It may well do. Certainly, it does seem to us that there is an extra layer of regulation—for example, in employment law terms—which is passed by Europe perhaps over and above what our own Government might pass.

**Q207 Chair:** Which bits of employment law were you thinking of?

**Steve McQuillan:** Some of the social legislation that is passed by Europe might go beyond what our own Government might do, or it might not. Different people have different views of that. I would suggest that most of that one way or another would come to us anyway regardless of whether or not we were in Europe, but the degree of it and the extreme nature of some of it might be different if we were not in Europe. Our view generally is that that downside, if you like, of that potential extra regulation is more than outweighed by access to the market, access to the trading bloc and the fact that trading bloc is in a good position to work with other trading blocs then to enable its position on the world stage.

Prior to joining Avingtrans, I was running the National Physical Laboratory in Teddington. That laboratory worked on a lot of standards on all sorts of different areas of technology, be it biotechnology, new communications standards or new standards in areas like pressure, time or whatever. There is no doubt that a lot of that capability for the UK was facilitated by being part of a bigger bloc and setting those standards as part of a bigger bloc. We find that too at Avingtrans level in terms of the work that we are doing in different industries.

**Q208 Chair:** Have you made any donations to the “yes” campaign?

**Steve McQuillan:** No.

**Q209 Chair:** Mr Mills, have you made any donations to the “no” campaign?

**John Mills:** I have, yes.

**Q210 Chair:** Are you at liberty to tell us how much?

**John Mills:** In six figures.

**Q211 Chair:** I am not going to press you further if you do not want to say. That is a matter for you at this stage. It is reported that the director of the Vote Leave campaign, Dominic Cummings, has been writing to chief executives of some of the UK's largest companies urging them not to get involved in the debate over EU membership. Have you heard about that?

**John Mills:** Yes, I have.

**Q212 Chair:** Do you think that is a good idea?

**John Mills:** It is important that what they do is transparent. I do not think there is necessarily anything wrong with business leaders expressing views about the advantages and disadvantages of our EU membership.

**Chair:** I am very pleased about that because that is why we have invited you along today.

**John Mills:** Well, there you go. I do think there is something wrong with large companies, for example, paying dues to the CBI, which then—although it is doing so less now—campaigns for staying in without there being transparency about whether that is what the companies really want and whether that is part of the remit that they ought to have.

**Q213 Chair:** Can I ask you the same question that I put to Mr McQuillan a moment ago? What is it specifically that is going on, in a nutshell, that is leading you to want to leave from your business's perspective?

**John Mills:** I do not think leaving the EU would make a great deal of difference at all to the business that I have built up and run. That is partly because of the nature of the business that I am in. It sells high-volume consumer products and, unfortunately, it is impossible to get most of them made in the UK, because the costs here are much higher than they are in other parts of the world, particularly in the Far East. The pattern of our business is that most of the goods that we sell are made in China and then are delivered all over the world. We sell to 85 countries at the last count, but most of the goods that we sell come direct from China to Europe, South America, Australia, or wherever we are selling to. Whether we are in the EU or not does not make a great deal of difference to that pattern of trading.

**Q214 Chair:** It would not make much difference to you in order to get goods into continental EU markets.

**John Mills:** Not really. We are used to dealing with standards everywhere. American standards are different from what they are in the EU. The same is true of Australia, South America and everywhere else. China we sell to. You just have to comply with the standards of the market you are selling into.

**Q215 Chair:** Perhaps I could just press you to be a bit more specific. I know other colleagues will go into much more detail. Mr McQuillan gave some hint at some of the areas that are a source of concern to him, and he mentioned employment law. Clearly, you have sources of concern, if not for your business specifically for the business community and the businesses environment generally and overall economic welfare in the UK. Can you give us some indication of what those are? What specific measures are leading you to come to the conclusion you have?

**John Mills:** The not very successful economic policies the EU is pursuing at the moment do make quite a lot of difference to us, because they affect the sales that we make to countries in the European Union. There is an effect there.

**Q216 Chair:** To be fair, that is going to be there anyway, is it not? They will carry on making good or bad policy whether we are inside or outside.

**John Mills:** Are you referring more to regulations and this sort of thing?

**Chair:** I am happy to take evidence on whatever you think are the key issues, but if you have a specific example—

**John Mills:** I rather share Mr McQuillan's views on that. The cost to us of regulations of all kinds is very high, but whether we would be able to get rid of all of them if we were not in the European Union I very much doubt. There has been a tendency for the authorities in this country to gold-plate some of these regulations and to make them heavier and more onerous than they need to be. Certainly, dealing with regulations is a major cost of running a business in this country. It might be a bit diminished if we were not in the European Union, but I do not think it would make a massive difference, to be honest with you.

**Q217 Mr Baker:** Before I go any further, Mr Mills, I should just tell the Committee that we worked together on the committee to create a campaign to leave. With that in mind, would you mind just explaining to us in a nutshell what is your objection to the EU and why it is you think we should leave?

**John Mills:** There are a number of problems with the EU generally that this country faces. One is the cost, which is very high. In 2014, it was £11.4 billion net of anything that came back. The gross payment was about £20 billion; the net was about £11.4 billion. There are fairly wide objections in this country to the Common Agricultural Policy and the Common Fisheries Policy. There are large concerns about border control. I am not suggesting that leaving the EU would solve all migration problems. I am sure it would not, but the influx of relatively poor and unskilled people from Eastern Europe prepared to work for low wages, even if they are very committed to working hard, is a tough call for the more disadvantaged members of our own labour force. There are perhaps issues around democracy and where decisions should be taken; going back to your point about the Social Chapter and social and political decisions, there are questions about whether they ought to be taken on a one-size-fits-all basis in Brussels or whether they should be taken in Westminster.

Perhaps the biggest single matter of concern is what is going to happen if the Eurozone has to move towards much tighter monetary integration, fiscal integration and really, effectively, becoming a United States of Europe to hold the Eurozone together. I do not think the British people want to be part of that process. Finding a way of protecting our interests outside an organisation where most of the other member states have to come together much more tightly than we really want to does present very big problems.

**Q218 Mr Baker:** On that point of one size fits all, do you think it is important in a well-functioning single market that there should be consistent, harmonised labour force regulations?

**John Mills:** I do not really think it should. It does seem to me that that is something that ought to be decided at national level, because productivity levels are very different. The idea that you can have everybody in the EU paid the same amount or subject to the same working conditions if people are much more productive in some countries than they are in others seems to me to be just the sort of case of one size fits all that does not work.

**Q219 Mr Baker:** I notice that the Trans-Pacific Partnership requires participant countries to subscribe to International Labour Organisation rules. Is that something that concerns you or is the perhaps lighter touch there something that means it is of lesser concern?

**John Mills:** TTIP is interesting case of something where the European Union—

**Mr Baker:** Sorry, just on a point of fact, I meant the Trans-Pacific Partnership. I was thinking of the effect on your businesses in Asia rather than America.

**John Mills:** To be honest with you, I do not think that would have very much effect on us.

**Q220 Mr Baker:** Do you have a view on the need or otherwise for consistent labour force regulations, Mr McQuillan?

**Steve McQuillan:** It is useful to put things on a reasonably level playing field if you are part of a large trading bloc. I take your point that that can go too far and it is not necessary to have everything flattened out, but I am not sure that is any argument either way around for being in or being out of the EU. It is where it is. The problem and concern that I have and that our business has is that being outside the EU, whether the inside of the EU has a common, flattened labour policy or not then would not really matter. What I am concerned about is the lack of access thereafter to a common trading bloc, the common standards that go with that and the ability to access that trading bloc. That is a secondary problem. As I say, for me, it does not really matter whether we are inside or outside the EU from that point of view.

**Q221 Mr Baker:** Can you explain why it is you fear we would not have access to the European market if we were not in the EU?

*Steve McQuillan:* I am not saying we would not have access to it. I am just saying that the access would become more difficult, in all sorts of subtle ways and maybe some not so subtle ways. What we have been able to see over time is that standardisation has helped a lot in a lot of industries. The more high-tech the industry, the more that is the case. Maybe standardising the shape of parsnips does not make any difference to anybody, but certainly standardising IT systems, communication systems, biopharmaceutical standards, etc. is very important. Being part of a bigger trading bloc to do that has been very beneficial.

If we had been outside the trading bloc all the time, then it would be different, because we be in the position where that had always been the case and we had always been operating in that way. Having been inside the trading bloc and then going outside it, we would find all sorts of subtle barriers going up and would find a lack of communication and co-operation would occur, which would make life very difficult. The other key point I would make around that is that we would find a lot of uncertainty occurring for British business that would be, as ever with uncertainty, a very big issue to everybody in terms of inward investment, in terms of what we would be investing in as businesses and in terms of taking risks going forward, for quite a period of time.

**Q222 Mr Baker:** In his evidence, Mr Mills said the cost of compliance was very high and also that his products, for that reason, are made in China and imported into Europe. You have also said that the costs of regulations are high.

*Steve McQuillan:* Yes.

**Q223 Mr Baker:** Are you concerned about our international competitiveness and what being in the European Union means for that competitiveness?

*Steve McQuillan:* I am concerned about the EU's international competitiveness, but my view is that we are better off being inside that tent trying to help to make it more competitive than being outside complaining about why it is not competitive.

**Q224 Mr Baker:** That is a consistent thing we are hearing: that there are flaws but you would like reform.

*Steve McQuillan:* Yes.

**Q225 Mr Baker:** What do you think the prospects for substantial reform are?

*Steve McQuillan:* It is very difficult, but I do not think it is easier if you are not inside it, and other things get more difficult if you are not inside it. We are better off being part of it and trying to address how we can make it more competitive or, if you flip

that coin over, how we can stop it being less competitive. Over time, different UK Governments of various hues—it is not a party-political point—have been quite effective at stopping things going too far. I can give a number of good examples of that in technical terms that then have meant that UK businesses are not disadvantaged on the world stage. Again, the more technical the product, the more that is true.

**Q226 Mr Baker:** Do you think that the labour market in the UK is over-regulated?

*Steve McQuillan:* Yes, I do.

**Q227 Mr Baker:** Where would you like to see liberalisation?

*Steve McQuillan:* I would like to see further liberalisation around employment law, but, as I say, I am not sure that is really entirely an EU point. We could be over-regulated on our own; we do not need to be over-regulated as part of the EU. We have taken on board quite a lot of the EU regulations. If we were outside the EU, would a lot of those regulations disappear? No, I do not think they would.

**Q228 Mr Baker:** Mr Mills, the same question, please. Do you think the UK labour market is over-regulated? Where would you like to see change?

*John Mills:* Yes, it is over-regulated. The European Union generally, with the exception of Germany—Holland has a big balance of payments surplus, as well as Germany—is relatively uncompetitive compared to the rest of the world. It is growing slowly. It is losing share of world trade. It is falling behind in terms of percentage of GDP going to investment. These are very serious problems. If we were outside the EU, whether we do better would depend very much then on what policies the Government pursued to try to deal with these problems, but we would be in a better position to take action than we would be as part of a group of 28 countries, all of whom really have to agree before anything very basic changes.

**Q229 Mr Baker:** To what extent do you think businesses are aware of the origin of regulations, whether it is at the UN level with the ILO or at the EU level or at the UK level?

*John Mills:* I do not know to what extent they analyse this all out carefully. They just have to deal with that. We have a compliance department employing a whole number of people and where the regulations come from I do not think is something they are particularly concerned about. It is just that we have an unending struggle just to comply with it all.

**Q230 Mr Baker:** It is that unending struggle. Mr McQuillan, have you formed a view on this? You were nodding a moment ago.



**Steve McQuillan:** I agree. We just have to comply with the regulation that is there, whether it has come from the UK, the EU, the UN or whoever. That is to some extent immaterial.

**Q231 Mr Baker:** So it may well be that business are not paying attention to the origin of these rules; they just simply comply and perhaps complain.

**Steve McQuillan:** Yes, that is fair. I do not think we are examining every regulation and saying, “Where has that come from?” There is a general sense that a fair amount of regulation does come down from the EU and some of it we would rather not, or we would rather it was dampened down. Sometimes the Government of the day are successful in dampening that regulation and sometimes they are not.

**Q232 Mr Rees-Mogg:** Mr Mills, you mentioned a moment ago that sometimes there is a tendency to gold-plate regulations as they come through. Mr McQuillan, is it also your view that the UK Government are very enthusiastic about implementing regulations?

**Steve McQuillan:** It is a comment that you often hear people saying. The short answer is I do not know. Let me comment on that, though, rather than just say, “I do not know.” My sense is that we are, as good British citizens, quite happy to do the right thing, as it were, and, if regulations come to us, we try to comply with them. Maybe we do that more than other countries. That would be my sense of it. Is that the same as gold-plating? I am not so sure.

**Q233 Mr Rees-Mogg:** Mr Mills, you mentioned it previously in passing. I wonder if you might want to elaborate on what you said a few moments ago.

**John Mills:** This has something to do with the legal system we have in this country, and the culture. On the whole, there is a feeling in this country that if the law says something that is what you have to do, whereas there is more of a process of consensus and rule-bending to suit the circumstances and attitudes in continental Europe, which does make a difference. There is quite a lot of circumstantial evidence that all these regulations are taken more seriously here than they are in other places.

**Q234 Mr Rees-Mogg:** Would either of you think that was therefore an argument for closer harmonisation and enforcement of the rules to ensure that the standards were enforced more uniformly across the EU? Is it an argument for more EU rather than less?

**John Mills:** I think some people would say this. If you are going to have regulations to try to establish a level playing field, that might be the case, but the danger then is you just finish up with more costs and more work for everybody to do. It is not very fair that British companies should comply with all these regulations really strictly, while other ones get away in a much more lax way.

**Steve McQuillan:** I agree with Mr Mills, if that is the case. I do not know that is the case. You hear a lot of anecdotal evidence that people in this, that or the other country are not complying with this rule or that rule, but I do not think I am qualified to answer that—whether they really do or do not. I have very few examples of where, say, any of our international competitors are not complying with exactly the same rules and regulations that we are, so to first order I would say it is not that different in each country. You hear a lot of anecdotal evidence to suggest that is the case, but I have no direct experience of that.

**Q235 Mr Rees-Mogg:** To what extent do you think that free trade requires harmonised rules, or is it possible to have free trade without harmonisation?

**Steve McQuillan:** You can have a certain degree of free trade without harmonisation, but, again, I would suggest—and I am commenting from my own experience here in the sorts of markets and products that we are in—the more technical, the more involved and the more complex the product or service is, the more you need harmonisation to make it work effectively and not waste money on different people having different standards, different ways of working, etc. The more complex the product, the more high-tech the product is, to be simplistic about it, the more harmonisation helps.

**Q236 Mr Rees-Mogg:** Does that need to be driven by regulation or is that driven primarily by market forces?

**Steve McQuillan:** Very often it does need to be driven by regulation. If I go back to my NPL experience, we would often work on behalf of companies—and I have the experience of this at Avingtrans working on things like this, where you are asking for centralised Government-type entities to help you with new markets and new technologies to cause that harmonisation to happen. Otherwise, what happens is—and Mr Mills is quite right—you still have different standards in different places. The more you can harmonise that, the less cost there is associated with business and the less friction there is associated with business in different countries. That is good news. The bigger the trading bloc that you are part of in the first place, so that you have more clout to be able to impose your standards or bring other people towards your standards, the better as far as those kinds of products and services are concerned.

**Q237 Mr Rees-Mogg:** Mr Mills, do you have any thoughts on this?

**John Mills:** First of all, I do not think that you need necessarily to have the same standards to have free trade and to get the benefits of trade. There are some benefits in having reasonably uniform standards over a wide area. How quickly you get to a point where that is of diminishing benefit remains to be seen. There may be some highly technical industries where that is of great importance, whereas in the industry I am in it really does not make a huge amount of difference. I am rather inclined to share the view that you implied just now, which is that if it is to the commercial benefit of everybody to have pretty uniform standards, whether we would be inside or outside the European Union would not make a huge amount of difference; the standards would become more uniform anyway just as a result of commercial pressures.

**Q238 Mr Rees-Mogg:** Indeed. I asked about free trade rather than the single market because it seems to me that the single market has been the mechanism for having uniform standards and if you have a single market the objective becomes uniform standards. I just wonder if either of you have ever tried within your businesses to make complaints about other people not following these standards and to use the rectification mechanisms that the European Union provides.

**Steve McQuillan:** Never.

**Q239 Mr Rees-Mogg:** Neither of you have done that.

**John Mills:** Getting involved in that sort of thing would be a nightmare. It is very unlikely we would take that sort of action, to be honest with you.

**Steve McQuillan:** I agree.

**Q240 Mr Rees-Mogg:** Following on from that, is this because generally you would not want to do that or because the mechanisms are too complicated? Other free trade agreements, as opposed to single market arrangements, have rectification mechanisms that tend to be simpler.

**Steve McQuillan:** In our case, we just have better things to do with our time, frankly. As long as we have standardisation to a standard we are happy, then what we have to do is spend our time working on how we take that forward as a business and not worry too much about somebody else who might not be complying. I cannot think of a case of this happening to any businesses I have been in, but I suppose if I was in a case where I thought someone was at an extreme competitive advantage because of not following some of that harmonisation, some of that standard or whatever, then we may well go down that path. I have never been in that position.

**Q241 Mr Rees-Mogg:** Both of you really try to improve your market position by being highly competitive rather than by chucking lawsuits and regulations at your competitors.

**Steve McQuillan:** Indeed.

**John Mills:** Yes. That is correct.

**Q242 Mr Rees-Mogg:** That is very encouraging from a British business point of view. Moving on slightly, Mr McQuillan, you mentioned in passing about UK Government tending to be quite good at negotiating for a more liberal approach to policy making, more in stopping things happening in the first place than in unwinding them. Do you think this has fundamentally shifted the agenda in

the EU, or that it is invariably an ad hoc discussion where the UK wins an argument but the EU is still broadly regulatory minded?

*Steve McQuillan:* Again, not to make up a response, I do not know. My opinion would be that it more often or not is attempting to correct something we think is going too far, but I do not feel qualified to answer your question in the way that you have framed it.

**Q243 Mr Rees-Mogg:** Mr Mills, would you like to—

*John Mills:* I am, again, with Mr McQuillan, really. There probably have been examples of where this has happened, but I do not think they have made a huge difference to the big sweep of things that have changed in the European Union over the years.

**Q244 Mr Rees-Mogg:** It is part of the renegotiation proposals to try to entrench this, but I imagine you would not want to give a particularly clear answer on that either, on the same basis—that it would be a good thing to do but hard to evidence.

*Steve McQuillan:* It is hard to evidence, but, if I flip over the other way for a minute and flip your question to the positive, do I think that being part of the EU has helped us in terms of harmonisation, taking British business forward, etc.? Yes, I do, and I can point to some really good examples of that where it has helped us.

**Q245 Chair:** Could you possibly give us one of those examples?

*Steve McQuillan:* There has been a great example in the last few years. One of the industries we are involved with is the medical imaging industry and one of our biggest customers is Siemens, making MRI systems. The EU had set out on a consultation process to harmonise the regulations around individual exposure to high magnetic fields. If you have not been in an MRI system, you are exposed to a fairly high magnetic field in the MRI system while you are being scanned. That consultation has resulted in a good piece of legislation to protect individuals from being exposed to unnecessarily high magnetic fields, but without damaging the medical imaging industry, which, in MRI terms, very much relies on people being exposed to high magnetic fields. That consultation process was very helpful, and the EU's position as one of the leading players, as far as businesses are concerned, involved in that industry. In particular, Siemens' main business that makes those subsystems that have the high magnetic fields in them, is located in the UK. It is a great factory to visit, by the way, in Oxfordshire, if you ever get a chance to go there. That was very much helped by the UK being in the EU and influencing that standardisation, rather than ending up with a bad piece of legislation that caused trouble for that marketplace.

**Q246 Chair:** All derived, if my memory serves me right, from a UK inventor.

*Steve McQuillan:* Correct. Yes.

**Q247 Mr Rees-Mogg:** That is very helpful. It follows on from that that you have been involved, therefore, in making representations when regulations have been introduced. How did you find out that the regulations were coming in the first place?

*Steve McQuillan:* Through trade bodies.

**Q248 Mr Rees-Mogg:** Trade bodies notified you and then you made representations and helped the Government put a case together.

*Steve McQuillan:* Yes.

**Q249 Mr Rees-Mogg:** That would be how you would expect to find out about future regulations: through your trade body.

*Steve McQuillan:* Typically. Trade bodies are able to concentrate on that more than individual members are, so they represent the membership, yes.

**Q250 Mr Rees-Mogg:** Mr Mills, have you had any experience of lobbying the EU in response to proposals or regulations that are coming through?

*John Mills:* I suppose the most direct one I have had is that we make a lot of advertising films. You might have thought there would be quite a large amount of uniformity about what you are allowed to say in terms of claims across the European Union, but that really is not the case at all. In some countries, you can say more or less anything you like. The UK has very tight restrictions on what claims you can make, and this means that the films are more difficult to produce, to produce effective amounts of sales. I do not really know why the EU has been so poor at getting some sort of uniformity in here, where you would have thought there ought to be general agreement about what standards should apply. That is an interesting case where the possibility of getting uniformity, which would make sense, just has not been seized.

**Q251 Mr Rees-Mogg:** You would like more EU regulation.

*John Mills:* I am not sure, to be honest with you, whether you would necessarily need the EU to do this. You would need agreement across all the various different countries and the regulators. In this particular case, there are no EU regulations that really apply; the regulations are all executed by individual countries. It is also a question of how serious the enforcement is, to what extent you have transparency in the way the enforcement is done, and how rigorous people are in making sure the rules are followed. These vary enormously, from our experience, across countries. Lots of the regulations you might have thought were fairly uniform are not. For example, if you want to sell products made of plastic that come in contact with food, you have completely different regulations in Germany from what you have everywhere else in Europe. If you want to sell prams, you have extra regulations in France, which mean that any prams made in this country cannot be sold there. This applies even more in the services sector, but even in the

goods sector, we are quite a long way from having a really uniform market in France with a level playing field for everybody.

**Q252 Mr Rees-Mogg:** Thank you for that. I now want to move on to broader trade issues.

**Chair:** Briefly, if you could.

**Mr Rees-Mogg:** I will not be long. There are only a few more points left. Trade with the EU has fallen from 60% in 1999 to 46% now. Do either of you see this as an issue for your business? Are you trading less with the EU or more with the EU, or is it pretty even?

**John Mills:** This is very largely a result of the fact that the rest of the world has grown very much more quickly than the European Union has and therefore the demand from the European Union has tended to go down in relation to the rest of the world. All the evidence that we can see at the moment is that these trends are likely to continue and that a higher proportion of British trade will be outside the European Union than within it. It used to be more than 50%; it is now down to about 40%, which means that 50% more trade than we do with the European Union is done outside the EU. That trend is likely to continue.

**Steve McQuillan:** I would agree with Mr Mills in that respect. Clearly, the rest of the world is gradually developing in a stronger way than the EU is developing in terms of its trade. That does not mean the EU is bad at it; it just means everybody else is getting better at it. We have two factories in China as a business, which are wholly owned factories, and we are very much developing the Chinese market for aerospace products and for MRI imaging related products that we are selling, and other markets also. It is not so much that the EU is deteriorating in that sense; it is that other parts of the world are becoming much more important in terms of how they are developing as markets.

**Q253 Mr Rees-Mogg:** In general, we have had other witness say they find it easier to trade with the EU than outside the EU. In my own business experience in service industries and investment management, it has been completely the reverse. I would be very interested in both your views as to which you have found easier or pretty much the same.

**Steve McQuillan:** I would say that it is true that it is easier to deal within the EU than outside the EU—I do not want to go over the same ground again—in terms of standardisation of products and how that operates and how you work, etc. For us, certainly, and a lot of the technical industries that I have operated in over the years, that is definitely much easier inside the EU than outside it. There tends to be a push towards harmonisation within the bloc, which is helpful in that regard.

There are other factors at play there that are beyond the technicalities. For example, if we want to do a large-scale project in the oil and gas market, that is much easier to do and finance in the EU than it is to finance outside of the EU, because outside the EU I need to look to other vehicles and other ways of working—for example, the excellent UK Export Finance set-up, which is very helpful in that regard, by the way. It is

certainly much more complicated for me to operate and take on a large oil and gas project outside the EU than it is inside the EU.

**Q254 Mr Rees-Mogg:** Mr Mills, if I can ask you the same question, but tied in with the fact that you have established businesses in the EU, in Asia and in the US, and where you find it easier to set up businesses.

**Chair:** Then we will have to move on.

**Mr Rees-Mogg:** Yes, that was my last question. I did just want to note, and it is maybe a good time to note it, that Mr Mills and I have met at various dinners supporting worthy Eurosceptic causes, including Conservatives for Britain, and I think have signed up to Vote Leave.

**Chair:** There are so many declarations of interest pouring out of the Committee at the moment. I am a bit worried about what is coming next.

**Mr Rees-Mogg:** I am almost always declaring interests of one kind or another.

**Chair:** At least it is only dinners. Do carry on, Mr Mills.

**John Mills:** The answer to your question is it does not really make a huge difference to us whether we are selling to the EU or to North America or to South America or to Australia or to China or anywhere else, probably in part because we are dealing with different products from Mr McQuillan. We are dealing with products where, by and large, we are not dealing with incredibly complicated technical standards; we are dealing with products that sell in large quantities, so even a relatively small market gives you the economies of scale that make it possible to sell there.

Our experience is that the paperwork involved in selling to the European Union, the regulations you have to deal with and all of these kinds of things are fairly similar in complexity and problems to those in other parts of the world. As I said at the beginning of the discussion here, it really would not make a huge difference to us whether we were inside or outside the European Union, even if there was not a free trade agreement, although I must say I agree with Steve Baker MP, who said that there probably would be free trade. I agree with that. It is very unlikely, if we did come out of the European Union, that there would not be a free trade agreement of some sort between Britain and the other European Union members, not least because they sell a lot more to us than we sell to them.

**Chair:** I have not had dinner with either of the witnesses. I am going to pass on the exchange to Wes Streeting to find out who—

**Q255 Wes Streeting:** I have not had dinner with either of the witnesses either. To reassure viewers at home, I am a supporter of the “in” campaign, so there is some political balance across the Committee. We are just interested in gathering different perspectives, so we are really grateful to you both for coming along this afternoon.

The first thing I just wanted to pick up on was earlier reference to gold-plating of EU regulations, which is a complaint I hear quite frequently where successive Governments have been, depending upon your perspective, unnecessarily rigorous in the application of EU regulations. In your opinion—I am asking both of you to comment—has this been a problem under successive

Governments? Could you give some examples of where you think this sort of gold-plating has taken place?

**John Mills:** Yes. This is not a particular Conservative or Labour issue; it has one that has applied to all Governments over the period since we joined the European Union. In terms of whether I can give an example of regulations that have been gold-plated that I have been concerned with, some of the environmental ones, in terms of waste disposal and this sort of thing, are ones that are very expensive for us. This is a bit anecdotal, but the impression that I have is that the extent to which the British Government enforce these sorts of regulations and make a real effort to make sure they are complied with is substantially greater than it is in quite a lot of other EU countries, where the administration is just more lax.

**Steve McQuillan:** That is my problem with the point. I do not like the term “gold-plating” because it is pejorative. Mr Mills is entitled to his opinion on this. I cannot really point to places where I would call it gold-plating. I do suspect, but it is a personal opinion rather than that I have a great knowledge of this, that we are better than average at implementing EU regulation, but that is different from gold-plating EU regulation. I would also say it is not a party political point. Mr Mills made a very good point; the UK has a very good culture of where we think we should obey rules and regulations and, successively, Governments have gone along with that. That does not mean it is gold-plated necessarily.

**Q256 Wes Streeting:** Most of my questions are going to be relating to imagining life after Brexit, not that I am pessimistic about the outcome.

**Mr Baker:** You should be.

**Wes Streeting:** We need to think about what the alternative to the status quo looks like. Mr Mills, given that there is concern about either gold-plating or effective implementation of EU regulations, depending on your perspective, are you not concerned that even if we were to leave the European Union we would still be, as a country, implementing laws and regulations that are very similar to the ones that we experience as members of the European Union?

**John Mills:** If we came out of the European Union, we would have to leave all the existing regulations in place. You might over a period of time want to review those to see whether some of them could be reduced, but I have to say my experience over the years of dealing with these issues in the public sector is that, once you have regulations in place, it is a real struggle to get rid of them. Nearly all regulations benefit some people and the cost is spread very widely over lots of other people. If you try to get rid of the regulations, the ones who benefit scream and the ones who pay the bills hardly notice it, so getting rid of regulations is not easy. The real issue is whether the flow of new regulations coming through could be diminished. I would hope that that would be possible if we were not in the European Union, because the number of regulations that are promulgated every year is enormously high. I cannot remember the exact figure, but it is a staggering number. Really, whether you need all this minute regulation over lots and lots of different things is very questionable.



**Q257 Wes Streeting:** One of the things that you expressed concern about in one of your earlier answers was the necessary and inevitable further integration of countries that are participating in the Eurozone, for lots of very good reasons that we have been made acutely aware of as a result of the financial crisis and the impact on the Eurozone, and the Eurozone crisis more specifically. Are you not reassured by the extent to which it is now becoming more of a point of consensus than it has been before around this place, but potentially also across the European Union, that, whilst everyone understands the need for Eurozone countries to integrate, there will need to be effectively a two-speed or two-track process? Are you not reassured at all by the Chancellor's view and the view the Prime Minister expressed only last week that we will effectively have a membership that sets us apart from the Eurozone and allows the Eurozone to move ahead with integration? Is that not the sort of compromise that you would welcome?

**John Mills:** It is all a matter of degree. Personally, if we could have an arrangement with the European Union that was much more on an intergovernmental basis, combined with free trade, there would then be a very strong argument for staying in that arrangement. The danger is that what will happen is that we will be told that we have some sort of associate status with only very small differences from where we are now, which will mean that we will be on the outer track of an organisation that is integrating more and more tightly to save the euro from collapsing, which is bound to have knock-on effects on us. The situation at the moment is that there are 19 countries in the euro. With the accession treaty obligations, we are supposed to have all but four, which would be 24 countries out of the 28. All the other three apart from ourselves are quite small: Denmark, Sweden and Hungary. It seems to me that the weight of decision taking at the European Union in those circumstances is going to be very heavily weighted towards the Eurozone countries, and that protecting our interests in those circumstances might be very difficult.

**Q258 Wes Streeting:** Are you not concerned that, if we wanted to have continued access to the single market, which I think lots of people would see as a desirable feature of Britain's membership of the European Union, in the event that we left we would still need to adopt and accept a whole swathe of European regulations in order to be participants in the single market? Or do you have a different vision for Britain's economic policy and believe we should look elsewhere?

**John Mills:** We would have to accept all the regulations in the EU, but we have to do that anyway. I am not sure that in many cases when new regulations came in—we are a big country in the whole of Europe—it would not be worth consulting us about changes in regulations anyway. As you are probably aware, a lot of the regulations that do come in are passed down from international bodies and come through the European Union to the UK, so I am not sure that would make a huge difference to where we were.

Provided we have free trade, it seems to me that the dis-benefits that we would suffer if we came out of the European Union would be fairly minimal, but, even if we had to fall back on what is called the World Trade Organisation option where there was no agreement between the EU and the UK about trade going forward, the level of tariffs now on most industrial goods is very low. There are a few examples—like cars, chemicals,

footwear, apparel and so on— where the situation would be more difficult, but you would have the exchange rate going down maybe to compensate for this. I just do not think the world would not come to an end if we were outside the European Union. There would be adjustments, but not ones that were impossibly difficult to accomplish.

**Q259 Wes Streeting:** That ties neatly into a question I had about exports to the EU in the event of Brexit. In the scenario that you describe, which would be a worst-case scenario, where we are reliant on WTO rules, Mr McQuillan, do you foresee any impact on the way you trade and do business if that were the scenario that we were facing?

**Steve McQuillan:** Yes. Let us not be over-dramatic about it. It is not as if the UK is going to collapse if we were not in the EU, any more than Scotland was going to collapse last year if it was not in the UK. However, in the same way as Scotland would be very much disadvantaged by being outside the UK, as far as I am concerned—I did not vote in that, by the way; I am based in England—I also believe the UK would be disadvantaged by being outside the EU, and that that would show itself in a subtle series of ways over quite a long period of time. The consequence of that would be, as Mr Mills has said, we probably would end up complying with most of the legislation anyway. I do not think we would get much say in how that was being formatted; we would just be required to take it on board with not a lot of influence over that. We would be saving costs associated with being in the EU, but then we would find ourselves very much with our noses pressed against the glass trying to figure out what was going on inside, rather than participating and creating a better single market.

Clearly, there are some advantages to being outside the EU. I can see some cost savings and some ways of working that would be better there, but the big thing that worries me is the level of uncertainty that that would create. I very much see the parallel to Scotland here in terms of the debate last year on independence. The level of uncertainty that would create for business would be very large and would span quite a lengthy period of time, and we would create a lot of uncertainty to investment. The consequence of that would be that the UK would go backwards for some period of time. Would it eventually go forwards again? Of course. Would we survive? Yes, of course. There is no question of that, but there would be quite a big disadvantage for quite a long period of time and we would find ourselves struggling, slowly and gradually, on quite a lot of new markets because we did not have the influence that we currently have as part of those markets. Again, I am particularly talking from the point of view of technical markets, technical products and services, where I have most expertise. As I say, there may be some other areas where there would be less of an effect.

**Q260 Wes Streeting:** The EU already has free trade agreements with over 30 countries, including Canada, Mexico and South Korea. In the event of Brexit, we would be trying to negotiate our own preferential market access, but we would be trying to do that with an alliance of countries that we have probably done an awful lot to upset in the process of leaving the European Union. In the event that we are struggling, stalling or delaying to negotiate for preferential market access

following Brexit, are you concerned that businesses in countries like Canada, Mexico and South Korea would have a competitive advantage?

**Steve McQuillan:** Yes, but I am more concerned that, while we would be able to do trade agreements with Canada, South Korea, etc. what would happen is, again, over time, the weight of the EU would outweigh the UK's position, and each of those countries would listen to the EU and, as standards, new markets and new technologies occurred, we would find ourselves struggling to make our view heard in the development of those markets versus what would be happening as the EU trading bloc was negotiating with those countries. Trying to suppose that the UK would have any real influence over things like TTIP and those bloc-to-bloc-type agreements would be forlorn. We would not have very much influence on that at all. The future suggests that those bloc-to-bloc agreements are going to become more important and therefore being part of a bigger trading bloc is important in trying to take that forward rather than being part of a small bloc or our own bloc, where that would be more difficult.

**Q261 Wes Streeting:** I have a final follow-up on the concern you have just expressed. Outside the EU, the UK could eliminate all tariffs on imported products. Would this course of action benefit or damage your businesses?

**John Mills:** On the whole, it would probably benefit us. I will just make a comment about the investment issue. You may recall 10 years or 15 years ago, this was just the sort of issue that was raised about the euro; we were told that if we did not join the euro, investment would collapse and the City would go downhill and all this kind of thing. It just did not happen. I am not at all sure it would happen this time around. It is very interesting that there have been announcements by all the big car companies in this country, who are one of the groups who potentially could be really seriously impacted by Brexit if there was no trade agreement, because the tariffs are about 10% on cars—rather less on parts, but they are very high—that they are not really going to shave down their investment plans because we have the referendum in prospect, but they are continuing to go ahead with them. I suspect this would happen with the vast proportion of the rest of it.

**Steve McQuillan:** The problem is that the big trading teams, like car manufacturers, would probably find their way through it anyway. I agree with what Mr Mills has just said there. The problem is that a lot of UK manufacturing is not that. It is not Jaguar Land Rover. It is people like us you have never heard of, and you are probably never going to hear of unless we sit in front of you in a Committee like this. Those supply chains would be subtly negatively affected in sorts of ways that would probably never even come to your attention, because of lack of standardisation and because of small prejudices being put up: “The UK exited. We do not like that anymore. We are going to have less to do with them, or we are going to subtly preferentially go with someone who is inside the trading bloc rather than someone who is outside the trading bloc.” That effect would be insidious and quite slow. It would not be instant. It is not as if on day one of a Brexit, if we want to use that term, people would suddenly say, “I am not dealing with you anymore;” it is that over time that would cause us more trouble. That is one thing. That would cause us more trouble trading within the bloc.

I am just as worried about our lack of influence around the rest of the world by not being part of a bloc that has quite a lot of influence in trying to create standards, determine

standards, etc. When the EU turns up and says, “We have a new standard for this new type of product that involves this new type of software, this new type of communication interface,” or whatever it is, other countries tend to listen to that and say, “If the EU says that, we will tend to go along with kind of standardisation.” If the UK turns up and says, “We would quite like it to be this way” after some sort of Brexit, I think they will say, “That is nice, UK, but we are going to go with the EU standard. You are just going to have to comply with that.” My big worry is that that would be the subtle, insidious effect of this over a long time.

**Chair:** That was very interesting evidence from both of you. Thank you both very much for coming forward to provide it for us this afternoon. We will bring it to a close there now. I am sure we have scarcely touched on a large number of points that are in both your minds. If you want to put more in writing, we would be very grateful to see it. Do discuss that with the Committee team or with me afterwards. If we may, we will go straight on to the second part of the session this afternoon.

### Examination of Witnesses

*Witnesses:* **Mike Cherry**, Policy Director, Federation of Small Businesses, **Hugh Bearryman**, Owner, Tighten-Up Ltd, **Lars Andersen**, Managing Director and CEO, My Nametags Ltd, and **Carolyn Frank**, Owner, Libby Butler Jewellers, gave evidence.

**Q262 Chair:** Thank you very much, all four of you, for coming to give evidence. Thank you, too, for coming early so you have already heard some of the exchanges. If you have heard things with which you disagree—and it is likely that you will have done, since we heard two quite different points of view—do take advantage of the early remarks you might be asked to make to chip in with those thoughts. I am sure colleagues will give you space to make those remarks.

Can I begin with a question to you, Mr Cherry? Have we got anywhere near the single market? Have we got a single market? We have been at this now for 30 years. People talk about the single market, but it seems to be a fairly elusive creature. People would say there is a single market between us and Scotland or between here and the West Country, but there is not a single market in the EU, many people would argue.

**Mike Cherry:** We still have some way to go to achieve the single market, in both goods and services, and particularly the digital single market. There are some specifics around that, which I am happy to mention, if you want me to go into them now.

**Chair:** Please do.

**Mike Cherry:** The FSB does believe that the European single market is good for business. Free movement of goods and services is a key pillar of the single market, and the FSB has long called for full implantation and fair enforcement—I emphasise the enforcement—of existing rules. Poor records on both fields, though, have undermined this important gateway for small businesses and have held back the development of a single market for services in particular. Poor enforcement and implementation of the single market have prevented small businesses from reaping some of the rewards, and varying

quality of points of single contact can make it difficult to find the necessary information about licences and regulations that businesses need to conform with across European states.

**Q263 Chair:** I do apologise, but I have the impression you are reading from a prepared text. We would be very happy to see that, and please do send it to us if you would like to, but if you could pick out a specific illustration of how we have not achieved a single market yet, it would be very helpful for us.

**Mike Cherry:** If you look at the digital single market in particular, there is a very specific one around the data protection regulations that are now coming back on to the scene. If you go back to when they were first introduced by the Barroso Commission, there was no intention at that particular time to force companies to have a data protection officer, for instance, and it was a reasonably narrow scope that was being put into place. Our view on that was very clear: if you were a data company, then that is where that particular regulation could, indeed, apply. What has come through since, and has come back through the Juncker Commission, is the idea that if you have more than 5,000 bits of data, you need to have a data protection officer, at a very considerable cost. Because of the increased scope of that, that would be very onerous on very many small businesses. That is a very specific problem that we face as that bit of legislation goes through the EU processes at the moment.

**Q264 Chair:** Carolyn Frank, you run a jewellery business. What would you gain and what would you lose as a business if we were outside?

**Carolyn Frank:** This particularly relates to the supply chain of my business. I am a jewellery retailer. I do not export, but a lot of our suppliers do import from EU countries. That is my concern. Small businesses do tend to deal with other small businesses. I deal with some larger companies as well, but it is that burden on our supply chain that concerns me with the EU referendum.

**Q265 Chair:** Therefore, are you likely to vote “yes” or “no”?

**Carolyn Frank:** If I was voting today, I think I would vote “yes”, but that is more of a gut feeling because there is not enough information available publicly to make that decision.

**Q266 Chair:** We are trying, in a small way, to rectify that this afternoon. It may be a drop in the bucket, but we are going to have a go. I did not ask you, Mr Cherry, whether you had a position, but I suspect your organisation, on behalf of which you are speaking, is neutral on the subject.

**Mike Cherry:** That is correct, Chairman. We undertook our survey before the election in May to try to elicit the views of our membership. The FSB takes a neutral stance on this because it is the members who are the members of the organisation, not the businesses.

**Q267 Chair:** Mr Andersen, what about your business?

**Lars Andersen:** I have two companies. The largest one, My Nametags, sells iron-on and sticker nametags to label children's clothing. My main market is the UK, but I also sell quite a substantial amount of goods into different European markets. As part of my customer service, I also have marketing and customer service staff speaking multiple languages, hired in London. For our business, it would be key to be able to reach out to those markets in a simple way. I suppose, from that perspective, it works at the moment. We can hire people here; we can access those markets. There is a bit of a question about what would happen after a Brexit. Would we then have to comply with UK and European regulations, or would it be simpler? There is a bit of an uncertainty.

**Q268 Chair:** And it is the uncertainty rather than the fact of knowing what the world would look like that leads you to be pro or anti.

**Lars Andersen:** I am on the fence, mostly. It works at the moment. I am not entirely sure what the Brexit alternative would be.

**Q269 Chair:** You are another neutral. Mr Bearryman, you are in the fastening and distribution business, are you not?

**Hugh Bearryman:** Correct. We do not make anything; we are just the middlemen. My perception is that perhaps if there was less regulation, and if that regulation came from the EU, perhaps Britain and British manufacturing would be more competitive. That in itself might be better for my business, personally.

**Chair:** Let us explore that in a bit more detail in exchanges with colleagues.

**Q270 Mr Rees-Mogg:** Mr Cherry, if I can start with you, trade with the EU has declined since 1999 from 60% to 46%. Do your members see and find that their trade with the EU has been a declining force?

**Mike Cherry:** Our recent statistics very clearly show that the EU is the largest market into which members export. We have around about a fifth to a quarter of our members who do export. Just over 80% of those export to the EU and maybe 40% export to America, with about 16% to emerging markets.

**Q271 Mr Rees-Mogg:** Have they seen any significant change in the last 15 years, or has it been broadly steady?

**Mike Cherry:** The survey results that we have only cover the last two or three years, where we are seeing an increase in exports and in those percentages.

**Q272 Mr Rees-Mogg:** Are your members broadly happy with the arrangements that they have in trading with the European Union?

**Mike Cherry:** What we found when we looked at this was that some of the regulatory burdens certainly do need some adjustment. It is not our position to say whether or not members are happy. What we can do is to rely on the survey data that we have, which very clearly shows the position of members at that time when that survey was undertaken.

**Q273 Mr Rees-Mogg:** Mr Andersen, am I right in thinking you are the only member of the panel who exports to the EU? Mr Bearryman and Ms Frank, you do not export to the European Union. Do you imagine that that will continue to be a major part of your business?

**Lars Andersen:** Yes. The continental European part is the faster growing part of my business.

**Q274 Mr Rees-Mogg:** What about outside the EU? Do you export outside the EU, or is it entirely the UK and the EU that you deal with?

**Lars Andersen:** We sell to more than 60 countries around the world, but it is relatively small compared to these continental European markets, where we have set up websites, we are doing customer service in that language, etc.

**Q275 Mr Rees-Mogg:** Mr Bearryman and Ms Frank, you are not exporting to the EU, but—

**Hugh Bearryman:** One customer.

**Q276 Mr Rees-Mogg:** You have one customer in the EU. Congratulations. Do you think, in the bulk of your UK business, it is unfair that you have to comply with EU regulations, and does that add a cost on to your business that you do not necessarily need?

**Carolyn Frank:** As a small business—it was hinted at by the previous evidence from the larger businesses—it is very difficult, from my point of view, to tell whether legislation comes from Westminster or Brussels. That is something that, again, should be perhaps clearer before I make my decision. I am never sure where the legislation comes from, but I do not find it particularly burdensome either.

**Hugh Bearryman:** As an ISO company, we have to have lots of paper trails. Whether that comes from the Americans, who own a lot of aviation and defence firms in this country, from the EU or just from within our own country, I do not know, but I know there is an awful lot of it. It does eat into the profit. I do not know how much of it is necessary and how much of it is unnecessary. If a plane falls out of the sky, you need the traceability, but I just do not know how much paperwork I can attribute to what is proper health and safety and what is what has been described as gold-plating.

**Q277 Mr Rees-Mogg:** Ms Frank, I think you indicated earlier that some of your supplies come from outside the EU via intermediary companies. If the UK were free to have no barriers to trade, would that help you and reduce your costs, or do you not expect it would make a great difference?

**Carolyn Frank:** I do not expect that it would make a great difference to our particular product.

**Q278 Mr Rees-Mogg:** There are modest tariffs on some of the things you import, I think, but not huge ones. Is that correct?

**Carolyn Frank:** That is correct, yes.

**Q279 Mr Rees-Mogg:** So it would be minor in the scheme of things. Mr Cherry, you mentioned that you had done a survey of your members before the election of their views on whether they want to be in or out. Is that survey public?

**Mike Cherry:** It is.

**Q280 Mr Rees-Mogg:** What, broadly, were the conclusions?

**Mike Cherry:** If the referendum had been called at the time the survey was taken, it very clearly outlined the key headlines that 47% would like to remain within the EU, 41%, or thereabouts, would like to leave the EU, and 11% were clearly undecided. The other key factor that came out of the survey was that members felt very concerned that there was not enough independent information out there on which to make a significant business viewpoint. They also found it difficult to split out personal and business views. They felt that they needed a lot more independent information on what the benefits of remaining in would be economically for their businesses and also, if we were to come out, on what the implications of coming out would be. That did vary according to both country and region across the UK and across England. It also depended to some extent on whether or not members had engagement with the EU, whether they were exporting or importing to or from the EU, and whether or not they were employing EU nationals in the UK. Equally, a third of our members, from that particular survey, very clearly said that there would be no implication for their business were we to remain in or to come out. They saw the FSB as being a key partner in being able to provide independent information as we run up to the referendum, whenever the Government decide to hold that, so that we can continue to put independent economically assessed information to them and they can make up their own minds from a business case.

**Q281 Mr Rees-Mogg:** Is that business case primarily going to be focused on regulation, or tariffs? What do you think is the key bit of information your members will want?

**Mike Cherry:** The regulatory burden comes into that aspect. We heard from the previous businesses who gave evidence that it is very unclear what the implications would



be, were we to leave, for the regulatory burden that members would face from a UK-only Government.

**Q282 Mr Rees-Mogg:** That is a major challenge for the referendum campaign: to deal with what regulation there might be in the event of a Brexit. That is the key bit of information that businesses would like to know.

**Mike Cherry:** Businesses need that independent information on which to make up their minds effectively for their businesses.

**Q283 Mr Rees-Mogg:** If I could come back to regulation and its implementation—I will open this up to any of the other three of you—the EU consults for 12 weeks prior to regulations coming in. Have any of you ever put in a view, or would you know how to put in a view, on a regulation? Mr Bearryman, you are shaking your head.

**Hugh Bearryman:** That is the first I have heard of it.

**Mr Rees-Mogg:** I did not know either.

**Carolyn Frank:** Same here. It is the first time I have heard of that.

**Lars Andersen:** As I am VAT registered around the different countries in the EU, I have been told about some of the physical VAT consultation, but I have not put in a view.

**Q284 Mr Rees-Mogg:** You have not put in a view. You have not responded.

**Lars Andersen:** No. I have just recently learned about the process.

**Q285 Mr Rees-Mogg:** Do you know—you do, Mr Andersen, as you have heard about them in relation to VAT—when regulations are coming down the line? Do you have a source of information—trade magazines or something—that lets you know where new regulations are coming from?

**Lars Andersen:** It was the FSB that informed me.

**Q286 Mr Rees-Mogg:** So this is an important role, Mr Cherry, for the FSB—to warn your members.

**Mike Cherry:** It is indeed.

**Q287 Mr Rees-Mogg: Mr Bearryman and Ms Frank, any—**

**Carolyn Frank:** I would say, in terms of legislation and regulation, the FSB is my major source of information—and possibly other business owners. Generally, the FSB can be trusted, in my opinion, to give impartial information.

**Q288 Mr Rees-Mogg:** And to keep you up to date with how regulations are changing and whether they are EU-based. It is perhaps unfair to ask you purely about the EU. The UK Government consult on things of this kind. Have any of you ever put into a UK Government consultation?

**Carolyn Frank:** No.

**Lars Andersen:** No.

**Hugh Bearryman:** No.

**Q289 Mr Rees-Mogg:** Or a local council? No, okay. Thank you very much.

**Carolyn Frank:** Locally, I have. I have been involved locally, but not at a national level.

**Q290 Mr Baker:** Ms Frank, earlier on you said there was not enough information. I hope you will not mind me saying that Business for Britain's "Change or Go" document is a magisterial 1,000 pages long and is already out there. Could it be that the problem is not that there is not the information, but that it is not accessible enough—it is not simple enough to access?

**Carolyn Frank:** I would agree with that, yes. Usually, if I find out something, it is by chance or via the tested route of the FSB. In general, a concern of mine is this is a very complex situation and, when you are a small business and you are busy running your business, you do not have a department looking at legislation. You do not have all that. It is you—and my partner as well. There just is not time to go out and find out all those things. It needs to be communicated, and I do not have the answer to how that can be done better.

**Q291 Mr Baker:** Do not worry; I am going to try. I will come to Mr Cherry on this in a moment. I am very conscious that, once the campaign has kicked off, the two sides will be trying to make a case one way or the other. Could you just have a go at explaining why it is you trust the FSB to be impartial on this question? Mr Cherry, I think it is fair to say that you have said that the FSB is in favour of EU membership.

**Mike Cherry:** That is incorrect. Our survey very clearly shows that our members are unable to make a defined choice, but the headline figures from the survey were 47% to remain in, 41% to come out and 11% undecided, were the referendum to have taken place at the time of the survey.

**Q292 Mr Baker:** That is very helpful. Thank you. Could you just articulate why it is you trust the FSB to be impartial?

**Carolyn Frank:** I trust the FSB information because whenever I see these cases presented, they always show both sides of the story. You always see a balanced view from them.

**Q293 Mr Baker:** Mr Cherry, I think you said earlier that businesses wanted independent information. Could you articulate what the FSB's strategy will be towards trying to provide that information, bearing in mind the evidence we have heard?

**Mike Cherry:** We will very clearly be trying to find where we can get the independent information so that we can articulate it, as it is, direct to our members so they can make their important choices.

**Q294 Mr Baker:** When it comes to EU regulation, have any of the business owners ever directly suffered problems with it or problems with regulation generally that, in the end, they found traced back to the EU?

**Hugh Bearryman:** Only in that it is a lot of work

**Q295 Mr Baker:** You have never been directly disadvantaged, which is something I have seen in my own constituency?

**Hugh Bearryman:** With what we do, we just adapt to each customer's situation. We either adapt or lose the business. We just accept it. We can moan, but we have to accept it.

**Q296 Mr Baker:** Can I ask the business owners: do you think that the UK's labour market is over-regulated in any regard as a result of our EU membership?

**Lars Andersen:** I had the pleasure of employing someone in France in the early days. Employing one person in France involved a lot more red tape than employing four or five at a time in the UK. Being Norwegian and having lived there for a number years and having lived in other European countries, the UK market may not be perfect, but you are doing a very good job.

**Q297 Mr Baker:** Mr Cherry, from what has just been said, do you think that the EU has a harmonised labour market? Does the FSB take a position on the harmonisation of the labour market?

**Mike Cherry:** It does not take a position on the harmonisation of the labour market. There are some improvements that could be made around some of the employment

legislation, particularly when you look at some of the social aspects of that—and the European Court in some of its rulings—that disadvantage small businesses in particular.

**Q298 Mr Baker:** Ms Frank, I think you said it is just you and your partner in the business.

**Carolyn Frank:** It is. We do not have employees, but I must admit that especially at this time of year, which is a busy jewellery-buying period, we would like to take on seasonal staff and I am put off by the whole scenario of getting involved with the employment of temporary and part-time staff, which is unfortunate, because we do need jobs in our region.

**Q299 Mr Baker:** Mr Bearryman?

**Hugh Bearryman:** Our employees are long-term. Usually, we go out and suggest that somebody might like to join us.

**Q300 Mr Baker:** Is there any particular place where you think EU law on employment should be liberalised?

**Hugh Bearryman:** I do not have enough knowledge of it.

**Q301 Mr Baker:** Mr Cherry, we have touched on this a bit before, but how clear do you think small businesses are about the origins of these regulations?

**Mike Cherry:** I would be very surprised if small businesses knew whether the origins were from the EU or from the UK itself.

**Q302 Mr Baker:** Do you see a role for the FSB in explaining what the situation is in that regard?

**Mike Cherry:** With due respect, I do not think it is a matter of whether it is an EU regulation or a UK regulation. Unfortunately, businesses end up having to comply wherever it originates.

**Q303 Mr Baker:** We are clear about that, but here you are giving evidence to this inquiry about the effects of the EU. I sense that you are going to be helping your members decide the question, so I am just trying to tease out what your approach is going to be to this range of issues.

**Mike Cherry:** Our approach is to give that independent, impartial advice on some of the issues as they affect our members, if we can get that from those who are making the ultimate decision from or elsewhere.

**Q304 Mr Baker:** Can you see yourself explaining what proportion of regulations that apply to your members come from the EU as compared to originating in the UK?

**Mike Cherry:** I do not think it is possible for us to track down completely what originates in the EU as against what originates in the UK.

**Q305 Mr Baker:** Before I finish, I have a final question: are there any observations about product standards and their consistency of application across the EU? We have already discovered that labour market regulation varies. Have you seen anything in relation to product regulation where there is variation across the EU that has been material to you?

**Hugh Bearryman:** CE marking is coming to the fore. It is quite difficult to implement, in as much as if a box of screws is CE marked and somebody does not want to buy a box, that invalidates the rest of the screws. That is waste. That comes out of your profit, or you do not take the order, which means you do not get the business. It is very difficult to implement and I do not think it has been thought out properly.

**Q306 Wes Streeting:** One of the things that has come across in earlier questions from other members of the Committee is the need for independent and impartial information that is accessible, particularly to people who are weighing up the impact on their businesses. Mr Cherry, I noticed in the recent survey conducted for the FSB that a far higher proportion of small businesses consider the EU to be good for the economy than consider it to be good for their own business. The number saying “good for the economy” was 50.5%, but only 34.9% said it was good for their own business. Why do you think this is the case? Why the discrepancy?

**Mike Cherry:** I think, because they genuinely cannot see the benefit to their businesses. They see some of the regulatory burdens they are faced with as particularly onerous. A specific one is the REACH directive, which is due to be finally fully implemented by 2018. We need to have an adjustment and a moratorium on that final imposition because that is affecting not just UK businesses but businesses right across the EU. There are areas where improvement must be made.

**Q307 Wes Streeting:** In terms of the provision of unbiased information, which was also a desire that was reflected in your survey, as well as in the answers this afternoon, who do you think your members would trust to provide this sort of unbiased information? We have had a ringing endorsement of the FSB this afternoon, which you will no doubt be pleased with. Are there any other sources that you think would be useful for your members?

**Mike Cherry:** It is very much down to those who are advocating either remaining in or staying out to make a proper assessment, which is an unbiased assessment. If some of the other organisations out there were to help make that case, we would then make sure that our members were aware of that. At the moment, clearly, our members are relying

very much on politicians and others who may have a very distinct view one way or the other. They also rely on the media, which, again, can have a distinct view one way or the other. We really need to make sure that people make that independent assessment so that we can get the information out to our membership.

**Q308 Wes Streeting:** One of the things that we have looked at as part of this inquiry so far is that there are a number of scenarios that the UK Government could pursue in the event of an “out” vote in the referendum. We could adopt the Swiss model or the Norwegian model, try something that is a hybrid, or try something completely different. Do you think it is the case that, for your members, having some clear understanding of what the UK would do in the event of an “out” vote would be important? Do you think that the Government should be clear before the referendum about what their course of action would be in the event of an “out” vote so that people can make a comparison between the status quo they would be voting for if they voted “in” and the Government’s course of action if they were to vote “out”?

**Mike Cherry:** I said a moment ago that it is very important, were we to remain in or to come out, that we are very clear about what the implications of that decision may be for individual businesses and we can get that information out to them. If you are looking at possible alternatives, which we know are around the models of Norway, Switzerland and others, again, understanding very fully what the compliance requirements would be or would not be were we to go down that route is critical to getting the right information—that independent economic information—out to our membership.

**Q309 Wes Streeting:** In the House of Commons last week, the Europe Minister was very clear that, at this stage, the Government are not planning to set out ahead of the referendum what particular route it would opt to follow if people voted to leave Europe. Do you agree it may not be possible to meet your members’ demands for greater certainty if that is the Government’s position?

**Mike Cherry:** It is going to be very difficult for us to get that truly impartial advice, wherever it may come from, on which members can make up their minds.

**Q310 Wes Streeting:** Some of the questions I had about the impact of Brexit on individual businesses have come up in some of the answers to other Members. You heard the earlier line of questions. I am talking particularly to those of you who are business owners now. One of the scenarios I put to the previous panel, for which you were present in the audience, was the worst-case scenario where, following Brexit, trade arrangements would be reliant on World Trade Organisation rules. Have you considered how reliance on WTO rules would affect your particular businesses at this stage?

**Carolyn Frank:** That is perhaps something more for the other businesses to answer. What is more important for me is this question of uncertainty around it. That is a hypothetical situation and we do not really know what the plans would be. For me, it would be more important for those plans or a timeline to be laid out. Our customers—the

general public—are very uncertain during times of general elections, as they were with the Scottish referendum. If people do not know what to expect and do not know when the referendum is going to be, what the question will be on the referendum or what is going to happen after it, it all adds to uncertainty. For us, as a small business that sells to the public, stability is key—stability within the economy—and you do not get that with all this uncertainty surrounding it.

**Lars Andersen:** It is all a little hypothetical to imagine exactly how your scenario would look for us, but, as a business, we need to hire a number of people who have the culture and the languages of the continental European countries. We need to access those markets. In an extreme case, maybe we would have to move a substantial portion of the business into the remaining EU and, effectively, not hire people in the UK. I suppose that is an extreme view. It is more likely that we would just have to adapt to both scenarios and cover those extra hurdles of still hiring people here and covering product regulations in multiple markets. It is difficult when you do not have the exact description of what the alternative is.

**Hugh Barryman:** We deal with companies in most sectors. Whilst we might know what products they make, we do not know if they export them or not. A large part of my business is defence and aviation, which is pretty global anyway. I am not sure that it would have any effect on my business at all.

**Q311 Wes Streeting:** Thinking about your business in particular, if, for example, the EU applied a tariff of 3.7% to screws and other fixings exported from the UK, would that have a material effect on demand for your products?

**Hugh Barryman:** There appear to be ways of companies getting around that in the Far East.

**Q312 Wes Streeting:** It is best not to go into that.

**Hugh Barryman:** No, I would rather not. 3.7% is not a huge amount on fastenings. A fastener costs a penny. 3.7% of a penny is not huge in that respect.

**Q313 Wes Streeting:** Can I ask all three of you the same question I put to Mr Cherry? At this stage, in order to help you make an informed decision, do you think it would be helpful for the Government to be very clear about the course of action they would take if the UK voted to leave? If we vote to remain, I think we have a clear sense of what that would look like, because it is the status quo, but if we vote to leave, is the sort of thing you would like to see from the Government, “These are the arrangements we would look to set up, and this would be the impact on consumers and on businesses”?

**Carolyn Frank:** Definitely, but I do not agree with your other point that the status quo is clear to people, because it is in a constant state of flux. There are all the changes coming in. I do not think it is true to say that. There are changing circumstances all the time, and that is going to be the case whether it is “yes” or “no” to the referendum. It is

always a changing situation. Again, for me, that is why the timing and the information flow are important, so that I can keep up with that as a small business owner.

**Wes Streeting:** That is a fair point.

**Lars Andersen:** It is probably helpful to have a better understanding of what the alternative would be.

**Wes Streeting:** Yes.

**Hugh Bearryman:** It has to be laid out clearly and precisely. At the moment, it is not. That is why some people are veering to one side and some to the other. It is purely because it is their gut instinct, not because they know.

**Q314 Wes Streeting:** I just want to finish, if we have time, on the issue of immigration and freedom of movement, which is a feature of the debate. Mr Cherry, in theory, free movement of workers increases the supply of labour, thereby making it easier for employers to find people with the right skills at a reasonable wage. Is there any reason why a small business owner should disagree with the idea of free movement, therefore?

**Mike Cherry:** How difficult it would be for them to find the labour that they need—and, indeed, how easy it would be to employ non-UK nationals from elsewhere, either the EU or outside of the EU—very much depends on the sector the business is operating in in the first place.

**Q315 Wes Streeting:** I was interested to note that, in the recent FSB survey, which we have referenced a lot this afternoon, immigration was identified as one of the key areas where your members believe that power should be repatriated from the European Union. Do you think this is about personal conviction or about the interests of their business? I am curious as to what is driving this. Although I would have thought that there are lots of reasons why people would have concerns about free movement of labour within the European Union, I do not yet understand why small businesses in particular should be concerned.

**Mike Cherry:** As we alluded to at the beginning, our members find it incredibly difficult because they do not have the right information on which to make the informed decision for their businesses. Therefore, you do get the mix between what it is for the business and what it is from a personal viewpoint. Until we get that independent information in the public domain and on the table so that we can inform our members what the problems would be were we to come out or the issues that we would need to change were we to remain in, we are not going to be able to give a proper viewpoint from the business case.

**Q316 Wes Streeting:** At this stage, does the FSB have a policy position about what sorts of restrictions on freedom of movement you would like to see, or is it just a reflection of members' views from your survey?



**Mike Cherry:** The survey is purely a reflection of member views at that time, were the referendum to have been held when the survey was taken.

**Q317 Wes Streeting:** Again, turning to the rest of the panel, from your perspective, do you consider free movement of people to be a positive or negative aspect of Britain's membership of the European Union?

**Carolyn Frank:** I have worked in other EU countries as well, so I would have to say that I see it as a positive.

**Lars Andersen:** As I have said multiple times now, I employ a number of European nationals in my business, including myself—I am Norwegian. For my business, it is important to be able easily to hire the best labour based in London, regardless of their nationality.

**Q318 Chair:** If you are Norwegian, you are from a country that is not within the EU. Is that making your point or disproving it?

**Lars Andersen:** The panel probably does not have the time today to talk about the Norwegian angle versus the EU, but as a business owner, I find it relatively easy to hire people both from the European Economic Area—i.e. Norwegian—and from other EU nations.

**Chair:** I just think it needs to be noted that a lot of people among those who want to leave have argued that it should be possible to get the benefits of being in the European Economic Area. I am sorry to interrupt.

**Q319 Wes Streeting:** Maybe Mr Bearryman could answer my question.

**Hugh Bearryman:** A negative impact of free movement of labour is too much competition for low paid jobs, which pushes wages down for the low paid. Yes, I can see the benefit for higher paid jobs and specialist jobs, but the majority of free movement of labour is coming for the lower paid jobs. That is a bad thing for the people who are already in lower paid jobs.

**Q320 Wes Streeting:** Is that a consequence of deregulation as well, though? One of the answers to some of the challenges we face around European migration is to have more consistent labour standards and wages across the European Union. We are having a similar debate within the United Kingdom now about whether or not we should be devolving certain aspects of pay and terms and conditions to Scotland, for example. I can see the Scottish nationalist argument for that, but at the same time, I also can see how this could, as an unintended consequence, lead to a race to the bottom in the exactly the same way within the United Kingdom, let alone the European Union.

**Hugh Bearryman:** For a small business, the labour market is very different to how it is for a larger company. There are a lot of benefits to be had from working for a smaller company. If you had the same regulation across Europe, it would be the same regulation

for a small company as for a big company. Therefore, perhaps, as a small company, we could not provide something different about us to entice people to work for us.

**Q321 Wes Streeting:** There is a concern about a lack of the flexibility that you need.

**Hugh Bearryman:** Yes. Increasingly, smaller businesses in this country are subject to the same sort of regulation that bigger companies have, particularly with this new pension thing. As Carolyn touched on earlier, to try to implement everything that bigger companies implement is difficult for us, because we have to be a jack of all trades and we cannot be a master of all those trades at the same time.

**Chair:** Thank you very much, all four of you, for coming to give evidence to us. Mr Cherry, no doubt we will see more of you in due course and also read a good deal of the material that your organisation produces, as, indeed, clearly, do a number of the participants this afternoon. We are particularly grateful to you for coming forward and providing your evidence. If you have further things that you want to say, do put them in writing; we would be very