Treasury Committee

Oral evidence: The economic and financial costs and benefits of UK membership of the EU, HC 499

Wednesday 27 April 2016

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Watch the meeting

Members present: Andrew Tyrie (Chair); Mark Garnier, Helen Goodman, George Kerevan, Chris Philp, Mr Jacob Rees-Mogg, Rachel Reeves,

Questions 1512 - 1693

Examination of Witnesses

Witnesses: **Arron Banks**, Co-Founder, Leave.EU, and **Richard Tice**, Co-Founder, Leave.EU, gave evidence.

Q1512 Chair: Thank you very much for coming to give evidence to us this afternoon. It is a particular thanks. I perhaps should explain for those who are not fully familiar with the arrangements that we attempted to put in place prior to this hearing. We had originally intended to see both the Leave groups together on 25 February, but it has been a struggle persuading everybody to attend, to put it mildly, and in particular one group has a deep reluctance to attend with the other groups.

I am pleased to say the witnesses we have here today have never expressed any unwillingness to attend the Committee nor sought to attach conditions to their attendance. I am grateful to you for accommodating the changes in the arrangements for this hearing and the postponements, and I am looking forward to hearing the evidence this afternoon, as are colleagues.

There is not much value in spending a great deal of the hearing on what appears to have been the acrimonious history between the two principal campaign groups for leaving, but we need a bit of clarification on a number of the allegations that you in particular, Mr Banks, have made about Vote Leave. Perhaps I should read a few of those out and then ask you to comment on them. You said that their submission to the Electoral Commission was, I quote, "full of lies and misrepresentations". You said Vote Leave are lying and misrepresenting the situation; that "these people are jokes"; that "he" in particular—that is Matthew Elliott—"wants to be Lord Elliott of Loserville"; and that "he"—Dominic Cummings—"has become a liability and a danger to both Leave campaigns."

Arron Banks: You saw his evidence last week, didn't you? You do not need to ask that question.

Q1513 Chair: To put it mildly, most of those—I will not comment on the comment you have just made—require a bit of substantiation, and I would be grateful if you provide it now.

Arron Banks: Which one would you like me to start with?

Chair: You go ahead with whatever you like.

Arron Banks: In terms of the Electoral Commission—

Chair: Could you speak up? I am sorry.

Arron Banks: Yes, sorry. Do I need to lean forward?

Chair: That is fine.

Arron Banks: In terms of the Electoral Commission, our view of life was always that the Vote Leave bid was the establishment bid, if you like. When we looked at the bid we put forward, which had the full backing of UKIP, Leave.EU had something like nearly 1 million public supporters signed up into it. It had all sorts of different groups represented—a very large range of opinion in the Eurosceptic world. Vote Leave was a Tory campaign with a few little additions to it, so it did not really represent the wider Eurosceptic view. That is how we saw it.

Chair: Okay, but that does not take us to "full of lies and misrepresentations".

Arron Banks: Their submission had things like—

Q1514 Chair: What were the lies?

Arron Banks: As a good example, we funded *Brexit the Movie*, which we put nearly £45,000 into. They quoted it in their submission. They had one conversation where they basically said, "If Mr Farage or UKIP are even involved in the project, we will not be involved in it." That was put in their submission as a fact that they had helped to commission *Brexit the Movie* and do those sorts of things, while we had pretty well funded 50% of it. That is one example. I can give you lots of different examples.

Chair: Rather than delay the Committee now, it might be helpful if you could set those out in writing and provide them to the Committee—

Arron Banks: Absolutely. No problem at all.

Chair: —with any substantiating documentary evidence.

Arron Banks: For instance, we do not necessarily agree with Richard North, but he violently objected to the Vote Leave position, and it was quoted in the document that they had communicated with him and worked with him. We know that not to be the case.

Q1515 Chair: I have not quoted all the points I have in front of me by any means, so I will supply one more. You have said of the Electoral Commission's decision, I quote, "We have decided to show the public how this process was stitched up." That seems to be an allegation not about lies or misrepresentation by Vote Leave but about the conduct of the Electoral Commission. We would be grateful if you could substantiate that.

Arron Banks: We contemplated a judicial review based on a number of facts, one of which was there are eight commissioners on the Electoral Commission, three of whom excused themselves because they were conflicted. We do not know the reasons why they were conflicted. One of the commissioners voted on the decision that had a conflict relating to Vote Leave, but because they did not have enough commissioners to form a quorum, they allowed someone to vote who was conflicted. In the business world, that would be out of the question and pretty reprehensible.

Q1516 Chair: We may decide to take, subject to parliamentary privilege, evidence on that point as well. You are making a very serious allegation about the Electoral Commission, whose task is to ensure the highest standards in our elections. I have their documentation in front of me here.

Arron Banks: Can I make a second point?

Chair: Yes, of course.

Arron Banks: The second point was that a couple of the prominent Vote Leave supporters communicated via the internet that they had won the designation two days before the Commission were due to announce the result. I think one of the very senior members tweeted out, "Congratulations Vote Leave. You have won the designation."

Q1517 Chair: Sorry, a very senior member of—

Arron Banks: Of Vote Leave.

Chair: So, not a senior member of the Electoral Commission.

Arron Banks: No, no—of the Vote Leave campaign. We then wrote to the Electoral Commission by email and said, "What the hell is going on? You are meant to be announcing this on Thursday." They then brought forward their decision by a day because they realised that the news was out there. It was clear that the Electoral Commission had either communicated the result prematurely to Vote Leave or otherwise. It does not give one much confidence when you have a date when you announce it and then the news is out two days beforehand. Call it a stitch up—call it what you like—but, in my book, if there is a process, you stick to it.

Q1518 Chair: There does seem to have been an extraordinary fratricidal war or tension here between these two groups, bearing in mind you agree on so much.

Arron Banks: We agree on quite a lot. There are some things we do not agree on, but if you look at the competition, I would say it is a good Thatcherite principle—sorry to the Labour members of this Committee—that competition is good.

We raised nearly £9 million for the campaign. We wrote to over 10 million people individually. We sent out leaflets to a balance of another 11 million. When you talk about the Government's In leaflet, our campaign has nearly communicated with the whole country. We raised £9 million. The competition has spurred both sides on. That does not leave aside the feeling that it was an establishment group that felt entitled to run the race and had just became a Tory party cartel, effectively, with a couple of add-on players.

Q1519 Chair: Correct me if I am wrong, but you are saying that your group was unable to form an alliance and a unified group to make the bid. Is that right?

Arron Banks: We wrote five times to Vote Leave to suggest we should come together and it was benefitting nobody to have this continuing row. There are strong personalities involved in it, but I believe that particularly Mr Elliott and Mr Cummings believed it was their God-given right to run this campaign and no-one else could be involved. If you take Vote Leave back to its roots, it was formed out of Business for Britain, and the original concept was this was a group that was going to be led by businessmen. Now it is led by politicians, mainly Conservative politicians, as I say, who are trying to marginalise other people in the Eurosceptic world, particularly UKIP and others. You can understand that we are slightly aggrieved at the process.

Q1520 Chair: Yes, although right at the heart of it is this allegation of a stitch-up by the Electoral Commission, and it is extremely important that you supply us with everything that is based on.

Arron Banks: I am very happy to do so. The two points that lead to a stitch-up are announcing to the other side two days before the—

Chair: You have made two points to us today.

Arron Banks: We are happy to substantiate it.

Chair: I do not want to persist with this in any great detail now. As I said at the beginning, we do not want a half-hour hearing on this point.

Arron Banks: You have asked the question. In the document, for instance, they quoted the support of Labour Leave, who had specifically written to the Electoral Commission saying that they were not involved with Vote Leave anymore because of their practices. They did not like them. We have a whole list of people that were quoted in the document that were not happy or willing to be involved.

Q1521 Chair: That is very helpful clarification, but in any case we are getting something in writing, and on that basis we may or may not decide to take this further in one way or another. I would like to turn to a number of the statements you have been making about the cost of membership. I would like to turn, first of all, to the cost in terms of contributions to the EU budget—Exchequer cost. I notice that your website contains various figures for the amount that the UK would save. You have a figure for £12 billion, and you have two very close figures of a little over £14 billion on your website. Which of those is the correct figure?

Arron Banks: For which year?

Chair: It is not marked on your website, which is why we are asking you.

Arron Banks: For clarification, the £12 billion is an estimate of the current year, and if you go back to the previous year, it was £8.5 billion and then £9.8 billion. I cannot really dispute the Vote Leave—

Q1522 Chair: We will come on to that in just a moment. You have also provided a figure of £14 billion.

Arron Banks: I would have to see the individual thing. I am not au fait with everything we put up.

Q1523 Chair: It is on your website.

Arron Banks: It may well be. I do not read every single line of the website. I am not trying to obscure it; I just do not know the answer to the question.

Q1524 Chair: It is important that somebody in your organisation should be checking extremely carefully numbers as important as this—

Arron Banks: We have a research department.

Chair: —and making sure they are correct and making sure they are sourced well enough. As you have just pointed out, you yourself have been asking me questions that I might have asked you, such as: which year do these numbers pertain to?

Arron Banks: It is a good point. I am not going to deny that.

Q1525 Chair: In the interest of trying to get clarity in this campaign, so we can all work off the same figures, it would be extremely helpful if your organisation documented carefully in future all these numbers so that everybody can trace exactly what they refer to.

Arron Banks: We have a research department. Per se the number will not be wrong, but I do agree with you that the clarity over which year it pertains to is quite important. If you look at the breakdown for 2014, you start with a gross number of £19 billion.

Q1526 Chair: We do not need to go through it in detail now, but I know the points you are going to make, which are it depends what you want to strip out.

Arron Banks: I thought you were all about detail.

Q1527 Chair: Again, only in the interests of time, it would be helpful were you to supply that in writing to us, and I note the undertaking you have given this afternoon that you are going to desist from putting figures out without having made sure that they are very accurately sourced. Make sure that existing figures on your website are correctly sourced. Mr Tice, you wanted to add something.

Richard Tice: I did. One of the challenges with the figures is that they do ebb and flow a bit, and indeed the ONS figures differ from the HM Treasury figures for the net contributions by a matter of over £1 billion in 2014. It is a bit of a moving feast, and then there is how they treated things like the extra money that we had to send over.

Chair: Merely using a consistent figure and sourcing it will already take this a way down the road of everyone knowing what we are talking about.

Richard Tice: Clearly. Absolutely right. I accept that.

Q1528 Chair: You, Mr Banks, a moment ago wanted to compare this to Vote Leave's estimate of £19 billion. What did you want to say there?

Arron Banks: It is just disingenuous, and it does not help either side, In or Out, to have numbers that are clearly—

Q1529 Chair: Why is it disingenuous?

Arron Banks: In a sense you have the £19 billion but, off the top of my head, £4 billion to £5 billion never leaves the UK. To quote a figure that is technically correct but is not—

Chair: That is the point that we made in an earlier hearing. It is the same. We can move on from that, but it is helpful clarification.

Q1530 Chris Philp: Just to continue briefly on this point about the budget contributions. Does the figure of £14 billion, roughly speaking, that you are quoting include or exclude payments made by the European Union back to UK businesses and, for example, farmers?

Arron Banks: I will revert back to what I said: it depends on the year you are talking about, but no; that is the gross contribution.

Q1531 Chris Philp: When you say there will be a saving to the UK Treasury of approximately £12 billion or £14 billion, you are assuming that all of those payments currently being made, for example to farmers, just stop.

Arron Banks: No.

Q1532 Chris Philp: Then how is it a saving?

Arron Banks: That is up to the Treasury to decide how to deploy the funds it now has, isn't it?

Q1533 Chris Philp: For the £14 billion to be realised as a saving to the UK Exchequer, those current payments to, for example, UK farmers, which add up to some approximately £4 billion to £5 billion, would have to just cease, wouldn't they? If they continued, the saving would not be £14 billion.

Arron Banks: But—

Chris Philp: Hang on—I have not finished the question. If those payments continued, the saving would not be circa £14 billion; it would be circa £8 billion.

Arron Banks: That is correct.

Q1534 Chris Philp: For your £14 billion to be accurate, you are having to assume that all of those payments currently made by the EU in science research grants and farm subsidies would cease?

Arron Banks: It is up to the Treasury to deploy the cash it has available into the areas it wants to, isn't it?

Chair: You are saying they are not going to deploy it at all.

Richard Tice: No, not at all.

Chris Philp: Implicitly you are.

Chair: Even explicitly that is what you are saying.

Richard Tice: No, that is not right. You are putting words into our mouth. That is not what we are saying. The £14 billion figure net of the rebate is the gross saving to the country, and then the Government of the day can choose how to deploy it. It is a perfectly legitimate statement.

Chair: Provided that you explain clearly in your rubric that is what the figure means, I suppose that might be correct. Sorry.

Q1535 Chris Philp: Clearly for your £14 billion figure to be correct—for that to be a saving to the Exchequer—you must be assuming all of those payments cease, otherwise the figure is not £14 billion.

Richard Tice: I repeat what I just said: you are putting words into our mouths.

Chris Philp: I am not. The £14 billion is your figure.

Richard Tice: No, it is then what you do with it. The £14 billion is then open to the Government of the day to invest and spend as it sees fit. That is a completely different thing from what you are suggesting.

Q1536 Chris Philp: As an elector, as a member of British society, would you wish to see the payments to, for example, farmers and to fund science work continue or discontinue?

Richard Tice: Not only continue, but they could indeed increase, because we would be able to make those payments more directly without the huge bureaucracy and unnecessary cost and waste that goes on in the European Union. People could benefit by more rather than less.

Q1537 Chris Philp: Then were we to withdraw and were those payments to continue, as you are saying they should, the saving to the Exchequer would not be £14 billion; it would be £7 billion, wouldn't it?

Arron Banks: That is a slightly nonsensical argument. You could choose to reduce the foreign aid budget by £5 billion to pay the farmers if you wanted. It is a Treasury decision. To the link the two is irrelevant. It is a saving. You decide what to do with that. You are the parliamentarians.

Q1538 Chris Philp: You say you would do what is currently being done with it.

Arron Banks: First of all, farming was not invented in 1975. It was there beforehand.

Chris Philp: No, but the subsidies were invented in 1975.

Arron Banks: Parliament chooses to subsidise certain industries. The steel industry is a good example. You have chosen not to subsidise it. You have chosen to subsidise farming. You have subsidised different things. You work out your own priorities.

Richard Tice: Let's be clear: we subsidised farming before 1975 and we will continue to subsidise farming after we leave the European Union. The great thing is it is within our gift, it is within our choice and we can spend the money wisely.

Q1539 Chris Philp: That point is correct. We need to move on, but the fiscal saving to the Exchequer, given what you have said—that you would continue with farm subsidies—would not be £14 billion. It would be £8 billion, albeit that we control that money.

Richard Tice: The implication from what was said is that it is a saving of what we send to Brussels. We can then determine and take control of how we spend it ourselves. That is the point.

Chris Philp: That is a distinction you might wish to draw more clearly when you mention figures like £14 billion.

Q1540 Chair: That goes back to the point that I made in my initial exchanges with you. I am grateful to you for your commitment that you are now going to sort this out on your website and in your literature. If I may add, just in parenthesis, we did ask you to supply us with all your literature but we have not yet had it.

Richard Tice: That is an interesting point, because I am not aware of any request for any information. I specifically asked if there was any information required and was told there was not.

Q1541 Chair: We will check that out at our end. It was received by other campaigns. If it was not received by you, we would be grateful if you could respond to it immediately.

Arron Banks: But taking on your point, the membership is only one component part of what we might potentially save from leaving the European Union. For instance, the regulatory burden and various other items do not come into that. You cannot just take one item and say, "Aha."

Q1542 Chris Philp: I am glad you mentioned that, because you have alighted on my very next topic. You must possess some kind of psychic powers or maybe somebody sent you our questions—who knows. You mentioned the regulatory costs of membership of the European Union, which is my next question. What would you estimate the regulatory cost to British business of membership of the EU to be?

Arron Banks: It is unknown, but what I do know is if you attempt to harmonise all products and services across the EU and legislate for that, it will be a very large number.

Chris Philp: It is not unknown according to your website.

Arron Banks: Let me finish.

Chris Philp: Hang on.

Arron Banks: Am I going to finish?

Chris Philp: Go on then.

Arron Banks: For instance, we export to the United States of America. We have to follow their rules. We have to follow the guidelines they lay down. It is the same with Japan. With European regulation, it is an added burden that is put on us, because it affects all businesses, not just the businesses that export into Europe, which is not that many.

Richard Tice: To give you a figure, Open Europe—a think tank that you probably all know—estimates that the cost of the top 100 regulations is of the order of £33 billion a year. Clearly there are many more than 100. Their view was that was the largest 100.

Q1543 Chris Philp: Yes, indeed. When Mr Banks said a moment ago, "Nobody knows," your website does purport to know. Your website posts exactly the figure that Mr Tice just mentioned. It quotes Open Europe's figure of £33 billion. Your website is a little bit less nuanced in its estimation.

Richard Tice: Let's be clear: that is the top 100 regulations, as I just said. There are clearly thousands of regulations that have an additional cost; there is a tail.

Q1544 Chris Philp: I understand that. You are basing your public comments on the Open Europe estimate of £33 billion. It is what you quote on your website. It is what you quoted just now. Open Europe themselves—the source of your figure—produced a note very recently, by which I mean in the last few days, and they make clear that they have gone through these 100 regulations and they say that, although the current cost is estimated at £33 billion, many of these costs would continue to apply even if we left. Are you aware of what Open Europe says is the feasible annual saving?

Arron Banks: I am sure that is true, by the way. I am not disputing that. That will be the case. That is why I said the figure is unknown, but it is a number that is positive.

Richard Tice: Again, the great thing is it is within the gift of the Government of the day to strip away unnecessary regulations from the businesses that do not need to suffer the burden.

Arron Banks: This is probably the point: harmonisation of everything across 500 million people by definition needs an empire of bureaucrats and politicians to administer it. The straight cucumber may be apocryphal, but it is right in the sense that you are trying to harmonise and produce a standardised approach to everything. By definition the regulations around that must be onerous.

Q1545 Chris Philp: I understand the point about where decision-making lies and I understand the point about bureaucracy, but that was not the question I asked.

The question I asked was: what did Open Europe say was the feasible annual saving?

Arron Banks: I am sure you are going to tell us.

Chris Philp: I can. Since you are quoting Open Europe, I am asking if you know.

Arron Banks: I do not know.

Q1546 Chris Philp: You do not know. It is £12.8 billion. Open Europe think that, of the £33 billion cost, only £12.8 billion is a feasible saving, and they estimate that the maximum conceivable saving is £24 billion. Again, I would suggest that, in your public pronouncements and your website, you amend or at the very least clarify that £33 billion, because Open Europe, the source of it, says that figure will not be realised.

Arron Banks: That is still a very big number, by the way.

Q1547 Chris Philp: That depends on the benefit you think accrues from single market membership, which I am sure we will discuss later. In fact, the estimates of single market membership benefit are materially higher than the numbers we are discussing here. They are at the £30 billion or £40 billion level. Colleagues are going to come on to that later. To take an example illustrating why this £33 billion figure is not realistic, you mention the—

Richard Tice: Sorry, can I just interrupt?

Chris Philp: Yes.

Richard Tice: You said Open Europe have just come up with something in the last few days. I do not know if you have the date there. Clearly we have made representations on the basis of the information that we had at the time. A think tank can change its figures at any point. The real point is there are tens of billions of pounds, and that just represents the top 100 regulations. You should not underestimate there are tens of billions of pounds that can be saved every single year for the 95% of UK businesses that do not export to the EU and probably have no intention of exporting to the EU.

Q1548 Chris Philp: You are pleading ignorance on this point.

Richard Tice: I am not pleading ignorance at all.

Arron Banks: I am pleading ignorance because I have not read the report, so yes, I am.

Q1549 Chris Philp: Okay. We have someone pleading ignorance and someone not pleading ignorance. When you have sorted out that divergence of view, you can perhaps amend your website.

Arron Banks: I started off by saying the cost of regulation was unknown. I did not say that.

Q1550 Chris Philp: You did, but that is not what your website says. Your website says £33 billion, and now I have pointed out what Open Europe now says, perhaps you can amend that.

Richard Tice: That is for the top 100 regulations.

Q1551 Chris Philp: Yes. To take some examples, one of the regulations that has a cost is the EU's capital requirements directive, which is counted as a cost in the £33 billion. For example, the UK Government have voluntarily chosen to impose higher capital requirements on banks than is required under EU regulation. Unless the UK Government took a different view in the future, withdrawing from the European Union would make, again, no difference to the burden of capital requirement regulations on UK banks, would it? We are already choosing to go further than Europe require us to.

Arron Banks: You are saying that is a cost of the regulation.

Q1552 Chris Philp: I am saying it would not be a saving. If we left, it would not be a saving.

Arron Banks: It is not a saving. A bank's capital is not either a saving or an addition.

Q1553 Chris Philp: It is counted as a cost in Open Europe's estimate.

Arron Banks: As someone who owns a bank, I would probably dispute that. That is extra capital you have to put into the bank. It is not the cost of business.

Q1554 Chris Philp: It is counted as a cost of business in Open Europe's calculation.

Arron Banks: It is wrong.

Chair: It scored as a cost of business in standard bank accounts.

Arron Banks: I would say it is wrong.

Chair: That is something you might want to take up with the Bank of England and probably the Basel Committee and a good number of other people.

Arron Banks: I have a whole sheet on the Bank of England when we get to that.

Richard Tice: The point is it is back within our control to decide what the level should be.

Arron Banks: The amount of capital a bank holds is not a cost of doing business. It really is not.

Q1555 Chris Philp: It is a cost according to Open Europe, and you are quoting its figures, so you should take it up with Open Europe as well. Clearly it makes the bank less efficient in terms of a return on equity analysis, but anyway Open Europe says it is; I am going to move on. Open Europe says it is a cost and they are the people you are quoting, so take it up with them.

To take another example, when it comes to environmental and climate change regulation, which is the biggest single item in Open Europe's £33 billion total, again, the UK Government rightly or wrongly—some might say wrongly—have chosen to go beyond what Europe requires. We signed up to this Paris Agreement, which is not an EU agreement. It is a multinational global agreement. Were we to leave the European Union, we are still bound by this Paris accord, so again there would not be any environmental saving because we are still signed up to standards that are higher than Europe's.

Arron Banks: You put your finger on a very interesting point. A lot of the regulation that is coming now is on a world basis, not on a European basis. In fact, the European Union is a wholly unnecessary middle man in the whole process, because what you are talking about there are regulations for banking made pretty much on an international, global basis and implemented by the European Union or the Bank of England. In fact, the European Union is just a middleman in the implementation of a lot of global rules.

Q1556 Chris Philp: If that view is correct, and I think it is to a large extent, pulling out of the EU—looking simply at the cost of these regulations rather than the decision-making process and who decides, so laying to one side the sovereignty question—would not deliver these amazing cost savings because we would be signed up to these regulations anyway.

Arron Banks: You are talking about very high-level things: banking, climate change and the like.

Q1557 Chris Philp: I am not talking about them; you are. It is your figure. It is on your website.

Arron Banks: You are talking to me about them. I am saying these are very high-level things that are discussed on an international basis, but we are talking about regulations imposed on small and medium-sized businesses from Europe. That has nothing to do with any of the stuff you have just mentioned. It really has not. The cost of regulation, as I say, is an unknown quantity. What I do know is it is a positive benefit not to have 100% of these EU regulations imposed on everybody. That is pretty much the nut of it.

Q1558 Chris Philp: What we have established is that the £33 billion figure that you have quoted on your website has been disowned by its own author, Open Europe, and I look forward to you clarifying that on your website now I have drawn it to your attention. Secondly, a lot of these savings would not be realised because we are signed up to the regulation anyway. I have made that point. You made a separate point about sovereignty and who takes decisions, which no doubt will get explored later, but I have established the point I wanted to, Chairman.

Richard Tice: Can I just clarify that? The £33 billion was a cost, right? What you have referred to is their recent report, which I accept I have not seen, and you refer to what could be saved. There is clearly a difference between a cost and a saving, so we are absolutely clear that we are comparing apples with apples.

Q1559 Chris Philp: You are implying on your website that the £33 billion cost would be saved in its entirety if we left. They are saying only part of that would be saved.

Richard Tice: We are very happy to check the implication. If the implication is wrong, that is one thing. If we have referred to it as a cost, that is another thing, so we will check that out.

Chair: Just to clarify, you are not alone in using this figure. Boris Johnson has used this figure.

Richard Tice: We are in good company then.

Q1560 Chair: Vote Leave has been using this figure. It is in response to cross-examination of those that Open Europe has felt the need to clarify what it has been doing in those hearings. You did make another point, though, Mr Banks, that is significant and may have substance but requires work to substantiate, which is whatever the view may be about these big mega regulations—the top 100—the fact is that the small man out there is being hit by hundreds of little regulations, and those all add up and they carry a cost. It seems to me that, if your campaign wants to have maximum impact, it might consider trying to work out and substantiate a figure in that area, because a gap between the £13 billion and the £33 billion appears to have opened up in Open Europe's work since we started examining it carefully. Do you feel it should be filled by that calculation? Is that something that you might consider?

Arron Banks: As someone said, it is better to be roughly right than precisely wrong. If Open Europe cannot calculate the numbers, and it spends all day long doing it—

Q1561 Chair: It is not easy to do, and to be fair to Open Europe, as I pointed out last time, if you look carefully enough, even in its original use of these figures, though perhaps it is not quite as prominent as it might have been, the qualifications are there to be read and to be found.

Arron Banks: For the last 15 years, much maligned Norway has only implemented 8% of EU regulation, so they presumably implement stuff that is higher level and big and choose to discard stuff they do not like.

Chair: Furthermore, a number of people have suggested, including Mr Johnson, that Open Europe was saying that 95% of these benefits to regulation, offsetting this gross cost figure—if everyone is agreed it was a gross cost figure of £33 billion—may not materialise. In fact, as Open Europe has clarified and indeed did clarify in its original document, if you look carefully enough, that was a reference only to the energy and climate change package of regulation. That is substantial but nonetheless a relatively small part of the total figure.

Q1562 Rachel Reeves: Thank you very much, Mr Banks and Mr Tice, for coming to our Committee this afternoon. The Treasury has estimated that the economic impact of leaving the EU would be £4,300 per household. Mr Banks, you said that this was a "bargain basement" price. Do you think that £4,300 is a price worth paying?

Arron Banks: What I said was that, even if it was correct, it would be a price worth paying to get back our own democracy. In that sense that is correct, but I said "if it is correct". If you look at what the Treasury report produced, it estimated over five years that growth would be 29% instead of 37%. Any Treasury forecast fails almost at the first hurdle, because you just cannot forecast these kinds of things. It is almost impossible. They then quote the GDP as the household income, further complicating the numbers. The whole spin of it is ridiculous.

Q1563 Rachel Reeves: What I am interested in getting at, though, Mr Banks, if it is a correct figure, is do you think that would be a price worth paying for leaving the European Union? If it was—if we take that as given—do you think that would be a price worth paying for leaving the European Union?

Arron Banks: The number quoted is the most optimistic Treasury forecast I have ever seen.

Rachel Reeves: Mr Banks—

Arron Banks: I opened up by saying yes.
Rachel Reeves: So, yes, you think that is a price worth paying.

Arron Banks: I could not be more clear than that. This is not about pounds and pence. It is about our democracy.

Q1564 Rachel Reeves: Let's go into what it is in terms of pounds and pence. It is 21p an hour, which is about £5 a day, £150 a month. Many of our constituents would regard £150 a month as quite a substantial amount of money—money that they could not afford to be without. You would say to those people that £150 a month is a price worth paying for leaving the European Union.

Arron Banks: This is a 15-year estimate that clearly is wrong before it evens starts.

Q1565 Rachel Reeves: But, Mr Banks, if this is correct, you believe—and it is a perfectly valid view—that £150 a month is a price worth paying for leaving the European Union. That is right, isn't it?

Arron Banks: I would say the figure is massively incorrect.

Q1566 Rachel Reeves: But you would say that was a price worth paying.

Arron Banks: I am trying to answer that. I believe it is massively incorrect, but if it was to be the case, I would still advocate leaving. I cannot be any clearer than that.

Q1567 Rachel Reeves: Thank you. That is very clear. Thank you very much, Mr Banks. The case for Brexit for you is more about an ideological principle than an economic cost-benefit analysis?

Arron Banks: It is both. If you look at the formation of the economic crisis in Europe, it has broadly been brought about because the euro was introduced as a political experiment rather than an economic experiment. Germany has a currency rate that is 35% too cheap for its economy. The south and the east have it roughly 35% too expensive and the thing is ripping itself to pieces.

Q1568 Rachel Reeves: I would agree with you on that, Mr Banks. Keeping us out of the euro was one of the best decisions of the last Labour Government, but we are not in the euro. This referendum is not on the euro; it is on our membership of the EU.

Arron Banks: If I could finish what I was going to say, you have an economic situation that can only be resolved one way, and that must be by total integration of the remaining countries and it must be with a massive transfer of surplus from north to south and east. That is the only way it can be resolved. This concept that we can sit on the edge of it and avoid the worst of it is wrong. When the crisis comes, it will invariably suck us in. We paid for the Irish crisis; we paid for the Greek crisis. We will invariably be drawn into this. My supposition is that economically it is a disaster, and I would pay almost any price to be away from it.

Q1569 Rachel Reeves: One could argue that, even if we were not in the EU, we would be affected by a crisis on our doorstep, but also it is the case that the Prime Minister has got us an opt-out of paying for crises relating to the euro, the single currency. Let's go back to my point, though, because my question was: even if there is an economic cost for you, Mr Banks, it is the ideological principle, which again is totally valid—I am just trying to get at where you are coming from on this—that is more important than the cost-benefit analysis.

Arron Banks: There is no economic cost of leaving. The basic bottom line is, even if you took the worst-case scenario, which is World Trade Organisation rules and paying the tariff, that is two-thirds of our membership fee. The fact of the matter is that this assessment is based on a load of falsehoods. It assumes that there is a full single market in financial services. The EU trade deal we do is no better than Canada and there are no productivity gains from any of the regulations. If you had to put together a work of fiction, that Treasury report is it.

Q1570 Rachel Reeves: Let's look beyond the Treasury report. The IMF, the World Bank, the OECD, the London School of Economics, Oxford Economics and all of the economists in the major investment banks have all given opinions indicating that Brexit could be economically damaging. Why would all of them be making the same argument, Mr Banks?

Arron Banks: As a bank that had no mortgage debt on its books in 2008, we think every single one of those institutions missed what was spectacularly the biggest financial bubble the world has ever seen. They are just wrong. The Treasury recommended ERM and the peg. They destroyed more British industry than the Luftwaffe.

Q1571 Rachel Reeves: The Treasury also recommended that we do not go into the euro, something that you would have agreed with, Mr Banks.

Richard Tice: Hang on, hang on. In 2003 the Treasury suggested that if we join the euro it would increase our exports trade by 50%. The Treasury's track record is not good, nor is the IMF's. The IMF suggested we should join the euro. The IMF also criticised George Osborne and his austerity package, saying that it would lead to massive unemployment four years ago. They have a woeful track record. They are led by a massively Europhile person. Thank heavens George Osborne did not listen to them four or five years ago. You cannot pick and choose. You talk about economists; probably four of our best City economists—Roger Bootle, Ruth Lea, Tim Congdon and the Mayor of London's economist, Gerard Lyons—all have written papers and recommend Brexit. They are some of the most highly respected economists in the City of London.

Q1572 Rachel Reeves: Let us look at the most respected economists and institutions. The Governor of the Bank of England has said that Brexit—and said this to our Committee—was the biggest domestic risk to financial stability. Vote Leave thought that this was scaremongering. Do you think that the Governor of the Bank of England is scaremongering?

Richard Tice: I was on *Newsnight* that night after he spoke, and I made it very clear he was referring to a domestic risk. He also referred in the same hearing to the global risks, which were much bigger, of what is going on in China, what is going on with the commodities crisis and by implication what is going on in America. Businesses have uncertainty and risks every day of the working week. This is just another uncertainty that will be there for a period until we negotiate a new trade agreement. He made it very clear: it is a domestic risk.

Q1573 Rachel Reeves: Yes, it is a domestic risk. It is the biggest—

Richard Tice: He also said—

Rachel Reeves: Sorry, Mr Tice. He said it was the biggest—

Arron Banks: Are you advocating we should not have general elections, because at a general election people start getting worried about what is going to happen? There is always risk. There is always uncertainty. Politicians have this idea that you live in this risk-free world that does not have risk pertaining to it; we control nothing.

Q1574 Rachel Reeves: Yes, that is general elections, Mr Banks. It is up to the electorate to decide, and at this referendum it is up to the voters to decide whether we stay in the EU or leave the EU. When they are making that decision, they need to know what the risks are, and the Governor of the Bank of England said the biggest domestic risk to our financial stability was not the referendum but Brexit. It is not an argument against referendums or against elections; it is about telling people what the risks and implications of their decisions are.

Arron Banks: Agreed, but in general terms, the establishment—politicians and the Civil Service—do not like change. By definition, any change is a risk and is uncertainty.

Richard Tice: It is important to have the overall context; in the same hearing he referred to the global risks. It is not right to just cherry-pick and infer that is all he was alluding to.

Q1575 Rachel Reeves: I was not, Mr Tice, cherry-picking. I recognise that there are many risks to financial stability, both global and domestic, but I would argue that at a time when our economic recovery is still fragile—you will have seen the GDP numbers today showing that GDP growth has fallen, as well as construction, investment and agricultural output—it would be dangerous to take on more risks. You have spoken about other economists' views, but I would argue, and I think most people would agree, the Governor of the Bank of England is the most respected economist. He thinks it is the biggest domestic risk to financial stability. You do not share that view.

Arron Banks: By the way, I do not even believe it is the biggest domestic risk to stability. The Bank of England has printed £500 billion of quantitative easing. It has bought back its own bonds. It has collapsed interest rates to zero for eight years, and created asset bubbles all over the place, from property to stock markets alike. The biggest domestic risk this country faces is deflation of those asset bubbles.

Q1576 Rachel Reeves: What do you think the implications of leaving the EU would be on interest rates, Mr Banks?

Arron Banks: In what sense?

Rachel Reeves: What do you think will happen to interest rates, Mr Banks?

Arron Banks: Interest rates in America are zero. Interest rates in Switzerland are negative. Interest rates in Japan are zero. Interest rates in the UK will remain zero because everything is buggered and that is why it is all at zero. You can say that interest rates will go up, but they will not.

Rachel Reeves: Mr Banks, I did not say anything about what would happen to interest rates. I was asking—

Arron Banks: Sorry.

Rachel Reeves: Mr Banks, the way these Committee work is we ask questions and you answer them.

Arron Banks: I am trying to answer them.

Q1577 Rachel Reeves: You have not listened to the question. My question was what do you think, Mr Banks, will happen to interest rates in the event we leave the European Union?

Arron Banks: I was attempting to answer that. Interest rates worldwide are either zero or negative and they remain at zero or negative in this country, whether we Brexit, exit or Lexit or do anything else.

Rachel Reeves: You do not think there will be any implications.

Richard Tice: Absolutely not. There will not be any implication at all. Interest rates are not set by whether or not we are a member of a political union. For people on the remain camp, such as the Prime Minister, to suggest that mortgage rates would rise is complete and utter nonsense. Interest rates are set by totally different economic factors.

Arron Banks: By the way, interest rates should rise. Do you think it is normal to have 0% interest rates? It is telling you something, isn't it?

Q1578 Rachel Reeves: You think that interest rates should rise. If you were on the Bank of England's Monetary Policy Committee, you would put up interest rates?

Arron Banks: You are putting words into my mouth.

Rachel Reeves: You just said they should rise, Mr Banks.

Arron Banks: I said in the normal course of events it is not normal to have 0% interest rates. It is telling you that something is very wrong, isn't it?

Rachel Reeves: Yes. The fact is interest rates are 0.5%.

Arron Banks: You have negative interest rates in Switzerland and Japan.

Q1579 Rachel Reeves: I am not asking about interest rates in those countries. What do you think will happen to sterling, Mr Banks, in the event of us leaving the European Union?

Arron Banks: Sterling is a very good question, because you talk about tariffs on world trade and stuff like that. In the last three months the pound-euro rate has dropped 10%. That is worth double the tariffs on World Trade Organisation rules into Europe, so effectively a fall in sterling is not a bad thing at all. We are running a massive trade deficit. We are running a current account balance deficit. In fact, our currency deserves to be a hell of a lot lower than where it currently stands.

Q1580 Rachel Reeves: Do you think then, Mr Banks, that if we leave the EU sterling will fall?

Arron Banks: It does not matter. It is not Brexit related. Sterling goes up or down and currencies go up or down depending on how the markets feel about the underlying factors in the economy. It is nothing to do with Brexit whatsoever.

Q1581 Rachel Reeves: But it would have an impact, wouldn't it, because the value of a currency depends on investors' propensity to invest in gilts, equities etc. in the country? I am just asking what you think will happen to sterling in the event of Brexit.

Arron Banks: If you want my opinion I would say it would drop and then it would recover. That is the way of markets. In the last three months the pound has dropped nearly 10% against the euro. In the last week or so it has recovered 3% or 4%.

Q1582 Rachel Reeves: This is very interesting. It is an important issue as well. You think the immediate impact of us leaving the European Union would be sterling falling against presumably the euro and against the dollar?

Arron Banks: In a world where economic orthodoxy has been suspended for the duration until it all hits us in the face, which is unfortunately where we have been for the last 40 years or last 20 years, everyone in the world is trying to reduce their currency rate. They are doing it by quantitative easing. The Japanese are printing money to try to reduce the value of the yen. They are printing money to reduce the value of the dollar. The Bank of England has printed money to reduce the value of the pound. They are all trying to reduce their currency rates and become more competitive. In the event that it did drop 10%, it would matter not and, in fact, would probably boost our export position.

Q1583 Rachel Reeves: Two things: first of all, a main reason for quantitative easing and lower interest rates is to try to stimulate domestic demand through investment and consumption. The implications of sterling falling would be that the price of imports would go up, and we are a net importer, so that would have a positive effect on inflation. You would expect, at least in the short-run, the cost of goods and services to go up in the event of us leaving the European Union.

Arron Banks: Everyone worldwide is trying to fight deflation at the moment. That is the enemy rather than inflation.

Q1584 Rachel Reeves: You agree that at least the short-run impact would be higher prices?

Richard Tice: I—

Rachel Reeves: Mr Tice, I was asking Mr Banks.

Arron Banks: I do not want to dominate it.

Rachel Reeves: I am asking you the question, Mr Banks.

Arron Banks: The point is you have to have a balance between exports and imports. If you are asking whether prices domestically would go up because the pound drops, yes. Is that a bad thing? No.

Rachel Reeves: Okay. Thank you. That is very helpful.

Richard Tice: Can I just add to that?

Chair: If you have something you particularly want to add.

Richard Tice: Let's be very clear: if sterling drops due to short-term currency speculations by a few hundred traders in the City for a few weeks, that is not going to have an inflationary impact. The biggest risk that most developed economies around the world have is deflation, not inflation. That is very important. The reality is, on a medium- and long-term basis, currency rates are set by all sorts of things, and how well an economy is doing and the perception of the ability to repay debt. It is wrong to just draw the analogy and say Brexit would be hugely damaging for sterling.

Q1585 Rachel Reeves: I would have the conversation with Mr Banks. Most people believe that sterling would fall. Mr Banks seemed to agree with that. That pushes up the price of imports, which pushes up domestic inflation. That may be a good or a bad thing, but it is just important that we have the facts.

Arron Banks: It makes it more competitive for us.

Richard Tice: It makes the exports more competitive and it depends how long it falls for, and whether it falls in the next week is a function of pure speculation.

Rachel Reeves: All those things are true, but it is important that people understand what the impact of Brexit will be. That has been a useful discussion. Thank you, Chairman.

Q1586 Helen Goodman: Mr Banks, I want to bring you back to this issue of the "bargain basement" price for leaving the European Union. I am not sure whether you are aware of the median household income in this country.

Arron Banks: £45,000.

Q1587 Helen Goodman: No, as a matter of fact it is £25,630.

Arron Banks: Not according to the Treasury's reports.

Q1588 Helen Goodman: Median earnings are £27,456. If people had to pay £4,300 for leaving the EU, their incomes would fall from £25,500 to £21,330 a year. Do you think those people would feel it was a bargain basement price?

Arron Banks: The figures that the Treasury have quoted are over 15 years, and they quote £45,000 as the household income when you get to the end of the 15 years. Maybe that is the difference between what it is now and what you get to. That is the cost over 15 years, so you are talking about apples and pears here.

Q1589 Helen Goodman: These are in 2015 prices. If you look at the Treasury document—

Arron Banks: The £4,500 is calculated over the period of…

Q1590 Helen Goodman: £4,500 "expressed in terms of 2015 GDP in 2015 prices", is what they are saying.

Arron Banks: It is in 2030.

Q1591 Helen Goodman: I know it is in 2020 or 2030, but the prices are on the basis of this year's prices, so it is not that we have masses and masses of inflation. By 2030 that number of £4,300 will be much higher.

Arron Banks: What they have done in the report, as I understand it, is forecast growth will be 29% instead of 37%, based on a whole series of factors that I think are erroneous. I start from the position that the report is just a bunch of rubbish, which it is basically. You cannot forecast over 15 years. In a business you are lucky if you can forecast over six months and a year at the outset, and beyond that it is just a complete wild guess. The numbers you are quoting are fanciful.

Q1592 Helen Goodman: I could contest what you are saying about long-term forecasting, which in fact is easier than short-term forecasting, but we will not go there. I am just trying to get you to focus on the fact that a drop of £4,300 for the average household would be some 17%, and to ask you: when you reflect on this carefully, do you really think that most people would regard a drop in their annual income of that sort of quantity as a bargain?

Arron Banks: I certainly regard our parliamentary democracy and the right to make our own rules as paramount. When people were hitting the beaches of Normandy, I do not think they were saying, "This is going to cost us £2,000." They were fighting for democracy. I know it is an extreme example, but that is the way I feel about the European Union. I have to say, though, to forecast something over 15 years and to come up with a 37% growth rate or a 29% growth rate is just statistical nonsense.

Helen Goodman: The truth of the matter is they gave a range depending on which scenario one looked to.

Arron Banks: You can see their equation.

Helen Goodman: The range was from £2,600 to £5,200, with £4,300, depending on what the negotiation was. You think that it does not really make sense to do these sorts of calculations. Could I ask you why you have included similar calculations on your website? You have two numbers for the financial impact on households. You say staying in the European Union would cost the UK £9,625 per household in one place. In another place you say you would be better off to the tune of £933. You do in fact think these sorts of calculations are meaningful and you have put some numbers on your website.

Arron Banks: I will answer one part of that question. The £930 is a calculation based on cheaper food prices and a range of costs that are incurred under the EU, so that is not a forecast in the sense of 15 years out. If there is a forecast there that is a long-range forecast of more than a couple of years, I would agree with you. If it is on there, point us to where it is and we will correct that.

Q1593 Helen Goodman: Could you tell me why you have two such wildly divergent numbers on your website: £9,625 and £933? Which number are you banking on? Which number do you have confidence in?

Arron Banks: I have to see the—

Helen Goodman: These are your numbers. They are not my numbers. They are your numbers.

Arron Banks: Can I just say, first of all, we have produced enough material to cut down a small rainforest? I am not familiar with every single last bit of it. The £933 I am. That is based on lower food costs and things like that. In fact, Patrick Minford from Cardiff University calculates it is upwards of £2,000, so there are lots of varying figures. Any long-range forecast is inappropriate. If there is one on there, I will take it down, but I am not familiar with that.

Richard Tice: It is very clear, just to reinforce what has just been said, the £933 number is an annual forecast. It is much easier clearly to forecast for an annual saving. There is a key difference from a 15-year forecast, which you have previously alluded to.

Q1594 Helen Goodman: The £933 number is consistent with the £33 billion, which you were discussing…

Richard Tice: No, it is…

Arron Banks: It is do with food costs and other things.

Q1595 Helen Goodman: Ah, it is different. What is the £933 then?

Richard Tice: That is based on data that came from the *Change, or go* report by Business for Britain in the middle of last year.

Q1596 Helen Goodman: That is not the costs of regulation.

Richard Tice: That is the overall saving. No, it is not the cost of regulation. It includes all sorts of things.

Q1597 Helen Goodman: What does it include?

Richard Tice: I have not got it in front of me, but it is a 1,000-page report that looked in great detail at all sorts of aspects, and that was its considered number and that, I believe, is the number that Vote Leave also used, because it was sourced from Business for Britain, their predecessor.

Q1598 Helen Goodman: You are saying that number includes the costs of regulation, the contribution to the EU budget and the impact on the British economy.

Arron Banks: A lot of it is to do with food costs.

Q1599 Helen Goodman: Or is it just to do with food costs?

Arron Banks: I would have to refer back to it.

Richard Tice: It is a long list of items.

Q1600 Helen Goodman: Is it just to do with food costs? That would suggest it is about the CAP and agricultural tariffs.

Arron Banks: I did not say it was just to do with food costs. I said it is part of it. I would have to go back and look at that.

Richard Tice: It is a long list of items. For example, on the food costs it is lower because you do not have tariffs on non-EU food products. It is a long list of items, very carefully considered.

Q1601 Helen Goodman: It is very carefully considered, but you cannot tell us what it is.

Richard Tice: I have not got it in front of me. I have been through it previously.

Arron Banks: We are not walking encyclopaedias, carrying huge amounts of information in our heads.

Helen Goodman: That is evident.

Arron Banks: I am trying my best.

Richard Tice: I can tell. I can reiterate just for the record that I have been through it and I thought it was a very good working document.

Q1602 Helen Goodman: Good. I am glad when you read it you felt that, but it is not very enlightening for us on the Committee or for the general public if you cannot explain it.

Richard Tice: It is a 1,000-page document that is on the Vote Leave website. You have obviously had a copy of it. Anybody can read it and review it, and they can either agree or disagree with my perception of it.

Q1603 Helen Goodman: My understanding is that the £9,000 number comes from an analysis by Patrick Minford, of whom you were speaking earlier, and that that number works on the assumption that you are going to repeal all EU legislation on social matters, employment matters and the environment. Is that realistic?

Arron Banks: I have not seen the report and I am afraid you have got us on this one. I can go away and give you a written answer, but I have not seen Patrick Minford's report and I do not think the £933 is based on his report.

Q1604 Helen Goodman: No, but the £9,625 is and you have that number on your website as well.

Arron Banks: We have a research department that employs about six different people that is going through all this stuff. I think they are pretty accurate, but if you have a specific number that needs to be justified, I cannot justify it right now.

Chair: Coming back to the point that I made at the beginning, really we should not need to be having these exchanges—I am sorry, Helen. This core information to enable us to fully understand where these numbers are derived from and how they are put together should be available.

Arron Banks: Mr Chairman, they are often a matter of opinion.

Q1605 Chair: It should be available on your website. If you have qualifications, because you have personal opinions about them as well, those are things that could be added. What we have out there from your organisation is a range of numbers, which is very difficult for us to understand and therefore virtually meaningless in the hands of the public. It is, after all, the public who are complaining noisily a lot that they are not able to get high-quality information from either side of this campaign and that they are having to rely on numbers that seem to flake a little when they are looked at carefully. That appears to be what is happening with the numbers that we are addressing that we have found on your website.

Arron Banks: It is a valid point, but when you have a situation where you have a Treasury report that is saying it is a downside of £4,500—

Chair: We are going to cross-examine the Chancellor on his report. I would really rather concentrate on the numbers that are on your website.

Q1606 Helen Goodman: My understanding is that Professor Minford is saying that all social and employment legislation should be repealed. Are you saying that in your vision of how life would be better after Brexit, without the pressures for legislation in the social chapter imposed by the EU, you will want to have no holiday pay, no maternity pay, no constructive dismissal rules and no discrimination rules? Are you saying that you would like to see all those swept away?

Arron Banks: No, not at all.

Q1607 Helen Goodman: In fact, you would not get those savings.

Arron Banks: You are quizzing me on the report I have not read. I cannot answer your question.

Q1608 Helen Goodman: Which social and employment legislation would you like to maintain?

Arron Banks: I would not want to remove any of it, but that is a matter for Parliament. The beauty of this is that powers return to your good selves and you decide what you are going to do.

Q1609 Helen Goodman: Mr Banks, do you not understand you have claimed that these savings would be achieved? They would only be achieved if certain pieces of legislation were repealed.

Arron Banks: You are saying that, but I have not read the report.

Q1610 Helen Goodman: I am telling you what you have told the public. Those savings would only be achieved if that legislation was repealed. Once I point out to you what legislation would need to be repealed, you seem to be running away from the statements that you were quite confident of when you walked into this room.

Arron Banks: I am not running away from anything. I have not read Patrick Minford's report and therefore I do not know whether your characterisation of it is correct or not.

Q1611 Chair: It would be very helpful if two things occurred. One, you write to us with that and, two, you make sure that your website fully clarifies what these numbers pertain to so that the public and others who want to check them can judge for themselves.

Arron Banks: Just going back on this social protection and the rest, it is up to you to elect a Labour Government and to put in place what you want.

Q1612 Chair: You have just made that point and I will let Helen continue—unless you have something very important to talk about.

Richard Tice: Our website does source all this information and we do accept—everybody accepts—it is hard for the public to identify numbers, but our website is very clearly sourced so that people can then click through and read the report for themselves.

Q1613 Helen Goodman: I will ask you some questions that do not involve exact numbers then. I will ask you about foreign direct investment. The Bank of England, which my colleague Rachel Reeves was talking to you about before, fear that volatility and uncertainty will mean that we will see a reduction in foreign direct investment into this country, and indeed this is borne out by statements from major industrialists like Nissan and Hitachi. First Mr Tice and then Mr Banks, do you not have some concerns about the loss of this foreign direct investment and the impact on jobs in this country?

Richard Tice: I have no concerns about that at all. Initially I am going to take you to a 2013 report, I believe by Ernst & Young, of over 2,000 multinational businesses that were asked specifically whether they thought Brexit would make the UK more or less attractive for multinational businesses. Over 60% of both US and Asian firms said it would make the UK a more attractive place.

The proof is in the pudding, isn't it? If you look at what has been announced just recently in the last few months, in the knowledge that the opinion polls are very close on Brexit, you have had HSBC decide, after a two or three-year review, that they are going to retain their global headquarters in London. They could easily have deferred that decision if they thought it was going to be a major problem until after 23 June. They did not, because London has so many other major attractions to offer.

Let us take Boeing—a big US corporation. They have announced in the last couple of months that they are going to locate their European headquarters in London. Let us take Avon Cosmetics, a US corporation. They have just announced they are going to move their US headquarters to London. The Pentagon—the Pentagon, no less—under the auspices of the President of the United States have recently announced a £200 million investment in Oxfordshire. All of these are fantastic news, and it is because of the attractiveness of the UK economy and our workforce and our transparency and our legal system and language. They have nothing to do with Brexit.

The proof is in the pudding of what corporations are doing and, no, they are not withholding long-term investment decisions. Let's take the car businesses. There are a number of car businesses over the last 12 months that have confirmed Brexit would make no difference to their UK investment plans or their UK jobs.

Q1614 Helen Goodman: That is not true, I am sorry.

Richard Tice: I am sorry, it is. It is.

Q1615 Helen Goodman: I am sorry, it is not what they have said. They have made it absolutely clear that this is central to their—

Richard Tice: I am sorry, we fundamentally disagree. Last year the head of UK Vauxhall said it would make no difference to their plans.

Q1616 Helen Goodman: You think the fact that BMW have written to their employees advising them that it is in the interests of that firm to stay in the European Union can be ignored.

Richard Tice: BMW comes from which country?

Helen Goodman: Germany.

Richard Tice: Of course they are going to say that.

Q1617 Helen Goodman: What does that prove?

Richard Tice: It is in their interest. Germany wants us to stay in the European Union because we are the only two major net contributors. It is not true to say that all of the car industry leaders have said it would damage their UK investment plans, because they have not said that. Indeed, last year a number of them said the opposite. We can go back and check the statements.

Q1618 Helen Goodman: But your basic view is you are not worried about this. You think that lots of people are still investing, and when I say to you Nissan does not take that view or Hitachi does not take that view or BMW does not take that view, you just shrug that off.

Richard Tice: I have given you some very specific examples of investments that have been announced in the last couple of months.

Q1619 Helen Goodman: You yourself mentioned the President of the United States, and he did have something to say on this, and last week he was pretty negative about our leaving Europe, I think you would agree.

Richard Tice: Yes, and for very clear reasons. It may suit the United States, but what suits the United States does not necessarily suit the United Kingdom, and it is interesting, isn't it, that he is not going to be in power for much longer? Certainly in the last 24 hours, for example, Ted Cruz has said we would be at the front of the line, not at the back of the queue.

Q1620 Helen Goodman: Mr Banks, do you have anything to say about foreign direct investment?

Arron Banks: The only thing I would say on Obama is I took my son to his piano lesson on Monday night and the piano teacher said to me, "You are someone to do with Brexit, aren't you? I do not like that Mr Obama coming over and telling us what to do."

Q1621 Helen Goodman: Mr Banks, I am not asking you about your child's piano lessons. I am asking you about your views on foreign direct investment.

Arron Banks: We are allowed a little bit of levity, surely. It is not do or die, surely.

Helen Goodman: I know, but we have not got that long.

Arron Banks: The bottom line is that, when we did not participate in the euro, we were warned that all the banks would leave London, hedge funds would go and it would be a wasteland. London is the number one pre-eminent capital in the world. There are more hedge funds and banks than you can shake a stick at. They look for the fact that it is English based and the legal structure. There are all sorts of different things. It does not mean that because you are not part of the European Union you are not going to get direct investment. I do not believe that to be the case.

Q1622 Helen Goodman: You have brought me to the exact point that I was hoping you would come to, which is that you do seem to have a lot of financial experience. You have served as CEO of Manx Financial Group, you are currently Chief Executive of Southern Rock Insurance. Mr Tice has been director of Valley National Banking Corporation.

Richard Tice: No, I have not. I have never heard of it.

Q1623 Helen Goodman: It is in the CV that you have submitted to the Committee. The CV that you have given to us says that you are Chief Executive at Quidnet Capital Partners. Is that correct?

Richard Tice: Correct.

Q1624 Helen Goodman: You have been a partner of Tice Farms. Is that correct?

Richard Tice: That is not a CV I have submitted to you.

Helen Goodman: It is information from Bloomberg.

Richard Tice: If it is from Bloomberg, then let us be very clear: it may or may not be accurate, and that is not accurate.

Q1625 Helen Goodman: You have not been director of CLS Holdings.

Richard Tice: I have been Chief Executive of CLS Holdings. I do not know what you have in front of you. It is not from me; it is not from our organisation. There is no such entity called Tice Farms. I have never heard of the banking corporation that you referred to.

I am very happy to give you my CV. It is on our website. I was Chief Executive of a multinational listed property company for four years between 2010 and 2014, which included operations in France, Germany and Sweden as well as the United Kingdom. It is now a FTSE 250 business. Yes, it was a billion pound business, very successful, and I took it from a share price of £4.70 to almost £14, tripling it in four years. I am quite proud of that track record.

Helen Goodman: That is very impressive.

Richard Tice: Can I just add one point on foreign direct investment, which really is important? The largest sovereign wealth fund in the world, a Norwegian one, in the last few weeks confirmed that, even if we voted for Brexit, they would continue their investments in the UK, if not increase them. That is another example to add to the ones I just gave you. It is just complete scaremongering to suggest that FDI is going to cease or reduce post a Brexit vote.

Q1626 Helen Goodman: You are both very successful. You have been very successful financially. I just wonder why Mr Banks said that his campaign would be won against the establishment of international bankers, multinational corporations, tax dodgers and so on and so on and so on.

Arron Banks: I started my businesses with a desk and two telephones, so I built my business from scratch. I am not going to apologise for owning diamond mines in South Africa, banks in the Isle of Man and various other financial businesses. It is my strongly held opinion that it is the establishment that wants us to stay in the European Union and large corporations that like the European Union.

Q1627 Helen Goodman: Your definition of the establishment is not what you said—international bankers and multinational corporate tax dodgers. Your definition is anybody who wants to stay in the EU.

Arron Banks: No, not at all. That is misrepresenting me. The EU is a construct for big business. You talk about social chapter legislation and the rest of it. The real reason for the European Union is for large multi-corporations not to pay their taxes; to have heavy regulation so that large business can compete on a non-level playing field with small business. That is the sole reason.

Q1628 Helen Goodman: It sounds quite establishment to me when you say that the average income in this country is twice what it actually is.

Arron Banks: I was quoting from the Treasury report on where it would be in 15 years' time, which was the question you were asking.

Q1629 Mr Rees-Mogg: Gentleman, thank you very much for coming in and for what I, I think alone on this Committee, view as your noble, patriotic service, backed up with your money being where your mouth is. Many Eurosceptics in the country at large are extremely grateful for that. It has been one of the things that has ensured that we can take on the establishment, which seems to spend taxpayers' money fighting its own particular corner.

I have a couple of follow-up questions. I just wondered if you had noticed—and, Mr Banks, you said you had some notes on the Bank of England—when two members of the FPC came before this Committee for their reappointment, they were asked what they thought the major risks to the UK economy were. Neither of them thought it worthwhile putting in Brexit. When questioned, one said she had forgotten, and had she thought more carefully about it she might have put it in. The other said he thought it might be a brief, short-term risk, but did not think it serious. I wonder if you might like to refer to your other notes on the Bank of England and how you feel they are helping this debate.

Arron Banks: I have covered that. The biggest domestic financial risk is quantitative easing and, not just at the Bank of England but worldwide, the inflation of asset bubbles everywhere, particularly property, particular shares and other things. This is the biggest domestic risk we face.

We talk about the fact that open-door immigration compresses wages for normal people. Over the last seven years the *Sunday Times* rich list has doubled. The reason for that is that the free money at 0% interest is not getting through, as someone over there said, to the consumer to spend more money. It is going directly into asset bubbles, and these asset bubbles will spectacularly unravel. Brexit or otherwise is probably a mere sideshow to what is coming down the track.

Q1630 Mr Rees-Mogg: Do you agree with Lord Rose, who when he came before this Committee said that if we left the European Union wages for the lower paid would go up?

Arron Banks: It is a fact. It is supply and demand. Going back to my old economics book, when the Black Death came along, workers' wages went up 40% the following year. It is no surprise that, if you have a lack of supply, prices go up. To counter the fact that sterling may drop and prices may go up, wages would almost certainly rise.

Mr Rees-Mogg: Even George Osborne has not yet suggested we will get the Black Death if we do not remain in the European Union. That may be what is coming in the next few weeks.

Arron Banks: I was making a point about supply and demand: if you do not have workers, wages go up.

Richard Tice: Where we differ from Lord Rose is we think it would be a good thing if domestic wages were to rise, and George Osborne also thinks that. They clearly differ there.

Arron Banks: I do not believe the minimum wage is a living wage, and this is key to the problem.

Richard Tice: We are seeing, from the rallies we have been holding up and down the country, that working class people have realised that the impact of uncontrolled, unsustainable immigration from the EU into this country is a significant suppression of wages, and people are understandably very upset about that.

Q1631 Mr Rees-Mogg: Do you recall the figure from the Treasury's report of how many will come in before 2030 as part of their economic forecast?

Arron Banks: It is 3 million.

Q1632 Mr Rees-Mogg: Three million. That report is worth looking at a bit more, because it also assumes that there is no saving from regulation at all. Do either of you think that is realistic?

Arron Banks: As I answered to you, there is a saving, and it is probably overblown at £33 billion and somewhere between the two. I cannot tell you for certain.

Q1633 Mr Rees-Mogg: It also assumes as one of the major costs that we would apply unilateral tariffs at the same level as the common external tariff on EU products coming into the UK. Could that be possible? Was anybody in the Leave campaign suggesting that we do that?

Richard Tice: Let's be honest: it was a work of fiction designed to achieve a particular aim to suit George Osborne's requirements. No credible economist has looked at it as far as I am aware and said that it is a work of art.

Q1634 Mr Rees-Mogg: Do you recall what the Chancellor said on 17 May 2010 when he set up the Office for Budget Responsibility?

Richard Tice: I am assuming you can.

Q1635 Mr Rees-Mogg: I can, yes. He said, "Again and again, the temptation to fiddle the figures, to nudge up a growth forecast here or reduce a borrowing number there to make the numbers add up has proved too great. And that is a significant part of the reason for our current problems. I believe the public should be able to trust official forecasts for the economy. I want independent forecasts to become the norm." Why do you think he has gone back to Treasury forecasts?

Arron Banks: I certainly do not trust anyone who has doubled the national debt in six years. That would be my stance on it.

Mark Garnier: He inherited it.

Arron Banks: Is that not true? Did I miss something? Is that not true?

Mark Garnier: He halved the deficit. He inherited the deficit.

Arron Banks: I did not say that. I said he doubled the national debt.

Mark Garnier: You know how it works.

Arron Banks: I know exactly how it works.

Q1636 Mr Rees-Mogg: That is slightly wandering away from this particular argument. You also touched briefly on interest rates. Again, I am going to ask you to recall things from your memory. The exchange rate mechanism, a European activity, put interest rates up to 15%. The only time our involvement with the EU has had an effect on interest rates it has been to put them up to a level that bankrupted thousands of businesses and put hundreds of thousands of people out of their homes. Is that fair?

Richard Tice: Correct.

Q1637 Mr Rees-Mogg: Thank you. Can I now come on to how we might leave and what Leave.EU's view is? There has been some speculation about a second referendum. Indeed, most EU countries, when they do not vote the way the establishment want, get told that they have to vote again. Is that a realistic possibility? Even if you do not want it, do you think there is a chance that we may be forced to vote again?

Arron Banks: Everyone seems to be viewing this as an event, which it is not. It is a process. Where I differ with Vote Leave and some of the senior Conservative politicians is I think we should invoke Article 50 almost straight away and go into negotiations for two years over the outcome. It is as straightforward as that.

Mr Rees-Mogg: Jon Cunliffe appeared before this Committee, who was UKRep, and said he thought we should spend a limited amount of time preparing the way to exercise Article 50 to see the lie of the land and allow tempers to cool a bit. You are broadly in agreement with that.

Arron Banks: Yes. When I say “immediate” I do not mean straight away, but within—

Rachel Reeves: Not that sort of immediate.

Q1638 Mr Rees-Mogg: By Christmas?

Arron Banks: Yes.

Mr Rees-Mogg: That sort of thing.

Arron Banks: If the British public have voted out, they do not want the equivocation of the politicians then starting to reframe it.

Mr Rees-Mogg: We do not want to be treated like Ireland, Denmark, France and Holland.

Richard Tice: We certainly do not. Let’s be clear: Article 50 starts the process. Yes, there is a reference to two years, but there is no need for it to take two years. It could take less than that, with the right negotiating team, and a key part of post a Brexit vote is who is going to represent the UK’s interests. It is absolutely fundamental that it should not be people who have advocated remaining with the sort of scaremongering that they have done. In the nicest possible way, the last people who should be negotiating a Brexit are the Prime Minister, the Chancellor or the Foreign Secretary.

It needs a team of, in my view, the best negotiators from the world of business. The suggestion that we should not Brexit because we do not have enough civil servants to negotiate a free-trade agreement is one of the most feeble, weakest arguments for the future of our national sovereignty. We have not got some negotiators—I mean, really.

Q1639 Mr Rees-Mogg: The OECD forecast is out today. I completely agree with your view of these international bodies, which consistently get things wrong and very often catastrophically so. You are quite right to point out they did not predict the crisis in 2008 and so on. The OECD assumes we will get no free trade deals with anybody until 2023. That would require spectacularly inept negotiation. It is just not credible.

Richard Tice: Completely incredible.

Arron Banks: The average European Union trade deal takes seven years because you have to get 28 people to all agree on the same thing, which is virtually impossible with the vested interests they have at play. One country negotiating by itself is in a better position to do it because it does not have to coalesce all these ridiculous vested interests.

Richard Tice: It is interesting, isn't it, that a country the size of Switzerland can have free-trade agreements with a cumulative GDP of, I believe, four times the cumulative GDP of the free-trade agreements that the EU has? We should remember we do not have to have a free trade agreement in order to very successfully trade with another country. For example, we have a greater trade surplus in services with the United States of 350 million people, with whom we do not have a free trade agreement, than we have with the EU of 500 million people. You do not need trade agreements in order to very successfully trade with other countries.

Arron Banks: As a good example as well, because the World Trade Organisation has brought tariffs down, it is almost a rounding error in the equation. You look at the potential tariffs we would face in Europe on our products; it is only two thirds of the cost of the membership. As I was explaining to Ms Reeves, the currency has moved 10% in the last three months, which is twice the size of that tariff. The biggest moving part is your exchange rate, not the potential tariffs.

Q1640 Mr Rees-Mogg: The exception on that is food, where there are still very high external tariffs from the European Union, which is the major additional cost to households in this country of our membership.

Arron Banks: On an ethical basis, they destroyed farmers in Africa and other people with this kind of policy.

Mr Rees-Mogg: Thank you very much.

Q1641 Mark Garnier: Good afternoon. Can I carry on with trade and what trade will look like after Europe? It is very interesting; Mr Tice, when you were discussing this with Mr Rees-Mogg, you made a very valid point. As you know, I disagree with your end objective in this whole thing, but you made a very important point: to use the argument that we do not have anybody who knows how to negotiate a trade deal as a reason not to leave is completely ludicrous. I do accept that.

Nonetheless, it does raise a very important point. We have not negotiated a trade deal in this country for many years, and while it might be nice to have some business leaders who come in and do this stuff for us, at the end of the day why would a business leader give up running a business to come along and spend years or months—who knows—negotiating a trade deal? It is an important point as to what we can achieve with what we have.

I would like to understand from you what you envisage we can potentially get. I do not suppose you shall remember all this, but I will read it to you. On your website you say: “The remaining EU member states will seek a trade agreement with the UK that seeks to maintain the same level of free exchange of goods, services and capital as is the case today.” Basically, broadly speaking, that is the same as we have now. You go on to say that, “The vision for Brexit is that the UK would “decide on [its] own laws” to “regain control of important issues such as our borders,” which is integral to this whole thing.

The problem is you are now introducing a level of discrepancy. In order to have the same deal with the EU, it would be understandable if we had the same agreements with them in terms of other things. I would be interested how the two of you see us being able to get exactly the same trading relationship when we remove, for example, something like the free movement of labour across borders, which would in effect give us a better deal with Europe than the Europeans have with themselves? How are we going to achieve that?

Arron Banks: That was part of my question to Mr Rees-Mogg, where the tariffs that you are talking about when we trade into Europe are less than two-thirds of our current membership fee, so effectively it is not a huge issue.

Q1642 Mark Garnier: I will come back to that in a second if I may, but we are not talking about tariffs. You are talking about potentially getting an identical trade deal, essentially, if you like, a Norwegian-type model, without the free movement of labour. How do we get that?

Arron Banks: That is what I am saying, though: the financial consequences are not particularly severe. The USA trades into Europe, China, Canada and all sorts.

Q1643 Mark Garnier: What you are saying is we will not get the same trading relationship with Europe.

Arron Banks: No. I said in a worst-case base scenario, if you did not, it would still not be bad, but of course you would do a better deal.

Q1644 Mark Garnier: Just to be clear, on your website you do say “the remaining EU member states will seek a trade agreement with the UK that seeks to maintain the same level of free exchange of goods, services and capital”.

Arron Banks: Germany exports twice as much to us as we do to them.

Q1645 Mark Garnier: What your site is saying is that you are going to have a non-tariff trade agreement with Europe.

Arron Banks: Yes, I think that would emerge extremely rapidly.

Q1646 Mark Garnier: This is my point. You will have a non-tariff trade agreement with Europe on goods and services, so identical in every sense to what we have in terms of trade, but you also say on your site that we will regain control of important issues such as our borders. What you are essentially saying, taking those two statements together, is the deal we will have with Europe will not only be better for us but better than the deal the Europeans have among themselves.

Arron Banks: That is rather the point of that.

Q1647 Mark Garnier: How are you going to achieve it?

Richard Tice: The point is at the end of the day we import substantially more goods from the European Union than we export to them. We have the negotiating leverage because it is more in their interests to continue to export the 1.2 million German cars and others. It is in everybody's vested interests to negotiate an agreement, and it is in everyone's vested interests from all countries to do it quickly. That is the first point. Our surplus is with services.

Q1648 Mark Garnier: I am going to ask you to unpack that statement, because this is an argument that is used frequently by the Brexiteers—that because we have such a good trading relationship with Europe, they will happily do all of this. I cannot remember the numbers off the top of my head of what our exports are as a percentage of our GDP, but our total exports to the EU are £148 billion a year.

Arron Banks: It is 12%.

Q1649 Mark Garnier: 12% of our GDP. The reality is the total trade with Europe to the UK is less than 10%.

Richard Tice: No, it is not. The Government figure in their pamphlet was completely wrong.

Q1650 Mark Garnier: What is it?

Richard Tice: 16%.

Q1651 Mark Garnier: It is still a very small part.

Richard Tice: This is really important. These are people and jobs we are talking about. It is not percentages.

Q1652 Mark Garnier: I appreciate that, but are you saying that the EU are going to turn round and say, for 16% of their total trade externally with one country, they will give a better deal than anybody else in the world has, including members of the EU?

Arron Banks: Why is it a better deal than anyone else in the world has?

Q1653 Mark Garnier: Who else has tariff-free trade?

Arron Banks: I have just told you tariffs are a very minor point.

Mark Garnier: No, tariff free. Tariff free.

Arron Banks: Yes, I know, but it is a minor consideration.

Mark Garnier: It is like trying to nail jelly to a wall.

Arron Banks: No, it is not. I am giving you very clear answers.

Q1654 Mark Garnier: No, you either have tariffs or you do not have tariffs. Your website is suggesting we have a tariff-free deal and a "free movement of people-free" deal. That does not exist for anybody. Whenever I try to press you on that, you say, "Yes, but tariffs do not matter." They do, because you are avoiding answering the question. Who has a zero-tariff deal on goods and services without free movement?

Richard Tice: Let's be very clear: as I understand it, the Canadian agreement that is currently going through is 98% tariff free on goods.

Q1655 Mark Garnier: But it does not include services.

Richard Tice: There are no tariffs on services.

Mark Garnier: Sure, but it is important for us.

Richard Tice: Hang on. There are no tariffs on services. There are barriers to entry on services. Let's be very clear: the single market after 20 years is far from a non-tariff-barrier-free zone. There are still huge barriers to the market in services, and indeed there are people who suggest many EU countries have no interest in removing those barriers to services.

Arron Banks: Mexico has one—I think.

Q1656 Mark Garnier: Give the man a better job, or at least a bonus. That includes services, does it?

Arron Banks: Services is a good example. It is not a single market in services. Why do we keep saying this?

Q1657 Mark Garnier: No, but it is a developing single market and we are committed to deepening the single market.

Richard Tice: How long have we got to wait? We have waited 20 years and it is still not a single market in services—surprise, surprise.

Q1658 Mark Garnier: Sure, but if we are outside we have an infinite period to wait. Let me ask some other questions.

Arron Banks: Can I just go back to the question you asked us? I wanted to be clear on that. The worst-case scenario of no deal is still—

Q1659 Mark Garnier: By the way, Mexico, just to finish on that point—my mental gears have been working to catch up—is a very small economy. We are talking about the fifth biggest economy on the planet. It is all very well talking about Mexico, but we are incredibly important.

Arron Banks: We would have more leverage than Mexico as the fifth largest economy in the world.

Q1660 Mark Garnier: They have more to lose in the EU. That is the point.

Richard Tice: We are their biggest single export partner, and Germany has a surplus in goods that it exports to us of over £30 billion a year. We all know that what Germany says goes.

Mark Garnier: £27.278 billion. We need to get the numbers.

Richard Tice: It is a massive number. Let’s be clear: Germany has a huge surplus in goods to the UK, and we all know that what Germany says goes in terms of what happens within the European Union.

Q1661 Mark Garnier: Ireland has a £10 billion deficit with the UK, and Luxembourg £1.3 billion. I grant you these things, but hang on, because the point is you have to negotiate a trade deal that satisfies all these people, all these countries. You are quite right; Germany has a very huge incentive to negotiate the best possible trade deal it can get, but Ireland has the opposite incentive. Now what you are proposing is that we are going to negotiate a trade deal with the whole of Europe.

You make a very good point. Britain by itself can go to the rest of the world and negotiate a trade deal—with Mexico, let’s say. We can negotiate a trade deal with Mexico and it will be 28 times easier to do it because we do not have to think about 27 other countries. That is absolutely right, but this deal you are proposing we are going to have with Europe is negotiated with 27 countries.

You are right about Germany. You are wrong about the number, but you are right about the principle. That same principle applies to Ireland, and Ireland will want to have the opposite type of deal because it has a different set of interests. Ireland has a huge interest in financial services. Germany has a huge interest in the auto industry. We have to get all of them happy. You are talking about the fact nearly half of our exports go to—

Arron Banks: Can I just—

Chair: In a minute. You have to allow us to ask questions and then we have to leave you to try to answer the questions. Someone else was explaining to you earlier this afternoon how it works. Carry on, Mark, with your question.

Mark Garnier: The point is that our single biggest trading partner has exactly the problems that you have suggested create a problem for us in negotiating with the rest of the world. There are going to be 27 nations with very diverse interests that will eventually want to come up with a solution. I think 48% of our trade is with Europe, so it is a very significant amount. That is very important to our economy. You are suggesting that we will easily create a trading arrangement that will be a better trading relationship than Germany's trading relationship with France. I defy you to come up with an answer that is plausible that refutes that.

Arron Banks: There are two parts to the question. The second one—that the Irish are interested in financial services, the Germans in cars and all the rest of it—is the very reason that the EU is lousy at doing trade deals around the world. They are trying to do a trade deal and they cannot agree on anything.

Q1662 Mark Garnier: I agree with you. I agree with you. I agree. I agree with you. But you are now talking about us doing a trade deal on 48% of our trade with an organisation that you say is lousy.

Arron Banks: I am pointing out to you the cost of the tariffs. Because tariffs have generally come down worldwide, they are almost a rounding error in the calculations. It is something like £7 billion or £8 billion against trade of £300 million.

Mark Garnier: Let me talk about tariffs. If you look at a WTO tariff, the WTO base tariff is 2.4%. Our exports to the EU are £148 billion and imports from the EU £226 billion—this is goods, so you have a £78 billion deficit. You look at those goods tariffs and that comes to £9 billion. This is the most basic cost of the EU. I have taken these from *The Times*. I know there are lots of different sets of numbers on this, but these are as good as any. Our 2015 contribution to the EU was £17.8 billion, of which £4.9 billion is a rebate, so that obviously comes back on to the books, £4.4 billion is CAP payments and structural fund payments and £1.4 billion contributions in grants to companies. If you like, we spend £7.1 billion buying that free trade agreement.

Richard Tice: The net number is £8.5 billion, if you take your numbers—2015.

Mark Garnier: Hang on, 17.8 minus—

Richard Tice: —4.9, minus 4.5, is 8.5.

Mark Garnier: All right.

Richard Tice: Can I just clarify, because you did pick me up on figures earlier? It is not 48% of our exports; it is 44% according to the ONS, and very importantly that is before what is called the Rotterdam-Antwerp effect and the Netherlands distortion—I am sorry to be technical.

Mark Garnier: No, it is a very important point.

Richard Tice: That is exports that go straight through the Netherlands or Antwerp to the rest of the world. When you deduct that number, our exports to the rest of the EU are probably somewhere in the mid-30s.

Q1663 Mark Garnier: Fair enough, but would you not accept that they are none the less our biggest trading partner and that is the key point?

Richard Tice: Yes, and we are theirs. That is why it is in everybody's vested interests to get this right and to do it quickly.

Mark Garnier: Okay. Let me just finish the point. The £17.8 billion minus the stuff that comes back comes to somewhere around £7 billion or £8 billion. That is against tariffs of £9 billion. What is interesting about this is that the Government are spending the money, whereas it is the consumer that potentially will be suffering. Exiting the EU will transfer a cost to the Government, which comes out of taxpayer funds, so that is spread evenly among everybody, whereas it will then be directly attributed to those consumers who buy European goods in their high street and those businesses that are selling goods into Europe.

Arron Banks: In the unlikely event of a tariff situation—

Q1664 Mark Garnier: Why is it unlikely?

Arron Banks: It is very unlikely.

Q1665 Mark Garnier: Why?

Richard Tice: Because it is not in anybody's interests. It is just not in anybody's interests.

Q1666 Mark Garnier: You are guessing.

Richard Tice: The simple way through it is that the way that businesspeople would address this is to say, "I tell you what we will do: we will impose zero tariffs on the European Union, and then it is up to the European Union to decide whether or not it wishes to unilaterally impose tariffs on us." Frankly, if it did that, it would like just spiteful and revengeful.

Q1667 Mark Garnier: We can choose what we want to do in terms of tariffs and Europe can choose what it wants to do in terms of tariffs. You have talked about Mexico having zero tariffs. Again, I will go and have a look at that and find out a bit more about it. None the less, the chances of this happening straight away are very remote. You may be right. We do not know what is going to happen. It is entirely possible you are right, but it is not going to happen overnight. It is going to take some time for this to be negotiated, for reasons you have argued as to why we should leave the EU: because the EU cannot negotiate quick deals.

Arron Banks: You have to look at what is in the best long-term interests of the country. I do not dispute there would be short-term pain of leaving. I do not dispute that.

Q1668 Mark Garnier: What effect is that going to have on families?

Arron Banks: In what way?

Q1669 Mark Garnier: We know that households are very highly leveraged at the moment. They have been higher leveraged. You have talked about asset bubbles. We saw in the lead-up to the financial crisis household debt as a percentage of household income increase from 100% to 175%. That number is absolutely fixed at about £1.45 trillion. Nothing has changed, but of course household income has gone up.

Households are vulnerable to a whole load of different potential factors that might affect them. There is a number somebody has come up with that you will have heard, which is that 3 million people will lose their jobs if we come out of Europe. I agree that is nonsense. I agree that is completely rubbish. What that number does reflect is 3 million jobs that have a relationship with Europe in one way or the other. To an extent, those jobs may be at a little bit extra risk as we go through this short-term pain, which you have agreed. Those jobs could be at a little bit of extra risk.

We have also had a discussion with Rachel Reeves a bit earlier about what happens in the event of us coming out. We have already seen fluctuations in the currency. The currency seems to be following the opinion polls of whether we are in or out of Europe. The key point is if you look back to the 2014 Bank of England stress test, they create a scenario where something precipitates a crisis in confidence, if you like, in the economy, and one of the outcomes of this is you see sterling collapsing. As a result of that, because exports do not grow as quickly as imported inflation hits the economy, the Bank of England have to respond by raising interest rates—and raising interest rates reasonably quickly, reasonably fast.

The modern neutral interest rate is expected to be something in the region of 2.5% to 3.5%. Let's say it goes to 2.5%. You are now picking up the cost to households of a doubling of the cost of their mortgage, and that quite a significant problem to households. That is what you are suggesting is an acceptable short-term pain.

Richard Tice: I did not say that at all.

Q1670 Mark Garnier: You said that it was acceptable to have short-term pain.

Richard Tice: Of course it is.

Mark Garnier: I am defining what the pain looks like.

Richard Tice: I do not agree with your definition. As I said earlier, there is no link between being a member of the European Union and our interest rates, which are set by completely different factors.

Mark Garnier: No, that is not what I said at all.

Richard Tice: You just said that mortgage rates would go up if we left the EU.

Q1671 Mark Garnier: No, I did not say that. I said that there could be short-term effects in the markets and short-term knock-on effects. What I have done is played out a scenario that was put forward by the Bank of England in the 2014 stress test, which looks at something that precipitates a lack of confidence in the economy, which can then take on a number of implications in terms of tightening of credit, problems with the housing market and all the rest of it.

The point is that if you see a sustained pressure on sterling—this is a hypothetical situation, but this is what can happen—because of a lack of confidence in the UK economy because we have come out of the European Union—you then see a collapse in the sterling. I know this is a chain reaction, but it is important that we play these things out; you can war-game these things. You then import inflation before you boost your exports. You are right: exports could be boosted. However, you import inflation quicker because of the short-term effect, and the Bank of England's only response can be to raise interest rates in order to counteract that.

Arron Banks: If you do not mind me saying so, this is a ludicrous supposition.

Mark Garnier: Well, it is not. It is the 2014 stress test by the Bank of England.

Arron Banks: I could sit here and say the current construct of the euro is ripping itself to pieces. The currency of the euro will collapse and sterling will rise. You can make up any scenario you like.

Richard Tice: By your own admission, it is a war game. That is an extreme theory that is totally, totally implausible, and it is not going to happen.

Q1672 Mark Garnier: The starting point of this discussion was that we both agreed that there could be short-term pain. What I am trying to do is define what short-term pain could possibly look like. What you are not doing is saying what you think short-term pain might look like.

Arron Banks: There is pain remaining inside the European Union.

Mark Garnier: Yes, but at least it is quantifiable pain. Coming outside is unquantifiable.

Arron Banks: Is it?

Richard Tice: It is not. Let us be very clear. The one thing in this referendum—

Chair: Before we get on to that, what we are really asking—you have just heard the question—is: what is the short-term pain in your view? ***That is the question you have been asked.***

Richard Tice: Let us move from the word "pain" to the word "uncertainty".

Arron Banks: I do not mind the word "pain"; "pain" is fine.

Richard Tice: Let us be clear. With our relationship with the European Union, nothing changes until we sign a new agreement. It is not like some things change the following day.

Mark Garnier: That is not true.

Richard Tice: It is true.

Mark Garnier: If you invoke Article 50, you start the process of coming out.

Richard Tice: Yes, and you have two years to negotiate a new agreement. You then have the option of agreeing to extend it or moving on to WTO tariffs. It is not true to say that things will change immediately, the following day. The benefit of serving Article 50 is that you actually reduce the period of uncertainty, because you start the negotiating period in serious earnest.

Q1673 Mark Garnier: Can I ask one question?

Chair: It had better be quick, because we have a vote at 27 minutes past, and I am not intending to recall the Committee.

Mark Garnier: On the services point—because we have not discussed any of the services—we have a £17 billion a year surplus with Europe on services. This is quite an important point. Clearly, you would agree that there is a potential problem with Europe imposing non-tariff restrictions on us on having services. Dominic Cummings came up with a comment last week. He said, "The single market in services would actually be deeply disruptive for Great Britain." Is that right?

Arron Banks: First, I do not think there is a single market in services, so it is academic.

Q1674 Mark Garnier: No, but, nonetheless, there are a huge number of banks, such as Goldman Sachs, JP Morgan—

Arron Banks: Banks will locate themselves wherever they want. They can open a branch wherever they like.

Mark Garnier: You are not worried about the attrition to UK banking and London as a financial centre.

Arron Banks: No. In fact, it is very protectionist. If you take the industry I am in, insurance, technically you can passport from Gibraltar to the UK. If you try to passport to France, you can technically do it, but they suddenly hit you with a withholding tax on premiums. They find another way to nail you. The culture of Europe in financial series is deeply protectionist.

Richard Tice: With someone like Goldman Sachs, look at their track record. They said we should join the euro. It is important.

Chair: These are good debating points, but they are a very long way from trying to establish whether there is some substance to the passporting point we have been discussing.

Arron Banks: There is no single market in financial services; there will not be one, because there is a protectionist position—

Q1675 Chair: I want to take you back, Mr Tice. I am going to move the questioning on, because another colleague particularly wants to come in, but I want to clarify one point. It is a point of detail, but it is a reflection. It is the same point I have been making on and off throughout the whole hearing. I regret to say it is a problem with all three campaigns and, probably, although we have not yet established that, with the Government figures as well. We will see about that in due course. What is your estimation of the Rotterdam-Antwerp effect?

Richard Tice: Global Britain has been carrying out research for over 20 years on the EU, and recommending that we leave it. It is a very reputable research house led by Ian Milne and Ewen Stewart. They believe that it goes from 44% down to the mid-to-high 30s.

Chair: Hang on. A moment ago you said "the mid 30s".

Richard Tice: Yes. No one knows, but their estimate is the mid-to-high 30s.

Chair: It is now the mid-to-high 30s. We are talking about something at least 5%.

Richard Tice: Yes. If you go from 44% to, let us say, 38%, that is 6%. That is a significant reduction.

Q1676 Chair: I am trying to find the highest number that is still in the 30s; it must be at least 5%. That is all I am doing. I am just taking what you are saying to me.

Richard Tice: That is fair enough.

Chair: If I may say so, it has already altered from when you last presented it to the Committee only a few minutes ago, when it was described as in the mid 30s.

Richard Tice: I used one end of the range, and there is another end of the range.

Q1677 Chair: Andrew Dilnot, who is the Chairman of the UK Statistics Authority, estimates that the effect is around 2%. He has recently given evidence saying that, in his view, it is so small as to be scarcely measurable. I just point that out. I would suggest, at first blush, that I would be more likely to take notice of that than other research. They get their numbers wrong from time to time, and they do not always have a great track record, but, on the whole, weak though it sometimes is, they tend to be better than most other statisticians.

We need to take great care with these figures. It is helpful that you have at least identified a source. If you are using the figure in your published documentation, it is extremely important that you should source what you are talking about.

Richard Tice: We can absolutely check our sourcing. I think most of it is sourced. We can of course double-check that.

Chair: Maybe have a look at this recent evidence from the ONS. I do not know whether this was in the last few days. It might well have been.

Q1678 George Kerevan: Thank you for a very entertaining afternoon, gentlemen. Mr Banks, you said that the EU is lousy at negotiating trade deals. What benchmark would you use to justify that?

Arron Banks: Countries like Switzerland and Iceland manage to do it well. There is one in particular. Switzerland managed to do it in less than 10 months with one particular country.

George Kerevan: Time is the benchmark.

Arron Banks: Time-wise, yes. The core of the problem is trying to get 28 different countries—

Q1679 George Kerevan: I appreciate that. As best as our excellent research team can estimate, the EU has negotiated 53 preferential trade deals with individual countries or blocs, which is more than any other country or trading group we can find. On that measuring stick, it does very, very well.

Richard Tice: As I said earlier, if you look at the cumulative GDP of those, it is significantly less than a small country like Switzerland. On that basis, it does very poorly.

Q1680 George Kerevan: I am more than willing to admit that individual small countries might have negotiated this or that. However, in terms of what is the world's largest trading bloc with the largest GDP grouping, it has negotiated the largest number of preferential trade deals. Any reasonable person might say that, on that basis, the EU does quite well at negotiating.

Richard Tice: Actually, it is not the world's largest trading bloc. When you take out the UK, it is smaller than the US.

George Kerevan: If you take out X, Y and Z, I am sure it will be smaller. At the moment, we are in it.

Richard Tice: We are advocating Brexit.

Q1681 George Kerevan: Fair enough. Let us move on to Barack Obama. I am a devotee of your tweets, Mr Tice. I notice you said, "Actually Obama helped Brexit: British people don't like being bullied by dodgy establishment peddling lies." What lies did President Obama tell?

Richard Tice: People recognise that what he was doing was trying to represent the interests of the United States.

George Kerevan: That is what he is paid for.

Richard Tice: If you look at lots of those former US Treasury Secretaries, for example, and parts of the establishment, many of them have been employed by Goldman Sachs.

George Kerevan: I asked about President Obama. What were the lies you were referring to?

Richard Tice: The first one, as I referred to earlier, frankly, was that we would go to the back of the queue. Actually, other very senior politicians are saying that we could go to the front of the line. Ted Cruz said that in the last 24 hours.

George Kerevan: Mr Cruz is not President of the United States just yet.

Richard Tice: No, but he is a candidate to be President.

Q1682 George Kerevan: Ultimately, who in the United States constitutional set-up decides whether to accept a trade treaty or not?

Richard Tice: It is Congress.

Q1683 George Kerevan: Right, and Congress is made up the representatives of 50 states, all of which have different individual needs, requirements and a different self-interest. You could argue, in fact, that the United States is set up very much the same as the EU. When it comes to a UK out of the EU trying to negotiate a trade deal with America, it is exactly the same situation that you say you are worried about with the EU. The EU has 50 vested interests in 50 states, and you have to get a trade deal, which is why it will take, in President Obama's words, 5-10 years.

Richard Tice: We do not have to do a trade deal with the US. The last thing we should be doing is a trade deal called TTIP. As I said earlier, we have a bigger surplus in services with the US, with whom we do not have a trade deal, than we do in services with the EU. Trade deals are not the be all and end all.

Arron Banks: You also have to realise that trade deals are one thing. Trading is done by people and companies. It is not governments and laid down rules. That is why, in point of fact, we are trading really nicely with America. We have a surplus; it has grown; we are exporting more. This kind of political idea that you have to have all of these deals is just not right.

Q1684 George Kerevan: That is fine. I am glad to hear your opinion. It does seem a little at odds with the Leave.EU website, which makes a very big play of this. I quote: "Imagine having greater influence over our global trade so we can do our own deals."

Arron Banks: We can.

Richard Tice: We can.

Q1685 George Kerevan: Which is it? Either deals are important as a priority for Brexit or they are not. Which is it?

Richard Tice: The word is "can". If it is advantageous to us, we can do them, but we are in control of our own destiny. That is the fundamental difference.

George Kerevan: You can do the negotiations. You cannot deliver the deals.

Richard Tice: A deal is a two-sided thing.

Q1686 George Kerevan: Indeed, which is why we come back to the fact that President Obama has said that, going to the end of the queue, it will take 5-10 years to negotiate.

Richard Tice: Others in the States are not saying that. He is not going to be the President for very long. His trade representative used to work in Brussels. We can go on.

Q1687 George Kerevan: Yes, but a reasonable person might presume that the judgment of the President of the United States is a bit different from the doorman at the bar around the corner. We can always choose somebody, but the President of the United States said it. As it happens, I think he did not have any right to come here and to tell the British electorate what to do. I am very critical of him.

Richard Tice: That is why I used the word "bullying".

George Kerevan: However, that does not blind me to the fact that the President of the United States said that and that he represents a view. Actually, if there is a large trading nation that has taken a very tough position even with its so-called friends and allies when it comes to trading issues, it is the United States. If we come out of the EU, I hardly think we will be back in a 19th century situation of free trade and quick deals; we will be in a different situation altogether. A reasonable person has the right to ask you: are you not being rather over-optimistic in what could be achieved in a Brexit situation?

Arron Banks: I go back to what I said before. The World Trade Organisation has brought tariffs down to such a point that these deals may be advantageous; they may not be. Our trade with America is rising quite nicely. We have a surplus and it is growing. We do not have to have a free-trade deal to trade.

Q1688 George Kerevan: Absolutely, I appreciate that. If we are talking about future economic growth, which is very much tied to global trade, we all know that the Doha Development Round at the WTO has stalled for the last couple of decades, precisely because we have removed the easy bit, which is lowering tariffs on manufactured goods, and we have moved to trying to remove the internal hidden barriers on trade in services. We know that that is the most difficult thing to do. As you have pointed out, by no means have we created a free market in services in the EU, despite having set up an apparatus to do it.

In that circumstance, where the whole world is finding it difficult to progress on removing non-tariff trade barriers for services, what is your evidence that the UK coming out of the group that has had the most success in negotiating trade deals will be better off and be able to achieve further bilateral deals in removing non-tariff barriers, in order to get the economic growth and productivity growth the UK depends on for the future?

Arron Banks: The European Union is unique in the sense that it requires the political union of its members as well as the economic union.

George Kerevan: We agreed that America is in the same situation.

Arron Banks: Yes, but the groups you are talking about do not have political union. As far as I am aware, America has not merged with Canada or Mexico. It is a much looser grouping of countries. Therefore, when it is negotiating or trying to do things, it is not quite the same, is it?

Q1689 George Kerevan: No, but we have already agreed that domestically, inside the United States, for Congress to agree a trade deal it has to get all 50 states to agree. It is in exactly the same situation. Once you move to large trading blocs, you are dealing with vast amounts of self-interest. We need patient negotiation and we need scale. A reasonable person would argue that taking the UK out of the EU would remove the scale or the clout the UK would have to negotiate.

Richard Tice: I am sorry, we just do not accept that. You have asked for evidence. I gave you the evidence earlier. A country like Switzerland has negotiated trade deals with a cumulative GDP way, way in excess of the European Union. We simply do not accept that the European Union is successful at negotiating trade deals.

The last thing the British people want is for the European Union to negotiate a trade deal with the US, called TTIP, in secret, with no transparency, which will benefit US multinational corporations to the detriment of UK workers' rights. That is what UK workers are really, really concerned about. It is not in our control, because we only have a 9% vote.

Q1690 George Kerevan: I happen to agree with you on that. Equally, if you went to many people in America or many American trade unionists, they would tell you exactly the same thing.

Richard Tice: Equally, as I said earlier, for services—the thing we are really good at—we have a very substantial service surplus with the US and no trade agreement. Trade agreements are not the be all and end all.

Q1691 George Kerevan: Yes, we have agreed that. In terms of the future and Britain's woeful productivity rate, we are talking about opening up the UK to more trade, which you have clearly put on your website as one of the key things supporting Brexit. That refers, in large measure, to the trade deals we could engineer. If we need that trade access, apart from a reference to Switzerland, it seems to me that there is relatively little to suggest that the UK would have the scale to negotiate. Let us take China. Switzerland has a trade deal with China, but it is actually terribly one-sided. Not to be ridiculous about this, there are quite specific prohibitions and tariffs on the export of Swiss watches to China, because China is very capable at defending its own manufacturing business.

The question comes back. In a situation where the UK has removed itself from the EU and taken itself out of the major negotiations between the blocs, what negotiating power do you have apart from all of these new businessmen you are going to bring in like yourselves who are going to negotiation the deal?

Richard Tice: It will be absolutely massive, because we are the fifth largest economy in the world. If Iceland, with 300,000 people, can negotiate a trade agreement with China, the UK, with 65 million people, absolutely can negotiate a free-trade agreement with China, if it is in our interest. Let us remember that the EU is China's biggest export partner and there is no free-trade agreement. It comes back to what I said earlier. You do not have to have a free-trade agreement to trade with somewhere.

You picked up on productivity earlier, and this is really important. There is a productivity conundrum as to why the UK economy is actually doing relatively well within the EU and yet our productivity appears to be worse than countries like France. I would suggest to you that one of the reasons for that is: because we have an infinite supply of low-skilled labour from the EU, there is less incentive and, therefore, wages have been, unfortunately, artificially suppressed. There is less incentive for UK businesses to invest in investment and capital that improves productivity. You cannot have it both ways.

Q1692 George Kerevan: I would actually argue that it is the other way around. The low investment and low capital-to-worker ratio has been there for 30 or 40 years.

Arron Banks: It has been there a long time. I agree.

George Kerevan: I put it the other way around: business does not want to invest, or there is a set of fiscal incentives that prioritise investment in bricks and mortar rather than plant and machinery. We have to fill the gap with cheap labour.

Richard Tice: That is true.

Arron Banks: Yes, but it has been exacerbated by the free movement of labour. Of course it has.

Q1693 Chair: You have given us some interesting and occasionally entertaining evidence. We are grateful to you for coming to see us this afternoon. That is not just a perfunctory remark, given how difficult it has been, on occasion, to get witnesses for this particular debate. We have managed to get our evidence in before the vote, so we will not need to recall you after it. We look forward to receiving a good deal of written supplementary material on the points we have raised, and we would like that as soon as possible, please, now. We recognise that you are under pressure, but so are we, in order to produce our report. If you have any doubts as to what those are, please get in touch with our staff.

Richard Tice: When you say "as soon as possible", do you mean a week or two weeks?

Chair: I would say a week would be about as long as we can manage. Thank you