

Scottish Affairs Committee

Oral evidence: [The EU Referendum and its impact on Scotland](#), HC 893

Monday 9 May 2016, Glasgow

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Members present: Pete Wishart (Chair), Kirsty Blackman, Mr Christopher Chope, Margaret Ferrier, Mr Stephen Hepburn, Chris Law

Questions 1-85

Witnesses:

Panel 1 [Q1–Q28] **Professor Sir Pete Downes**, Principal and Vice Chancellor, University of Dundee, and Convener, Universities Scotland.

Panel 2 [Q29–Q62] **Andrew McCornick**, Vice President, NFU Scotland, and **Ross Dougal**, President, Scottish Fishermen's Federation.

Panel 3 [Q63–Q85] **Stephen Boyd**, Assistant Secretary, Scottish Trades Union Congress, **Gareth Williams**, Head of Policy, Scottish Council for Development and Industry, and **Garry Clark**, Head of Policy and Research, Chambers of Commerce Scotland.

Oral Evidence

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Members present:

Pete Wishart (Chair)
Kirsty Blackman
Mr Christopher Chope
Margaret Ferrier
Mr Stephen Hepburn
Chris Law

Examination of Witness

Witness: **Professor Sir Pete Downes**, Principal and Vice Chancellor, University of Dundee, and Convener, Universities Scotland, gave evidence.

Q1 Chair: Can I welcome everybody to the Concert Hall? This is the Scottish Affairs Committee's first evidence session into the implications of the EU referendum for Scotland. We are particularly pleased to have, as our first witness in this session, Professor Sir Pete Downes to tell us a little bit about the issues of the EU referendum in academia and the knowledge sector within Scotland. Without further ado, I welcome Professor Sir Pete Downes to this inquiry. Just for the record, please tell us who you are and who you represent, and give any opening statement you would like to give the Committee.

Professor Sir Pete Downes: I am Professor Sir Pete Downes, as you said. I am the Principal of the University of Dundee and I am also the Convener of Universities Scotland. I have seen an outline of the questions you want to address and I am very happy to answer those questions. You will know that Universities Scotland has adopted a neutral position with respect to the referendum. The main purpose of that is to provide the opportunity for open and wide debate, which is a key function of universities. The majority of universities in the UK and in Scotland have adopted that position primarily so that they can encourage open debate and freedom of speech.

Q2 Chair: I am grateful. We will come on and explore some of these issues in the course of the questions. First of all, as an opening question, could you tell us how many EU students we have in Scottish higher education institutions and how they vary across the different sectors, and talk a little bit about your view of the contribution that they make to Scottish higher education?

Professor Sir Pete Downes: There are currently about 13,000 EU students in Scotland. They are about 9.2% of our students. They comprise both undergraduates and postgraduates. In postgraduates, the figure is 11%, not 9.2%, which is quite an interesting point, because while undergraduates do not pay fees as a consequence of the availability of higher education free to students in Scotland, postgraduate students do. I think that is an

indication that a major reason why these students come to Scotland is because of the attractiveness of Scottish higher education institutions. Those are the numbers.

In terms of how that breaks down into individual institutions, about 57% of the undergraduates from EU countries in Scotland are studying in just five higher education institutions. Those are Edinburgh, Glasgow, Aberdeen, Edinburgh Napier and Robert Gordon. It does not map on to any exact geography or type of university. For example, at my university about 6.2% of our students are from EU countries. When you look at individuals, 18.6% of Aberdeen's undergraduates are from the EU, which is the highest one. It is a slightly different number for postgraduate students. There are 8,000 in total, and 59% of those are in five higher education institutions but they are not the same ones. Edinburgh and Glasgow feature again but alongside them are Strathclyde, Heriot-Watt and Aberdeen. That is the most accurate, up-to-date data that I can give you. A full breakdown of all 19 HEIs could be achieved, but I don't have those numbers in front of me.

Q3 Chair: I think that is very useful. Maybe you could help the Committee a little bit more in examining and looking at these figures. The highest figure you said was Aberdeen at 18%, was it?

Professor Sir Pete Downes: For undergraduates.

Q4 Chair: Are there some HEIs that go out of their way to try to recruit European Union students more than others? Is that the reason, or is it just the attractiveness of particular courses and skills that are required in countries?

Professor Sir Pete Downes: I can't answer it accurately. I can give you my impression, and that is that it will be a combination of those things. Some universities will be more active in recruitment of European students, for whatever reason, but others will be attractive as well. Aberdeen and its association with the oil industry will have a particular attractiveness. For example, Robert Gordon University returns very high figures for the employability of its graduates; that may well figure in choices that European students make. Edinburgh is the strongest in international recognition; that is an obvious rationale for why people from Europe would choose to go there.

Q5 Chair: I am grateful. You might not be able to answer this question fully but maybe give it a bit of a stab. How does Scotland compare to the rest of the United Kingdom for the numbers of EU students? Can you help the Committee with where Scotland fits in with other European nations in attracting EU students across the board?

Professor Sir Pete Downes: Within the UK, Scotland is very attractive to European students. As I quoted, it is 9.2% of our undergraduate students; for the rest of the UK it is about 4.5%, 4.4%. For postgraduates in English universities it is 8.4%, compared to 11% in Scotland.

Chair: I am grateful. That does help and perhaps we could get some more of these figures as the inquiry goes on.

Q6 Mr Christopher Chope: First of all, I would like to congratulate Dundee on being one of the most successful new universities; I think it was top of the league tables recently. We

have a whole lot of figures here that talk about enrolments at Scottish higher education institutions for 2013-14 that are very different to the figures you have just quoted. What is the source of the figures you have and is it possible to get them in writing? They seem to be inconsistent with the figures we have in a brief.

Professor Sir Pete Downes: The source is Universities Scotland and our researchers within Universities Scotland. I can't tell you right now exactly what reference source they got that data from, but I am sure we can clear up the anomalies and give you absolute chapter and verse on sources of information.

Q7 Mr Christopher Chope: Thank you. Can you tell us how many undergraduates are from England at Scottish universities?

Professor Sir Pete Downes: I don't have that figure in front of me. What will it be? It will probably be a rather similar number, around 10% I believe, but again I can get that information for you.

Q8 Mr Christopher Chope: Thank you. One of the anomalies at the moment is that if your university recruits an undergraduate from the European Union outside the United Kingdom then that undergraduate has free fees, but if that undergraduate comes from England he or she pays £9,000 in tuition fees. That is a major cost to Scottish higher education because it is unable, under EU law, to charge the same fees for EU undergraduates as it charges for English ones. Isn't that a problem?

Professor Sir Pete Downes: In my opinion, one of the main benefits to universities in Scotland of membership of the EU is freedom of movement. That makes the talent pool available to universities, whether that is in recruitment of students or staff, much greater than it would otherwise be. Our overseas students and our EU students hugely enrich our campuses and provide a stronger environment for all who are studying in Scottish universities, including Scottish students. It is not our aim in Dundee, or of any of my colleagues, to do anything other than educate our students to be and see themselves as global citizens able to contribute to the future of Scotland and elsewhere. Also freedom of movement within the EU, and the fact that they are not restricted by tier 2 visa restrictions, means that those students who study here—and those EU folk who work here—can continue to work here afterwards. That talent pool that we help to educate through some of the strongest universities in the world is available for the future growth and development of Scotland's economy. I think these are the advantages.

As you rightly point out, there is a cost to achieving those advantages. The last time we worked out the cost of EU students studying in Scotland—that is primarily the cost of the undergraduates that I referred to before—it was £75 million a year. The range is probably between £75 million and £90 million a year, which are the two figures that I have seen cited. There are also estimates of the value to the Scottish economy—not the speculative value that I referred to earlier, but the absolute value of off-campus spend of those students, which we estimate to be about £156 million per year. There are costs. There are financial and economic benefits, long-term benefits to the Scottish economy, and there are enormous benefits to the education of all students who study in Scotland as a consequence of freedom of movement.

Q9 Mr Christopher Chope: That is all very interesting, but it is not an answer to my question. My question was about the difference between England and the European Union. I am sure there are all these benefits you talk about of having undergraduates from England; I was an undergraduate from England who was privileged to be educated at a Scottish university. At the moment there is a cost. The figure we have is a cost of £90 million a year to Scottish higher education of having to give free tuition to students from the European Union. If we left the European Union, you in Scotland would be able to charge the same fees for people from the rest of the EU as you charge for England. That would give you an additional £90 million a year, which is almost exactly the same sum of money as you currently receive in research grants from the whole of the EU. If we left the EU, do you think Scotland would then treat the fees for those aspiring to come from England and from the rest of the EU on a level playing field? The fees would be the same for somebody from France as they are for somebody from London.

Professor Sir Pete Downes: All universities would make judgments about the markets from which they were trying to recruit students. That market position would change substantially if we were no longer members of the EU, as you pointed out. If we could charge at a similar level to the charges we currently levy for English students, the value would be significantly greater than £90 million. We think it would be up to about £140 million per year, although that is a relatively small number compared to the total funds available to Scottish universities in any one year. As I said before, though, we believe that cost is balanced by a very substantial benefit of freedom of movement, as I have described. If we left the EU we would have a different market for the recruitment of those students.

The figure of £140 million depends on us being able to charge the same level of fee, and the same number of students coming to us from Europe. It also fails to take into account the fact that we would need to market ourselves much more heavily to be successful in that market, under circumstances where students themselves would be paying a significant fee. There are many speculative sets of arguments about what the figures would actually be, but the balance of argument within Scottish universities—and certainly the position of Universities Scotland—is that we place enormous value on the freedom of movement argument, and that the cost is perfectly reasonable to pay for that.

Q10 Margaret Ferrier: We have heard in the last question that the cost to Scottish higher education institutions is £90 million per annum.

Professor Sir Pete Downes: If I could qualify that: students from Europe do attract a fee that is paid by the Scottish Government, as it is for Scottish students.

Q11 Margaret Ferrier: I was just coming on to that. It is funded by the Scottish Funding Council, which in turn receives its funding from the Scottish Government. In the past the Scottish Government have looked at how it might be possible for EU students to contribute to their education at Scottish higher education institutions. Do you feel that this is still a live debate that should be taking place? Were you disappointed that that was not included in the Prime Minister's negotiations with the EU when he was talking about the reform of the UK's relationship with the EU?

Professor Sir Pete Downes: There are two issues there. The first relates to the suggestion that European students might pay some contribution to their higher education in Scotland, and the idea was that they might pay a fee labelled as a management fee. That was when

Mr Russell was Cabinet Secretary. My understanding is that that issue was discussed at length with the European Commissioner, who was sympathetic to the position in Scotland, which was not dissimilar to that of some other European countries with neighbours who charge differently for higher education, but the outcome of those discussions was that the principle of freedom of movement outweighed the issues that Scotland was facing. I don't think that that is a position to be renegotiated.

I am fairly indifferent to whether David Cameron chose to pursue that in his discussions. It was very clear in those negotiations that things like freedom of movement are sacrosanct elements of the EU relationships, and I could not imagine that that decision would have been overturned by those negotiations. Our understanding is that the issues that were negotiated by the UK Prime Minister had relatively little impact on higher education. The ones that could possibly overlap relate to complexity of regulations, and there are some issues there. We do not believe that the EU is a perfect organisation, and we believe there is further room for improvement in the way a number of its activities are managed. European regional development funds, for example, are quite taxing moneys to get hold of.

Q12 Chair: There is one thing I would like to ask you, vis-à-vis English students, before we move on from the EU to research. There is a quote from, I think, a director of universities. Looking at the other possible models if the UK was to leave the EU, view he said, “Even if we were to cease to be a member of the EU but retained membership of the EEA, it would not get us out of the issue”—the issue that there would be still an expectation that students who come from the European Union would be expected to secure their university education for free. Is there a sense that, even if we managed to resolve some of these things, looking at the other models that were available for Scotland, we would still be very much stuck with this as a particular issue to deal with?

Professor Sir Pete Downes: From what I have said already, I would not use the term “stuck with it”. I would say that there is a cost for something valuable. An example to illustrate the point—and just to clear this up—is that if we left the EU, we could become an associate country; one of the celebrated examples of that is Switzerland. In its own referendum in 2014, Switzerland decided it wished to remove itself from the freedom of movement arguments within the EU and, as a consequence of that, immediately they became ineligible for major funding streams. I think that illustrates very well how strongly the European Union members feel about freedom of movement and why it is so central to the value that countries extract from it.

Q13 Kirsty Blackman: Your answers so far have been very useful; thank you. I want to ask specifically about research funding. About 10% of research funding for Scottish universities comes from the EU. How important is this money to supporting research, and is it focused on particular areas of research?

Professor Sir Pete Downes: As you say, about 10% of research funding in Scotland is coming from the European Union. You could reverse the logic of the argument I made before and say, in a way, that could be thought of as quite a small proportion of our funding, but it comes in a very different form. European funding in its various forms is primarily organised to develop and build partnerships, including multiagency partnerships, particularly to create interactions between multiple universities—and, very often, businesses. Not only is that kind of support more valuable, but we know, for example, that research done in partnership with others—and particularly with industry—is far more

impactful. That is in academic terms, like how many citations a particular piece of work gets from others working in the field, and also the impact on economic measures and outcomes, and the growth and development of the companies that engage. European funding is incredibly valuable, and it is qualitatively distinct from the kind of funding sources that we receive from within the UK.

Q14 Kirsty Blackman: Is the funding received across all areas of speciality, or is it particularly focused in specific areas?

Professor Sir Pete Downes: It is very broad and it comes in two main categories. There is the excellence-based funding, which has similarities to the way in which we fund things in the UK, and there are capacity-building sources of funding that are designed to ensure that research can develop effectively across the nations of the European Union. We are extremely successful, in relative terms, in winning funds from that pool for excellence, so we do better at money in and money out. We are net contributors, though, to the funds that are designed to increase capacity, because we are one of the leading nations in the EU with our current higher education research capacity. It is broad in the sense of broad coverage across disciplines.

On average, there tends to be funding that supports the STEM subjects, particularly those that are related to major questions of the day. If I could just comment on that: there are two kinds of initiatives that are relevant. The joint programming initiatives pool expertise from across Europe, and they are addressing some of the most important challenges of the day—things like the growth in the prevalence of Alzheimer’s disease, issues of diet and climate change, and the productivity of the oceans and the seas. These are very big questions that require multiple agencies to come together to help to resolve. Similar things apply to the joint technology initiatives that are very specifically focused in technological areas. One of the most recent of those is the funding of something called the European Lead Factory. That is based in Scotland and builds on research in my own university in Dundee; it is worth £19 million of investment into Scotland. Those are the kinds of things that are being supported beyond the straightforward Horizon 2020 grants.

Q15 Kirsty Blackman: In the event of Brexit, do you think that we would lose opportunities for international collaboration? Also, do you think the UK and Scottish Governments would be able to fill the 10% funding shortfall?

Professor Sir Pete Downes: Let’s answer the first question first. Overall, if the UK is a net contributor to Europe, then in theory, those funds could be returned and used to support our own directed research activities. There is no doubt, though, that the higher education sector would be in competition with all other sectors, which would equally feel that those funds that are now not being spent in Europe should be spent on them. It is not certain what the outcome would be if that were to happen. However, what would be lost is what I would call the convening power of European funds to create these partnership interactions, some of the major initiatives that I have just referred to, and some of the most amazing research infrastructure projects anywhere in the world. It has been said that, by virtue of its membership of the EU, the UK has access to some of the most advanced scientific equipment in the world—in fact, most of the most advanced scientific equipment in the world. This is a function of the collaborative nature of the EU, and that is primarily what we would lose if we left Europe.

Q16 Mr Stephen Hepburn: How important is it for you to have ease of access to the European labour market?

Professor Sir Pete Downes: I can tell you what the numbers are. Currently 16% of academic staff in Scotland have EU nationality, not UK, and it is something like 23% of what we would call the research specialist staff. These are usually people with a doctorate degree who are working and developing their scientific careers within established laboratories and other academic environments. The numbers are very substantial. The non-EU international staff is about 13%, so it is significant but not as high. It is very much the freedom of movement and the ability to work here without a tier 2 visa that is absolutely vital to stimulate that flow of labour. It is inevitably high-skilled labour. Very high proportions of the students that I referred to, but also of the staff, are skilled in the science, technology, engineering and mathematics subjects. That skill base is in relatively short supply in Scotland in particular. It is not just about the numbers; it is about the quality and qualitative differences in the makeup of those staff.

Q17 Mr Stephen Hepburn: What sort of additional benefits do these staff bring to Scottish universities that could not be found in the UK?

Professor Sir Pete Downes: Universities like mine are internationally competitive. As was referred to earlier by Christopher Chope, we are the No. 1 university in the world under 50 years of age. We can only maintain that if we can recruit the best talent. Often in very niche areas—and certainly at a very rarefied level—we have to recruit students and staff in global markets in order to keep not just our reputation, but the reputation of Scottish higher education, at the very high level that it currently is at. There is no substitute for access to a global employment market.

Q18 Mr Stephen Hepburn: To go back to one of the points you made earlier, 13% of the staff in Scottish universities are from non-EU countries?

Professor Sir Pete Downes: Are international non-EU, yes.

Q19 Mr Stephen Hepburn: What additional barriers do they have to go through, compared to an EU applicant, to gain employment in a Scottish university?

Professor Sir Pete Downes: Non-EU applicants for staff positions at a university would have to get a tier 2 visa. There is a cap of 20,000 on the number of tier 2 visas for the UK. That cap was exceeded in the last year, and if that number of 16% of our staff was to come into that cap, it could not be managed. It would not be possible to achieve well under half of the number currently of our total international staffing levels. I could refer more generally to the immigration policy. Clearly this would be less of a problem if we had what I would regard as a more enlightened immigration policy in the UK, but unfortunately that is not devolved to Scotland. We welcome the work that the Scottish Government have done to support our views on immigration and making immigration easier, and we are very strongly supportive of the notion of a post-work study visa for international Scottish students.

Chair: I am sure you have followed with great interest our particular inquiry into post-study work schemes.

Q20 Margaret Ferrier: That is just on cue, because that is what my question is looking at. When we looked at post-study work schemes for international students, we heard that being able to stay in the UK after graduation was a draw for international students. Do you feel that it is also important to EU students coming to study here? What do they have to offer the labour market, bearing in mind that I think I read that a lot of EU students are more likely to be studying the STEM subjects, which is a real draw? We are always looking for people who can do science, technology, engineering and manufacturing, so that seems to be an area where we need to draw people in from the EU.

Professor Sir Pete Downes: I think you have made my point for me. EU students do not need a visa to come and study here, or to continue to work in the labour markets here in the UK and in Scotland following their study. To me, that is a huge advantage. As I have said in response to other questions, I believe that a worldwide pool of talent is vital to ensure that universities continue to thrive, so it is vital for the future economy of Scotland. It is not that we do not have talent in Scotland—of course we do—but restricting our access to talent to Scotland only is not the way to go. Scotland needs to be as international in its perspective as its universities are, and I think that is the key thing. It is absolutely vital that those visa restrictions do not apply to EU staff. That is one of the things that makes it very attractive to me.

Q21 Chair: To follow on from that question from Ms Ferrier, if we were to leave the EU it would be very likely that EU students would be treated the same as non-EU international students and, if they were to continue to work in Scotland after their studies, they would have to apply for a tier 2 visa, with all the issues like costs and the cap. Would that be a concern of Universities Scotland?

Professor Sir Pete Downes: It would be an enormous concern—absolutely one of our key concerns.

Q22 Margaret Ferrier: We are looking at demography—we will have a session on that—and we are being told by the UK Government that we should be boosting our population in Scotland. Surely there would be an impact from a lack of EU students and, as the Chair said, their being treated the same as international students.

Professor Sir Pete Downes: I could not agree more. We need to be boosting our population, but we also need to be boosting high-level skills. These are people who are going to be very effective in a high-skills labour market. As you rightly pointed out, and as I said before, higher proportions of those EU students come with interests in the STEM subjects, and we have a particular shortage of skills in those areas in Scotland.

Q23 Chair: One of the things that this Committee recommended in its inquiry into post-study work schemes was a subnational immigration system, where Scotland would have a greater responsibility for securing these types of immigration powers and responsibilities. If we did leave the EU and we did assume these responsibilities, in your view would that be able

to counter some of the worries and fears that you have presented about EU students being treated the same as non-EU international students?

Professor Sir Pete Downes: Personally, I don't think there would be an easy way to counter the disadvantage of EU exit and the impact that would have on our access to world class talent.

Q24 Chris Law: I am a little bit perplexed. I am looking at the information with regards to Universities UK and Universities Scotland, which take slightly different positions. When I look at Universities UK, which takes a very strong position on remaining within the EU, it seems to encompass just about every university in Scotland, with the exception of Aberdeen University, the Royal Conservatoire of Scotland and Scotland's Rural College. Where does that leave the position of Universities Scotland? How many are members of Universities Scotland and Universities UK? If there are universities in both positions, do they not slightly contradict each other?

Professor Sir Pete Downes: Let me explain the differences first. Universities Scotland is part of the overall umbrella organisation, Universities UK, but it has its own policy directions relating to the devolved nature of higher education. Both are charities, as are the majority of universities, and therefore they are—and we are—required to be compliant with charity law. The charity law that applies here requires that if any of us adopt a position of political partiality on any topic and disburse our own resources to support the view that institution expresses, we are required to demonstrate that that is aligned with our charitable objectives. Provided it is, then such outcomes are fine. There are two principal charitable objectives at play here. One is some judgment about the absolute value of membership of the EU or otherwise. The second is the value that all of our institutions place on being places of informed and evidenced debate and freedom of expression. We are all aware that we are leading communities of people who are equally free to express their views and who may express a range of views in any political situation.

As it did with the independence referendum, Universities Scotland has adopted the view that the issue about freedom of expression is more significant in the way we would make the judgment between those two outcomes. Universities UK decided that the case to remain in Europe for UK universities is so overwhelmingly strong that they chose to prefer that particular alignment with charitable objectives. So the positions are not different in that respect. Nearly all universities in the UK have adopted a position of institutional neutrality for exactly the same reasons, and that is the case for all the universities in Scotland. A few have adopted—and have agreed with their governing bodies that they absolutely support institutionally—the “Remain” campaign, and none has aligned with the “Leave” campaign.

Q25 Chris Law: I am still not sure if I am very clear on this. When I read Universities UK's own website page, it says, “Universities UK has taken a strong stance on this issue because the UK's membership of the European Union makes the UK's outstanding universities even stronger, benefiting the British people”. I will end on the last words: “The EU has a positive impact on our universities. It enhances university research and teaching and contributes to economic growth”. Just to go back to your point about them both being charities, if they are both governed by the same charitable board, how can you have two different positions where one is of neutrality, which I totally appreciate, but the other one—that of Universities UK—is a very committed stance on the EU?

Professor Sir Pete Downes: As I said, because of alignment with the charitable objectives. I think the responses I have given to the questions today have shown that my view is absolutely aligned with the UUK's views on the importance of EU membership and the value that that brings to UK higher education institutions. But any governing body has to weigh up that particular charitable objective of ensuring the strength of higher education in the UK and/or Scotland against another charitable objective to ensure that universities are places of informed debate and freedom of expression. You simply have to make a judgment about which of those you think should be foremost in the decision that you take. It does not tell you anything about which position Universities Scotland would take, were it to take a position. You have to look at what Universities Scotland is reporting on the evidence it has collected, from which Universities Scotland very strongly favours the "remain" position; there are so many advantages.

Q26 Chair: I find this position quite curious, too, I have to say. I agree with my colleague that Universities UK is in a position to take an agreed position when it comes to the EU, and Universities Scotland cannot. We have listened to you today and I think it would be fairly characterised as a "remain" case, which further compounds our confusion about why it seems to be impossible for Universities Scotland to take up a distinct position on this. Is it giving a sense that there is a case for Brexit for Universities Scotland, and if there is, maybe you could tell us a little bit more about it, because we have not heard much of that this morning?

Professor Sir Pete Downes: It does not in any way imply that there is a case for Brexit. It makes it very clear that the position that Universities Scotland believes is appropriate is to support evidenced debate and discussion and to bring that evidence and the information that is available to people who will need to make the choice at the ballot box. It is a simple position on that, and it has no bearing at all on whether Brexit is supported or not.

Q27 Chris Law: Dundee University is a member of Universities UK and you are the principal, but at the same time, you are the convener for Universities Scotland. You can understand the confusion from a university point of view, let alone even from—

Professor Sir Pete Downes: Not only that, but as the convener of Universities Scotland, I am also a vice-president of Universities UK. I can tell you that my triply-split personality right now is readily accommodated by the requirements of each institution that I am representing. I am a member of the board that made the decision that that is the position that UUK should take. It was not the view that our members took in Universities Scotland because of, as I said, the issue of freedom of expression. Nearly all the universities in the UK who are under the UUK umbrella have institutionally adopted exactly that position of institutional neutrality, as places where informed debate should take place and where all staff and students who are members of that community have the freedom to express their views. That is the position of the University of Dundee. As a member of that community, I am also free to express my views. Those views are based upon 27 years of experience in higher education, latterly leading a wonderful university in Dundee and having a senior national place in all of that debate and discussion. I am unequivocally in favour of remaining in the EU. I have said so publicly in the press and in a debate that took place in Dundee on Friday.

Q28 Chair: We are just about out of time. I think that clarifies it for us; we are grateful, Professor Downes, and we are very grateful for your evidence this morning. It has really

helped us kick this inquiry off. Unless there is anything further that you feel you need to share with the Committee, we will thank you so much for this morning's session. If there is anything else that you feel we have missed or would help us in the inquiry, we are open to taking further evidence.

Professor Sir Pete Downes: I think you have covered everything that I was led to believe that you wanted to cover. I am glad you gave a bit of time to that latter point, because I understand it could create confusion, and I don't believe it is confusing if you understand the responsibilities of each institution in this regard.

Examination of Witnesses

Witnesses: **Andrew McCornick**, Vice President, NFU Scotland, and **Ross Dougal**, President, Scottish Fishermen's Federation, gave evidence.

Q29 Chair: Good morning, gentlemen. Could you say who you are and which organisation you represent, for the record? If you have anything in the way of a brief opening statement—the emphasis being on “brief”, given we have only 45 minutes—please feel free to share it with us.

Ross Dougal: I am Ross Dougal. I am President of the Scottish Fishermen's Federation. Very briefly, it is a federation made up of 10 associations geographically around the coast of Scotland. There is Clyde, Mallaig and North-West, Orkney, Shetland, Anglo-Scottish and, as of two weeks ago, the Fife fishermen have joined in. We also have the Scottish Pelagic Association, the Scottish White Fish Producers, which is probably the largest by number, and the Fishing Vessel Agents & Owners Association. Very briefly, following on from some of the discussions you have had earlier, we are neutral. The SFF has an executive committee made up of all the associations, and its mandate to the SFF itself is that it will be neutral and it will do its best to try to elicit as much information as it can for all the members. There is a spread of feeling within each of these associations.

Andrew McCornick: Andrew McCornick, Vice President, NFU Scotland. Very briefly, we have taken the view that we are suggesting we should stay in until we are given a viable alternative to consider to take out to our members. We are not totally neutral, but we are sitting on the fence.

Q30 Chair: I think it is quite appropriate for somebody from agriculture to sit on a fence. You are one of the few people who probably get to do that legitimately. Mr McCornick, the CAP is the EU's single largest area of expenditure and it accounts for something like 40% of the total EU budget. How important is that funding for Scotland's agricultural sector?

Andrew McCornick: It is a particularly important part. I can give you some figures on that, which I have in front of me. The total Scottish farm income in 2014 was £823 million. Of this figure, 68% or £560 million was support payments and grants. That is a real big part of what we do, what we get as farm income. Breaking it down into some of the categories that we have, the beef support is 42% of the output and over 200% of the income; in the sheep industry, it is 34% of the output and 240% of the income; in dairy—these are 2014 figures;

we have a totally different situation now—it is 9% of output and 50% of income. Dairy is in a far worse place now than it was in 2014.

Q31 Chair: I have been a Member of Parliament for 15 years and had several conversations with the local NFU concerning some of these things. I have not always gone away from these meetings with a great degree of satisfaction with the CAP, particularly with the way it is structured. What are the main issues with the current version of the CAP and why do you feel these concerns about the system have not been addressed in the past?

Andrew McCornick: The system is undergoing change at the moment. We are moving into area-based payments. Previously it had an historic basis of what the production in the unit was, but it has now moved to an area base. We are finding that the changeover has been more than difficult. It has been challenging, to say the least, and a lot of the detail involved has not been forthcoming. We have failed to get the kind of detail that we require. Some of the agricultural environmental aspects of it are difficult to follow, and it is difficult to understand why in a beautiful green place like Scotland we are being asked to follow this. It is partly not helped by our own Scottish Government taking some of their own views on that, and making them what we would call gold-plating or belt-and-braces operations. That is the sort of thing that we are battling with just now. But CAP does deliver, and part of the reason it is delivering is that some of these more marginal farms really require this, as you can see from the figures I have just quoted you. Don't look at it purely on a farming basis. We are delivering a rural economy; people are depending on thriving agriculture.

Q32 Chair: I am glad that my 15 years' experience has possibly been consistent with the response that you have just given, and the concerns about CAP are still very relevant. If that is the case, we have received evidence from Farmers for Britain—I think you are probably aware that the agricultural group within Scotland are advocating Brexit. They think it would be better for the Scottish agricultural community if we did leave. Their major case is that, as a net contributor, both the UK and Scotland would be in a position to gain a significant amount of money. I don't know if you have had any conversations with your colleagues in Farmers for Britain. What would you say to them in response to that?

Andrew McCornick: I have not had any direct conversations with Farmers for Britain. We have looked at these figures, as a substantial amount of money does go to Europe, but equally, a substantial amount of money comes back in different forms and versions. It does not just come back in CAP. The structural funding and so on is coming back into all the devolved Administrations and south of the border. There is a significant amount of that money coming back, and there is a certain value to us of having that connection because we have one market of 500 million people; in Scotland there are only 6 million.

Q33 Mr Stephen Hepburn: What is the future trend for CAP? Is it being phased out?

Andrew McCornick: Certainly the funding seems to be going in that direction, and we need to get profitability driven into agriculture for that to work. To get profitability, we need strong markets, and we need access to these strong markets. That is basically where we are coming from.

Q34 Mr Stephen Hepburn: If it is being phased out, at some stage in the future CAP will not be an argument for farmers to stay in the European—

Andrew McCornick: There is no way I can see it is going to be totally phased out, because we are competing on the world stage.

Q35 Mr Stephen Hepburn: But there is a trend to run it down, isn't there?

Andrew McCornick: There is a trend to run it down. It is the funding that is running down.

Q36 Mr Stephen Hepburn: Even though it is running down, it will be still a significant—

Andrew McCornick: It should be. If you see the benefit it delivers, particularly to our more remote and challenging farms, it is necessary to keep these people in business. I will go back to what I said, and that is it is important to the rural economy and to rural communities that these places are being farmed to their best worth. There are also tremendous environmental benefits included with that.

Q37 Chair: Just before we come to Mr Dougal—and we will, I promise you—one last question, because I am interested in some of the responses you have given thus far. Have the difficulties that we have had with the single farm payment, particularly the computer glitches, tempered or influenced the view of Scottish farmers of the European Union and perhaps pushed them ever so gently towards favouring Brexit more?

Andrew McCornick: It definitely has had an effect. It has tainted people's opinions of what is going on as well. There is definitely a hint of that in there. There is a lot of anger out there built up in this delivery, and it purely is the delivery.

Chair: I think I am grateful that that is not the scope for this particular inquiry and the responsibility of this Committee. Let me leave that one there, and I will hand over to Margaret Ferrier to ask Mr Dougal some questions.

Q38 Margaret Ferrier: This is to Mr Dougal, and I would like to start off by putting on the record my appreciation to all of our hard-working Scottish fishermen, who go out in all types of inclement weather to bring back a very high-quality, nutritious food source for all of us. It is much appreciated.

Chair: That is a hearty “hear hear” from all the Committee.

Margaret Ferrier: For years there have been concerns about the effectiveness of the Common Fisheries Policy and its impact on the Scottish fishing industry. What is the view of the Scottish Fishermen's Federation of this policy?

Ross Dougal: I think I could safely say that the Scottish fishing industry has not been fans of the Common Fisheries Policy, even of the revamped version that took place two or three years ago. The problem has always been that you have “one size fits all” for the whole of Europe, and it does not suit the particular type of fishing that happens in Scotland. You may say fishing is fishing; the majority of Scottish fishing is family-based. There is some company involvement, but it tends to be share fishermen and skipper owners, and it is a mixed fishery. With the exception of the pelagic that are targeting just one or two species,

the rest of it is a very mixed fishery. We are fairly unique in Europe in that, so a lot of the regulation coming down just does not suit. It is micro-management from above. If you go back to when the Lisbon treaty was signed, everybody breathed a sigh of relief that the European Commission—who are not elected—will no longer have it all in their hands. However, because it is now a co-decision of the European Parliament, trying to get a change to any bad legislation that comes through takes nine months, a year or longer, and the impact of that is dreadful.

To give a nod to what my colleague said, part of the problem is that the UK—and possibly the Scottish civil service—tend to gold-plate things that come down from Europe. They love dotting i's and crossing ts, and that makes life a lot more difficult. Shall we say that our continental brethren have a more laissez-faire approach to regulation, and we are all supposed to be working on a level playing field?

Q39 Margaret Ferrier: What reforms would you like to see, so that it is better suited to the needs of Scottish fishermen?

Ross Dougal: There has been a start made, with the recent review of the Common Fisheries Policy, towards regionalisation. That is in its early days. We now have the fishing directives of the member states in each of the sea basins starting to get involved in doing stuff. However, the problem remains—and it would be something that would probably require a treaty change—that the European Commission has exclusive competence in this area. It is different from farming. When it comes to the big decisions like quota and effort, they are in charge. For the rest of it, you are fiddling about with what comes down to you.

On the industry side, there are what are called European advisory councils. I am on the one for the north-west waters, which is all the seas and the member states that fish to the west of the British Isles. But the clue is in the name: it is an advisory body. You can put things forward. The directors of the fishing countries will submit stuff to the European Commission, who can say no. It then has to be ratified by the Parliament. They can say no. That is, I think, part of the problem we have.

Chair: We have a couple of supplementary questions from, first, Kirsty Blackman and then Steve Hepburn. I think you have elicited some interest from the Committee here.

Q40 Kirsty Blackman: Particularly on the issue of who is at the negotiating tables, in terms of the UK Government input compared to the Scottish Government input, is there enough of a Scottish voice in that, and is Scottish fishing different enough from UK fishing that there could possibly be a tension in what those two groups want?

Ross Dougal: That is an interesting question. We have gone on record as saying that we think that the Scottish Fishing Minister, where appropriate, should lead in Europe. The decision is what is appropriate. If you go back two or three years pre the referendum, I would say the relationship between the civil service north and south of the border was not good. It is a lot better. They are working very hard to get a combined state. We have always kept in touch with Defra as well as Marine Scotland simply because of the European aspect, and provided the briefing is consistent and done well, then who delivers the message is sometimes not as important. I think it would be very difficult, for instance, for a Scottish Fisheries Minister, who has no locus in Westminster, to represent the fishermen of England. I might get shot for saying that because I am the Scottish

Fishermen's Federation, but it is a fact. Over the last few years, the main problems in the fisheries have been south of the border. We have been relatively okay this last three or four years, in terms of end-of-year negotiations.

Q41 Mr Stephen Hepburn: If we were not in the EU, what would the Scottish fishing industry look like? Would it be a bigger industry? Would it employ more people? Would it contribute more to the Scottish economy independently?

Ross Dougal: In the Scottish fishing industry, I think you would find it very difficult to find individual catching skippers who would be in favour of remaining in the EU. The thought is that because the majority of the commercial species, say, in the North Sea are probably concentrated in what would be UK/Scottish waters, probably up round the Shetlands, if you had control of that, then life would be better. I do not know if you would increase the fleet substantially—boats are more sophisticated—but it would make business plans going forward more robust.

The difficulty, of course, is that you are working with what is called a relative stability share of quota at the moment. This was established in the early 1980s based on catch histories in the 1970s, and what happens is that you get stock assessments from the International Council for the Exploration of the Sea in Denmark. They provide it to the European Union. They will then take a political decision at the end of the year at the Council of Ministers. Whatever is decided on as the appropriate quota is then split among the member states due to this relative stability figure, this share. It does not favour Scotland and England and you would have to do something about that. For instance, I cannot see that if you came out of Europe that the UK/Scottish Governments would ignore the advice from ICES. They would have to look at what the quotas could accurately be set at.

Q42 Chair: It is ICES that set the quotas, is it?

Ross Dougal: ICES provides the information. They make recommendations. They will be given a brief from Europe. They will take insights from all the member states. They will come to conclusions about the state of the stocks. That goes back in and occasionally you will hear some of the environmental lobbyists say, "The Council of Ministers set quotas above what ICES recommended". Well, hang on a minute. ICES said, "Okay, that is the optimum position. However, if you allow people to catch more, you will still achieve the same result. It will maybe take two or three years longer". Nobody is saying that you are going to crash the stock, and that point sometimes escapes our environmental friends.

Chair: I am grateful.

Q43 Chris Law: I want to pick up on Kirsty's question about representation at an EU level. I was looking at the news from last November, because it jogged my memory about Lord de Mauley, who has no experience of, or previous remit on, Scottish fishing, and we had this absurd position where Richard Lochhead could not represent Scottish fishing at the EU level. I know you said just now that it is unimportant so long as they are well briefed, but was it not an absurd position where Richard Lochhead had to go and brief Lord de Mauley, who knew nothing about Scottish fishing?

Ross Dougal: I would probably plead the fifth on that one.

Andrew McCornick: Can I come in, Chairman?

Chair: Yes, please, Mr McCornick.

Andrew McCornick: Hopefully a ministerial committee is getting set up specifically for this. That was part of what we were working with through NFUS to see this was delivered. It was part of the Smith Commission and the Scotland Act as well. I think we could do basically what Ross has been talking about—put the right person in there and see they are properly briefed; in that case probably Richard Lochhead would have fitted the bill and he could have been the one that was representing this ministerial committee.

Chair: I think we are all looking at progress on that after Smith.

Q44 Mr Stephen Hepburn: What would it mean for Scottish agriculture to be outside of the EU?

Andrew McCornick: Back to what I said previously, our biggest market is in Europe. A lot of the farming build of what we have structured our business around over the last 40 years has been access to the common market, delivering to the common market and meeting the common market regulations. Our entire mindset has been towards that. On exiting, well, to put it frankly, the question was specifically asked of Liz Truss: what is plan B, which would be the exit? What is going to happen? She was like a rabbit caught in the headlights. She had no plan B. There was nothing there. That causes us a real worry, and that is where we are coming from. That is why we are saying, business-wise, we think we should stay in until we are given a sensible, appropriate alternative that we can take out to our members and discuss. We are planning to hold a big debate across at Ingliston in 10 days' time. We have Commissioner Hogan coming. If we can get a good speaker to give the “leave” story, we will get a good debate and our members will be part of that.

Q45 Mr Stephen Hepburn: How important are the trade agreements with the EU to Scottish agriculture?

Andrew McCornick: Basically, the lifeblood is in there, because these trade agreements, and the free movement—it works. Plus there are about 50 bilateral agreements with overseas community countries, with agreement done through the EU. The legislative process is in place. It has all been done. If we were to leave, all of that would have to start all over again and, on top of that, we would also have to start considering how we negotiate with the EU. Remember the Lisbon Treaty: if we exit, that means we are not sitting at the table to discuss any transition or any movement out. It will all be decided by the remaining member states.

Q46 Mr Stephen Hepburn: Mr Dougal, you have mentioned some of the disadvantages. What are the advantages to Scottish fishermen of having access to the European market of 500 million people?

Ross Dougal: You are quite right. Certain of the commercial species that the Scots fleet catch, 80% to 90% are exported, mainly into the eurozone: Spain, France, and Italy. They are desperate for our product. It even goes further. If you look at the Scottish inshore fleet

who are maybe working in shellfish, crab, lobster, velvet crab, and these sorts of things, they are exported live to the continent—a big, big market. I know one of the big exporters was asked a question at the Scottish inshore conference two years ago: why can't you expand the market in the UK or in Scotland for this stuff? He said, "If you want me to pay the boats about half of what I pay them at the moment, certainly I can sell more in Scotland." The big money is on the continent. Probably the biggest impact, I think, has been the economic woes of Spain, France and Italy in affecting the markets at the moment.

Chair: We have some questions on access to labour, and Margaret Ferrier has the first one.

Q47 Margaret Ferrier: Yes. We understand that non-UK seasonal workers are important to support the cyclical nature of labour demand in the agriculture sector. Do you know what proportion of seasonal agriculture workers come from the EU?

Andrew McCornick: Off the top of my head I cannot answer that one. I don't know an exact figure, but the fact is that seasonal agriculture workers have been getting phased out since 2008. There was a big impact in 2008 on that, making available labour to it. I have no idea where or how they come, but we do recognise it as a significant part of our workforce, not only directly for agriculture but in food and drink service industries. These people are working with our product and there is a significant amount of people employed in that as well.

Q48 Margaret Ferrier: Mr Dougal, are EU workers an important part of Scotland's fishing industry? Do your labour needs differ, and how do they differ from those of Scottish farmers?

Ross Dougal: There are two stages here. There is the onshore industry, in which case they are probably as significant as in the farming. A lot of the fish processing plants will use a lot of European workers. I was involved in the Fraserburgh taskforce recently about Youngs contracting substantially their factory in Fraserburgh and it was quite interesting. Of the people who were being made redundant, they could not track a lot of them post-redundancy, because they were European and they had moved on. They had not stayed in the area. They were not local and they just thought, "I will get a job somewhere else," and they had moved on. That made it difficult to analyse the way things were going.

On the catching side of the industry, there are not a lot of European fishermen. Maybe 10 or 12 years ago when Poland came into the EU and the Baltic states came in, there was a significant number being used at that time. These days, we rely quite heavily on non-EAA crew for boats that are working in international waters—that is, outside UK territorial waters, outside 12 miles.

Q49 Margaret Ferrier: This is to both of you. Should Scottish employers in both sectors be looking at how they can support the sustainable employment of UK workers, rather than relying on temporary workers coming in from Europe?

Ross Dougal: I will maybe take that first. We do try. We have been involved as a federation in trying to promote a modern apprenticeship in sea fishing. The Sea Fish Industry Authority, which is a UK body, provides training. They subsidise courses to get people going, but it is extremely difficult. For instance, I know in the Highlands the

training association across there do try to get stuff into schools. Out of 17 or 18 who went through the course, I don't think one has gone into the fishing industry on the catching side. As you all alluded to at the very beginning, it is a dirty, horrible, hard job, and the problem is that, until someone goes on a boat and goes out through the pier ends, they do not know whether they can hack it or not. It is as simple as that. They can say, "I am up for this. I will really work hard. I want to do it." Once they get out there, it is different and that sort of fall-out rate is there. It is extremely difficult. The industry is working hard to try to get more people in. There may be some spin-off from the contraction of oil and gas. You may get some people coming back into the industry, but I would suspect from talking to some people that they are only coming back until oil and gas go back up again.

Andrew McCornick: Can I refer you back to what Professor Downes said about the labour market and people coming into the country? If we are going to be dealing with Europe, I think it will be one of the no-nos. We have to allow movement of people. Did Professor Downes not highlight that point if they were going to have trading agreements? It was the Switzerland model he was commenting on, and I cannot see that being any different for agriculture and probably not fishing either. It looks like if we are going to trade with Europe outwith being in Europe, we are still going to have this happening.

Chair: Before we move off this, we have a supplementary from Kirsty Blackman.

Q50 Kirsty Blackman: Yes, it was just a very quick one for Mr Dougal. It was about the balance between the processing side of things and the catching side of things. What is the balance in economic terms? Is it mostly a catching industry in Scotland, mostly a processing industry, or 50:50?

Ross Dougal: In UK terms, the Scottish fishing industry is by far and away the major catching side. Processing is very important. I do not have the actual statistics to hand but, very roughly, for every job at sea you are talking about five or six jobs ashore. That would be engineering shops as well as processing—all these sorts of things, if you have the value added part of the product.

Q51 Chris Law: It is a straightforward question: to what extent do you feel the UK Government represents the interests of Scottish fishermen and farmers?

Andrew McCornick: After you, sir.

Ross Dougal: You want me killed again. No, I think they try their best. As I say, we have endeavoured to make sure that the right messages go forward through the Scottish civil service to the UK. We keep in contact with Defra and the Minister, George Eustice, and occasionally Liz Truss, as well as Richard Lochhead and his colleagues north of the border, but it is extremely difficult. I would say part of what is happening now, and we are experiencing it already, is with budget cuts in Government Departments. A lot of the people that we dealt with, who really knew what they were doing, are no longer there in the last two or three months. One of the international negotiators from Defra who has been very helpful, along with the Scottish negotiator when we go to the likes of the EU Norway talks at the end of the year, has gone, overnight, as have two or three others in that Department.

You could talk about the same thing with Victoria Quay in Edinburgh, where Marine Scotland is. There is not a lot of staff. It raises the problem that if you look at Brexit, if Brexit comes about, one of the worries is: who is going to cope with it? Is there the staffing available? Is the expertise available to unpick everything and start with the negotiations? The Norwegian model is great. If you go to the EU Norway talks, the Norwegian industry is embedded with the negotiators in that room. They are at the table. You have an EU negotiator trying to talk on behalf of, in the North Sea obviously, about 13 or 14 countries. The fishing industry is just about tolerated, their presence in that room. The civil service negotiators will be there and they are very good. They will come back out and say, “They are thinking of doing this, they are thinking of doing that. What is your take on it?” But that is one thing that I think sticks in the fishermen’s craw. You are a very small part of a very big cog.

There was a classic thing at the December Council this year where the EU negotiator in a back room did a deal with the Norwegians that nobody in industry and none of the member states knew about, and it was at the 23rd-and-a-half hour of the negotiations, too late to get anything done about it. To give them their due, both Richard Lochhead and George Eustice created merry hell about it, but the deed was done. That is one thing that we want to get away from.

Andrew McCornick: There are quite a lot of similarities there with our aspect on this. We spend a lot of time speaking with parliamentarians from every Parliament. We have regional meetings. Our organisation holds regional meetings quite regularly to get messages delivered from the membership through Holyrood, Westminster and Europe. There is a more enthusiastic listen probably coming from Scotland than Westminster, probably because of the challenges down there, but still we are delivering messages. We are getting people in there to listen, but I would hope this ministerial committee, which I mentioned earlier, is going to solve a lot of these issues, and that we can get a stronger voice in Europe through that. This is the ambition that we are looking at.

Q52 Chris Law: The obvious answer, then, is that a much greater Scottish Government relationship and voice would be far better for both fisheries and farming, from what I can see.

Andrew McCornick: I think basically it is getting the message delivered. Who delivers it is secondary to that. It is getting the message delivered. and making sure whoever has the message takes it and delivers it to where it needs to be heard.

Chair: I know we do not have much time left, but Christopher Chope.

Q53 Mr Christopher Chope: Obviously, fishing and agriculture are not reserved matters, so if—as I hope we do—we leave, then the Scottish people and their elected Government will be able to take back control over these very important policy areas. You have articulated your frustration at the difficulty of getting anything done with the European bureaucracy. You have identified the problems that the Minister, George Eustice, has had. He is a Minister from an English constituency, and is very enthusiastic about leaving the European Union for the very reasons that you have been setting out. He will not be allowed to give evidence to this Committee, because the Government is not willing to allow members of the Government who disagree with the Prime Minister to express views on behalf of the Government. That is one of the frustrations we have. If we had evidence from George Eustice, he would be able to explain exactly what will happen when we leave and all the advantages and merits that will flow from

that. Mr McCornick was saying you are going to have a debate shortly at the NFU in Scotland; I hope that you will be able to get George Eustice to come along, because he understands the importance of this, and he has guaranteed that no farmer will be worse off if and when we leave. Liz Truss, because she is beholden to the Prime Minister, is deliberately, in my view, trying to complicate matters and make us say, “It is all terribly uncertain. We do not know what is going to happen.” George Eustice, who knows his stuff, has set out quite clearly in policy statements what will happen when we leave, and it would be to the benefit of Scottish agriculture and fisheries. My question is this: have you looked at what is happening in Iceland, for example—a small country? The Icelandics are selling their fish for the Olympics in Brazil. They are a global trader because they are masters of their own destiny.

Andrew McCornick: Can I come in first? Sorry, Ross.

Ross Dougal: Yes, no problem.

Andrew McCornick: It is time I had a go first. First of all, send George Eustice up; we will be very pleased to see him. Commissioner Hogan will be delighted to have the debate with him. He has had the debate with Owen Paterson at Oxford. If Owen Paterson wants to come in, send him up; we will deal with it. I have my policy manager here, and I do not know what she has arranged so far, but these are some of the targets that we had set in front of us.

Back to your Scottish budget statement. We as Scottish agriculture are a totally separate item if Brexit happens. Where is the money going to come from? It will be coming through Westminster. We have a Westminster Parliament that is very keen on austerity. Are they going to supply agriculture with the same amount of funding that Europe is putting in through the European Union? We do not know. Answer some of these questions. We will take that to the membership and we will discuss it. I cannot remember what your final question was.

Chair: I think we will move on. The way it works in this Committee is that we ask you guys the questions. I know it is always tempting to ask one back, but maybe Mr Dougal has collected his thoughts to respond.

Ross Dougal: Yes. George has been up to Peterhead and had quite a good hearing there. I think part of the problem is that the money side is right. I think when Andrew and I did the Scottish Committee on European and External Relations, I said that if we are such net contributors to Europe, perhaps some of that money could be used to replace these subsidies. Then the cynic in me said, “But HM Treasury would have hold of it first, and what are the chances of them letting anything go, once they get it back?”

The other thing is that you are quite right: fishing is devolved. What we do not know is what happens if there is Brexit. There is a concordat between the four UK Administrations on how things are handled in the fishing industry. Whether under that, all the power to deal with these waters and stocks would pass back to Scotland, we do not know, but I go back to what I said earlier. Do we have the expertise there to sort all this out? It is a serious concern. In terms of money coming back from Europe, the fishing industry gets something, but it pales into insignificance beside what comes back under the CAP.

Chair: I am grateful. Can we move on?

Q54 Kirsty Blackman: Yes. I will ask these very quickly. To both of you, this is about the views of your individual members. You told us the views of your organisations on the EU referendum, and we have kind of touched on the views of your individual members, in terms of different individual ones. Can you tell us about the views of your membership? Will they be voting to stay or to leave?

Ross Dougal: I will take this one very quickly. If I can put it this way, there was a lot of fishing skippers who were very much in favour of the yes vote in the referendum. They put it on record relatively recently that the SNP would get both their votes for the Scottish election, but it would be a definite out when it comes to June. We have had phone calls from BBC, ITV, whatever, wanting to do a piece, and asking whether we can we find someone in the catching sector who would speak about remaining in the EU, and we had great difficulty in coming up with such a beast. The best you would have is someone who says, “I want to get out. However, I do take on board that it is not straightforward”.

Andrew McCornick: We take a strong lead from our members on what happened during the in/out referendum, and the biggest question that we were getting thrown at us was: what is going to happen to the CAP? That was the one question, and that is why we have taken the position we have, basically. We were informed by that, but there is a divergence throughout our membership. There are some who are very, very keen on staying in, and there are some who are equally keen to get out. Having this debate, getting information in front of them, is really important, and we need to have a reasoned argument out there to get them to understand it.

Q55 Chair: What strikes me is that there is an assumption that most of the people who work in agriculture and fisheries would take a Brexit position in all of this, and what we are hearing from both of you today—even from yourself, Mr Dougal—is a reasonably favourable position towards “remain”. Is there a sense—

Ross Dougal: I do not know if I said that, actually.

Chair: Well, the question is: is there a definitive view within both your sectors about how we move forward? Is it split? What is your sense about where both your sectors are, in terms of how they are going to be approaching this?

Andrew McCornick: We are finding there is a total lack of evidence for the exit. If we had solid information out there to discuss, to make reasoned and sensible decisions on, we would certainly be going down that road. Until that information is in front of us, we can only say that business sense says that we are best off staying in, because we do not know what the alternative is. It is like jumping off a cliff and trying to build a plane on the way down.

Q56 Chair: I am sorry if I misrepresented your view, Mr Dougal. Maybe you could tell us exactly what you and your sector think.

Ross Dougal: Certainly at the catching side, I think there will be a significant majority in favour of Brexit. Some of them will have reservations, but they just feel that the micro-management, top-down management, from Europe has been a failure. The last Common Fisheries Policy did not do anything. This one is slightly better but a long way short of what is required. Whether they are misguided in the difficulties involved in exiting and

sorting everything out, I don't know, but certainly the sense I get is that the majority of them would say out.

On the processing side, obviously they are selling into the market. The boats should take that on board because obviously they are selling the fish to them. If their market goes, where are the boats going to sell their fish?

Q57 Chair: Just for clarity, do you represent the processing side, too?

Ross Dougal: No. Sorry, I should have made that clear. I am the catching side. I have an understanding of the processing side, but I could not claim to speak for the processing industry.

Chair: So you do not speak for the processing side, just to clarify that?

Ross Dougal: No.

Chair: Christopher Chope.

Mr Christopher Chope: I have some more questions, have I?

Chair: Yes, you have No. 19.

Q58 Mr Christopher Chope: Okay, No. 19. It has been said that if we left the EU, Scottish farmers wishing to trade with other EU countries would still have to comply with EU regulations, but the UK would no longer be able to influence these regulations and there may also be additional costs. Do you think that is a fair way of putting it?

Andrew McCornick: I would say that is a fair way of putting it. Because a lot of these regulations are enshrined in both United Kingdom and Scottish law now, it will be hard to walk away from them. Equally, if we want to get into the European market with our product, they are going to do the same as they do with the European Free Trade Association and the European Economic Area: they are going to ask us to meet their standards if we are to put our food and our products on their tables.

Q59 Mr Christopher Chope: How does a country like Iceland do so well in fishing? How are they able to succeed as an independent trading nation?

Andrew McCornick: I would assume there have been negotiations done and there has been coming and going all night, but I am not privy to any of the information that Iceland has been using for trading. I would assume that they have made these decisions through negotiation. That is them accessing the market, just as we would do if we left Europe. We would have to find a way of accessing the market.

Q60 Mr Christopher Chope: Basically, you would accept the proposition that if you have a good product to sell globally, there will be a market for it, and you will be able to sell it. People will not put up barriers against good products coming into their country.

Andrew McCornick: The reverse of that is also true. There could be products coming in and competing with our industry that we cannot compete against because of the way it is produced.

Q61 Mr Christopher Chope: Which is what happens at the moment, where you have the use of chemicals in feed for, for example, European pigmeat—chemicals that we would prefer to not have in our meat here, but because they are using antibiotics and things like that unlawfully in their production, that is an unlevel playing field, not properly enforced by the EU. If we were free, we would be able to market our stuff as being additive-free and therefore better value.

Andrew McCornick: Scotland Food and Drink already uses that as promotional material, I would think, and they are already trying to access world markets, plus European markets, but I am not familiar with this stuff on antibiotics at all. I would genuinely believe that we were working to a similar standard as the rest of Europe on antibiotics. There are questions being asked about antibiotic use and we are working with that.

Chair: We are just about at the end of our time, so we have a last question from Chris Law.

Q62 Chris Law: My question is to you, Mr Dougal. It is very similar to Chris's. Do you have concerns about how, if we left the EU, your sector would have to comply with EU regulations, but have a lack of ability to influence regulations, and also about the additional costs, in terms of tariff? I know you said the majority of members may look to a Brexit, but have they and your sector taken on board what these concerns might be?

Ross Dougal: I think it is probably less important for the catching sector. The catching sector is complying with all the regulations. There is nothing much there. In fact, I would say the standards in the Scottish fishing industry are way up there, so I think I would be reasonably relaxed about that side of it.

I would go back to what Christopher Chope was saying about Iceland. What you have to remember is that Iceland's economy is 80% dependent on seafood. It is something that is a concern of ours; I know that the Scottish Government has always said they would not throw us under the bus and all the rest of it, but the Scottish fishing industry and even the UK fishing industry is a very, very small part of the total UK and Scottish industries. The concern is that if there are trade-offs to be done—I know people say, "We would look after you"—that would be a concern.

Chair: Thank you. We are at the end of our time. It has been fascinating, and I am very grateful to both of you. I am sure Mr Chope will be able to use his influence to encourage Minister Eustice to come up to your debate that you have planned in the NFU. If there is anything further that you feel you want to contribute to this Committee, please give it to us in writing. I think we are all now looking forward to coming along to Ingliston to hear this debate in the course of the next few weeks. Thank you both ever so much.

Examination of Witnesses

Witnesses: **Stephen Boyd**, Assistant Secretary, Scottish Trades Union Congress, **Gareth Williams**, Head of Policy, Scottish Council for Development and Industry, and **Garry Clark**, Head of Policy and Research, Chambers of Commerce Scotland, gave evidence.

Q63 Chair: Can I welcome our three new witnesses? Perhaps, from left to right, you would just say who you are and what organisation you represent, and give a brief introductory comment. We will start with you, Mr Williams.

Gareth Williams: Hello. I am Gareth Williams, head of policy at the Scottish Council for Development and Industry. We have members that span every sector and geography of the Scottish economy. We have engaged members in extensive discussions in recent months around EU membership and, specifically, the question of whether the UK should remain in or leave. This has demonstrated that, while there are views to the contrary, there is continued and clear stated support from members for the UK remaining in the EU.

Stephen Boyd: Stephen Boyd. I am an assistant secretary of the Scottish TUC. Like Gareth, I can say that our organisation has been discussing this issue extensively, and at our annual congress last month in Dundee we took a number of decisions, which mean that we have taken a “remain” position quite unequivocally. This was not always necessarily going to be the case. We have some members who are quite strongly for “leave”, but the trades union movement as a whole, as I say, through the various decisions made at congress, ended up taking quite a strong “remain” position.

Garry Clark: My name is Garry Clark. I am head of the economic development intelligence unit at the Scottish Chambers of Commerce. We are an organisation with around 11,000 business members in Scotland, across 26 chambers of commerce from the very north to the very south of the country. As an organisation, we take a very neutral stance on the issue of the EU referendum, as we have done on other referendums in recent years.

In terms of the work we are doing with our members on it, we have regularly surveyed our members as to their views on the EU referendum, both in terms of their preferred option—whether they wish to remain or leave—and in terms of some of the issues within that. We have conducted three rounds of research, one in September 2015, and one in February this year. We have just completed the third one, and the results of that are due to be published tomorrow. We have surveyed members in common with colleagues at the British Chambers of Commerce right the way across the UK, and we published the distinctly Scottish angle in terms of the results north of the border. Results so far have shown that there is a substantial majority of members favouring the UK remaining within the EU.

Q64 Chair: Just as an opening question, do you think this debate is warming up in Scotland? We have obviously been distracted a little bit by our own national elections, and we only have about six and a half weeks left before we make this decision. Are you detecting an interest within the various organisations you represent? Do you think people are now coming to consider this as an important issue, and are we likely to get the engagement that is necessary to make such a big and fundamental decision here in Scotland?

Garry Clark: Certainly from a chambers point of view, we have found, when asking businesses about the EU referendum, a very high level of engagement, right the way from

September last year, when we first surveyed members, through to the most recent survey. I would say the level of interest has probably heightened across the way. Necessarily, the fact that we had very high-profile elections in Scotland last week, and have the EU referendum coming up in a little under 50 days' time, has dominated a lot of the political discussion in a way that perhaps was not the case in other parts of the UK, where local elections have maybe been the focus. Certainly, we have detected across the board a very high level of interest among businesses.

Gareth Williams: We would make similar comments. I think one distinction from the Scottish independence referendum was that there were two campaigns that were very keen to engage with our members from quite an early stage. Particularly on the "leave" side, there has not been that campaign. That I think has affected some of the engagement from our members thus far, but they want to hear the arguments.

Stephen Boyd: We have a similar situation. There is a reasonably high degree of engagement among our members, certainly at trade union level, but not necessarily at individual trade union member level. I think it is yet to reach anything like the proportions we saw during the Scottish independence referendum, where people saw the issues as being much more immediate to their futures.

Q65 Chair: Well, down to the specifics then, I think it has been said that the single market and the various free trade agreements and arrangements that we have with the EU, and have established with other countries, are one of the central benefits of EU membership. What value do these have in Scotland and to your members?

Garry Clark: I would say that certainly, when we look at the survey evidence that we have picked up from members, those businesses that exclusively trade with the EU tend to be the ones who are most enthusiastic about remaining within the EU. I suppose there is not much of a surprise there. Those businesses that are least enthusiastic about remaining and more inclined to favour "leave" tend to be the businesses that do almost all of their trade outside of the EU or do not export at all. Those are the groupings, certainly, where we find a very distinctive range of opinion in terms of how businesses look at trade. Certainly, those businesses that trade within the EU are, not unsurprisingly, the most enthusiastic for a continuation of the status quo.

Gareth Williams: I am not sure if we have quite the same experience. Certainly, we have a number of members who are exporting globally who would see the EU's role within trade discussions as critical. That is linked into the strength of the single market and the effectiveness of the single voice in those negotiations.

Stephen Boyd: I think the benefits are quite well rehearsed by now. I think it is a case of jobs, exports and investment. Being a member of a larger single market produces all manner of dynamic effects, which are set out in a number of recently published reports. Scotland, as a result of being in a single market, is more productive and innovative, and is party to more knowledge-sharing arrangements, than it would be otherwise. There are a number of fairly credible academic reports that have been published to that effect.

Q66 Chair: You have probably heard some of the other witnesses. We have certainly secured quite a bit of evidence that suggests that having access to EU workers is important, if not critical, to the business sector within Scotland. How important are EU workers to each of your organisations and sectors? It seems to be that the debate about the European Union is all about open-access borders and immigration. I don't know if you have any particular views about the tone of some of that debate and whether it is a helpful conversation to have, given our dependence on EU workers.

Gareth Williams: If you were to go back to 2003, that is the period when there was substantial concern about the decline in the Scottish population, and what that would mean for the working-age population in particular. There were concerns about skill shortages in key areas and in different parts of the country as well. There was a strong view that the ability to access workers from Central and Eastern Europe, as those countries joined the EU, and the qualities that they were able to bring to jobs was of significant benefit to the Scottish economy. You have already heard from the Universities Scotland about the benefits for more knowledge-intensive sectors. You can see the substantial proportion—about 14% or 15% I think—in the oil and gas sector that come from EEA countries. Academic reports would suggest that migration benefits the UK's economy. That is the same for the Scottish economy. Longer term, it will help to have those skills available to address some of the issues around our demographics, which the Committee is going to be looking at, and to create a more diverse workforce, which we know is key to innovation and internationalisation. We have given evidence, as others have, and we are involved in the work around post-study work visas. It is important that we take a very positive approach to the benefits of migration and skills to the Scottish economy.

Stephen Boyd: The STUC has always been very supportive of EU, and non-EU, migration to Scotland. Indeed, we have been involved in a number of projects aimed at helping workers integrate with the Scottish economy and Scottish society. It is always very important to emphasise during these discussions that the academic evidence shows very strongly that EU migrants are net contributors to the UK Treasury. It is worth noting that the tone of much of this debate is quite worrying and at times bordering on quite dangerous.

Garry Clark: In common with other panellists, certainly the view we get from most of our members is that we very much welcome the opportunities enabled by the migration of EU and non-EU people to Scotland and being able to make extensive use of their skills. For all that the Scottish economy has had a bumpy ride over the past year, we still find sectors, such as construction, for example, that are continuing to experience very positive growth but have constraints on them in the form of skill shortages. Looking across the board, it is not restricted to the EU. It is an area where we would want to see access to the best skills, whether within or outwith the EU.

Q67 Mr Stephen Hepburn: As has already been said, immigration is playing a big part in the Brexiteers' arguments, as is the free movement of labour. The argument goes that if we leave the EU, we can control our own borders and we can make individual trade agreements with the EU countries. Is it not true that any individual trade agreement made with an EU country would entail free movement of labour?

Gareth Williams: It certainly seems to be the case that the free movement of labour is a principle that, fundamentally, the EU wants to uphold within the EU and within relations with other countries in the EEA. We would anticipate that that would form part of any discussions with the UK subsequent to leaving.

Q68 Mr Stephen Hepburn: Therefore, control of your borders if we leave the EU is a red herring argument.

Gareth Williams: Based on experience with other countries, it would appear that there is always going to be give and take in discussions and, as I said, freedom of movement of labour is one of those areas where the EU is very clear on the position it takes.

Q69 Margaret Ferrier: This is to you, Mr Boyd. As you said, the STUC has been a long-standing supporter of UK membership of the EU. My question concerns something I am quite passionate about: employment and workers' rights. The STUC has stated that the EU has secured useful social protections and rights for the likes of women, part-time, temporary and agency workers, and also protection around redundancy and consultations linked to that. The EU membership is a safety net. Would a "leave" vote impact on those? Bearing in mind we also have a UK Government that is trying to implement an unfair Trade Union Bill at the moment, which I am sure a lot of your members are not very happy about.

Stephen Boyd: Yes, absolutely. That has probably been the defining issue for the trade union movement making this decision. It is clear there are follow-up reasons as well that affect us and informed our decision. Concern over what would happen to the substantial minimum floor provided to employment rights by membership of the EU is a fairly major concern.

It is interesting at this moment in time that the UK Government points both ways on employment policy. You have already mentioned the Trade Union Bill; that is a massive concern for us, and has been for the past year. We have seen this Government introduce the Beecroft review, which was aimed at demolishing any floor on employment rights across the UK. At the same time, we have also seen the Chancellor introduce a national living wage, albeit that we have some problems with the nomenclature of that, and the apprenticeship levy, so as a Government they will act when they see employment rates as being helpful to their agenda. Our concern is that a couple of progressive measures on things, like wages and apprenticeship funding, will not compensate for the general diminution of employment rights we are likely to see on Brexit with this current Government in place.

Q70 Margaret Ferrier: Then would you say, on balance, that the membership of the UK in the EU has affected the rights and opportunities of Scotland's workers in a good way?

Stephen Boyd: Absolutely. You have already run through most of the areas yourself, so I won't read out the list of rights I have in front of me, but right across the board, in terms of equality, part-time and temporary agency workers, health and safety—we could go on—membership of the EU provides a very strong floor to employment rights that we are not satisfied would necessarily persist if the UK was to remain. It is important to emphasise that, if you believe in the dynamic effects of the single market I mentioned earlier on,

having a common floor of employment regulations is vital to make sure that that single market functions effectively.

Q71 Mr Stephen Hepburn: Businesses that want to leave the EU use the argument that they feel shackled by laws formulated in Brussels. What laws are these?

Garry Clark: That is always a very difficult question to answer. From the research that we have undertaken across our membership, you will not be surprised to find that the No. 1 issue that comes up among businesses, whether they want to leave the EU or not, is this issue of regulation and red tape, whatever that means. Sometimes we have had businesses come to us with examples, as they see it, of EU regulation which they believe is impacting negatively on them. One recent example I can think of has been the CE marking regulations. When we looked into that problem on behalf of a business, it wasn't so much the EU regulation that was the problem, or even the EU interpretation and implementation of that; it was the enforcement at a local government level that was causing the problem. It is a very difficult area and businesses do tend to flag up this red tape regulation area. It does bear a bit more scrutiny, in terms of where the actual problem lies—whether it is at an EU level, at national devolved government level, or local government level. That is something we are very conscious of, but I would say it is not just a concern of businesses that are minded to vote to leave the EU. It is also a concern of businesses that are minded to vote to remain.

Stephen Boyd: With respect to Garry, I understand that businesses moan a lot about regulation and red tape, but it should not be a difficult area. If there are regulations from Brussels preventing UK businesses functioning effectively, then they should be able to set out clearly what the regulation is and what effect it is having on their business. I have been involved for over 10 years with the Scottish Government's Better Regulation group and its predecessors. We hear time and again generalised complaints about EU red tape. Whenever you try to get to the heart of the matter, either the problem does not exist or the problem does not exist in Brussels, as Garry has just outlined. I always bear in mind the words of an economist, Dieter Helm, who said nearly 10 years ago that there is no area of public policy where the political rhetoric is more divorced from reality than the regulation of business. People just like to moan about red tape. Getting them to be very clear and precise about what they are moaning about, and what the problem is, is tremendously difficult.

Q72 Kirsty Blackman: Mr Boyd, I wonder if you have looked at what things from the EU have come through in regulations and what ones have come through in directives. The directives would have to be repealed if we were to leave the EU in order for them to no longer apply. Have you looked at those at all, and have your members got any concerns about which ones we would be stuck with or not stuck with, if you see what I mean?

Stephen Boyd: We have not looked at it because it is not a concern for us. It is interesting the way different countries implement directives. It tells you a lot about how economic development is pursued in these countries. For instance, the Working Time Directive was one that caused a lot of pain in the UK and one where we have a lower floor and an opt-out that is not available to all countries. If you take the Netherlands, for instance, they implemented that directive through a collective agreement between trade unions and

employer organisations. It was therefore flexible enough to deal with a lot of concerns from employers. We don't have that kind of social partnership, as the First Minister would describe it, so we have to go down the legislative route, which means that some of the available flexibilities are not there for use.

Q73 Mr Christopher Chope: A few months ago, the Prime Minister was saying that if he wasn't able to renegotiate a really good deal with the European Union, he would be quite prepared to recommend that we should leave the European Union. Which of the elements of this renegotiated deal do you think have made the difference?

Garry Clark: That is a very interesting question. We have asked members about their awareness of the general issues. Thinking back to a survey we carried out last September, at that time there was very little knowledge among the general business community in Scotland of exactly what the renegotiation package was. When we surveyed again in February, probably about two thirds of businesses, across most of the heads of negotiation, claimed to have a degree of understanding of what those were. What we did find was about 70% of businesses said that, irrespective of what the outcome of the negotiations were, they would be unlikely to change their vote. What we found across the piece in the last year or so has been a lot of businesses making up their minds in advance with little knowledge of the areas being discussed. When there isn't more knowledge of the areas coming along, they take it on board and probably vote along with their initial preference. We have found some narrowing of the gap between "remain" and "leave" over that period, but in Scotland the narrowing of the gap has been less marked than it has been across the UK as a whole.

Gareth Williams: From our perspective it is fairly similar. We have not picked up that the renegotiations have influenced opinion in our membership to any significant degree. If they have focused minds in the Commission on a more focused agenda, linked to competitiveness and growth, then our members would welcome that more focused agenda linked to, for example, the successful conclusion of international trade agreements and so on. However, it has not had significant influence on our members.

Stephen Boyd: It has not been a significant factor in the STUC determining a position. We would argue the provisions on economic governance and competitiveness do not amount to very much at all. The various measures on immigration we are not supportive of, and they help to fracture that common market in the employment regulation that we discussed earlier on. The measures under sovereignty are of concern to us as well. We would like to take these on the merits of those proposals for further integration. Having a blanket refusal to even consider them is not particularly helpful.

Q74 Mr Christopher Chope: All three of you are saying that the renegotiated deal does not amount to very much. Let us look at one aspect of it: the Prime Minister promised in the general election manifesto that he would reduce net migration to the tens of thousands. He has now had to accept that, because he failed to get a deal, we are talking about net migration increasing by 3 million before 2030 and running at between 250,000 and 300,000 every year. Are your members concerned about the impact that is potentially having on the level of wages? Lord Rose, the leader of the "Remain" campaign, has made it quite clear that if we leave the European Union, wages will rise. Surely that is something that the trade unions will

be in favour of. In terms of people from businesses, another consequence of that would be that there would be more pressure on businesses to train up our own domestic workforce, rather than relying on people being undercut by relatively cheap migration from the rest of the European Union.

Garry Clark: From our point of view, most members do favour an increase in migration levels. We do favour the ability to access greater skills, wherever that comes from, whether it is skills from outside the UK that we are bringing in, or whether it is training up more staff. We are yet to see what detailed effect the apprenticeship levy in Scotland will have on that.

We are asking businesses about their understanding of what the UK is going to look like in the event of a “remain” or “leave” vote. We do find uncertainty being expressed in both camps. Probably about 80% of businesses claim they have an understanding of what the scenario will look like in the event of a vote to remain, which is still lower than I would expect. There does not seem to be an expectation that it will be exactly the status quo. That drops to 70% in the event of a vote to leave. I think there is a degree of uncertainty, no matter the outcome of the vote.

Stephen Boyd: Your question raises a lot of issues, and I will try to run through them as quickly as I can. We have to be very clear that the substantial and accumulating body of evidence we have on the economic impact of migration into the UK is quite unequivocal. It has been good for growth and for jobs. An awful lot of the “leave” intellectual case is based on kindergarten economics or bit of labour fallacy. It is not good enough to be making a case about the future of our country with that kind of economics. The growth that we have seen since the financial crisis across the UK has largely been determined by migration. If you look at the difference in GDP output to GDP per head, it shows that the impact has been positive.

The point you made about wages is most important here. We are emerging from a period that has been unprecedented in modern economic history, in terms of the collapse in real wages between 2009 and 2014. Over the last year, real wages began to fall again. There is no serious authority out there claiming that this is the result of migration into the UK. It has been the result generally of low productivity. If anything, being a member of the European single market is good for productivity. If we remove ourselves from that at this moment in time, I struggle to see the mechanism by which wages are going to grow and jobs are going to be maintained at current levels. There are always difficult trade-offs between the total number of jobs and wage growth, but how those mechanisms would work in favour of workers currently in jobs—that is, they retain their job and they see their wages go up because the UK leaves the EU—I struggle to understand.

Gareth Williams: We have done some work in the last couple of years around our members’ views as to availability of global skills within the Scottish economy, such as language skills and understanding of business cultures in other countries. We picked up quite a high level of concern that the Scottish economy lacked provision of those kinds of skills, and there were risks of us falling behind other EU countries and countries around the world. If the argument is that we are going to have a less diverse workforce, then our concern would then be that that skills gap would increase.

Q75 Kirsty Blackman: Particularly for Mr Clark, because you have obviously been serving your members and you have spoken a bit about that, in terms of the types of businesses that want to remain in comparison to the type of businesses that want to leave, what kind of different industries are they in? What are the main reasons for those wanting to stay and wanting to leave? If Mr Boyd wants to have a stab at that from a union point of view as well, then that would be great.

Garry Clark: You have asked the two things that we have not looked at in terms of the breakdown. We haven't done a sectoral breakdown. We have done breakdowns by scale of business. We have done breakdowns by whether businesses export and, if so, where they export to. Those businesses who export exclusively to the EU tend to be the most in favour. Those businesses that export to the EU and further afield tend to be very in favour as well. Those businesses that export solely outside of the EU tend to have the narrowest gap—the least numbers of businesses in favour of “remain”—although still a narrow majority in most cases.

In terms of scale of businesses, we did notice initially that the rule of thumb was that the larger the business, the more likely it was to claim to vote “remain”. What we found more recently is that there has been a slightly higher number of “remains” in the micro-businesses—the nought to nine employees side—than the small businesses, which have 10 to 49 employees. The small businesses tend to be the least likely to vote “remain”, whereas the largest percentage of support for “remain” is in the medium-sized businesses and the large businesses.

Stephen Boyd: If I can come at it from a slightly different angle, it is easier to tell you where we have the push from inside the union movement to leave and the reasons for that. In particular, the transport union is taking quite a strong “leave” position. The origins of that are what they regard as the inflexible application of the EU competition law, which leads to things like the forced tendering of CalMac. That is one of a number of things. I would not like you to think our support is completely unconditional here. We have a number of ongoing issues we would like to pursue with the EU.

I would also like to take up one point Garry has made. Our members who work for export industries in general are very supportive. We would not be keen to draw a distinction between those who export to the EU and those who export beyond the EU, particularly as we would see our membership of the EU being pivotal to developing what we would regard as fair trade agreements with the rest of the world, with which we will see more and better job opportunities in the future.

Q76 Chris Law: For the STUC, first of all, thank you for coming to Dundee last month. That is my constituency. I hope you enjoyed some of the hospitality and some of the developments.

Stephen Boyd: A fantastic venue, as always; absolutely fantastic.

Chris Law: I want to ask you about last month's agreed “remain” vote in the EU referendum and how that came about. I have a supplementary question: you heard earlier from Sir Peter Downes about the nuanced approach that Universities Scotland was taking, as opposed to Universities UK. It seems you have a similar position with the STUC: you have

the position of “remain”, but the general council is not going to formally support the “remain” campaign. I want to ask why that is.

Stephen Boyd: If you were to go back a few months, the expectation was that any vote about the EU referendum at this year’s congress would be reasonably close. During the course of last year, the general council has been doing a lot of work through its policy committee on this issue. Eventually the general council agreed that it would support our “remain” position. An extensive report was presented to congress on that basis. I have it here and would be happy to provide it to the Committee if you would find it useful. It sets out all the various reasons why we thought, on balance, remaining in the EU was the best thing to do. That report was subsequently endorsed by congress. By the time congress had taken place, we had already seen our three biggest affiliates—Unison, Unite and GMB—take a supportive position for “remain”, so the various votes at that point were not as close as we might have envisaged. I can only condense it into saying that the various economic and social arguments presented to the trade union audience throughout the year were met with quite a receptive response in general. Only a small minority of trade unions have decided to take a “leave” position. I have lost your second point.

Q77 Chris Law: My second point was about why the general council is not supporting the “remain” position.

Stephen Boyd: There might be some lessons here from the Scottish independence referendum. We took a neutral position; we did not take a yes or no position. We did not necessarily enjoy it being described as “neutral”, because we presented quite a lot of searching questions to both sides of that debate. We were very engaged in the debate and asked some serious questions. A lesson was learned from the Scottish independence referendum that associating yourself with a campaign that may or may not be saying things that you do not agree with, or might profoundly disagree with, would not necessarily be useful in trying to persuade members to take the position we had agreed on.

Q78 Chris Law: Thanks, Stephen. If the UK does vote to leave the EU, what are the implications for your members?

Stephen Boyd: They are potentially quite profound, in terms of jobs, investment and the floor of employment rights. An added concern at this moment in time is that we are expecting a very difficult year in the Scottish economy, with the ongoing crisis in the oil and gas sector in particular. An added layer of turmoil and uncertainty caused by Brexit would be quite profoundly damaging. It is a difficult question to give you a short, pithy answer to, but I think across jobs, investment, exports and employment rights, there would potentially be quite a profound impact on our members.

Q79 Chair: You obviously speak to your sister or brother organisations south of the border about some of these issues. Do you detect a difference in the approach in Scotland to the EU referendum? Do you detect a bigger level of support for remaining in the EU than we are observing in the rest of the UK?

Garry Clark: We certainly have done in the surveys that we have carried out. In both the September and February surveys, we published the same questionnaire and asked the same types of businesses all the way across the UK. In February we found support for “remain” at about 68% to 69%, and support for “leave” around 19%. The UK equivalent figures in terms of “remain” were about 10% lower than that, at about 60%, and in terms of “leave” about 10% higher, so getting towards 30%.

Q80 Chair: Do you have a view as to why that is the case? Is there anything particularly about Scotland as to why we are seeing these figures with more support for “remain”?

Garry Clark: We do not take a view on that. What we find below that are very similar trends, in terms of scales of business and how likely they are to favour “remain” or “leave”. In terms of the issue and how the referendum’s very existence has affected business up to now, we tend to find very similar results there. We do tend to find there is a difference in the “remain” and “leave” vote.

Q81 Chair: I will come to Mr Boyd and Mr Williams on this question in a minute. Are there any specific Scottish issues when it comes to the EU? When we look at the EU question as a whole, it tends to be around the Government’s renegotiation, immigration and all the big national things. Have you detected in the community you represent that there is something specifically Scottish in terms of issues when it comes to the EU?

Garry Clark: It is very difficult. When you look at the issues, you get a very similar response level within those issues, both north of the border and within the UK as a whole. It is difficult to explain from that why there is a differential in the overall apparent voting intention. On the migration issue, there is more of a split in opinion. For example, we asked a question on restricting EU migrants’ access to in-work benefits. We found that 24% said that would be a positive thing, but about 12% said that would be a negative thing. There is more of a split there than in the rest of the UK, but broadly, the views on the individual issues tend to be very similar.

Q82 Chair: Mr Boyd, is there a difference in terms of opinion between the STUC and the TUC on the EU referendum? Are there varying levels of support, or is it much in line with what is happening with the UK TUC?

Stephen Boyd: We are much in line. At its annual congress last summer, the TUC took a “remain” position. There is not a great deal between us on it. I have not been liaising with them personally, so I am probably not best placed to answer that question, but I don’t see there being a substantial difference between us at all.

Q83 Chair: Have you detected any particular Scottish issues when it comes to how we are engaging with the EU referendum debate? Is there anything that this Committee should be aware of that will impact on Scotland disproportionately?

Stephen Boyd: I would struggle to evidence my answer. I can just give you impressions. It is probably helpful to the “remain” case that the Scottish Government is so vociferous in

its support. That is bound to have an influence on how the populace then address the question. I would like to think that Scotland has benefitted from a number of decades of quite significant investment through the regional development and cohesion funds, but I would be doubtful that would have an impact on how people in Scotland perceive the EU, and I wonder whether or not in the more peripheral parts of the UK, or even England, that would be the case. I don't know. I wonder about that.

Garry Clark: We don't have an equivalent organisation down south. Members of ours who meet colleagues in other parts of the UK will remark—and it is a decision for people individually to take—that they notice a larger number of people would support “leave” within their own organisations in other parts of the UK. I don't know why there should be that difference. We are a small, open economy. We see ourselves as part of the UK and as part of the EU. Maybe it gives you a different mentality. We have a slightly higher percentage of exports to the EU. We have a slightly higher percentage of our GDP from European-owned companies in Scotland. There are subtle differences, and also maybe a greater connection into some of the EU programmes, whether it is through the Scottish Cities Alliance and the Smart Cities programme, for example, than other parts of the UK have, in addition to what has been said already.

Q84 Chris Law: I want to ask one last question. It has been made clear that there could be a material change to the constitution, should Scotland be pulled out of the EU against its will. Do you hear that from your members as well, particularly those who support the “remain” position?

Garry Clark: In the survey, we enable respondents to give free-form answers. Yes, we have seen reference to the potential for a further referendum on the question of Scottish independence being raised. We have not quantified it, and it is not a measurement that we could produce a definitive answer on. Anecdotally—and that is all I can say it is, because it is raised in free-form answers—it has come up from businesses who have taken part in our surveys.

Stephen Boyd: It is generally not something we have discussed. It would be quite irresponsible for me to conjecture on it at this point, so I will sit this one out, if you do not mind.

Q85 Mr Christopher Chope: When the United Kingdom decides to leave, much of the scaremongering about the consequences of leaving will be exposed as nothing more than scaremongering and a whole lot of falsehoods. Then the Scottish people will realise that it is in the best interests of Scotland to be outside the European Union.

Chair: Whoever wants to take that one up?

Garry Clark: I certainly would not speculate on that. All I can say, as I mentioned earlier, is that we have businesses expressing a degree of uncertainty in terms of both outcomes.

Stephen Boyd: I profoundly disagree. We are likely to find the opposite on Brexit. People will be surprised at how rapidly and to what extent the economic uncertainties begin to translate into job losses and so on. So I think we will be looking at it very differently. I was just noting a fascinating interview that Mr Gove gave yesterday, in which he seemed to be

strongly suggesting that re-entering the single market, in whatever shape or form, would not be a priority. If that was the strategy pursued by the UK Government on Brexit, it would be time for us all seriously to worry about the economic consequences.

Chair: On that note, thank you ever so much for your evidence today. We have to get back to the House of Commons for a series of votes this evening. We are very grateful for your evidence. If there is anything further that you feel we have missed, or anything, in the course of this inquiry, that you feel would be helpful or relevant, please submit it, and it will be taken on board. Thank you ever so much for this afternoon's session.