

Select Committee on the European Union

Internal Market Sub-Committee

Corrected oral evidence: Brexit: Future Trade between the UK and the EU

Thursday 3 November 2016

11.25 am

Watch the meeting

Members present: Lord Whitty (The Chairman); Lord Aberdare; Baroness Donaghy; Lord German; Lord Lansley; Lord Liddle; Lord Mawson; Baroness Noakes; Baroness Randerson; Lord Rees of Ludlow; Lord Wei.

Evidence Session No. 6

Heard in Public

Questions 56 - 63

Witnesses

I: Professor Sir Ian Diamond, Principal and Vice-Chancellor of the University of Aberdeen, Chair of Universities UK, Danny Mortimer, Chief Executive, NHS Employers, Ray Symons, Head of EU and International Affairs, British Retail Consortium, and Kurt Janson, Director of the Tourism Alliance.

Examination of witnesses

Professor Sir Ian Diamond, Danny Mortimer, Ray Symons, and Kurt Janson.

Q56 The Chairman: Welcome, everybody. As you know, we are conducting an inquiry into trade in services—trade in its widest sense. Clearly, your sectors are involved in different ways in trade with and outside the EU, the movement of persons and all of that.

It would be useful if each of you could describe the issues you think arise from Brexit for your sectors, where there have been tangible benefits from EU membership and where we might be able to replicate or improve on those in a different trading relationship outside the EU. Clearly, there will be very different factors that affect each of your sectors. Could each

of you perhaps spell out how you see the effects on your sectors and what the opportunities and dangers are?

Kurt Janson: Thank you very much for the opportunity to speak to the Select Committee today. The tourism industry is obviously one of the largest industries in the UK. There are 3.1 million people employed in it, bringing in about £25 billion per year to the UK economy in export earnings.

The EU is an incredibly important part of the inbound tourism economy. About two-thirds of overseas visitors to the UK come from the EU and about 40% of the revenue generated by the inbound tourism industry comes from the EU. That is £10 billion a year.

With that in mind, there are three areas where we have benefited greatly from being part of the EU. The first is the movement of people and trade, which is what the EU is all about really. I gave you 16 headline agreements or Directives in a list that impact on the tourism industry and facilitate the travel of people across borders. It is not just because we live next to 450 million high-value customers; it is because we have made it incredibly easy for them to come to the UK and spend their money here. If we were to pull out of the EU without the agreements still in place such as the single aviation market, that would have a very detrimental impact on the tourism industry.

The second main area where we have benefited is in employment. The tourism industry has grown significantly over the last 10 years. In fact, we are very proud of being one of the key areas that has led the recovery of the UK economy since the global economic crisis. In that time, we have been generating jobs for the UK economy in the order of about 100,000 additional jobs per annum.

In the UK, 11% of people who work in the hospitality and tourism industry are EU nationals. In areas where overseas tourists come in—for example, 50% of the expenditure by EU tourists is in London—30% of the people working in the industry in London are EU nationals. We very much depend upon their skills.

More importantly though, with the growth of the tourism industry over the past number of years, 45% of the new employees coming into that industry are EU nationals. With a 5% unemployment rate, we cannot get UK nationals to join the industry. There is such a low level of people available that we need people from the EU to come into the industry to provide the world-class service that we need.

The third major area of benefit from the EU has been EU funding for tourism development in the regions. Since the economic crisis in 2008, UK public sector expenditure on tourism development and promotion has decreased by about 50%. That means that the money the tourism industry gets through CAP (Common Agricultural Policy) payments—because there are specific segments of CAP funding that are allocated to the tourism industry—and the structural funds is an increasingly

important component in the development of the tourism product that we rely on to attract the overseas visitors in the first place. Those are the three key areas for us.

Professor Sir Ian Diamond: I also thank you for the opportunity to speak. I do not think I need to tell you that higher education is one of the jewels in the UK's crown, both in the education that is provided to many students from across the globe—my own university, the University of Aberdeen, has 120 different nationalities on campus—and through the brilliant research that we do. On any criteria, we are second only in the world in the terms of quantity to the United States, and in many areas controlling for size the best in the world. We do this through enormous interaction with Europe and, indeed, increasing interaction with Europe.

Let me just address, if I may, three areas, the first of which is staff. When we recruit staff, we recruit the very best teachers in any subject and the very best researchers in any subject. Those come from around the world and, particularly in recent years, from Europe. They represent the very best. It is incredibly important for us to be able to keep them. We are concerned that we have not seen an unequivocal statement on their residence status post-Brexit. In addition, we believe it is incredibly important because knowledge knows no nation state boundaries. It is incredibly important that we can work across the world, particularly in Europe, to be able to recruit staff.

Secondly, I turn to students. EU students in the UK account for £3.7 billion and support over 34,000 jobs. We have a very large number of EU students. There are, of course, different numbers in each university, but they absolutely add enormous value to campuses. I have given you the economic value, but it is important to recognise the non-economic value.

In the University of Aberdeen, for my students, who may only have come 40 miles from rural areas in the north-east of Scotland, being able to study alongside students from Sweden, Germany, France and the Netherlands is an absolutely important part of their career and life opportunities. The fact that they have studied in the UK is incredibly important for the long-term relationships with the UK, both in trade and general political friendship.

In addition, most serious commentators would say that it is a good thing for UK students to have the opportunity to spend at least some time studying in a different country. We have always had trouble with that because of the language difficulty, but increasingly we have been able to overcome that through strategic partnerships with universities in Europe. UK students now increasingly spend a semester in another country, helped by the Erasmus programme. That is an incredibly important part of globalising UK students, and we need that to continue.

If I may turn to research, if one goes back historically and you wanted to put together a team of researchers—perhaps someone from the University of Aberdeen wanted to work with someone at the Vrije University of Amsterdam and with someone from Antwerp—they would

have to apply to the UK funding agency, for Antwerp to the Belgians and for Amsterdam to the Dutch. They would have to wait for the metaphorical equivalent of three crowns to come up on the one-armed bandit before the research can go forward. Now, with a European research area, they can work together to generate really exciting projects, and those teams cut across boundaries. That is why European research, with the UK at the helm, is able to generate such exciting things, and it is critical to say that the UK really is, in my opinion, at the helm of European research endeavours.

I will give you an example of how that can help, because we are going on to health in a moment. The MRI scanner, which is used so much across the world in hospitals, was invented at the University of Aberdeen. We move forward now and the University of Aberdeen is leading a pan-European network, funded by European funding, to generate a second-generation MRI scanner, which will have enormous impacts on health. I am not an expert but I am certain of that from what people tell me. We need to remain able to have those kinds of pan-European research programmes.

Linking it all together with staff, students and research, there are enormous benefits we reap at the moment from being part of the EU. Moving forward, we need to ensure that we do not lose those benefits, while at the same time recognising that in all areas of knowledge—whether education or research—we work in a global market as well.

Danny Mortimer: Thanks to you and your colleagues for inviting us to come and talk to you. This morning I represent both the NHS and organisations that work across health and social care. I have the privilege of chairing a coalition of 30 or so organisations that represent health and social care that was formed as a result of the Brexit decision. We employ 2.6 million people in that broader sector within the United Kingdom. There are four things that I would highlight, if I may.

First, I would echo the comments the professor has made about research. If you look at health research in particular, the United Kingdom is active through the NHS in pretty much every European health research initiative. We lead 25% of the most major European research reference networks across Europe. For our most research-active institutions in the United Kingdom, the ability to continue to participate and to take that leadership role that Sir Ian highlighted is really important for us.

Secondly, we and our patients benefit through the ability to rapidly adopt technological and pharmaceutical innovations that are made elsewhere in Europe. In turn, our colleagues in the life sciences sector benefit from other European countries being able to rapidly adopt innovations that are made within this country.

Thirdly, obviously, as a population, we benefit from agreements about the provision of healthcare across borders, whether that is through the EHIC (European Health Insurance Card) you take on holiday with you or the care that your relatives or friends may receive if they have decided to

retire to Spain or wherever it may be. That is an important dimension for us.

Finally, the workforce in health and social care is enormously important. It is 6% of the NHS workforce, with 10% in London. It is 7% of the social care workforce; 13% in London is drawn from EU nationals. Like Sir Ian, I would also echo the concern about the equivocation about giving certainty to those colleagues. They are essential members of the teams that we have. They are essential providers of care to our communities. Without them, we would be very vulnerable in terms of the quality and scale of the provision of services we could make.

The Chairman: On that point, clearly most people's interpretation of the leave vote was to get greater control over immigration. All of you have emphasised—whether it is for students, staff or whatever—the need to attract the best talent and that EU nationals provide a significant part of your workforce, students, et cetera.

There is talk of a points-based system. Could that operate to meet your needs, or would you see that as a major problem for the way in which you recruit staff at the moment? In one sense, freedom of movement is not the same as freedom for you to recruit.

Danny Mortimer: If I might lead off, the particular issue that we have had to confront over recent years is that in such a system there is a risk that, for example, earnings generate more points. That is one of the risks of the system that we presently have for non-EU nationals. Salary is seen as a proxy of economic contribution and worth.

Clearly in our sector, and again particularly for my colleagues who deliver services in social care, we do not pay as much as, for example, financial institutions based along the river in the City. We are competing for work permits with those institutions.

What has been particularly helpful to our sector in this calendar year has been the decision to place nurses on the shortage occupation list, so that we can simplify some of the processes and access that we have to non-EU nationals to come and join our workforce.

There is a second point I would make as well, which is that whatever system of work permits we have—and there will need to be a new settlement when we leave the European Union—it needs to be more straightforward to use, both as an employer and a potential employee, than the present system. We design, whether consciously or unconsciously, a number of barriers into our international recruitment, particularly in health, which deter people from wanting to come and work in the United Kingdom. I appreciate that in the discussions you are having there are a number of international exemplars that are held up in terms of systems that work. But there is also the need, whatever system we have, for us to be able to have a sophisticated conversation about the skills that we do need within the country, whether that is in tourism, social care provision or whatever it may need to be. That is the kind of

conversation that we all increasingly believe that colleagues in Canada, for example, are able to have.

Kurt Janson: I would reinforce those comments. In the tourism industry we have a real problem with the five-tier immigration scheme as it is. It is virtually impossible to get anyone in mainstream tourism or hospitality into the country under tier 2 at the moment. Even with high-level chefs, there is a real problem getting Indian chefs into the country to work in Indian restaurants. Increasingly, if you look out the back of an Indian restaurant, you will find that there are European chefs in there who are being taught how to cook Indian meals.

The problem we have within the tourism industry is that at the moment 21% of tourism businesses cannot find staff with the skills that they need. This is fishing in a pond of over half a billion people, and we still cannot get the skills that we need. If we go down to fishing in a pond of only 60 million people, that problem is going to get even worse. At the moment, we have well over 10,000 jobs that are vacant and just cannot be filled. Again, if we limit ourselves to fishing in just the UK, we are going to have a real problem there.

With a points-based system, because the people we need have low-paid jobs and just do not have enough points, we are not going to be able to get them in. We need the EU nationals. We either need continuing free movement, or, if we cannot get free movement, the Government would need to open up tier 3 and get the migration advisory group to look at the tourism sector, determine the number of additional staff that are needed each year, and provide visas and permits for staff from EU countries to come in under a scheme.

Professor Sir Ian Diamond: I would make three points. First, it is commonly said that of course there would be freedom of movement for the very best scientists and global talent. That is fine, but one needs to move a step down or two steps down. A scientist cannot operate without technicians, technicians cannot operate without—and so on. The system, if put together, needs to be flexible and it needs to be geographically distinguished. For example, I do not know but it may be possible to get lots of technicians in some parts of the country; it is certainly almost impossible in the north-east of Scotland with the oil and gas industry, even as it is now, taking all the skilled technicians. Again, one has to operate in a global market at that level.

My next point is with regard to students. The great majority of EU students go home. The great majority of international students go home. Therefore, we need them to come. They benefit our universities in very many ways. A points-based system is not going to help there, but one needs a system that is flexible around visas and enabling people to come here to study and do so easily.

Lord Mawson: I have a general point on the earlier presentation. I have some experience of both the NHS and universities. They are very large bureaucracies. I sometimes try to work out who is the most bureaucratic.

The EU is a very bureaucratic organisation, so it is not surprising that you have quite good working relationships. I suspect part of the opportunity of the present environment is how you develop more flexibility and innovation, and the breaking down of some of that bureaucracy.

What are the opportunities in the present situation for you that we are now in? While I recognise that some very good things are going on, because I work with some bits of it, there are also some things that are not very good and are overly bureaucratic.

Danny Mortimer: We would not necessarily recognise that we have an ability to make friends with similar bureaucracies, but I understand the broader point. We agreed in the coalition I discussed that our biggest priority is to play a much more active role in our domestic work. I have worked in the NHS all my life. Pretty much every hospital I have worked in has been the largest employer in the local community, but it has probably been the most economically passive employer in that local community. That clearly is not acceptable. We have to compete far more for people to enter our workforce. We think we can provide far more opportunities for people to do that.

Brexit does rightly challenge us to do far more in our towns, cities and local communities to attract people to come and work in social care and health.

Professor Sir Ian Diamond: With the greatest of respect, I do not recognise a university in this particular environment as being an enormous bureaucracy. Universities are very agile and innovative. They are trying to be the powerhouses of their local economy, their regional economy and in the national and international market. What we need is the ability to be agile and to move quickly and flexibly. That is the sort of thing I was talking about with regard to the recruitment of students and staff at all levels, and with regard, for example, to the ability to be able to get our students out in partnerships to other parts of the world.

The Chairman: We are now going to go on to a question specific to your sectors. We will kick off with universities. I should just mention that two of our colleagues have had to go because the Chamber is currently debating higher education.

Q57 **Baroness Randerson:** First, I declare an interest as a governor of Cardiff Metropolitan University and as an honorary fellow of Cardiff University.

Professor Diamond, you have given us a very clear picture of the advantages of EU membership to universities in terms of research, students and staffing. Let us look at the alternatives. From your perspective, how feasible is it for you to establish a good and dynamic position with WTO membership, a free trade agreement or EEA membership? Are there advantages to any of those, one over the other or over the EU, and how difficult or easy would it be to re-establish the position of universities?

Professor Sir Ian Diamond: Thank you very much. It is always a pleasure to meet a fellow honorary fellow of the University of Cardiff—a great university indeed. Cardiff Met, with its new vice-chancellor, will continue to drive forward. I am privileged to meet you as a governor.

To answer your question, I think the EEA is a reasonable place to be. I have previously argued to the Science and Technology Committee of the House of Commons that an EEA with influence is a position that we should be looking to be in. By “influence”, I return to the point I made earlier. This will sound arrogant, but sometimes in the UK we are not very good at saying, “Hey look, we are really, really good”. Higher education is very good. When I say “EEA with influence”, it is because the European research endeavour needs the UK as much as the UK benefits from being part of the European endeavour. I am very clear in my mind that an EEA arrangement with influence, properly organised, could work.

With regard to WTO, that is a step back because of the points I have already made about students and ease of recruitment. Therefore, EEA-plus, yes; and looking for more global partnerships, yes.

Baroness Randerson: What about individual FTAs?

Professor Sir Ian Diamond: If I go back in my life to the early part of the 2000s, before the European research endeavour happened, I was privileged to be the chief executive of the Economic and Social Research Council. I wanted to do that to avoid the kind of problem of putting teams together. I wrote to a large number of countries and suggested that we had bilateral agreements. Over a significant amount of time we were able to develop a number. I would hope that we use this opportunity as a way to develop further a number outside the European Union, but trying to develop one with France, one with Germany and one with Holland, when you have the ability to put a pan-European team together without the kind of double and triple jeopardy that I talked about earlier, makes it a lot easier. That is why I would welcome something like the EEA and then some FTAs with other countries. We should be doing that anyway.

Q58 **Baroness Donaghy:** I should declare that I worked at a postgraduate institution, the Institute of Education in London, for 33 years. I am in receipt of a university pension.

You have already outlined the implications for research, Ian, but it would be useful to the Committee to know what priorities in any negotiations you would like the Government to adopt to maintain our research capability, and the extent to which the Government should prioritise participation in continuing EU co-operation as part of its wider trade negotiations.

Professor Sir Ian Diamond: EU research is extremely good for the UK in a number of ways. First, it keeps us at the height of knowledge. Secondly, a lot of that research has the potential for commercial implications. Thirdly, some of the work is, for example, in health. My own university is currently working across Europe to identify the best ways to do surgical hernias. It is not a commercial application but it improves

health in a good way. Because you have one system in the UK, you cannot do what is called a randomised controlled trial very easily. What you end up doing is comparing systems, and that is a very good way of working.

I would prioritise very much enabling us to continue to work as a European research area, however that happens. If, as a result of that, one can have influence to extend that a little bit, that is all for the good. There are examples such as Norway that buy in to enable that extension to happen. That seems to me to be a really important thing for the UK to work on.

The Chairman: You refer to buy-in, but could you envisage a situation where we are outside the single market in general, and probably outside the EEA, but you have a bespoke agreement regarding the research budget? There is occasional participation of non-EU countries. I am thinking of Switzerland, for example.

Professor Sir Ian Diamond: I take the point. Certainly I could envisage it, but I would be very clear on this. We have already talked about prioritisation. That is well down my list because I think that the enabling of students in general, particularly postgraduate research students, is an important point that we need to keep our eye firmly on.

Lord Wei: To build on that, we fully understand that, given the interlinkages between the higher education sector here and in the EU. In case it does not work out the way one would want it to in the sector, are there examples of other territories—say, Singapore—that have cracked how you maintain research capability but in a much more non-block-based set of circumstances so that we have a fall-back if all these negotiations do not work out in the way we want them to in the higher education sector?

Professor Sir Ian Diamond: Let us take Singapore as an example, where a much higher proportion of GDP has been put into the research endeavour, with very good effect I would have to say. In research, and why I argue for the European approach that we have, there is the whole point of being able to work in teams. The major challenges that we face as a planet at the moment are largely too big for one brain. They require multidisciplinary approaches, and that can work across different nations very easily. That is what we can do very well in Europe.

It is perfectly possible to put together a set of bilateral agreements, as I answered earlier. Personally, were I doing these things, I would welcome one with Singapore where we have got around those problems. We actually encouraged teams to work. That is happening to an extent at an individual level. For example, my own university has a very strong research institute jointly with Wuhan University, the fourth best university in China. But at the same time it is much better to do these things in a national way because it enables excellence to bubble to the top, and that is what we should be doing.

Yes, you could have an individual agreement with everyone, but as soon as you have that you then start trying to put them together. We have that in Europe at the moment and it is worth trying to keep that.

Lord Wei: What is key to Singapore's success if it does not have the same kind of arrangement that we have with Europe? How do they crack that challenge, given their geography?

Professor Sir Ian Diamond: With Singapore it has largely been, in my opinion and from my understanding, two things. First, you put a lot of money into it, and you use that to have the very best facilities and to attract the very best people. Then you set up some strategic partnerships between your universities and other universities. That sort of thing is happening already and can happen in a place like Singapore. What we have in the UK is a multidisciplinary broad base, from the sorts of things that go on in the Institute of Education and Cardiff Met, to the kind of world-leading medical things that we have in all ways. When trying to do all of those, it is much easier to have national agreements of the sort that the EU has and then allow excellence to come to the top, rather than having a smaller and more focused area—for example, Singapore in biomedical science or in IT. It can be done with a small area, but for a bigger area you need that bigger flexibility.

The Chairman: We will now focus for a few minutes on tourism.

Q59 **Baroness Noakes:** In evidence, the Tourism Alliance gave us 16 specific EU provisions that facilitate trade in the sector. In your evidence to the Committee you said there would be very considerable detrimental impact to the sector if the present agreements to facilitate movement of visitors were not continued.

Could you explain what the real impact would be if there was this detrimental impact? The UK is a tourism destination for places other than the EU, which works perfectly well without these 16 provisions. I am just trying to understand what it is that is driving this potential detrimental impact and why our tourism sector might not be sufficiently resilient.

Kurt Janson: The UK is incredibly good at tourism. It is another of the gems in the crown of the UK industry. It is the sixth largest tourism destination in the world and, out of that, the only one that does not have a considerable beach product. People who do not want to sit around—

Professor Sir Ian Diamond: Aberdeen has a great beach.

Kurt Janson: We trade on culture and heritage. We are incredibly good at tourism, but, as I said at the beginning, two-thirds of our customers to the UK come from Europe, and 40% of the revenue that we generate from inbound tourism comes from Europe. It is an incredibly important slice of the total inbound tourism pie for the UK.

There are other markets we are developing very rapidly at the moment. There is China, and we would love to develop more in India at the moment, but there are certain visa issues that the Government have to

overcome to do that. There are other markets and we are fully exploiting those other markets, but the EU is and will continue to be the core market for the UK.

Tourism is a very simple business. You develop a product that people want to see. You facilitate them being able to see the product and you offer them a great experience when they get here. It is pretty basic stuff. The EU, through our being a member of it, facilitates all aspects of it. We have calculated that there is about £200 million a year of EU funding that comes in to develop the product in the UK. We have the EU to thank for a large amount of money coming in.

Baroness Noakes: Do you mean giving us back some of our money?

Kurt Janson: Yes, you could see it that way, but it is money going into the tourism industry that is coming from the EU rather than the UK Government. Then we have at least 16 major agreements that are a part of our membership of the EU that facilitate people getting here. If we get rid of those 16 agreements, then it is going to become incredibly problematic for people to get to the UK; so we benefit there as well.

When they get here, because we can employ the best skilled and most highly motivated people that we need to provide them with a world-class service and experience, we are again supported by the EU in doing that.

Those are the three key aspects to driving a tourism economy inherently bound with the benefits that we get from the EU at the moment.

Baroness Noakes: But if the agreements did not exist on buses and coaches, why would buses and coaches stop coming here?

Kurt Janson: There are cabotage rules, for example, on coaches coming from Europe to the UK. If we did not have those rules, it would be very difficult and would add to the cost of getting here. If you took away all these rules, people would still come to the UK. It would cost them a lot more in time, effort and energy to come here, and that would have a detrimental effect. I did probably the UK's largest piece of research on pricing elasticity of tourism to the UK. That research found that if you increased the cost of coming here by just 1% for overseas visitors, the revenue that the UK gets from overseas visitors will decrease by 1.3%. That is because visitors, especially from Europe, have a wealth of other countries they can choose. They can go anywhere they want. They do not have to come to the UK. They can get a very good holiday anywhere else in the world.

If we make it more difficult by getting rid of these 16 agreements, they will just say, "Fine. I won't go to the UK".

Baroness Randerson: More difficult or more costly?

Kurt Janson: Yes: "We will go somewhere else instead". There are very high levels of substitution in the tourism industry. You can have a very good holiday in innumerable countries around the world. If we cannot

compete and make it easier and a better experience for people to come here, then we are going to lose out.

I will give you one example. At the moment, if you are an EU national and you come through immigration to the UK, you get a soft check at the border. You can come through the EU channel. The KPI for that is that 90% of people will be serviced within 25 minutes. It is not ideal but it is okay.

If you say there will be hard checks for EU nationals coming into the UK, so they have to go through the "others" channel in future, the KPI for that is 90% of people serviced within 45 minutes. If you are coming over for a weekend break to the UK, standing in a queue for 45 minutes is not going to encourage you to come here. That is the type of thing we face. Anything that makes the consumer experience in coming to the UK more costly and more hassle will mean they will simply go somewhere else.

Baroness Randerson: All that adds up to a very considerable detrimental impact.

Kurt Janson: Yes.

The Chairman: At the moment, because of the falling price of sterling, it seems to have increased tourism dramatically, certainly around here.

Kurt Janson: There is a short-term gain, but it is not something we would want to rely on for the future.

Q60 **Lord Aberdare:** Beyond the specific provisions that make it easier, is there a concern that as a result of Brexit we might be seen as less welcoming to tourism? Are there things we could do to try to mitigate that problem? This is perhaps something that applies to the others as well. I should probably confess that I am yet another honorary fellow of Cardiff University. It is probably one of those clubs that one should not want to join.

Kurt Janson: There is a problem that we are facing in some European countries of being seen as less welcoming, especially in countries such as Poland, where certain hate crimes have occurred and they have taken off in social media over in Poland. Polish people, until this year, were the seventh or eighth largest inbound tourist market; so that is causing considerable damage in that market.

We have been working with VisitBritain and DCMS, saying that we need to go into these markets, showing ourselves to be an open and welcoming destination. They are doing some very good work to mitigate that at the moment, of which we are very supportive.

Professor Sir Ian Diamond: Your point is incredibly well made. It is something we are seeing not just in Europe but globally. One of my colleagues was recently in China, working on some of our relationships there, and he said that all people wanted to talk about was Brexit and the implications of Brexit on their ability to come to the UK. I think we need

to recognise that, and as a nation we need to think through how we are going to advertise ourselves as being a welcoming and friendly environment, as we are.

Lord German: Mr Janson, you have made great play in your paper, and in what you have said this morning, about the effect on the rural tourism product of the CAP—the common agricultural policy. The Government have sought to reassure farmers that they will receive their money. Has the tourism industry received any reassurance, and are you reassured?

Kurt Janson: We have not received any reassurance. We would desperately like some. We would also like reassurance that when the CAP programmes end there will be a UK-based scheme to take over from them, which also includes tourism. In rural areas there has been no statutory responsibility for tourism development and promotion since the RDAs were abolished. They used to have statutory responsibility but that has gone. No one has it any more. There are decreasing levels of investment going into rural tourism.

The Chairman: We will now move on to health services.

- Q61 **Lord Lansley:** I want to start with the aspect of healthcare that perhaps relates more generally to trade, with things such as the European Health Insurance Card. Let us focus on EHIC and leave aside what pensioners benefit from under the social security regulations.

At the moment, given that its availability permits people from this country to travel more readily across Europe and permits people from across Europe to come and travel more readily here, there is a mutual benefit associated with it. In your view, from what you currently understand, is that sufficient to enable EHIC simply to roll forward in some way through mutual agreement, or are there inherent impediments in our leaving the European Union to the continuation of EHIC?

Danny Mortimer: We do not believe there are any inherent impediments, Lord Lansley. Clearly, there is a mutual benefit to visitors from Europe and those of us who travel to Europe. I am very happy to give the Committee some further information on how we might see that working in practice in a post-Brexit settlement, but we do not see any inherent impediments if we can reach an agreement.

Lord Lansley: We might come back to that and ask for a bit of evidence more generally. The issue, of course, is the legality of the process in each country. We are not always great at getting the money from other European countries, but equally there is European legislation that underpins their ability to recover the money from us.

Danny Mortimer: Of course, and clearly there is a distinction that we would need to make between the principle and then how that principle is given effect. As you have said, the transfer of income between the various nations may not always work that well now. We are very happy to provide more information to the Committee on that.

Lord Lansley: What about the trade in health services as such? What importance do you attach thus far to trade under, for example, the cross-border healthcare directive or cross-border trade in health services, as such? If access to the cross-border healthcare directive were to disappear, does that really make much difference?

Danny Mortimer: As I have said, we would echo the comments that Sir Ian has made about the research and development space. We see that as a crucial benefit that we want to continue to maintain. Sir Ian has talked about that already. That is the first thing we would emphasise.

The second thing we would emphasise is that we believe—and we have talked to our colleagues who have a much more commercial interest in this—there are systems that simplify and help us disseminate new products and new technologies far more rapidly. That is of benefit to the UK economy, but it is also of benefit to our patients in the treatments that we can deploy more rapidly within the United Kingdom.

Lord Lansley: Part of that is essentially about access to regulatory approvals on a European-wide basis.

Danny Mortimer: Yes.

Lord Lansley: Again, the Government are looking not only at sectors but at regulatory systems. In this context, what are you asking of government in terms of the nature of future regulatory co-operation?

Danny Mortimer: We would like there to be something that is equivalent to the kind of mutuality that we see in the current regulatory framework. If treatments or technologies are approved for use within Germany or elsewhere in the European Union, they can also be rapidly adopted here, and vice versa. We can see rapid commercial benefits to the kind of research that Sir Ian was talking about being adopted and deployed across the European Union, because it has been approved and regulated for use in this country. We see a real benefit to that economically, but we see a real benefit for our patients in particular.

Lord Lansley: Is the same true on mutual recognition of professional qualifications? Are you asking for that? To what extent are you asking for the Government to try to replicate in any negotiation the situation as it applies at present but, curiously, in the absence of an overarching legal framework for this?

Danny Mortimer: We have arrangements in place with other countries in the world where there is a mutual recognition of professional qualifications, for example. We also have in place some arrangements for doctors, where we place some additional requirements such as language tests, even for EU nationals. There is a complexity already to the regulatory arrangements we have for professional qualifications. We would like that to be as simple and as straightforward as possible, both for our staff who choose to go and practise and learn abroad but also for the colleagues that we recruit in particularly from the European Union.

For our membership, it is about having a system that is as simple and straightforward as possible to use. There are some concerns about some of the mutuality arrangements that we have within the European Union. I have already talked about language testing. There are one or two others as well that I know regulatory colleagues have. We clearly have a lot of work to do there to find out what a sensible settlement is.

- Q62 **Lord Lansley:** This question may be for Professor Diamond as well. It goes back to something you said at the beginning, professor, about universities wanting the brightest and the best from wherever they might be. To a large extent that is true, and you will be aware of American, Chinese, Japanese and Indian researchers throughout UK universities. They are arriving here and coming under the visa system. The question then is: in the conversations that you and your colleagues are already having with potential EU members of staff and researchers, what distinguishes in their minds the situation from other researchers from elsewhere around the world? If they are willing to come from elsewhere, why would EU researchers not be willing to come? Why do they see their situation as different from somebody coming from America or India? This applies to medical staff, of course.

Danny Mortimer: It applies to medical staff in particular. For some of our most research-active institutions, particularly in London but elsewhere in the country as well, the biggest concern is the reputational one that Lord Aberdare has already highlighted. There is feedback that there is some reluctance, question or query about whether we are going to change our mind in how welcoming we will be of those colleagues to come and join our teams and be active parts of our institutions.

I appeared before some of your fellow Peers earlier in the week to talk about the long-term sustainability of the NHS. One of those Peers was the chair of Great Ormond Street Hospital. She made the point that 25% of her medical faculty were drawn from outside the UK. She clearly had a profound concern that the pre-eminent children's hospital in the world was starting to have its reputation affected by recent developments.

Professor Sir Ian Diamond: As I understood it, the bottom line is that if we can have the kind of ease of access to enable the very best people to be recruited at the highest level as we are at the moment, that is fine. That is the point that I made right at the beginning. However, as I said earlier, scientists cannot operate without technicians. At the moment we have the ability to hire technicians from across Europe. My point earlier about geographical differences and agility, and being able to do that in an easy way, is important. A priori, there is no real reason why one could not have a similar situation that looked globally around researchers—no problem at all.

The other point I would make is one I have made before. For those colleagues already here, who are hugely valued people and who have invested massively in working in the UK, we need at an early time to give them reassurance that they remain very welcome people.

The Chairman: Thank you very much. We are coming to the end of our time. There is a wind-up question from Lord Mawson. Please take the opportunity to say anything else you feel we have not covered.

- Q63 **Lord Mawson:** Now that the UK has voted to leave the EU, what should the Government's negotiating priorities be for your sector? Does a particular trade arrangement best accommodate these concerns? As a supplementary, how has government engaged with your sector to date, in a sentence?

Professor Sir Ian Diamond: I will kick off. It is much as I have already said: freedom of access for students—undergraduate, postgraduate taught and postgraduate research. There should be ease of access to Europe for our students, because there are both economic and social benefits. There should be ease of access for research teams to enable European research teams to work together. Finally, something I have not said is that at the moment we have a very strong European base of students in our universities. In some universities, in some subjects, they have a very strong proportion, and that is important.

We need to know what the future is going to be, and that needs to come early. As a higher education sector, we welcome the clarity around students who have already entered in 2016 and the clarity around entry in 2017 from right across the UK, but then we need to know what the future is going to be. For some universities and for some subjects, it will be very challenging if those European students were not to be coming. There is no evidence whatsoever that with no access to a loan book, or in Scotland with having to pay fees, there would be an increasing market for students. What the future is going to be needs to be pretty clear, pretty early.

Kurt Janson: I would like to say two main things. We need to maintain the ease of travel between the UK and the EU. That is incredibly important for the industry. We also need to maintain ease of employment. We need people with the skills to provide the world-class service that customers expect and deserve in today's environment. As a result of that, we would very much want to be part of the single market. An EEA arrangement would suit us absolutely. The third thing is that we need to maintain levels of investment in the development of the product so that we can maintain our status as one of the world's top tourism destinations.

Danny Mortimer: For our sector, access to the research endeavour across Europe is really important and is fundamental, as we have talked about extensively today. The second thing relates to labour. We are, in health and increasingly particularly in social care, reliant on an important European dimension to our workforce. We cannot see that changing for many years. That is really important to us.

The engagement that we have had with the Government to date has been positive, particularly within the Department of Health, which is responsible for our broader sector. There are infrastructures being set up

within the department and its associated organisations, and we have had extensive engagement not only as a single organisation but through our coalition with those areas. We have also had some early conversations with one or two other government departments about the issues for our sector.

Lord Mawson: My only comment would be that, from my experience of government, I generally try not to go into meetings with government where I wait for them to tell me everything. I assume that each of you is preparing some thoughts about the kinds of options, which they might welcome, because they will be struggling with these issues as well.

Professor Sir Ian Diamond: Certainly we, as a sector, have already met with the department led by David Davis. It is important that the lines of communication continue. As a sector, we will be doing everything we can to maintain those lines of communication.

Kurt Janson: We are quite lucky in that there is a cross-Whitehall group set up for the tourism industry at the moment. There is a tourism industry council. It is very engaged and linked through. We are constantly talking with DCMS, which is our sponsoring department, so there is a high level of engagement. There is just a hope that the concerns get fed through to the Brexit department and are taken on board.

We are very clear as a sector about what our assets are, and I think we are also clear that we have more work to do to provide evidence to help policy-makers make decisions. I know there is a criticism levelled against us as a sector and it is one that we accept. Collectively, across the coalition, that is particularly important.

Professor Sir Ian Diamond: The final thing I would say is that as a sector we are not saying, "We just want it to be the same. Please go away". We are saying that we need to engage with this in a constructive way to get something that is good for the UK in every way.

The Chairman: Thank you all very much. That has been very helpful. The level of your contact with government is a bit more reassuring than some have given us, so congratulations there. If there is anything you feel we have not covered and that you would like to register with us, please write to us or contact us in the next week or two. Thank you very much indeed.