



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 25 November 2020

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
31st Meeting 2020, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)

*John Finnie (Highlands and Islands) (Green)

*Emma Harper (South Scotland) (SNP)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Oliver Mundell (Dumfriesshire) (Con)

Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rt Hon George Eustice MP (Secretary of State for Environment, Food and Rural Affairs)

Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 25 November 2020

[The Convener opened the meeting in private at 08:31]

09:17

Meeting suspended until 10:30 and continued in public thereafter.

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, and welcome to the public part of the committee's 31st meeting in 2020. Mike Rumbles has sent his apologies. I ask members to make sure that their mobile phones are on silent. The meeting will be conducted in a hybrid format, with some of our members and our witnesses participating remotely.

Under agenda item 1, the committee is asked to consider taking item 5 in private, to allow the committee to review the evidence heard on the implications of Brexit for the rural economy in Scotland inquiry update. Does everyone agree to take that item in private? We are agreed.

Implications of Brexit (Rural Economy)

10:30

The Convener: Item 3 is on the implications of Brexit for the rural economy in Scotland. I welcome the Rt Hon George Eustice MP, the Secretary of State for Environment, Food and Rural Affairs, and Mark Thompson, deputy director of EU strategy and negotiations with the UK Government.

Before I ask the secretary of state to make an opening statement, I invite any members who want to declare an interest to do so now. I will start with Peter Chapman, followed by Stewart Stevenson.

Peter Chapman (North East Scotland) (Con): I declare an interest as a partner in a farming business in Aberdeenshire.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I am a joint owner of a small registered agricultural holding, from which I derive no income.

The Convener: I, too, declare an interest, in that I am a member of a family farming partnership in Moray.

I invite the secretary of state to make a brief opening statement of up to three minutes.

Rt Hon George Eustice MP (Secretary of State for Environment, Food and Rural Affairs): First, negotiations on a future trade agreement with the European Union are on-going. It is no secret that there have been two particularly difficult sticking points: first, on state aid and the EU asks in that space, and secondly, on fisheries' partnership agreements and access to our waters and quota sharing arrangements. Those remain difficult areas, but our negotiating team is working hard to try to get a breakthrough and to make sure that we can have a free trade agreement and a future partnership that would take effect from 1 January 2021, once the transition period ends.

Alongside that, we have been doing a great deal of work to prepare industry, particularly the meat and fish processing industries, so that they are aware of the additional documentation that will be needed for exports. The fishing industry in future will need catch certificates to demonstrate that fish have been legally caught and we have a fish export scheme and export system to help to deliver that. Export health certificates will be needed for the fishing industry as well as for the export of meat.

We are also working through some of the issues relating to the Northern Ireland protocol, where

elements of the official control regime and the EU's sanitary and phytosanitary regime need to be implemented. We are working with Northern Ireland on that front too.

Broadly speaking, a huge amount of preparation has gone into ensuring that businesses are ready for the end of the transition period, and we are continuing to work to resolve the remaining issues through the joint committee process on the Northern Ireland protocol, as well as through negotiations with the EU.

The Convener: As I expect that the secretary of state can imagine, members have many questions this morning. The first is from John Finnie. I ask the secretary of state and members to keep the questions and answers as brief and succinct as possible.

John Finnie (Highlands and Islands) (Green): On 4 November, Scotland's leading agricultural, fisheries, and food and drink stakeholders wrote to the Prime Minister expressing fears regarding continued uncertainty about Brexit. They had four main asks relating to tariffs, high-value perishable goods being disrupted at the border, certification costs and EU labour. On that last point, you will be aware that 70 per cent of the workforce in seafood processing in the north-east are EU nationals.

Colleagues will pick up those issues; I have a general question. How does the United Kingdom Government work with the Scottish Government to ensure that Scottish interests are represented in the on-going future relationship negotiations?

George Eustice: We work very closely with the Scottish Government and all the devolved Administrations. That is done at a cross-Government level through the joint ministerial committee that deals specifically with the EU negotiations, which is chaired by Michael Gove. There have been 20-plus meetings of that forum. Within the Department for Environment, Food and Rural Affairs, we have an interministerial group that meets roughly on a monthly basis and met most recently last week.

John Finnie: What direct engagement have you had with Scottish stakeholders from the agriculture, fisheries, and food and drink sectors?

George Eustice: I speak from time to time with NFU Scotland. We have also been keeping the Scottish Fishermen's Federation apprised of the nature of the negotiations on fish and our ideas about the future partnership agreement on fisheries. The SFF has been quite involved in those discussions and we have taken its views into account as we have taken those discussions forward.

John Finnie: I refer to two of the stakeholders—the Scottish Crofting Federation

and the National Sheep Association in Scotland—and draw your attention to a press release put out recently that was headed:

“Scottish sheep producers call on government to come clean”.

It highlighted that the tups are going out, yet no plan has been put forward by the UK Government on what is to be done to support sheep producers. This is not simply a Scottish issue, because 90 per cent of UK lamb goes to Europe.

The press release referred to your attendance on “The Andrew Marr Show”, when you suggested that producers could diversify into beef in the event that the lamb price crashes. It described that as “a laughable response”. Indeed, the NFUS said that it

“showed a lack of understanding of sheep production”.

We know that we face 50 per cent tariffs, which could see the market collapse and demand drop. Do you have a compensation scheme ready and waiting? What support will the UK Government make available to Scottish stakeholders to help them to prepare for the end of the transition period and ensure that they are ready for the new trading arrangements that will come into force on 1 January?

George Eustice: One of the problems that we all suffer is that people sometimes react to what they see on Twitter, and attacks made by political opponents on Twitter, rather than look at what was actually said. On the “The Andrew Marr Show”, I said that if it were the case that we placed tariffs in both directions—if tariffs were placed on UK lamb exports to the European Union and tariffs were placed, for instance, on Irish beef imports—you would likely see mixed beef and sheep enterprises, and I stress quite deliberately mixed beef and sheep enterprises, produce more beef and less lamb. Why would they not do that if the price signals were telling them to do so?

We have around 7,000 mixed beef and sheep enterprises in the UK, and in a scenario where tariffs were applied in both directions, if there were a shift in the balance of production within those 7,000 producers, the markets would start to come back into balance. I never, ever suggested that specialist sheep producers in upland areas could diversify into beef. I am a farmer, I have worked in the farming industry and I understand these things, and that is why I never suggested that.

John Finnie: May I press you on that point? A representative—

The Convener: John, sorry, but Oliver Mundell is keen to come in on that particular point. I will bring him in and then come back to you.

Oliver Mundell (Dumfriesshire) (Con): Thank you, convener. I want to push further on the matter of tariffs. I supported Brexit and I want to see us out of the EU. We are already seeing some of those benefits for upland farmers in Scotland with less favoured areas support loan scheme payments being restored, which could not have happened in the EU. However, sheep farmers in my constituency and across the country are worried about the prospect of tariffs. They know that they have got a good product that has a long-term future and a worldwide market, but they are worried about what they are going to do next year, if there is not some support on tariffs. Is the Government actively looking at that? Are you discussing that with Fergus Ewing here in Scotland?

George Eustice: It is very much the case that we want to get tariff-free trade on all goods. That is the Government's position. We accepted a year ago the EU's position that it was not up for any sort of special partnership or agreement, and we said, "Let's just do a very simple trade agreement, similar to the EU-Canada deal, where there's a precedent", and that is what we have been working on since.

Obviously, you can take a horse to water, but you cannot make it drink, and if the European Union were reluctant or unwilling to have a tariff-free trade agreement, we would have to consider our response to that as a country. We would redouble our efforts to open new markets for lamb in countries such as the United States and the middle east and we would pursue a strategy of import substitution so that we could support the expansion of some agriculture sectors in the UK and displace existing EU imports. In the interim, there would be measures, such as movement in exchange rates, that would help to smooth the passage from the current system to the new. There would be ways to address the situation of no free trade agreement and we must be ready for the possibility that there might not be one. However, if there is not a free trade agreement, it will not be for lack of trying on our part.

The sheep sector would be most affected by a no-deal scenario. Most other UK agriculture sectors would see an improvement and a firming up of the farm gate price, but the sheep sector is the exception. The peak export months are, typically, September and October, so it is an issue that would probably not start to present itself until next June and which could become quite difficult next autumn. That gives us time to monitor how things are going and, yes, if necessary, to be ready to step in with some kind of support package. We have designed various schemes, such as a ewe special premium scheme or a ewe headage payment and a slaughterhouse premium, depending on which time of year such effects

would take place. However, at this stage, it is too early to judge whether there will be any real impacts.

The Convener: Oliver Mundell, a few members have questions, so I would like to go back to John Finnie, followed by Stewart Stevenson.

John Finnie: Secretary of state, you touched on the fact that a scheme might be considered. I was very specific in my ask: is there a compensation scheme ready and waiting? I note the detail of your answers, but I do not think that those necessarily take on board the nature of crofting in the Highlands and Islands, which I represent, where we are talking about income—a very modest income—being supplemented by a very modest number of animals. The implications of not having that scheme for the sheep industry would be significant, not simply because of the implications for the sheep sector but also for population retention in very fragile areas.

George Eustice: Of course, agriculture policy in the round is devolved, so there are specific issues around crofters and the structure of that, and it has always been the case that, through the pillar 2 schemes, even in the common agricultural policy, Scotland has had a reasonable degree of latitude to pursue its own policies. It will have even more freedom as we leave the European Union. It will be able to design policies that fit Scottish agriculture. As well as having an overall co-ordinating role and working with other devolved Administrations on matters such as common frameworks, the UK Government leads on the issue of trade. We are working very hard to try to get that free trade agreement.

John Finnie: Is there a compensation deal in your back pocket?

10:45

George Eustice: We do not envisage that one would be needed until at least next autumn, for the reasons that I have set out. That is when the export of lambs takes place. The level of exports—indeed, the level of production—between January and March is quite low. They start to pick up around May, and June to autumn are the peak months. We have worked out what the schemes might look like; we did that 12 months ago.

John Finnie: Could you share that information with the committee, secretary of state?

The Convener: I am sorry, John, but I have given you as much leeway as I can. Stewart Stevenson has a supplementary question. We will then have to move on to the next questions.

Stewart Stevenson: Secretary of state, you talked about 20-plus meetings that have involved the devolved Administrations. Have any of the

devolved ministers seen the 1,800-or-so-page negotiating document that the UK Government is using to drive negotiations?

George Eustice: They have probably not seen the full legal text, but they have certainly seen the overall approach to the negotiations and some of the key headline points about where the sticking points lie.

Obviously, we are very conscious of Scottish fishing interests. The UK Government stands absolutely firm behind our Scottish fishing industry. Leaving the common fisheries policy is incredibly important to that industry, and ensuring that we regain control of access to our exclusive economic zone really matters to it.

It is not the case that the full legal texts in so far as they have been drafted will have been shared because, obviously, the negotiations are ultimately a UK competence. However, the purpose of the meetings has been to ensure that the devolved Administrations are very much kept apprised and have the opportunity to express their views on the direction of travel in the negotiations.

Peter Chapman: Mr Eustice, we all know that, in order for us to be able to trade with the EU, we will need to meet its standards. That is important. Does the UK Government believe that it would make sense for UK and EU rules for food production and agriculture to remain aligned after the end of the transition period in order to allow that trade to go smoothly?

George Eustice: I do not think that that makes sense. I think that, over time, we would start to recognise equivalency of regulations. It is clear that we are starting off with sets of regulations under retained EU law that are absolutely identical. Would we want to improve things, change things, and make things work better in some areas? Inevitably, the answer to that is yes, there would be things that we would want to do differently.

I will give an example. We know that the specific mixture for anaesthetic gas for the slaughter of pigs that is set down in EU law is not particularly good and that it could be improved. We are doing work in that area to identify how we can improve the welfare of pigs at the point of slaughter. If we can perfect that, we will change the regulations; we will not continue to pursue outdated EU regulations.

In some areas—potentially cisgenesis and a different approach to gene editing, for example—we want to reduce our reliance on chemical pesticides. We would probably want to consider some of those issues and not just slavishly follow legacy EU law.

There will be areas in which we will want to do things differently and in which it will make sense and manifestly be in our interests to do things differently. That is reconciled with a desire to continue to trade with our European neighbours in the same way that that is done for our trade with every other country in the world. It is done through recognising equivalence and reaching agreements through the so-called sanitary and phytosanitary measures chapter of any trade agreement.

Peter Chapman: I am very encouraged by that, as one of the main drivers for people voting to come out of the EU was the fact that we felt constrained by too much red tape and too much turning our back on science. I have much sympathy with that point. In very many cases, we lead the EU on environmental and animal welfare issues, and we are ahead of many of its rules, as you rightly point out.

I will pick up on one other thing. When you were discussing tariffs earlier, you said that there would be an evenness, in that tariffs on imports and tariffs on exports would be at the same level. That is slightly different from what we have heard previously. Are you saying that that is the case—in other words, that if we do not get a deal, we will impose tariffs on imports at the same level as are imposed on exports? That is a very important issue for the farming industry.

George Eustice: They would not necessarily be at the same level, but tariffs would be applied in both directions. In the case of the European Union, we have to take at face value its claim that it would apply the common external tariff, which is published and which we currently apply on the EU's behalf for imports from third countries.

We would apply the UK global tariff, which we published earlier last summer. That sets out a range of tariffs and tariff treatments on many products, including agri-food products. Generally, those are a little bit lower than the common external tariff, but that is mainly due to rounding down to bands of 5 per cent increments.

The Convener: The next set of questions comes from Emma Harper.

Emma Harper (South Scotland) (SNP): Good morning. I am interested in how the new Trade and Agriculture Commission will operate in Scotland. How does it support our Scottish farmers?

George Eustice: The Trade and Agriculture Commission is something that farming unions across the UK—the National Farmers Union here in England, the Farmers Union of Wales and NFU Scotland—all called for. It was born out of a desire to have input into negotiations on future trade agreements. The Trade and Agriculture Commission has representatives from all those

unions on it, as well as some additional technical expertise.

The amendments that we made to the Agriculture Bill and the amendments that we intend to make shortly to the Trade Bill mean that, before any trade agreement is laid before Parliament under the so-called CRAG process—the process under the Constitutional Reform and Governance Act 2010—the secretary of state must submit a report to Parliament giving an assessment of the SPS chapter and the animal welfare implications of any trade agreement, and must set out a full account of what the trade agreement means for those standards and of what impact it will have on our domestic producers.

Before that is done, a range of experts, including the Trade and Agriculture Commission, require to be consulted. The commission has now been placed on a statutory footing and has a statutory role in helping to inform—[*Inaudible.*]—for Parliament to inform decisions about whether to ratify any trade agreement. [*Inaudible.*]

The Convener: You disappeared briefly there, secretary of state. I am not sure that we got your final sentence. Are you back?

George Eustice: Yes. I can hear you. Can you hear me?

The Convener: We can hear you, although there is a problem with the picture. Emma Harper can follow up with her next question.

Emma Harper: Sure—and I have a wee supplementary, too. I am interested in trade agreements and supporting the best food standards. You spoke a little bit about pesticides and pesticide use—

George Eustice: I am afraid that I have lost the sound from Emma Harper.

The Convener: Hold on. Can you hear me, secretary of state?

George Eustice: I can hear you fine, but I am afraid that I lost Emma Harper when she was asking her supplementary.

The Convener: Right. She can give it another bash.

Emma Harper: Yes, I will give it another bash.

You mentioned pesticides and said that you wanted to consider whether we could further reduce pesticide use in the UK, compared with usage in the EU. I am also concerned about the bringing into the UK of products such as pigs and beef that have been given higher levels of antibiotics or hormones and want to know how we can ensure that that is not supported in trade agreements. That is a concern that has come up in my casework since we have been looking at

trade deals with other countries. Antibiotic resistance is a concern of mine.

The issue of avian leukosis has also been brought to my attention. It causes a tumour in chickens that has to be cut off, and it would be concerning if that entered the food chain. I am interested to hear your comments on how we support our UK consumers to get access to the best and safest produce that comes into our country.

George Eustice: I got the gist of that. I lost sound in the middle of your question, but I think I understood what you were asking. The policy framework that we have set out in the Agriculture Act 2020 very much envisages that we will pay financial incentives to livestock farmers to promote and enhance animal health and welfare, and to reduce the use of antibiotics along the way. We will also incentivise them to embrace integrated pest management and will make financial rewards available to them to deliver that.

In the context of food imports, the SPS chapter of our trade agreements will look at those matters and set down standards, particularly when it comes to the maximum residue limits on all foods that are imported. In addition, in our trade policy, we have been developing ideas about using a differential approach to the application of tariffs on imports so that we can incentivise overseas producers to match our standards on issues such as animal welfare.

Emma Harper: What role does the UK Government foresee for the Scottish Parliament in scrutinising the new trade agreements that impact on our Scottish stakeholders? Obviously, Scotland cannot negotiate trade agreements; we rely on the UK Government to do that for us.

George Eustice: Trade negotiations are a reserved matter so, ultimately, the UK Government leads on them. However, through the Trade and Agriculture Commission, Scottish stakeholders are directly engaged in that process, and it is right that we work with organisations such as NFU Scotland and organisations in other areas. We work extremely closely with the Scotch Whisky Association and the whisky industry, with whisky being one of our most successful exports around the world. It is very important that such organisations are engaged in the discussions.

When we get towards the end stage of the trade negotiations, the Department for International Trade will also reach out and engage with the devolved Administrations on what is proposed.

The Convener: We will move on to the next set of questions, which comes from Stewart Stevenson.

Stewart Stevenson: The fish-catching industry is probably the industry in the UK and certainly the industry in Scotland that most obviously has something substantial to gain from Brexit through substantially increased access to catching opportunities and, with our becoming a coastal state, being entirely responsible for what happens in our waters.

However, I want to start by talking about the processing industry, which is rather larger and more diffuse. In particular, I want to explore how we can make sure that we can export in a way—*[Inaudible.]*—from delays, because so many of the products in that sector have to reach market very rapidly indeed. That is particularly true of live animals—langoustine, scallops and so on—that come from many of our small communities around the coast of Scotland. How will the negotiations ensure that those live animals will have a smooth passage to market in the EU, which is one of our most economically important markets?

11:00

George Eustice: We have done a lot of work in that area. When it comes to the Scottish fishing industry, most of the pelagic stocks, such as mackerel and herring, are often transported frozen, so timeliness is a bit less critical. However, for a lot of the white-fish stocks, and especially for shellfish, the timeliness of deliveries is absolutely critical. To assist with that, last year an agreement was reached with the French authorities, whereby they would not implement checks on fish products arriving from the UK at Calais; instead, lorries carrying fish would be diverted directly to the fish market at Boulogne and any checks—customs checks, SPS checks or checks of export health certificates—would take place at the market as the fish arrive.

That is one measure that we have agreed to speed up the passage of those lorries. The other thing that we have done, which is unique to the fishing industry—with the exception of day-old chicks—is to develop a protocol that would enable us to fast-stream those lorries if operation Brock is triggered. That would mean that there is severe disruption at the border and we have queues of lorries because ferries are delayed and so forth. We estimate that there would be around 80 lorries a day, more than half of them from Scotland, carrying fresh fish that need to get to market. They will be fast-tracked through the system to ensure that they arrive on time.

Stewart Stevenson: I very much welcome what you have just said, although I draw your attention to recent correspondence from the industry and food processors generally about substantial remaining concerns that they have. Some of those are around labelling. You referred to frozen

pelagic fish. At the moment, pelagic processors do not know what the labelling will be on the outside of their—*[Inaudible.]*—but I am not asking about that. That is a matter for another day.

As we regain control of our waters and are therefore in a position to control who gets access to them and on what conditions, it is clear that that will be a vital part of the trade-offs involved in our getting the kind of access to markets that we need and European fishermen getting access to our waters. How will the access for foreign vessels be controlled? Colleagues will ask in detail about how we will do the negotiations in future, so I am not asking about that. How will the trade-off between those two potentially conflicting objectives be pursued in the negotiations?

George Eustice: I think that it is fair to say that the shellfish sector would probably feel that it has least to gain from our recovery of control over our waters, since shellfish are generally not quota species, and because it exports quite a lot, it has concerns about tariffs and potential barriers to trade.

However, when we talk to the larger processors—that is, those that often process large amounts of imported demersal white fish from countries such as Norway and Iceland and, indeed, landings from UK and Scottish vessels as part of that—the message that we generally get from them is, “Don’t sell out the catching sector on our behalf,” which is quite refreshing. I wish that more sectors of our economy took that view. Their view is that they would be able to cope with a few tariffs, if that was what it took, but that this is a great opportunity for our country: we should take back control of our waters and should use our ability to control access to rebalance quota-sharing arrangements and rectify some of the historical wrongs. The current sharing arrangements under the common fisheries policy are profoundly unfair to UK fishermen and we now have an opportunity to address that.

Stewart Stevenson: I think that that is a correct assessment, but issues that greatly concern the catching sector include getting staff—which is also true of the processing sector—and, more fundamentally, the fact that we have not been able to apply our Scottish rules from Marine Scotland to foreign vessels. I take it that you will confirm that any vessels fishing in our waters will have to comply with local rules and be accountable to Marine Scotland and the equivalent bodies throughout the United Kingdom.

George Eustice: Yes. That will happen in two ways. First, we will be able, through the annual negotiations that take place with the EU, Norway and the Faroes, to place licence conditions on every individual foreign vessel that seeks access to our waters. As well as enabling us to impose

catch limits and limits on the types of stocks that they could catch, that will enable us to require certain technical measures.

The second area where this will be relevant is within our exclusive economic zone. If we take spatial measures—for instance, a closure or a restriction on a particular gear type in a particular area—they will apply to foreign vessels that come into our waters as well, in a way that such measures do not apply now under the common fisheries policy.

The Convener: Before we move on to questions from Angus MacDonald, I gently remind committee members that short questions will, I hope, elicit succinct responses, which will mean that every member will get to ask questions and that, after the meeting, I will not have to face members who are unhappy about not having had the chance to ask their questions.

Angus MacDonald (Falkirk East) (SNP): I will be as succinct as I can be. You will be aware, Mr Eustice, that Treasury adviser Dr Tim Leunig, who advises Rishi Sunak, said that the food sector is “not critically important” to the country’s economy and that agricultural and fisheries “certainly isn’t”. Taking that into account and given the relative importance of fisheries for Scotland, will the Scottish Government and industry representatives be at the table in future international fisheries negotiations? What scrutiny role do you foresee for UK Parliaments, including the Scottish Parliament, in relation to those negotiations?

George Eustice: If Tim Leunig was on this call, he would point out that, although he said in the note that those areas might be small, statistically, for the UK economy as a whole, he said that they were incredibly important industries in some areas and that because we had a large landmass we needed to make sure that it was well managed. If we look at the full context of what he said, it was a bit different. However, he is just an adviser who is there to provoke discussion on things. Government policy is clear that both the fishing industry and the agricultural industry are incredibly important to our country.

In annual fisheries negotiations, we have always taken the approach of having a UK-wide delegation, so Fergus Ewing—prior to that, Richard Lochhead—or whoever the fisheries minister is goes with me each and every year and is very much part of the UK delegation. In the past, when we have gone into the trilateral negotiations with the EU presidency and the European Commission, ministers from each part of the UK have been by my side in those negotiations. We have always had an approach that very much involves every part of the UK. That is obviously particularly important for Scotland, given that more than half of our fishing industry is in Scotland.

Also, Scottish officials, such as Allan Gibb, work very closely with DEFRA fisheries officials.

Angus MacDonald: That is good to know, secretary of state. We also know that a greater share of quota for UK vessels is a key aim of the fisheries negotiations. You touched on that in your response to Stewart Stevenson. However, fisheries experts have cautioned against unilateral quota setting, which could lead to overfishing. How will you approach negotiations to avoid provoking unsustainable, unilateral quota setting?

George Eustice: There are three key variables in any annual fisheries negotiation if one is not in the common fisheries policy. The first is the total allowable catch; in other words, the overall size of the cake for a stock. Secondly, there are mutual agreements on access—who has access to which waters, to catch which stocks. Finally, there is the sharing arrangement; in other words, who gets what slice of the cake. In the final analysis, what tends to happen is an argument over sharing, which is understandable. The way in which those arguments are flushed out is by saying to countries, “If you think you have those fish in your waters, catch them in your waters.” It is at that point that the countries that depend on access to another country’s waters in order to catch the fish that they would like have to accept a different type of sharing arrangement. That is the general dynamic of any fisheries negotiation.

We absolutely want to avoid unilateral setting of quotas, but it would be very difficult for the EU to do that, given its high dependence on access to UK waters.

Peter Chapman: How confident are you that we are in a position to police the new rules, and to police EU vessels, which will be less than pleased when they are told that they can catch less in our waters? It is important that we are able to police the rules and regulations in future, so that they are not flouted.

George Eustice: We are confident that we can do that. The greatest challenges will probably come in the channel and the southern North Sea—that will be a particular challenge for the marine management organisation and the English fisheries authorities. Overall, we have increased our enforcement capacity about fivefold, in that we have brought on additional offshore patrol vessels from the Royal Navy and delayed the decommissioning of the old ones, so that we have additional capacity to draw on.

We have also commissioned two additional commercial vessels to assist in enforcement. We have taken out contracts for two aerial surveillance aircraft so that, in the event that we do not have access to vessel monitoring data from the EU, we have the ability to monitor vessels without access

to that data. We have also done a lot of training of additional staff in other agencies, such as the Border Agency, and we have worked out how we might be able to make use of the Border Agency's cutter vessels.

In the context of Scotland, of course, fishing tends to be characterised by slightly larger vessels and a smaller total number of vessels. Marine Scotland and the various commercial contracts that it has already have quite a lot of experience of, for instance, policing agreements with the Faroes, where the Faroes are allowed to catch only a percentage of their mackerel quota in UK waters.

Richard Lyle (Uddingston and Bellshill) (SNP): What will you do about foreign firms that have already bought UK licences?

George Eustice: We have just issued a consultation on the economic link. I think that that applies to England, but I know that the Scottish Government is considering similar measures. In essence, we are saying that we will strengthen the economic link on those foreign-owned UK vessels so that they will be required to land at least 70 per cent of their catch into UK ports. That means that they will be returning an economic benefit to the fish processing industry in those communities and creating new jobs in those areas. If they fail to land 70 per cent of their catch, they will have to forfeit some quota in that year and contribute quota to the non-sector pool, so that others can make use of that quota. It is a much tougher economic link than went before, where such vessels could largely get around any issues by claiming that they were employing a few UK crew.

Richard Lyle: How do you stop further licences being sold to foreign firms?

11:15

George Eustice: By having the writing on the wall that we will allocate quota in a different way.

We have said in England that, for the time being, we will continue to allocate people's historical relative stability shares in line with the fixed quota allocations system, to provide some stability in the industry. That means that people will not lose any entitlement that they had. However, we want to allocate any new, additional quota that arrives as we depart from relative stability in a different way and not just dole it out based on historical use. That could be a system where quota is tendered or licensed to producer organisations. Those organisations could be judged on their success in making space for new entrants or on their sustainability and environmental track record, so that there are rewards for producer organisations and their

members who approach fishing in a sustainable way and try to make room for new entrants.

Emma Harper: I have the answer to my first question, on standards, and I have another question, on the United Kingdom Internal Market Bill. Clause 47 talks about regulation of "harmful and distortive subsidies", and I wrote to the Scottish Government about whether that clause would potentially prevent it from providing targeted support to the rural economy in future. Earlier in the meeting, Oliver Mundell mentioned LFASS, which is what comes to mind.

In response, the cabinet secretary said that the clause had the potential to prevent support from being provided to Scotland's farmers, crofters and land managers and that agriculture is not mentioned in any exclusions. That means that UK ministers could, if they decided to, put in place new subsidy controls that would make payments unlawful. Does the secretary of state agree that that clause could directly impact the Scottish Government's ability to provide support for the rural economy?

George Eustice: I am afraid that I do not have the bill in front of me, but that clause is a reference to, or foreshadows, a possible UK-wide state aid or subsidy regime. It is a sticking point in the negotiations, but we are clear that we are not just going to bring the EU state aid regime across. We want to do something domestically and at some point, there will be a need for some kind of state aid regime for the UK, which that clause is linked to.

In the context of agriculture, that is not the approach that we envisage. Indeed, it is one of the 14 areas that we have been working on, with the Scottish Government and other devolved Administrations, to develop a framework agreement on agricultural support, so that we share ideas on what works and put in place memorandums of understanding that we will not support something in a way that is highly distortive for the market. We will respect and recognise the importance of each Administration being able to pursue a policy that works for its farmers.

Emma Harper: Certainly, a one-size-fits-all approach will not work for the whole of the UK, given how important Scottish farming is for the rural economy, with our 85 per cent less favoured areas.

Professor Michael Dougan suggested that England, by virtue of being the largest market in the UK, will effectively set standards on goods and services, and that the other nations will have little choice but to align, to ensure that their manufacturers remain competitive and continue to operate in the other nations. What is your view on that?

George Eustice: I do not agree with that conceptually. We are talking about mutual recognition, so each part of the UK can pursue slightly different regulations and diverge but cannot frustrate the workings of the internal market.

One has to ask whether that is a new concept: the answer is that it is not remotely new. Indeed, it is what we have had as a principle in the European Union for decades. It is already the case. To give an example, the European Union takes the position that if a genetically modified crop is authorised for use by the European Commission, it is not possible for any member state to ban the sale of products that are produced using GM technology. However, it allows each part of the European Union—and, under our devolved settlement, each part of the UK—to decide whether or not it will allow such products to be cultivated.

Some five years ago, England said that it would, in principle, be willing to allow the cultivation of some GM crops if they were safe and had been approved. Scotland, Wales and Northern Ireland decided that, as a point of political principle, they would not allow that. Under either of those scenarios, if Spain, France or another country had cultivated those crops, there would have been no lawful way to prevent them from being sold in Scotland.

Angus MacDonald: For clarification, and for the record, under the provisions in the United Kingdom Internal Market Bill, would a good that was imported into England, and which complied with the required legal standards to be placed on the English market, have to be allowed to be sold on the Scottish market?

George Eustice: If a good were imported, it would be under an international agreement that the UK Government would have concluded. In that scenario, those goods would be able to be sold throughout the UK internal market.

The specific point is that if a good is produced under a regulatory standard that is set in Scotland, there would be no way that England could prevent that Scottish producer from selling those goods on the English market.

Angus MacDonald: That clarification is helpful. As you will be aware, the committee's remit deals with policy areas in which there has been extensive harmonisation across the EU. That includes agriculture, fisheries, the wider food and drink industry, and related and underpinning remits such as the environment.

As such, it has been recognised that there is a need for common approaches to maintain the UK internal market. Hence the intergovernmental work between the four Governments of the UK. What is

the role of the UK Parliaments in that process? How will they be able to scrutinise and influence intergovernmental agreements and processes effectively?

George Eustice: The framework agreements that we have in place have very much been negotiated, mainly at official level, between each of the four Administrations. Generally speaking, they are a memorandum of understanding—or a concordat, if you like—on how to approach things. In the space of agriculture, it would be about setting up a market review group so that we can, together, ensure that what each Administration is doing does not cause huge distortions in the market.

It is all about sharing experiences of different policy innovations. It is fair to say that England currently intends to start to diverge from the legacy basic payment scheme faster than the other parts of the UK. I suspect that we will get some things right and some things wrong. Scotland might make a change more cautiously, but if England did something that was particularly successful, I suspect that Scotland would adopt it. If we did something that did not work and I ended up with egg on my face, I am sure that the Scottish Government would decide not to follow that route. We would see that happening across our family of nations in the UK—we would learn from one another, as we do now in some devolved policy areas, such as animal welfare.

In some cases, Scotland would probably follow England or vice versa. In other cases, we might follow Wales, if it did something that worked. A natural convergence would come about through a willingness to pursue good ideas. That would be the most likely outcome, particularly with each Administration engaging in those frameworks.

Angus MacDonald: Thanks for that.

Just for further clarification, is it possible that the United Kingdom Internal Market Bill will indirectly constrain the role of the Scottish Parliament? We have just discussed GM crops and GM food. Were the Scottish Parliament to disagree with an approach taken jointly between the UK and devolved Governments in a devolved area and request that the Scottish ministers introduce separate legislation for Scotland, is it conceivable that a separate Scottish approach would not be legally permitted?

George Eustice: I do not think that it would be—with the exception of one or two areas involving high-risk products, chemicals and other things, where we recognise that there is difference. The principle behind mutual recognition, generally speaking, is that you can have differences about the production standards—as you have—and accept that that is a devolved

matter, but we cannot use that as a means to frustrate mutual recognition.

Does that arrangement give the Scottish Parliament more or less power than it has now, as a member of the European Union? Unequivocally, the answer is that it gives the Parliament more power. Under the various EU directives, and with harmonisation and the plethora of delegated and implementing acts coming from the European Commission, no UK Administration—not England, not the UK and not Scotland—has the legal right to diverge and differ from EU law in those occupied policy spaces. [*Inaudible.*—freedom—*Inaudible.*]

The Convener: I think that we got the gist of that, although there was a little bit there where it went quiet.

Angus MacDonald: I got the gist. There are certainly debates to be had on that issue.

The Convener: The next question is from Oliver Mundell.

Oliver Mundell: The Scottish Government has introduced its own proposed legislation to give ministers here the power to keep pace with EU law in devolved areas. Notwithstanding my substantial concerns about that approach and what it means for Scottish agriculture, can you confirm that there is nothing in the United Kingdom Internal Market Bill that will limit the Scottish Government's ability to keep pace with EU law in relation to devolved matters?

George Eustice: I think that there would be nothing to prevent the Scottish Government from doing that in so far as it is consistent with the devolved settlement. I know that there was a similar bill in a previous session, over which there was some legal dispute. I am not sufficiently familiar with the precise details of the bill that is before you to know whether it is fully consistent with the devolution settlement or not. I am sure that other lawyers would consider that.

Broadly speaking, it is open to the Scottish Government to slavishly follow EU law if that is what it wishes to do. I suspect that that strategy cannot be maintained in the long term, because it is only a matter of time before the EU introduces a policy proposal that would be manifestly against Scottish interests. It then becomes a moot point: do you elevate the pursuit of EU law above the interests of Scotland? That would probably leave any Scottish Government in a difficult quandary.

Oliver Mundell: I am pleased to hear you highlight that point. I am particularly concerned, for example, about issues around glyphosate, which is extremely important to Scottish farmers. By keeping pace with EU law, we might end up missing out on many of the benefits that Brexit has

brought. That is more of a comment, however. I will let you move on to questions from others, convener.

The Convener: Thank you. The next question is from Richard Lyle.

Richard Lyle: Secretary of state, what changes, if any, does the UK Government plan to make to the state aid framework that are related to the committee's remit?

11:30

George Eustice: The state aid framework is something that I know colleagues in the Department for Business, Energy and Industrial Strategy are considering. We already have a reference point in the context of agriculture. We know what is required under the World Trade Organization rules, where there is a system of aggregate market support with the so-called green box, blue box and amber box. We know roughly what the UK's allocation will be for that aggregate market support under the new WTO schedule. That is a starting point.

Broadly, we seek to achieve the ability for all the devolved Administrations to pursue policies that work for their own landscapes, farm structures and farmed environments but, obviously, to prevent a situation where there could be anti-competitive subsidies that would be deeply unfair to another part of the UK. If the English Government said that it was going to make a £200 a head ewe payment to farmers in Cumbria but Scotland was unable to do the same thing, that would not be fair to sheep farmers in Scotland. We all understand that and we will seek agreement, principally through the frameworks, but ultimately it might be addressed through a state aid regime.

We need to have an understanding that there will be freedom to do whatever works, provided that it does not cause huge market distortions within the internal market.

The Convener: Richard Lyle seems to have disappeared. He might have had a problem with his internet connection. We will therefore move on to the deputy convener, who will ask her questions, and I will try to bring Richard back in when he reconnects.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): Over the past few months—it seems like ages—the committee has scrutinised a large number of UK statutory instruments that either refer to the common frameworks, as you have done during our discussion, or cover areas where the need for common frameworks has been noted.

My understanding is that the Scottish Government, along with the other devolved

Governments, has participated in the common frameworks process in good faith since 2017, and I believe that the process was designed to manage policy differences on the basis of agreement and is founded on respect for devolution. Indeed, it is a specific tool that was jointly designed by the devolved Governments and the UK Government for the task of managing the practical regulatory and market implications of the UK leaving the EU. What on-going role do you foresee for the UK Parliaments in scrutinising the operation of common frameworks?

George Eustice: I think that the common frameworks are more a matter between the devolved Administrations, each of which will raise and address questions that are raised by their respective Parliaments. The important thing to state is that none of the frameworks have legislative force. As you point out, they are memorandums of understanding between the devolved Administrations on modes of working and they involve the Administrations sharing best practice and notifying one another of changes that they might make.

We have set out the frameworks in 14 different areas, ranging from animal health and welfare right through to fisheries management, chemicals and pesticides, fertiliser regulations and many other areas. We discussed them at the interministerial group last week and they will be considered further at our next meeting in December before being formally endorsed by all the Administrations. We have worked closely on them with the devolved Administrations. They are agreements on modes of working and memorandums of understanding rather than having any legal force or legal weight, and they do not actually change the essence of the devolution settlement or its overall position.

Maureen Watt: I think that you underplay some of the frameworks. When, for example, do you expect the detail of the framework on agricultural support to be available? What do you expect it to contain?

George Eustice: As I said, it will be available before the end of the year. It will basically address the agriculture policy that we have, which replaces the previous common agricultural policy. It will be a non-legislative framework and it will deal with UK collaboration.

We have been working on a proposal to set up a UK agricultural marketing monitoring group across all the devolved Administrations to work out the impacts, and a policy co-ordination group so that we can share best practice with one another. It is very much about advisory agreements and joint market monitoring so that we work together to address any issues that might arise.

Maureen Watt: I think that some of my colleagues will ask questions about funding, which is of course what agricultural support is all about.

Your Government's proposals for the internal market will potentially undermine the framework process by removing the incentive for the Governments to agree ways of aligning and managing differences. How do you envisage that common frameworks and the provisions of the United Kingdom Internal Market Bill will work together, taking into account the distinct needs of Scottish agriculture?

George Eustice: The principle of mutual recognition, which is the essence of the United Kingdom Internal Market Bill, will mean that we have coherence within the UK internal market and that trade within the four nations cannot be frustrated. The frameworks will supplement that through regulatory co-ordination.

That is obviously very different from what we had in the EU. In the EU, we had regulatory harmonisation, whereby the Scottish Parliament and the UK Parliament were disempowered under the European Communities Act 1972, the European Commission directly regulated on our behalf and it was unlawful for us to legislate in an area that was occupied by the European Union.

We are now going into a much looser system where the Scottish Parliament will be empowered and able to make its own regulations in a way that was not possible previously. The same will apply to the UK Parliament on behalf of both the UK and England, depending on whether a matter is devolved. We will manage differences not by centralisation and harmonisation but by regulatory co-ordination.

Maureen Watt: Do you see an on-going, open-ended need for the frameworks process to continue?

George Eustice: I think so. We have set up the 14 areas, which set out ways of working. My experience of concordats of this nature—we have had one, for example, on fisheries and the management of vessel licensing—is that issues arise occasionally and they need to be revised or looked at again. We often consult industry on such changes. The process represents a very good starting point, but I would not rule out that, as we get into it, we might look at refining our ways of working.

The Convener: The next questions are from Colin Smyth.

Colin Smyth (South Scotland) (Lab): I turn to the replacement for EU funding. Given how extensive and indeed vital EU funding is to agriculture, fisheries and the wider rural economy in Scotland, will the UK Government make

available to the Scottish Government an equivalent amount of funding to that which was previously provided under the CAP?

George Eustice: Yes. We have a manifesto commitment to spend the same on agriculture in each of the devolved Administrations, in cash terms, as we did at the point of leaving the EU. The SPS payments and BPS payments under the basic payment scheme, which are pillar 1 payments, were in effect set at the exchange rate that pertained between sterling and the euro in December 2019. That gives us the baseline for payments, and it also covers the pillar 2 payments. Scotland will have £595 million per year as we go through the current session of Parliament.

I know that questions have been raised about some of the issues, but it is important to recognise that, after we voted to leave the European Union, the exchange rate adjusted quite considerably in favour of agriculture, so the payment rates on direct payments are some 20 per cent higher than they would have been had the 2015 rates been used. As the UK has left and the EU is losing the money that we paid in, it is also the case that the EU has had to take a difficult decision to cut spending on agriculture by 10 per cent.

Taking those things together, I think it is the case that farmers right across the UK are better off out of the European Union than they would have been inside. Had we not voted to leave and had there been a cut to the EU budget, they would be receiving considerably less money with the UK as a member of the EU.

Colin Smyth: Obviously, EU funding to Scotland goes beyond pillar 2 payments. Across the UK, we have a number of successful EU-funded programmes, such as EU structural funds and the LEADER programme, that are administered by the devolved Governments. Those will all come to an end, but there appears to be a lack of detail on what will replace them, partly due to the lack of clarification on funding.

When will we see details of the replacement for EU structural funds—the UK shared prosperity fund—and how will it operate in Scotland?

George Eustice: You will see more detail soon. We have the spending review today, which will set out our approach in a number of areas. Once those financial envelopes for the current year are set, it will be possible for my colleagues Robert Jenrick at the Ministry of Housing, Communities and Local Government and Alok Sharma at the Department for Business, Energy and Industrial Strategy to say a bit more about how they see that fund operating.

DEFRA has been engaged in that discussion, because it is envisaged that the previous rural development funds under the European

agricultural fund for rural development, principally the LEADER fund, will become a strand or tier of the shared prosperity fund, unlike the other agricultural productivity grants. You will hear more about that in due course, but I am afraid that you will have to wait a little bit longer. You might want to get Robert Jenrick before your committee once he has set out the thinking.

Colin Smyth: I am sure that that invitation will be in the post.

To be clear, will the UK shared prosperity fund and the EU CAP replacement be administered by the Scottish Government?

George Eustice: We have set out a position on the agriculture fund—the CAP replacement, if you like—and it is going to be administered by the Scottish Government. There are discussions about exactly how the UK shared prosperity fund will work, but I am afraid that you will have to wait until the position on that has been finalised and MHCLG has set out in a bit more detail how it intends to approach those things.

Colin Smyth: Let us hope that that happens soon. This is my final question. Does the UK Government have any plans to develop a replacement for the European maritime fisheries fund?

George Eustice: Yes—there will be a replacement for the European maritime fisheries fund. Again, now that the spending review has concluded, we will say a bit more about that a little later this year.

The Convener: Richard Lyle disappeared halfway through the questions that he was asking, so I want to bring him back in before I move on to the next question from Peter Chapman.

Richard Lyle: I apologise to the convener and to the secretary of state—my wi-fi went down.

Have you asked the chancellor for extra money to be announced for agriculture this afternoon? Does DEFRA agree with the Treasury's suggestions that current farming payments do not represent value for the taxpayer?

11:45

George Eustice: On your first point, yes, as part of the spending review process, we ask the Treasury for the sum of money that we committed in our manifesto to ask for during the current parliamentary session, and I anticipate that, when the chancellor talks this afternoon, there will be favourable news on that front.

On your latter question, we agree that the current payments are poor value for money. Area-based payments do not make a great deal of sense; they subsidise land ownership and land

tenure, which tends to mean that the largest payments go to the wealthiest landowners, whereas businesses that would perhaps benefit from more support get the smallest payments. That can inflate land rents and input costs. Area-based payments can lead to a situation in which people do not actively farm the land but coast and collect the basic payment on that land. For a multitude of reasons, an area-based subsidy makes little sense. It is a subsidy on land ownership or tenure, and land is a limited resource that does not need subsidising.

In England, we intend to move progressively away from that and redirect payments to invest in technology, research and development and the environment, reduce costs, support farmers to farm more sustainably and enhance animal welfare and health outcomes. We think that that is a better way to target those significant funds.

Richard Lyle: That is your choice, but will the proposal to reserve state aid as part of the internal market affect the Scottish Government's ability to determine what support can be provided for the Scottish rural economy, including agriculture, post-Brexit? Alternatively, as a devolved nation, can we make our own decisions for each spend, and, as you said previously, have the freedom to do so?

George Eustice: The starting point is that, yes, Scotland would have the freedom to do so. One of the first things that I did when I became farming minister was to lobby quite hard on behalf of NFU Scotland to ensure that we could have a higher rate of coupled support on the sheep sector. The argument is that an area-based regional approach does not work in such wide-ranging landscapes as there are in Scotland, so retention of the coupled support was important to make sense of the CAP in Scotland. Therefore, it would be open to Scotland to pursue those sorts of policies. However, as I said earlier, if it was so great that Scotland was paying a subsidy of £300 per sheep and that was causing major dislocation and unfairness in the internal market, there would need to be some sort of state aid regime to pick that up, although, equally, it might work the other way around. Therefore, we want to use the agricultural policy framework in the first instance to coordinate our differences, but have a starting point that there is freedom for each Administration to pursue policies that work for them, and only if it starts to become a major distortion in the internal market would a state aid regime kick in.

Richard Lyle: Finally, how much extra have you asked the chancellor to give you?

George Eustice: It is consistent with the manifesto commitment. As I said earlier, for Scotland, that allocation amounts to £595 million a year.

Richard Lyle: Thank you, secretary of state.

The Convener: As always, Richard Lyle takes the questioning to the next level.

Peter Chapman: Secretary of state, there is real worry about how our fruit harvest will be picked next year. Across the UK, we need some 70,000 seasonal agriculture workers to pick the fruit and something like 10,000 of those people need to come to Scotland. At the moment, there is no clarity around where those people will come from. Can you give us some idea of how we will be able to pick our fruit in the coming season?

George Eustice: The analysis that we have done suggests that there are in the region of 70,000 roles. However, an individual might start the year picking daffodils in Cornwall before moving on to pick soft fruit in Kent and then ending up in Aberdeen picking raspberries. Sometimes individuals move around, so the estimated total number of individuals is probably lower than 70,000.

We have been working closely with the Home Office on the matter. We are in an environment in which unemployment is probably set to rise as a result of the coronavirus, and many of the affected jobs will be in the hospitality sector. Sometimes, the affected people will be Polish or Lithuanian and will have worked in the fields; they will be used to doing hard graft. We need to make sure that in our future policy we keep space for some of those people to take some of the work that you are talking about, acknowledging that it is not always easy to get British people to do seasonal jobs.

We will shortly say more about the scale of the seasonal agricultural workers scheme for next year. We recognise—and the Migration Advisory Committee recognises—that horticulture is a special case and we need a bespoke seasonal workers scheme.

Peter Chapman: I am delighted to hear you say that. This spring, hundreds of thousands of workers were furloughed and our growers made attempts to get them to come and pick fruit, with very limited success. Many folk said that, although they had thousands of applications, just a handful of people stuck the job right through to the end of the season. I would not rely too much on that approach.

Seasonal workers need to be here for six months or so; it is also important to realise that in the fish processing factories in the north-east, for example, something like 70 per cent of the staff are from the EU. There is concern that there will be a huge shortage of people to process the extra fish that we hope to catch. Are there any thoughts on how that issue can be addressed?

George Eustice: It can be addressed in two ways, I think. First, a lot of those east Europeans who work in food processing jobs, particularly when it comes to meat and fish processing, where there is a high degree of reliance on east European labour, will have gone for settled status, given that they are in full-time roles and in many cases have families and children who are settled in school here. There will be a degree of resilience for those sectors in that regard.

In addition, the Home Office is reviewing the shortage occupation list. It is looking at a range of skilled and semi-skilled jobs and professions where there is a shortage. The Migration Advisory Committee highlighted some roles in fishing as needing to be considered, as the list is reviewed and extended.

Peter Chapman: Thank you.

Emma Harper: I want to make two points, which could be responded to later. I am concerned about the Northern Ireland protocol, given the ports at Belfast, Larne and Warrenpoint and their links to the port of Cairnryan, in the south-west of Scotland. There are issues with staffing requirements. Apparently 25 vets will be needed for Larne and Belfast and there is a need for increased staffing in the Northern Ireland Department of Agriculture, Environment and Rural Affairs. In addition to vets, 12 administrative staff and 30 environmental health officers will be needed. I could go into more detail. Whether or not we get a free trade agreement, I am not aware that Northern Ireland is ready yet. I would like to hear about that.

There is also a particular issue with sheep movement from Scotland to Northern Ireland. European health certificates will be required as part of the Northern Ireland protocol. The sheep scrapie monitoring scheme in Scotland will then have to come into play for any sheep moving between Scotland and Northern Ireland, whether or not they go south. Will a derogation be considered? Some of the sheep farmers are asking for that so that they can be better prepared for whatever health certificate is required.

The Convener: If that was a short question, I will not be looking for a long one.

George Eustice: I will try to be brief but the Northern Ireland protocol is a complex issue.

The committee will recall that the previous Parliament was trying to deal with a difficult conundrum: how do we take the UK out of the EU and its single market without the need for a border on the island of Ireland? Having gone round and round on that, we concluded that the best way to resolve that was to agree to some checks on entry points, particularly in Larne and Belfast, for goods going from GB to Northern Ireland.

That has created challenges. Supermarkets might require large numbers of export health certificates for some products where there is currently no certificate that can be issued. We are working through those issues in the joint committee process and ironing out how the Northern Ireland protocol will work. Michael Gove and other departments are also in discussion with the Scottish Government about Cairnryan and what might be required there for goods that originate in the Republic of Ireland but travel through Northern Ireland. Those are complex issues but we are addressing them.

The Convener: Emma, do you want to ask anything else?

Emma Harper: My question about the sheep scrapie scheme might be best answered in a letter.

The Convener: Secretary of state, if you do not have an answer for that question we are happy to have you write to us.

George Eustice: That will almost certainly be in the SPS regulations and therefore on the list of things that would have to be checked. We will take that specific point away.

The Convener: Oliver Mundell has a question.

Oliver Mundell: I am done. Peter Chapman covered the issue in more detail and I have the answer I wanted.

The Convener: Richard Lyle has another question.

Richard Lyle: I would like to go back to something I asked about earlier. Please clarify, in line with your manifesto commitment, will the Scottish level of funding for 2021 to 2025 stay the same as what we received from the EU funding block?

George Eustice: It will be the same in cash terms as it was at the point at which we left the European Union. That is the point that was set in 2019.

On some measures, the funding will be higher. If you were to take the rate of payment at the beginning of the last financial perspective on the exchange rate that pertained at the time, it would have been 20 per cent lower. It will be higher than the EU rate, because the EU has cut its budget by 10 per cent. It is basically the same in cash terms per year for the duration of the current parliamentary session.

Our spending reviews tend to work on a five-year cycle, whereas the EU's work on a seven-plus-three cycle, which means that spending commitments can run for a full decade, and that can sometimes cause confusion for people. The

spending cannot be compared directly because it refers to different time periods.

The Convener: That concludes the questions from our remote members and those around the room. I thank the secretary of state for giving evidence to the committee. I also thank Mark Thompson, who sat very quietly. He was not called on to contribute, but we are grateful that he was there and ready to contribute, should he have had to do so.

European Union (Withdrawal) Act 2018

Animal Welfare and Invasive Non-Native Species (EU Exit) Regulations 2020

12:00

The Convener: The next item relates to the European Union (Withdrawal) Act 2018. We have received a consent notification in relation to one UK statutory instrument: the Animal Welfare and Invasive Non-Native Species (EU Exit) Regulations 2020. The instrument is being laid in the UK Parliament under the European Union (Withdrawal) Act 2018.

The notification explains that, despite the dispute over the import-export control reservation, Scottish ministers are content for the changes in that field to be made by a UK SI because they are technical changes that will have a limited impact in Scotland.

As no member wishes to make a comment on the instrument, does the committee agree to write to the Scottish Government to confirm that it is content for consent to be given to the UK SI that is referred to in the notifications? I see that members agree to do so.

Before we move into private session, I note that the committee is always ably supported by our clerking team. Deborah Cook, who has been a member of the clerking team for some time, is moving away from the team, so I thank her on behalf of all committee members for the work that she has put in. We will ensure that she gets a copy of the *Official Report* to show that we have thanked her.

12:02

Meeting continued in private until 12:19.

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