



Lord Whitty  
Chair, EU Internal Market Sub Committee  
House of Commons  
London  
SW1A 1AA

17 July 2018

Dear Larry,

Thank you for your letter of 3 July regarding the Committee's follow-up oral evidence sessions on *Brexit: trade in Non-Financial Services*. I have responded to each of your questions in turn. I trust this letter will provide the clarity that the Committee is seeking.

**1. We welcome reports of high levels of engagement with services sector stakeholders and encourage the Government to continue these efforts. We are concerned by reports that high staff turnover, particularly in DExEU, has hampered continuity. What action is the Government taking to ensure stability and continuity in engagement structures?**

Regular resource reviews have taken place in order to ensure that the Department for Exiting the European Union's (DExEU) structure remains suitable, and that it has the right quality, skills and resources in place to deliver its objectives.

The Department enjoys a highly skilled and experienced senior leadership team who will continue to provide the Department with strong direction and ensure the stability and continuity of engagement with key stakeholders including in the services sector.

**2. We would welcome information on how DExEU is ensuring the voices of SMEs are heard and that their distinct priorities are taken into account in the Government's plans for a comprehensive trade agreement.**

Ministers from across government have carried out extensive engagement on EU exit with businesses and industry bodies from all sectors of the economy and all regions of the UK, including SMEs.

DExEU Ministers have undertaken more than 500 recorded DExEU-organised engagements with business and civil society stakeholders from every sector of the British economy since July 2016 and attended over 80 roundtable meetings on a wide range of topics.

The former Secretaries of State for DExEU and BEIS, and the Chancellor of the Exchequer, also created a EU Exit Business Advisory Group to ensure the voice of business is not only heard but is influential throughout the negotiations.

**3. We welcome the progress brought by the recently announced draft rules on the post-Brexit EU citizen settlement scheme and encourage the Government to set out further details promptly**

Securing the rights of citizens has always been our priority and we have delivered on this commitment. The draft Withdrawal Agreement published in March guarantees the rights of EU citizens and their family members living in the UK, and UK nationals living in the EU.

The Statement of Intent published in June provides further details about how EU citizens and their families can obtain settled status in the UK. The process will be straightforward and streamlined and we will support applicants to get the right outcome. Most EU citizens will only need to prove their identity, evidence their residence in the UK and declare any serious criminal convictions. An application will cost £65 and £32.50 for children under 16, which is less than the cost of a passport. It will be free for those with valid permanent residence or indefinite leave to remain documentation.

We have already launched a national communications campaign, which will increase in the coming months as we approach the launch of the scheme, and we have been regularly updating the information on the Gov.UK website. As well as the regular user group meetings, there is a significant and increasing programme of face to-face information events for EU citizens. More than 200,000 people have signed up for official email updates on citizens' rights and the settlement scheme and we continue to promote sign-ups.

**4. We recognise that the Government's longer-term immigration policy remains to be clarified but we reiterate calls from our witnesses for a system that supports the UK's world-leading services sectors.**

In the White Paper *The Future Relationship between the United Kingdom and the European Union*, the Government has set out the UK's intention to seek reciprocal mobility arrangements with the EU, building on current WTO GATS commitments. We recognise that UK firms and global investors rely on the ability to move and attract talent to support global operations, and to send people to provide services across Europe. Indeed, mobility is a key element of economic, cultural and scientific cooperation, ensuring professional service providers can reach clients; advanced manufacturers can deploy key personnel to the right place; and scientists can collaborate on world-leading projects.

The UK will seek reciprocal arrangements that would allow UK nationals to visit the EU without a visa for short-term business reasons and equivalent arrangements for EU citizens coming to the UK. As is the case with non-EU countries with whom the UK has a trading agreement, the UK also wants to agree reciprocal provisions on intra-corporate transfers that allow UK and EU-based companies to train staff, move them between offices and plants and to deploy expertise where it is needed. The UK will also discuss how to facilitate temporary

mobility of scientists and researchers, self-employed professionals, employees providing services, as well as investors.

In the future it will be for the UK Government and Parliament to determine the domestic immigration rules that will apply. The UK's future immigration arrangements will set out how those from the EU and elsewhere can apply to come and work in the UK. The Migration Advisory Committee (MAC) report, due in September 2018, will provide important evidence on patterns of EU migration and the role of migration in the wider economy to inform this.

**5. Witnesses told us that maintaining the free flow of data between the UK and EU was a priority issue for the digital and PBS sectors. The Government clarifies in a recent technical note that it will seek a data protection agreement rather than an adequacy decision. We highlight that the Government's position as set out in the technical note is not consistent with the Commission's published models for data transfers with third countries.**

As the Prime Minister said in her Mansion House speech, achieving a deal on data protection is one of the foundations that must underpin the UK-EU trading relationship. In a globalised digital economy, data flows envelop all trade in goods and services as well as other business and personal relations. They are critical for both sides in a modern trading relationship.

The Government set out in the recently published White Paper, that the EU's 'adequacy' framework provides the right starting point for data protection arrangements between the UK and the EU. A Third Country can request that the Commission considers them for an Adequacy Decision, which once granted, allows for the free flow of personal data between the EU and that third country.

An agreement would seek to build on the standard adequacy model in order to achieve ongoing regulatory cooperation and joined up enforcement action between UK and EU data protection authorities. This will ensure UK and EU businesses and citizens benefit from greater cross-border cooperation for resolving data protection disputes. We should also build on the 'adequacy' model to provide stability and transparency. It would benefit individuals and businesses in the UK and the EU to have a clear framework to facilitate dialogue between the UK and the EU, minimise the risk of disruption to data flows and support a stable relationship to protect the personal data of citizens across Europe.

The UK is ready to begin preliminary discussions on an adequacy assessment. This is important in ensuring that a data protection agreement is in place by the end of the implementation period at the latest, to provide the earliest possible reassurance that data flows can continue.

**6. Does the Government share the view of our witnesses that an aviation agreement should be concluded separately to a wider trade deal? Would the established legal mechanism for third country participation in EASA be a satisfactory arrangement for the UK?**

Aviation is critical to both the UK and the EU. We have a common interest in getting the best outcome – people right across Europe benefit from liberal aviation market access, whether travelling for business or for leisure. We are focused on securing the right arrangements for the future, so that our aviation industry can continue to thrive and passengers across the UK and the EU continue to have high levels of connectivity and choice at attractive prices. The format of the agreement on aviation will be a matter for further discussion with our European partners. The recently published White Paper makes clear that the UK will explore options for an Air Transport Agreement. This could provide the basis for a comprehensive new relationship.

As the Government outlined in its White Paper published 12 July 2018, the UK will seek participation in EASA, with the aim of becoming a Third Country member via the mechanism established in the EASA basic regulation, as Switzerland has. Continuing our participation in the EASA system will help to maintain and raise safety standards across Europe, and minimise regulatory burdens for both the aviation and aerospace sectors.

**7. Your response reiterates the Prime Minister's statement that the UK cannot maintain the current arrangements it has with the EU for broadcasting. However, details on the Government's proposed model have not been forthcoming. We conclude that this ongoing lack of clarity is a severe risk to the UK's position as a leading centre for international broadcasting.**

The Prime Minister's Mansion House speech acknowledged that we cannot have exactly the same arrangements with the EU on broadcasting as we do now. The White Paper further recognises that we are leaving the single market and there are consequences associated with that. Specifically, that the 'country of origin principle' will no longer apply.

We are working with our sectors to provide the certainty they need to understand the challenges and opportunities they may face in the coming months and years, and to provide stability and certainty in the period leading up to the UK's departure from the EU. One element of this is in relation to European Works. The White Paper confirmed the UK's position with regards to the European Convention on Transfrontier Television of the Council of Europe (the CTT). Due to the UK's ongoing participation in the CTT, works originating in the UK will continue to be classed as European Works, which we know is important to industry.

**8a. What reassurances can you provide that the level of UK contributions to EU creative programmes will be maintained and awarded to the UK creative sector post-Brexit?**

As set out in the Government's White Paper, the UK is open to exploring continued involvement in Creative Europe to support the cultural, creative and audiovisual sectors.

Third Country provisions for the current Creative Europe programme exist already and we look forward to discussing what provisions can be established that are of mutual benefit to both parties.

Ultimately, the decision on programme participation, terms and corresponding costs will all be decided as part of the future partnership negotiations.

Clearly there are many moving parts, and the details of UK involvement will need to be subject to the wider decisions of the MFF package. Any model for future collaboration will need to be carefully considered and our final decisions will be on the basis of what is in the best interests of British citizens.

**8b. Does the Government consider it necessary to seek specific agreement that UK programming will continue to qualify as 'European works'?**

The European Works content quota applies to works which originate in Member States and non-EU European countries which are party to the European Convention on Transfrontier Television of the Council of Europe (the CTT). The definition of European Works includes those countries that have signed and ratified the Council of Europe's Transfrontier Television Convention, to which the UK is a party.

The UK intends to remain a member of the Council of Europe after our exit from the EU. Accordingly, we expect the CTT, including references to European Works, to continue to apply to us.

And as confirmed in the EU's 'Notice to Stakeholders in the field of audiovisual media services', works originating in the UK will continue to be classed as European Works. This will enable us to continue co-producing with EU Member States.

**9. EU students are a source of great economic and academic value to the UK. We are disappointed that your response does not recognise the urgent need to confirm the fee and loan status for EU students starting courses next year. You explain that applications for these courses will not open until September 2018 but do not acknowledge that universities are already long into the recruitment cycle. We support the clear and urgent call from UK universities for the Government to clarify the financial status of EU students starting courses in 2019/20.**

Students from the EU make an important contribution to the universities sector and it is a testament to our system that so many students from abroad choose to come and study here.

That is why the Government has confirmed that students from the European Union starting courses in England in the 2019/20 academic year will continue to be eligible for 'home fee status'. This means they will be charged the same tuition fees as UK students. They will also be able to access financial support for the duration of their course on the same basis as is available today.

As education is devolved, the Devolved Administrations have made their own announcements on EU nationals' access to home fee status and student finance in academic year 19/20.

**10. In addition to these specific matters, we would be grateful for an update on how ongoing developments in the Government's position on trade and customs arrangements might impact its position on trade in non-financial services.**

The UK has proposed a free trade area between the UK and the EU, with zero tariffs for goods and a common rulebook for goods, avoiding any new friction at the border. This also includes a Facilitated Customs Arrangement that would remove the need for customs checks and controls between the UK and the EU as if they were a combined customs territory.

The Facilitated Customs Arrangement will take us out of the customs union, enabling the UK to control its own tariffs for trade with the rest of the world and ensure businesses paid the right or no tariff.

You will be aware that services are not ordinarily subject to 'at the border' trade barriers, in the way that goods are. Therefore, in this sense, services are not affected by the Facilitated Customs Arrangement. Instead, the White Paper sets out an ambitious and mutually beneficial set of proposals for non-financial services. We are seeking an agreement with: broad coverage, ensuring that service suppliers and investors are allowed to operate without encountering unjustified barriers or discrimination; provisions to allow UK firms to establish in the EU27, and vice versa; and a comprehensive, predictable and timely mechanism for the mutual recognition of professional qualifications.

*Kind regards*  
*Martin Call*

**LORD CALLANAN**  
**MINISTER OF STATE FOR EXITING THE EUROPEAN UNION**