House of Commons

Digital, Culture, Media and Sport Committee

The potential impact of Brexit on the creative industries, tourism and the digital single market: Government Response to the Committee's Second Report of Session 2017—19

Fourth Special Report of Session 2017–19

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The Digital, Culture, Media and Sport Committee

The Digital, Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Digital, Culture, Media and Sport and its associated public bodies.

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Committee reports are published on the Committee's website at www.parliament.uk/dcmscom and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the Committee's website.

Committee staff

The current staff of the Committee are Chloe Challender (Clerk), Joe Watt (Second Clerk), Lauren Boyer (Second Clerk), Josephine Willows (Senior Committee Specialist), Lois Jeary (Committee Specialist), Andy Boyd (Senior Committee Assistant), Keely Bishop (Committee Assistant), Grace Camba (Sandwich Student), Lucy Dargahi (Media Officer) and Janet Coull Trisic (Media Officer).

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Fourth Special Report

The Digital, Culture, Media and Sport Committee published its Second Report of Session 2017–19, *The potential impact of Brexit on the creative industries, tourism and the digital single market* (HC 365) on 25 January 2018. The Government's response was received on 31 May 2018 and is appended to this report.

In the Government response the Committee's recommendations appear in **bold text** and the Government's responses are in plain text.

Appendix: Government Response

The Government welcomes the Committee's report: 'The potential impact of Brexit on the creative industries, tourism and the digital single market'.

The Government is grateful to the Committee for its inquiry and welcomes the detailed consideration the Committee has given and the extent of evidence it has taken in formulating its conclusions and recommendations.

The EU has now agreed its negotiation directives, allowing us to formally begin talks on the next phase of negotiations. The UK and EU negotiating teams have also reached agreement on the terms of an implementation period that will start on 30 March 2019 and last until 31 December 2020. We welcome the endorsement of this agreement by the March European Council. During the implementation period, the UK will no longer be a member state of the European Union, but market access will continue on current terms. To give businesses and citizens certainty, common rules will remain in place until the end of the period meaning businesses will be able to trade on the same terms as now up until the end of 2020.

Throughout this process, the Government will continue to engage with the devolved administrations and with our stakeholders on how the UK's exit from the EU may impact on our sectors.

Relations with the European Union remain the responsibility of the UK Government and the UK Parliament. We have, however, been clear from the start that we will fully engage the devolved administrations in this process. The Government recognises and respects the devolved powers that exist in sectors discussed in this response. Culture & heritage; tourism (excepting air travel and immigration policy); heritage; and education and training are devolved areas. We will continue to work with the devolved administrations on matters that will affect devolved sectors.

As the Committee's report states, on 1 November 2017 the House of Commons resolved for the Government to share the reports covering 58 sectors of the economy. The Government provided the House of Commons Committee on Exiting the EU and the Lords EU Committee with this information on 27 November 2017. On 6 December 2017, the House of Commons Select Committee on Exiting the EU confirmed these reports complied with the motion of 1 November and later (on 13 December 2017), resolved that is was "minded to publish the reports arising from the sectoral analyses undertaken by the Government that were provided to the Committee on 27 November but with the Sector Views sections redacted".[1]

Ministers have a specific responsibility, which Parliament has endorsed, not to release information that would undermine our negotiating position. As such, the Government is content that the sectoral reports do not contain material that we judge would undermine the UK's hand in the negotiations, or material that is commercially or market sensitive. In responding to the Committee's conclusions and recommendations the Government has sought to provide as full a response as possible, while maintaining this ministerial responsibility.

The Government has carefully considered all of the recommendations and sets out its response to the recommendations below. In setting out our response, the Committee's recommendations and conclusions are presented in bold under each chapter heading, as per the Commission's response. A single thematic response has been provided covering each of the recommendations and conclusions.

Workforce issues

- **Recommendation 1 [para 32]: The UK creative, tech and tourism industries need sufficient access to talent to continue as world leaders. That is self evidently in the nature of being a global centre of excellence in these areas. The then Secretary of State, Rt Hon Karen Bradley MP, said that Brexit is an opportunity to think about "how we can upskill our native workforce", but this alone will not address the challenges that businesses face today particularly in an increasingly globalised and international sector. Brexit will place a greater urgency on developing the skills of the domestic workforce, but we cannot allow a skills gap to occur which could create shortages of essential workers for businesses in the UK as a result of our departure from the EU.**

- **Recommendation 2 [para 33]: The then Secretary of State's assertion that analysis of the workforce must be completed on a sector–by–sector basis is a sensible approach. However, the lack of detail regarding precise numbers is problematic. There is a lack of clarity about reliance on EU workers. For instance, figures cited to us for the number of people working in tourism ranged from 3 million to 4.5 million.**

- **Recommendation 3 [para 34]: It is imperative that any analysis examines regional demand for staff and the operational requirements of businesses and organisations, ranging from very small start-ups to international corporations. Effective policy cannot be developed if the Government underestimates the extent to which these thriving industries depend on staff drawn from the EU. It is essential, therefore, that the Government and its advisory bodies—including the Creative Industries Council, the Tourism Industry Council and the Migration Advisory Committee—take these considerations into account in their analysis of the impact of Brexit on the UK's future labour market.**

1 https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/Correspondence/Letter-to-Secretary-of-State-from-Chair-on-sectoral-analyses-13-December-2017.pdf

The Government knows that continued access to international talent and skills is a key concern for the UK's creative, tech and tourism sectors and we continue to work closely with industry to understand the impacts and opportunities as we leave the EU.

With regards to the creative industries, we recognise that in some areas there are domestic skills shortages and therefore a need for non-UK workers to fill skills gaps. That is why a number of creative industries occupations are reflected on the Tier 2 Shortage Occupation List, allowing businesses to recruit international talent more quickly to fit in with the project-based nature of the sector.

For the digital economy, we recognise that all sectors require digitally skilled workers, not just the tech sector. That is why we are working with the Department for Education on a range of policies to increase and improve digital skills provision at all stages of the education system - from computer science teaching in schools to digital lifelong learning. And it is why we have created the Digital Skills Partnership (DSP), which brings together organisations from all sectors to increase digital capability across the spectrum: from the basic digital skills that support inclusion, to the general digital skills needed by a modern workforce, to the advanced digital skills required for specialist roles.

While this partnership will help to more effectively identify and address digital skills needs at a local level, we recognise that we need to improve our understanding of skills needs nationally. To that end, we are working closely with the Department for Education to improve and share our evidence on digital skills. We are also undertaking a major piece of research to better understand the UK's existing and future digital skills needs. This analysis will examine the characteristics of the advanced and specialist digital workforce. The scope of the review covers the digital technology sector as well the wider economy, for example roles in the retail and financial sectors. We expect this work to be completed in the first half of 2018.

We also recognise that the cultural and tech sectors need top international talent to remain globally competitive and retain their reputation for excellence. In November 2017, the Government announced the doubling of the number of Tier 1 Exceptional Talent visas available for non-EEA migrants wishing to come to the UK, which will support the creative and digital industries to continue to attract the best and brightest talent. Further information on immigration arrangements is set out in response to later questions on Future Immigration and Tourist Access to the UK.

The Government is working closely with the sectors at official and ministerial level to understand the impacts and opportunities presented by the UK's exit from the EU. In the second half of 2017, the Home Office held ministerial roundtables with the tourism, tech and cultural sectors in order for industry to have the opportunity to provide evidence directly to the then Minister for Immigration, Brandon Lewis. We will ensure that any decisions on a future immigration system are based on evidence, and that we discuss proposals with a wide-range of stakeholders, both domestically and in the EU.

The Department for Digital, Culture, Media and Sport (DCMS) regularly produces and publishes employment estimates for its sectors.[2] These statistics have separate breakdowns for nationality,[3] region, sector and employment type. DCMS has also commissioned a wide

2 https://www.gov.uk/government/collections/dcms-sectors-economic-estimates
3 Note that nationality is presented by sector across the UK only.

range of research to get a deeper understanding of migration and skills across its sectors, further assess the evidence available and highlight key gaps. This involves a detailed analysis of the Labour Force Survey (LFS) and UK Employer Skills Survey (UKESS).

The Government recognises the need for accurate data to support future policy making. The official estimates for DCMS sectors have traditionally been determined using Standard Industrial Classification (SIC) codes, through the official methodology used at international level. The Government recognises, however, that there are limitations to these codes. DCMS has led a steering group through the Creative Industries Council (CIC), its joint forum with industry, to look at how this might be addressed.

DCMS is also aware that some of the our sectors' own data represents a higher reliance on EU and non-EU nationals than its economic estimates, and we are ensuring that the disparities in estimates are taken into account when developing policy. The CIC has formed another Technical Working Group, who are focusing on the skills and talent pipeline into industry. This group is currently collecting additional data on skills following the latest UK Employer Skills Survey (UKESS).

Future Immigration Arrangements

- **Recommendation 4 [para 52]: Irrespective of Brexit, the Government should overhaul the existing visa system for non-EU nationals, who also make a valuable contribution to the UK economy, including our creative, technology and tourism industries. These industries rely on EU workers, and their commercial success is built on having a diverse workforce. The Government must heed warnings that SMEs across creative industries and tourism will not have the capacity to manage a new system that foists additional bureaucracy upon them.**

- **Recommendation 5 [para 53]: Brexit provides an opportunity for the Government to overhaul the existing visa system. We believe that salary levels are a crude proxy for value and fail to recognise the central role that workers from the EU and beyond play in making British businesses successful. We recommend that the Government explores ways in which commercial value, and value to specific sectors of the economy, can be factored into the UK's post-Brexit immigration system.**

- **Recommendation 6 [para 54]: Simplicity should be a key feature of the future migration arrangements that the UK will agree with the EU. In particular, the creative industries and performing arts need a system which complements the spontaneity that defines live performance. We believe, therefore, that the Government should seek to retain free movement of people during any transitional period after the UK formally ceases to be a member of the EU in March 2019. If the visa system is to change subsequently, an intensive and detailed process of consultation with all those affected will need to begin as soon as possible.**

After we have left the EU, we will have in place an immigration system which works in the best interests of the whole of the UK. EU Rules on immigration will continue to apply in the UK throughout the agreed Implementation Period, which will end in December 2020. During this period, the existing arrangements will continue to apply to EU citizens coming to the UK to visit, work or study.

We are considering a range of options for the future immigration system and will set out more details on the future immigration arrangements that will be in place from 2021, including the rules for visitors, later this year. There will, however, continue to be migration and mobility between the UK and the EU after the UK leaves.

The UK will remain an open and tolerant country; one that recognises the valuable contribution migrants make to our society and welcomes those with the skills and expertise to make our nation better still. We will control immigration so that we continue to attract the most talented to work or study in Britain, but manage the process properly so that our immigration system serves the national interest.

Of the 1.46 million people working in the digital sector, 1.26 million are UK nationals, 98,000 are EU nationals and 95,000 are non-EU nationals.[4] The employees of digital start-ups appear to be particularly international, with on average a third of the first ten hires coming from outside of the UK.[5]

Digital workers from outside of the EU currently utilise a number of visa routes. The Tech Nation Exceptional Talent Visa is specifically available for tech workers and the Tier 2 Visa Route is heavily utilised, with over 42% of applications for Tier 2 Visas coming from the IT and Communications sector.[6] Over half of tech specialists work outside the tech sector itself,[7] so many of these visas are being used workers in other industries.

As previously set out, in November 2017 we announced that we would be increasing the number of Tier 1 Exceptional Talent Visas available from 1,000 to 2,000. As of April 2018 a large proportion of these visas have become available for highly skilled workers in the digital and creative sectors. These visas are designed to be flexible and particularly suitable for specialists. Receiving a visa is based an assessment of ability and potential contribution, rather than salary.

After we leave the EU, we will have an opportunity to design a new immigration system that works for the whole of the UK. The precise way in which the Government will control the movement of EU nationals is yet to be determined. We will make decisions on the future immigration system based on evidence and engagement and working closely with stakeholders to make sure the UK continues to be a world leader in these sectors.

We have asked the independent Migration Advisory Committee (MAC) to advise on the economic and social impacts of the UK's exit from the EU, across the whole of the UK, and also on how the UK's immigration system should be aligned with a modern industrial strategy. The MAC published an interim report, summarising the responses received to its

4 DCMS Sector Estimates, 2017: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/640628/DCMS_Sectors_Economic_Estimates_2017_Employment_and_Trade.pdf
5 Coadec, Global Britain 2017: http://coadec.com/Coadec-Report-A-Global-Britain.pdf
6 Home Office Migration Statistics, 2017: https://www.gov.uk/government/statistics/immigration-statistics-january-to-march-2017
7 The Tech Partnership - https://www.thetechpartnership.com/Resources/factsheets/#specialists

call for evidence on 27 March 2018. However, they have been clear that their analysis is not complete, so it would be wrong to pre-empt their final report, which is due in September 2018.

The Government will have plenty of time to take account of the MAC's advice when making any final decisions about our future immigration system, which would not be implemented until after the end of the implementation period.

DCMS sectors have also been engaging directly with the MAC to provide evidence of the contribution of international migrants to their sectors and to set out what their priorities for the future immigration system are. DCMS provided a response to the MAC's call for evidence which has been published alongside the MAC's interim report. The department's response notes the importance that the digital, cultural and creative sectors place on access to talent and skills, to ensure ease of access to world class contributors as well as to address internal skills shortages.

Creative Europe

- **Recommendation 7 [para 66]: The tone of the then Secretary of State's comments implied that there is good reason to believe that the UK will seek to participate in Creative Europe post Brexit. Ms Bradley's optimism may, however, have been the consequence of misapprehension as to the origin of the programme and the Government's later correspondence underlined that that the UK's negotiations with the European Commission will determine our future involvement in Creative Europe.**

- **Recommendation 8 [para 67]: The ability to utilise Creative Europe to secure additional sources of funding, combined with the freedom it gives to British organisations to lead projects with partners from across the EU (and outside the EU), means that there are clear incentives to maintain our participation.**

- **Recommendation 9 [para 68]: If the UK were to depart Creative Europe, this would represent a significant blow to the performing arts, museums, galleries, publishing and many other sectors in the creative industries. The limitations of participation experienced by other non-EU members illustrates that reaching agreement may not be straightforward but, equally, neither the UK nor EU member states will benefit from the UK's departure.**

- **Recommendation 10 [para 69]: As the Government seeks to build a new and unique relationship with the EU, it should commit to making it an objective of negotiations to secure the UK's ongoing participation in Creative Europe.**

In the Mansion House speech on 2 March 2018, the Prime Minister confirmed her commitment to promoting shared values through participation in key cultural and educational programmes alongside our EU partners. The exact terms of our participation in the next Multiannual Financial Framework (2021 to 2027) will be subject to negotiation with the EU, and to our assessment of which specific policies and programmes remain of joint advantage to both the UK and the EU and continue to provide value for money for the taxpayer. DCMS continues to work closely with culture and creative industries stakeholders to assess the benefits and costs of the Creative Europe programme, alongside other EU funded programmes.

The Joint Report from the negotiators of the European Union and the United Kingdom Government (8 December 2017)[8] agreed a financial settlement in which the UK will remain in the EU budget in 2019 and 2020. This has now been agreed in the draft Withdrawal Treaty and, once ratified, will supersede the requirement for the domestic guarantee announced by the Government in 2016. Under this agreement, the UK will continue to benefit from EU programmes like Creative Europe until programme closure. The financial settlement means:

- UK organisations can continue to apply for the forthcoming Creative Europe MEDIA and Culture sub-programme funding calls.
- UK organisations will have exactly the same rights and obligations as other countries participating in the Creative Europe programme until the programme closes.
- Successful Creative Europe applicants from the UK can receive funding until the end of their projects (even if they run beyond 2020).

Direct EU Funding

- **Recommendation 11 [para 78]: A key component of access to EU funding has been its importance as a catalyst to unlock other forms of funding, whether public or private. The Chancellor's assurance that structural funding will be maintained is welcome, but the Government would need to provide long–term certainty as to the nature of public investment in tourism and creative projects. Furthermore, the Government's guarantee does not address concerns that EU partners do not currently wish to partner with UK organisations such as museums. Consequently, British institutions are already missing out on funding.**
- **Recommendation 12 [para 79]: The Government should publish a map of all EU funding streams that support tourism and creative projects, whether dedicated to this specific purpose or not. This mapping exercise should:**
  - **spell out where previous EU funding has, directly or indirectly, benefited these sectors;**
  - **indicate those streams that will need to be replaced;**
  - **provide an overview of the total sum of funding that the UK Government will provide to cover these costs; and**
  - **clarify the role of the devolved administrations in the present arrangements and their proposed role in the future in the eyes of the UK Government.**

8 https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf

In addition, the Treasury and DCMS should illustrate how 'value for money' will be measured in any assessment of those EU funds that will be honoured by the Government's guarantee.

The UK contains many world-leading museums, cultural institutions, and creative and digital businesses, which have a global reputation and outstanding expertise. The Government is committed to supporting its institutions, and will seek to ensure close collaboration and lasting, meaningful partnerships with institutions around the world, including in EU member states. The Joint Report of 8 December 2017 agreed a financial settlement in which the UK will continue to receive EU funding in 2019 and 2020 and continue to receive EU funding until project closure. This should provide assurance to UK and EU institutions looking to enter into partnerships and benefit from shared expertise.

EU funding is provided by contributions from Member States. As the UK is a net contributor to the EU, UK taxpayers pay more towards the EU budget than the UK receives from the EU. There are a wide range of funding streams administered by the European Union, which directly and indirectly support the creative, digital and tourism sectors. These sectors, however, benefit from a number of other sources of investment, which provides an additional challenge in term of fully identifying and mapping the exact amounts of funding these sectors have had access to.

For example, the tourism sector benefits directly and indirectly from a broad range of EU funds. The European Commission has published a guide on EU funding for the tourism sector (2014 to 2020),[9] which sets out available EU funding related to tourism for 2014-2020 which includes:

- ESIF (European structural and investment funds, inc Skills Funding Agency funding for skills)
- ERDF (European Regional Development Fund)
- Cohesion
- ESD (effort sharing decision)
- European Agricultural Fund for Rural Development
- European Maritime and Fisheries Fund
- LIFE
- COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises)
- Horizon 2020
- Creative Europe
- Erasmus +
- Employment and Social Innovation (EASI)

9 http://ec.europa.eu/growth/content/guide-eu-funding-tourism-sector-updated-version-0_en

Arts Council England has recently published an assessment, undertaken by Euclid, of the EU funding received by the arts, museums and creative industries over the past 10 years (2007 to 2016).[10] Euclid has also undertaken analysis for Historic England on how the heritage sector has benefited from EU funding.[11]

The Government continues to actively investigate the funding streams that support its sectors to understand the projects that are currently being funded and assess their value for money before deciding what contingencies need to be made.

In the case of structural funds, each Government department will be accountable for ensuring that value for money and domestic priorities drive the way their departments commit EU funding under the guarantee. These conditions will only be applied in such a way that the current pipeline of committed projects are not disrupted.

Where EU funding has been earmarked for projects through competitive, EU led, bid programmes, such as Creative Europe, there is no criteria for the UK to assess value for money. This is because the EU has already determined through the award process who the beneficiaries are and the amounts they will receive.

Departmental Accounting Officers will be responsible for ensuring that the principles set out in Managing Public Money are adhered to when making payments under the guarantee. They should ensure that projects and payments are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality, and good value judged for the Exchequer as a whole, not just for the accounting officer's organisation.

The Regulatory Environment

- **Recommendation 13 [para 8]: Common rules, standards and regulation form part and parcel of the UK's membership of the EU and its Single Market and Customs Union. Some argue that Brexit may provide opportunities to tailor our regulatory systems more closely to the needs of British businesses across tourism, the creative industries and the digital economy. Whether opportunities present themselves, however, will depend on the detail of the UK's final agreement with the EU. We found little appetite amongst witnesses to surrender the benefits of a uniform and open European marketplace and regulatory system in favour of domestic regulatory changes that may not be consistent with the rest of the EU.**

- **Recommendation 14 [para 88]: Some businesses, in the fashion and textiles sector, for instance, do see opportunities to improve trade links beyond the EU post-Brexit, and to develop strategies to support more UK-based production. The Government should, therefore, set out more clearly how this might be achieved—and what it will do to support this—and what the countervailing harmful effects are likely to be of leaving the Single Market and Customs Union.**

10 http://www.artscouncil.org.uk/publication/assessing-eu%E2%80%99s-contribution-arts-museums-creative-industries

11 http://content.historicengland.org.uk/content/docs/research/assessing-eu-contribution-to-englands-historic-environment.pdf

- **Recommendation 15 [para 89]: The Government should set out as a matter of urgency those areas where it believes that Brexit offers an opportunity for beneficial regulatory reforms and how it intends to capitalise on any such opportunities.**

The Government is committed to delivering and promoting robust standards nationally and internationally, to protect consumers and facilitate trade. The Government has also set out proposals for an ambitious future trade and customs relationship with the EU, in which we would look to minimise the regulatory barriers for both goods and services between the UK and the EU.

The Government will seek a mutually beneficial future partnership between the UK and EU that is in the interests of both sides, which builds on the convergence between our regulatory systems and gives business the maximum freedom to trade with and operate within European markets. The European Union (Withdrawal) Bill will retain EU law as it applies in the UK on exit day. Once we leave the EU, the UK will regain flexibility in adopting its domestic laws. The Government is continuing to engage with businesses and industry bodies from all sectors of the economy, and all nations and regions of the UK, in order to inform our negotiations with the EU.

In the implementation period, the UK will take steps to pave the way for an independent trade policy. As such, the UK will seek to negotiate free trade agreements, although they will not be brought into effect until after the implementation period has concluded. After the implementation period, the UK will be leaving the Customs Union and Single Market and implementing our own independent trade policy.

The Creative Industries are one of the UK's greatest success stories and there is great potential to develop new markets. In preparation for this we are working with the sector to identify the opportunities and barriers faced when trading outside of the EU and ensure Creative Industries are effectively represented when considering our current and future trade policy.

Digital Single Market - Data Roaming

- **Recommendation 16 [para 100]: The end of mobile roaming surcharges within the EU is a significant benefit to UK consumers and is put at risk by Brexit.**

- **Recommendation 17 [para 101]: We accept the European Scrutiny Committee's conclusion that, after the UK leaves the EU, it will not be possible for the Government to legislate domestically to ensure that UK mobile operators are protected by the EU cap on wholesale roaming charges, due to the reciprocal, cross-border nature of the measure. It is therefore a matter for negotiation.**

- **Recommendation 18 [para 102]: If the UK ceases to be protected by the wholesale roaming cap, EU-based mobile operators will be free to apply higher charges to UK operators when their customers use EU networks. Some mobile operators have already indicated that, if the wholesale roaming**

cap ceased to apply to them, they would be unable to continue to provide surcharge-free mobile roaming services to their customers, meaning the return of roaming surcharges.

- **Recommendation 19 [para 103]: After the UK leaves the EU, the Government may, in principle, be able to retain the ban on UK mobile operators surcharging their customers when they use roaming services within the EU. However, in the absence of an effective cap on wholesale prices, the commercial sustainability of this approach for operators appears highly suspect. The 2015 Government acknowledged that the wholesale roaming rules were a "key enabler" of the abolition of roaming surcharges.**

- **Recommendation 20 [para 104]: To protect consumers from the reintroduction of roaming charges, we urge the Government to ensure that provisions which continue to cap wholesale roaming charges are included in any future UK-EU trade agreement. The Government must prioritise this as a first step in protecting consumers from a post-Brexit price hike. Following the UK's departure from the EU, the Government and regulators should also act to prevent UK mobile operators from reintroducing and increasing retail roaming charges for UK customers.**

DCMS responded to the Committee's EU exit questions about roaming in response to its call for evidence. As set out in that response, the Government is committed to securing the best deal for British consumers on UK exit from the EU. All four mobile operators have declared publicly that they have no current plans to remove surcharge-free roaming from their customers.

We agree with the Report's conclusion that roaming arrangements are inherently cross-border in nature. This means that they are subject to future negotiations, where we will be seeking the best possible deal that delivers for British consumers and businesses. That is why we are working with businesses across the economy to provide the certainty they need to understand the challenges and opportunities they may face in the coming months and years.

Digital Single Market - Data-Sharing and Protection

- **Recommendation 21 [para 117]: The success of the UK's digital economy is underpinned by ongoing data transfer across the globe and particularly within the EU. In order to preserve the UK's policing and security arrangements, and to maintain commercial confidence, the Government must aim to deliver certainty from March 2019 onwards.**

- **Recommendation 22 [para 118]: It is important to recognise that Brexit creates a potential risk that the UK's ability to transfer data across borders will be limited. The Government said that the risk will be mitigated during the post March 2019 implementation phase of the final UK–EU deal as this will allow for an adequacy agreement to be developed. We believe it is essential that the transition period is constructed to maintain existing levels of data transfer, and that an adequacy agreement is reached at the earliest opportunity within the transition phase.**

- **Recommendation 23 [para 119]: The conclusions of the House of Lords Committee expose two key concerns. Firstly, leaving the EU may not give the UK the flexibility to develop data protection law in the manner called for by witnesses such as Dell EMC. Secondly, once we leave the EU, our influence over the development of the legal framework that will guide UK law will be reduced, undermining our ability to agree structures and exemptions for the UK, and diminishing our role as a world leader in data protection law.**
- **Recommendation 24 [para 120]: Brexit puts at risk the UK's position as a world leader in developing and implementing the regulatory system for data protection. To address this concern, the Government should lay before Parliament an action plan which describes how, post-Brexit, the UK will be able to develop policy on data protection to support businesses and protect consumers, in order to keep pace with the demands of fast moving and developing technologies.**

The UK is a significant player in global data flows. Estimates reported in Government's Future Partnership Paper,[12] published in August 2017, highlight that approximately 43% of all large EU digital companies are started in the UK, and 75% of the UK's cross-border data flows are with EU countries. Any disruption in cross-border data flows would therefore be economically costly to both the UK and the EU.

The Government's primary objective is to secure the uninterrupted free flow of data between the UK and the EU beyond March 2019. The Withdrawal Agreement will provide for transfers of personal data to continue for the duration of the implementation period..

Alignment of our laws at exit means that it will be in the interests of both the UK and EU to agree early in the process to mutually recognise each other's data protection frameworks as a basis for the continued free flows of data. Therefore the Government is focusing efforts on quickly agreeing details of a time-limited implementation period that gives further certainty to people and businesses, and to settle the terms of a future partnership that delivers prosperity and security for all our people.

Furthermore, sharing personal data is also essential for wider co-operation in the fight against serious crime and terrorism. The sharing of personal data is crucial to the EU's ongoing work across the continent to protect citizens, in which the UK plays an integral role. By choosing to transpose the Law Enforcement Directive, which relates to processing of personal data for law enforcement purposes, into UK domestic law as part of the Data Protection Bill, the Government is demonstrating its strong commitment to protecting the personal data of its citizens.

The Future Partnership Paper outlined the Government's wish to explore a UK-EU model for exchanging and protecting personal data, which could build on the existing adequacy model. The combination of the EU (Withdrawal) Bill and the Data Protection Bill will ensure that the UK starts from an unprecedented point of alignment for the future partnership discussions.

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12 The exchange and protection of personal data: A Future Partnership Paper: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639853/The_exchange_and_protection_of_personal_data.pdf

The role of the ICO will be part of the negotiations. Regulatory co-operation will be important for both the UK and the EU in future agreements, and an ongoing role for the ICO could offer this for data protection and reassure businesses and other stakeholders. It will ensure UK businesses are effectively represented under the EU's new 'one stop shop' mechanism for resolving data protection disputes. The ICO is recognised in the EU as having positively contributed to and influenced EU data policy, and it would benefit the EU for the ICO to continue to be involved and co-operate in these discussions.

The Government is highly supportive of the removal of barriers to data flows impacting trade. In particular, we support the work the Commission is currently undertaking to remove barriers through the restriction of data localisation measures through the proposed EU Free Flow of Non-personal Data Regulation.

Tourism - The Single Aviation Market

- **Recommendation 25 [para 132]: It is very encouraging that the tourism and aviation sectors believe that existing aviation arrangements will be replicated once the UK has left the EU. Unfortunately, the then Secretary of State could provide very little detail as to the nature of the discussions, potential stumbling blocks and, crucially, the timing associated with reaching an agreement. The Government should recognise that it needs to provide certainty to an industry that is already marketing holidays for summer 2019, and for the consumers who will purchase them.**

- **Recommendation 26 [para 133]: We believe reaching an early agreement in relation to aviation is a key priority for the Government. Nevertheless, the Government must provide an assurance that contingency plans are being made in the event of no deal being agreed and provide more information as to what any contingency arrangements would mean for businesses and travellers.**

The Government understands the aviation sector's and consumers' need for early reassurance and this will be a fundamental consideration when it comes to negotiating our future relationship with the EU.

The Government is aware that aviation is a critical network industry that underpins the functioning of the economy and international trade. We are working closely with the international aviation community to ensure that this global industry continues to be a major success story for the UK economy. It is also of mutual interest to both the UK and the EU secure a good deal on aviation for the purpose of both tourism and trade.

We have not yet commenced negotiations with the EU on transport, but we are prepared for when they do start. Air services between the UK and a number of countries outside the EU (notably the US) are currently determined by EU-negotiated agreements. The Government will be seeking new, bilateral, arrangements with those countries as a matter of priority. The target is to ensure that, when the EU negotiated arrangements cease to be operable for the UK, current market access levels are preserved. We are working to have identified such arrangements well before we leave the EU. We will also continue to seek new and improved bilateral Air Services Agreements with the rest of the world – aiming, as we always have, to improve connectivity, choice and value for money for businesses and consumers.

We welcome that the final guidelines on the framework for our future relationship have now been endorsed by the March European Council. During the negotiation period, we will want to explore with the EU the terms on which we could remain part of the relevant agencies, such as the European Aviation Safety Agency (EASA).

The Government is considering carefully all the potential implications arising from the UK's exit from the EU and plans to negotiate the best possible relationship between the UK and EU in the field of aviation.

All EU member states benefit from liberal aviation market access, both to and from the UK. We have a common interest in getting the best outcome. The UK has the largest aviation market in Europe, and we are confident that it will continue to be such a success after we leave the EU.

We do not want or expect a no deal outcome: the continuation of flights to and from the EU is far and away the highest probability, but we have a duty to plan for the alternative.

Our planning, as a matter of common sense, includes a possible no deal scenario to ensure that no matter the outcome flights will continue.

Regardless of the outcome, the European Union (Withdrawal) Bill will provide the maximum possible certainty to individuals and businesses about their legal rights and obligations as we leave the EU.

Tourism - Tourist Access to the UK

- **Recommendation 27 [para 138]: The development of a new system of entry to the UK for EEA visitors will be a key aspect of the UK's relationship with the EU after Brexit. In its consideration of the implications of altering the principle of free movement, the Government must be aware of the detrimental impact this could have for the UK as a tourist destination. Businesses and organisations within the tourist industry are understandably concerned and we believe that the Government should be cautious about taking any steps which could harm the 'welcome' the UK provides to tourists.**
- **Recommendation 28 [para 139]: Given the potential benefits to the British tourist industry, while the Government is grappling with the challenges posed by Brexit, it would be wise to design a new system also to encourage more tourism from non-EU markets. We recommend that the Government publishes an analysis of how the visa system could be developed to boost inbound tourism by visitors from beyond the EU.**

The Government is considering a range of options for a future immigration system and we will set out our plans shortly. We want the UK to emerge from this period of change stronger, fairer, more united and more outward-looking than ever before - a truly global

Britain. Europe benefits from access to the UK market, and many parts of Europe benefit hugely from the business and tourism that comes from the UK. We have a common interest in getting the best possible outcome.

The Government recognises the importance of visitors and tourism to the UK and the UK has seen an impressive growth in inbound tourism in recent years. Provisional statistics show that there were a record number of overseas visitors to the UK in 2017 at 39 million, an increase of 3% on 2016. EU nationals are an important part of inbound tourism, accounting for 25.5 million visits in 2017 (a 0.1% decrease compared to the same period in 2016) and accounting for 65% of all overseas visits.[13]

There is no reason to believe that this upward trend won't continue as we exit the European Union. Our cultural and heritage offer play a huge role in making the UK an attractive place to visit.

The Government regularly engages with the tourism industry to understand the challenges and opportunities in relation to EU exit, and what the sector's priorities are. DEXEU minister Robin Walker attended the Tourism Industry Council on 6 February 2018, where immigration was discussed. The tourism sector also contributed to the MAC's call for evidence and Professor Alan Manning, Chair of the MAC attended the Tourism Industry Council in September 2017.

For those who need a visa, and the UK, through UK Visas and Immigration (UKVI) aims to deliver a world-class customer experience that is competitive, flexible and accessible. In the year ending December 2017, 2.7 million visas have been granted.[14]

The Government places innovation at the forefront of delivering a high quality visa service. UKVI already has a number of projects underway that will deliver significant customer service improvements. This includes improving the digital experience with an online application form that has been streamlined and simplified, making it easier to apply, and can now be used on a mobile, tablet or desktop. This is now available to customers applying to visit the UK in over 200 countries and 19 languages.

UKVI are also rolling out technology that allows customers to upload supporting documentation and biometric information using digital or mobile devices, reducing the amount of time they need to spend in Visa Application Centres (VACs).

The UK has over 300 VACs around the world, more than most other countries, and we have extended our opening hours for added customer convenience, including 24-hour opening in some locations.

The UK's premium services allow customers to tailor their application experience. Customers can receive decisions more quickly, apply out of hours, or keep their passport while their application is processed. Our six-month visit visa is one of the most flexible of its kind, allowing multiple entries to the UK during its validity. In addition, our electronic visa waiver service allows customers in Qatar, Oman, UAE and Kuwait to travel to the UK for a visit of up to six months without a visa; and we are currently piloting a two-year multi-entry visa for the same price as a six month standard multi-entry visit visa in China.

13 ONS, Overseas travel and tourism, November and December 2017 monthly reference tables.
14 https://www.gov.uk/government/publications/immigration-statistics-october-to-december-2017/summary-of-latest-statistics

The Government will continue to consider future visa service improvements as part of a range of options for the future immigration system, and ensure that any decisions on the long-term arrangements are based on evidence and engagement.

Creative Industries: IP And Copyright enforcement

- **Recommendation 29 [para 158]: Preserving a strong, robust Intellectual Property framework is crucial for the continued success of the creative industries after Brexit. As such, the Government should clarify its position on whether EU Intellectual Property transposed into UK law (via secondary legislation or otherwise) will continue to apply after Brexit, and if not, what contingency plans the Government has in place to ensure that the current level of Intellectual Property protection remains following the UK's departure from the EU. At the very least, the Government should commit to ensuring that the current level of Intellectual Property protections offered by EU and UK law, including those that are vital to the success of the Creative industries, will remain unchanged.**

- **Recommendation 30 [para 159]: Equally, the Government should clarify how it intends Intellectual Property enforcement to operate after the UK has left the EU. The Government should lay out its plan for co-operation with EU states after Brexit on Intellectual Enforcement Property matters, and outline what improvements, if any, it intends to make to the current enforcement framework.**

The UK has one of the best Intellectual Property (IP) protection and enforcement regimes in the world, and leaving the EU will not change that. We will continue to deliver quality rights granting services, develop and implement quality policy, lead the world in enforcement and engage in international IP discussions.

Recent Government initiatives such as the code of practice on search and copyright[15] (where search engines and the creative industries work together to reduce instances of consumers being directed to copyright infringing websites by search engines), the Police Intellectual Property Crime Unit (PIPCU) and its Infringing Website List, and work to tackle the misuse of content streaming devices are seen as ground-breaking.

The Government's IP Enforcement Strategy, *Protecting creativity, supporting innovation: IP enforcement 2020 , published in May 2016,*[16] sets out our ambition for ensuring the UK remains a world leader in the enforcement of IP rights, and that UK rights holders are able to protect their rights effectively both at home and abroad. This ambition has not changed.

The IP Enforcement Strategy also commits the Government to a comprehensive review of all existing methods of legal recourse for IP infringement to ensure they are effective, consistent and proportionate across all intellectual property rights. This review is currently underway and will report later this year.

15 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/609478/code-of-practice-on-search-and-copyright.pdf

16 https://www.gov.uk/government/publications/protecting-creativity-supporting-innovation-ip-enforcement-2020

The Government's focus is always on getting the right outcome for UK creators and consumers. The aim is to provide an IP system that is fit to meet the challenges and opportunities of a global and digital economy.

The Government will be seeking to ensure continuity on IP with the least burden for businesses, and is discussing options with users to ensure that the UK's IP regime will continue to properly support business and innovation.

The UK is a member of a number of international treaties and agreements protecting copyright. This means that the majority of UK copyright works are protected around the world, irrespective of our relationship with the EU.

Provisions on IP rights are an important feature of modern Free Trade Agreements (FTAs). We are currently considering what the UK would seek to include in the Intellectual Property Rights chapter of future FTAs. As we develop our trading relationships with other countries, the focus will be on getting the right outcome for UK inventors, creators and consumers. Our purpose, to support UK creativity and innovation, remains unchanged.

Creative Industries: The Unregistered Community Design Right

- **Recommendation 31 [para 168]: Witnesses were unequivocal in stating that losing the protection of the Unregistered Community Design Right would be hugely damaging to the design and fashion industries within the UK. Operating outside the EU regime could mean that the UK loses first marketing protections, weakening the UK's competitive position and undermining major events such as London Fashion Week. The UK system does not provide sufficient protection on its own and it is evident that protecting the commercial interests of designers and maintaining the pre–eminent position of events such as London Fashion Week can only be achieved via a reciprocal system with comprehensive powers of enforcement.**

- **Recommendation 32 [para 169]: We note that organisations such as the British Fashion Council are exploring ways that technology could be harnessed to access EU protections, but we believe it is imperative to negotiate a continuation of EU-wide protection for British businesses.**

The Government knows that many businesses rely on the unregistered Community Design and would like clarity about these rights after the UK leaves the EU. In its technical note on other separation issues, the Government has confirmed that it will establish new schemes to protect intellectual property rights which do not currently exist in UK law.

The European Union (Withdrawal) Bill will preserve the current legislation on unregistered designs, meaning that the scope of unregistered design protection available in the UK will not change at the point of exit.We continue to meet with a range of stakeholders, including designers and their legal representatives, to discuss unregistered designs and the possible impacts from UK's exit from the EU.

Artists Resale Rights

- **Recommendation 33 [para 174]: …We call on the Government to explain whether they intend for the UK to retain its involvement with Artists' Resale Rights after Brexit, and if not, what alternatives the Government has drawn up to provide identical financial support for UK artists and estates.**

The UK artist's resale right stems from the implementation of Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art. It will be retained in UK law through the European Union (Withdrawal) Bill, which means that UK artists and estates will continue to share in its benefits.

Country of origin broadcast rules

- **Recommendation 34 [para 183]: Witnesses to this inquiry identified no benefits that could be derived by excluding ourselves from the AVMS arrangements that enshrine the Country of Origin principle. The European Scrutiny Committee reported in the last Parliament that alternative routes to market for UK-based broadcasters are unsatisfactory and we heard evidence that UK-based international broadcasters are already planning contingency arrangements which could see them moving abroad.**

- **Recommendation 35 [para 184]: If Country of Origin rules cease to apply after Brexit then we must expect this will have an impact on the broadcasting industry within the UK. The Government must set out the steps it is taking to avoid that outcome, explaining its negotiating objectives and the timescale for such negotiation. The Government should provide an update to the Committee on progress made in securing a deal by the end of May 2018.**

- **Recommendation 36 [para 185]: The Government should also confirm as soon as possible that it intends for the United Kingdom to remain members of the European Single Market and under the terms of the current Country of Origin rules, for a transitional period after Brexit, until the end of 2020.**

In her Mansion House speech, the Prime Minister reiterated the the UK should explore creative options with the EU, with an open mind, including mutual recognition, which would allow for continued cross-border broadcasting.

We are engaging with businesses across the country to understand their concerns regarding market access post-EU exit. At the same time, we continue to work with the EU to ensure that businesses have stability and certainty in the period leading up to exit day.

The effect of leaving the EU and being outside the Audiovisual Media Services Directive (AVMSD), which underpins the principle of the freedom to transmit and receive television broadcasts or on-demand services across the EU, will depend on the exit negotiations. We will work hard to secure the best deal for the UK and ensure that our new relationship with the EU works for business.

We will keep the Committee informed throughout the process. As previously set out, the Government has a duty not to publish anything that would risk exposing the UK's negotiating positions, so cannot provide detail of our negotiating objectives and timescales while the negotiations are in progress.

The implementation period, agreed at March European Council will mean that until 31 December 2020 the UK and the EU will continue to have access to one another's markets on current terms. This approach means that UK based broadcasters are still able to access the European Single Market under the terms of the existing Country of Origin principle.

The Digital Single Market and Territorial Broadcast Licensing

- **Recommendation 37 [para 191]: The concerns of audio-visual sector, including broadcasters, producers and rights holders, over terms of the Draft Digital Single Market Directive which would affect territorial licensing are just one example as why it is crucially important that the UK needs to preserve its influence while Brexit proceeds. The Government should clearly spell out its strategy for doing so and how it proposes to embed its future participation in the widening of the digital single market in any Withdrawal Agreement.**

As the Prime Minister set out in her Mansion House Speech, the UK will be leaving the Single Market. We will, however continue to work closely with the EU on digital issues, as we build upon our existing strong relationship in the future economic partnership.

There is a mutual advantage in a continued close relationship between the UK and the EU on digital issues and the advancement of digital transformation across Europe. We are confident that a future relationship on broadcasting, as part of a wider continuing relationship on digital and culture, will be in our shared interest.

With regard the specific concerns of the audio-visual sector, the Government wants to ensure that reforms to the EU copyright framework support the creative and digital economies, benefit consumers, and promote creativity, innovation and investment.

The Government is actively involved in negotiations of the Digital Single Market Copyright Directive, to deliver positive outcomes for British businesses and consumers.

In particular, the Government has sought a narrowing of the country of origin rule to protect territorial licensing.

The UK will ensure the continued success of the creative and digital economies is fully taken into account when negotiating the terms of our future relationship with the European Union.