

From: [Colin Simpson](#)
To: Kirsty.Markie@gov.scot
Subject: Potential impact of Brexit on the Highlands & Islands
Date: 17 February 2017 18:30:00

Kirsty

Following on from the telephone conference between HIE and yourselves Rob Clarke has been in touch with other members of the Highlands & Islands European partnership via the e-mail below giving us the opportunity to contribute some points towards the exercise being undertaken by the Minister Michael Russell to look at the potential impact of Brexit on the Highlands & Islands. With other commitments it hasn't been possible this week to put together a detailed response but I have highlighted a few of the areas below where we feel there may be the greatest adverse impacts in the Highland Council area. Many of these will of course also be common to other parts of the Highlands & Islands and so, through the Highlands & Islands European Partnership we are embarking on some work to try and gather more firm data on some of the expected impacts which we would be happy to share once available. In the meantime I've tried to summarise some of the key issues below under the headings Rob suggested you were most interested in.

Access to markets

As with many other areas of Scotland many businesses trade with Europe and as such access to the European market is important. This is particularly the case with the Food & Drink industry. One particular concern here over the potential loss of access to the European market comes from the fishing industry – including the smaller scale shellfish etc. sub sectors common on the West coast of the Highlands is that other markets could not easily replicate the existing ones. A significant proportion of current catches are sold as a fresh and consequently high value product to Europe. The loss of this market could not easily be replaced by other markets further afield such as the Americas or Asia as the distance to market would make it almost impossible to provide fresh produce while changing to a frozen product so as to allow transport further afield would mean it ceases to be such a high value product.

Availability of labour

Some key sectors are heavily dependent on migrant labour with much of this currently coming from the EU. Notable business sectors affected are tourism and food & drink (notably aquaculture) while some public or business services most notably in the care sector are heavily dependent on migrant workers. In many cases this is more marked in many of the remoter areas of Highland where it can be easier to attract temporary migrant workers than attracting domestic families to relocate. Prior to the accession of some Eastern European states many hospitality industry businesses struggled to recruit sufficient staff (indeed some still do). With tourism seemingly on an upward trajectory at present it is a concern that any reduction in access to such a workforce could limit the industry's growth while understaffed businesses also offer a reduced level of service leading to visitor dissatisfaction which can also impact on future growth potential.

Population attraction / retention

Many of the points above are also relevant here and there is at least anecdotal evidence than migrant workers, often with families can help maintain the population of some of the more

peripheral businesses in industries such as aquaculture and hospitality. The younger age profile of many migrants who consequently have or bring families can also be a factor in sustaining school rolls in some rural communities. While the Highlands has traditionally seen population decline this has been reversed in most areas in recent years – in part due to inward migration but also because European markets for some products or projects part funded through European funding programmes (e.g. construction of infrastructure such as roads or harbours) has allowed local people to remain in the area and find employment when they might previously have had to leave the area.

EU policy / funds – regional, CAP / Rural, Fisheries, competitive funds (INTERREG etc) – risk in terms of loss of funds and change in policy

While the loss of access to European funding is likely to have an impact in the short term this could potentially be offset by domestic schemes. Indeed there is some evidence at present that European funding is not being used as much as it might due to difficulties in finding match funding particularly where the public sector is concerned. Probably of more concern is the regional policy angle. At present there is fairly limited evidence of a regional policy approach from domestic governments and in part this is because the EU cohesion policy approach provides this additional support to more fragile areas. On the basis that any future domestic funding that might replace EU funding is likely to follow policy priorities there is a real concern in Highland that the area could lose out if there isn't a regional policy approach to recognise and address the particular constraints that the area faces such as peripherality, population sparsity and distance from markets.

Impact on HEIs – particularly UHI

The lack of a significant further or higher education institution until recently is considered to have been one of the factors leading to population decline – most notably the departure of young people from the area. A further effect of this was that there wasn't the same pool of more entrepreneurial graduates in the area who might then go on to set up businesses in the area where they studied. The recent growth of UHI is key to tackling this issue with subsequent benefits in both retaining population and improving the demographic profile of the area. The structure of UHI that also allows people to study while remaining in some of the more peripheral areas supports this further. There have been some excellent recent examples of new courses that have a clear connection with the area such as the Adventure Tourism and Marine Tourism courses at Lochaber College UHI, however these depend to an extent on both incoming students, some from outside the UK and European funding such as INTERREG towards some of their research work.

Colin

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Sent: 13 February 2017 17:43

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Cc: Kirsty.Markie@gov.scot

Subject: SG

All,

As I've previously mentioned to one or two of you, SG are carrying out an exercise to look at the potential impact of Brexit on the H&I. This has been requested by the minister (Michael Russell) with a short timescale – end of February. The output of this exercise will inform ministers in their discussions with the UK Government.

I joined a call with SG today at which it was agreed that the major areas of risk are around:

- Access to markets
- Availability of labour
- Population attraction / retention
- EU policy / funds – regional, CAP / Rural, Fisheries, competitive funds (INTERREG etc) – risk in terms of loss of funds and change in policy
- Impact on HEIs – particularly UHI

Given that this is a quick exercise, it'll be based on existing work taking place within SG, together with information available from other stakeholders. Initially we're looking to collect existing information. I'm therefore asking if you have any analysis / evidence on the impact of Brexit, particularly on the risk factors above, that you'd like to share with SG please forward to Kirsty Markie (copied into this message), if possible by Thursday this week.

Happy to discuss if required.

Regards

Rob

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