Canada – United Kingdom
Inter-Parliamentary Association

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Report of the Canadian Parliamentary Delegation respecting its participation at the Bilateral Visit to London, England, Edinburgh, and Glasgow Scotland, United Kingdom

Canada–United Kingdom Inter-Parliamentary Association

London, England, Edinburgh, and Glasgow Scotland, United Kingdom

January 17 - 24, 2015

Report

A delegation of the Canada-United Kingdom Inter-Parliamentary Association visited London, England, Edinburgh and Glasgow, Scotland, United Kingdom from January 17 – 24, 2015.

The delegation was led by Mr. James Rajotte, M.P. and included the following members: Hon. Joan Fraser, Senator, Hon. Nancy Ruth, Senator, Mr. Ray Boughen, M.P., Mr. Gerald Keddy, M.P., Mr. Pat Martin, M.P., and Ms. Irene Mathyssen, M.P. The delegation was accompanied by Ms. Elizabeth Kingston, Executive Secretary of the Canada-United Kingdom Inter-Parliamentary Association.

The prescribed themes of the visit were:

To gain a better understanding of constitutional matters in the United Kingdom, especially the negotiations towards a new constitutional arrangement with Scotland post-referendum 2014, including;

1) History of devolution and constitutional reform in the United Kingdom as it affects Scotland, especially in light of the discussions concerning the new constitutional arrangements with Scotland post-referendum:
2) Economic overview of Scotland, including any Canadian investments;
3) United Kingdom priorities for 2015;
4) Trade and investment including CETA;
5) Foreign Affairs issues, including a discussion regarding ongoing security matters in light of ISIL and the situation in Ukraine – the United Kingdom perspective;
6) The role of the Bank of England, including a meeting with the governor of the bank, Mark Carney.

1. History of devolution and constitutional reform in the United Kingdom as it affects Scotland, especially in light of the discussions concerning the new constitutional arrangements with Scotland post-referendum

The delegation had the opportunity to meet with the Members of the Devolution (Further Powers) Committee of the Scottish Parliament and had the opportunity to discuss the results of the Smith Commission Report and the response from the UK Government entitled, **Scotland in the United Kingdom: An Enduring Settlement**.

In 2013, the Scottish Government brought forth legislation to hold a referendum on Scottish Independence in September 2014. The referendum, held on September 18, 2014, resulted in a “No” vote, and subsequently each of the three main UK parties promised more powers for the Scottish Parliament. The referendum question was "Should Scotland be an independent country?" The "No" side won, with 55.3% voting against independence and 44.7% voting in favour. The turnout of 84.6% was the highest recorded for an election or referendum in the United Kingdom. It should be noted that 16 and 17 year olds in Scotland were given the right to vote for purposes of this referendum only. Results indicated that 71% of 16 to 17-year-olds voted for Scotland to be independent and 29% voted against.

Following the referendum, Lord Smith of Kelvin was asked to convene all five of Scotland's main political parties to discuss a possible agreement on which additional powers for Scotland should be devolved.

The terms of reference for the Commission were as follows:

To convene cross-party talks and facilitate an inclusive engagement process across Scotland to produce, by 30 November 2014, Heads of Agreement with recommendations for further devolution of powers to the Scottish Parliament. This process will be informed by a Command Paper to be published by 31 October and will result in the publication of draft clauses by 25 January. The recommendations will deliver more financial, welfare and taxation powers, strengthening the Scottish Parliament within the United Kingdom.

What resulted was an efficient convening of meetings, producing in the words of Lord Smith, an unprecedented achievement. As he states in the introduction to the Report:

This agreement demanded compromise from all the parties. In some cases that meant moving to devolve greater powers than had been previously committed to, while for other parties it meant accepting the outcome would fall short of their ultimate ambitions. It shows that, however difficult, our political leaders can come together, work together, and reach agreement with one another. Taken together, these new powers will deliver three important improvements to the devolution settlement, making it more responsive, durable and stable.

Among the recommendations contained in the report were the following:

To provide an adequate check on Scottish Parliament legislation changing the franchise, the electoral system or the number of constituency and regional members for the Scottish Parliament, UK legislation will require such legislation to be passed by a two-thirds majority of the Scottish Parliament.

The Scottish Parliament will be made permanent in UK legislation and given powers over how it is elected and run. The Scottish Government will also be made permanent. The Parliament will also have the power to extend the vote to 16 and 17 year olds, allowing them to vote in the 2016 Scottish Parliament election.

Weak inter-governmental working is a potential problem. The two governments need to work together to create a more productive, robust, visible and transparent relationship. In essence, formal processes should be developed for the Scottish Parliament and the UK Parliament to collaborate more regularly in areas of joint interest to hold the respective Governments to account.

While foreign affairs will continue to be a matter reserved for the UK Government, there is recognition of the need to reflect fully the views of other devolved administrations when drawing up any revised governance agreements in relation to Scottish Government representation of the UK to the EU.

All aspects of the state pension will continue to be shared across the United Kingdom. However, certain aspects of the Universal Credit (UC), such as benefits for carers, disabled persons, and those who are ill will be devolved to the Scottish Parliament. The initial devolution of these powers would be accompanied by an increase in the block grant equivalent to the existing Scottish expenditure by the UK Government on the benefit being devolved. In addition, any savings arising to the UK Government from no longer administering these benefits in Scotland will be transferred to the Scottish Government. The Scottish Parliament would also be given the power to create new benefits in areas of devolved responsibility. To offset this, the UK's Benefit Cap would be adjusted to accommodate any additional benefit payments that the Scottish Parliament would provide.

With respect to transport, the power to change speed limits as well as power over all road signs would be devolved. Moreover, the licensing of onshore oil and gas extraction would be devolved while the licensing of offshore oil and gas extraction would remain reserved for the UK Government.

Income tax would remain a shared tax with both the Scottish Parliament and the UK Parliament sharing control of Income Tax, while the Scottish Parliament would have the power to set rates of Income Tax and the thresholds at which these are paid. The UK and Scottish Governments would work together to avoid double taxation and to make the administration as simple as possible for taxpayers.

With respect to the Value Added Tax (VAT) those receipts raised in Scotland by the first 10% would be assigned to the Scottish Government's budget. Moreover, the power to charge tax to air passengers departing from Scottish airports would be devolved.

The devolution of further responsibility for taxation and public spending would be accompanied by an updated fiscal framework for Scotland that would be consistent with the overall UK fiscal framework. The following elements would be incorporated into this fiscal framework:

- The block grant from the UK Government to Scotland would continue to be determined via the operation of the Barnett Formula, or the system of grants for Scotland, Wales and Northern Ireland that is based partly on which powers have been devolved to them, and partly on population.
- The revised funding formula would result in the devolved Scottish budget benefiting fully from policy decisions made by the Scottish Government;
- There would be no detriment to Scotland as a result of the decision to devolve further powers.
- There would be no detriment to Scotland resulting from either UK or Scottish Government policy decisions post-devolution;
- Scotland`s fiscal framework should provide for sufficient, additional borrowing powers to ensure budgetary stability, to support capital investment. The Scottish Government's borrowing powers should be agreed to by the Scottish and UK Governments and kept under regular review. Moreover, a revised fiscal framework should be reviewed periodically to ensure that they continue to be seen as fair, transparent

and effective. A mechanism to revise an review should be accompanied by an update to both the Scottish and UK Parliaments, including the laying of annual update reports, setting out he changes agreed to Scotland`s fiscal framework.

The delegation also had the unique opportunity to attend the conference in Edinburgh which included the outline of the UK Government response to the Smith Commission report, entitled **Scotland in the United Kingdom; An Enduring Settlement**. The conference hosted by The Right Honourable David Cameron, Prime Minister and The Right Honourable Alistair Carmichael, MP, Secretary of State for Scotland, strongly supported the work of the Smith Commission. They stated that with the Scottish people voting in September 2014 to remain part of the United Kingdom, and the Smith Report agreed to unanimously by all five main Scottish parties, the next stage is the introduction of the draft clauses in a Scotland Bill to implement the provisions of the Smith Report, allowing for the next UK Government to introduce them in the new Parliament.

2. Economic Overview of Scotland, including any Canadian investments

While in Scotland, the delegation had the opportunity to travel to Glasgow to meet with the offices of Scottish Development International, the investment and trade promotion agency of the Scottish Government which works in partnership with the Scottish Enterprise and Highlands and Islands Enterprise. It attracts inward investment to Scotland and assists Scottish based companies to trade overseas.

Mr. Neil Francis, the International and Trade and Investment, Scotland Director for Scottish Development International, the international arm of Scotland's enterprise agencies, brought together a panel of business people whose business interests span the Canada – Scotland trade relationship, notably in aerospace, defense, marine, BPO, chemical sciences, creative industries, education, energy, financial services, food and drink, ICT and electronic technologies, life sciences, textiles, and tourism sectors. Its offices span Canada and the United States, Asia Pacific and Europe, the Middle East and Africa.

Canada is one of Scotland's largest inward investors and Canadian companies located in Scotland support more than 5000 Scottish jobs. Canadian companies based in and around Aberdeen recover 30% of the oil and gas produced in the North Sea, underlining Canada's strong oil and gas links. Canada is also one of Scotland`s most significant tourism markets. Over 100,000 Canadians visit Scotland every year spending more than $100 million annually. Approximately 50 Canadian companies have operations or representation in Scotland, including Talisman Energy, Nexen, Shawcor and Notus Electronics.

Scotland is looking for more direct flights to its airports, so that visitors do not always have to travel through London. It was thought that businesses investing in Scotland would find direct flights to be of tremendous benefit.

3. United Kingdom priorities for 2015

The delegation visited the Westminster Parliament and had the opportunity to meet with the Rt. Hon. William Hague, First Secretary of State and Leader of the House of Commons. He noted that the Conservatives were pleased to embrace the challenge poised with devolution, particularly in light of the close referendum results in Scotland. Given that 85% of the population and economic influence is English and accounting for the geography and history of the United Kingdom, a federated model is not necessarily an appropriate model for devolution. Rather, he suggested, the three main parties are looking to a model of decentralization with local authorities. Any option for future devolution in the United Kingdom would need to address the asymmetry of devolution in Scotland, Wales, Northern Ireland and in England itself.

Following the May 2015 election, all three parties- namely the Conservatives, the Liberal democrats and the Labour parties, have undertaken to bring forward a Scotland Bill in the next Parliament. Indeed the Scottish referendum has brought about a wider debate about how the entirety of the United Kingdom is to be governed.

Also discussed was the West Lothian Question - the fact that non-English MPs can vote at Westminster on legislation that affects English politics, while English MPs do not have an equivalent say in the legislatures of Scotland, Wales and Northern Ireland. The Scottish referendum has brought the discussion to the fore, with potential responses to the issue being proposed, including a further decentralization of England, or a reduction in the number of Westminster MPs from outside England. Also discussed was the possibility of the reform of voting arrangements within Parliament to enhance the voice of English MPs on English matters, or English and Welsh MPs deciding on matters affecting England and Wales, for example. It was suggested that the decision for such would be a matter of procedure, to be certified by the Speaker.

4. Trade and investment including CETA

The issue of attracting a greater number of small and medium enterprises into the international marketplace was also discussed. As Canada is Britain's second largest trading partner after the United States, it was suggested that a means to further increase that partnership is by the promotion of SME's, especially in the areas of transport, energy, broadband, water and waste treatment.

Moreover, within the context of the G20, Canada and Britain look to improve global economic conditions so that enhanced international trade and investment can thrive.

The United Kingdom has been a strong supporter of the Comprehensive Economic and Trade Agreement (CETA) and has strongly endorsed the agreement. The United Kingdom government is also looking to rebalance its economy away from an over-dependence on the financial and services sector by putting a renewed emphasis on high-value manufacturing, and CETA would present a real opportunity for UK exports.

5. Foreign Affairs issues, including a discussion regarding ongoing security matters in light of ISIL and the situation in Ukraine – the United Kingdom perspective

The United Kingdom has maintained a unique relationship with the European Union, given its geography and history as an island nation and reflective of its own political and legal traditions. It has negotiated a number of exclusions and exemptions as it continues to stay outside the Eurozone and Schengen Area. Prime Minister Cameron has announced his intention to hold a referendum in 2017 on whether the United Kingdom should remain in the EU.

With respect to Ukraine, and like Canada the United Kingdom has undertaken sectoral sanctions designed to impact Russia's access to capital markets, arms supplies, and energy sector technology. Moreover, it has called on the Russian Federation to abide by international law and to respect Ukraine's territorial independence. Also like Canada, the U.K. supports diplomatic dialogue, in essence the Minsk agreements, as a means to resolve the crisis.

Also of note is the engagement of the United Kingdom in air strikes on ISIL in Iraq as part of the US led coalition.

6. The role of the Bank of England, including a meeting with Mark Carney

The delegation was pleased to have ~~had~~ the opportunity to meet with Mark Carney, Governor of the Bank of England. The Bank of England is both the central Bank as is the Bank of Canada and the macro-prudential monetary regulator of the United Kingdom. In this respect it fulfills a similar mandate to that of Office of the Superintendent of Financial Institutions (OSFI).

Mr. Carney used the opportunity to explain the structural workings of the Bank, namely the nine member Monetary Policy Committee (MPC) which plays a similar role to the Bank of Canada`s Governing Council charged with monetary policy as well as the Financial Policy Committee (FPC) charged with micro-prudential financial stability. Financial scrutiny for the bank rests with the Westminster Parliament.

In closing, the delegation would like to extend its thanks and appreciation to the Scottish Parliament as well as CPA–UK at Westminster for hosting and arranging a tremendously interesting program. Also, the kind assistance and support extended by the Canadian High Commission in London as well as the Department of Foreign Affairs and International Trade in providing a briefing prior to our departure are all most appreciated.

Respectfully submitted,

Hon. Joan Fraser, Senator

Canada-United Kingdom Inter-Parliamentary Association

Travel Costs

ASSOCIATION	Canada-UK Inter-Parliamentary Association
ACTIVITY	Bilateral Visit to the United Kingdom
DESTINATION	London, Edinburgh and Glasgow, United Kingdom
DATES	January 17 – 24, 2015
DELEGATION	
SENATE	Hon. Nancy Ruth, Senator; Hon. Joan Fraser, Senator
HOUSE OF COMMONS	Mr. James Rajotte, M.P. Mr. Ray Boughen, M.P., Mr. Gerald Keddy, M.P., Mr. Pat Martin, M.P., Ms. Irene Mathyssen, M.P.
STAFF	Elizabeth Kingston, Executive Secretary
TRANSPORTATION	**$33,692.05**
ACCOMMODATION	**$23,856.74**
HOSPITALITY	**$1,768.82**
PER DIEMS	**$5,436.64**
OFFICIAL GIFTS	**$1,272.42**
MISCELLANEOUS / REGISTRATION FEES	**$414.25**
TOTAL	**$66,440.92**