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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Wednesday 13 January 2016

House of Commons

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The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

WALES

The Secretary of State was asked—

S4C: Funding

1. **Mr Mark Williams** (Ceredigion) (LD): What discussions he has had with the Secretary of State for Culture, Media and Sport on future funding of S4C. [902938]

4. **Carolyn Harris** (Swansea East) (Lab): What discussions he has had with the Secretary of State for Culture, Media and Sport on future funding of S4C. [902942]

The Parliamentary Under-Secretary of State for Wales (Alun Cairns): The Secretary of State and I have regular discussions with Cabinet colleagues which provide opportunities to discuss a range of issues, including matters related to the funding of services across Wales such as the future funding of S4C.

Mr Williams: The Prime Minister said last week at the Dispatch Box that he wanted to “meet...the wording and the spirit of our manifesto promise”, on S4C, which stated:

“We would safeguard the funding and editorial independence of S4C.”

In the light of last week’s commitment, may I invite the Minister to make it clear that the Government will abandon the proposed cuts to the DCMS part of S4C’s budget and undertake a review of the future funding needs of S4C?

Alun Cairns: We will meet our manifesto commitment to

“safeguard the funding and editorial independence of S4C.”

The hon. Gentleman will have heard the Prime Minister say that we would

“meet...the wording and spirit of our manifesto commitment.”— [Official Report, 6 January 2016; Vol. 604, c. 281.]

He will also remember that on the evening before there was a debate proposed by my hon. Friend the Member for Carmarthen West and South Pembrokeshire (Simon Hart) to which the Minister for Culture and the Digital Economy responded by saying that he was looking at the arguments and keen to engage positively.

Carolyn Harris: I am grateful to the Minister for mentioning last Tuesday’s debate because I too want to talk about the wonderful consensus that broke out in

the Chamber regarding S4C’s funding. Given that consensus, will he remind his colleagues at DCMS that he has a statutory duty to protect S4C’s funding? Will he also join us in offering his personal support for an independent review of S4C?

Alun Cairns: The hon. Lady took part in that debate and she will recognise the way in which the Minister responded. He said that he was listening to the arguments and that he wanted to engage as positively as he could. I hope that she recognises the spirit in which that was intended.

Liz Saville Roberts (Dwyfor Meirionnydd) (PC): Last July, the Culture Secretary and the Treasury informed the director-general of the BBC in a letter that S4C’s grant might be cut by the same percentage reduction as the BBC itself and that:

“It will be up to the Government to decide how to make up the shortfall.”

This is therefore not the only Government-driven cut facing S4C. What additional funds will the Government be providing over and above these DMCS cuts?

Alun Cairns: As the hon. Lady knows, charter renewal negotiations and discussions are under way at the moment, and I do not want to pre-empt any of the issues that will come out of that. Clearly, there will be a widespread consultation and I hope that she and other Members will engage positively in it.

Liz Saville Roberts: I understand, of course, that we are facing the BBC charter consultation, but given the BBC’s response in the current situation there is surely now room for cross-party consensus on Silk II’s recommendation that the funding of the public expenditure element of S4C should be devolved to the National Assembly for Wales.

Alun Cairns: I do not accept the basis of the question. During my right hon. Friend the Secretary of State’s discussion that led to the St David’s day agreement, there was not agreement on this issue. We are keen to progress in consensus so that we can take everyone forward. We need to remember that it was a Conservative Government who established S4C, which has been a great success since 1982. I hope that the hon. Lady will share in and recognise that success.

Susan Elan Jones (Clwyd South) (Lab): What complete waffle from the Minister! The Tory party manifesto said only last spring that that party was committed in government to safeguarding

“the funding and editorial independence of S4C”,

yet now we are talking of a cut from the DCMS budget of a quarter of its funding. [Interruption.] The Secretary of State is asking for my question. It is simply this: why will the Government not safeguard the funding, and why is that quarter of the DCMS funding budget still under consideration? It is a disgrace. How can we trust them on any other commitment they make?

Alun Cairns: The hon. Lady will have heard my answers to the previous questions. I find it a bit rich that Labour Members are calling for extra funding for a Welsh language channel when this morning the First

Minister in the Assembly is seeking to defend his position of cutting the budget to support the Welsh language by 5.5%. That is simply a disgrace.

SMEs

2. **Karen Lumley** (Redditch) (Con): What assessment he has made of the adequacy of Government support for small and medium-sized businesses in Wales. [902939]

The Secretary of State for Wales (Stephen Crabb): Our nation's small businesses are the true heroes of this economic recovery, and I am proud to be part of a Government who are on their side. SMEs have created two thirds of all the new jobs in the private sector in Wales since 2010. As we continue to reduce regulation and lower taxes, support for small businesses right across the UK has never been stronger.

Karen Lumley: This year is the British Chambers of Commerce year of action on exports. Will my right hon. Friend update the House on how he is helping small businesses in Wales to punch above their weight this year?

Stephen Crabb: My hon. Friend raises a very important point. We have set ourselves a really ambitious target of £1 trillion of exports from the UK by 2020. If we are going to have any hope of meeting that target, we need to engage with SMEs right across the UK, especially in Wales. That is why I will be in north Wales tomorrow, with my right hon. Friend the Minister for Trade and Investment, promoting everything that north Wales has to offer.

Stephen Kinnock (Aberavon) (Lab): The Welsh steel industry plays a critical role in underpinning business right across the board, including SMEs, but global headwinds affecting the industry have been growing stronger. Will the Secretary of State join me and Welsh MPs from all parties in asking for a meeting with his right hon. Friend the Secretary of State for Business, Innovation and Skills to ensure that no stone remains unturned in the fight to save the Welsh steel industry?

Stephen Crabb: I thank the hon. Gentleman for his question and for the spirit in which he asked it. He knows as well as we do that the steel industry right across the UK, not least in Wales, faces a global crisis. He is aware of all the different actions being taken by the Government to try to help the British and Welsh steel industry face the global nature of the crisis. I am very happy to pass on his request to the Business Secretary. We are obviously in very close contact, as is the hon. Gentleman, with Tata, and especially the plant in Port Talbot in his constituency.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): My right hon. Friend will know that one of the small businesses emerging in Wales is Tidal Lagoon Power Ltd, which has exciting plans for the Swansea bay tidal lagoon. The roll-out programme also includes Cardiff, Newport and north Wales. When can we expect to hear what financial support will be forthcoming from the Government so that this exciting project can proceed without delay?

Stephen Crabb: My right hon. Friend the former Secretary of State is right. The Swansea tidal lagoon proposition is very exciting and commands wide support across the business community in Wales, but we also need to recognise that the project is asking for a very significant level of public subsidy and intervention. It is absolutely right that my right hon. and hon. Friends in the Treasury and the Department of Energy and Climate Change should conduct very robust due diligence in making sure that such projects will deliver value for the taxpayer.

Albert Owen (Ynys Môn) (Lab): One of the issues that small businesses raise with me in my constituency is the lack of connectivity for superfast broadband and, indeed, mobile connections. Now that the Government and the Prime Minister agree with me on the universal obligation for broadband, will the Secretary of State help me by supporting a pilot scheme on Ynys Môn, the Isle of Anglesey?

Stephen Crabb: The hon. Gentleman raises a very important point. We have discussed this many times in Wales questions and debates. Improvements are happening right across Wales, and we are seeing big improvements in internet connectivity and for mobile phones in his constituency and mine. There is much more that we can do. I am very interested to hear about a pilot project in Anglesey, which I am happy to discuss with ministerial colleagues.

Dr James Davies (Vale of Clwyd) (Con): In early December, the UK Government announced £50 million of additional funding to address flooding issues. That figure has Barnett consequential for Wales of £2.276 million. Since then, a further £90 million has been announced by the UK Government, and we await to see what, if any, Barnett consequential will arise from that. On the new money to be allocated to Wales, will the Secretary of State join me in calling on the Welsh Assembly Government to allocate it to St Asaph? Many SMEs, as well as local residents, were flooded there three years ago, and there is currently a £4 million shortfall for the necessary flood defence works.

Stephen Crabb: I absolutely join my hon. Friend in making that suggestion and recommendation. It is worth putting it on the record that our sympathy and thoughts are with all the families and businesses in Wales, as well as with those right across the UK, that suffered damage due to flooding over the Christmas period. All the new money that the Government have announced to address flooding issues has delivered Barnett consequential for Wales. It is up to the Welsh Government to decide how to use that money, but we certainly want them to use every single penny to help to address flooding issues. I am afraid that we will have to come back time and again to such issues and discuss them in this place.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Further to the question from the hon. Member for Aberavon (Stephen Kinnock), the Minister will undoubtedly share our concern about press reports over the weekend. What contingency plans do the UK Government have for a worse-case scenario? Would he support a Welsh public stake in the Welsh operations of Tata, as was afforded to the banks of London during the financial crash of 2008?

Stephen Crabb: I will not engage in the speculation about job cuts that we saw in the press at the weekend. Members from all parts of the House need to be responsible in how we debate these issues. We are in very close contact with Tata internationally and with regard to its operations across the UK, including in south Wales. We are discussing closely what its needs are at this moment. There are big issues and questions that need to be addressed.

Rail Connectivity

3. **Nick Smith** (Blaenau Gwent) (Lab): What steps the Government are taking to improve rail connectivity to south Wales. [902940]

The Parliamentary Under-Secretary of State for Wales (Alun Cairns): We are investing in the most ambitious rail upgrade programme since Victorian times. We are committed to electrifying the Great Western main line to Swansea and have agreed to contribute £125 million towards electrifying the Vale of Glamorgan and valleys lines. That will increase services and reduce journey times for passengers across south Wales.

Nick Smith: Blaenau Gwent needs good rail links down to Cardiff and across to Bristol for jobs. The flourishing Ebbw Vale to Cardiff line must be part of the core metro system for that to happen. How will the Minister help make sure that south-east Wales gets the modern transport infrastructure it so badly needs?

Alun Cairns: The hon. Gentleman has been a strong champion of investment in the Ebbw Vale railway line, including in the new station at Ebbw Vale and the UK Government's investment at Pye Corner, which has improved access to Newport. The scope of the valleys lines upgrade is a matter for the Welsh Government, but the Department for Transport has made £125 million available specifically for that purpose. To my mind, the valleys lines upgrade stretches from Ebbw Vale to Maesteg and down to the Vale of Glamorgan.

Byron Davies (Gower) (Con): The Government's investment in the rail network is crucial to businesses and people across Wales and, in particular, in my constituency of Gower. Despite the negativity surrounding electrification from Opposition Members, will the Minister take this opportunity to reaffirm the Government's commitment to the electrification of the line to Swansea?

Alun Cairns: The Prime Minister, the Secretary of State for Transport and the Secretary of State for Wales have confirmed that. Only last week, the Chancellor was in Cardiff and restated our position once again. We will electrify the Great Western main line the whole way to Swansea.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): Given that UK commuters spend up to six times as much on rail fares as European passengers, has the Secretary of State made any assessment of the impact of the recent rail fare increases on the Welsh economy?

Alun Cairns: The hon. Lady should know that there were limits to the recent increases. We need to contrast that with the £3 billion that is being spent on improving rail services to and within Wales, as well as our efforts to

ensure that Wales benefits from the national project of HS2 by making Crewe a central hub so that north Wales benefits too.

Sir Simon Burns (Chelmsford) (Con): Does the Minister accept that this investment will revolutionise connectivity in the valleys and on the main line to Swansea? Will he share with the House what assessments have been made of the impact it will have on job creation and passenger journeys?

Alun Cairns: My right hon. Friend makes a very important point about the economic prospects that will be brought by the significant capital investment that we are bringing forward. It is worth remembering that the last Labour Government left Wales as one of only three countries in Europe, along with Moldova and Albania, without a single mile of electrified track.

M4

5. **David T. C. Davies** (Monmouth) (Con): What discussions he has had with the Welsh Assembly on the contribution of the M4 to the economy in south Wales. [902943]

The Parliamentary Under-Secretary of State for Wales (Alun Cairns): We regularly have discussions on a range of issues, including transport infrastructure. The M4 is one of Wales's vital arteries. The need for an upgrade was identified decades ago by business leaders as a No. 1 priority.

David T. C. Davies: The Minister will surely be aware that the ongoing delays on the M4 are causing problems for the economy in south Wales. Will he outline what steps he is taking to enable the Welsh Assembly Government to make improvements to this vital piece of transport infrastructure?

Alun Cairns: It is hard to believe that the former right hon. Member for Richmond, Yorks was Secretary of State for Wales when the upgrade was first committed to, only for it to be cancelled by Labour Members. It was reconsidered later by a Plaid Cymru Welsh Government Minister, only to then be cancelled. My right hon. Friend the Chancellor of the Exchequer has made additional resources available, and we just want the Welsh Government to get on with it.

Geraint Davies (Swansea West) (Lab/Co-op): In the light of the serious flooding caused by climate change, will the Minister ensure that the newly proposed M4 relief road will double as a flood defence for the Severn estuary?

Alun Cairns: The route is a matter for the Welsh Government, and we encourage them to consider all options. We want the project to start as soon as possible. Even if it started to the earliest possible timescale outlined by the Welsh Government, it would still not be completed until the end of 2022, which is unacceptable.

Cardiff City Deal

6. **Craig Williams** (Cardiff North) (Con): What discussions he has had with his ministerial colleagues on proposals for a Cardiff city deal. [902944]

The Secretary of State for Wales (Stephen Crabb):

Last week my right hon. Friend the Chancellor of the Exchequer visited Cardiff and announced his desire to deliver a city deal by Budget 2016. We are now working with the Cardiff capital region to deliver on ambitious proposals that will increase economic growth, not only in the city but across the entire south Wales region.

Craig Williams: Last week the Chancellor brought a welcome sense of urgency to the Cardiff city deal process, with the deadline of March and a down payment of £50 million for a compound semiconductor catapult centre. Does the Secretary of State agree that with a semiconductor catapult at the heart of the city deal process, we stand a real chance of securing a long-term transformation of the south Wales economy?

Stephen Crabb: My hon. Friend is right, and I put on record my thanks for his work in championing the city deal for Cardiff. The Chancellor's announcement last week was a massive statement of this Government's confidence in Welsh business and our ambition for Wales. The £50 million is a down payment on the Cardiff city deal, and it is now time for local partners, Welsh businesses and the Welsh Government to crack on and conclude this transformational project.

Jo Stevens (Cardiff Central) (Lab): We do not want just warm words from the Chancellor about the Cardiff city deal; we want to know whether the UK Government will match the £580 million that has been pledged by the Welsh Government for the Cardiff city deal. Can the Minister answer that?

Stephen Crabb: I am not sure whether the hon. Lady noticed, but during our visit to Cardiff last Thursday we were not just using warm words; we were investing £50 million of UK Government money in a new high-tech centre of innovation at Cardiff University. The Chancellor made it clear in his speech in Cardiff last Thursday that we will support in principle the infrastructure fund that will be at the heart of the Cardiff city deal project.

Northern Powerhouse

7. **David Rutley (Macclesfield) (Con):** What recent assessment he has made of the economic effect on north Wales of the northern powerhouse; and if he will make a statement. [902945]

10. **Graham Evans (Weaver Vale) (Con):** What recent assessment he has made of the economic benefit to north Wales of the northern powerhouse. [902948]

The Parliamentary Under-Secretary of State for Wales

(Alun Cairns): The northern powerhouse, which stretches from north Wales to Newcastle, is reviving the economic and civic strength of our great northern cities. It is central to our vision for rebalancing the economy, and north Wales is already benefiting from large-scale infrastructure investments.

David Rutley: Given the proximity of north Wales to the newly established Cheshire science corridor, the positive impact of infrastructure investment—including High Speed 2—and the 871 square miles of opportunity nearby in Cheshire and Warrington, does my hon.

Friend agree that north Wales stands to benefit strongly from the northern powerhouse that is being taken forward by this Conservative Government?

Alun Cairns: My hon. Friend is absolutely right. North-east Wales and north-west England form one single economic entity, and businesses in north Wales see the opportunity that the northern powerhouse can bring. When the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Stockton South (James Wharton), and I met businesses last year in north Wales, they were keen to be a central part of that, and, as my hon. Friend said, HS2 offers great opportunities.

Graham Evans: Does my hon. Friend agree that the £10.4 million investment in the reopening of the Halton curve will provide a significant economic boost for north Wales, as well as for Cheshire and my constituency of Weaver Vale, not least because there is a direct link to Liverpool John Lennon airport?

Alun Cairns: I pay tribute to my hon. Friend for his work in securing that investment. He championed this project from the outset, and later this year the direct link from north Wales through Cheshire to Liverpool will be operational. That is a tangible demonstration of the northern powerhouse in action.

12. [902950] **Mr David Hanson (Delyn) (Lab):** I, too, welcome the Halton curve and the direct link to Liverpool airport, but does the hon. Gentleman recognise that HS2 coming to Crewe is also important, not just for electrification and the link to north Wales, but to speed up contacts to Manchester airport from north Wales?

Alun Cairns: The right hon. Gentleman will be well aware of the rail transport summit that was held in north Wales last year. It talked about how we can best bring forward a bid to modernise the railway infrastructure across north Wales, and we look forward to that bid coming forward. Only last week I spoke to the chair of the north Wales economic ambition board to discuss the progress of that project.

Mr David Jones (Clwyd West) (Con): When I have previously questioned my hon. Friend and his colleague about the potential benefits to north Wales of the northern powerhouse, I have been disappointed to be told of a total lack of engagement on the part of the Welsh Assembly Government. Will my hon. Friend say whether they have changed their stance and are now more plugged in to the process?

Alun Cairns: I am grateful to my right hon. Friend for championing the benefits of the northern powerhouse. What is clear is that business sees the benefits. Local authorities also see the benefits. We encourage the Welsh Government to engage positively, because business does not recognise the administrative boundaries between the two.

Nia Griffith (Llanelli) (Lab): The Government's so-called northern powerhouse will bring no benefit to north Wales unless we see the much-needed investment in infrastructure that the Government have so far failed to

deliver. When the Chancellor visited Broughton in July, he promised he would look at rail electrification in north Wales. Six months later, has anything happened?

Alun Cairns: Yes, a considerable amount has happened in relation to investment in north Wales. I mentioned the summit that was held last year. We are keen to develop the signalling needed to improve the railway lines. The North Wales Economic Ambition Board is delighted with the support we are giving. We are keen to develop that even further.

Nia Griffith: Let us hope that the Government can get on a bit quicker with the electrification than they are on the Great Western main line. North Wales also needs better rail links to Manchester airport. Arriva Trains Wales has proposed a direct service from Llandudno to the airport. Will the Minister explain why, instead of investing in greater capacity on routes to Manchester airport, his colleagues at the Department for Transport have rejected Arriva's plan, supposedly in favour of extra trans-Pennine services? If the Secretary of State's place at the Cabinet table counts for anything, what is he going to do about that?

Alun Cairns: I do not recognise the premise of the hon. Lady's question. Significant discussions are going on between the Department for Transport, the Welsh Government, rail operators and other partners about remapping and the franchises. We will happily take positive representations on that

Workless Households

8. **Craig Tracey** (North Warwickshire) (Con): What assessment he has made of trends in the number of workless households in Wales. [902946]

The Secretary of State for Wales (Stephen Crabb): In all parts of the United Kingdom our welfare reforms are working, transforming the lives of those from the most disadvantaged backgrounds. The number of workless households in Wales continues to fall, with 12,000 fewer in the last year alone.

Craig Tracey: Does the Secretary of State agree that the Government's welfare reforms are improving the life chances of children in Wales?

Stephen Crabb: I absolutely agree with my hon. Friend. We on the Government Benches understand that work is the best route out of poverty. I am very pleased that in Wales the number of children growing up in a home where no parent works has halved, falling by 62,000 since 2010. I am clear that if we are to transform life chances, we have to go much deeper and address the root causes of worklessness, as my right hon. Friend the Prime Minister pointed out in his speech on Monday.

Ian C. Lucas (Wrexham) (Lab): Four years ago, my constituent Margaret Foster was sacked from Remploy by this Prime Minister. Yesterday, I raised her case in a debate. Today, I have been approached by local employers offering her work. Why are the Secretary of State and the Prime Minister presiding over a system to support

disabled workers so useless that it takes a Member of Parliament raising the issue in Parliament for anything to happen?

Stephen Crabb: The proportion of disabled people in Wales in work has increased under this Government. There was a time when Labour Members understood and talked the language of welfare reform. Maybe when they have stopped kicking lumps out of each other they will get back to addressing it.

Swansea Tidal Lagoon

9. **Derek Thomas** (St Ives) (Con): What steps the Government are taking to establish a tidal lagoon in Swansea? [902947]

The Secretary of State for Wales (Stephen Crabb): I recognise that the proposed Swansea tidal lagoon project has the potential to establish Wales as a major hub for tidal power, creating thousands of jobs and attracting millions of pounds of investment. Robust due diligence is, of course, essential in the interest of taxpayers, who would incur the cost of any subsidy through their energy bills.

Derek Thomas: Dean Quarry in my constituency is likely to be the source of stone for the tidal lagoon. For over a year, local residents have been concerned about that because it is an important tourist area and marine conservation zone, and we believe there are cheaper areas from which to source the stone. Does the Minister agree that the impact on the environment and the economy is too great and that other sources of stone are available? Will the Government look for places other than Dean Quarry to get the stone?

Stephen Crabb: I am aware of the issue raised by my hon. Friend, who is as ever a powerful and effective voice on behalf of his constituents. Planning applications in relation to Dean Quarry would be dealt with by the Marine Management Organisation and local authorities, which should absolutely take into account local concerns.

Christina Rees (Neath) (Lab): Local businesses across Wales are eagerly anticipating the investment that the tidal lagoon will bring. It would be a travesty if the UK Government were to pull the plug on the lagoon, so can the Minister confirm that they remain committed to the project and to agreeing a strike price for the tidal lagoon?

Stephen Crabb: The hon. Lady is right: this is a big, potentially very exciting and significant project. It is also a project that is looking for a large amount of public subsidy and intervention, and it is absolutely right—not that we would expect Opposition Members to understand this—that when we are dealing with large sums of taxpayers' money, there needs to be due diligence.

Mr Speaker: Last but not least, I call the Chair of the Environmental Audit Committee.

Huw Irranca-Davies (Ogmore) (Lab): Swansea bay tidal lagoon and the other potential lagoons that may result from it provide amazing opportunities for exports of intellectual property, technology and supply chains

across south Wales. Will the Secretary of State at least commit to making it happen and doing it as soon as possible?

Stephen Crabb: I repeat the answer I gave to the hon. Gentleman's colleague. We recognise that this is a potentially very exciting and significant project, in delivering low-carbon renewable energy over a long period. We need to look carefully at the finances to ensure that it delivers value for taxpayers, who will be asked to put a large amount of subsidy into the project.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [902988] **Bill Esterson** (Sefton Central) (Lab): If he will list his official engagements for Wednesday 13 January.

The Prime Minister (Mr David Cameron): This morning I had meetings with ministerial colleagues and others, and in addition to my duties in this House I shall have further such meetings later today.

Bill Esterson: The Royal College of Midwives has called the Government's plans to cut nurses' student grants "appalling" and the Royal College of Nursing says it is "deeply concerned". Meanwhile, the hon. Member for Lewes (Maria Caulfield), who is a nurse, says she would have struggled to undertake her nurse training, given the proposed changes to the bursary scheme. So why does the Prime Minister still think he is right to scrap grants for student nurses?

The Prime Minister: For the simple reason that we want to see more nurses in training and more nurses in our NHS. We believe there will be an additional 10,000 nurses because of this change. The facts are that two out of three people who want to become nurses today cannot do so because they are constrained by the bursary scheme. Moving to the new system, those who want to become nurses will be able to become nurses.

Q2. [902990] **Andrew Griffiths** (Burton) (Con): The No. 1 responsibility of any Government is the protection of their people. Does the Prime Minister agree that Britain's nuclear deterrent and our membership of NATO are key to our defences and that any moves that would put that at risk would jeopardise our national security?

The Prime Minister: My hon. Friend is absolutely right. It has been common ground on both sides of this House that the cornerstone of our defence policy is our membership of NATO and our commitment to an independent nuclear deterrent, which must be replaced and updated. They are necessary to keep us safe, and at a time when we see North Korea testing nuclear weapons and with the instability in the world today we recommit ourselves to NATO and to our independent nuclear deterrent. I think the Labour party has some very serious questions to answer.

Jeremy Corbyn (Islington North) (Lab): This week the Prime Minister rather belatedly acknowledged there is a housing crisis in Britain. He announced a £140 million

fund to transform 100 housing estates around the country, which amounts to £1.4 million per housing estate to bulldoze and then rebuild them. [*Interruption.*] My maths is perfect. This money is a drop in the ocean. It is not even going to pay for the bulldozers, is it?

The Prime Minister: We have doubled the housing budget and we are going to invest over £8 billion in housing, and that comes after 700,000 homes having been built since I became Prime Minister. We have a quarter of a million more affordable homes. Here is a statistic that the right hon. Gentleman will like: in the last Parliament, we built more council houses than in 13 years of a Labour Government.

Jeremy Corbyn: The Prime Minister has not thought this through very carefully. Every estate that he announces he wishes to bulldoze will include tenants and people who have bought their homes under right to buy. Will those people, the leaseholders, be guaranteed homes on the rebuilt estates he proposes?

The Prime Minister: I accept, of course, that this is not as carefully thought through as the right hon. Gentleman's reshuffle, which I gather is still going on—it has not actually finished yet. We want to go to communities where there are sink estates and housing estates that have held people back and agree with the local councils and local people to make sure that tenants get good homes and that homeowners get rehoused in new houses. That is exactly what we want. Let us look at what we have done on housing. We reformed the planning rules, and Labour Members opposed them; we introduced Help to Buy, and they opposed it; we introduced help to save to help people get their deposit, and they opposed it. They have absolutely nothing to say about people trapped in housing estates who want a better start in their lives.

Jeremy Corbyn: I notice that the Prime Minister did not give any guarantee to leaseholders on estates. I have a question to ask on behalf of a probably larger group on most estates. A tenant by the name of Darrell asks:

"Will the Prime Minister guarantee that all existing tenants of the council estates earmarked for redevelopment will be rehoused in new council housing, in their current communities, with the same tenancy conditions as they currently have?"

The Prime Minister: We are not going to be able to deal with these sink estates unless we get the agreement of tenants and unless we show how we are going to support homeowners and communities. Is it not interesting to reflect on who here is the small "c" conservative who is saying to people, "Stay stuck in your sink estate; have nothing better than what Labour gave you after the war."? We are saying, "If you are a tenant, have the right to buy; if you want to buy a home, here is help to save; if you are in a sink estate, we will help you out." That is the fact of politics today—a Conservative Government who want to give people life chances, and a Labour Opposition who say "Stay stuck in poverty".

Jeremy Corbyn: The Prime Minister does not seem to understand the very serious concerns that council tenants have when they feel they are going to be forced away from strong communities in which they live and their

children go to school. Perhaps the Prime Minister will be able to help us with another issue. His party's manifesto said:

"Everyone who works hard should be able to own a home of their own".

Will families earning the Prime Minister's so-called national living wage be able to afford one of his discount starter homes?

The Prime Minister: I very much hope they will. As well as starter homes, we have shared ownership homes. When I became Prime Minister, a young person trying to buy a home needed £30,000 for the deposit—

Mr Speaker: Order. I apologise for interrupting. *[Interruption.]* Order. I say to the hon. Member for Bishop Auckland (Helen Goodman) that her shrill shrieking from a sedentary position is not appropriate behaviour for a would-be stateswoman. I want to hear the Prime Minister's answer.

The Prime Minister: When I became Prime Minister, people needed £30,000 for a deposit on a typical home. Because of the schemes we have introduced, that is now down to £10,000. I want people to own their homes, so let us consider this issue. We are saying to the 1.3 million tenants of housing associations, "We are on your side: you can buy your own home." Why does the right hon. Gentleman still oppose that?

Jeremy Corbyn: I hope that that word "hope" goes a long way, because research by Shelter has found that families on the Prime Minister's living wage will be unable to afford the average starter home in 98% of local authority areas in England—only 2% may benefit. Rather than building more affordable homes, is the Prime Minister not simply branding more homes affordable, which is not a solution to the housing crisis? Will he confirm that home ownership has actually fallen since he became Prime Minister?

The Prime Minister: There is a challenge in helping people to buy their own homes. That is what Help to Buy was about, which Labour opposed. That is what help to save was about, which Labour opposed.

Is it not interesting that the right hon. Gentleman did not answer the question about the 1.3 million housing association tenants? I want what is best for everyone. Let us put it like this. The right hon. Gentleman owns his home; I own my home. Why should we not let those 1.3 million own their homes? Why not? What is the right hon. Gentleman frightened of?

Jeremy Corbyn: The Prime Minister—*[Interruption.]* When the noise disappears—*[Interruption.]*

Mr Speaker: Order. The Leader of the Opposition will be heard.

Jeremy Corbyn: I thank Conservative Back Benchers for their deep concern about the housing crisis in this country. It is noted.

The Prime Minister has given no assurances to tenants, no assurances to leaseholders, and no assurances to low-paid people who want to find somewhere decent to live. May I ask him one final question? It is a practical

question that is faced by many people throughout the country who are deeply worried about their own housing situation and how they are going to live in the future, and it comes from Linda, who has been a council tenant for the last 25 years. She says:

"I will eventually look to downsize to a property suitable for our ageing circumstances. Due to the housing bill being debated at present, if we downsize we will have to sign a new tenancy agreement. If we stay, we face having to pay the bedroom tax and debt. If we downsize, we lose our secure home."

Linda and many like her are facing a real problem. If she were in the Prime Minister's advice bureau, what advice would he give her?

The Prime Minister: The first thing I would say to Linda is that we are cutting social rents in this Parliament, so she will be paying less in rent. The second thing I would say, if she is concerned about the spare room subsidy, is that of course it is not paid by pensioners, which is a point that the right hon. Gentleman failed to make. Another thing I would say to Linda, and to all those who are in council houses or housing association homes, is "We believe in giving you the chance to buy your own home, and are helping you to do that."

Is it not interesting what this exchange has shown? We now have a Labour party whose housing policy does not support home ownership, just as its defence policy does not believe in defence, and just as we now have a Labour party that does not believe in work and a Labour leader who does not believe in Britain.

Q5. [902993] **Oliver Dowden** (Hertsmere) (Con): As someone who grew up in social housing, I welcome the Prime Minister's commitment to tearing down poor-quality, soulless high-rise estates and replacing them with affordable homes. Will he seize this opportunity to make sure that those new homes are attractive, well-designed places in which people will want to live for generations to come?

The Prime Minister: My hon. Friend is absolutely right. If Labour wanted to have a constructive opinion, they would come along and say, "How can we help knock down these sink estates, rebuild new houses, help people to own their own homes?" That is what we want to do, and that is what we are going to see in this Parliament: one side committed to opportunity, life chances, helping people get on, and another side wanting to keep people trapped in poverty.

Angus Robertson (Moray) (SNP): The economic and intellectual contribution of college and university graduates to the UK is immense. The Smith commission said that the UK and Scottish Government should

"explore the possibility of introducing formal schemes to allow international higher education students graduating from Scottish further and higher education institutions to remain in Scotland and contribute to economic activity for a defined period of time."

Why did the UK Government this week unilaterally rule out a return of a post-study work visa without stakeholder discussions and before key parliamentary reports?

The Prime Minister: We have an excellent scheme that covers, of course, Scotland, England, Wales and Northern Ireland, and it is this: to say to the world's students that there is no limit on the number of people who can come

and study in British universities as long as they have two things—an English language qualification and a place at a university. That is an incredibly generous and open offer. The second thing we offer is that there is actually no limit on the number of people who can stay after they have graduated, as long as they have a graduate-level job. Again, I think that is an incredibly clear message that all of us—whether we are involved in the Scottish Government, the Northern Ireland Administration, the Welsh Administration or the United Kingdom Administration—should get out and sell around the world. It is a world-beating offer; we want the world's brightest graduates to come here, study here and then work here—what a great deal!

Angus Robertson: The return of post-study visas is supported by, among others, all of Scotland's 25 publicly funded colleges, Colleges Scotland, Universities Scotland, the representative body for Scotland's 19 higher education institutions, many other organisations and businesses, and all parties, including the Scottish Conservative party, so why does the Prime Minister think they are all wrong and he is right?

The Prime Minister: For the reason I have given, which is that the clarity of our offer is world beating. There is a disadvantage to inventing a new post-work study route, where we are effectively saying to people coming to our universities, "It's okay to stay with a less-than-graduate job." Frankly, there are lots of people in our own country desperate for those jobs and we should be training them up and skilling them up. We do not need the world's brightest and best to come here to study and then to do menial labour jobs. That is not what our immigration system is for. What we want is a system where we can advertise to the world—"Come and study here. Come and work here"—and that is the system we have and should keep.

Q6. [902994] **Gordon Henderson** (Sittingbourne and Sheppey) (Con): Will the Prime Minister join me in welcoming the fact that Aldi is in the process of building a distribution centre in my constituency, bringing the prospect of another 400 jobs to local people? That distribution centre is situated just off the A249, which is one of the busiest trunk roads in the south-east of England. Will my right hon. Friend encourage the Department for Transport to undertake a review of the A249 to ensure that it can cope with the increased traffic generated by the expanding business activity in my constituency?

The Prime Minister: I certainly join my hon. Friend in welcoming the investment in his constituency, where the claimant count has fallen by 39% since 2010. That is obviously welcome news. I will take up the point he makes, because obviously we are only going to continue to attract investment if we make sure our road and rail networks are up to date.

Q3. [902991] **Tommy Sheppard** (Edinburgh East) (SNP): The Prime Minister will be aware that last week this House discussed the equalisation of the state retirement age between men and women. Does he feel the outrage of a generation of women born in the 1950s who feel robbed and cheated out of their state pension, and will he give an undertaking to look at

further improvements to transitional arrangements, given the unanimous decision of this House to ask him to do so?

The Prime Minister: I know that many colleagues have been written to on this issue, and there are some important cases to look at, but what I would say is that we looked very carefully at this at the time and decided that no one should suffer more than an 18-month increase in the time before they were expecting to retire. What I would also say is that what we are putting in place—with the single-tier pension starting at over £150 a week, combined with the triple lock—is a very good settlement for pensioners. It is affordable for the taxpayer and it is generous into the future.

Q7. [902995] **Dr Tania Mathias** (Twickenham) (Con): By 8 January—after just eight days—parts of London had exceeded the annual limit for nitrogen dioxide pollution. Given this medically serious news, will the Prime Minister ensure that the Department for Transport's current consideration of airport expansion prioritises air pollution concerns, and will he pledge never to expand Heathrow airport while nitrogen dioxide levels are risking the health of millions of people?

The Prime Minister: My hon. Friend is absolutely right to raise this point. There are problems of air quality and pollution not just in London but elsewhere in our country. That is one reason we decided to delay the decision about airport capacity expansion—because we need to answer the question about air quality before we do so. That is what the Environmental Audit Committee recommended to the Government. It said:

"On air quality, the Government will need to re-examine the Commission's findings in the light of its finalised air quality strategy."

So the point she makes is directly being taken on by the Government.

Q4. [902992] **Barbara Keeley** (Worsley and Eccles South) (Lab): The Prime Minister's answer to the hon. Member for Edinburgh East (Tommy Sheppard) about transitional arrangements for women born in the 1950s was nothing like good enough. I was going to say that his own Ministers seem to have no idea how to rectify the injustice they have caused, but I do not think he does either. As he is talking to other EU leaders, will he ask why some countries are not implementing the changes until 2044, and will he also look at what transitional arrangements the Netherlands, Italy and Germany put in place to protect the people affected?

The Prime Minister: What other European countries do is a matter for them. We have the ability to make sovereign decisions on this issue, and that is entirely right. We have decided to put in place a pensions system that is affordable for our country in the long term and which sustains a very strong basic state pension right into the future. The single-tier pension is going to make such a difference to so many people in our country. We also have the triple lock, which was never put in place by Labour. We all remember that miserly increase to the pension under Gordon Brown. That can never happen again under our arrangements.

Q8. [902996] **Dr Phillip Lee** (Bracknell) (Con): Since 2010, my constituency has seen the generation of more than 200 new businesses, while the claimant and youth unemployment rates have fallen to below 1%. With the £240 million investment in Bracknell town centre regeneration, full employment in the area is a genuine possibility. Does the Prime Minister agree that it is the Government's sound stewardship of the economy that has led to this economic success in my constituency?

The Prime Minister: I am delighted to hear the news from Bracknell. In Britain today, we have low interest rates; inflation right on the floor; real wages growing, meaning people are feeling better off; people investing inwardly in this country in huge numbers; and business investment going up, because people are confident about the future of our economy—and all that is based on a long-term economic plan of dealing with our debts, getting our deficit down and making this a country where people can start, run and expand a business and therefore create jobs and prosperity for all our people.

Q10. [902998] **Dan Jarvis** (Barnsley Central) (Lab): Over the past four years, according to excess winter death figures from the Office for National Statistics, a staggering 117,000 people have died unnecessarily as a result of the cold. Some 43,000 people tragically died last winter. Does the Prime Minister agree that that is not only appalling but avoidable? Why does he think so many people are dying needlessly in our country, and what will he do to stop it happening?

The Prime Minister: The hon. Gentleman is absolutely right to raise this point. The figures on winter deaths, which are published every year, are a standing rebuke to all Governments about what more needs to be done. First, we have maintained the cold weather payments. They are vital and may kick in if the cold weather continues. There are also the winter fuel payments, which we have maintained, and the increase in the pension, which will go up by prices, earnings or 2.5%. We also now have falling energy prices, because of the falling oil price, but I agree they are not falling as fast as I would like, which is why it is right we have this Competition Commission inquiry into the energy industry to ensure that it is a fully competitive industry. But the industry has come a long way in the last few years. When I became Prime Minister, the independent energy companies comprised just 1% of the market, but they now comprise 15%, so the big six are being broken down through competition. All those changes, plus home improvements and making sure people have good insulation, can make a difference.

Q9. [902997] **Seema Kennedy** (South Ribble) (Con): The implementation of the Iran nuclear deal, in which British diplomacy was crucial, is imminent. Will my right hon. Friend tell the House what steps are being taken to ensure that Iran abides by its side of the deal?

The Prime Minister: My hon. Friend is absolutely right about this. Let me pay tribute to Secretary of State John Kerry for the incredible work that he did, and also to the Foreign Secretary, who was by his side all the way through the negotiations of what was a very tough and difficult deal. The adoption day for the deal was in October. Since then, Iraq—sorry, Iran—has started shipping

12.5 tonnes of enriched uranium to Russia. Now we are getting close to what is called the implementation day for the deal. The key point is that Iran has granted the International Atomic Energy Agency unprecedented access to ensure that it is doing all the things it said it would do in this deal. As I said at the time, it is a good deal, in that it takes Iran away from a nuclear weapon, but we should enter into it with a very heavy heart, a very clear eye and a very hard head in making sure that the country does everything it said it would.

Q11. [902999] **Paul Blomfield** (Sheffield Central) (Lab): When the Government pushed through their changes to undergraduate funding four years ago, they said that providing maintenance grants for the poorest students was key to those students' participation in higher education. No mention was made in the Conservative manifesto of ending those grants. Is it not therefore completely unacceptable to make that fundamental change tomorrow in Committee by the back door without a vote in this House?

The Prime Minister: This issue has been fully debated and discussed in this House, and it is absolutely right because our changes have shown, despite all the warnings from the Labour party, that more people are taking part in higher education and that more people from low income backgrounds are taking part in higher education. I am confident that that will continue to be the case.

Q12. [903000] **Andrew Bridgen** (North West Leicestershire) (Con): Thanks to this Government's long-term economic plan, unemployment in North West Leicestershire now stands at an all-time low of 522. This Saturday, East Midlands airport will host a jobs fair with 350 more positions available. Will my right hon. Friend join me in wishing all the businesses in North West Leicestershire more success with recruitment and retention than the Leader of the Opposition has had?

The Prime Minister: I am delighted to hear that there are only 522 people unemployed in my hon. Friend's constituency. Let me praise him and the other Members on both sides of the House who have run jobs fairs in their constituencies. These have made a huge difference in terms of people being able to find opportunities. The truth is that, since 2010, 64% of the rise in private sector employment has taken place outside London and the south-east. Indeed, Scotland, the east midlands, the east of England, the south-west and the south-east all have higher employment rates than London. In growing terms, this is a balanced recovery, and we need to keep working at it to make sure that it is.

Q14. [903002] **Mrs Sharon Hodgson** (Washington and Sunderland West) (Lab): Last year, the Energy Secretary scrapped support under the renewables obligation for new onshore wind projects. This will impact Nissan's £3 million investment in its wind farm in my constituency. Does the Prime Minister realise that his attacks on clean energy are detrimental to pro-green businesses such as Nissan? Will he look at this immediately and rectify the matter in the Energy Bill next week?

The Prime Minister: We had extensive exchanges about this in the Liaison Committee yesterday, and I can tell the hon. Lady that we are going to see another 50% increase in onshore wind investment during this Parliament. Also, Britain has the biggest offshore wind market anywhere in the world. The Leader of the Opposition raised the question of solar. Britain has the fourth largest solar installation of any country anywhere in the world. Indeed, my new favourite statistic is that 98% of those solar panels have been installed since I became Prime Minister. This is all good news, and it means that we have a genuine claim to be leading a renewables revolution. However, every single subsidy that is given to these technologies is extra money that we put on to people's bills, making their energy more expensive. So it is right that we seek a balance between decarbonising our economy and making sure we do it at a low cost to our consumers and the people who pay the bills. That is what our policy is all about.

Q13. [903001] **James Cartlidge** (South Suffolk) (Con): With the number of workless households in the United Kingdom at an all-time low and with 1.4 million more children being taught in schools ranked good or outstanding since 2010, does my right hon. Friend agree that the mark of a one nation Government is not the amount of money we spend on benefits, but what we do to tackle the root causes of poverty?

The Prime Minister: My hon. Friend is absolutely right about that, and it is what the exchanges earlier on proved. As far as I can see, Labour's only answer to every single problem is to spend more money, so it ends up with more borrowing, more spending and more debt—all the things that got us into this problem in the first place. Our approach is to look at all the causes of poverty—all the things that are holding people back. Let's fix the sink estates, let's reform the failing schools, let's give people more childcare, and let's deal with the addiction and mental health problems that people have. In that way, we will demonstrate that this is the Government and this is the party helping people with their life chances, while Labour just want to stick you where you are.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): The draft Wales Bill contains provisions that reverse the 2011 settlement, which was overwhelmingly endorsed at the last Welsh referendum. Unless it is amended, the National Assembly will unanimously—this will include Tory AMs—oppose the Bill during the legislative consent motion process, sparking a constitutional crisis. The veto and consent clauses do not apply in the case of Scotland and Northern Ireland, so why are this Government treating Wales like a second-class nation?

The Prime Minister: What this Government have done is, first, hold a referendum so that the Welsh Assembly has those law-making powers. Secondly, we are the first Government in history to make sure there is a floor under the Welsh level of spending—this is something never done by a Labour Government. And now, in the Wales Bill, we want to make sure that we give Wales those extra powers. That is what the Bill is all about. We are still listening to the suggestions made by the hon. Gentleman and by the Welsh Assembly

Government, but this Government have a proud record, not only of devolution for Wales, but in delivery for Wales.

Sir Alan Duncan (Rutland and Melton) (Con): Thirty dollar oil is great for petrol prices, but it is potentially catastrophic in other respects. If it goes on like this, we risk seeing regimes under pressure, dramatic corporate failures and financial default, enormous financial transfers out of our markets to pay for other countries' deficits, a possible collapse in share prices and dividends for pensions, and a liquidity problem in our banking sector. May I invite the Prime Minister to initiate an urgent review across Whitehall to assess the effects of continuing low oil prices on our economy and beyond, and, in particular, to work out how we can avoid the destruction of our own oil industry in the North sea?

The Prime Minister: My right hon. Friend makes an important point about this very big move in the oil prices. It of course has a highly beneficial effect for all our constituents, who are able to fill up their cars for less than £1 a litre, which is a very big increase in people's disposable income and wholly welcome. I think that a low oil price basically is good for the British economy as an economy that is a substantial manufacturing and production economy, but of course there are other consequences and he named many of them. We need to look very carefully at how we can help our own oil and gas industry. Of course, as we are coming to the end of Prime Minister's questions, I should say that he did mention one other calamity that the low oil price brings about, which is that it has led to a complete and utter collapse of the Scottish National party's policy.

Carolyn Harris (Swansea East) (Lab): Recent press reports suggest that although some—[*Interruption.*]

Mr Speaker: Order. The hon. Lady must be heard.

Carolyn Harris: Recent press reports suggest that although some on the Government's Back Benches would agree with me—despite the fact that my background would be what the Prime Minister would consider to be “menial”—in calling for a reduction in the stake from a maximum £100 a minute on fixed-odds betting terminals, the Cabinet Office seems reluctant to review this £1.6 million industry and refuses to bring it under scrutiny. Can the Prime Minister assure the public that his Government will undertake a review of this dangerous, addictive and ever-growing problem?

The Prime Minister: We have looked at the problem and at the industry, and we have made a series of changes, including planning changes, but we will keep that important situation under review.

Craig Whittaker (Calder Valley) (Con): Although the floods over Christmas were bad for many areas in the north of England and in Scotland, Calder Valley residents were hit the hardest, with 2,100 homes and 1,300 businesses flooded, three bridges lost, four schools either flooded or part-flooded, and an old tip with asbestos that slid, keeping a further 20 families out of their homes. Will my right hon. Friend agree to meet me to discuss how we can help with the £20 million infrastructure damage, the shortfall in future flood defence schemes and the rebuilding of Todmorden High School?

The Prime Minister: My hon. Friend and I have discussed Todmorden High School on many occasions, and I think that we should meet again and discuss it again and try to make some progress on the matter. First, let me say that my sympathies, and the sympathies of the whole House, go out to those people and those businesses that were flooded, many of which were in his constituency, at that particular time of year. We will do everything we can to help communities get back on their feet. The very large flood investment programme is in place, and the maintenance programme has been protected in real

terms, but there is a number of other infrastructure pieces of work that need to be done. I commend the Highways Agency for being so quick to examine roads and, in some cases, to take over the repairs to local authority roads because it has the capacity to act quickly. That is what we need to do in these situations. As I said last week, this time the Army was in faster, the money was distributed faster, and the Environment Agency worked even harder and even more round the clock, but there are always lessons to learn to demonstrate that we want to get these communities back on their feet as quickly as possible.

Points of Order

12.36 pm

Lady Hermon (North Down) (Ind): On a point of order, Mr Speaker. I wondered whether, overnight, you have had an opportunity to reflect on the point of order that I raised at the end of last night's debate. The certification process is a new procedure, so it is very, very important that we get it right, particularly as it has such negative and adverse effects for MPs from Northern Ireland and Scotland. I intend no criticism of you, Mr Speaker. However, I hope that you will accept that when the Government table a new clause, which mentions both England and Wales, and then a designation is made in a certificate that it applies exclusively to England, it is inherently ambiguous and contradictory. That is the point that I was making. I should like clarification on how we correct a certificate that is designated apparently incorrectly.

Mr Speaker: I thank the hon. Lady for her point of order. Moreover, I can of course confirm to her and to the House that I am aware of the point of order that she raised with the Chair yesterday evening—the First Deputy Chairman of Ways and Means was present at the time.

Let me say to the hon. Lady, who I know would never be guilty of any insult to, or display of discourtesy towards, the Chair, that she and the House can usefully benefit from an explanation, which, on this occasion—I will emphasise the relevance of this later—I am very happy to provide. It is understandable that she initially surmised that new clause 62 should have been certified as relating to Wales as well as to England, but the reality is, as close examination testifies, that the application to Wales falls into the category of minor or consequential as, crucially, it makes no change in the law applying in Wales. So, in the view of the Chair, which was informed by the combined advice of the Clerks and the Office of Speaker's Counsel, it was rightly certified as relating exclusively to England.

I do not in general intend to explain my decisions in this way—that is why I emphasised that I was happy on this occasion to provide an explanation—but as this is the first occasion of a Legislative Grand Committee, and the suggestion, which I absolutely accept was honest and well intentioned, of error on the part of the Chair, is on the record, I have thought it best to put the matter straight.

That said, I should also like to take this opportunity to say to all Members that the whole point of my publishing provisional certificates is to give them ample opportunity to make representations, if they think that an error has been made or they wish simply to express a contrary view, before I am required to make a decision, which must then be regarded—for reasons with which the House will be well familiar—as final and not subject to further appeal. The appropriate channel for timely representations on the draft or provisional certificate is via the Clerk of Legislation in the Public Bill Office. I hope that that is helpful, both to the hon. Lady and, indeed, to the House.

Lady Hermon: Further to that point of order, Mr Speaker.

Mr Speaker: I am not sure there is anything further, but I hold the hon. Lady, who is a distinguished advocate, in the highest esteem, so we will hear from her.

Lady Hermon: It is related, Mr Speaker. I am enormously grateful to you for making that statement and I have noted that it was an exception on this particular occasion.

Bearing in mind what you have said, Mr Speaker, may I note for the record that there are four Sinn Féin Members who represent Northern Ireland constituencies but who do not take their seats? However, they do receive support for administrative and secretarial assistance. I sit as an independent Member representing North Down and am proud to do so. I receive no additional funding at all for secretarial or administrative assistance. In the light of the very complicated certification process that has now been introduced, which affects me and other representatives from Northern Ireland, could you give some consideration to the provision of additional support for Members such as me when we have to go through the provisional certification list? That would be very helpful.

Mr Speaker: The answer to the hon. Lady is twofold. First, it is not for me to consider the provision of additional support in the sense in which she implies it—that is to say, financially paid-for support. Secondly—I intend no discourtesy to the hon. Lady and I am not being pedantic; I am trying to be precise—there is a very real sense in which she does not go through the certification process. I do. That is the responsibility of the Chair, with which I have been invested by the House.

Thirdly—I am really trying to be helpful to the hon. Lady and to the House in the context of what is, let us face it, a new procedure—although it is not for me to pledge or to hint at any additional support of a kind that she might have had in mind, what she does have is the support of the Clerks and other procedural specialists in this House. The hon. Lady knows well the route to the Table Office and, if I may say so, I think she should take advantage of its expertise. Our bewigged friends have very considerable expertise in these matters. They are not only prepared to advise the hon. Lady and any other Member; they are positively excited by the prospect of doing so. [*Interruption.*] I say to the shadow Leader of the House that the fact that they are excited by the prospect rather suggests that they will have a smile on their face at the time.

Chris Bryant (Rhondda) (Lab): They have now.

Mr Speaker: And they have now. I hope that will do for today. The hon. Member for North Down (Lady Hermon) and I know each other well, and if she has further difficulties in the future I am always pleased to hear from her and to try to assist her and any other Member in this or other matters.

English National Anthem

Motion for leave to bring in a Bill (Standing Order No. 23)

12.45 pm

Toby Perkins (Chesterfield) (Lab): I beg to move,

That leave be given to bring in a Bill to provide for an English National Anthem for use at sporting events that involve individuals or teams representing England; and for connected purposes.

I am neither a republican nor an atheist, and nor am I an English nationalist. I shall say more about that theme shortly, but hon. Members should detect no hostility from me towards God, Her Majesty the Queen, “God Save the Queen” or the United Kingdom. Indeed, it is precisely out of respect for preserving many of those things that I believe that the time has come to consider the question of an English national anthem. I acknowledge the excellent work already done on the issue by the hon. Members for Leeds North West (Greg Mulholland), for Shrewsbury and Atcham (Daniel Kawczynski) and for Romford (Andrew Rosindell), which shows that this is a real cross-party campaign. The Prime Minister has also shown sympathy with the argument for an English national anthem.

The level of interest in the matter confirms that the movement for an anthem for England is one whose time has come. As is often the case, it is for us in Parliament to catch up with public opinion and allow the voice of England to be heard. I spoke to radio stations in all corners of England this morning, such was the interest in the debate about what our anthem should be. There were vox pops on the streets of towns far and wide, and each area reflected the specific differences of our multifaceted nation. I will not say which area thought that the most appropriate choice for an English national anthem would be “Heaven Knows I’m Miserable Now”—that will remain a secret between me and the listeners of BBC Radio Humberside—but that reflects the fact that each local area has its own sense of what Englishness means.

When England play against other home nations on the football or rugby field, I often find it incongruous that while the Welsh and Scots sing an anthem that reflects the identity of their nations, England sings about Britain. That reflects a sense that we see Britain and England as synonymous, and it not only denies us English an opportunity to celebrate the nation that is being represented, but is a cause of resentment among other countries within the British Isles, which feel that England has requisitioned the British song.

I deliberately have not referred so far to the Bill’s implications for Northern Ireland. While the measure is specifically about England and would have no jurisdiction over Northern Ireland whatsoever, I am aware of considerable interest from Northern Ireland, to which I shall respond shortly.

National anthems are a matter of convention. The British national anthem is accepted as being “God Save the Queen”, although that is not enshrined in law. The first team to sing a national anthem before a sporting contest was the Welsh rugby team in 1905, in response to the New Zealand haka. Since then, the Welsh tradition of singing “Land of my Fathers” has given an especially Welsh flavour to every sporting contest in which the team competes. The song “Flower of Scotland” has

been used as the national anthem by the Scotland rugby team before each of their defeats—or should I say matches?

Alex Salmond (Gordon) (SNP): What about the world cup?

Toby Perkins: I remember that there was an exception.

I recognise that matters of the constitution are keenly felt in Northern Ireland, but the Bill refers to only an English consultation. The Northern Ireland football team sings “God Save the Queen”. I have had considerable contact with the media and citizens in Northern Ireland. Interestingly, the callers to BBC radio in Northern Ireland seem enthusiastic about giving people a choice, but that would be a matter for Northern Ireland. England should not be forced to take a decision on the basis that that might put pressure on Northern Ireland to make a different decision.

On constitutional matters, it is always best to allow the voice of the people to be heard, rather than to dictate, if at all possible. Important steps towards making the Scottish Parliament the most devolved Parliament in the world and other devolutionary measures mean that we need a fresh settlement for England and Britain as part of re-establishing the distinct identities of the four nations that make up the United Kingdom of Great Britain and Northern Ireland. That does not mean that we should fear recognising England as an entity, but we should welcome the opportunity to re-establish the idea that the United Kingdom is four separate nations with their own identities that are part of a wider Union for their own mutual good.

It is remarkable to me to watch footage of the 1966 World cup. I am sorry if people are unhappy at the mention of that, but it was a proud occasion. Looking at the crowd, one saw the Union Jack everywhere. Even in the 1990 World cup, England fans predominantly took the Union Jack. It was in 1996, at the European championships—possibly because England were drawn to play against Scotland—that the flag of St George came to be seen as the flag of England. The Union Jack has now virtually disappeared from Wembley when England are playing.

In 2010 the Commonwealth Games Council for England conducted a poll of members of the public which decided that the anthem for the 2010 Commonwealth games should be “Jerusalem”. The three options were “God Save the Queen”, “Jerusalem” and “Land of Hope and Glory”, and “Jerusalem” was the clear winner with 52% of the vote. “Land of Hope and Glory” received 32% and “God Save the Queen” just 12%. Just as “Jerusalem” was the favoured choice of those who voted in the Commonwealth games poll, so it seems to be an early favourite among members of the public who have engaged with me. The campaign group England in my Heart is specifically campaigning for “Jerusalem” to be played before England rugby matches.

With that level of support for “Jerusalem” the outcome may seem a foregone conclusion. I do not know whether there is a way of putting people off William Blake’s classic tune, but I suspect that driving round and round Parliament Square with a van blaring it out might be precisely the way to achieve that. One cannot always choose one’s friends in these matters, but I welcome the fact that hon. Members are enthusiastic.

[Toby Perkins]

Since I announced my intention to bring this Bill before Parliament there has been widespread coverage of it. Anecdotally, there has been a lot of support. A *Daily Mirror* poll found 71% in support of a separate English national anthem and phone-ins have shown a lot of support, but we need a more formal attempt to take the pulse of the nation. I want to underline the fact that my Bill will not specify what anthem should be chosen.

My Bill bestows a duty on the Secretary of State for Culture, Media and Sport to hold a consultation across England that will decide what the English national anthem should be, and will call on the Secretary of State at the end of that consultation to write to the Football Association, the Rugby Football Union, England Netball and any other sporting bodies that have athletes or teams of athletes representing England and inform them that the English national anthem should be used in the event that a piece of music is required prior to the contest or at the awarding of medals. Once the Bill has been passed it will be for the Secretary of State to decide what form the consultation should take and what the contenders should be.

Alongside the choices that were listed for the Commonwealth games poll, anthems such as “I vow to thee, my country” and “There’ll always be an England” have been suggested. Others believe that there could be an opportunity for some X Factor-style programme to combine traditional choices alongside some newly commissioned options. The opportunity for this to be a real moment of engagement with the English people about this specific aspect of our future direction is significant.

This idea has had many positive reviews, including supportive columns in the *Daily Mirror* and the *Sunday Express*. I was disappointed to read that a friend of Her Majesty the Queen has said that she considered the idea “rude”. Although I have the utmost respect for the intentions of the lady concerned, I fear that her response betrayed the extent to which the question of Englishness has passed her by. Now that two of the nations have chosen no longer to use the British anthem, it is too late for this to be a question of all the component parts of Britain acting in the same way, and it makes England the outlier.

I hope the House will support this important Bill. Although I accept that to some there should be more important issues for this House to consider, the issue of national identity is a powerful one, and my experience is that ignoring the issue only allows it to fester. I believe the consultation that my Bill proposes will lead to a national conversation across England, and ultimately the voice of England will be heard. Whatever choice the people make, it will be the majority view, and we in this House can do no better than make sure that the voice of England is heard.

12.52 pm

Mr Jacob Rees-Mogg (North East Somerset) (Con): I rise to oppose the Bill, though I congratulate the hon. Member for Chesterfield (Toby Perkins) on following in the footsteps of Flanders and Swann. Some years ago they proposed that England should have its own national anthem and they came up with “The English, the English,

the English are best”. I will not go through all the lines because, although I am not a great advocate of political correctness, some elements of them may, in this modern age, cause some discombobulation to other hon. Members, particularly my friends in the Scottish National party, but there is an excellent line, “And the Greeks and Italians eat garlic in bed!”—something to be strongly advised against as an unpleasant and somewhat malodorous habit.

I oppose the proposal for deep and serious reasons. What greater pleasure can there be for a true-born English man or true-born English woman than to listen to our own national anthem—a national anthem for our whole country, for our whole United Kingdom, of which England is but a part, but an important part—and to listen to those words that link us to our Sovereign, who is part of that chain that takes us back to our immemorial history; to sing or, if one cannot sing, to listen to the tune that invokes our loyalty to our nation? That tune has been popular since 1745, when it is thought to have started in a response to the Jacobite rebellion. I am usually in favour of Jacobites for obvious reasons, but on that occasion they were traitors and not to be encouraged.

The words that developed then and have remained constant change only when we have a woman on the throne, rather than a man. It is a tune that encapsulates the patriotism that we wish to express when supporting a team. The hon. Member for Chesterfield said that now English crowds take St George’s flag rather than the Union Jack. To me that is a matter of pity, of shame, that we have given up viewing ourselves as one United Kingdom, whether we are supporting England, Scotland, Wales or Northern Ireland. These expressions of individual nationalism are a disuniting factor in our country, a country that we ought to want to make more united.

As the hon. Gentleman mentioned, English crowds have taken to singing “Jerusalem” at various sporting occasions. It is sung at the beginning of test matches in some grounds, though I am glad to say that this does not seem to happen at Lord’s, which is an indication of the proper ordering of things. I am not sure that singing a jolly tune at the beginning of a match is particularly dignified and represents the nation as the nation ought to want to be represented. The crowds have taken to “Jerusalem”, which has a good tone to it. It is a happy song for people to sing, and we should all be in favour of happiness, but does it really make that patriotic pride swell up in us in the way that we would like?

When we think of the words of “Jerusalem”, a highly speculative question is posed. In the words:

“And did those feet in ancient time”

a question is being asked, but I come from Somerset and I know the answer. It is well known that Christ was taken by Joseph of Arimathea to Glastonbury, so why in “Jerusalem” could anyone want to sing “did”, when we know that the truth is that Christ not only went to Glastonbury but, as in that old Somerset saying to assert the truth of anything, “As Christ was in Priddy”, Christ also went to Priddy, and as a young man Joseph of Arimathea probably did too. Could we possibly want to have an anthem that questioned this undeniable truth of God’s own county, the county particularly selected for visitation by our Lord when he was on Earth?

This proposed Bill seeks to regularise something that in our brilliant British way we have never previously needed to regularise. Our national anthem has come about over time without needing pettifogging regulation, bureaucracy or any of those things that we dislike, so that is a reason for opposing it. The proposal reduces the sense of devotion to our Sovereign that we ought to have, that it is proper to have and that we promise we will have when we swear in or affirm as Members of Parliament. That would be a sad thing to lose. It lacks the courage of Flanders and Swann to go the whole hog and be properly, eccentrically patriotic. It is a sort of second-tier level of national anthem, though when it was proposed that the anthem might be a song normally sung at the Labour party conference, I must confess I was relieved that the one chosen was not “The Red Flag”. Given the current trend in the leadership of the Labour party, though, it would not surprise me if in a year’s time we have a private Member’s Bill to make singing “The Red Flag” compulsory as well. *[Interruption.]* I am glad to get some support from Labour Members on the Front Bench below the aisle, who probably think that is a heartily good idea.

This would mean moving away to the wrong song—a song that offends Somerset sensibilities. It would be a bad thing to do. We should affirm our loyalty to our sovereign lady in the words of the British national anthem; and as for the hon. Member for Chesterfield, we should confound his politics and frustrate his knavish tricks.

Question put (Standing Order No. 23) and agreed to. Ordered,

That Toby Perkins, Tristram Hunt, Greg Mulholland, Daniel Kawczynski, Ruth Smeeth, Sarah Champion, Mr Jamie Reed, Andrew Rosindell, Angela Smith, Bob Stewart, Michael Fabricant and Sir Gerald Howarth present the Bill.

Toby Perkins accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 4 March and to be printed (Bill 118).

Opposition Day

[15TH ALLOTTED DAY]

Trade, Exports, Innovation and Productivity

1.1 pm

Stewart Hosie (Dundee East) (SNP): I beg to move,

That this House regrets the continuing lack of balance in the UK economy and the UK Government’s over-reliance on unsustainable consumer debt to support economic growth; notes in particular the UK’s poor export performance, which resulted in a trade deficit in goods of £123 billion in 2014; further notes the UK’s continuing poor productivity record and the lack of a credible long-term plan to improve it; and is deeply concerned by the UK Government’s change to Innovate UK funding of innovation from grants to loans, which this House believes will result in a deterioration of private sector research and development.

This is a serious debate, and it is appropriate that we have it today given the news published yesterday that UK industrial output has suffered its sharpest fall since 2013, and the further assessment that describes how real-terms earnings in the UK are still substantially lower than they were in 2009 and that even GDP growth over the past decade or so has been lower than that of Japan during its decade of stagflation. It is important that we recognise that the matters we are going to address are not short-term issues. This is not about a quick political hit; it is about trying to get to the root cause of a long-standing and systemic problem in the UK—the failure to address trade, exports, innovation and productivity, in total, over a prolonged period.

We have chosen to debate all these matters because they are linked. The debate is also, rightly, about the imbalance in the UK economy, because that is part of the equation. That imbalance, or, more accurately, those imbalances are recognised by this Government, but they cannot and will not be resolved, first, without the real political will to do so, and secondly, until the other areas that we are discussing are fully and properly addressed. The imbalances in the economy are not only between England and Scotland or London—a city previously described by a Minister as a black hole sucking resources and talents out of everywhere else in the UK—and the rest of the UK, but still, sadly, between manufacturing and services, businesses that export and those that do not, and companies that innovate and those that do not.

The impact of all this is most starkly seen in the balance of trade numbers. For the full year in 2014, the UK ran a balance of trade deficit of £93 billion. For the same year, the deficit in trade and goods was an extraordinary £123 billion—that is £123 billion in the red just in the trade in goods. The impact in GDP terms, as is well known and published by the Government, was negative, and unsurprisingly the summer Budget confirmed that it would remain negative in every single year of the forecast period in this Parliament through to 2020.

Jeremy Quin (Horsham) (Con): The hon. Gentleman has referred to Japan. He will not have missed the fact that Europe has been in recession for much of the period in which our economy has been growing, and that has had an inevitable impact on our balance of trade with our biggest partners.

Stewart Hosie: If the trade deficit was simply a consequence of the deep recession, the hon. Gentleman would be right, but, as I will demonstrate, this has gone on not for five, 10, 20 or 30 years, but 50 years. We need to address that deep, underlying systemic issue.

As I said, the contribution to GDP is negative for the entire forecast period, as published in the summer Budget and again in the autumn statement. Worryingly, those figures were marked down—they were actually worse than the corresponding forecast published in the spring Budget before the election. We are not seeing a stabilisation, or a recovery that would allow us some sense of normality, but a continuing decline. That appears, as I hope to demonstrate later, in almost every metric that we look at.

Lucy Frazer (South East Cambridgeshire) (Con): Does the hon. Gentleman accept that the Office for Budget Responsibility expects productivity growth to return to its historical average by the end of 2017?

Stewart Hosie: Yes, I have seen the OBR forecasts, and I will quote some of them later. However, I am taken by what the Chancellor said more recently than the latest OBR forecast, which is that it is no longer a case of “mission accomplished”, almost as if he is getting his excuses in first and preparing to blame other people. Despite the OBR forecasts, things are not all hunky-dory; everything in the garden is not rosy. As I pointed out, when we are looking at GDP growth over a decade worse than that of Japan’s lost decade, it would be wrong to be complacent like some of those in the hon. and learned Lady’s Government.

Mr Dennis Skinner (Bolsover) (Lab): When the Chancellor said to the country at large, and to the Tory press in particular, that the economy was running into the buffers, was he not really demonstrating that the long-term economic plan was just a mirage?

Stewart Hosie: The hon. Gentleman is absolutely right. The long-term economic plan is just a soundbite. It was predicated on the deficit being reduced, the debt being reduced, and borrowing falling to barely £20 billion last year. Every single one of the targets the Government set, they failed to meet. The Chancellor did not meet a single one of the key fiscal targets that he set for himself in the previous Parliament.

The key thing about the impact of trade and exports on GDP is that the figures are negative and have been marked down. I ask the House to consider how different that reality is from the promise made by the Chancellor when he stated that exports would be a significant contributor to GDP growth, primarily to shift the economy away from a reliance on household consumption. As we saw in yesterday’s reports, because industrial output is down and exports are likely to continue to fall, and certainly not to grow in the way that he has promised, we will continue to see a dependence on household consumption and a rise in household debt that is inconsistent with a properly rebalanced economy.

Alex Salmond (Gordon) (SNP): A great deal of private sector industrial investment over the past 30 years has been connected with the oil industry. I am thinking of the threat to jobs and working families in Scotland, in

particular. Will my hon. Friend commend a system of exploration credits like those successfully introduced in Norway some years ago to kick-start exploration as a means of addressing this crisis? After 30 years of Governments raking in £300 billion of revenue, should it not be payback time for North sea workers?

Stewart Hosie: It certainly should in the sense that the sector is important not simply for Aberdeen or for Scotland, but for a supply chain throughout the UK. Indeed, the right hon. Member for Rutland and Melton (Sir Alan Duncan) set out, in his question at Prime Minister’s questions, the potential damage should the sector continue to suffer. This Government—indeed, all Governments, but particularly these Ministers, because many of them are believers—should do several things: continue to protect people who want to enter the sector by making sure they are properly trained; continue to support the supply chain in the North sea basin; and, to internationalise, look again at supporting the industry as it cuts its own costs and of course at the overall fiscal framework, which is a substantial cost. Essentially, as my right hon. Friend the Member for Gordon (Alex Salmond) said, the Government should look again at all the credits available, whether for exploration or production and whether for geographic areas or specific oil types, to maximise absolutely the longevity, employment and contribution to the economy of a sector that, as he rightly reminds the Government, has raked in more than £300 billion since oil started coming ashore.

Sammy Wilson (East Antrim) (DUP): Does the hon. Gentleman see any inconsistency, in the answer he has just given to his colleague, between looking for ways to increase the output of North sea oil and the Scottish National party’s aim of totally decarbonising energy production in Scotland?

Stewart Hosie: No. The decarbonisation of electricity production is sensible for many reasons, which may well include carbon capture and storage. On a number of occasions during the past five years, and very recently under this Government, we have seen the cancellation of a competition to develop an industrial-sized testbed to show the efficacy of a technology which would make us a world leader.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Will the hon. Gentleman give way?

Stewart Hosie: I will not give way at the moment, because I have been quite generous. I will make a little progress, and then I will be happy to do so.

I was talking about exports. Let us remember what the Chancellor said in his Budget speech in 2012. He acknowledged the UK’s falling share of world exports, but still said that

“we want to double our nation’s exports to £1 trillion this decade.”—
[*Official Report*, 21 March 2012; Vol. 542, c. 797.]

Total export sales in 2013 were £521 billion, which was a reasonable start, but that fell to £513 billion in 2014. The numbers are moving in the wrong direction; yet the Chancellor and this Government still expect us to believe that exports could in effect double over this Parliament. The OBR’s most recent forecast suggests that they will miss that target by about £350 billion, so the target set is simply unachievable.

That is not an abstract political or obscure economic point. The jobs of real people depend on a thriving and growing manufacturing export market. The hopes and aspirations of people in Scotland and throughout the UK for a real rebalanced economy depend on the rhetoric and pipedreams of an out-of-touch Chancellor. However, that was not the start and end of the Chancellor and the Government's rhetoric on exports. They described how they wanted to

"make the UK the best place in Europe to start...and grow a business; encourage investment and exports as a route to a more balanced economy".

The Chancellor said:

"So this is our plan for growth. We want the words 'Made in Britain', 'Created in Britain', 'Designed in Britain' and 'Invented in Britain' to drive our nation forward—a Britain carried aloft by the march of the makers."—[*Official Report*, 23 March 2011; Vol. 525, c. 966.]

They were powerful words, but, given the reality, no more than rather empty rhetoric.

Geoffrey Clifton-Brown: The SNP spokesman is right to point out the importance of exports, although the current account gap has been falling consistently during the past two years. Does he not agree, however, that the way to increase exports in the long run is through innovation, new technologies and investment? By being part of a larger United Kingdom, Scotland is likely to get greater quantities of all of those—through the Technology Strategy Board—than if it was on its own.

Stewart Hosie: I agree with the hon. Gentleman's assessment that we need more innovation, exports, technology and investment, all of which I will come on to. The Government and I can have a debate about precisely what they are doing, but his assertion that being part of the UK will allow such things in bigger quantities is tenuous at best and probably not confirmed by the reality.

To return to the Chancellor's "march of the makers" speech, if those words appeared far-fetched when he first said them, they appear rather shallow and empty in the light of the reality of what is going on. In that regard, during the last Parliament—this is linked to the intervention about investment—another Tory-led Government, in a press release about business investment, a balanced and sustainable economy and all the matters we are discussing, boasted about investment in the UK Green Investment Bank. We supported that institution. We believed that it would deliver support for innovation and growth in a new industry, and indeed it has done so. Incredibly, however, it has been systematically undermined by this Government, while many of the changes they have announced since are undermining the commitment to the green economy generally.

Robert Jenrick (Newark) (Con): One of the levers at the disposal of any Government to increase exports is to push aggressively for new free trade agreements. Does the hon. Gentleman agree that the SNP has been less than fulsome in its support for free trade agreements around the world, particularly the Transatlantic Trade and Investment Partnership, on which the SNP's position is opaque at best?

Stewart Hosie: It is not opaque, so let me make the position really clear to the hon. Gentleman. We welcome trade agreements. We think that they are a good thing in

general. However, we will not countenance a trade agreement that opens the door to the systematic undermining of our essential public services. That is not opaque; that is crystal clear.

We need rather more than words from the Government: we need action to reverse declines, particularly in manufacturing, and to ensure that the last quarter's fall in manufacturing output—which I mentioned earlier—does not become a pattern. At least in part, that will require—again, this is a response to the intervention—more innovation.

Lucy Frazer: Will the hon. Gentleman give way?

Stewart Hosie: No. I have already given way to the hon. and learned Lady.

Innovation is as much a part of building a larger, more productive and faster growing manufacturing base as it is important in its own right. We know about the positive impact of innovation from many sources, not least the recent PricewaterhouseCoopers global innovation survey. It confirmed what it describes as a "direct link" between companies that focus on innovation and those that successfully grow faster. As I am sure the Minister will know, the UK's most innovative companies grew on average 50% faster than the least innovative.

We also know that substantial problems need to be overcome. While 32% of UK companies saw innovation as very important to their success, the global figure was 43%, and while 16% of UK companies saw product innovation as a priority in the coming year, that was barely half the global figure. Most worryingly, although the UK—Scotland and the rest of the UK—has in many ways a clear competitive advantage in the university sector, a significantly lower proportion of our businesses planned to collaborate with academics than did their international competitors.

I want to say a little about the approach we have taken in Scotland specifically to deal with that issue. Funding has been approved for five new innovation centres in industrial biotech, oil and gas, aquaculture, big data and construction. That funding has been put in place to build on the original three centres that were launched three years ago, which covered the growing areas of stratified medicine, sensors and imaging, and digital health. There is the provision, essentially, of £78 million to help the development of 1,000 new inventions, products or services. That cash will also—this addresses the international comparison—support 1,200 businesses to work directly with universities.

The UK has Innovate UK and we have looked closely at its delivery plan. The SNP welcomes aspects of it, not least the £1.5 billion global challenge fund. However, the overall policy of changing Innovate UK's funding model so that, by 2020, £165 million of innovation grants will be delivered as loans sends out all the wrong signals. We are concerned that it may suppress essential innovation even further compared with our international competitors. That fear was confirmed by KPMG's head of small business accounting, who said that the measure was

"a false economy that threatens to stall the growth of small businesses across the UK."

Mark Tami (Alyn and Deeside) (Lab): Does the hon. Gentleman agree that that measure sends all the wrong

[Mark Tami]

signals to companies that are thinking of investing, because what it really says is that the future is uncertain with this Government?

Stewart Hosie: Indeed it does. The quotes from businesses when it was announced were extremely clear. They are happy to seek bank funding and to use their own resources, but when they are undertaking what may be slightly risky innovation and R and D, they have an expectation of a little help from Government. If that is a grant, the work can proceed and the thinking can go ahead. If it is a loan that requires to be repaid, that might just tip the balance in favour of the risk being too great, which will drive down innovation even further.

The reason innovation is so vital, particularly in manufacturing—and why it is so important to encourage it—is that as it has fallen as a share of R and D investment over the past 20 years, manufacturing exports, jobs and output have also fallen. One can see the speed and length of that decline. Manufacturing has gone from making up 30% of the economy in the 1970s to less than 10% today; from accounting for more than 20% of all jobs in the 1980s to only 8% today; and from making up a quarter of all business investment in the 1990s to barely 15% today.

We see the reduction in global export market share in the OBR's most recent fiscal forecast, in which it falls throughout the forecast period to the end of this Parliament. What is more worrying is that the figures in the November forecast were marked down in every single year from those in the July forecast. Everything is going in the wrong direction. The complacency from the Government and the limited plan they have are simply no longer enough. That is why we need an unrelenting focus on innovation in manufacturing in relation to trade and exports.

James Cartlidge (South Suffolk) (Con): I welcome this debate and the hon. Gentleman's focus on rebalancing the economy, which is undoubtedly a huge issue. However, when we talk about rebalancing the economy, we have to remember that because the recession in 2008 was a financial recession, it was inevitably followed by monetary policy hitting the floor, perpetuating higher house prices and all those other things we wanted to avoid, but which were an economic necessity. That being so, does he regret the role his party played in advising Royal Bank of Scotland to purchase ABN AMRO, which ushered in the huge financial crash and brought down our financial giant?

Stewart Hosie: There is a historical disconnect here. The fight over ABN AMRO was between the board of RBS and the board of Barclays. One of them called it wrong and one of them got lucky. I suspect that my input and that of my right hon. and hon. Friends had precisely no bearing whatsoever on Mr Goodwin's decision to persuade his board to buy ABN AMRO. The suggestion is quite extraordinary.

I have said that we need an unrelenting focus on innovation in manufacturing in relation to trade and exports. Although manufacturing has suffered the largest falls, it still accounts for 44% of all UK exports because the deficit in trading goods is so large. Any Government who are serious about rebalancing the economy and

correcting the trade deficit in goods must have a laser-like focus on encouraging innovation in manufacturing, as well as on supporting existing exporting businesses.

This debate is about more than innovation, manufacturing and exports; it is about boosting productivity. That is vital because—this is undisputed—both Scotland and the UK sit only towards the top of the third quartile of advanced countries by GDP per hour worked. We are below many smaller European countries and, importantly, below major competitors such as the US, Germany, France and even Italy. I am pleased that Scottish output is now 4% higher than pre-crisis levels. That is a good thing, but clearly there is substantially more to be done, not least because UK productivity growth is at 1.3% a year, which is barely half the level of the 2% pre-crisis rate.

Scotland has an economic plan based on four principles to boost productivity: investment in education and infrastructure; internationalisation and encouraging exports; innovation, which, as we have discussed, is essential; and—in many ways the most important aspect—inclusive growth. The latter point is vital because we know from the numbers—we have all seen them—that the UK lost 9% of GDP growth between 1990 and 2010 because of rising inequality. We are concerned that that mistake is being repeated by this Government, with their arbitrary surplus fiscal rule, which is requiring them to cut far more than is necessary to run a balanced economy and denuding them of the resources that are needed to tackle inequality and maximise economic growth.

Lucy Frazer: The hon. Gentleman referred with positivity to the figures in Scotland. Is he aware that, according to the BBC two hours ago,

“Scotland's economy grew slightly over the summer but continued to lag behind the UK as a whole, according to official figures.”?

Stewart Hosie: Absolutely. I was describing the growth since the pre-crisis level. The quarter-on-quarter and year-on-year figures are undeniable. That is why I said that we all have far more to do. I will make criticisms of the UK Government where they are valid, but I certainly will not deny the numbers. I hope that the hon. and learned Lady will welcome the fact that we are 4% ahead of pre-crisis levels, notwithstanding the difficulties we have seen in the North sea. That is a quite remarkable achievement, when the limited powers of the Scottish Government are considered. In terms of the deployment of those powers—[*Interruption.*] The Minister for Small Business, Industry and Enterprise is chuntering away on the Treasury Bench, as she is wont to do. She will be throwing her arms in the air and harrumphing soon. If she wants to intervene, I am happy to have the debate—maybe not.

Returning to the powers that have been deployed in Scotland, we have a Scottish business pledge, which requires firms, in return for the support of Scottish agencies, to seek to innovate, to seek and take export opportunities, and to pay the living wage. That is part of the solution to tackling inequality and delivering inclusive growth that will enable us to avoid the loss of GDP output that we saw in the 20 years to 2010. I urge the UK Government to take a similar approach.

I do that not least because our concerns about a lack of balance and the need for action to tackle the ongoing productivity challenge are shared by the International

Monetary Fund, which is often prayed in aid by the Government. The IMF has spoken of the need to lessen wealth inequality and the need for increased spending on infrastructure. It has also called for an enhanced focus on decentralisation.

Debbie Abrahams (Oldham East and Saddleworth) (Lab): The hon. Gentleman is making important points about inequality, and if we are serious about addressing sustainable equality—the Government do not seem to be—it is important to invest more in people on low incomes, and to reduce the gap between them and people on high incomes. I am particularly interested in his point about productivity. Since 2006, what has the SNP been able to do to reduce the productivity gap in the OECD?

Stewart Hosie: I do not have the figure for 2006 to date, but if I can get hold of that specific number I will happily provide it to the hon. Lady. The whole point of tackling the attainment gap, health, investment, supporting innovation, encouraging exports, and supporting, promoting and helping the delivery of the living wage, is so that everything that can be done is being done—as it must be. It is all part of a project of lessening inequality to deliver precisely the inclusive growth that avoids the shortfall in economic growth that we have seen from the UK Government.

I was making a point about some of the demands from the IMF, one of which was an enhanced focus on decentralisation. That is vital if we are effectively to use all tools at our disposal to tackle the economic challenges we face. To give one example, research and development tax credits to support innovation are a function of corporation tax. As corporation tax is not devolved to Scotland, one of the most important tools to help support that research is denied to the Scottish Government in their efforts to build on the work already being put in place. Given the challenges we all face, that is illogical.

Andrew Gwynne (Denton and Reddish) (Lab): The hon. Gentleman is right to highlight the role that devolved institutions can play in helping to boost productivity. May I commend to him the work of the Greater Manchester combined authority, which in its new devolved functions has awarded funding to English Fine Cottons so that it can open a £5.8 million new cotton mill in Dukinfield in my constituency—the first cotton mill to open in Greater Manchester, or “Cottonopolis”, for more than 40 years?

Stewart Hosie: I welcome that intervention and the new cotton mill—I hope it is a huge success. The hon. Gentleman makes an important point: there is no point in devolving powers and responsibilities, whether to Northern Ireland, Scotland, Wales, parts of England, or anywhere else, unless the funding and ability and authority to raise the cash go with it. That is the weakness in some of the asymmetric devolution that the Government have put in place. We believe that the Government should look again at their decision to replace £165 million of innovation grants with loans, and that they should deliver real devolution—not least of corporation tax and its associated credits—so that those tools are available to all the devolved Administrations to maximise R and D support.

Jim Shannon (Strangford) (DUP): Northern Ireland now has record employment and higher levels of international investment than at any other time in our history. Does the hon. Gentleman agree that having a strong devolved aspect to trade, enterprise and investment helps to boost the competitiveness of the UK regions, particularly Northern Ireland?

Stewart Hosie: Yes, absolutely. The more we can devolve, including authority and real power, the more that people on the ground can do—that is self-evident. The talk of record employment is good, and I think there is near record employment almost everywhere. The issue, however, is that real-term wages have fallen and remain five points lower than before the crisis. If we are to drag living standards up, we must do all those other things as well, but—in general terms—the devolution of real power is absolutely right.

On the transfer of power, the Government should recognise that a comprehensive solution to boost productivity is required, which covers investment and education infrastructure, internationalisation, innovation, and the policies to deliver inclusive growth. They should recognise that rebalancing the economy needs a focus, not just on London versus the rest of the UK, but on the growth benefits from those firms and the whole economy, and we should export, innovate, and support more of them to do so. That focus should be heavily weighted to manufacturing because the fall in R and D, jobs, exports and output from that sector cannot be allowed to continue.

Above all, although we believe and agree with setting ambitious targets, unrealistic and unachievable export targets that fly in the face of reality will simply weaken the Government’s credibility, in exactly the same way that failing to meet debt, deficit and borrowing targets did in the last Parliament. To set a target of doubling exports without the means being put in place to deliver that is bad economics and bad politics.

Let me turn briefly to what the Government have said in this Parliament. In July they published, “Fixing the foundations: Creating a more prosperous nation”, which was supposed to cover many of the areas that we are discussing today. It is very thin. Their approach to raising productivity is covered by two bullet points, a paragraph, and a little chart. The section on long-term investment merely confirms that long-term investment, going back as far as the 1960s, has bounced along the bottom of the OECD average—the 10th to 90th percentile range for those who care about these things. It hit that average in one year around 1990, but has fallen off the bottom of that for many years since.

Investment is primarily in transport. I welcome transport investment, as well as the increase in capital investment in the summer Budget. Let us be under no illusions, however, because that change came about only after the Government were discovered cutting capital spending for every year of the forecast period in the spring Budget. They have the audacity in the “Fixing the foundations” report to talk about:

“Reliable and low-carbon energy, at a price we can afford”,

while systematically undermining the sector and the Green Investment Bank. On innovation and industry, which is at the heart of the solution to a long-term problem, we have three small paragraphs.

[Stewart Hosie]

The document was published only six months ago—[*Interruption.*] I am sorry if the Minister is slightly bored hearing about her Government's failings. It mentions £1 trillion of exports by 2020. That shows a modest rise in exports to BRIC countries, a modest rise in exports to the rest of the world, and a catastrophic decline—the Minister is shaking his head—in exports to the richest OECD countries. That document was published by the Government in this Parliament. A sense of reality is probably a good starting point for a debate.

Each of the areas that we have started to discuss today could form a debate in its own right, but we believe that the motion is a starting point to begin properly to understand and address UK Government policy weakness in the areas of trade, exports, productivity, innovation, and a fundamental rebalancing of the economy. I commend the motion to the House.

1.38 pm

The Minister for Small Business, Industry and Enterprise (Anna Soubry): I am grateful for the opportunity to debate a number of the Government's key economic priorities. I will begin, however, by singing the praise of my Cabinet colleague the Secretary of State for Scotland. Not only is he outstanding as a Secretary of State, but today he made a very important announcement about what in many ways should be his private life, although it is not because it is in the public domain. It took great courage, and I am hugely proud to sit in the Cabinet with him. I can see nods all around the Chamber in support of our Secretary of State at what might be a difficult time for many, but I am sure for him is a very happy day. Finally, he can be the man he has always been, and can sing out and be proud of being that man. I pay tribute to him and I am pleased we all agree on that.

Stewart Hosie: It is absolutely right and appropriate for the Secretary of State for Scotland's Cabinet colleague to announce her support in the Chamber, and Scottish National party Members welcome what has been said. In terms of the debate, however, and notwithstanding that we hope he is happy, may we say that we fundamentally disagree with his politics?

Anna Soubry: I took that as read! I put it on the record that the First Minister for Scotland has tweeted her support. Frankly, I am not surprised. In this day and age, I think most people will just shrug their shoulders and say, "Yeah, whatever. Am I bothered?" Of course we are not. We celebrate what is, and should be, a happy day for my right hon. Friend.

Let us get on with the debate. The motion before us refers to the United Kingdom economy and economic growth. I wish to take a very quick trip down memory lane to put this debate into context, because that is important. The hon. Member for Dundee East (Stewart Hosie) talked about the Government's record. I want to talk about the past six or seven months, but I also want to talk about the previous five years, notably to remind everybody of the situation we faced back in May 2010. It is important to remind everybody that at that time we were in the worst recession that our nation, the United Kingdom, had faced for 100 years: the biggest budget deficit in our peacetime history and over half a million

more people on the dole. That was the situation that we on the Government Benches had to pick up: an economy brought to its knees and on the brink of bankruptcy from Land's End to John O'Groats, and from London to Inverness and Bodmin. All across our nation, we saw a country on its knees.

To save us from that economic mire we had to take some very difficult decisions to control spending, reduce the deficit and rescue our economy. Those decisions, every single one of them, were opposed by the parties sitting on the Opposition Benches, notably Labour and the SNP. Each and every decision was opposed. How wrong they were. It is thanks to the hard work of the British people that our economic plan has worked and continues to work. The deficit is down by more than half, there are over 2.2 million more people in work, and there are over 900,000 more businesses. The United Kingdom has been the fastest-growing economy in the advanced world. That is a record of which Government Members are proud.

Scotland has been part of that success story. It is unfortunate that the hon. Member for Dundee East has just made us a long speech full of doom and gloom, trotting out this, that and the other and talking down the Scottish economy, because it is part of the United Kingdom economy. That is wrong and sad, because there is a success story.

Richard Fuller (Bedford) (Con): Although the SNP spokesman spoke for over half an hour about trade, export, innovation and productivity, he did not once mention free markets, entrepreneurship or the power of deregulation. Is it not this Government's priority to focus on those issues to ensure we can achieve the goals we are setting?

Anna Soubry: I absolutely agree with my hon. Friend; I could not agree more. There was lots of moaning and complaining, but no solutions, no ideas and no fresh ways of thinking—not one. It was all doom and gloom, and talking down our economy.

George Kerevan (East Lothian) (SNP): In the Minister's history lesson on the long-term economic plan, to which plan is she referring? Is she referring to the plan from the first two years, when the Chancellor desperately tried to reduce public spending, or the one that followed the first two years when he listened to those on the Opposition Benches and loosened up on public spending, with the result that the economy then started to grow?

Anna Soubry: I am sorry the hon. Gentleman did not hear me, so I will repeat what I said. I am referring to the long-term economic plan that delivered a deficit down by more than half, 2.2 million more people in work and 900,000 more businesses, and the long-term economic plan that made this country the fastest-growing economy in the advanced world. That is what I am referring to, and I do so with pride.

Scotland has been a part of that success story. Since 2010, we have 178,000 more people in work and over 60,000 more businesses in Scotland—economic growth that has all occurred north of the border. This has been a recovery based on private sector growth, employment and living within our means. Both the SNP and the Labour party are wedded to abandoning fiscal responsibility and putting our economic security at risk. Government

Members know the job is not done. We know we must oppose Opposition Members who would return to the bad old ways and days of spending beyond our means.

We know that to lock in our future economic security and prosperity, we need our businesses to increase their exports, boost productivity and continue to innovate to stay ahead. We believe in cutting red tape, as my hon. Friend the Member for Bedford (Richard Fuller) told us. We believe in all the good strong parts of a free economy, an economy that does not believe in over-regulating people but allows businesses to get on and do business—the thing that they know best. That does not mean to say I am an ideologue who is absolutely wedded to a free market without any constraint. Of course not. I am absolutely a caring, compassionate Conservative. I do not believe in monopolies. I do believe in responsibility among all who do business, which is why I am so proud that the Government are bringing forward the living wage. That is a true benefit to workers across our country, especially the lowest paid. I am very proud of all we have achieved on that.

David Rutley (Macclesfield) (Con) *rose*—

Alison Thewliss (Glasgow Central) (SNP) *rose*—

Anna Soubry: I will give way to my hon. Friend and then to the hon. Lady.

David Rutley: Does the Minister agree that Government Members are equally committed to encouraging first-time entrepreneurs, first-time employers and first-time exporters to be able to do things that perhaps their parents have never done before, and that in that way we are also encouraging social mobility?

Anna Soubry: Absolutely. My hon. Friend makes a very good point. New small businesses and start-ups that scale up are absolutely at the heart of everything we seek to achieve, because we understand their value. It takes great courage for somebody to start their own business. We do what we can to assist them, for example through start-up loans. By devolving right down to a local level, through local enterprise partnerships, business growth hubs and the other measures we have put in place, we are ensuring that help, assistance and advice are available to them as they start up and begin to grow their business. In particular, we are doing the right thing by small businesses by reducing the regulatory burden. We achieved a lot in the past five years in government. We have more to achieve. It will be tough, but we are absolutely determined to do that.

My hon. Friend makes another important point. Starting up one's own business is a great way for somebody to shake off their past—and the things in their background perhaps in danger of holding them back—and advance in the way that we want people to do. That is what brought people like me into politics: a desire to make the lives of everybody, especially those from less-advantaged families and backgrounds, better. I believe that our economic policy will continue to achieve exactly that.

I said I would give way to the hon. Lady.

Alison Thewliss: I thank the Minister for giving way; I am glad she has not quite forgotten about me. Does she agree that there is actually no comfort in the new

minimum wage for workers under the age of 25, as they will not qualify for it? They will still languish on about £3.87 an hour, which is not good enough.

Anna Soubry: What is very interesting is the number of companies introducing the new living wage, irrespective of the age of their employees. I absolutely welcome that. For every good thing we do, however, there is always somebody who knocks us and wants something more. There is nothing wrong with wanting more, but people should give credit where credit is due. This is a huge achievement, and I am proud the Conservative party has done it.

I have to say that I really struggle to take lessons on the economy from the Scottish National party. It is a party that built its whole idea of independence, which mercifully the good people of Scotland rejected, on the idea that oil was going to be the lubricant—the foundation—of their independent economy. Goodness me! Oil is now \$35 a barrel, and it is accepted that if the SNP had been successful, the cost would have been somewhere in the region of £5,000 for every single household. Scotland would have been in the most atrocious economic place if it had voted for independence—thank goodness the good people of Scotland took the wise decision that we were undoubtedly better together. It is therefore really difficult for me to take lessons from this rag, tag and bobtail SNP, which encompasses everything from tartan Tories to tartan Trots. It is going to be very interesting, as the Smith report—

Debbie Abrahams *rose*—

Anna Soubry: I will give way in a moment; I'm on a roll.

As the Smith report is implemented and the Scotland Bill comes into force, the SNP will finally have the powers it seeks—it will be the most devolved Government in the world—and it will be interesting to see—

Stewart Hosie *rose*—

Anna Soubry: In a moment.

Then the SNP will have responsibility, and we will see whether it will be able to deliver. I would bet good money that it will not be able to.

Debbie Abrahams: The Minister is making an interesting speech, but I must challenge her on this flailing economy. The Government were meant to have eradicated the debt by 2015 and they have only halved it. They are borrowing £73.5 billion this year, so the Minister is obviously putting a positive spin on this economic plan. Let us see how long it lasts—the Government have been giving warning signs that it might not. To pick up on what the hon. Member for Dundee East (Stewart Hosie) said, the IMF has said that if we invest more in the 20% on the lowest incomes, we will boost economic growth—something that the Government have singularly failed to do. Why have they not done that?

Anna Soubry: The IMF has been wholesome in its praise of our economic plan and the successes we have had. Much as I may like the hon. Lady on a personal level, I really struggle to take lessons from her. The last Labour Government doubled debt, whereas we have “only” halved the deficit. I am rather proud of “only” halving the deficit, while we see from her words that the

[*Anna Soubry*]

poor old Labour party cannot learn from the mistakes of the past. Goodness knows the route it is now embarking on under its current leadership, but it looks set to be in opposition for a long time.

Mark Tami: Will the Minister just answer one question: has debt gone up under this Government?

Anna Soubry: Our debt has gone up; I am not—*[Interruption.]* All right; it is not about scoring cheap political points, as the hon. Gentleman knows—obviously I would never engage in such a thing—but he cannot deny that 2 million more people are in work. That is part of our proud record. He should be praising that. The Labour party would do well to do that when we do the right thing. Over 2 million more people in work—why can the hon. Gentleman not give credit where credit is due?

Stewart Hosie: It only took the Minister 12 minutes to revert to type. “Rag, tag and bobtail” if she likes, but that is as nothing compared with how the Scottish people describe her party. However, let me clear up just one little fact about the oil price, which I thought she might raise. Yes, we said it would be \$110 a barrel. That is absolutely correct, but can we be absolutely clear that the UK Government’s Department of Energy and Climate Change had the barrel price at between \$114 and \$127, and at the very least admit that the UK Government got it wrong?

Anna Soubry: But the point is that the hon. Gentleman and his party were basing the whole of Scotland’s economic future on oil. How mad was that?

Several hon. Members *rose*—

Anna Soubry: I will give way in a moment; I just want to say something about trade and exports, because it is important. Otherwise, I will be speaking for far too long and Madam Deputy Speaker will admonish me, and rightly so.

In considering trade and exports, we should recall the importance of the United Kingdom’s large domestic market and the benefits it brings to all parts of the UK. The rest of the UK is by far and away Scotland’s biggest economic partner. Sixty-three per cent of all Scottish exports go to the rest of the UK. The biggest threat to Scottish exports is the SNP, which would put up barriers between Scotland and the rest of the UK. Trade and exports are a key element of continuing to grow the UK’s economy, which is why this Government are committed to making it easier for companies to export. We provide support to companies wanting to export, through UK Trade & Investment, and work with other Governments to reduce barriers to trade. Our trade deficit narrowed by £0.3 billion in the three months to November, and the number of companies exporting both in the UK and Scotland is up since 2010, but we know we have a lot further to go.

Delivering on all the EU’s trade negotiations could add £20 billion to the UK economy annually. We know that trade agreements work. In the four years since the EU-Korea free trade agreement came into force, the value of UK exports has more than doubled. We have seen a 1,000% increase in the value of jet engine sales.

The UK sold just 2,315 cars to Korea in the final year before the FTA was agreed. Last year, that number reached 13,337, and it is not just the big companies that benefit. One Scottish business was able to sell 100,000 jars of jam in Korea last year, after the FTA slashed import duties. That is why this Government are committed to delivering freer global trade, concluding major trade deals with the United States, Japan and many other trading partners.

That, as hon. Members might imagine, brings me to the Transatlantic Trade and Investment Partnership. Last year I responded to the debate in the House about TTIP. I am not going to repeat all the things I said, but it really is disingenuous of those on the SNP Benches—and, indeed, on the Labour Benches—to oppose TTIP on the utterly false premise that it would threaten our public services, in particular the NHS. It is not true. There are so many letters, including—I think a number of hon. Members were in that debate, so they will remember—the letter from the EU, which was written in December 2014, to the Chair of the Select Committee on Health, who had asked specific questions about whether TTIP posed any threat to our national health service. Every time the answer was an overwhelming no. Everybody who could have said, “There is no threat from TTIP to any of our public services, especially the NHS”, has said it, over and over again. It is grossly unfortunate that Opposition Members and Opposition parties peddle these untruths about TTIP. It is simply not right or fair to mislead people as they are.

Debbie Abrahams: There does seem to be some ambiguity, because despite the letter to the Select Committee, we have evidence saying completely the opposite. In view of that ambiguity, why does the Minister not say that the NHS will be exempt from TTIP and rule it out completely?

Anna Soubry: I do not know how many times I have said it, but I am going to send all the information to the hon. Lady. It will say all these things and make it absolutely clear that TTIP is not a threat to our public services and our NHS. In fact, on the contrary, it will deliver billions of pounds of wealth to our economy, because it will free up trade between us and the USA. I think Opposition Members have got to be honest about it. I think the real problem is their prejudice against the USA. They should fess up and be honest about it, because they are creating bogeys that do not exist.

Callum McCaig (Aberdeen South) (SNP): If I may return to the oil price and the sheer joy that Members in the Chamber expressed at the collapse in the oil price—I look at the hon. Member for Rugby (Mark Pawsey), who is sitting directly behind the Minister, and the joy and almost delight that were on his face. In the real world, in the constituency I represent, that means jobs are being lost. The Minister has expressed her delight at Scotland staying in the Union, so can she explain to me what the Union is doing to help Scotland at its moment of need?

Anna Soubry: It is not for me to speak on behalf of others, but I can assure the hon. Gentleman that there was no joy on the Government Benches at the fall in the oil price. The joy, I would like to think, was at the point I made, and made rather well. The hon. Gentleman is in a party that put all its faith in the oil price as the

salvation of Scotland's economy and it was absolutely wrong. I hope the hon. Gentleman will forgive me for not knowing the constituency he represents, but I suspect it is in the north-east of Scotland. He makes a good point, and this is the only good point, about the concerns we all have about the future of the oil and gas industry.

I am well aware of the importance of the oil industry to north-east Scotland. I am also well aware of the redundancies announced yesterday by BP, and I agree that there is much that we—the hon. Gentleman should note the “we” bit—can do. It would be so good for the UK Government to work with the Scottish Government to make sure that we do all we can. We have a fantastic oil industry, based largely in Aberdeen, that is one of the finest in the world. There is much that we can do, working together, to make sure that we do not see further job losses, especially on the scale we have seen.

Stewart Hosie *rose*—

Anna Soubry: I will give way to the hon. Gentleman, but then I want to make some progress.

Stewart Hosie: I thank the Minister for what she has just said, which was helpful. However, she has twice made the incorrect and false assertion that we based any forecast only on oil, which was never true. The Minister has accused others of misleading the public over the approach to TTIP; I hope she does not want to mislead the public over her assertion that the economy is based solely on one industry.

Anna Soubry: I am afraid I do not agree.

David Mowat (Warrington South) (Con): It is a fair challenge to remind the Government how important the oil industry is to our country. That is why on Monday we will debate the Energy Bill, which enacts the findings of the Wood review. The review was much required and greatly sought by the industry, and I very much hope, as I am sure does the Minister, that Labour Members will support it.

Anna Soubry: I cannot add to my hon. Friend's extremely good and well-made point.

Let me now move on to deal with the important issue of productivity. Delivering a return to productivity growth is one of the key economic challenges for this Parliament and the route to raising living standards for everyone in the UK. We have lagged behind other major economies—let us be honest about it—for decades, and productivity in Scotland is still 2.5% below the UK average. That is why we are determined to fix it, although I shall not pretend that there are any short-term measures. This is going to take some time and a lot of hard work.

In last year's summer Budget, the Chancellor set out the Government's ambitious plan, “Fixing the foundations: creating a more prosperous nation”. That ensures that we do everything possible to deliver higher productivity in the UK. Skills and education are, of course, key to improving productivity, and we have invested in skills, delivering 2 million apprenticeships in the last Parliament, with 3 million to be delivered in this Parliament.

Our education reforms are already raising standards. Unfortunately, under the SNP, standards of numeracy and literacy in Scotland have been falling, and fewer of Scotland's most deprived children attend a university

compared with any other part of the UK—just 10.3% of the poorest 20% of Scots attend university, compared with 18.1% in England, 16.3% in Wales and 16.3% in Northern Ireland. We have also protected science spending, with £4.7 billion per year in resource and £6.9 billion in infrastructure to 2021. We continue to invest in our catapult centres.

We are delivering one of the largest and most ambitious infrastructure programmes in recent memory, with projects such as HS2, which I have no doubt everybody should back because it will bring huge benefit to our country, especially to my constituency, as we hope to have the east midlands hub in Toton. In addition there is Crossrail, a huge project across the capital, and the largest investment in our roads since the 1970s. We are beginning to see signs of improvement. Output per hour grew by 0.5% in the third quarter of 2015 compared with the previous quarter, and was 1.3% higher than for the same period in 2014. UK productivity has exceeded its previous peak by 0.7%.

Alongside trade, innovation is another pillar on which our economy is built. Innovation is an important lever for increasing productivity. The excellent work of my colleague, the Minister for Universities and Science, has ensured that science spending is protected in real terms, with record investment across the UK—£4.7 billion per year in resource funding, rising with inflation, and record investment in our country's scientific infrastructure, at £6.9 billion to 2021. The Government will protect all that in cash terms, with total spending on business-led innovation coming through Innovate UK.

We recognise that access to finance remains an important challenge for innovative enterprises, which is why we are committed to introducing new types of finance products to support companies to innovate. New products such as loans will replace some existing Innovate UK grants, and will reach £165 million by 2019-20. In 2014 alone, more than £2 billion was raised in venture capital in the UK—up 50% on the previous year. I see no reason why the UK cannot be Europe's number one destination for innovation finance.

Sammy Wilson: I understand why the Government might want to change the way in which some research and development is financed, but does the Minister accept that, given the long lead-in time for many R and D projects, loans are not appropriate and will lead to innovation and research either going outside the UK or stopping altogether?

Anna Soubry: We are taking time to bring them in. It is, of course, a mix. In some instances, providing loans is absolutely the right thing to do, whereas in others we might well provide a grant. Flexibility is the right approach, and this allows us to put in the necessary money, even in these difficult times. I think we are doing the right thing about that.

Debbie Abrahams: The Federation of Small Businesses report on productivity identifies late payments to small businesses as one of the key issues. Will the Minister commit to addressing cash retention in the construction industry—a key issue that is due to come before us again in the Enterprise Bill?

Anna Soubry: I realise that there is a good argument in favour, but we are conducting a consultation. As the hon. Lady knows, my door is open. I would be more

[Anna Soubry]

than happy to discuss it with her because I know about the powerful arguments in favour, but there are also strong arguments against it. The consultation might allow us to make some progress.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP) *rose*—

Anna Soubry: I must make some more progress on my speech, but I will give way to the hon. Gentleman first.

Roger Mullin: I thank the Minister. Is she aware that yesterday the Medical Research Council issued a briefing paper about the move from grants to loans? It said that “the Biomedical Catalyst may not continue”.

Anna Soubry: I have not seen that paper and I am not going to pretend that I have. I always view it as important not to comment on things that have not been read or on issues that might have been taken out of context. Perhaps I will drop the hon. Gentleman a letter, when I have had the opportunity to read the paper.

Richard Fuller: The Minister makes a good point about innovation. One change that the Treasury has made is to enable ISAs to be used to provide peer-to-peer lending. Will she therefore have some conversations with her colleagues in the Treasury about making it possible within ISAs to make equity investments to small private companies?

Anna Soubry: That is a very good point, and the straight answer is simply yes. If my hon. Friend would like to continue the conversation after this debate, I would be more than happy to do so.

This Government continue to encourage business investment in research and development through tax incentives. Take-up of this scheme continues to grow, with 18,200 companies claiming £1.75 billion of relief from £14.3 billion of innovative investment. In Scotland, there were 1,045 claims, giving a total relief of £55 million. That means more investment in R and D, more high-value jobs and greater productivity.

The Government continue to invest in our catapult network, and the first seven catapults are now operating from their established facilities with total public and private investment exceeding £1.6 billion over their first five years of operation. These include Offshore Renewable Energy in Glasgow and the Advanced Forming research centre in Strathclyde, which is part of the high-value manufacturing catapult. As we have taken the difficult decisions to fix Britain's finances, we can afford to continue to invest in science and innovation, investing in Scotland's future and helping to ensure Scotland punches above its weight.

That is the point. If we have a good, solid and sound economy that is growing, we will be able to do all this type of work. We will be able to spend taxpayers' money to support our great British businesses and particularly the ones that are so innovative in their approach and in the work they do.

To conclude, Madam Deputy Speaker—

Jessica Morden (Newport East) (Lab) *rose*—

Anna Soubry: Oh, go on, then.

Jessica Morden: Before the Minister concludes, may I ask her to address the issues that are currently affecting the steel industry? During the steel summit back in October, UK Steel presented a strong case for the urgent action it needed the Government to take. Some recognised the Government good will in relation to energy prices and energy costs, but I must impress on the Minister that this is a very difficult time for steel, particularly in the south Wales area I represent. Yes, the Government have acted on energy costs, but what are they doing about the other issues that were raised at the summit?

Anna Soubry: We are absolutely delivering, and not just on energy costs. I am hugely proud of the way in which we have changed the procurement rules. The hon. Lady knows that we are determined to continue to do everything we can to keep what the Prime Minister has called a vital industry in production. We do not want to see the blast furnaces close at Port Talbot any more than we want to see them close at Scunthorpe. I note that the hon. Member for Redcar (Anna Turley), as ever, is present. No doubt she will want to intervene at this point, but I must move quickly on; perhaps she will join in the debate later. Let me say to her that if we could have done anything to secure SSI, we would have, because we recognise the importance of the steel industry to the British economy. She can have that assurance. Indeed, the same is true at Dalzell and at Clydebridge. I pay tribute to the Scottish Government: I have been pleased to work with the Deputy First Minister in trying to ensure that we do all we can to keep those two plants open in Scotland.

Trade, exports, innovation and productivity are vital components of the Government's strategy. That is why we have developed a clear plan of action, and why Scotland, and indeed all parts of the United Kingdom, benefit from our continued commitment to those key priorities. Scotland has been a part of the economic and jobs success story of the last six years as our economic plan for the whole United Kingdom continues to deliver economic security and prosperity for all our people. The biggest threat to businesses, growth and jobs would be a Scotland isolated and cut off from the United Kingdom, led by a party that wants to return to the failed policies of more spending and more borrowing that led us to economic oblivion last time.

Let us stick to the plan that has rescued our economy from the brink and turned it into the fastest-growing economy in the advanced world, and is now tackling the long-term structural issues head-on to ensure that there is a more secure future not just for our children but, notably, for our grandchildren. I will not support the motion, and I urge other Members not to support it either.

2.12 pm

Bill Esterson (Sefton Central) (Lab): Let me begin by conveying apologies from the shadow Business Secretary, my hon. Friend the Member for Wallasey (Ms Eagle), who is in Brussels today meeting members of the European Commission and the European Parliament to discuss, in fact, many of the issues that we are discussing here today.

In her speech, the Minister indulged in something of a history lesson about what happened in 2010. I fought that election as a candidate for the first time, and I well remember making the case that in 2010 we faced half the levels of unemployment, repossessions and business failures that we had faced during the comparable Tory recessions of the 1980s and 1990s. The Labour Government had a record of protecting jobs, businesses and people's homes. The economy was recovering in May 2010, when the coalition took office, but that recovery was choked off by the Chancellor's emergency Budget in June. I am afraid that ever since then, as other Members have pointed out and as we know from the figures that were discussed earlier, the recovery has been the slowest on record. That is the true record of this Government when it comes to the economy. The Conservatives blew the growth that was steadily happening when they came to power as part of a coalition.

Kwasi Kwarteng (Spelthorne) (Con): The hon. Gentleman is making some quite bold statements, but how do those statements tally with the fact that Britain is now the fastest-growing country in the OECD?

Bill Esterson: Of course, after the slowest recovery on record, growth is going to be the fastest in the world at some point, is it not? That comes as no surprise.

Jeremy Quin: Will the hon. Gentleman give way?

Bill Esterson: I am not going to give way too many times, because mine is the second Opposition party in this debate.

As was pointed out by my hon. Friend the Member for Oldham East and Saddleworth (Debbie Abrahams), the Government have failed in their own terms to eradicate the deficit. The Chancellor promised that it would be gone by last year, but the Government have borrowed more in five and a bit years, and had borrowed more before the election, than Labour did in its 13 years in office. So, in their own terms, they have failed.

If the Minister wants Opposition Members—from whichever party—and members of the public to be reassured that she is not just producing warm words on TTIP, she can exempt it from public services and we will then be sorted.

Robert Jenrick: I thank the hon. Gentleman for giving way. He is very generous. Will he acknowledge that the United Kingdom has signed 110 other bilateral investment treaties with other countries around the world, none of which excludes public services, and all of which include the investor-state dispute settlement mechanism? I do not believe that it is the policy of either the Labour party or the SNP for Britain to withdraw from any of those important bilateral investment treaties.

Bill Esterson: And, as I have said, the Minister and the Government could relieve the concerns of many people in the country, not just in the Chamber, by undertaking to exempt TTIP from public services.

When it comes to boosting productivity and growing our economy, the interests of workers and the ambitions of businesses are not at odds with one other. Workers do well when there are successful businesses to give them secure employment; businesses do well when they can draw on a skilled workforce, and when they are selling products and services in a high-wage economy.

We have many fine businesses which are making some of the best products in the world, delivering some of the best services, and developing many of the best new ideas. Those successful businesses have highly committed and skilled workers who are competing with the very best, but too many of our 5.2 million businesses face headwinds that make business more difficult than it should be, and too often lead to closures and job losses that are entirely avoidable.

We can learn from the success that exists in this country, in science, in digital, in engineering and in our universities, and we can learn from other countries as well. Success leaves clues. As for the countries that are outperforming us, one striking reason for that is the relationship between Government, business and workforce. What often works in successful countries, and in successful companies, is a three-way partnership for growth and productivity. That means secure, skilled, well-paid workers, businesses working with the infrastructure and the workforce that they need in order to expand, and a Government who build the stable foundations on which the partnership between business and workers can grow.

The Business Secretary is unwilling even to utter the words “industrial strategy”, but that is what is needed. An industrial strategy is nothing more than a Government's willingness to enter into a partnership with business and workers, matching their ambitions by looking beyond election cycles and investing in the infrastructure and training that they need in order to flourish. Businesses are clear about what they need from the Government. They want the Government to take a long-term approach to capitalising on new technology, and to nurture sectors that will boost exports, create jobs, and generate sustainable growth.

From green and renewable energy to high-end manufacturing and digital technology, the United Kingdom is not short of opportunities. It is not short of innovative entrepreneurs who want to put it at the global forefront of those emerging sectors. Under this Government, however, the UK spends less on research as a share of GDP than France, Germany, the United States and China. It has embarked on real-terms cuts to Innovate UK; it has axed the Business Growth Service, including the Manufacturing Advisory Service and the growth accelerator programme; and it is stifling game-changing innovation by converting grants for bold start-up companies to loans.

Those are not the actions of a Government who are committed to playing their part in the creation of opportunities for the next generation of entrepreneurs. The growth accelerator programme alone assisted more than 18,000 businesses. A great deal of the £100 million in finance that the programme helped SMEs to raise went into the development of innovative new products and services: products and services that create jobs and boost productivity. If the Government had wanted a partnership with business, they would not have completely shut down the long-term dividends to the economy that those schemes were already beginning to deliver, for the sake of scraping together short-term cuts for the Chancellor. The decision to axe these schemes is not just a knee-jerk reaction to departmental cuts; it speaks volumes about the Government's real lack of long-term vision and commitment to businesses. Productivity cannot improve and sustainable growth cannot be secured as long as this Government's message to entrepreneurs and innovators is “You're on your own.”

[Bill Esterson]

Businesses want a trained workforce and a steady supply of skills to expand their operations. In a recent survey by the EEF, the manufacturers' organisation, half of manufacturers pointed to a skilled workforce as the single most important factor in boosting growth and productivity. ManpowerGroup UK says that more than 30% of the largest construction companies have had to turn down work due to a shortage of skilled labour. For all the Chancellor's talk of skills, more than two thirds of businesses say they are badly in need of more high-skilled staff. The engines of growth in the UK—construction, manufacturing, science, engineering and technology—all face chronic and growing skills shortages. Once again, there is a gulf between the Government's rhetoric and action; their £360 million in cuts from the adult skills budget would dampen the ambitions of people hoping to learn the skills they need to enter the workforce and take skilled jobs.

While we on the Opposition Benches agree with the principle of an apprenticeship levy to increase funding to tackle the skills shortage, we will be carefully examining the details. It is vital that the policy is used to drive up the quality, as well the quantity, of apprenticeships. It is important that it meets the ambitions of learners, as well as the needs of employers. It is also important that it does not become, as Seamus Nevin of the Institute of Directors, puts it, a "payroll tax" that hits medium-sized businesses. The payroll threshold laid out by the Government could mean that the cost spills over from larger companies, so the details need to be watched carefully as they emerge, to ensure smaller companies are exempted.

Businesses want decent infrastructure, strategic road networks, improved broadband and cheaper energy supplies. These businesses will create jobs, boost productivity and generate growth, but Government's role in that partnership is to build the physical infrastructure they need to operate in. A recent CBI survey of businesses showed that nearly two thirds are worried about the slow progress of infrastructure projects, and they are right to be concerned. The gulf between the Government's rhetoric and the projects they have actually delivered is widening. The quality of our infrastructure is now the second worst in the G7. Capital spending has more than halved as a proportion of GDP since 2010.

The Government seem to be missing two simple facts. We have world-beating innovators and businesses that want to expand and create jobs. They cannot do that without roads, broadband and good rail and air links. That is the Government's responsibility, and they are failing to deliver. If the Chancellor still claims to be leading a "march of the makers," I am afraid the evidence over the last five and a half years shows he is leading in the wrong direction entirely.

Goods exported last July reached their lowest levels since September 2010. In the three months to November 2015 the trade deficit stood at £7.7 billion. The truth is the trade deficit is a problem that this Government and the previous coalition Government have said a number of times they would address.

Anna Turley (Redcar) (Lab/Co-op): Will my hon. Friend join me in welcoming the fact that in the north-east the balance of trade is positive, and a large contributory

factor in that was the steel industry on Teesside? Does he share my disappointment—in fact, my anger and frustration—that the Government failed to do anything to step in to save steelmaking on Teesside? Looking forward, will he also help to put pressure on the Government to ensure that China does not get market economy status, which could put the final nail in the coffin of the national steel industry in this country?

Bill Esterson: This is the first opportunity I have had to congratulate my hon. Friend and her colleagues from the steelmaking areas on the fine work they have done in representing, and attempting to save, the steel industry. I will talk about the steel industry in more detail later, but I completely agree with the point that she makes.

The Chancellor said he wants to double exports to £1 trillion by 2020. Office for National Statistics forecasts show that he is set to miss this by more than £350 billion—in other words, he will be 70% short of his target. In 2011 the Prime Minister said that he intended to increase the number of UK exporters by 100,000 by 2020, and in its annual business survey the ONS found that the number of UK exporters actually fell by 8,600 last year.

The risk to long-term growth and productivity of failing to increase exports is stark. Failure to boost exports means slower long-term growth, depressed wage growth and an even more depressed rise in living standards. As David Kern, chief economist at the British Chambers of Commerce, said last year,

"unless radical measures are taken to strengthen our export performance, our trade deficit will continue to be a threat to the country's long-term economic performance".

But just as serious is the threat posed by a Government divided over whether or not to pull the plug on UK businesses' main trading partner. Trade with the EU was worth £227 billion to the UK economy last year. It is a lifeline for many businesses, and for many workers. The risk we face is from a Government that fail to unite in wanting to honour a partnership with those businesses and workers who rely on EU trade for their livelihood. Instead they are divided over whether to kick the legs out from under UK business, not least in respect of relationships that account for almost half of UK trade and which are especially important for many SMEs.

The problem of UK exports is compounded by our lagging productivity. ONS statistics show that, as of 2014, productivity as output per hour worked in the UK was 21% lower than the average for the rest of the G7 countries. According to the ONS last year,

"the absence of productivity growth in the seven years since 2007 is unprecedented in the post-war period."

Productivity has been revised down next year, the year after and the year after that, and the gap between UK productivity and that of the rest of the G7 is now the widest since 1991.

A long-term strategy to boost productivity, trade and innovation is a partnership. That partnership cannot ignore the workforce; on the contrary, they can be one of our most powerful assets. A partnership between workers, businesses and Government to boost productivity is a long-term vision that requires a commitment to long-term investment from Government—one that stretches over many Parliaments and one that requires a large degree of political, as well as industrial, consensus.

If we truly want to boost the UK's productivity, manufacturing is a good place to focus our attention for a number of reasons, not least because the productivity benefits of industry reach far beyond itself, to benefit growth, skills and productivity in the UK as a whole. Manufacturers improve efficiency at a pace and intensity that outstrip almost any other sector. In fact, they currently inject three times the amount of their output share of the economy into improving machinery. An EEF survey conducted in 2015 showed that 80% of its members intend to invest in machinery with the aim of increasing productivity. That technology, again, filters out. The investment and innovation of one manufacturer becomes a tool to boost productivity across a host of sectors and in the wider economy as a whole. Investment in processes and systems improves efficiency and accelerates the diffusion of technology.

Generating sustainable growth, raising skill levels, and dispersing opportunity to every corner of the country: prioritising manufacturing should be the cornerstone of a strategy for increasing productivity. But this Government's track record shows that they either do not understand this or else they are simply not willing to do what is necessary to support the industry. As my hon. Friend the Member for Redcar (Anna Turley) said, the tragic situation that unfolded in the steel industry is a case in point. The UK steel industry ran a trade surplus in all but three of the last 17 years. Steel exports were worth £6 billion to the UK in 2014, not to mention the 20,000 families the industry supported. Serious challenges coalesced: a glut of global supply, energy costs, a strong pound. These were difficult challenges, but surmountable for a Government.

Anna Soubry: Does the hon. Gentleman accept that the fundamental problem was that the price of steel has almost halved and no Government can change that?

Bill Esterson: Of course the Minister is right that the price has halved, but other countries in the EU chose to intervene while we said we would not. I am afraid the Government's record on this has been woeful.

Anna Soubry: Will the hon. Gentleman send me details of other EU Governments who have intervened to save their steel industries? If so, I will pass them on, because they must be in breach of the state aid rules.

Bill Esterson: We have debated this so many times. The Minister knows that some countries choose to operate the state aid rules far more beneficially than we do. It is about time the Government chose to do the same.

The industry needed the Government to play their role in what should have been a partnership. The situation demanded that the Government see the long-term strategic value of steel production and do what other EU Governments did: move swiftly to protect their industries. Instead, they have lacked a strategy and shown themselves unwilling to make strategic interventions to support the industry with practical steps well within their capabilities, such as tackling business rates through the supply chain, dealing with electricity costs and ensuring better procurement practice to favour British steel. They failed to step up to the plate as a partner of industry, and in doing so turned a temporary, toxic mix of challenges into a permanent gap in our industrial make-up.

We have to take that lesson seriously. UK productivity will continue to lag as long as Governments sit on the sidelines and wash their hands of responsibility for safeguarding key industries. The aspiration is one that everyone in the House will agree with: an economy with high-skilled, well-paid jobs in which businesses can grow, export and invest to boost productivity. Agreeing on the aim is one thing, but how we go about it is another. It requires a long-term partnership championing the workforce and business; investment, not cuts; an industrial strategy, not laissez-faire dogma; and an economy that creates wealth, instead of relying on consumer borrowing. We need a strategy in which workers, business and the Government work together for Britain. The Government's role is not that of an observer but to make sure our exporters get the help they need; to take action to boost productivity; to tackle the skills emergency; to safeguard key industries; and to build the infrastructure that growing businesses need.

The Minister and the Government have failed on each point. They cannot deliver and they will not be an active part of that partnership because they do not believe in intervening. Their empty rhetoric will get our economy nowhere. Only a long-term industrial strategy will deliver the high-value economy we all want. We need a strategy of partnership that is both pro-business and pro-worker.

2.32 pm

Geoffrey Clifton-Brown (The Cotswolds) (Con): I am delighted to be called so early in this important debate. I was particularly keen to catch your eye, Madam Deputy Speaker, because we have so few debates on exports, but I believe that if we are to grow our economy sustainably, we must increase our exports.

Given the importance of this debate, it is a great pity that our politics produces such negativity from all the Opposition parties. That is in total contrast to the Minister for Small Business, Industry and Enterprise, my right hon. Friend the Member for Broxtowe (Anna Soubry), who is positive and outward looking and produces good policies that the Government have been pursuing, both in the last Parliament and this one. I am passionate about exports. With my hon. Friend the Member for Newark (Robert Jenrick), I have the honour to chair the all-party trade and investment group dealing with exports. I want to see this country exporting more.

I just want to champion some of the Government's achievements, which, unlike the Opposition parties, help exporters considerably. They have committed to cutting £10 billion of red tape in order to back British business and put resources into more productive use—and that is on top of the £10 billion we cut in the last Parliament. We have cut corporation tax to 20%—one of the lowest rates in the G7—and have an aspiration to cut it further. We are boosting skills and productivity by improving the quality of apprenticeships in England and increasing their number by 3 million in this Parliament, on top of the 3 million in the last Parliament. As my right hon. Friend the Minister has said, we are investing, up to 2021, £6.9 billion in UK research infrastructure and, in particular, protecting the science budget of £4.9 billion per annum. All that will help innovative companies in this country, as will building stronger links with emerging markets, especially China and India. I was therefore delighted to see the leaders of those

[Geoffrey Clifton-Brown]

countries—the most populous nations in the world—visit this country in the last year. And what successful visits they were.

My right hon. Friend the Business Secretary, launching the Government's productivity plan, "Fixing the foundations: Creating a more prosperous nation", said:

"Britain is home to some of the world's most innovative and dynamic businesses, staffed by incredibly talented, hardworking individuals... And higher productivity means higher incomes. When productivity rises, standards of living rise too. So today I'm proud to publish 'Fixing the foundations'. It's our plan for productivity, and our blueprint for creating a more prosperous nation."

Hon. Members on both sides of the House have commented on productivity, and it is true that we lag behind some of our major competitors. Many economists have puzzled over this, but I think the reason is simple. In the list of achievements I gave just now, I omitted the fact, which must be hugely welcome to all Members, that a record number of people are in work thanks to our flexible labour laws. In this country, 32 million people are in work—more than ever before—and that number is rising. I believe that, because more people are employed, some companies might not have invested as much as they might have done in labour-saving capital equipment, as has happened on the continent, where their labour laws are much more difficult and therefore they have higher unemployment. Greece, for example, has 50% youth unemployment. It is no wonder those countries have such problems, yet here, I am grateful to say, youth unemployment is dropping. It is a terrific achievement for this country.

Let us look at where trade is going around the world. In 2014, the UK's exports of goods and services totalled £513 billion and its imports totalled £548 billion. The EU accounted for 45% of exports and 53% of imports, meaning the balance of trade with the EU is against us. In other words, we are importing more than we are exporting. There is no reason, therefore, not to look elsewhere in the world to see where we can export more. I commend that approach to the Minister. It is against a background of UKTI's policy of increasing trade by 2020 to £1 trillion and the number of companies exporting by 100,000. There is no reason why we could not do much more.

UKTI has been transformed in the last few years. I was delighted to take one of my successful medium-sized companies to see the trade Minister, the right hon. Lord Maude, the other day to examine how we might get UKTI to do even more to encourage medium-sized businesses. The one in my constituency employs 45 people, exports to 40 countries around the world, makes its products in China and exports them directly to Australia, without their ever touching this country, and yet it remits its profits to this country and pays UK corporation tax. That is precisely the sort of medium-sized company we ought to encourage to export more.

That company told me there was too much emphasis on people in UKTI and not enough on the tradeshow access programme. Trade shows are a particularly important part of manufacturing businesses' exporting programme. We need to encourage, via greater incentives from UKTI, such companies to go to these tradeshows, particularly where they have a record of success. At the end of my speech, I will make five or six suggestions to the Minister

on how to encourage exporting, but one of them is to extend TAP from three to four years. As this company pointed out, the first year is about exploration and the second is about getting to know the customers, and only in the third year, if it is lucky, does a company begin to make a profit. It therefore needs an extension from three to four years. It is in its third year and about to be cut off just as it is becoming profitable, so it would be useful if we could give it a bit of extra help.

Jeremy Quin: I am delighted that my hon. Friend saw my constituency predecessor, Lord Maude, recently. We have a number of manufacturing firms in Horsham. Does my hon. Friend agree that such firms are now getting a better service from the Foreign Office and from our ambassadors abroad to help British exports? That should be put on record and welcomed.

Geoffrey Clifton-Brown: I am sorry to say that I only partially agree with my hon. Friend. I am not going to name the embassy in question, but a representative of the company I have been describing went to one of the nearer embassies to this country and was distinctly unimpressed by the trade representatives there. He described them as spotty youths who were just out of university. He felt that we needed people in our embassies and in UKTI who have a good track record in the private sector, and that we should incentivise such people. If they have had a good record in the private sector, it is likely that they would be successful in UKTI in helping companies to export.

There are approximately 1 million small and medium-sized companies in this country. UKTI helped 48,000 companies to export last year, but I suggest to the Minister that there is still much to be done. Far too many companies still do not understand what it means to export and do not understand the advantages of exporting. The figures are well known. Once a company has exported for the first time, its productivity goes up by 7%. So not only will its profits go up—one hopes that it will do profitable export business—but its productivity will go up as well because that activity sharpens the whole operation through dealing with an extra dimension. We could do much more, in collaboration with UKTI, with UK Export Finance and with the local enterprise partnerships. We should make them all come together much more closely.

Another suggestion I have for the Minister is that Innovation UK and UKTI could get much closer together so that some of our best seed-generated companies, including high-tech companies, could be encouraged to export right at the beginning of their existence rather than waiting until they are established. They should be encouraged to think about exporting as one of the first things they do.

George Kerevan: I concur with the hon. Gentleman about the importance of UKTI. Unfortunately, in the autumn statement, the Chancellor slashed UKTI's budget. So outraged was the organisation that its chief executive resigned. Clearly, this Government are not helping UKTI to help exports.

Geoffrey Clifton-Brown: I think we all have to encourage UKTI to operate within the financial climate that exists. I have to say that I would put the money into UKTI in

order to expand exports, but I would make sure that it was operating as well as it possibly could. Another suggestion that I have for the Minister is that UKTI should be benchmarked against the best export agencies in the world to see how it is doing. We should never be complacent in this life, and benchmarking is one way of getting that information.

Despite what the company in my constituency said when we went to see Lord Maude, I think that what my hon. Friend the Member for Horsham (Jeremy Quin) has just said is right. Our ambassadors are some of the best trained in the world, and we have one of the most comprehensive networks of embassies. After all, it was the Conservatives, in this Parliament and the last one, who started opening embassies where the previous Government had closed them. We have the network, but in some places we need to sharpen up the expertise. However, we have a good foundation on which to build.

We have the British brand and the British language and we exercise our soft power through the BBC World Service and the British Council. We are very well established in many of the major markets in Brazil, Russia, India and China—the BRIC markets—and in other smaller markets where we need to concentrate our efforts. We need to concentrate on the high-growth markets, as opposed to on Europe, which has lower growth. I am delighted that our exports to China are growing in such big quantities, albeit from a very low base. UKTI is putting significant resources into China, and it is paying dividends. The visit by China's Premier, Xi Jinping, last year will only help to cement those efforts.

I do not want to make too long a speech, but I want to outline some things that we could do to help companies to export. I have some specific ideas for fiscal incentives to give to small and medium-sized businesses. We could give them fiscal help with export-related activity. That could be a better way of alerting many companies to the possibilities. Companies are very astute about ways of saving tax, and we need to find the best ways of encouraging all small and medium-sized businesses to export. It would also be helpful to inform them that finding out more about their potential export markets need not involve huge costs.

A further suggestion, which I have already mentioned, is that we should extend the TAP programme from three to four years where success has already been demonstrated. If a company cannot achieve success within three years, it is unlikely to do so, but if it has already demonstrated success, as that company in my constituency has done—[*Interruption.*] I wish that my right hon. Friend the Minister on the Front Bench would listen. Please! If the Government extended the TAP programme from three to four years where success had been demonstrated, it would be helpful.

My third suggestion is that we should buddy a successful exporting SME with one that is exporting for the first time. That would be really helpful, because there is a real fear of the unknown for a small company with only a few employees. It has to deal with the VAT, the national insurance, the marketing and the manufacturing, and that can be quite frightening for a small company. It can be quite off-putting. Buddying such a company with one that is in the same market—although not one that is directly competing—would be helpful.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): In regard to the plea that the hon. Gentleman made a few moments ago, if he cannot get his own Minister to listen to him, what hope do we have of doing so?

Geoffrey Clifton-Brown: I think I will ignore that intervention. I could have come up with something a little better myself.

My fourth suggestion is to give local enterprise partnerships a stronger exporting role. I believe that we in Gloucestershire run one of the better LEPs, but it is still not sufficiently focused on exporting. It has nine divisions, and every one of them should be utterly focused on exporting. I would also propose a much stronger connection between UKTI and Innovate UK, as I have mentioned. Innovate UK is developing the technology forward strategy and helping companies to expand their ideas. It often helps them to incubate ideas from the best universities. This is an area in which the greatest companies can grow from little acorns, and we should encourage export activity there.

I would also reinvigorate UKTI by encouraging it to employ more people from the private sector, particularly those with a record of exporting in their own company. Those people should be properly paid and incentivised; otherwise, the private sector will always continue to employ the very best people. We have made good progress in the last Parliament and in this one, but there is much more to be done. Our all-party parliamentary group on trade and investment will help the Government whenever possible by putting people in touch with UKTI and with their LEPs. As we go round the world, every Member of Parliament should be alert to the possibilities of export markets and to which companies in their constituency might be able to export to those markets. We should then put the companies in touch with those possibilities. In that way, we could all become trade and export ambassadors, which would help the exporting effort of this country considerably.

2.48 pm

Callum McCaig (Aberdeen South) (SNP): It is a pleasure to take part in the debate, and to follow the hon. Member for The Cotswolds (Geoffrey Clifton-Brown), who has made some sensible suggestions. His proposal for buddying businesses is one that all the agencies involved should take on board. I was not expecting to speak quite so early in the debate. This topic is clearly of interest to some Members, but the memo about it does not seem to have been passed to the official Opposition. Some Labour Members are here, providing an honourable exception, but it is surprising to see so few here, given the importance of these fundamental tenets of the economy not only to the economy itself but to the services that they provide the money to pay for. If we do not get the economy right, we do not have the services.

I am really pleased to take part in this debate, and I am going to focus on one area where the UK, and in particular Scotland, has strong natural and competitive advantages: energy. I thank the Minister for a positive response to my question about oil and gas. It would be more helpful if we focused on what could be done to help the situation, rather than getting into some of the politics around it. I accept fully that we are in a political environment here, but we need to reflect on what message this place is sending to the folk in Aberdeen who are

[Callum McCaig]

being laid off when we are having knockabout about the oil price—it is not helpful. Having said that, I respect, accept and am thankful for the positive comments made.

It would seem that the Government have turned over a new leaf in 2016 in their approach to oil and gas. Today, I have had positive conversations with the Energy Minister, who also gave a positive response to the questions from my hon. Friend the Member for Livingston (Hannah Bardell) about incentives for oil and gas at Energy and Climate Change questions last week. We are in an incredibly difficult position with the oil price, and jobs are being lost, but there is still a bright future. The industry is doing what it can to reduce costs—unfortunately, in many cases that will require job losses—but it is also innovating, and I will come on to discuss that. Help from the Government is, however, required in order to bridge over what we hope will be a temporary downturn. Most people expect the oil price to rise at some stage, but it is not clear when or by how much.

Aberdeen is a city of innovators—there is no doubt about that. Some of my SNP colleagues may be surprised to learn that the city in Scotland that filed most patents in 2014 was Aberdeen. It filed more than Edinburgh, whose population is twice the size of Aberdeen's, and more than Glasgow, whose population is almost three times as large. These patents were primarily in oil and gas, but they were also in life sciences, biosciences and food and drink, and so the city is thriving. It is, however, unquestionably an oil and gas and energy hub, and the job losses announced by BP yesterday, coming on the back of 150 announced by Petrofac the day before, are genuinely heartbreaking for those involved. As I have said, the industry is taking the steps it can to innovate. Innovation is one of the hallmarks of the oil and gas industry, and it was heartening to see the level of innovation and of renewed collaboration that is taking place in the industry, as it works to deal with the lower oil price.

Some of the issues the oil and gas industry faces pre-existed the oil price fall but they have been exacerbated by it. There are three sides to the coin in terms of the costs and changes in income that oil and gas companies face. The first is the oil price, and none of us can do anything about that. The second is the costs that the industry is exposed to, and it is doing what it can there. The third is taxation, and I am pleased that it would seem Ministers have an open mind on that. I plead with them to look at oil and gas taxation in the round to see what can be done to help.

The important issue of the apprenticeship levy has been raised. We wholeheartedly support the levy, provided it has the investment coming to Scotland. There have been questions asked, again by my hon. Friend the Member for Livingston, about the potential double imposition of an apprenticeship levy-type scheme on oil and gas companies, which already pay significantly into training schemes through a number of industry levies.

As part of maintaining and progressing Aberdeen's position as an innovative hub, our local authorities—Aberdeen City Council and the Aberdeenshire councils—are exploring a city deal. They are looking at significant investment in infrastructure, which is obviously an important part of this debate and a key way of securing

economic growth, and very much at how they can continue to make the best of the expertise in innovation that the city of Aberdeen is proud to host. There are proposals within the city deal to create an innovation hub around the two universities, bringing together industry and universities in a way that has already been discussed today. Measures are required to protect the north-east of Scotland and provide the bridging for the oil industry that I mentioned, and the Aberdeen city region deal is a very important part of that toolkit. I commend it again to the Government, hoping that they will look upon it favourably and act quickly.

Even in these times of difficulty, there are many ways in which innovation in the oil industry can provide a massive support to the UK economy. Enhanced oil recovery is one such way, as is looking at being one of the first movers on decommissioning. We would not want to see that happening prematurely, but if it is inevitably going to happen, we have the ability, as we have one of the more mature oil and gas basins in the world, to take our expertise and export it globally. We cannot afford to miss that opportunity.

Let me move on to exports, the north-east of Scotland and the oil and gas supply chain, which is about much more than Aberdeen, as it goes the length and breadth of the UK. That situation is good and it is getting better; Aberdeen relies much less on the North sea, in terms of supply companies based there, for its income. I wish, however, to draw the House's attention to something announced at the tail-end of last year. In principle, I support this, and I am not criticising it, but it needs to be taken in the round, with a more supportive approach being taken to oil and gas. I refer to the announcement that there would be an export credit agreement of \$500 million for a couple of UK-based companies for exports to Petrobras, the Brazilian state-owned oil major. That is good in and of itself. It helps support exports from the UK—from Aberdeen—but when we are looking at these things, we need to be careful. If we are providing exports to something like the oil and gas industry elsewhere without providing the same at home, we may inadvertently end up requiring greater imports of oil and gas in the future. We do need to get the incentives for exploration right. Again, I do not mean to criticise, but we have to have both sides there; we have to have support not only for exports, but for the domestic industry.

Aberdeen, and Scotland more widely, have huge natural advantages on green energy, and the Paris deal cements the opportunity we have in that regard. There is a sad irony here, in that the deal comes at the same time as the UK Government have taken the hatchet to a number of green energy policies, undermining the opportunity to truly embrace what will be one of the biggest global growing markets of this century. In her much-heralded “reset” speech, the Secretary of State for Energy and Climate Change said:

“At the same time, we are building new interconnectors to make it easier to import cheaper electricity from Europe.”

I support the building of interconnectors, as does my party, because an integrated European market for electricity will be a good thing, but the ambition shown there and the logic for making this move is the wrong way round. We should not be doing this to import electricity; we should be doing it to export the green electricity that can be produced from the wind and the waves—the sea

and the tides—in Scotland. That is what we should be doing. That is the opportunity interconnectors provide; the opportunity is not about importing cheap electricity, but about building an industry that we can be proud of, in order to develop the skills that we need.

The renewables sector is an important part of rebalancing the economy, in geographical terms as much as anything else. The criticism often made of renewables, particularly of onshore wind, is that they do not provide that many jobs. The reality is that onshore wind does provide a lot of jobs, doing so in places where without the wind industry it is likely that there would be no jobs at all. We cannot overstate the importance of a small number of highly paid jobs in an area where they did not exist.

Sammy Wilson: Does the hon. Gentleman also accept that many of the studies in Scotland have shown that the onshore wind industry and the way that it despoils the landscape have taken away many tourist jobs?

Callum McCaig: I have heard that asserted year in, year out, but, as far as I understand it, the tourist sector in Scotland is doing very well. It continues to do well and it is a major sector of growth in the Scottish economy, so I do not quite understand those assertions. I have read that there is anecdotal evidence—it is no more than that—of somebody saying, “I came to Scotland. I drove up the A9 and didn’t like the wind turbines, so I am never coming back.” Well, somebody else is there to take their place, and there always will be, as Scotland offers world-class tourism that is not in any way “despoiled”—in the words of the hon. Gentleman—by wind turbines.

It is not overly negative to say that genuine critiques can be made. On green energy policy, for example, various things have been done, but the most damaging to the United Kingdom’s reputation and to the financial and investor confidence that is required to secure investment in the UK was the decision at the 11th hour—actually it was even later than that—to pull the plug on carbon capture and storage. Two projects—Peterhead and White Rose in Yorkshire—took part in a CCS competition. Big companies invested significant time and resources on the basis of the supposed good word of the United Kingdom Government. Before they had even had the opportunity to submit their bids, the plug was pulled and the damage was done. We cannot underestimate the impact that that and all the other incremental attacks on green energy policy have had. We are missing a major trick here. As I have said, this is a huge opportunity to grow our economy and our skill base and to do it in differing parts of the United Kingdom. To send out such damaging messages really brings into question the commitment of the UK Government not just to green energy, all the talk at Paris and the global climate change deal, but to the economy and investment more widely.

Finally, let me touch on the Green Investment Bank, which was mentioned by my hon. Friend the Member for Dundee East (Stewart Hosie). It was supported by this party and also by the entire Chamber when it was debated—clearly, that was before I was elected to this place. The bank is a shining example of how we should address market failure. It is how we can ensure that investment is directed to the right areas, and that support is given to nascent industries to help them get off the

ground. We have repeatedly criticised what is proposed. Again I say that we will oppose the privatisation of the Green Investment Bank if we do not get cast-iron assurances that its green remit will be protected.

After Paris, the rules of the game have changed, and the UK and Scotland have a chance to seize the benefits. Scotland is ready, but I fear that, as part of Tory Britain, we are being left behind.

3.3 pm

Amanda Milling (Cannock Chase) (Con): I am grateful for the opportunity to speak in this afternoon’s debate.

I agree with the Minister for Small Business, Industry and Enterprise and my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown): Opposition Members have painted a pretty gloomy picture this afternoon.

The UK economy has improved significantly since Labour’s great recession, and is now, thanks to rising employment, growing faster than that of any other G7 nation. I hope that all Members welcome that rise in employment. Economic growth is not, however, the result of improved productivity. As my right hon. Friend the Minister said, we are looking at addressing productivity not only because it has been a long-term problem affecting our economy and one that successive Governments have failed to tackle, but because our productivity has consistently lagged behind that of other major economies.

I challenge the motion before us today, as I believe that the Government have rightly recognised the productivity gap, publishing the productivity plan last summer. There is recognition that addressing that gap will be key to ensuring a sustainable recovery and a long-term successful economy, delivering our long-term economic plan for Britain. We must recognise though that that will not happen overnight.

The productivity plan outlines 15 key areas that need to be addressed and are based on two pillars—encouraging long-term investment and promoting a dynamic economy. It includes measures to promote and encourage trade and exports, on which I wish to focus my remarks this afternoon.

The “Exporting is GREAT” campaign will, I hope, inspire and support thousands of new businesses to export. Firms that export are more productive, more innovative and less likely to go out of business. It is for that reason that I shall jointly host an export event in Cannock next week with UK Trade & Investment and Chase chamber of commerce. This will be an opportunity for local small and medium-sized businesses to understand what global opportunities exist; the benefits of exporting; and what practical help is available.

The export experiences of ATP Group are an excellent example of the power and opportunities available in the export market. I invite my right hon. Friend the Minister of State to visit ATP with me. Based in Cannock Wood, it is Europe’s largest independent re-manufacturer of automatic transmissions and vehicle electronics. Essentially, it rebuilds car parts—for instance, gearboxes—to the specifications of the original product, using re-claimed, re-engineered and new parts. Its clients include Ford, Land Rover, and Volvo, to name but a few. Exports make up two thirds of its business, and it is exporting to around 35 countries. During the past year alone its international trade has increased by more than 57%.

[Amanda Milling]

ATP has shown that one of the best ways to address productivity and increase exports is by investing in skills development, new technology, and research and development to support specific customer requirements.

Anna Soubry: I would be absolutely delighted to visit ATP. It sounds like an excellent success story, with many lessons to teach other companies, so, yes, I gladly accept the invitation.

Amanda Milling: I am thrilled that my right hon. Friend will join me in visiting ATP. I know that the company will be incredibly pleased. I shall send it a message this afternoon.

The Government have set out an ambition plan to narrow the trade deficit, and are taking the issue of exports very seriously, with an ambitious £1 trillion export target to be met by 2020, and the aim of seeing 100,000 more companies exporting their goods and services.

George Kerevan: I take what the hon. Lady says about ATP in her constituency, but the UK is clearly a net importer of automotive products. Our largest engineering industry is a net importer from Europe. The plan has not worked.

Amanda Milling: The point I was trying to make is that we want to increase exports. I will highlight a few points relating to that.

The productivity plan outlines several measures that will help to meet that target, including building stronger links with emerging markets, especially China, India and Brazil. The plan also sets out a range of funds and initiatives designed to promote and encourage exporting. Let me echo the point that my hon. Friend the Member for The Cotswolds made about extending the tradeshow access programme.

Based on ATP's experience of exporting, I want to raise a number of other issues and challenges faced by exporters that I would like the Minister to consider. They fall into three key categories—uncertainty, red tape and competitiveness—each of which presents real obstacles and barriers to exporting.

Uncertainty comes about partly because of currency markets, but the particular issue I want to focus on is that of Her Majesty's Revenue and Customs impounding shipments for random checks. That can make it really difficult, both from an importing and exporting perspective, when a "just in time" ordering mentality is commonplace. Are there ways in which we can balance the understandable need to monitor shipments and at the same time provide more certainty to firms that are importing and exporting?

Businesses, both in the UK and abroad, regularly refer to the issue of red tape. I welcome the Government's commitment to cut £10 billion of red tape, to back British business and put resources to more productive use. Customs warehousing is a facility for importers to delay duty and import VAT payments until the goods leave the customs warehousing facility or enter another customs procedure. According to ATP, it is an excellent service for importing parts, but the red tape associated with it is cumbersome. As such, ATP no longer uses the facility, as the amount of paperwork outweighs the benefits. That means that an excellent facility is

underutilised. Will the Minister therefore review the facility and consider ways in which the paperwork could be reduced and simplified so that it can be used by SMEs, which have less capacity to deal with red tape than larger organisations?

The Minister for Universities and Science (Joseph Johnson): My hon. Friend makes an important point about bureaucracy at our borders and the role of border control. I reassure her that the Government are reviewing that with their one government at the border programme. At present, 92% of consignments at customs are cleared within five seconds, but her constituents are clearly encountering difficulties. I will talk on her behalf to the Minister for Trade and Investment and look into the specific problems she faces.

Amanda Milling: I am grateful for the Minister's update on the review and look forward to receiving more information over time. I will also feed back his comments to ATP, which is not using the facility at the moment but might want to start using it again.

On competitiveness, the costs and risks of exporting can be off-putting. If we are really serious about encouraging exports, surely we should be considering ways to incentivise businesses to do so, potentially through tax breaks. One tax that can be a burden to exporters is air passenger duty, which, in reality, is a tax on exports. ATP, for instance, spends thousands of pounds a year on air taxes alone. Every time it signs deals, it has to travel abroad and the costs over a year are significant.

We have to realise that ATP, like many businesses, is competing in a global market. Therefore, onerous air passenger duty makes it less competitive on contract delivery compared with other companies bidding for the same contract. With some companies actively trying to avoid the tax by booking tickets abroad, the Treasury is already missing out.

Given that APD is going to be a devolved matter and the Scottish Government have announced that they will cut it by 50%, with a view to abolishing it altogether, the need for us to consider our position is probably more urgent than ever. Will the Minister consider ways in which we could provide tax breaks on air passenger duty for those who are exporting? I appreciate that, at face value, that will cut tax revenues, but I believe that that will be overcome by the economic gains of more of our businesses exporting their goods and services.

In conclusion, given the need to address the productivity gap, and given the role that exporters play in closing it, it is important that we do everything we can to encourage businesses to consider exporting. That is why I would like the Government to consider ways in which we can address the three overriding obstacles of uncertainty, red tape and competitiveness.

I do not support the motion, because it does not reflect the current picture and the Government's commitment to productivity and exporting.

3.14 pm

Mr Iain Wright (Hartlepool) (Lab): It is an honour and a privilege to follow the hon. Member for Cannock Chase (Amanda Milling), who is a valued fellow member of the Business, Innovation and Skills Committee and provides real insight and personal wisdom to our inquiries.

Unlike the hon. Lady, though, I do support the motion, because, to be frank, I agree with every single word of it. It gets to the heart of the worrying structural imbalances in our economy, including our reliance on consumer spending based on debt, at the expense of investment; our reliance on domestic consumption, at the expense of potential and growing international markets; the priority given to short-term value extraction, at the expense of long-term value creation; and our reliance on the service economy, at the expense of manufacturing, which can inject real innovation and productivity gains across the country, thereby raising living standards for all of us and all of our constituents.

In addition to the points raised by the Opposition motion, I would also like to mention the geographical imbalance in our economy. As a north-eastern MP, I am here in London for half the week and back in God's own country for the remainder of it. The economies of London and the south-east are overheating, which is in turn putting pressure on infrastructure and housing supply in the capital, at the expense of sustainable economic growth elsewhere in the United Kingdom.

I welcome the motion's focus on productivity. The BIS Committee's first inquiry of this Parliament was on the Government's productivity plan and we shall produce our report, I hope, shortly. I also welcome the motion's reference to the change of research funding from grants to loans. As has been said, that is of deep concern because it could undermine our country's competitiveness. Capital is global, and firms will see where they will get the best return. They could leverage in public sector investment as a result of their own private sector investment. This country could lose out on foreign direct investment. It is incredibly important that when we attract foreign direct investment into this country—to be frank, this and previous Governments have been very successful at that—we make sure that we remain at the cutting edge of doing so. The measure puts that at considerable risk.

Jeremy Quin: The hon. Gentleman will recognise that that is all part of a package, as is 20% corporation tax, which will be reduced further. I am sure he welcomes that.

Mr Wright: A good, competitive tax rate is vital. Global firms consider a dashboard of different metrics—including tax rates, regulation, flexibility in labour laws and capital allowances—in a holistic manner in order to decide where they are going to put their capital investment, the returns on which they might not get back for 10, 20 or 30 years. It is important not only that we have stability, but that we make sure that, if a particular firm is putting in investment, we address what the Government are doing. Other countries recognise that and ensure that there is a partnership, but I am worried that we do not have that.

Neil Carmichael (Stroud) (Con) rose—

Mr Wright: I will give way to a fellow Select Committee Chairman.

Neil Carmichael: It is an honour to participate in this debate. The hon. Gentleman's Select Committee and mine are doing a joint inquiry on productivity and it will focus on skills. Does he agree that, given the fact that more than 50% of foreign direct investment comes

via the European Union, there is a really strong case to remain in the EU to encourage even more FDI in the future?

Mr Wright: That is incredibly important. Firms make investment decisions not just because of the UK domestic market, but because they see the UK as a springboard into the largest consumer marketplace—500 million consumers—on earth. Japanese firms such as Nissan and Hitachi are not just here for the domestic market; they are here because we are a springboard into the whole European market. We risk that at our peril.

Trade performance is a good barometer of economic health at both the macro and micro levels. At a macro level, a buoyant trade performance contributes to economic growth and helps to provide a surplus on the country's current account. As the hon. Member for Dundee East (Stewart Hosie) mentioned, the motion cites a "trade deficit in goods of £123 billion in 2014".

However, in that year, the current account deficit widened to 5.1% of national income, which was its largest in post-war history. For much of the past 30 or 40 years, the trade deficit has been offset by investment income from overseas. However, and most ominously, net primary income derived from assets abroad has fallen from 3.3% of GDP to 0.1% in 2014. The Minister should outline the Government's view about that because they have been quiet about this crucial economic issue.

At a micro level, exporting is positive, especially for firms, and it is good for the wider economy and society, too. Evidence suggests that an exporting business tends to be successful, sustainable and socially aware. Such a company tends to employ more workers and to offer better wages than an equivalent non-exporting company. Companies that export have been shown to be more productive and to invest more in research and development. There is a strong link between exporting and innovation. More often than not, a business with a desire to export overseas has the discipline, ambition and entrepreneurial flourish to develop new products and services that will better serve new export markets. Such companies will be sensitive and responsive to customer wishes, which is always the hallmark of a successful business. There can be a virtuous circle for exporting businesses whereby they become exposed to new demands, fresh ideas and increased competition, which in turn makes them more productive and outward looking, and better disposed towards thinking about new products and improved profitability.

On average, according to the British Chambers of Commerce, businesses that export grow 20% more than those that do not. We need to encourage such activity much more because far too few excellent British firms providing great goods and services that could be offered throughout the world export. Only one in five British firms do so, whereas the average figure for the EU is one in four.

The motion refers to the UK's "poor export performance", but with the greatest respect to the Scottish National party, I would go further. I think that our trade performance over the past 30 years or so has been dire and woeful. It has declined markedly over that period with no genuine prospect of improvement. The UK accounted for one in 10 of the world's exports in 1950, but now the figure is less than 3%. Of course, with the development of emerging economies, it was inevitable

[Mr Iain Wright]

that there would be a relative decline in the market share of UK goods and services, but not at the rate that we have unfortunately experienced. Given the forecast that world trade will expand by \$250 trillion by 2050, there should be a co-ordinated effort—in the House, across the country and in government—to ensure that we capture as much as possible of the growth in the world economy for British firms.

David Rutley: The hon. Gentleman is making important points in his impassioned speech. He is right that there is a challenge for more business to step up to the plate and move into exporting, but does he agree that the situation shows that we need a real cultural change involving not only the Government, but businesses examining what they have done in previous years and moving further forward?

Mr Wright: The hon. Gentleman has a fantastic track record of talking about trade and investment, and how we ensure that we boost our sales of exports throughout the world. I will deal with his important point about what we can do in a moment.

In November 2015, the UK's trade gap was £3.2 billion, while the trade deficit in goods was £10.6 billion. In 2014, UK goods exports fell by 4.1%, which represented the lowest growth rate since the recession in 2009. We were the only G7 economy to experience a negative growth in exports, although it is not all doom and gloom because the north-east still has the only consistent trade surplus in goods. However, as the hon. Member for Dundee East said, there is precious little evidence of a “march of the makers” with modern manufacturing at the heart of a rebalanced economy and providing export-led growth. That is reinforced by yesterday's Office for National Statistics publication showing that the UK manufacturing sector is now back in recession. I fear that we are sleepwalking back to the long-standing British model, which has been prevalent over the past 40 years or so, of debt-fuelled customer consumption based on an assumption of ever-rising house prices. That did not work in the past—it never has—and it cannot be a model for sustainable and competitive economic growth.

As we have heard several times during the debate, the Government have set a target of £1 trillion of exports by 2020. I genuinely want them to achieve that because it would be good for firms and the country, and would bring about economic growth and broadening prosperity for everyone. However, it is now more or less a given that the Government will fall spectacularly short of their target. Few expect it to be achieved, including the Secretary of State when he gave evidence to the Select Committee. The Office for Budget Responsibility's “Economic and fiscal outlook” that was published at the same time as the autumn statement forecast the cash value of exports in 2020 to be £647 billion, which is 23% lower than its March 2012 forecast and 35% lower than the Government's ambition. It is not acceptable for the House, the Government or the country simply to shrug our shoulders and say, “Do you know what? It was a tough target and it's unachievable, but at least we had a go.” We must be more ambitious than that, but the evidence suggests that the Government have not even had a go. A strong export performance

matters, which was why the BIS Committee launched an inquiry into exports and the role of UK Trade & Investment.

I think that I speak for all members of the Committee, several of whom are in the Chamber, when I say that we all want the £1 trillion target to be achieved, but given the enormous shortfall that is forecast, we need a vigorous focus on changing course and embarking on policies that will bring about an improved performance, yet I have not seen the Government demonstrating that there will be such a step change. Will the Minister outline what is being done differently to ensure that we get as close to the £1 trillion target as possible? What active steps are the Government taking to ensure that 100,000 more companies are exporting by 2020?

To respond to the intervention made by the hon. Member for Macclesfield (David Rutley), while the Government do not control this, they can put in place a framework and facilitate the environment. We need to think about what firms are doing. They might have a good domestic market in which they feel comfortable, but how do we ensure that they can put their toe in the water of exports? Businesses will be concerned about whether they know the regulations and laws of a particular country and if they will get paid, so they might think that exporting is too much hassle and that they will stick to the domestic market. However, we need to encourage them to export, and that brings me on to the role of UKTI.

Sammy Wilson: The hon. Gentleman accepts that the target is challenging, but if the Government know, given the OBR forecast, that it might well be missed by 35%, we have early-warning signs four years in advance showing that something needs to be done, so action should be taken.

Mr Wright: The hon. Gentleman is right. Given that we will fall spectacularly short of the target, how will the Government revise their policy on trade and exports to ensure that we do not miss it by 35%, but get as close to £1 trillion as possible? Is UKTI sufficiently proactive about working with British firms to identify and navigate foreign markets? It has been affected by turbulence, with cuts in funding and disruption at the top of its management. Do the Government think that it is fit for purpose?

Anna Soubry: To answer that directly, I think there is much reform that can be achieved. Does the hon. Gentleman agree that the hon. Member for East Lothian (George Kerevan) was wrong when he said that the former CEO of UKTI had resigned because of the budget cuts, and that Mr Jermy moved to the Foreign and Commonwealth Office to take up a new appointment as the international counter-extremism co-ordinator? Does the hon. Gentleman agree that the new head of UKTI was appointed before there was any change in the funding? Will he confirm that the amount that UKTI received from BIS in 2014-15 was £264.1 million and for 2015-16 is £338 million?

Mr Wright: It is important that the right hon. Lady clarifies the reasons for the personnel changes.

The hon. Member for The Cotswolds (Geoffrey Clifton-Brown), who is no longer in the Chamber, spoke about benchmarking UKTI against other comparable trade

organisations around the world to see whether we are getting value for money for the taxpayer and whether sufficient money is being provided. The Select Committee's inquiry can look at that.

This is not an academic exercise. In the past a trade deficit was so significant that it could bring down a Government. I am far too young to remember the 1970 election. I was not born then, but I have read about it in history. Some of those present may have been in the Chamber talking about it. That is an example of how important trade performance used to be. In the modern age, and in news reporting for the 21st century, it seems to have lost that impact. We should return to highlighting the importance of trade deficits for the general prosperity of this country. Poor performance in overseas markets acts as a drag on competitiveness, productivity and rising living standards for all. The Government should focus more attention on that and demonstrate how they will change track to achieve their targets. The whole House would be behind the Government if the Minister could demonstrate that tonight.

3.30 pm

Richard Fuller (Bedford) (Con): It is always a great pleasure to follow the Chair of the Select Committee on which I am proud to serve, the hon. Member for Hartlepool (Mr Wright), who gave an interesting speech with a fair balance of criticism and positive views. It was in contrast to the speech from the Opposition Front-Bench spokesman, the hon. Member for Sefton Central (Bill Esterson), which in both content and delivery reminded me of the Brezhnev era with its catalogue of unremitting misery. I shall spare the blushes of the Chair of the Business, Innovation and Skills Committee and just say that unremitting misery is clearly what one gets with socialism, which is why this country has decisively and continuously rejected it.

I shall add to the positive views we have heard by making some comments of my own. I do this with some humility. We are debating some extremely important matters. The Chair of the Select Committee must be embarrassed that he has only two Labour colleagues in the Chamber, including the Whip, who is supposed to get people into the Chamber to take part in debates. Let us hope that as the debate progresses, we see a little more commitment from the Labour party to the entrepreneurs, the small businesses and the wealth creators in our country.

As the hon. Member for Dundee East (Stewart Hosie) rightly pointed out when opening the debate, we have to understand Government policy and the matters we are debating today in the context of long-standing issues. We should recognise that in the global economy we are going through a period of substantial overcapacity in production and the transition of some major economies from a production to a consumption sector. That will have an impact on the ability of companies everywhere in the world to export. We have reached a point where—we may disagree on this—the British Government and the British economy have to start living within our means, which has been summed up by the Chancellor as seeking stability and security.

On trade, innovation and productivity, entrepreneurs and business people think about that every day. Low down their list of possible solutions to the issues facing them will be the words, "I had better go and ask my

Member of Parliament." The innovations that we make and the trade and exports that we do will be done by those individuals. I am a strong believer in free market capitalism and in entrepreneurship, and I want a Government and a Business Secretary who believe in that. One of the benefits of the election was a change in the leadership of the Department for Business, Innovation and Skills to someone who understands the motivations of the person who does not talk in billions and perhaps does not talk in millions, but is taking the first step and the first risk by investing their own money to start their business. Whether they are in Scotland, Bedford or other parts of the world, that is extremely important.

A number of hon. Members have talked about the persistent current account imbalance in the UK. We should bear in mind two things about that. First, if the issue has been there for so long and we have not all fallen apart, something about it must be hidden or going okay. Secondly—lies, damned lies and statistics—we must remember that trade statistics do not include value added. One of the important changes in global trade over the past 30 years has been a shift in the value added in various sectors. The statistics on that may paint a different picture.

Stewart Hosie: The hon. Gentleman is making a thoughtful speech, as ever, and much of what he says is interesting and potentially accurate. However, I am sure that even he would agree that it is worrying when the contribution to GDP growth from exports is continually marked down in forecast after forecast. While there may well be good, hidden things, the general trend is working against growth in the economy.

Richard Fuller: I was just about to agree entirely with what the hon. Gentleman was saying because I thought he was talking about forecasting accuracy—a topic on which, of course, the SNP has a very good track record. The issue of marking down does point to the frailty of setting targets. It is a fair criticism of all Governments that they find it very easy to set targets and then very difficult to meet some of them.

Let me talk about what the Government are doing. First, a number of hon. Members have referred to the very broad nature of the Government's productivity plan. I see that plan as being more about how we implement things than the variety of outcomes they will have in terms of the overall impact on productivity.

Secondly, the Government's policy on the living wage will provide a substantial increase in productivity, specifically labour productivity. The living wage is, in essence, a 38% pay increase for the lowest-paid workers in our country. I am sure that the Government and the OBR have factored into their statistics the implications for comparability with other pay rates within the economy. A Conservative Government pushing to increase the wages of some of our hardest-working but lowest-paid workers will have, in a market economy, a positive impact on improving labour productivity.

Hannah Bardell (Livingston) (SNP): It is important to clarify that, as has been discussed previously in this House, the increase in the national minimum wage by the UK Government is not the same as the living wage that has been set by a number of independent bodies. Conservative Members must recognise that.

Richard Fuller: The hon. Lady is of course factually correct, but unfortunately that is like having a beautiful sunny day where someone consistently wants to put a cloud on the chart. This is a major and very significant change in the British economy. We should all be looking to the businesses that now have to pay the increase in wages to ensure that they are able to do so without it leading to unemployment. If we could co-ordinate our efforts around that, then, as she rightly says, we can think about the other level that we should move to. Let us join together, support what the Government have done, make sure that our businesses can deal with it, and then look to the next stage. I think there is common agreement across this House that the disparities have gone too far and now we are doing something about it.

The squeeze in the public sector is identifying new ways to improve productivity. We do not talk enough about that positive impact on the economy. Personally, I would be happy if the Secretary of State had accepted a larger reduction in the Department's budget in doing his bit to get the deficit down, but I do understand that perhaps he is holding something back for later. Another positive on productivity is that the Government are focusing on the sharing economy, which our Committee is also considering.

On innovation, I am very pleased that the Minister said she would talk to the Treasury about looking at new ways in which tax policy can support equity investment in private companies, particularly involving individual savings accounts, as proposed in the excellent "High Growth Small Business" report launched by the hon. Member for Hartlepool.

May I tell the Department that I took to the previous Secretary of State the idea of a Bedford business fund? The idea is that people who care about a community—in this case, my constituency of Bedford—could put money into a fund to support the growth of businesses there. We do not have the advantages of Milton Keynes, Cambridge or Northampton, which have large businesses or science parks; we have to grow our own small businesses to create prosperity in our community. The idea of having a business fund in which people can invest tax-efficiently to grow businesses in their community could not just be followed in Bedford, but replicated across the country. I ask the Business Secretary to look at that again.

Building on the success of the Bedford business fund and having, happily, been re-elected in May, I am taking forward the idea of a Bedford community business school. In conjunction with Bedford College, there will be a series of courses over four weeks. Anyone in the community who is interested in starting a business can learn about public relations and marketing, and about accountancy and getting finance from business. Again, community business schools are a good idea that could be replicated across the country.

I want to make some points about the Department. I have already spoken about the potential for further reductions in its budget. I know that the Minister is a little more fond than I am of spending taxpayers' money, but she is a true Tory and will look for efficiencies wherever she can. One thing we hear constantly from business is: "The Government do a lot of stuff, but where do I start." Decluttering and providing some focus for what the Department does would be helpful.

May I make one specific suggestion? I understand that with the Treasury, through Her Majesty's Revenue and Customs, people will be able to log on and see their own tax accounts. Why is it not possible with the Department for Business, Innovation and Skills for a company, with a company tax identification number, to be able to log on to a website and see in one place all possible ideas that are suitable for the business, tailored to the specific interests of the company? Through the tax identification number, the Department will know whether it is a large or a small company and what sector it works in. With today's technology, the Department should therefore be able to provide, up front and quickly, the Government measures that are available to support them. On deregulation, the issue for many companies is not how much money is saved, but how much time is saved.

Anna Soubry: I find it amusing that my hon. Friend is now encouraging me to spend taxpayers' money on such a service. It sounds like a great idea, but does he agree that the private sector could do it even better, particularly for small businesses? In effect, the website would be a one-stop shop where they could access all the various forms of support available to them. We do not need to use taxpayers' money to achieve that.

Richard Fuller: The Minister is somewhat ingenious in suggesting that I want taxpayers' money to be spent on such a website. The issue is not about the money, but about the access to the Department's information, which is of course privileged information within the Government. If the Minister is today committing herself to force the Department to deal with private sector companies wishing to create such an access portal and giving them free rein to do so, I am sure private capital will flood in. However, that will require a commitment and it will require access, which is her decision, not mine.

Anna Soubry: I will think about the idea, because it has many attractions, although there may be data protection considerations. Why do we not agree to meet to have such a discussion and see what we can achieve?

Richard Fuller: I am looking forward to the Minister coming back to the House with a recommendation, and I will of course be happy to meet her when she has that recommendation. *[Interruption.]* People may say that is unfair, but the truth is that this is a very positive initiative. The one thing we know about the Minister is that when she sees a problem to be tackled, she goes for it, and heaven help anyone who stands in her way. I am highlighting the fact that this is an opportunity for her. She is the right person to go for it, and I will of course encourage and support her all the way.

The most important thing highlighted by the motion—unfortunately, I do not support it—is that SNP Members are bringing forward ideas on some of the most important issues affecting the wellbeing of our country. Even though Members of Parliament may be low on the list of people entrepreneurs want to call to get answers, SNP Members, as well as others who have spoken, have done a service to the House and I commend them for it.

3.44 pm

George Kerevan (East Lothian) (SNP): The last six years have seen an amazing deterioration in Britain's external trading position. The purpose of this debate is

simply to get on the record how bad it is and to encourage the Government to do something about it.

The Government's default position is to say, "Well, there's been a global recession" and, "Our biggest trading partner is in the EU so we were bound to lose some traction in the markets." The point is that in the six years since the Government came to power, world exports have increased by 30%. The world market for sales has grown extensively. If we have lost market traction in that situation, what will we do if the global economy starts to contract overall?

Normally, when there is a recession in domestic demand, a country's industry is forced to export. Strangely enough, therefore, the core eurozone countries that suffered the worst from the euro crisis have done well in exporting. They had nowhere else to go, so they had to export. Spain and Italy have doubled their exports since 2010. Ireland, which had a catastrophic fiscal implosion, is selling more in exports than ever before in its history.

The point that we are trying to make to the Government is that their insouciance and their pretence that everything is all right in the international sector belies the fact that in the six-year period when they should have been concentrating on turning around British exports, increasing them and grabbing a bigger market share, they have failed totally. They keep putting it off. They keep thinking, "Well, we'll have another paper plan and it will get better."

If we look at the numbers, which have been repeated in a number of speeches, in 2014—the last year for which we have the full figures—the UK current account deficit came to 5.1% of GDP. The hon. Member for Bedford (Richard Fuller) asked whether that mattered, but if a country runs a current account deficit, it has to fill it somehow. It has to either borrow foreign currency from other countries or sell its assets into the ownership of other countries. It is no surprise, therefore, that large chunks of British industry and the British property market are owned abroad. The Government's obsession with trying to cure their own fiscal deficit has only resulted in the deficit being transferred to somebody else.

Everybody knows that when a country's current account deficit hits something like 5% or more of its GDP, the warning signs flash up in marketplaces all over the world. It is unsustainable. If a country runs that for two, three or four years, a quarter of its GDP will be in hock. We cannot continue to do that. In normal circumstances, the UK has typically run a current account deficit, but at a tiny fraction of its GDP. In 2014, the UK's current account deficit had the worst performance in peacetime. That is the problem that the Government simply refuse to recognise.

Far from our economy being rebalanced towards manufacturing in order to export more, the numbers on that are just as bad. Let us take the total production data for the UK and strip out the most important components. UK manufacturing output is now less in value than it was in 2000. During the last 16 years, Germany has managed to increase its manufacturing output by that definition by 22%. It would be reasonable to say that we are almost back to a second wave of deindustrialisation. A lot of that has happened since 2010, although it goes back a little further. In fact, UK manufacturing output is barely ahead of where it was in 1990, so we have had a generation of marking time.

Over the last six years there was no national emergency and something could have been done, but the Chancellor did not focus on rebalancing the economy as he said he would. In 2012, he belatedly came up with a target—he is good at making targets—to double exports by the end of the decade. That was a ridiculous promise then, as it is now. If Government Members would just say, "Okay, let's lay that target aside and concentrate on the practical nuts and bolts of expanding our exports", we might move forward, but as long as the Chancellor comes up with these fancy proposals and does not deliver, Opposition Members can reasonably say, "You are not serious."

Jeremy Quin: What nuts and bolts does the hon. Gentleman think are missing from the Government's package at the moment? He is long on rhetoric about the shape of our export performance—I can understand that—but the Government have done a huge amount to support those exporters, and we have been languishing in the depths of a European-wide recession.

George Kerevan: I take the hon. Gentleman's general point. I do not gainsay a number of the micro-decisions that the Government have taken, but we are not seeing the wood for the trees. Let us understand why we cannot get more investment into the manufacturing industry, and why the whole tenor of the economy is anti-export. It goes to the heart of how the Chancellor has conceived his job. He tells us that we have growth, but where has that growth come from in the past six years? It has come from pumping up domestic consumption, not from investment or selling abroad. Where does that extra consumption come from? Does it come from wages? There has been some wage growth in the past few years, but in the most recent statistics, pay growth has slumped to its lowest rate in two years. The growth is coming not from pay but from borrowing.

Let us consider the latest consumer borrowing figures. We do not have to go back a long way—let's look at what is happening now. Consumer borrowing on credit cards and overdrafts is expanding at its fastest rate since the financial crisis. Unsecured consumer credit was up by 8.3% in November—consumers borrowed an extra £1.5 billion of unsecured credit in November alone in the run-up to Christmas. While we are facing a potential rise in interest rates, we have merely returned to unsustainable consumer debt in order to carry growth forward into 2016. Yes, there has been growth, but it has come from borrowing. All that the Government have done is to transfer a fiscal deficit from the public sector to private individuals who are even less able to bear it.

David Rutley: I understand the point that the hon. Gentleman is trying to make, but it is too strong to say that Government policy is anti-export. That is not the case. The Government have been trying to navigate their way through a difficult economic situation, as I am sure the hon. Member for Dundee East (Stewart Hosie) would agree. Being anti-export is not the intention, and the hon. Gentleman is overstating his case.

George Kerevan: I am glad that we have moved on from me being wrong to me merely overstating the case—we are making progress. I repeat: in the depth of a crisis such as this, we will move on from unsustainable debt by moving towards export-led growth. That is what some of the countries that suffered worst in the recession and from the crisis with the euro have done.

[George Kerevan]

We have not even begun to do that, and if we do only one thing today and persuade Government Members that that is the case, we might have made progress.

Kwasi Kwarteng: The hon. Gentleman makes some interesting points. Does he recognise that those countries have had far more severe fiscal consolidations that we have had in Britain?

George Kerevan: I do—that was my point. However, Italy, Spain and Ireland have still managed to double their exports, which is the one thing that the Chancellor said he wanted to do but has not yet even begun.

Why has the Chancellor not been able to rebalance the economy? What has gone wrong? In truth, although previous Chancellors began this, under this Chancellor Britain has a taxation system that favours investment in physical property, rather than long-term investment in manufacturing. It has continued to have a banking and financial system that prioritises gambling—to use an extreme word—money, and foreign exchange markets, rather than supporting manufacturing and innovation.

Let me give Members an example that goes to the heart of the matter. Britain's premier engineering company is Rolls-Royce, a company we would need to rely on as our flagship if we were to rebalance the economy towards manufacturing and exports. Let us look at the tragic history of Rolls-Royce in the past two years. Just over a year ago, Rolls-Royce sold off its gas turbine business to Siemens for £1 billion. Gas turbines, by the way, are the third largest export sector in UK manufacturing. What did Rolls-Royce do with the £1 billion? Did it invest it in a new wave of innovation? Did it invest it in new technology? Did it do more research? No. The nature of the fiscal taxation system, reinforced by cuts to corporation tax, meant it was easier for Rolls-Royce management to use that £1 billion to buy back its shares.

I am not in favour of raising corporation tax—I think fiscal incentives are good for industry—but the Chancellor continued to cut corporation tax when he knew that most of the money from many companies would actually go on share buy-backs. Rolls-Royce, by dint of buying back its own shares, pushed its share price to something like £10 in the early part of last year. Where is the share price now? It is half that. Our premier engineering company is now in a disastrous commercial state. In fact, the halving of the share price means that the shareholder value of the £1 billion it received from selling off its key turbine business to Siemens has been wiped out.

Meanwhile, the market has caught up with Rolls-Royce. Its key sales of engines for large, wide-bodied jets have started to dry up. The market has moved on to new jet engines for narrower-bodied jets. The Americans are cleaning up because they had the product ready to go into that market. Rolls-Royce is now in serious trouble. In fact, there is now talk in the City of it being taken over.

Anna Soubry: Does the hon. Gentleman agree it is very important that in this House we do not talk down one of the most outstanding British success stories? Given that he has already given the House incorrect

information about the moving on of the head of UK Trade & Investment, will he please agree that it is very important that the information he continues to put on the record is accurate? It has not been so far. Will he agree to withdraw his comments about Dominic Jerney and his moving on to the Foreign and Commonwealth Office?

George Kerevan: I will continue with what I was saying. I am not talking down anyone. I am trying to get the Government to admit there is something seriously wrong.

Anna Soubry: Will the hon. Gentleman give way?

George Kerevan: No, I will continue.

Anna Soubry: On a point of order, Madam Deputy Speaker. Is it not important for all Members, when they make a mistake, to correct that mistake so the record can show when they have given an inaccurate account to this House, especially about someone who does not have the ability to speak in this place? If somebody else gives a contrary view based on sound information, is it not beholden on the Member to accept it? We all make mistakes. An hon. Member who has made a mistake should just accept it.

Madam Deputy Speaker (Natascha Engel): I think the right hon. Lady knows it is entirely up to the hon. Member who made the statement whether he wishes to withdraw it or correct the record. She has herself now twice corrected the record, so we shall move on.

George Kerevan: Thank you, Madam Deputy Speaker. I am always willing to bow to the Chair. If ever I am found to have made erroneous remarks in this Chamber, I will always withdraw them. We can come back to that.

The Minister intervened because she wishes to continue to say that those of us who raise serious points about our poor economic performance are talking down British industry. Far from it. I am passionate about British industry. I want industry to grow. It is the fact that the Government are not doing their job that is the problem. I have a profound respect for Rolls-Royce, its history and what it has contributed to this country. During world war two, Rolls-Royce's main aero engineering factory was in Glasgow. The engines that powered the Spitfires that saved western Europe and democracy in 1940 were produced in Glasgow by Rolls-Royce. I am second to none in my admiration for the company and its engineering history, but I am worried that we are now talking about it being taken over by American aerospace companies because of the situation it is in. I am now worried that the Government may have to consider taking over parts of Rolls-Royce—this has been a matter of press comment in recent weeks—in particular its nuclear engineering division. If anything went wrong and, God forbid, Rolls-Royce were taken over by a foreign company, the Government would be talking about nationalising bits of the company. That is quite a serious pass to have come to.

Stephen Kinnock (Aberavon) (Lab): The hon. Gentleman is making an interesting and important point about foreign takeovers, particularly hostile takeovers. One of the important ones recently was Pfizer's attempt to take over AstraZeneca. I am sure he agrees that that case

concluded in absolutely the right way, by protecting one of the great British assets and enabling it to continue its long-term strategies of investment in innovation and technology. Does he agree that this issue should perhaps be seen as a case for reform of the Companies Act 2006, so that we see far more long-termism built into the UK's corporate culture and a move towards investing in innovation, R and D, and skills? If we do not do that, we will never change to a more sustainable business model.

George Kerevan: I could not agree with the hon. Gentleman more. One of the things that has led to the short-termism over the last 20 to 30 years is precisely the fact that companies are not in a position to think long term themselves, because the way that the City of London and the casino economy work means that their shares are always in play. We need company reform to allow investment to take place without it being subject to shares being shorted and without share buyback activity by Rolls-Royce or other companies when the money should be going into real investment.

Neil Carmichael: This is an interesting issue, and the hon. Gentleman is making an important point about long-term investment. Of course, it is already on the agenda, not least in the Bank of England, where Andy Haldane, the chief economist, has raised the issue of long-term investment, contract law and the need to effectively encourage firms to think not just about shareholding, but about long-term investment. Does the hon. Gentleman agree that that is the kind of thing we need to encourage smaller firms to become bigger firms, especially given the nature of the Mittelstand-type firms that we need to see in the manufacturing sector?

George Kerevan: I could not agree more that what is clearly missing from the UK industrial structure is those medium-sized Mittelstand companies that export and create a value chain, and instead we have a dumbbell shape, with a small number of very large companies and a large number of small companies. One of the reasons we have been unable to do that is because as companies grow to a certain level, they have consistently needed to sell out, usually to foreign ownership, in order to raise capital.

That brings me to another issue—I shall not be long, Madam Deputy Speaker—which the hon. Member for Bedford raised when he referred to the current account deficit. We have normally been able to fill the current account deficit, even though on a smaller basis, thanks to the financial remits coming in from assets owned by British companies or British citizens abroad outweighing the money from assets owned by foreign concerns leaving the UK. What has changed dramatically since 2010 under the auspices of the Government is the balance between the ownership of assets in the UK and the remit of funds abroad, and UK assets owned abroad and money coming back here. The total value of British-owned overseas assets since 2010 has slipped down to about £1.2 trillion. In that period, the value of UK assets held by foreigners has soared, from £1 trillion to £1.4 trillion. In other words, we are now a net debtor nation. What we own abroad is less than what is owned here, so the net outflow of money will mean in the balance that we cannot cover our current account deficit.

In the last year for which we have figures—2014—there was a bare surplus of £2 billion of positive foreign direct investment coming in versus money going out. That could go like snow off a dyke. That has led the Chancellor into what I think are dangerous grounds. Here we need to link up another aspect of financial wheeling and dealing in the UK with the need for manufacturing investment.

The fundamental way in which we have recently covered our current account deficit is via a huge inflow of money for buying up property in the UK and particularly in the City. Wealth investors have acquired about £100 billion-worth of property in London, using blind overseas companies in just the last six years. Since 2008, something like 28,000 individual purchases of homes, buildings and lands in the capital have been made by corporate structures registered in external tax havens. One in 10 properties in Westminster is owned by an offshore firm. We are funding our current trade deficit by allowing a vast influx of cash from offshore companies coming in to buy property here, yet in many cases we do not know the ownership or where the money has come from. The Chancellor has now developed into an art form the attempt to find ways to get money in to cover the current account deficit, and it is partly connected with his new cunning plan for China.

Kwasi Kwarteng: The hon. Gentleman makes a good point about inward investment and foreign capital acquiring assets. Is he proposing some form of capital control? Does he have any suggestions about how to meet the problem that he has identified?

George Kerevan: I might start by ensuring that we actually know who the beneficial owner is when anybody buys property in the UK. That might resolve part of the problem—we could find that some of the money coming in previously no longer continues because people do not want to reveal its source.

The Chancellor's latest wheeze is to open the door to Chinese cash. China has no track record of building nuclear power plants, yet the Chancellor has offered massive subsidies over the next 20 years in the hope of encouraging Chinese state companies to invest in our nuclear power industry. So much for encouraging British manufacturing! I believe that the Chancellor's cunning plan has little to do with energy security, and everything to do with getting China to cover Britain's disastrous current account deficit. With Chinese money coming in, foreign currency will stay here and cover the deficit. Unfortunately, China is already eating into its capital reserves in a desperate bid to shore up its own currency and stop its rocky banks from imploding. What I think we are likely to see in the next five or six years is running out of the foreign currency to fill the trade gap, which will have big implications for interest rates and our trade surplus.

What we really need is an industrial policy, which my hon. Friends have mentioned, to revive domestic manufacturing. Instead, the Chancellor has slashed the budget for the Department for Business, Innovation and Skills by 17% in the autumn statement. I chide the Minister on the fact that the budget for UK Trade & Investment is being cut over the next four years by £42 million. Yes, it is going up marginally this year, and if the Minister is selective in choosing which years to

[George Kerevan]

look to for the budget, she can pretend that there has been an increase. Over the four-year period, however, UKTI funding announced by the Chancellor in the autumn statement will go down by £42 million.

How can this Government pretend to support exports and promise to double them when they are cutting the budget of the very agency we rely on to liaise with our companies to assist our exports? The Chancellor promised to double exports, and he has form in making similar promises about eliminating the annual deficit—but he did not keep them. This Chancellor has no clothes; if he had, he would have had to import them.

Several hon. Members *rose*—

Madam Deputy Speaker (Natascha Engel): Order. We have plenty of time, so I shall not apply a time limit, but 13 more Members are seeking to catch my eye. That works out at about 10 to 12 minutes per speaker. I would be grateful if Members could keep within those informal limits.

4.9 pm

Kwasi Kwarteng (Spelthorne) (Con): I am happy to announce, Madam Deputy Speaker, that I shall not speak for 24 minutes, unlike the hon. Member for East Lothian (George Kerevan). I am, however, very pleased to follow the hon. Gentleman, who made a very interesting speech. You will be glad to know, Madam Deputy Speaker, that I did not agree with everything he said. I thought that some aspects of his speech were wrong. Although his points were made in the right spirit, some of his conclusions were wrong.

Let me begin by registering my own interest in the debate. My constituency is a hub of local business and private enterprise. Indeed, Staines was the No. 1 area for business start-ups last year, and we wish to continue that tradition and record of achievement.

During this interesting and important debate, a number of Members have spoken about the need for an industrial policy or strategy, without, in my view, spelling out the details of what such a strategy would be. Yes, it is true that we could be doing better with exports, and it is certainly true that we could be increasing, or trying to increase, our productivity; but the general remarks that Members have made have not been fleshed out with concrete proposals. I make one exception: my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown) did come up with some concrete suggestions and interesting points about the Government's role in UK Trade & Investment, and about the function of UKTI.

What I want to focus on, however, is the general economic context. The hon. Member for East Lothian said that, across the eurozone, the current account figures had improved. He suggested that that was largely a consequence of increased exports, but those of us who followed what went on in the eurozone will know that those countries had drastic fiscal consolidations, in the course of which they killed off domestic demand. They tipped their economies into recession, and, as everyone knows, if an economy is in recession, imports will fall considerably.

Jeremy Quin: Does my hon. Friend, like me, welcome the fact that 2 million extra jobs have been created in this country, whereas—as we heard from the hon. Member for East Lothian (George Kerevan)—there are record levels of youth unemployment elsewhere in the European Union?

Kwasi Kwarteng: I take that intervention in the spirit in which it was made. My hon. Friend makes a very good point.

It is not right or fair to argue that our friends in the eurozone have succeeded where we have failed. Their success, in terms of the current account figures, is actually a measure of failure. It is a measure of the fact that their domestic demand was completely crushed by very tight fiscal consolidation measures. Notwithstanding the political rhetoric, we have avoided much of the very severe fiscal consolidation that those countries have experienced.

Sammy Wilson: Does the hon. Gentleman accept that we have suffered partly because of that? Exports to Europe have fallen, while our growing economy has sucked in imports from the countries where domestic demand has been suppressed.

Kwasi Kwarteng: That is an excellent point. It is clear that if domestic demand in those countries has been sharply contracting, their capacity and ability to buy our exports has diminished commensurably, and that has unquestionably made life much more difficult for our exporters. I believe, however, that when it comes to British exports and our trade missions, the most fundamental thing that any exporter or manufacturing concern will seek is a degree of economic stability in the home market, along with a degree of visibility and a degree of responsibility on the part of the Government to ensure that there is some economic stability, and that our problems are being dealt with in respect of such matters as fiscal consolidation and deficits.

Those who speak to businesses, as I do in my constituency and as I am sure many other Members do in theirs, will hear from them that, broadly, the Government's policy, although not perfect, has been conducive to a degree of economic stability. Policies such as those on apprenticeships and the significant reduction in corporation tax have made life easier, or more attractive, for exporters and business-people in general. When we tackle a debate of this nature, it is very difficult to divorce the issues of trade, the current account and innovation from the general economic strategy the Government are pursuing. It is clear that although many challenges lie ahead a large section of people feel comfortable that the Government are taking the right approach to the economic management of this country. That is an important point to make at the beginning.

As I have noticed in this debate, we talk about abstract concepts such as exports and trade deficits as though we were living in the 1960s or earlier. This language evolved in a period when Britain was the industrial motor of the world—the factory of the world—and it was very much a Victorian model of the economy, which arguably persisted until 1939. But in the economy of 2016 it is very difficult to disaggregate exports in goods from exports in services and from hybrid exported products that are manufactured but have a degree of service element to them. The hon. Member for Hartlepool

(Mr Wright) referred to the trade deficits of the 1960s which he had learned from his reading brought Governments down. Every day in the 1960s people looked at the trade figures; that was the big number. The model of the economy today, however, is completely different from that of 1967 or 1970, yet many of our debates are couched in the language, and reflect the concerns, of a bygone era. It has been almost 50 years since the 1967 devaluation and it is crazy for us to conduct this debate as if nothing has happened in the last 50 years.

We should consider the British economy—how wealth is created and distributed, the role of exports, the role of manufacturing. It is true that manufacturing has diminished, for instance, but I would argue that that is in large part a function of the evolving nature of the British economy. The economic history of Britain shows we have gone through lots of different phases. The phase of industry in which we manufactured huge amounts has gone, sadly.

The hon. Member for Sefton Central (Bill Esterson) mentioned the steel industry and said how terrible it was that the Government had not subsidised and protected it. Wolfgang Eder is head of Worldsteel. Current capacity in Europe is about 200 million tonnes, and he says that for it to be sustainable it should be halved. There is overcapacity among European steelmakers. The idea that we can somehow subsidise things endlessly on an unproductive basis is simply wrong.

Stephen Kinnock: Nobody is asking for subsidies. The UK steel industry is asking for a level playing field. We are seeing the massive dumping of heavily subsidised Chinese steel—70% of Chinese steelmakers are state owned—dragging down the price of steel and crippling the British steel industry. This is not about subsidies but about smart regulation, proactive Government intervention and taking action and answering questions afterwards. I am seeking reassurances that the Government will not support China's application for market economy status, because that would completely undermine any anti-dumping efforts. This is about proactive regulation and intervention, not subsidies.

Kwasi Kwarteng: I accept the hon. Gentleman's intervention, and he makes a good point about China's export practices, but I was making the general point that the steel industry believes there is overcapacity in Europe. This is not a British but a European problem. No Government action in the world will push water uphill or militate against that broad trend.

I digress from my main point. This has been a helpful and interesting debate, but my main concern is that we are not taking into account the different nature of the British economy. In terms of the phraseology, the context of the debate, and the words in the motion, we are reflecting circumstances that have not existed for two generations.

Hannah Bardell: On the steel and indeed other manufacturing industries, does the hon. Gentleman not recognise there is a place for protecting high-end, highly skilled manufacturing, particularly in the steel industry, for which there is a clear market?

Kwasi Kwarteng: There is always a case for Government supporting industry by setting the table, by setting the context—making sure the economic management is

good and the regulation tolerable. I am reminded of the phrase of Adam Smith—I mention him not simply because he was Scottish but because he made some good points—about easy taxes and a tolerable administration of justice. These are the things Governments can affect. It is difficult, however, for Governments directly to subsidise individual industries exposed to the vagaries of international markets and massive price fluctuations.

This has been a valuable debate with some very good speeches, but I suggest we think more about how the British economy has evolved, instead of using terms that date from the 1960s and before, when the structure of British industry was very different.

4.23 pm

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): I am delighted to follow the hon. Member for Spelthorne (Kwasi Kwarteng), particularly because he said this debate was about a bygone age. In talking about innovation, I intend to bring things a wee bit further up to date by talking about the situation not only today, tomorrow or in four years' time, but in 10 or 20 years' time. In doing so, I hope that a ray of light will fall upon the Government Benches and that the scales will fall and tip in favour of innovation.

The Government have underplayed innovation. It is about imagination, vision and determination—words often applied to leaders and leadership. We all agree that innovation is a good thing. I have heard many times people describe the digital economy as one of the key tenets of innovation. Members have talked about the opportunities throughout the nations of the UK for small and medium-sized enterprises to help us grow and develop the economy and about the contribution they already make across rural and urban areas. New technology is available to assist businesses here and now, including the opportunities offered by superfast computing. That involves wiring together many high-speed computers to perform in just minutes actions that would normally take days or even weeks, and companies can get hold of that technology. An example of its use would be rendering an animation for industry. That kind of technology is available now but its availability is limited because companies need to be able to connect to it.

The new levels of hand-held technology available to business and industry today can transform not only business and the economy but public services, allowing us to invest more in providing better services for people. When I was a boy, I used to watch a television programme on the BBC called "Tomorrow's World". It was about the things that were going to happen tomorrow, but things are moving faster now. The developments that we are talking about are already here. An example is driverless car technology, which could transform the way in which we use our roads. It could transform aspects of industry and of rural connectivity. Suddenly we have an opportunity to connect people in a different way, but that innovation is not being discussed enough by this Government or by Members of this House in general. These things are available to us here and now.

Let us imagine one side benefit of looking at these issues properly. There is an opportunity for driverless technology to be used across the nations of the UK. An individual road traffic fatality costs £1 million or more—

[Drew Hendry]

leaving aside the tragic loss of human life—but we could avoid that kind of thing by deploying new technology. We might then start to see the benefits of embracing such technology.

Members might also have heard about the internet of things. It is a real thing. We are now connecting appliances, apparatus and machinery over great distances to enable them to operate automatically. Also, 3D printers are now able to do mind-boggling things that would not have been considered possible just a few years ago. We have the opportunity to revolutionise our cities through the proper embracing of smart city technology. We have a golden opportunity vastly to reduce emissions to help our position on carbon use.

New technologies can spur growth and create great benefits for the economy. They can revolutionise and democratise things for us, including teaching and learning, allowing greater access to the subjects that are currently available only to the few. They can grow high-quality jobs and provide opportunities for people who are still locked out. These include opportunities for our young people, for young girls and for women to get into industries that they have traditionally been unable to get into—such as science, engineering, technology and IT. As my hon. Friend the Member for Dundee East (Stewart Hosie) said earlier, these new technologies can provide opportunities for inclusive growth. In 2013, the digital economy was worth £11 billion in Scotland alone. That is a substantial business.

Entrepreneurs are already leveraging digital technologies to create successful businesses and significant economic impacts, but that number could be increased. This is especially true given that small businesses grow two or three times faster and create new jobs when they embrace new digital technologies. The hon. Member for Bedford (Richard Fuller), who is not in his place just now, talked about encouraging growth in small businesses. We can encourage such growth in rural areas and places that are difficult to get to by helping them to embrace digital technologies. With the aid of technology, small businesses can also go global from day one, reaching overseas markets and talented potential employees.

Those opportunities are there to be embraced, but let us consider some of the barriers that are being created by the UK Government. We heard again from my hon. Friend the Member for Dundee East about the head of the small business operation at KPMG saying that we are talking no longer about grants for innovation, but about loans. That is a barrier to success, although I will not repeat the many arguments that have been well made in this House on that already.

Barriers also arise from the technology that is available to people across the nations of the UK at the moment. I welcome a commitment to universal broadband, as that is a good thing and it should be embraced fully. What is being proposed by the UK Government at the moment, however, is at best—I am being very kind here—a bare minimum for the future. A speed of 10 megabits per second is technology from a bygone age now and it is not good enough for communities in the future, as we see particularly when we look in detail at the plans. A lot of the bridging is going to be done by satellite technology, which is good where there is nothing else, but it is affected by the weather; it has a high latency potential, it suffers from poor uploads; and, in general,

people can get up to—that is the key term—only 6 megabits per second with it. That is what is being proposed for rural areas. The costs of satellite broadband also present a considerable barrier, as people are looking at £30 to £100 a month for these contracts in order to take advantage of it.

Mr Gregory Campbell (East Londonderry) (DUP): The hon. Gentleman is discussing businesses in rural areas. Does he agree that many small and medium-sized enterprises throughout the UK that have relocated from town and city centres to rural areas on a cost basis now find themselves disadvantaged, precisely on the broadband access grounds he talks about? That needs to be addressed by the Government.

Drew Hendry: I am very grateful for the hon. Gentleman's intervention, as he hits on a key point. There is a vibrant, intelligent, work-ready employee base in rural areas, and people there are ready to take advantage of opportunities presented by employers. He rightly describes, however, what people may suddenly find when they move to a rural area, and I have some personal experience of this. When I was working in Windsor, lots of things were available to me by way of technology, but when I then moved to the highlands, I suddenly thought, "Ah, I might have made a mistake here." I am glad to say that I did not make a mistake and we worked through it, although at some expense. Broadband access is a real barrier to people being able to set up businesses in rural areas. If the UK Government want to take a view for the future, they have to consider people across all parts of the regions of the nations of the UK and make sure that people in rural areas have the same opportunities to engage in business as those in urban areas.

Alan Brown (Kilmarnock and Loudoun) (SNP): Does my hon. Friend agree that we need not only a much higher specification for the universal broadband commitment, but provision of a better service level by broadband suppliers so that a customer gets what they know they are signing up to and so that once they have signed up they continue to get it? Customers sometimes suffer a drop-off when other people connect without even being aware of it or how they go about dealing with it. Robust service level agreement provisions must be put in place, too.

Drew Hendry: I thank my hon. Friend for that intervention, and I completely agree that the service level is important. I am pleased that the UK Government seem to have accepted that, and I believe they will be making sure that contracts are able to be changed or cancelled if the service does not live up to what was promised. I am also pleased that they have accepted my suggestion that that should also apply to mobile phone contracts, and let me give due notice now to the Minister that I will be chasing up on that shortly. I am grateful that they have accepted my point that mobile phone contracts should as quickly as possible come under the same terms.

I wish briefly to discuss mobile signals, because one opportunity for all the nations of the UK is for universal coverage to be undertaken properly in terms of forthcoming technology, specifically 5G. The 5G spectrum is due to be launched in around 2020. Now this is very important. We will hear Ministers and others say, "Oh, but it's coming in the future. We can't deal with it now because

it is not yet real.” The same was said about the 4G spectrum when it was launched, and the same was also said about the 3G and 2G spectrums when they were launched, and yet the failures continue. It has been a failure for business and for people on 4G, 3G and 2G across the piece. There are still parts of the UK that do not have any mobile signal at all. Mobile telephone companies could have been challenged on that during the licensing regime. The UK Treasury has made billions of pounds out of these licences. It is not beyond the wit of the Government to look at those things and ensure that, in future, when the contracts come up and when they are applying the licences, they insist that there is full coverage not only for urban areas, but for rural areas as well. Not dealing with those issues leads to an enduring digital divide.

There is also a bigger threat to these isles from cyber-security failures than there is from nuclear threat, and yet we are not encouraging enough people, particularly young people, to get into the industry to ensure that we are in a position to put our defences in place. The living wage, which has been mentioned in this Chamber a few times today, actively disadvantages young people. It is an absolute scandal that we treat our young people with such contempt and that we do not encourage them to be part of the overall journey to economic success. Such encouragement should be given to all our people regardless of where they live in this country. They should feel involved and part of the culture. We need to stimulate, guide and help them to get involved in new technology and in other industries such as engineering and science. We need to ensure that they are involved in life sciences so that they can get jobs that will be more worth while to them and their families in the future. We need that competitive edge and to be able to innovate into the future. Such encouragement is particularly pertinent for young girls and women who, in the 21st century, still do not have the same opportunity to get into those industries. We need to work hard across the piece to innovate and to ensure that we challenge that behaviour.

In Scotland, the curriculum for excellence is encouraging young people from primary school through to secondary school to look at outcomes of education in the round. I am pleased to be part of the Highland Science Skills Academy, which is directly challenging the norm. It is working with private companies, Government agencies such as Highlands and Islands Enterprise, The Highland Council, the NHS and other bodies to encourage young people, particularly girls and young women, to understand and to be able to interact with these skills. It is that kind of innovation that we must put in place to ensure that we are embracing the digital economy and allowing people to take part in it.

I will finish on this point. People are embracing the digital economy, and they are using the technology now. They are grasping the opportunities in their business and they must have support. The world is moving ahead. There is a choice: we can follow or we can lead. I always remember the words, “Where are all those people going because I need to lead them?” I do not know where I heard them, but they remind me of the UK Government.

4.38 pm

David Rutley (Macclesfield) (Con): It is an honour to participate in this debate and to follow the great speeches of my hon. Friends the Member for Spelthorne (Kwasi

Kwarteng) and for Bedford (Richard Fuller), who is a great friend. It is also an honour to follow the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry), who gave a thoughtful speech on innovation, and that is a fact. I had better inform the House that two very important exports from Macclesfield are helping his local economy. Two players from Macclesfield Town football club are now playing for Inverness Caledonian Thistle and helping them in the Scottish premier league—good luck to them.

This has been a very thoughtful and at times serious debate, with passionate speeches by Members on both sides of the House. I congratulate the hon. Member for Dundee East (Stewart Hosie), with whom I served briefly on the Treasury Committee. He is a very thoughtful Member and is right to raise the subject. We have benefited from the debate. I also welcome the contribution of my right hon. Friend the Minister for Small Business, Industry and Enterprise, who brought to the debate her characteristic robustness and energy, which are absolutely needed for the work required.

Our long-term economic plan for Britain is right and fair. It provides opportunities for this country’s businesses and individuals for the years ahead. Ministers are not only ensuring that we continue to get our public finances in order, but protecting frontline services through the way in which funding is allocated. We are, of course, taking no chances with our national security or, for that matter, our national economic security. We have a clear plan not only to make sure that Britain once again lives within its means, but to deliver an economy that generates more means within which to live. Those two sides of the same coin are very important.

In the summer Budget debate, I noted the importance of rebalancing our books after Labour’s spendthrift years; of rebalancing incentives in favour of work; and of rebalancing economic geography towards a northern powerhouse. It is interesting that the Conservative Government in London are as committed to decentralising power away from Downing Street as the Scottish National party is to centralising power to Bute House, whether it relates to the police, fire services or further education.

Drew Hendry: Does the hon. Gentleman agree that the Scottish Government have done a fantastic thing this week by supplying £500,000 to encourage local communities to partake in participatory budgeting, thereby allowing them to make their own decisions? That is a real example of decentralisation. Similarly, the first thing the SNP Government did was remove ring-fencing for councils, to allow them to make their own decisions.

David Rutley: I am pleased to hear that the SNP is rectifying its trend towards centralisation and I give it credit for doing so.

Alison Thewliss: The hon. Gentleman might be interested in my experience of serving on the Strathclyde joint fire board. When we tried to raise local issues on the board, we were told it was not the time or the place to do so.

David Rutley: SNP Members may justify their position, but what we are committed to doing for this country is to decentralise. It is vital that we do that, because it will give further power to local communities to come up

[David Rutley]

with their own solutions on a broader scale. I think that there are lessons for Scotland to learn from that—that is my opinion.

It is fundamental that we do that, because it will encourage economic growth and ensure higher rates of productivity and exporting, and, indeed, success in innovation, which the hon. Member for Inverness, Nairn, Badenoch and Strathspey was so keen to stress. If we do that, it will help us move on from those reckless years of boom and bust delivered by the Labour party.

To unlock that local dynamism, we are advancing important initiatives, including local economic partnerships, city regions and—this has been vital in the Macclesfield area—strategic deals between city and county, such as that involving Alderley Park, to turn the tide in favour of civic renewal and increase the rates of growth and economic activity across the country.

That will build on what we have already done to achieve record levels of employment in this country, to reform welfare and make sure that work pays, and to incentivise tens of thousands of households to transform their lives. That is what we want to do—we want to help people to transform their lives and get on their own two feet.

The Government are committed to getting the balance right and to getting the job done. That is why we have set challenging targets on exports and raising productivity. We are doing all we can to promote entrepreneurialism and to lower the barriers that for too long have stood in the way of people who want to set up their own businesses and move on with their lives.

As I have said several times in this Chamber, I believe that economic success and growth rest on the four Es: entrepreneurs, employers, exporters and, of course, employees. They all need to be given the opportunity to succeed in the important work they do. In order to have the enterprising economy that we need, we have to help in particular those who are seeking to fulfil those activities and roles for the first time. We are making progress in that area. For example, the new enterprise allowance has enabled thousands of people who were previously unemployed to get on to the rewarding path of self-employment and enterprise. I am especially pleased that the Department has taken forward an initiative with Julie Deane, the founder of the Cambridge Satchel Company, to review how we can help the self-employed. The move to self-employment is an undeniable trend in our labour market and Conservative Members are committed to helping the self-employed.

My hon. Friend—my great friend—the Member for Bedford highlighted key community initiatives such as the business school in Bedford. We were lucky enough to be at business school together, where we learned much. Great lessons can be learned in the community and, through our Make it Macclesfield organisation, we are privileged to have Enterprising Macclesfield, a community-led initiative that involves local businesses working together to help more businesses to succeed and flourish, and to get the advice that they need to move forward. If we are to crack down on the blockages that have led to social immobility in this country for too long, we need to help people to establish themselves in first-time employment, or to become first-time employers or, importantly, first-time exporters.

The hon. Member for Hartlepool (Mr Wright), the Chair of the BIS Committee, who is no longer in the Chamber, highlighted the deep cultural change that is required to get more businesses exporting. We are committed to addressing this deep-seated situation, which is why we have set such high targets. It is not always easy to get someone to do something for the first time, and those of us who have been involved in marketing know—I have first-hand experience—that that can be one of the hardest tasks. As we have heard, only one in five businesses exports anything, but the figure for Germany is one in four. We are behind countries such as Belgium and the Netherlands, so it is not just that we are being held back by Brussels bureaucracy, although that is the case too often. There are wider, deep-seated issues that we have to address. We therefore need to ensure that we get behind businesses and help them to learn how to crack new markets. We need to demystify the exports process, and that is a role not just for the Government, but for business.

There is no question but that we are playing our part by setting ambitious targets and taking the challenge of exports seriously. I welcome Lord Maude's appointment to his key ministerial role because he has a great track record of taking forward a change agenda and getting the job done, which is exactly what we need for exports. The Treasury and BIS have taken great steps to de-risk the exports process. Last year, through UKTI's exports work, more than 48,000 business were supported. The new first-time exporters initiative, which offers training and advice to businesses that really need it, will be vital in moving that work forward.

Export finance for smaller businesses has been improved and it is critical that we make it easier for businesses to pitch for high-value opportunities. UKTI should be providing not only information, but opportunities that businesses can hook into to ensure that UK plc has more success in export markets. I am pleased to note that UKTI has a new chief executive, Dr Catherine Raines, who is a neighbour of mine—I said that Macclesfield exports many good things. The focus on exports is improving significantly, and the "Exporting is GREAT" website identifies the good work that is done each day and provides the signposts that businesses need to succeed.

There is more that we need to do, however. People ask what we should do to help on exports, but the Prime Minister and the Chancellor are leading the way, not least through their trade missions to China. I am sure that my hon. Friend the Member for Gloucester (Richard Graham), the chair of the all-party group on China, welcomes—he will probably mention this in his speech—the phenomenal things that we are doing to make contacts, to help to add value and to win market share in countries that are sometimes difficult to get into. From a local perspective, I am very pleased to see the Chinese invest in Airport City Manchester. They have experience in that. When I went to China a couple of years ago, I found out that they had built 45 airports in the previous five years. They know what they are talking about and we can link in with not only their funding, but their experience.

Richard Graham (Gloucester) (Con): It may be useful for hon. Members, including those from the SNP, to be aware that many of those new airports in China were

designed by a great British company, Arup, led by the head of its airport and aviation sector, who is a Scotsman based in Edinburgh.

David Rutley: I am pleased to hear it—good things come from Scotland, as well as from Macclesfield. When I was in China I met representatives from Arup, which is doing phenomenal work. Again, we are in a global economy and the interactions that we have with the Chinese are vital.

Trade shows cannot be just about having a shop-window. They are an opportunity to initiate contacts, enabling businesses to find a way to seal the deal. UKTI's role has to be even more proactive in this arena and help roll out the red carpet for businesses that are taking those risky decisions to move into new markets. We cannot focus solely on traditional export markets such as north America and Europe, which has been all too comfortable for businesses in the UK since the second world war. I was massively disappointed a couple of years ago when I held a UKTI conference, which was incredibly well supported in north-east Cheshire. UKTI did a tremendous job, but I said, "Let's bring along representatives from China and from India to support this." UKTI would not do that. I asked why not, and it said, "Because the businesses are so focused on the US and Germany."

We have to shake things up. Government have a role to play and business has a role to play as well so that we have the right focus on emerging markets, as well as on traditional markets. We need a bit more of the buccaneering spirit that the Minister for Small Business, Industry and Enterprise has demonstrated in the Chamber today and throughout her ministerial career.

Like a falling tree, we might ask, "If help for businesses is available and only a few businesses hear about it, is it effective enough?" Communications do matter, not just Government-to-business communication, but business-to-business communication. We need a better way of communicating to businesses if we are to step up a gear and become better at exporting goods, just as we have shown the world that we can lead the way in exporting financial services. In services we have the leading role. That should point the way forward for the opportunity to export goods. Let us make sure that Ministers in BIS and across Government make an extra effort to get those banks that have been successful at exporting their services to help their customers in the UK become better exporters of goods. There is a leading role for those banks to play.

When we say that we need to do more, it is not just about what the Government do; it should include businesses as well. I know the Government have been doing a huge amount of work to encourage exports. We are leading the horses to water. I see prime-time TV ads promoting the benefits of exports. Those horses now need to drink and businesses need to take a lead in exporting.

We are a great trading nation, but we need to do more to reach our current export potential. By focusing on the needs of first-time exporters and spreading the lessons of our trading history across more businesses for a vibrant and noteworthy trading future, we can spread opportunity across the country and revitalise the old British trading spirit—can-do policies for a can-do generation in a can-do United Kingdom.

4.53 pm

Hannah Bardell (Livingston) (SNP): It is a huge pleasure to speak in a debate that is of such great importance to SNP Members and to our SNP Government. I am sorry that the numbers on the Labour Benches are so deficient, but I pay tribute to those who have been present since the beginning, those good souls who have stuck with us.

It is always difficult at this stage of a debate to produce new ideas. I shall focus on productivity, innovation and investment in the context of inclusiveness and equality, which have not been mentioned much from the Government Benches. My hon. Friend the Member for Dundee East (Stewart Hosie) spoke passionately of the work that the SNP Government have done in this arena and of the importance of productivity and inclusive growth in closing the trade deficit, and I would like to expand on that. I will also highlight the importance of equality, diversity and inclusiveness in any nation's drive to be productive and innovative and to encourage investment.

Nobel laureate Professor Joseph Stiglitz, who is part of Scotland's fiscal commission working group under its chairman, Crawford Beveridge, has said that

"countries which are more unequal do not...grow as well and are less stable...A concentration of income restricts economic growth by limiting the potential of people to contribute productively. At the same time inequality may restrict government investment in infrastructure, education, and technology."

He points out that since 1975 the income gap has grown faster in the UK than in any other developed country, stating:

"Such patterns of inequality will continue to have a negative impact on growth and prosperity over the long-term."

If we want to make the UK and its nations an attractive place to invest in and to export from, we must have a stable and equal society. Yet all too often the policies pursued by this Government point in the opposite direction. In contrast, the Scottish Government, with much more limited powers, are developing a more egalitarian economic model. Professor Stiglitz has praised this model, saying:

"Tackling inequality is the foremost challenge that many governments face. Scotland's Economic Strategy leads the way in identifying the challenges and provides a strong vision for change."

Meantime, the Conservative Government are pursuing policies that attack our fundamental freedoms and civil liberties and risk widening the gap between rich and poor and the gender pay gap while, worst of all, marginalising the most in need. Those policies come in the form of the repeal of the Human Rights Act 1998, the anti-worker Trade Union Bill, and welfare cuts that take us back to a Dickensian era. Ultimately, the Government are balancing their books on the backs of the poor. If they are serious about boosting productivity, innovation and investment, they should not pursue policies that damage the very fabric of the society they seek to build and develop.

Huw Merriman (Bexhill and Battle) (Con): Could the hon. Lady assist me by telling me how creating 2 million new jobs can be marginalising those most in need?

Hannah Bardell: While we welcome the creation of any jobs, productivity is not just about paid employment—it is also about how people can contribute to society and what those from all sections of society can contribute, whatever their ability, race or gender.

[Hannah Bardell]

Investment in what has become known as our human capital and the engagement and happiness of our people should all be part of a rounded strategy. We must ensure that across the nations of the UK we can positively engage with our people, whatever their race, gender, sexuality or ability, in ensuring that they get the opportunity of good-quality, long-term sustainable employment and, with that, boost our productivity levels. We must operate in a society where inclusiveness and diversity are central.

I recently met members of the Scottish Centre for Voluntary Organisations who spoke of the work they are doing on how we look at employability and productivity. The SCVO has undertaken extensive work on taking a rounder view of the contribution that people can make to Scotland's economy. It is exploring the notion that being productive is not just about being in full-time, well-paid employment but about what kind of contribution people across the social spectrum can make as volunteers, activists or carers, to name but a few examples.

I do not think we would find any disagreement across the House, or indeed in society, about the fact that not everyone can always be in full-time paid employment. Many women, in particular, will take a break from their careers to have children; men may take a break to share parental care; and many men, although generally more women, may have to take time out later in their careers to care for elderly parents or relatives. These breaks may result in a change of career direction, the setting up of one's own business, or long-term care of a child or elderly parent. Whatever the case, these roles all play an important, and indeed productive, part in an inclusive society.

I reference the experience in my own family. When my sister-in-law returned to work after having her first child, she could not get the flexibility in her work that she would have liked. She set up her own photography business and decided to go full time with it. I am sure that we all have across our constituencies such cases of women—and men—starting their own businesses because they could not find the flexibility in the workforce that they would have liked.

For some women, these breaks or diversions in their working life can often have detrimental impacts on pay and progression. We have debated and discussed much in this House the reasons and remedies for the gender pay gap. In the UK, the gender employment gap is currently 10 percentage points, but I am pleased to say that the gender employment gap in Scotland has narrowed from 10.6 to 6.3 percentage points since 2007. That is evidence that a greater sense of equality, inclusiveness and egalitarian values are helping in many areas of Scottish society.

How we innovate—not only in technology, but in our workforce—is of critical importance if we are to drive up productivity. We must work hand in glove with businesses and create the circumstances in which they can flourish, innovate and develop. No Government or policy maker has a monopoly on wisdom or a silver bullet, but listening and engaging must be at the forefront of our minds as we set policy and create legislation.

Many Members have spoken about the oil and gas industry and the challenges that it currently faces. Before I came into politics, my last professional job was in the oil and gas sector in Aberdeen. As I have often done

recently, I think today of my friends and former colleagues whose jobs are under threat or those who have already lost their jobs. I urge Members on both sides of the House to put aside politics, where appropriate, and look at constructive ways in which we can help the industry.

I learned a great deal in one of my roles working in an oil and gas company. It was partnered with a Scottish technological company, which was a spin-off from Heriot-Watt University. Its technology provided the intelligence for an autonomous underwater inspection vehicle, while the company I worked for provided the hardware and investment. To give the House a brief flavour of the technology's potential use, there was a significant gas leak offshore while I was in that role. If that technology had been advanced enough, it could have been used to stop the leak much sooner. It was stopped only when it was finally safe for humans to go in and fix the issue manually.

It is some time since I left that role, but I recall that the Scottish tech company was acquired by an American firm shortly after my departure. Such tales are all too familiar across the UK. I am sure all involved felt that it was a positive move, but I would like to think our historical reputation in Scotland as a great nation of innovators means that our developing tech firms will not see acquisition by American firms as a trademark of success. I am sure we all hope that we can retain and develop as much home talent as possible. After all, in the words of American writer Arthur Herman, Scotland “invented the modern world”. From the television to the telephone, penicillin and even the overdraft, we are a proud nation of innovators. Every day, in labs, workshops, offices and classrooms, the imaginations of our young people, academics and entrepreneurs are innovating and designing products that may be tomorrow's solution to some of our greatest challenges, so why can we not bridge the gap between ideas, academic excellence, innovation and productivity?

The world rankings for universities were released yesterday. With Scotland hosting three of the world's leading universities and the UK overall hosting 18 of the world's top 100 universities, we punch above our weight as a family of nations. Yet at a recent CBI round table discussion I attended, the issue of the day—why productivity was lagging—had many scratching their heads, given how well the UK does in academia. I suggest that financing, access to funds and this Government's failure to listen on funding for innovation has something to do with the challenges that the UK faces.

We have discussed manufacturing and the need not only to continue to drive it, but to modernise. For the steel industry in particular, the Scottish Government have invested and done all they can to protect jobs in that sector. We hope that the UK Government will continue to push the EU on energy tariffs.

Carolyn Fairbairn, the director general of the CBI, has said that

“the shift from grants to loans for Innovate UK could dampen bold and game changing innovation, particularly amongst smaller businesses.”

In Scotland, we have the example of CodeClan, which is supported by the Scottish Government. It encourages young people or people retraining to come into the area of coding.

In Scotland, output per hour has grown 4% since 2007, compared with zero growth in UK productivity during the same period. The result is that Scottish productivity has caught up significantly with UK levels, rising from 92% of the UK average in 2007 to 98% in 2013. These trends are encouraging, and the Scottish Government are committed to improving them further, with measures such as the living wage, the Scottish business pledge and more encouragement for businesses to focus on improving productivity.

We have many great examples of companies innovating and deploying their expertise in the UK or exporting across the globe, but we must sustain investment to encourage more to do so. Among such companies are Craneware in Edinburgh, which specialises in software for healthcare billing, and Waste Switch Ltd in my constituency, which is engineering and designing innovative waste management systems across the UK. We could all cite a raft of fantastic local and national success stories, but we must work together to ensure that we create the right policies and an environment in which businesses and people can innovate, export and boost productivity.

In her book, “Difference Works”, Caroline Turner argues that

“retention, productivity and profitability can be boosted through inclusion.”

Arianna Huffington, the founder of *The Huffington Post*, wrote compellingly in her book, “Thrive”, about the third metric and stated that redefining success was about:

“Creating a life of well-being, wisdom and wonder.”

I was particularly struck by her comments about the race to the bottom and the burn-out that are driven by male-dominated cultures, particularly in corporate business, which are about who can be in earliest and leave latest. It reminded me a little of this place.

If we are to succeed across the nations of the UK, we must put inclusive growth at the heart of our drive to innovate, be productive and narrow the widening export gap. Today, more than 100 disabled people will lobby Parliament about their concerns over the Welfare Reform and Work Bill, although I probably will not get there because I have been in the Chamber all day. Those people represent a very important section of society that contains unique perspectives, skills and talents. They may have a range of physical or other disabilities, but they are equal members of our society who can, and no doubt want, to play an active, engaged and productive role.

I feel passionately that whatever a person’s gender, race, sexuality or ability, they represent hope and opportunity in some form. Although some may not fit into this Government’s view of what productive work means or be able to tick a specific box, it does not mean that they cannot play an active and productive role. We must, across all party boundaries, work together to ensure that we have an inclusive society that gives everyone the opportunity to contribute and be productive.

Several hon. Members *rose*—

Madam Deputy Speaker (Natascha Engel): Order. Before I call the next speaker, I note that time is getting a bit tight. I will not put a time limit on, but if Members restrict themselves to 10 minutes, I will be able to get everybody in.

5.6 pm

Jeremy Quin (Horsham) (Con): It is a pleasure to follow the hon. Member for Livingston (Hannah Bardell), with her list of Scottish innovations. I had no idea that the overdraft was developed in Scotland, but one learns something new every day. I do not know what that great Scottish innovative thinker, Adam Smith, would have thought of her speech, but it was interesting none the less.

It was interesting to hear the tour d’horizon of the proposer, the hon. Member for Dundee East (Stewart Hosie), setting out what he thought was the root of the problems identified in the motion. In response to my intervention, he said that our problems were 50 years in coming. To go through the problems of the last 50 years might be pushing it in a 10-minute speech or in the much shorter contribution that I intend to make, Madam Deputy Speaker, but it is worth touching on some of those issues.

Over the past 50 years, we have seen the decline of empire, on which my hon. Friend the Member for Spelthorne (Kwasi Kwarteng) is an expert. We have seen our entry into the European Union and the rise of China, India, South Korea and eastern Europe, to name but a few. Of course, those huge macro changes have had an enormous impact on our manufacturing base, the shape of our economy and the pattern of our imports and exports. At the same time, there has been a revolution in the service sector across the world and in technology—two things in which this country is at the absolute forefront.

In proposing the motion, the hon. Member for Dundee East said he would not deny the numbers, and I know he would not. He dwelt, understandably on the circumstances, on the manufacturing figures for the last quarter. They are not a happy set of figures, and no Conservative Member would suggest they were. Equally undeniable is the fact that over the last year our economy grew by nearly 3%, making us the fastest growing economy in the G7. This year, the OECD forecasts that our growth will equal that of America at 2.5%—again, the fastest rate of growth in the G7.

To build on that success and to grow exports and innovation, we need thriving small companies and, of course, investment. That is why I have no doubt that Members on both sides of the House will be delighted by the record of smaller business creation under this Government, particularly the 300,000 that were created in 2014 alone. I am sure that those on both sides of the House would also be delighted to recognise that, with the general election safely out of the way last summer and a new Government established, investment by business grew 7% in the third quarter of 2015, compared with the same quarter in the year before.

Equally, as a result of that general election we have one of the lowest rates of corporation tax in the OECD at 20%. That is down from 28% under the Labour Government, and it is falling still further. In response to the hon. Member for Hartlepool (Mr Wright), I recognise that that is only part of a package, but it is important in bringing foreign direct investment to our country, and the Government should be congratulated on that. Another part of that package is the benefit of being—according to the World Bank—the sixth best place to do business in the world.

[Jeremy Quin]

The motion addresses the rebalancing of the economy, and no one would underestimate the importance of manufacturing, or our disappointment with the recent figures to which the hon. Member for Dundee East referred. However, we can go to business districts in London, Manchester and Glasgow, and in just those areas we will find more tech start-ups than in the whole of some of our EU partner countries. The UK is rated second in the world for global innovation for a reason.

I commend and congratulate the Secretary of State on his paper, “Fixing the foundations”, which back in July tackled head on many of the issues raised in this debate. We have heard today that the paper was too short, but I do not think that British businesses want “War and Peace”; they want simple, workmanlike solutions, and that is what they are getting from the Government. I welcome the £7 billion of committed investment over the next five years in research infrastructure, the protected science budget, and the £14 billion benefit from R and D credits that is being provided to 14,000 companies. As the hon. Member for Dundee East was gracious enough to acknowledge, the £1.5 billion global challenge fund will also bring benefits. Those measures, combined with a Government who have a clear sense of economic purpose, imbued confidence.

One example of that confidence is found in my Horsham constituency, and I am delighted to announce the deal made last week between Novartis and the county council, and the creation of a new science park in the heart of our town.

On exports, the Government’s focus on the emerging markets is reaping dividends. Companies in my constituency say that a new generation of ambassadors is pushing our export drive. They have had that direct experience, and they are grateful for it.

The hon. Member for Hartlepool and my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown) referred to UKTI and said that we are not yet all the way there. I think that is recognised across the House, and I look forward to the report on UKTI that the Business, Innovation and Skills Committee will produce. I know that Ministers on the Treasury Bench, and Lord Maude, are at the forefront of ensuring that UKTI is working its hardest for our exporters. The level of that support is witnessed in what the Prime Minister and Chancellor have been doing on their visits abroad, and in the visits of the Prime Minister of India and the Chinese Premier. Above all, it is witnessed in the 68% increase in exports to China from this country since 2010.

On exports, I counsel some caution, as I did earlier in the debate, because—as the hon. Member for East Antrim (Sammy Wilson) eloquently put it—we have real problems in exporting at a point when our economy is booming in relative terms, and when an extra 2 million people are in work and spending money, yet our main trading partners on the other side of the channel have been in recession. That will inevitably cause problems for our export record.

The hon. Member for Sefton Central (Bill Esterson) referred to our productivity, and it will not have escaped his attention, or that of other Opposition Members, that what the Government have done to tame the excesses of the City, and the sad consequences of what has been going on in the North sea and with oil prices recently—the

hon. Member for Aberdeen South (Callum McCaig) spoke eloquently about that—has of course impacted on two of our highest value sectors, and that in turn has impacted on our productivity statistics. Given those two existential impacts, I hope that the whole House will congratulate the Government on the conditions that they continue to create to allow UK plc in general, and particularly its many new small businesses, to be productive, to export, and to flourish.

5.14 pm

Sammy Wilson (East Antrim) (DUP): In any debate of this nature, there is always a tendency of Opposition Members to emphasise the negatives. In her headbutt-the-Opposition-and-kick-them-when-they’re-down speech—I do not mean that as an insult; I am congratulating her, and I quite enjoyed it—the Minister emphasised that we should not talk the economy down. That is true. She highlighted, as many other hon. Members have, the very positive things that have happened: high growth, the creation of a lot of jobs and inflation under control. We should not knock the economy, but equally, I have to say, we should not be complacent about its performance. Some of the headline figures have been good, showing that the Government have achieved some success in their plan for the economy. Nevertheless, there are very worrying underlying trends, and the Opposition and the hon. Member for Dundee East (Stewart Hosie) are right to identify them.

First, we have a problem with our balance of payments. The hon. Member for Bedford (Richard Fuller) asked whether we should worry. Well, of course we should worry. If more money is being taken out of the economy as the result of a balance of payments deficit, that will be deflationary. As was pointed out, the difference has to be paid. The sale of assets or borrowing money from abroad has long-term consequences. If we are not exporting as much as we should, one measure that has been shown to improve the productivity performance of firms is exposure to foreign markets. Productivity and exports are therefore linked and we need to be concerned about them.

The fact that we have a huge deficit with the rest of the European Union answers those who say that, if we decided to leave, the EU would close the door on us. It could not afford to close the door on such a lucrative market as the United Kingdom. That is an important point to bear in mind in the wider debate about EU renegotiation.

Our export performance has been poor. Our productivity performance has been poor. Indeed, it has been described as abysmal. We have been meeting only a tenth of the long-term 2% trend in recent years. That in turn affects our competitiveness and the Government’s ability to bring in tax revenues, so productivity has an important role to play. The fact that we are one from the bottom of the seven major industrial nations in the world should cause us concern.

Another underlying trend we should worry about is the decline in our manufacturing. It is not enough to say the economy evolves and we are moving towards service industries, or that there is less of a distinction between service and manufacturing industries. Manufacturing is important. The Government, in their plan, accept that manufacturing is important. Yet we find that manufacturing output has actually fallen.

Measured against the Government's own criteria, this is another factor we cannot be complacent about.

Finally, as has been well documented in today's debate, there is a dependence on consumer demand for growth. Even the Chancellor seems to have either ignored this or tried to play it down. Why we should be concerned about Government debt, which is 80% of GDP, yet have no concern about consumer debt, which is 145% of gross disposable income, is beyond me. If public sector debt is not a good basis for growth then private sector debt is not a good basis for growth either, unless of course we can say it is going into the kinds of areas that are productive and yield a high return. We cannot afford to be complacent, and it is wrong of Conservative Members to attack those who raise the issue today by saying they are somehow or other being disloyal or hurting the economy. We have to try to get these things in perspective, and although there have been successes, which I hope I have at least acknowledged, there is no cause for complacency.

Let me look at the issues that need to be addressed, the first of which is productivity. The Government's seven-point plan in "Fixing the foundations" highlights a whole raft of issues. There will be an important role for the private sector in some of them—investment by the private sector and training workers—and the apprenticeship scheme is putting more and more emphasis on the private sector, but many of the measures listed will require public investment. We need to make a distinction when we talk about borrowing and Government spending. If public investment can yield a return, why is borrowing for that purpose a bad thing? Borrowing is not a bad thing for firms or households to do if it provides a return, so why should that kind of borrowing somehow be lumped with all general Government borrowing, so that the Government can say, "Look, we can't afford to do it"? If it brings a return, it is important. Whether the Minister has admitted it or not, "Fixing the foundations" indicates that substantial public investment will be required to build up the infrastructure needed to increase productivity.

Increasing exports is the second issue. Ministers in the House of Lords have

"pledged to mobilise the whole of government behind exporting, working alongside a more effective UKTI and better export finance."—[*Official Report, House of Lords*, 21 July 2015; Vol. 763, WA15.]

I wonder whether the Government have really lived up to that rhetoric. Yes, there are difficulties with Europe, but Europe is not the only market. Indeed, let us look at the growth in world trade. Why do we have such a small proportion of that additional trade? Firms would tell us one of the reasons for that. Eighty per cent. of them do not export anyway, sometimes because of regulation. Some of it cannot be avoided if it is overseas, but some of it could be dealt with by changes here. The Government could make regulations on exporting goods less onerous.

How much do we use our network of embassies across the world when it comes to introductions to markets? There is a role for regional government to play in that. In Northern Ireland, our exports have gone up by 4% in the last year, but that has been the result of hard work by Invest NI, and there are lots of different ways of doing it. We now have the friends of Northern Ireland—expatriates and people who have studied in Northern Ireland and then gone back home—to look at

contacts in markets that we want to target. Can we use that network on a more UK-wide basis? Do we make full use of the contacts that our embassies have? I know that trade missions from Northern Ireland have sometimes found embassies to be less than helpful. How can we take those initial steps? Many firms will say that they need to go out to a market two or three times before they start making contacts, which is expensive, especially for small and medium enterprises. What help can be given with that?

The last issue is boosting manufacturing industry. A number of contributions today have highlighted the issue of energy costs. The steel industry is only one example, and in Northern Ireland recently we have lost a lot of jobs from huge employers who cited energy costs as one of the main reasons. There appears to be a schizophrenic attitude, even from the Government. Although they are removing subsidies from the most expensive form of electricity generation, even today at Question Time the Prime Minister, while on the one hand saying it was more expensive to produce green energy, boasted about the amount of green energy in the pipeline that would be introduced in future. If that is the aim, let us be honest: we will find that we make it difficult for some kinds of manufacturers. It is significant that onshoring in the US has occurred as energy prices have come down. That is a lesson for us.

I shall try to abide by your ruling, Madam Deputy Speaker. I have had my 10 minutes. I trust that the Government will take this debate seriously. I accept that there is a role for regional government to play in Northern Ireland. We are reducing corporation tax, for example, and we believe that the devolution of air passenger duty for long-haul routes has been important in extending our ability to attract inward investment and bring inward investors into Northern Ireland by reducing the cost of travel. We have undertaken some other measures, but only the central Government can deal with the national measures that are beyond our control.

5.25 pm

Richard Graham (Gloucester) (Con): It is a pleasure to follow the hon. Member for East Antrim (Sammy Wilson), with his enthusiasm for what can be done to help boost exports and growth in Northern Ireland. In declaring an interest as the Prime Minister's trade envoy for the Association of Southeast Asian Nations in Indonesia, I welcome this Opposition day debate. It focuses on important issues such as the balance of our economy, our export and productivity challenges and the financing of business research and development. These are important, although sadly not important enough to attract more than five Labour Members, but I should highlight the presence of both the hon. Members for Hartlepool (Mr Wright) and for West Bromwich West (Mr Bailey)—former and current Chairmen of the Select Committee on Business, Innovation and Skills, and now lonely champions of business in a party more committed to strikes and reshuffles than innovation and exports.

The hon. Member for Dundee East (Stewart Hosie) led us off on today's debate. Although he made some interesting points, his speech was overshadowed by what I can describe only as an overwhelming gloom or an extended rendering of the lament from Private Frazer in Dad's Army—"We're all doomed". I waited, pen

[Richard Graham]

poised, to hear some of his proposals to lift us from this gloom. The UK economy, he said, should have more manufacturing. I agree—we all do—as it halved under Labour and is still recovering, but no suggestions came. He highlighted the UK's relatively weak productivity, but offered no solutions. We await the BIS paper and Select Committee recommendations. He felt that there might be a deterioration of business R and D funding, but he gave no recognition of the importance of the R and D allowances, the capital allowances and, indeed, the explosion of venture capital funding for smaller companies. We know the answer, alas, from the hon. Member for Dundee East—"We're still all doomed."

Today, I want to try to offer some shafts of light amidst the encircling gloom. Here I have to disagree slightly with the fellow Eeyore of the hon. Member for Dundee East on the Labour Benches—the hon. Member for Sefton Central (Bill Esterson). He suggested that Britain's rise to head the G7 growth table within a few years of the great recession was inevitable. I do not believe that any recovery is inevitable, and certainly not one that generates more jobs than the other 27 countries of the European Union put together. Both are driven by a determined partnership between Government and business, with MPs across the House playing our part by hosting jobs fairs, hiring apprentices and helping businesses to export.

Let me say a few words about Gloucester, where I hosted in 2011 the first constituency and county-based China seminar with the China-Britain Business Council. I shall mention some of the manufacturing products that we export from Gloucester to bring some cheer to the SNP Benches about the state of our manufacturing. We export cylinders that are in every Dyson vacuum cleaner across the world. We export giant valves into the oil and gas sector, and we export dental drills predominantly to China and America. Both those companies are almost 100% exporting. We export gantrails for container ports and marine diesel engines for customs and other marine boats. We even make shirts, which are sold both directly from the factories in Gloucester or via Jermyn Street in London. We have a series of manufacturers who are subcontractors in the world of aerospace, especially to Airbus, with the landing gear for every Airbus, several Boeings and every Eurofighter made just outside Gloucester.

It is true that we have not yet sold our "made in Gloucester" cricket bats to China. I am working on that, but what I can confirm is that our "Gloucesterpreneurs" have sold flavoured tea back to China. This is part of an overall UK growth in exports to China and Asia, now generating more than £500 billion of exports a year—up some £80 billion since 2010. I pay tribute to Ministers, and to UKTI. They have added to resources in China, although I would add that some modest rebalancing towards south-east Asia would be very welcome.

There is always more to be done in relation to exports and growth. As the hon. Member for East Antrim said, we cannot and should not over-egg the current situation. Here are a few suggestions.

First, we need a restructuring of UKTI resources to focus on where value can be most added. I believe that that is happening as we speak, and I believe that value is best added not by the writing of otiose reports, but by a serious, customer relationship-driven approach.

Secondly, we need additional trade envoys for markets where nothing is easy but everything is possible, and doors need to be opened by representatives of the Prime Minister. The model is proven, and it provides continuity with Governments overseas.

Thirdly, we need to focus on the industries of the future. The honourable exception to the tale of gloom on the SNP Benches was provided by the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry), who did say a little about that subject. We should be focusing on creative media, cyber, FinTech, aerospace and marine technology, as well as on some of the current great exports, which, by the way, include education.

Fourthly, we need closer relationships with universities, not just because of their export potential—important though that is—but because of their research output. For example, Bristol University's research produced the wonderful electronic and driverless robot "pods" that deliver some people to their flights at Heathrow's terminal 5 from the car park.

Finally, we need greater use of technology to capture the success of our SME exporters, and to communicate it remotely via film to seminars as far away as Portaferry, Pembroke, Plymouth or Perth.

What cannot be doubted, however, is the Government's commitment to business and exports, led by the Prime Minister himself—as my hon. Friend the Member for Macclesfield (David Rutley) rightly pointed out—and by successive Trade Ministers. That commitment can be seen in the expansion of the capital that is available from UK Export Finance, the reduction in red tape and corporate tax, and the increase in the allowances to which I have referred, as well as in new sector-specific funds such as the skills investment fund and the video games prototype fund. It can be seen in the patent box, the new investment allowance which is so important to the oil and gas sector in Scotland, and—last but by no means least—the creation of the GREAT campaign from No. 10 itself. I believe that its creator was awarded the OBE in the new year's honours, and rightly so.

All that makes for a strongly export and growth-focused Government, but there is another aspect of UKTI's work that has not yet been mentioned: inward investment. Given our mountains of inherited debt, we need others to finance our infrastructure growth, and we have been successful in almost doubling foreign direct investment in the last five years. Why, and how, does that boost UK manufacturing? The question was raised earlier by the hon. Member for East Lothian (George Kerevan), and the answer is that so much of the design, construction, servicing and operation of the new Hinkley Point power station will be provided by British companies and British expertise.

While those figures do nothing for our exports in themselves, they boost our manufacturing and our growth. The same will be true of Crossrail, HS2, and other key infrastructure projects. They also act as a catalyst for the growth in our services, which are the one part of our exports that is growing sharply, and play a key role in our overall growth.

Another aspect that has been missing from the debate so far is the impact of tourism to Britain, driven by our heritage and boosted by important incentives for film makers and those in the creative arts—some of which,

incidentally, were introduced by the current Secretary of State when he was Secretary of State for Culture, Media and Sport. Tourism follows another great success: our bids to host great sporting events. The Labour party can take pride in the successful bid for the 2012 Olympics as well. I have first-hand experience, from the great rugby world cup of 2015 and the impact of the games at Kingsholm on the city of Gloucester. I pay tribute to the role of the captain of the Scottish rugby team, Greig Laidlaw, who is Gloucester's scrum half. The athletics championships are coming soon, and Scotland itself will surely remember—this is, after all, an SNP-driven motion—the importance of those great sporting events from the Commonwealth games in Glasgow, which took place only about 18 months ago.

This is a Government who are trying to do their bit for growth in a series of different ways, which brings me to my last point about Scotland. In the 18th century, when Scotland joined England in what has arguably been the world's most successful union, the land of my ancestors was full of entrepreneurs. They exported not just products but themselves, all around the world. They set up what is still the largest non-Government employer in Hong Kong, Jardine Matheson, started a still-flourishing tea business in Bangladesh and Kenya, Finlays now owned by Swire, created teak merchants in Burma, railroads in Canada and helped Raffles himself establish Singapore, and much more besides. My ancestors exported themselves to Northern Ireland and helped create the linen business over there.

My point about these great Scotsmen is that they did not advocate a welfare state or an ever-increasing role for the Government or belong to the International Marxist Group like the hon. Member for East Lothian; they were innovative and they got on with the business of business. So where are they today? The two giant Scottish banks crashed, oil and gas is struggling, nuclear defence is disdained. It is time for the SNP to get behind the new entrepreneurs and increase Scotland's share of UK exports, which is currently 7%, slightly less than that of the east midlands. I believe the land of my ancestors can punch significantly better than that.

The UK is here to help. UKTI has offices in 200 countries abroad and in 2013-14 helped 2,300 Scottish companies to export, and all of us involved in exporting are ready to help. I have twice spoken to groups of businesses and universities in Edinburgh and I will happily come up again, and I know my right hon. Friend the Minister will do her bit, too.

Chris Stephens (Glasgow South West) (SNP): The hon. Gentleman mentioned the Commonwealth games and I was curious about that. Can he tell me how much money the UK Government put into the Glasgow Commonwealth games?

Richard Graham: The hon. Gentleman and his colleagues will know the answer to that question better than me, but I think he will find that the expertise involved in setting up the Commonwealth games largely came from the 2012 Olympics held in London, so it was a perfect example of how the UK can work together for the greater good of everyone, including Scotland.

Hannah Bardell: I am sure the hon. Gentleman would not seek to mislead the House, so let him answer the question my colleague asked: the answer is zero. In

terms of the Olympics, Scotland—along with many other parts of the UK—had its lottery funding sucked away into that project and did not for quite a considerable period of time get the returns it was promised.

Richard Graham: The hon. Lady, of whom I am a great fan, risks sounding as if she is carping on the issue of the Commonwealth games. I did make the point that that was a really good example of working together. *[Interruption.]* She will know of the input from all the people who made such a success of the Olympics. *[Interruption.]*

So let me now to the final bit of my speech—despite the chuntering of the right hon. Member for Gordon (Alex Salmond), who is welcome to intervene if he wishes. *[Interruption.]* He is still chuntering; we still do not know if he wishes to intervene. He has his chance. *[Interruption.]* An hon. Member says he is not allowed to speak from the Bench he is currently occupying; well, there we have it—we will keep his chuntering for another day.

We can surely all agree today that there is a great deal more to be done. I hope the report from the Business, Innovation and Skills Committee and the Education Committee will contain helpful recommendations to Government, and I know the Ministers are working on their own productivity plan. I hope the Government will take note of the suggestions made both by my neighbour my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown) and me.

Sadly, I have not heard many positive ideas from the SNP Benches, with the honourable exception of the hon. Member for Inverness, Nairn, Badenoch and Strathspey, as I mentioned earlier. I do believe that Scotland needs to rediscover her entrepreneurial spirit, and find more Tiggers and fewer Eeyores to promote business, and I am sure the hon. Members for Livingston (Hannah Bardell) and for Ochil and South Perthshire (Ms Ahmed-Sheikh) can do this and get that brave heart playing its full role in the revival of the growth of the UK, with a drive for all of us to increase our exports and our inward investment.

5.38 pm

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): It is a pleasure to follow the hon. Member for Gloucester (Richard Graham), not least because I am an expatriate Gloucestershire person myself—and I have to say my late father made a significant contribution to the Gloucestershire economy near to him as a former aircraft fitter with Gloster Aircraft Company and more lately with Dowty company.

I do not have a lot in common with the hon. Member for Dundee East (Stewart Hosie), but I did mean to start my speech with the very quote he started his with. One part is worth repeating because it sums up the issue. The Chancellor, in his Budget of March 1911—I mean 2011; it is just me who's old, not the Chancellor—said:

“We are only going to raise the living standards of families if we have an economy that can compete in the modern age.”—*[Official Report, 23 March 2011; Vol. 525, c. 966.]*

Our export performance and balance of payments figures are perhaps the most accurate measurements of how effectively we are competing in the modern age, and on that basis the Government have done very badly indeed.

[Mr Adrian Bailey]

That is partly as a result of problems that are long standing. I do not pretend that they all started with this Government, but some of the better things they have done did not start with them, but have built on foundations laid by the previous Labour Government. However, the Chancellor said that in pursuit of their objectives they would secure £1 trillion of exports by 2020; rebalance the economy away from the service sector towards manufacturing; ensure that economic growth was no longer fuelled by consumer demand based on unsecured credit but the outcome of rising real wages; and rebalance the economy away from London and the south-east to the regions. Those are all hollow words.

David Rutley: I recognise the hon. Gentleman's expertise and the important work he did in the previous Parliament, particularly on life sciences, as Chair of the Business, Innovation and Skills Committee, but before he turns into an Eeyore, which I know he is not, will he not acknowledge—this is something he actively supported in the last Parliament—that life sciences are moving forward, including, notably, in Macclesfield, where the AstraZeneca site accounts for 1% of all UK goods exported?

Mr Bailey: If the hon. Gentleman will be patient, I will mention some of the things I think require recognition.

The triumphalism and overstatement of the Government's so-called economic successes mask the sheer scale of the problem and leave us in danger of understating the change in Government policy necessary to address those problems. It is no consolation to be given a diatribe on increased employment and so on, when we have companies desperately seeking investment to invest and grow and workers on zero-hours contracts and when millions have seen their real wages reduce over the past five or six years. Ultimately, this all stems from our lack of productivity and weak exporting performance.

The 2008 recession was a serious one, but the Government do not mention, of course, that it has taken far longer for this economy to come out of it than any other comparable economy and that, most unusually, productivity has failed to increase, as it normally does when an economy comes out of recession. It has also failed to increase in comparison with other economies. Figures from the Office for National Statistics show that in 2014 output per hour worked was 21% lower than the G7 average. The reasons are not simple, but one main reason is that the primary driver of productivity is manufacturing, and our manufacturing output has stagnated over the last five or six years, despite the Chancellor's claim to be backing the "march of the makers".

In response to the intervention by the hon. Member for Macclesfield (David Rutley), I would emphasise that we have world-class manufacturing companies in automotive, defence, civil aviation, biosciences and so on. I often feel that the argument about services versus manufacturing is an artificial one: both are important. When we say that we no longer manufacture, what we are really saying is that manufacturing no longer occupies such a high proportion of our national output as do the service industries, but manufacturing is still vital to the jobs of millions of people in this country and above all to our productivity and export levels.

Kelvin Hopkins (Luton North) (Lab): I appreciate what my hon. Friend is saying, but does he agree that a factor in low productivity growth is low wages? Companies will invest in capital investment if they have to pay high wages, and low wages and low productivity go hand in hand.

Mr Bailey: I certainly do agree with my hon. Friend. The Government's original optimistic projections were based on totally unrealistic assessments of their ability to invest and export.

In the limited time available to me, I would like to mention some areas that the Government should look at in order to improve productivity. The three areas that are crucial to productivity are investment, skills and infrastructure. On investment, despite the Government's best efforts to encourage banks to lend to small businesses, there is still a problem. Even projects such as Project Merlin have failed to address the scale of the needs of small businesses. The Government also need to look at the wider issue. We have heard a lot in this debate about long-termism. We have a financial services market that is geared to short-termism rather than to backing industry. When my own Committee looked into the Kay proposals for changing that situation, we detected no enthusiasm on the part of the Government to adopt them. One thing the Government could do to change this culture is to look at our financial services industry.

It is ironic that a Government wedded to a free-market capitalist economic model have had to resort to asking a communist state-interventionist country to provide the necessary investment for our energy infrastructure. On business support, we heard earlier about the closure of the Business Growth Service, which had been of enormous benefit to small businesses. Its closure is not only a great loss to small businesses; it also sends the wrong signal about the Government's support and appreciation of them.

On the tax regime, I have heard a lot about corporation tax. Yes, it is part of the mix that is necessary to attract foreign direct investment, but in order to encourage investment by companies that are already here, we need to do something about business tax. We have an absurd position in this country wherein we offer tax breaks for capital investment but when a company invests in new capital, it finds that its business rates promptly go up as a result. There is obvious incoherence and inconsistency, and they are a major deterrent to the investment that is needed to drive up our productivity performance.

On skills, I recognise that the Government are anxious to promote apprenticeships. They are saying all the right things about boosting apprenticeships, but the reality is that in those areas where the shortage is greatest, such as engineering and manufacturing, and where there is the greatest dividend in terms of productivity and export potential, there is still an acute shortage in apprenticeship recruitment. That cannot be cured simply by putting apprentices on courses. It has to come from a change in culture in our education system that makes schools recognise the importance of getting young people into vocational education. That can be done by the Government ensuring that schools have to liaise with local businesses and have to measure where their students go in vocational training, as well measuring their exam results and university entrance. I say again that an incoherence in the Government's

performance is the cut in further education funding, as that is potentially the greatest provider of vocational education.

I am running out of time, so I will just quickly make a comment on infrastructure, which others have mentioned. Any regional economy will tell us that a lack of transport infrastructure is a major handicap for local businesses, and some 62% of businesses complain about this issue. Capital spending on infrastructure has been halved in the past five or six years, and that has to be addressed. The Government have not got this prioritised correctly.

Let me finish by saying that I have highlighted some of the issues we face, many of which need to be prioritised by Departments other than the Department for Business, Innovation and Skills. The cuts in BIS are a clear indication that this Government do not recognise the importance of an industrial strategy, and of having a Department that has the capacity to lead it and to make other Departments work towards the business priorities that are necessary and that are outlined by BIS.

Rebecca Pow (Taunton Deane) (Con): I must take issue with the hon. Gentleman, as my constituency has recently had a massive infrastructure investment in its roads and railway stations. That is paving the way for a new strategic employment site, which will open up the opportunity for thousands of jobs, all of which is helping the economy and our productivity. I am sorry but I disagree with very much of what he is saying.

Mr Bailey: The hon. Lady is quite at liberty to do so. I welcome the investment in Taunton, but I would welcome that investment even more if we could have it in the black country, which is the heart of British manufacturing.

Let me conclude by saying that we need a strong Department for Business, Innovation and Skills, we need an industrial policy and we need other Departments signed up to the priorities that will ultimately deliver on our exports and on our productivity, and that will get the tax revenues, which will enable those Departments to invest in their particular priorities. That is not happening at the moment.

5.52 pm

Lucy Frazer (South East Cambridgeshire) (Con): The motion suggests that there is a lack of a long-term plan to improve productivity and it is also critical of the Government's approach to innovation. The motion is not only inaccurate, but unnecessarily pessimistic and bleak. Like the hon. Member for East Antrim (Sammy Wilson), I think it is important to celebrate what is good.

The hon. Member for Dundee East (Stewart Hosie) stressed the importance of innovation, and we ought to recognise the great work we are doing in Britain at the moment in science and technology. The UK is ranked fourth in the business world for business and university collaboration; it attracts more research and development funding from abroad than Finland, Russia, Canada, Japan and China combined; and the UK produces 16% of the top-quality published research findings with less than 1% of the world's population. The Government are ensuring that we maintain this position by investing almost £7 billion in UK research infrastructure up to 2021.

I represent an area at the forefront of technology and innovation. The east of England is one of the highest investors in R and D across the UK. We have companies such as ARM, which creates the processors found in most mobile phones across the world and which in its short 26-year history has joined the FTSE 100. We have more than 100 businesses at the Cambridge science park, providing more than 500 jobs, developing our science and technology. Having spoken to many of those businesses, it is clear to me that what we need to do to continue this great work is to be constantly more ambitious and to invest in our human capital. It is fundamental that we teach children in schools the right skills, and I am delighted that we now have a commitment from the Chancellor to a fairer funding deal.

It is disappointing that, in an area of academic excellence so close to Cambridge University where we have the potential for world-class education, we have not as yet had a fairer funding arrangement. However, I am delighted that this Government have committed to creating 17,500 more teaching posts in science, technology, engineering and maths. We must ensure that our teaching is inspiring students as young as seven and eight, because research has shown that that is the age at which children decide whether technology and science are for them. We also need to ensure that, once inspired, there is advanced technical education that will enable students to have the much-needed and sought after skills for their employment.

I welcome developments such as the University Technical College Cambridge and I applaud Anglia Ruskin University for teaching an international trade two-year course. Recognised as the first of its kind, the course was developed in partnership with the Institute of Export and is taught online by university tutors and international trade experts. We need to encourage our students to learn not just technical expertise, but languages, including Mandarin. In 1990, only 500 students were studying Mandarin. That number has now grown to about 3,000, though, recently, the numbers studying Mandarin have fallen. If we are to continue to increase our exports, we need that trend to change.

I applaud the work of this Government and of our regions in encouraging innovation and enterprise, but, at the same time, emphasise that what we need to do is to continue to offer support to maximise the potential of our workforce. We need to give people the skills that they need to thrive as individuals and to ensure that productivity in the UK grows. Since 2010, we have increased exports to China by 72%. By continuing to upskill our workforce, we will ensure not only that that figure goes up, but that our exports go up elsewhere, allowing the UK economy to continue to grow and to maintain its position as the fastest growing economy in the G7.

5.56 pm

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): It is a great pleasure to speak with you in the Chair, Madam Deputy Speaker. I am also delighted to follow the thoughtful speeches of so many Members from all parts of the House. Indeed, it has been a very fine debate, and I thank my hon. Friend the Member for Dundee East (Stewart Hosie) for securing it. Some matters have been quite enjoyable as well as enlightening. I am sorry that the hon. Member for Spelthorne (Kwasi Kwarteng) is not in his place, because I particularly

[Roger Mullin]

enjoyed the part of his speech when he was berating our Members for harking back as far as the 1960s, and then immediately moved forward to quote Adam Smith from the 18th century. It was a remarkably fine performance.

The hon. Lady for South Cambridgeshire—

Lucy Frazer: South East Cambridgeshire.

Roger Mullin: Is it close? [Laughter.]

The hon. Lady opened her speech by mentioning the hon. Member for East Antrim (Sammy Wilson) who is also not in his place. I was going to compliment him, because what he brought to this debate was a recognition that criticism is not always a negative thing; indeed, it can be helpful. When he said that, I immediately thought of an old teacher of mine, Professor Tom Burns, who, in the 1960s, along with his colleague Graham Stalker, wrote the famous book, “The Management of Innovation”. In it, he pointed to several factors that are essential for the development of innovation, some of which are extraordinarily pertinent to this debate. For example, one was that there are two types of ideas that we need to mobilise—creative ideas and critical analytical ideas. It is the forging together of those two types of ideas that becomes very important. He also said that one of the fundamentals in driving the rise of the industrial revolution was the creation not only of those types of ideas, but of the means of disseminating the ideas. That was fundamental. We saw it in Scotland with the sharing of ideas, flowing as they did from Edinburgh to Glasgow and Glasgow to Edinburgh. It seems a small thing to say in the modern era, but at that time it was fundamental to getting the sharing of ideas going.

To move on from my teachers, a few years ago I attended a fascinating lecture by Professor Tom Stonier. He pointed out that more people worked in pure research in the last 25 years of the 20th century than did so in the entire pre-history of the world. Let us think about that for a moment—there has been huge growth in the number of people undertaking research. If we combine that with the growth in new technology, such as IT and computing power—whereby an Einstein no longer needs to take years to work out his equations by longhand, and ideas can be processed so quickly—we will see that they are fuelling huge growth in innovation throughout the world.

I shall not dwell, as the hon. Member for Gloucester (Richard Graham) likes to do, on doom and gloom, but I shall point out some of the challenges we face. On the growth in the rate of research and the ideas coming into our world, the countries that will remain in front will be those that can capture and develop those ideas, put them into play and own them for themselves. That is the key challenge, which is why I am worried about recent trends in the UK.

Some days ago, the Chancellor of the Exchequer rightly pointed to a “cocktail of dangers” in the global economy. One of the dangers is that we are not investing enough in the type of research and development and innovation needed to keep us at the forefront. My hon. Friend the Member for East Lothian (George Kerevan) pointed out in his fine contribution that this country has a problem of a lack of long-term investment in business. That is true of many sectors, and part of the

problem is that, compared with some of our major competitors, we are generating less investment from the business sector than we did in the past.

I am delighted that the Minister for Universities and Science, whom I met in a previous Westminster Hall debate about science, will sum up for the Government this evening. In 2010, the previous Government froze the science budget for five years, which meant a 10% cut in real terms, at a time when it was already at a modest level compared with those of our major G8 comparators. In 2012, UK public investment in science fell to less than 0.5% of GDP. As my hon. Friend the Member for Glasgow North West (Carol Monaghan) pointed out in the debate at which the Minister was present, that is a lower rate than any G8 country has invested in the preceding 20 years. The G8 average is now about 0.8%, compared with the UK’s 0.44%.

If we look at broader measures of research and development, we see that a generation ago the UK was one of the most research-intensive economies in the world—and didn’t we benefit from that? Now, however, as with science, we are one of the least research-intensive economies. My late brother was at one time chair of the OECD committee on science and technology policy, and in recent years, before his sad passing, we would regularly discuss the failure of the UK—and his homeland of Scotland—to keep up. In terms of broad research and development measures, we have slipped from leading the OECD countries in 1979 to trailing behind all our major competitors. The US invests 2.8% of its GDP in all forms of research and development. On average, the OECD and EU countries invest 2.4% of their GDP, but the UK now spends only about 1.7% of its GDP on research and development. That is not going to keep us at the forefront or allow us to face some of the challenges and competition of the future. The hon. Member for East Gloucestershire—

Richard Graham: Gloucester.

Roger Mullin: Apologies again; I am quite happy about apologising to the House.

The hon. Member for Gloucester pointed out several of the challenges that he felt we faced, but I want to suggest several things that could be done, given that he berated us for not coming up with ideas. If he gives me a few moments, I shall suggest a number of points that I would like the Government to address.

I am especially interested in how some of the Government’s decisions on this front do them no good, because this is about not just funding, but strategic choice. When faced with an opportunity to be a world leader in the development of carbon capture, it is just insane to pull the rug on that if the Government are trying to say that we want to ensure that we are at the forefront of such development. Several Members may have received emails from one of my constituents—he emails many people, and he recently wrote to the Prime Minister—about smart meter technology. When I spoke to him, he echoed what others have said about our technological choices, including on smart meters. He wondered why we were not investing in the most up-to-date technologies to ensure that they are the very best to meet the country’s needs, rather than going for what seems to be good enough at the moment.

Recent work, most notably by Dr Stephen Watson of Glasgow University, has pointed out the huge importance of infrastructure spend to the Government's investment in science, and research and development. Our universities in Scotland punch well above their weight in attracting funds from the research councils, but we do poorly compared with elsewhere in the UK, especially the golden triangle of Oxford, Cambridge and London, in attracting UK Government infrastructure spend on research and development, which is fundamental to the future of a healthy research and development community. We need to map out such investment much more, both thematically and territorially, although that has never been done by any Government.

Let me give hon. Members an example of the problem, although I will speak about something that the Government are doing that is good, not bad. I applaud the way in which they have invested large sums to create the Francis Crick Institute, the biomedical research centre in the heart of London that is a consortium of three London universities—Imperial College, University College and King's College. It is funded by the Medical Research Council and bodies such as the Wellcome Trust. Its initial investment was £650 million and the operating budget is £130 million a year. On one level, this is to be applauded, but is it not strange that Dundee University, in the city of my hon. Friends the Members for Dundee East and for Dundee West (Chris Law), is the world leader in biomedical research, yet is not part of the Crick Institute? Indeed, no one in the north of England is part of the institute. My first suggestion to the Government is that when they consider infrastructure spend for research and development, they would do well to think about the distribution of such investment throughout the whole UK.

Simon Hoare (North Dorset) (Con): I understand what the hon. Gentleman says, but would it make sense and would it produce as much bang for the Government's buck, if that is not an unparliamentary phrase? Would it not be better to have geographical centres of excellence specialising in various things, rather than dotting institutions around the UK to meet some sort of regional agenda?

Roger Mullin: One alternative would be to base the centre in Dundee. That would solve the hon. Gentleman's problem.

In addition to university research, there is business research. The need to encourage business investment has been mentioned, particularly in manufacturing, where we have fallen behind. I mentioned earlier the UK spend on research and development at 1.7% of GDP. We all know our manufacturing sector faces some real challenges. North Korea's manufacturing sector is doing pretty well by comparison with many countries in the world. Its GDP spend is 4%. [HON. MEMBERS: "North Korea?"] Sorry, South Korea.

Rebecca Pow: I am interested in what the hon. Gentleman is saying. The Government are offering many budgets and grants and I will highlight one, which is the agri-tech budget. That is seedcorn money for linking agricultural projects with business. In my constituency, for example, we have a wonderful clothmaker, Fox Brothers, which has received money to do research with the local agricultural college to come up with the right wool on the right

sheep to produce beautiful clothes. That will help business, and perhaps the Scottish might learn from it, as I know they also have a lot of sheep.

Roger Mullin: I thank the hon. Lady for that.

I am not denying—nobody could accuse me of doing so—that the UK Government have been spending on research and development. My argument is that given the future challenges that we face, we are potentially lagging behind nations that will be our major competitors in the future. I am not denying what the hon. Lady says.

Earlier I gave the Minister an incomplete quote from the Medical Research Council on the problem of moving from grants to loans. The full quote is:

"Converting grants to loans may mean that existing schemes such as the Biomedical Catalyst—which has been well received in the sector, supporting 180 business-led research projects and leveraging over £100 million in private match-funding over the course of three years—may not continue in their existing form."

We have real challenges that need to be faced.

6.12 pm

Huw Merriman (Bexhill and Battle) (Con): This being a debate on productivity, may I be innovative by delivering my output in less than the 10 minutes you, Madam Deputy Speaker, have given me?

I congratulate the SNP on the choice of debate. I have learned much—for example, from the hon. Member for Livingston (Hannah Bardell), that the overdraft was created in Scotland. That could be the death knell of a thousand jokes referring to the frugal habits of the Scottish people.

I am disappointed, however, by the motion's negativity about the UK's trade and export performance. Between 2009 and 2012, the UK's exports increased by 23%, despite the global recession making it a horrible time for world trade. These results have been delivered through the Government targeting exports to new growth markets such as China, Brazil, Russia and India, where the British kitemark for quality is recognised and revered. The Prime Minister and other Ministers have made export trips across the globe with businesses from UK plc. That shows the commitment of this Government to trade and exports across the globe. I welcome the ambitious target from my Government of doubling the UK's exports to £1 trillion by 2020. This will require an extra 100,000 companies to be exporting by 2020.

This having been a five-hour debate, I will avoid repetition by referring to what we have done in my constituency to advance a new product that we hope will be the poster child of exciting new export growth. Within these shores, we produce one of the great liquor exports—a drink that puts colour in the cheeks and rings on fingers, and is toasted across the world. I refer of course to English sparkling wine. The English sparkling wine industry is growing rapidly, making £78 million in 2014 and £100 million in 2015. There are now 470 registered vineyards in England and Wales. In 2014, we produced 6.3 million bottles of sparkling wine—an increase of 42% on the previous year.

Plans are currently in place to register the name "Sussex" as a kitemark brand to compete with champagne across the world. In blind tastings we are beating the great champagne houses at their own game. We would not find the French Government hosting an export

[*Huw Merriman*]

reception in Spain and pouring cava, but that is what the UK has previously done in its embassies across the world. I am pleased that under this Government that attitude has changed. Our Government and our embassies are now promoting English sparkling wine as well as other food and drink produce from across the UK.

By reducing corporation tax, setting a permanent investment allowance and providing a research and development tax credit scheme, this Government are allowing businesses such as the wine sector to invest, innovate, export, and grow.

Rebecca Pow: Might my hon. Friend make reference to the Great British food unit that the Department for Environment, Food and Rural Affairs is setting up and our long-term plan for promoting British food abroad? That has already made great strides, with chicken legs going to China and pigs' trotters following, and I have to mention cider from Taunton Deane. There is so much scope to what he is discussing, and perhaps he could include a bit more of it.

Huw Merriman: I thank my hon. Friend for placing that point on the record. I am very happy to be the market trader for every single constituency food and drink product, but perhaps I should move on because time does not allow.

I welcome any debate that allows the House to consider how we can make UK plc more productive. I also welcome the Minister's recognition that UK productivity needs to be enhanced. I take the firm view that a Government who recognise that more has to be done will be a Government who deliver on that front. The UK's productivity is—to coin an unfortunate phrase, currently, in my vocabulary—our Achilles heel. I welcome the Business Secretary's launch of a productivity plan to correct this. While the UK's productivity rate means that it takes a UK worker five hours to produce what a German worker could deliver in four hours, it is also fair to reflect that the UK's growing employment numbers could be seen to distort productivity rates. As productivity is the measure of production output over input of employees, it is no surprise that the creation of 2 million additional jobs in the UK in the past five years has rendered our productivity lower than that of France, which has produced a lower number of new jobs in the same period than the region of Yorkshire. The key is to upskill these new jobs to become more high skilled and more productive, and this will occur over time.

As a member of the Transport Committee, I would like to focus on the role that capital investment in transport can play in increasing the UK's productivity. The £60 billion of capital investment dedicated this term to road and rail investment has the ability to improve productivity by enhancing connectivity and bringing workers and businesses closer to their workplace and marketplace. In this respect, it is essential that we look to these projects not just for their transport benefits but for the regeneration that they can bring. In my community, my right hon. Friend the Member for Hastings and Rye (Amber Rudd) and I have been campaigning to deliver high-speed rail from London to Hastings and Bexhill. On that route, it takes two hours to travel from London, while the similar distance to Milton Keynes from the capital can be covered in just over 30 minutes.

Stewart Malcolm McDonald (Glasgow South) (SNP): Will the hon. Gentleman give way?

Huw Merriman: I give way to my colleague on the Select Committee.

Stewart Malcolm McDonald: The hon. Gentleman is a fine member of the Select Committee. On high-speed rail, will he say from the Government Benches that it would greatly benefit Scotland if we had such a connection to London, our closest global financial hub?

Huw Merriman: My colleague has put that matter on the record on more than one occasion in the Select Committee and in the House.

As our regeneration report will show, the new rail link would unlock economic growth in our community, increase productivity and allow for new business expansion to pay for, among other matters, the higher than average adult social care bill that East Sussex faces. However, Network Rail's decision about whether to invest in this project will be solely determined not on the boost to economic productivity it would undoubtedly bring, but on rail-user feasibility. In addition, another bar to productivity is that the bill for the project has increased because of the number of licensing and planning consents required from numerous agencies and authorities and because of the enhanced regulation brought in for new rail projects.

If we are to enhance our productivity, we must commission public projects on the basis of which ones can, to employ the term used by my hon. Friend the Member for North Dorset (Simon Hoare), deliver the best bang for the buck, and we must hammer down costs by making the building process simpler. In a similar vein, I implore the Government not only to make a decision this year on which airport will be expanded, but to ensure that the shovel goes in the ground immediately, rather than lying idle for years while petitions are heard in this place and in our courts.

To conclude, I welcome this opportunity to debate how the UK's export market and productivity rates can be improved. I welcome the Government's recognition that more can be done, and the ambitious targets that the Government have set themselves during this term to ensure that more will be done.

6.21 pm

Michelle Thomson (Edinburgh West) (Ind): Thank you, Madam Deputy Speaker, for giving me the opportunity to be the final speaker before the debate is summed up. I must say that I have enjoyed it immensely. The quality of speeches by Members on both sides of the House has been fantastic.

I have a little warning for the hon. Member for Gloucester (Richard Graham) on the use of the term "doom". In Scotland, we say that facts are chieftains that winna ding. The facts brought out by my hon. Friend the Member for Dundee East (Stewart Hosie) at the start of the debate stand and are very important. Such a reality check about some of the serious issues in the UK economy must be acknowledged.

Let us turn to the issue of balance. The Chancellor commented in a lecture in 2010:

We have to move away from an economic model that was based on unsustainable private and public debt. And we have to move to

a new model of economic growth that is rooted in more investment, more savings and higher exports.”

How did that work out?

Such a sentiment does not extend to the present Government. During an open Business, Innovation and Skills Committee sitting, I questioned the Minister for Small Business, Industry and Enterprise about whether she regretted successive UK Governments lack of a cohesive industrial strategy. I make that point because SNP Members sometimes sit listening to the biff-boff from either side of the Chamber, but I think there has been a lack of strategy year on year, regardless of whether it has been under the Tories or Labour. One of the significant benefits in Scotland of constantly having an SNP Government, which I hope will be re-elected, is that we can see the signs of a strategy that has been put in place and acted on, and of the resulting commensurate benefits.

Lucy Frazer: Does the hon. Lady accept that, according to figures from UKTI, a Government body, there was a small fall in the number of inward investment projects in Scotland in 2014-15, while the number rose in England and Wales?

Michelle Thomson: Yes. As I said at the start, facts are chieftains that winna ding, but there is a much bigger picture.

My hon. Friend the Member for Dundee East said that the downsizing in manufacturing has been going on for decades, not just for a small snapshot in time. I do not propose to go through the figures that have been quoted extensively in this debate, but I will quote an apt point that was made by the well-known economic journalist who writes in the Scottish newspaper, *The National*, and who, for the benefit of the House, is also known as the hon. Member for East Lothian (George Kerevan). He has referred to the issues with manufacturing as

“a full generation of stagnation.”

I want to pick up on a few comments. The first was about infrastructure. I gently point out in respect of HS2, which apparently will now cost roughly £42 billion, although I am not sure that is correct, that Scotland will pay its population share of that. We will pay roughly £4 billion, for which we will get no benefit. Indeed, a couple of years ago, Aberdeen chamber of commerce pointed out that it might cost its local industry money.

It is fair to say that probably no one in this Chamber is as focused on the importance of business in growing our economy as I am. There are still significant issues that I will personally address in the lifetime of this Parliament in the ability of businesses to get started, access capital, which is critical, and grow to a significant size. The Mittelstand model would be a good fit, but such companies are promptly sold. We need to do much more on that front.

John Longworth, director general of the British Chambers of Commerce, has made significant comments on consumer debt:

“It’s time to get real. The UK has been too reliant on consumer spending”.

That is an external body making that point. The household debt to income ratio could reach 172% by 2020. I am worried that with increased austerity and more uncertain

prospects, more and more people are turning to credit as the only accessible way to plug the gap. Interest rate rises are a when, not an if, and I have grave concerns about how they will affect people who are already struggling.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): Given what has been said about household debt, does the hon. Lady agree that it is extremely important that children receive financial education at school that includes budgeting and planning?

Michelle Thomson: Absolutely. We can probably all agree that we should look to do better on that.

Productivity has been discussed at length. A solution to the so-called productivity puzzle remains as elusive as ever. We know that the component parts are complex. Not only does the UK perform badly when compared with the G7, but it does even worse when compared with what I call the M8—the top performing medium-sized countries such as Norway, where productivity is 77% ahead of the UK. In Sweden, the figure is 18% and in Denmark, it is 26%.

The National Institute of Economic and Social Research considered that puzzle and noted that

“analyses of the panel reveal that workplaces that experienced an increase in union density between 2004 and 2011 also improved their performance relative to the industry average”.

That is an important point. I would suggest that it is not just union density that influences productivity, but mature workplace relationships based on mutual respect and consideration, and the routine representation of workers on boards, which we see elsewhere. My view is that the rest of the UK is slipping backwards in that respect, particularly given the dangerous trade union proposals.

I will consider export performance before I finish. Rather than going through the facts, I had a quick conversation with the owner of Witherby Publishing, which is a successful Scottish SME whose exports account for about 80% of its business. I asked what she considers to be the primary inhibitor of UK companies exporting. Her answer was succinct. She said it was attitude, it was ambition, it was looking outwards. The practical considerations of cost distribution, differing tax structures, VAT and so on were secondary. The UK must be very careful in the message it sends out to the world as it grapples with the debate about Europe. Is the UK open for business or not? I’ll tell you what: Scotland is open for business.

Finally, let me reiterate what was said by my hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin) because I have serious concerns about plans to replace grants with loans. I challenged the Minister and asked about the rationale behind that move, and the response was:

“A number of businesses that I meet would be quite happy to have a loan rather than just a grant because they get that that would mean they would have to pay it back.”

I am sorry, but we need to do better than that. This is a competitive world, and that response is beyond complacent. We must compete, invest, and support research and development. Given all the factors that I have mentioned, the report card for the long-term economic plan is poor. It is not working, it is stifling growth, and it will affect us all going forward. Quite simply, this Tory Government cannot be trusted to deliver on the economy.

6.30 pm

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): I rise to speak in favour of the motion in my name and that of my SNP colleagues, and I declare an interest as vice-chair of the all-party group for trade and investment.

I thank all Members for their contributions to this interesting and varied debate, and I will try to mention everybody if time allows. The Minister spoke of a long-term economic plan and of caring and compassionate Conservatives, but those worn-out phrases mean nothing to poor and vulnerable people up and down this country who this Government have targeted in a relentless onslaught through austerity of choice, not necessity.

I agree with the hon. Member for Sefton Central (Bill Esterson) that the NHS should be exempt from TTIP, and we must always protect our public services. I agree with the hon. Member for The Cotswolds (Geoffrey Clifton-Brown) on the importance of UKTI, but unfortunately the Chancellor slashed the budget for that in his autumn statement. My hon. Friend the Member for Aberdeen South (Callum McCaig) made an excellent speech about the bright future for our oil industry, but it requires help from the Government during what we hope will be a temporary downturn. He spoke of Aberdeen being a city of innovation that filed more applications for patents in 2014 than anywhere else, and he mentioned the importance of the Aberdeen city deal, and called on the Government to consider that quickly and favourably. He said, however, that the UK Government had taken a hatchet to one of the biggest global growing markets of the century: renewable energy. We should build on an industry that we can be proud of, and develop the skills we need—ambition, Mr Speaker.

I wholeheartedly agreed with the hon. Member for Cannock Chase (Amanda Milling) when she spoke about the need for investment. She quoted from the Treasury document, “Fixing the foundations”, but failed to mention that UK investment as a percentage of GDP has been well below the OECD average since 1960, only surfacing briefly in 1990, as per the graph on page 15. I was pleased to hear her support for the cut to air passenger duty, which the Scottish Government will introduce, and she suggested to the Minister that that measure be considered elsewhere.

The hon. Member for Hartlepool (Mr Wright), Chair of the Business, Innovation and Skills Committee, agreed with every word of our motion, and we are delighted to have that support. He went even further and spoke of the value of our relationship with the EU, and its importance for trade. He also referred to the “dire and woeful” performance of the Government, who are sleepwalking back to the old British model, which cannot be a model for sustainable and economic growth.

The hon. Member for Bedford (Richard Fuller) suggested that this country had consistently rejected socialism. Not in Scotland—just look at the SNP Benches. He also seemed to suggest—surely this must have been in jest—we have not gone bust so things must be okay. Such poverty of ambition. My hon. Friend the Member for East Lothian (George Kerevan) spoke of the success of Ireland’s export record, and said that although we should have been turning around our export performance,

we have failed in that. As he said, given the current account deficit as it stands, all warning lights should be flashing brightly.

The hon. Member for Spelthorne (Kwasi Kwarteng) spoke of the challenges ahead and the diminished role of manufacturing. He sees that as part of the evolving nature of the British economy, but we should be looking to revive manufacturing, not making excuses for where it is just now.

We heard from my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry), who spoke fluently and with much passion about the digital economy. Innovation is indeed about imagination. He spoke of driverless car technology as an opportunity to connect people in a different way and how very important it is for women and girls to have the chance to seek opportunities in new areas of technology.

The hon. Member for Macclesfield (David Rutley) said that only one in five businesses in this country export, compared with one in four in Germany, and that there were deep-seated issues that needed to be addressed. He did say that good things come from Scotland—many thanks to him.

My hon. Friend the Member for Livingston (Hannah Bardell) spoke with passion, ambition and great intellect about productivity, innovation and investment with a focus on inequality, diversity and inclusiveness. It is worthy of note that not one Government Member spoke about tackling inequality. Investment in human capital is important, too. It is not just about paid employment but the contribution of others in different ways: as volunteers, carers and activists. Some may not fit, she said, into the Government’s view of what is productive, but that does not mean that everyone does not have something to offer.

The hon. Member for Horsham (Jeremy Quin) paid tribute to some of Scotland’s inventions, in particular the overdraft, which he had been unaware had been invented by a Scot. Well, thank goodness for that. What would the Government do without it?

The view of the hon. Member for East Antrim (Sammy Wilson) was that while we should not knock the economy, we should not be complacent about it either. He acknowledged that we have a problem with our balance of payments.

We then heard from the hon. Member for Gloucester (Richard Graham). He spoke, in his opening lines, about the doom and gloom of speeches. I was certain he was talking about his own colleagues, but he then directed his comments at SNP Members. Surely, there must be some mistake! He did, however, mention the Commonwealth games and highlighted their success, for which we are very grateful. He started to mention the financial contribution of the UK to the games. For those not in the Chamber at the time, the answer is: nil.

The hon. Member for West Bromwich West (Mr Bailey) spoke of the overstatement of the Government’s success, in particular in relation to zero-hours contracts, owing to the lack of productivity and the weak export performance. The hon. and learned Member for South East Cambridgeshire (Lucy Frazer) talked about expertise in universities, but failed to recognise that a smaller proportion of UK businesses intend to collaborate than is the case with our international competitors.

My hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin) delivered an excellent speech, in his own inimitable fashion, on science and innovation, and the need for investment in that respect. The hon. Member for Bexhill and Battle (Huw Merriman) spoke about the importance of high-speed rail, but did not go far enough to suggest that Scotland should have access to it. Why ever not?

My hon. Friend the Member for Edinburgh West (Michelle Thomson) spoke of the lack of a UK strategy and the comparison with the Scottish Government's strategy, the benefits of which we can see in action. It is about attitude and ambition, she said. I could not agree more.

Scotland is the best place in Britain to do business. The SNP Government have delivered success for Scotland's economy. The value of Scotland's international exports has increased by about 40% from £20 billion to £27.9 billion. In each year since 2006, the Ernst & Young attractiveness survey has ranked Scotland in the top two regions outside of London for foreign direct investment in terms of number of projects secured. In the past six years, business research and development spending in Scotland has increased by 29% in real terms to £797.7 million, compared with just 3% in the UK in the same period. I appear to have lost the attention of some Government Members. I do hope I can regain it quickly.

The cornerstone of Scotland's successful economy, of course, has been our membership of the European Union. Scotland's EU membership has been a vibrant source of social, cultural and economic benefit for Scotland over the past 40 years. It is a vital export market, so why would the Tory Government take our country to the brink of leaving this successful partnership?

Jeremy Quin: As I understand it, about 17% of Scots exports go to the rest of the EU and about two-thirds go to the rest of the UK. I am sure the hon. Lady will be equally fond of retaining the better Union—better together.

Ms Ahmed-Sheikh: It actually works both ways. It is not just Scotland exporting to the rest of the UK; exports come up the other way too, but I thank the hon. Gentleman for his intervention none the less.

Scotland is ready to do business with the world, but this Government are giving the impression that we, along with the rest of UK, are closed for business. What message does it give to the world when our UK Government talk a good game about our commitment to the historic climate change agreement reached in Paris, but simultaneously pull the plug on millions of pounds of investment in our renewables industry through their actions on the renewables obligation? How badly is the reputation of Scotland's world-class universities damaged in the international market to attract the brightest and best by a regressive position on post-study visas? We seem to be moving from one extreme to another, closing the doors to some and opening them to others in the name of trade at all costs, whether that is in relation to arms that may be being sold illegally or not ensuring that human rights are at the top of the agenda when we negotiate trade deals.

Lucy Frazer *rose*—

Ms Ahmed-Sheikh: I am afraid I cannot give way.

The poor international reputation created by this Government is one of the reasons why the UK's overall current account deficit in 2014—which includes investment income and transfers, as well as trade—was a record £92.5 billion, up from £77.9 billion in 2013. As a percentage of GDP, the current account deficit now stands at 5.1%, the second highest annual figure since world war two.

As we have heard today, the SNP Scottish Government have an economic plan based on investment in education, internationalisation, innovation and inclusive growth that will release Scotland's economic potential. In contrast, what do we have here? We have this Chancellor and the UK Government failing on their own key economic indicators, missing the targets they set for themselves. They have proven beyond all doubt that the Tories' claim to economic credibility now lies in tatters.

That is why the Chancellor must urgently put in place a comprehensive plan for trade, exports, innovation and productivity to genuinely rebalance the economy. On trade, the Chancellor said that trade and exports would underpin his strategy for growth, but the UK's current account deficit is a record £93 billion, its highest ever cash amount. On exports, the Chancellor promised a doubling to £1 trillion by the end of this decade, but with exports falling to £503 billion last year, he has missed his own targets and the figures are moving in the wrong direction. On innovation, we compare poorly with our competitors, and the Chancellor's decision to change innovation grants into loans sends out all the wrong signals. On productivity, the UK lags behind other major economies and is at barely half the level of growth in the pre-crisis trend. The Chancellor's plan is failing the UK and failing Scotland. We need urgent and radical action to rebalance the UK economy. I commend the motion to the House.

6.42 pm

The Minister for Universities and Science (Joseph Johnson): In winding up this extensive and excellent debate, during which we have explored the vital themes of trade, innovation and productivity, it is worth reminding ourselves of the context of Government actions. When we came to office in 2010, the country was borrowing £150 billion a year. It had the largest deficit of any country in the OECD and unemployment had risen by half a million.

Since 2010, we have taken steps to secure the economic recovery, ensure that we are better placed to withstand future shocks, and provide security and opportunity to people across the whole of the UK. Our actions have borne fruit, and as a result the UK has been the joint fastest-growing economy in the G7. The deficit is down by more than half, there are 2.7 million more people in private sector jobs and there are 900,000 more businesses trading today than in 2010. It is because we are taking the difficult decisions to fix our public finances that we are now able to prioritise investment, boost productivity and rebalance our economy.

Today we have heard some of the ways in which our long-term economic plan is doing just that, with excellent contributions from all parts of the House, even if some were much better represented than others—the Labour Benches were particularly sparsely attended throughout

[Joseph Johnson]

this afternoon's proceedings. I will answer as many points as I can in the limited time I have, but I want to acknowledge, at least in passing, the strong contributions from my hon. and learned Friend the Member for South East Cambridgeshire (Lucy Frazer) and my hon. Friends the Members for Cannock Chase (Amanda Milling), for Bexhill and Battle (Huw Merriman), for The Cotswolds (Geoffrey Clifton-Brown), for Macclesfield (David Rutley), for Horsham (Jeremy Quin), for Gloucester (Richard Graham), for Spelthorne (Kwasi Kwarteng) and, last but not least, for Bedford (Richard Fuller).

Let me start with productivity. Yes, of course the UK's productivity has lagged behind that of other major economies for decades. That is precisely why the Government have set out a clear plan, "Fixing the foundations", with a clear timetable for implementation all the way out to 2025. Recent signs are encouraging. Output per hour grew 0.9% in the second quarter of 2015, and 0.6% in the third quarter. With output per hour continuing to increase, this shows our approach is working. Indeed, the independent Office for Budget Responsibility confirmed that in its 2015 economic and fiscal outlook, which forecasts that productivity will return to trend by mid-2018.

Of course, success will not be achieved overnight, and will require a truly national effort from Government, business and working people. Key to that will be working through the plan for productivity we have set out. This means investing in skills by delivering 3 million apprenticeship starts during this Parliament, building on the 2 million of the last Parliament. It means protecting our vital science spending in real terms until the end of the decade and expanding our important network of catapult centres. It means delivering infrastructure projects such as HS2 and Crossrail and the largest investment in our roads since the 1970s. It means rolling out superfast broadband to 95% of premises by 2017. The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry) will, I hope, welcome the productivity plan's commitment to extending development rights to taller mobile masts. It also means setting out a plan for future infrastructure challenges, with the creation of our National Infrastructure Commission. The Government have a clear productivity plan; we have a plan for the whole of the United Kingdom. It is a blueprint to fix the foundations of our economy and is a vital step towards securing the prosperity and livelihood of generations to come.

The rebalancing of the economy is another central theme of this afternoon's debate. The profound changes we want to see in the structure of our economy will not take place overnight, and there is of course much work to do. Already, however, we can see significant progress in key areas where we want to see rebalancing. Job opportunities are being spread much more evenly than before. Opportunities for people have burgeoned outside our booming capital city and the south of the country, with some of the fastest rates of growth in job creation seen in the north of England. Indeed, since 2010, three out of four jobs have been created outside London.

Scotland has been a big part of the national story. In Scotland, 178,000 more people are in employment than in 2010, with the private sector up by 150,000.

Stewart Hosie: The Minister has prayed in aid very heavily the productivity plan, "Fixing the foundations", and he read out a large number of its component parts. Will he do something that his right hon. Friend the Minister for Small Business, Industry and Enterprise did not do and commit to repeating that the Government intend to double exports to £1 trillion by 2020? That is also in the plan, so can we take it that that target has now been abandoned?

Joseph Johnson: I shall come on to exports shortly, but we remain strongly committed to that target. It is right that we set ourselves a challenging and ambitious target for exports. The whole Government are working towards achieving that goal.

Our regions are at the centre of our plan. A crucial part of the Government's plan is to devolve powers to local leaders and enable them to drive growth, attract investment and create jobs, as we are doing with the development of the northern powerhouse and the midlands engine. We have secured an historic city deal for Glasgow and the Clyde valley, and I am pleased that discussions are under way for Aberdeen and Inverness, too.

The manufacturing sector is a part of this renewal. While our manufacturing sector faces headwinds, as we have seen in recent statistics, from the sharp fall in the oil price, a strong pound and slowing external markets, manufacturing output since 2010 has expanded by 18.5%, and by 17% in Scotland. Quite contrary to the assertion of the hon. Member for Dundee East (Stewart Hosie), there are more manufacturing jobs, too, than in 2010. There are 90,000 more of them in our economy today than in September 2010.

While we are about it, let us not miss an opportunity to celebrate the remarkable growth in motor vehicle manufacturing. The 6.4% increase over the past year underscores an historic transformation in that key industry's fortunes which has been under way since 2010. The Government need no lessons from Opposition parties on manufacturing generally, given that, as many know, it suffered its fastest decline on record as a share of GDP under Labour.

Business investment is increasing too. It has been growing by well over 4% a year in real terms since 2010. Specifically, investment in research and development rose to £19.9 billion in 2014, well up on where it was in 2010. The record levels of support that the Government are providing for innovative businesses through our R and D tax credit are a big part of the reason for that. Our support rose from £1.1 billion in 2010 to £1.75 billion in 2013-14, and the tax credit is helping more than 18,000 businesses to engage in innovative R and D investment.

The hon. Member for Dundee East said that there was a missed opportunity for Scotland. I disagree; the evidence shows otherwise. The hon. Gentleman should, perhaps, note that there were 1,045 successful claims for R and D tax credit from Scottish businesses in 2013-14. He should also recall that the five parties in the Smith commission agreed that corporation tax and its associated reliefs should not be devolved, on the basis of a strong body of evidence that such a move would not be in Scotland's interests. It was striking that neither Opposition party joined businesses in welcoming our plan to cut corporation tax to 18% by 2020. Companies throughout the United Kingdom will benefit from that, just as they are benefiting now from our R and D tax credit.

The hon. Member for Livingston (Hannah Bardell) mentioned the important issue of equality. We are active in that respect as well. There are more women in work than ever before—a record 14.6 million—and the number has risen by nearly 1 million since 2010. We are also taking steps to eliminate the remaining gender pay gap through new transparency requirements, and, as part of our broader goal of achieving full employment in our economy, we recently set out our aim of halving the disability employment gap. This is not the uncaring, uncompassionate Government that the Opposition parties seek to portray.

Let me say something about the business environment. As part of our economic plan, we want to make Britain the best place in Europe in which to do business, with a business environment that supports investment, productivity, growth and job creation. When Labour was in government, corporation tax stood at 28% and national insurance was set to increase, which would have had a devastating impact on jobs. By contrast, this Government have shelved the planned national insurance increase, increased investment allowances, and introduced the most competitive corporation tax regime in the G20. While we are about it, we are deregulating too, building on the steps that have been taken since 2010. We are committed to cutting the cost of red tape by a further £10 billion during the current Parliament. It is no surprise that Britain has just leapfrogged others in the World Bank's global ease of doing business rankings to become the top country in the G7 in which to do business.

Let me now turn to another aspect of today's debate: trade and exports. Our long-term economic plan will enable us to move towards an economy with a stronger export performance. While we are, of course, facing real global headwinds, including a slowdown in China and continued weakness in the eurozone, we are backing British businesses with global ambitions. The number of United Kingdom companies that are exporting is growing strongly—it has increased by 18% since 2010—and Scottish companies are also exporting more. In 2011 there were 9,300 Scottish exporters; now there are 11,100. Our trade deficit is responding, and narrowed in the three months to November.¹

As Members have noted, our £1 trillion export goal is rightly ambitious, and much depends on factors that are out of our control. What we can do as a Government is offer effective support for exporters, and push for ambitious trade agreements that will help them to break into new markets. That is why the Government have recently established the cross-Government exports implementation taskforce to drive a new and tough whole-of-Government approach in support of our export target and our aim to increase by 100,000 the number of UK firms exporting by 2020. The Government are also pushing hard for ambitious trade deals that will remove tariff and non-tariff barriers facing British exporters and open up new markets.

Bill Esterson: A number of Members have mentioned the steel industry. The Minister for Small Business, Industry and Enterprise questioned my comments about state aid rules so will the Minister confirm that the European Commission has now said that energy-intensive industries, including steel, can benefit from state aid rules, and that Belgium, France, Italy, Germany and Spain have all benefited in this way?

Joseph Johnson: The Government are working hard with our European partners to give the support that is possible to the steel industry, and are working hard with all the companies involved to assure good outcomes in line with our competition regime.

I shall return to the subject of the trade agreements. TTIP holds tremendous potential for the British economy; it is potentially worth up to £10 billion a year to the UK economy. Let me be clear in response to Members' concerns on this point that there is no threat whatever from the TTIP deal, or any other trade and investment agreement, to the NHS and our other vital public services. The Government, the European Commission and the United States—in fact all of those involved—have been 100% clear on that point. We have over 90 bilateral investment treaties and there has never been a successful claim against the UK. There is no evidence of the kind of regulatory chill that some fear will materialise in the event that we successfully conclude TTIP. TTIP is of course just one of a number of such deals, and we are also supporting ambitious deals with Japan and China.

Members have mentioned support for science and innovation. It is precisely because we are taking the difficult decisions to fix Britain's finances that we can now afford to prioritise science and other areas that support growth. As the Chancellor announced in the spending review, the Government will protect the science budget in real terms to the end of the decade. That means £4.7 billion in resource funding, rising with inflation, and it also means we are able to deliver on our manifesto commitment of record investment in our country's scientific infrastructure at £6.9 billion all the way out to 2021.

I hope the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) will welcome the fact that researchers and universities across the UK will benefit from a decade of protection for science under this Government. With respect to his specific concerns for the biomedical catalyst, which is jointly funded by the Medical Research Council and Innovate UK, I am unable to comment on individual budget allocations while we are still in the middle of this process, but the MRC will of course be a big beneficiary of the fact that we have had a massively successful science settlement during the spending review.

Let me also point out to SNP Members that Scotland is punching well above its weight in getting access to this science money, securing 10% of Innovate UK funding and 11% of research council funding, much more than its 8% share of the UK population and 6% share of UK businesses. A few months ago I was pleased to open a world-class medical imaging centre in Glasgow, which has benefited from £16 million of UK Government funding through the MRC, illustrating precisely this point.

On innovation support, different businesses need different forms of financial support to innovate and grow. The lack of available financing at acceptable terms is an obstacle we want to address, learning from countries such as France, Finland and the Netherlands that use a variety of financial instruments. The hon. Member for Sefton Central (Bill Esterson) wrongly painted a gloomy picture of Innovate UK funding, which I must correct. Overall, core funding for Innovate UK has increased from £253 million in 2009 to £453 million in 2016-17, and will reach £471 million in 2019-20. It is this positive

1. [Official Report, 27 January 2016, Vol. 605, c. 2MC.]

[Joseph Johnson]

settlement that is enabling us to deliver on our manifesto commitments to protect and expand our catapult network.

Raising productivity and balancing the economy are the key economic challenges for this Parliament and are central to our long-term economic plan. Thanks to the hard work of the British people, this long-term economic plan is working: the deficit is down by more than a half, 2.7 million more people are in private sector jobs and over 900,000 more businesses are trading today than in 2010. But there can be no complacency. The Chancellor has already pointed to the dangerous cocktail of risks—

Mike Weir (Angus) (SNP): *claimed to move the closure (Standing Order No. 36).*

Question put forthwith, That the Question be now put.

Question agreed to.

Main Question accordingly put.

The House divided: Ayes 241, Noes 299.

Division No. 164]

[7 pm

AYES

Abbott, Ms Diane	Creasy, Stella
Abrahams, Debbie	Cryer, John
Ahmed-Sheikh, Ms Tasmina	Cummins, Judith
Alexander, Heidi	Cunningham, Alex
Anderson, Mr David	Cunningham, Mr Jim
Arkless, Richard	David, Wayne
Austin, Ian	Davies, Geraint
Bailey, Mr Adrian	Day, Martyn
Bardell, Hannah	Docherty, Martin John
Barron, rh Kevin	Donaldson, Stuart Blair
Beckett, rh Margaret	Doughty, Stephen
Benn, rh Hilary	Dowd, Jim
Berger, Luciana	Dromey, Jack
Betts, Mr Clive	Dugher, Michael
Black, Mhairi	Durkan, Mark
Blackford, Ian	Eagle, Maria
Blackman, Kirsty	Edwards, Jonathan
Blomfield, Paul	Efford, Clive
Boswell, Philip	Elliott, Julie
Brock, Deidre	Ellman, Mrs Louise
Brown, Alan	Esterson, Bill
Brown, Lyn	Evans, Chris
Bryant, Chris	Farrelly, Paul
Burden, Richard	Farron, Tim
Burgon, Richard	Field, rh Frank
Burnham, rh Andy	Flello, Robert
Butler, Dawn	Fletcher, Colleen
Byrne, rh Liam	Flint, rh Caroline
Cadbury, Ruth	Flynn, Paul
Cameron, Dr Lisa	Fovargue, Yvonne
Campbell, rh Mr Alan	Foxcroft, Vicky
Campbell, Mr Ronnie	Gardiner, Barry
Carswell, Mr Douglas	Gibson, Patricia
Champion, Sarah	Glass, Pat
Chapman, Douglas	Godsiff, Mr Roger
Chapman, Jenny	Goodman, Helen
Coaker, Vernon	Grady, Patrick
Cooper, rh Yvette	Grant, Peter
Corbyn, rh Jeremy	Green, Kate
Cowan, Ronnie	Greenwood, Lilian
Cox, Jo	Greenwood, Margaret
Crausby, Mr David	Griffith, Nia
Crawley, Angela	Gwynne, Andrew
Creagh, Mary	Haigh, Louise

Hamilton, Fabian	Monaghan, Carol
Hanson, rh Mr David	Moon, Mrs Madeleine
Harpham, Harry	Morden, Jessica
Harris, Carolyn	Morris, Grahame M.
Hayes, Helen	Mulholland, Greg
Healey, rh John	Mullin, Roger
Hendrick, Mr Mark	Murray, Ian
Hendry, Drew	Newlands, Gavin
Hepburn, Mr Stephen	Nicolson, John
Hodgson, Mrs Sharon	O'Hara, Brendan
Hollern, Kate	Onn, Melanie
Hopkins, Kelvin	Onwurah, Chi
Hosie, Stewart	Osamor, Kate
Howarth, rh Mr George	Owen, Albert
Hunt, Tristram	Paterson, Steven
Huq, Dr Rupa	Pearce, Teresa
Hussain, Imran	Perkins, Toby
Irranca-Davies, Huw	Phillips, Jess
Jarvis, Dan	Pound, Stephen
Johnson, rh Alan	Powell, Lucy
Jones, Gerald	Pugh, John
Jones, Graham	Qureshi, Yasmin
Jones, Mr Kevan	Rayner, Angela
Jones, Susan Elan	Reed, Mr Steve
Kane, Mike	Rees, Christina
Kaufman, rh Sir Gerald	Reynolds, Jonathan
Keeley, Barbara	Rimmer, Marie
Kendall, Liz	Ritchie, Ms Margaret
Kerevan, George	Robertson, rh Angus
Kerr, Calum	Robinson, Mr Geoffrey
Kinnock, Stephen	Rotheram, Steve
Kyle, Peter	Ryan, rh Joan
Lamb, rh Norman	Salmond, rh Alex
Lammy, rh Mr David	Saville Roberts, Liz
Lavery, Ian	Shah, Naz
Law, Chris	Sharma, Mr Virendra
Leslie, Chris	Sherriff, Paula
Lewell-Buck, Mrs Emma	Shuker, Mr Gavin
Lewis, Clive	Siddiq, Tulip
Long Bailey, Rebecca	Skinner, Mr Dennis
Lucas, Caroline	Slaughter, Andy
Lucas, Ian C.	Smeeth, Ruth
Lynch, Holly	Smith, rh Mr Andrew
Mactaggart, rh Fiona	Smith, Angela
Madders, Justin	Smith, Cat
Mahmood, Mr Khalid	Smith, Jeff
Mahmood, Shabana	Smith, Nick
Malhotra, Seema	Smith, Owen
Mann, John	Spellar, rh Mr John
Marris, Rob	Starmer, Keir
Marsden, Mr Gordon	Stephens, Chris
Maskell, Rachael	Stevens, Jo
Matheson, Christian	Streeting, Wes
Mc Nally, John	Stuart, rh Ms Gisela
McCabe, Steve	Tami, Mark
McCaig, Callum	Thewliss, Alison
McCarthy, Kerry	Thomas, Mr Gareth
McDonagh, Siobhain	Thomas-Symonds, Nick
McDonald, Andy	Thomson, Michelle
McDonald, Stewart Malcolm	Thornberry, Emily
McDonald, Stuart C.	Timms, rh Stephen
McDonnell, John	Trickett, Jon
McFadden, rh Mr Pat	Turley, Anna
McGarry, Natalie	Turner, Karl
McGinn, Conor	Twigg, Derek
McGovern, Alison	Twigg, Stephen
McInnes, Liz	Umunna, Mr Chuka
McKinnell, Catherine	Watson, Mr Tom
McLaughlin, Anne	Weir, Mike
McMahon, Jim	West, Catherine
Meale, Sir Alan	Whiteford, Dr Eilidh
Miliband, rh Edward	Whitehead, Dr Alan

Whitford, Dr Philippa
Williams, Mr Mark
Wilson, Corri
Wilson, Phil
Winnick, Mr David
Winterton, rh Dame Rosie

Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Pete Wishart and
Owen Thompson

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Campbell, Mr Gregory
Carmichael, Neil
Cartledge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishty, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, David T. C.
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline

Djanogly, Mr Jonathan
Donaldson, rh Mr Jeffrey M.
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Fuller, Richard
Fysh, Marcus
Gale, Sir Roger
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon

Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kennedy, Seema
Kinahan, Danny
Kirby, Simon
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James

Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Paisley, Ian
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Mary
Rudd, rh Amber
Rutley, David
Scully, Paul
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sunak, Rishi
Swayne, rh Mr Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth

Tugendhat, Tom
Turner, Mr Andrew
Tyrrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather

White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Jackie Doyle-Price and
Kris Hopkins

Question accordingly negatived.

Catastrophic Sporting Injuries: Steven Cox

Motion made, and Question proposed, That this House do now adjourn.—(Margot James.)

7.12 pm

Mr Alan Campbell (Tynemouth) (Lab): I am grateful for the opportunity to raise the case of my constituent Steven Cox, a young man who received catastrophic injuries during a rugby match almost 10 years ago to the day. I want to preface my remarks by saying that this is not a campaign against rugby or against contact sport. I accept and welcome the fact that thousands of my constituents, and millions of people across our country, watch and play rugby. I have a number of successful rugby clubs in my constituency, including Rockcliff, Percy Park and North Shields. I acknowledge that catastrophic injuries occur, and not just in rugby. Thankfully, they are quite rare, but they do happen too often. I believe, and Steven Cox believes, that when they do happen, they should be investigated properly and lessons should be learned, in the hope that the game can be made safer for those who follow it.

Steven Cox was 21 years old when he was catastrophically injured. He was a Durham University student, and was playing for St Chad's College against St Cuthbert's. It was an evening match held at Durham City rugby football club ground. Steven was playing tighthead prop in the front row of the right-hand side in the scrum. St Chad's were losing an eagerly contested match; by all accounts the St Cuthbert's team were heavier and stronger. The match was nearing the end of the second half when a scrum was called. What happened next is, to an extent, contentious, not least in terms of the speed of the engagement of the teams and how it was called. What we do know is that when the front rows came together, Steven was forced up and out of the scrum, before going to ground having sustained a serious neck injury. He was taken to University Hospital of North Durham and then transferred to a specialist unit in Newcastle general hospital. Steven had two major operations; two of his vertebrae were crushed. In stark terms, he lost the use of his limbs. He has to use a wheelchair and is significantly disabled.

Jim Shannon (Strangford) (DUP): I have asked permission to intervene. Does the right hon. Gentleman agree that there needs to be better education of the risks of catastrophic injuries in sport? Some of my constituents have experienced such risks in horse riding. The participants need to be fully aware of how they assess the risk and how they deal with the injuries should they arise.

Mr Campbell: I do agree with that, but the education must be based on evidence. Presumably, some of that evidence will come from an investigation, which is the point I am making. We need to know whether this case was properly investigated.

Steven was aware of what happened, because he remained conscious throughout, but, unsurprisingly, when the time was right, Steven and his family sought answers to what had happened and what the outcome of the investigations were. They looked to the Rugby Football Union, because the game had been played under the International Rugby Board's code of conduct, and the referee was RFU-qualified to level 5. There

were two touch judges who were also qualified to level 5. The game was on an official ground and was floodlit. A number of Steven's teammates made statements. There appears to have been a referee's match report, but it contained little detail about what had happened. There was a statement from one of the touch judges, which was made three months after the event, to the insurers' solicitor, but there was no statement from the touch judge nearest to the incident.

There was a group of RFU officials, including an RFU referee coach, who gave a statement, but did not comment on the accident. An RFU referee assessor submitted a referee assessment, but did not give a statement describing the mechanics of the accident. In short, there was no shortage of expert witnesses, but there has been a shortage of statements from those witnesses. It was not unreasonable for Steven to ask what further investigations were made, not least whether an official investigation had been carried out by the RFU. To find out whether such an official investigation had taken place and, if it had, what conclusions it had reached, Steven had to begin a legal case. From the outset of that process, it was unclear whether there were other documents, including statements by other RFU officials at the game.

It was also very clear at an early stage that the RFU, or at least its legal advisers, was unwilling to give access to information unless it was forced to do so by a court. It also emerged that the RFU itself had little information in its possession as any documents appear to have gone to its legal team or to solicitors representing the insurers, and in some cases those were the same people.

Steven did receive a significant no-faults insurance pay-out after the injury. It is a significant amount to someone looking from the outside, but we should bear in mind that he was just 21 years old, and that the amount was hardly more than one of the solicitors involved could expect to earn in a few years, let alone a lifetime.

It was not unreasonable for Steven not to risk what could be a substantial legal bill should the case fail. After all, he was actually seeking the truth of what happened above anything else. My point is that organisations responsible for investigating catastrophic injuries may also have to take into account their insurers' interests, and when the legal team at the organisation or the insurers—in this case it was both—come into play, progress is very slow and very defensive. The RFU's procedure for catastrophic injury clearly instructs anyone involved to speak to no one but the RFU's solicitors. Members of Parliament are all too well aware of the practice of big organisations with considerable legal support hanging out against a settlement on the basis that the person bringing the case would not risk the cost, not have the resources or run out of money.

Despite that, Steven and his family were determined to get to the truth. Let me place on record my respect for Steven's parents, Margaret and Tom, and his sister, Rachael, who have pursued this case doggedly. They began a protracted campaign to persuade the RFU to release the information or at least to confirm that it had it. It was a deeply frustrating experience. A freedom of information response confirmed only Steven's name and that the incident had occurred. At one point early on, the RFU's legal advisers rejected the very idea that there was a dispute between them and Steven Cox.

Steven and his family came to see me in order to see what further could be done. I will not go into every aspect of the story but, to give a flavour of the RFU's attitude, I was offered a telephone conversation in which the RFU legal representative would merely "reiterate their position". I urged the RFU to meet Steven and I offered to be there or not to be there—whichever would help. The RFU invited Steven to a rugby match at Twickenham, 270 miles away from his home, where the deputy head of legal affairs and the head of international and public affairs would speak to him after the match. I was offered tickets for myself and a guest. I was not convinced that that was the way to do things in relation to such a serious issue and, perhaps understandably, Steven and I declined the offer.

Communication went backwards and forwards, with long periods of inaction and silence from the RFU in between. It seems that part of the delay stemmed from the fact that, at every stage, the RFU's legal department reviewed any response.

To the RFU's credit, in September 2014 a meeting did take place in North Shields in my constituency. At the meeting, there was a positive discussion, particularly with those who seemed to come from the playing side of the game, but once the meeting was over, normal service resumed, with any meaningful progress being prevented by the legal representatives. Once again, any communication or complaint was, in effect, taken off RFU officials and taken on by its legal team and insurers.

Apart from seeking co-operation from the RFU, I also drew the case to the attention of successive sports Ministers. One of the current Minister's predecessors met the Cox family and helpfully suggested referral to Sport Resolutions, which was extremely helpful. It actually offered to pay for a review, but again the legal affairs team rejected that, saying that it did not believe that there was a dispute and, therefore, that there was nothing to resolve.

The current sports Minister, the Under-Secretary of State for Culture, Media and Sport, the hon. Member for Chatham and Aylesford (Tracey Crouch), met Steven and his family last month in what I thought was a helpful meeting and for which I am grateful. On the back of that meeting, I asked for this debate, partly out of frustration with the RFU, but more importantly to see what could be done in the context of lessons learned. I had been thinking about calling for this debate for some time, but the Cox family insisted that I did not do so while the world cup was on, given how important they believed it to be to this country. That is the measure of that family.

I want to ask the Minister three questions. What can be done to counter the lack of independence in investigations when organisations charged with investigating incidents of catastrophic injury also have an interest in protecting their insurers? They are able to use their position as arbiters of the release of information and influence the process. Should there not be a way in which incidents leading to catastrophic injury can be independently investigated, or at least a mechanism by which investigations may be independently reviewed so that safety can be improved?

Secondly, should there not be a body to look after care in sport and to help to ensure that sports in which every participant accepts an element of risk are nevertheless as safe as possible? As Steven Cox observes, there is a

[*Mr Alan Campbell*]

Health and Safety Executive for the workplace, but no such overarching body for sport.

Thirdly, why is it that while the RFU receives significant amounts of public money for its sport, it seems indifferent to engaging with my constituent and indeed me to discuss the perfectly reasonable request that we find out what happened on that day and why, and the way in which the case has been handled? Even at this stage, should not the RFU engage meaningfully with Steven Cox to try to bring closure to the case?

I know that the Minister is passionate about sport. I and Members on both sides of the House hold her in high regard, and I wish her well in the weeks and months ahead. I hope she can reassure me about how the investigation of catastrophic injuries may be improved to make playing safer for those who love the game.

In conclusion, let me return to Steven Cox—or, to give him his proper title, Dr Steven Cox. He is now a postgraduate from Durham University who is embarking on a career in engineering. This remarkable young man wants to know fully what happened and to play his part in ensuring that lessons are learned from his experience. I and he hope that this debate will move that forward.

7.27 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Tracey Crouch): I thank the right hon. Member for Tynemouth (Mr Campbell) for securing this debate on such an important subject. Discussions about such events are always challenging, but I am in no doubt that everyone in the Chamber is on the same side and wants a safe and secure environment for everyone taking part in sport. Not just as a Minister, but as a long-term participant in contact sport, I am well aware that things can sometimes go horribly wrong. I have been on the field when players have had their sporting choice finished for good due to a horrific injury. While we all do everything that we can to prevent these misfortunes, we accept that sport brings with it an element of risk, but that risk must be mitigated when possible.

It is right that player safety is primarily a matter for the national governing bodies, as the designated authorities with responsibility to regulate their sport, and I expect each governing body to make that its highest priority. That should be not simply for good public relations, but a fundamental aspect of the organisations' role in delivering their sport.

While there is consensus that everyone wants sport to be safe, I believe that everyone will also agree that when there is an injury in sport, whether catastrophic or otherwise, that should be properly investigated. In Steven's case, as the right hon. Gentleman made clear, there is a perception that that did not happen.

The right hon. Gentleman eloquently set out Steven Cox's case, so I will not take up time by going over the incident again. I will say, however, that despite the horrific reason, it was an absolute pleasure to meet Steven and his family in December, thanks to the right hon. Gentleman's efforts. I know that Steven and his family have gone through very difficult times, but I was extremely impressed by Steven's perseverance, and by his enthusiasm for and commitment to promoting this

important issue and campaigning for greater safety in sport. In fact, it was the meeting with Steven that reinvigorated my and my Department's energy to push harder on the issue.

Unfortunately, due to the timing of our meeting, which was just before the publication of the sports strategy, I was unable to say how I could make progress on some of these points. However, as the strategy has now been published, and in the light of today's debate, I can reveal further details. First, however, I wish to deal with a number of the issues relating to the RFU. Following my meeting with Steven, I wrote to the RFU chief executive, Ian Ritchie, and I am pleased to say that he will personally meet Steven. A letter to Steven offering such a meeting to discuss player safety has been or is about to be sent. I know that this will not be the first time that the RFU has met the Cox family, but I hope a meeting with the chief executive is seen as a positive step and one which will help in future.

That meeting will, I hope, be an opportune moment for the RFU to reassure the hon. Gentleman and Steven on his third point—that lessons have been learned in some respects about how to respond quickly and effectively to injuries sustained during games. The RFU has in many respects reassured me, but it needs to do so too for Steven, his family and the wider rugby community.

It is important to acknowledge that the RFU has developed a number of programmes to ensure player safety. Last year it introduced the RugbySafe scheme, which includes all the RFU's player safety and wellbeing projects to support clubs, schools, colleges, universities and all other participants in the game. I know that the RFU continues to update guidance as required, and I encourage it and all other national governing bodies to ensure that safety is at the heart of all sporting activities.

On the new sports strategy and what I was unable to say in the meeting with the hon. Gentleman in December but can say now, the strategy explicitly recognises the importance of safety for players and spectators at sporting events, all the way from the grassroots to the elite. The strategy included a commitment to a new duty of care review to consider these issues more fully. Baroness Grey-Thompson, who brings with her a wealth of personal and professional experience, has agreed to lead an independent working group to carry out the review.

The complete remit of the review is yet to be finalised, but I have discussed Steven's case with Baroness Grey-Thompson and she has already agreed to two things. First, she will meet Steven, hear his views on duty of care and discuss his case. Secondly, the review will consider how we investigate catastrophic injuries in the future. I am not going to prejudge the outcome of the noble Baroness's review, but I have enormous sympathy with the right hon. Gentleman's point about independence of investigation. Duty of care, to me, is therefore not just about preventive measures; it is also about confidence in investigation and honest lessons being learned.

Finally, I was interested to note the suggestion this evening from the right hon. Gentleman that we establish a body to look at safety in sport, along the lines of the Health and Safety Executive. He will be aware that, as I stated earlier, safety in sport is generally the responsibility of the national governing bodies, although the relevant sports councils also play a role. It is certainly worth considering the merits of the current system and whether

establishing an alternative one would be beneficial, so I will ensure that the duty of care review also considers this suggestion.

I will, of course, update the House as the work on duty of care and safety in sport progresses, and I am grateful to the right hon. Gentleman for securing the debate this evening. I know that what happened to his constituent Steven was horrific, but through his campaigning and that of others, alongside progress in

guidance and changes to play, I am confident that we can prevent injuries like his from occurring in future. If, unfortunately, they do occur, we can try to ensure better investigation. What we can certainly do is ultimately make sport much safer for everyone in the future.

Question put and agreed to.

7.32 pm

House adjourned.

Westminster Hall

Wednesday 13 January 2016

[MR DAVID NUTTALL *in the Chair*]

Universal Credit: North-West

9.30 am

Marie Rimmer (St Helens South and Whiston) (Lab): I beg to move,

That this House has considered the effect of the roll-out of universal credit in the North West.

It is a pleasure to serve under your chairmanship, Mr Nuttall. This is the first Westminster Hall debate that I have secured, and I will endeavour to observe the correct procedure. I am pleased to have secured this debate on such a critical subject for my constituents in St Helens South and Whiston and for people across north-west England.

I am sure that no hon. Member would disagree that the recent debate on changes to tax credits has been one of the most important in this Session. Following pressure from Members on both sides of the Commons, the Lords and the public at large asked the Government to think again. The Chancellor announced in the autumn statement that planned changes to tax credits had been scrapped, saying:

“I have listened to the concerns. I hear and understand them. Because I have been able to announce today an improvement in the public finances, the simplest thing to do is not to phase these changes in, but to avoid them altogether. Tax credits are being phased out anyway as we introduce universal credit.”—[*Official Report*, 25 November 2015; Vol. 602, c. 1360.]

However, for many people in the north-west of England the change to universal credit is a reality. The huge changes to our social security system have been trialled with people in the north-west.

Simply because of where they happen to live, many people in my constituency and neighbouring constituencies face dramatic drops in income from April 2016. For 77,378 people in the north-west, or 53% of the 155,000 currently in receipt of universal credit, this is a deeply worrying time. Some 51,000 of those people are in employment, and any of them experiencing changes that warrant a fresh application are seriously concerned. That issue of reduced work allowance is at the forefront of the minds of my constituents and the constituents of many other Members. I urge the Minister to take that away and think again.

The Office for Budget Responsibility expects the universal credit case load to be 330,000 in 2016-17, and many of those claimants will be in the north-west as those who get into work go on to universal credit. If families move from tax credits as part of their managed migration, they will be eligible for transitional protection until such time as their universal credit award catches up or the family experiences significant change to their circumstances. Transitional protection will apply only to families moved over through managed migration. Details on transitional protection have not yet been announced, and I ask for transitional protection to be put on a legal footing.

We know from the House of Commons Library that there will be no transitional protection for lone parents aged 25 or over with two children and no housing costs who are working full time—35 hours a week—on the minimum wage in 2015-16 or on the Government's national living wage in 2016-17. Such a family will lose £2,384 in 2016-17. The same family with the housing element of universal credit will lose £309, and a disabled family with no housing costs will lose £3,000. Many families will face drops in income of between £2,000 and £3,000. That is the effect of these cuts on those whose circumstances have changed and warrant a fresh application.

Rebecca Long Bailey (Salford and Eccles) (Lab): Does my hon. Friend agree that, with cuts to universal credit already being planned, there will be greater demand for transitional funding when current tax credit claimants are migrated on to universal credit?

Marie Rimmer: Yes, there will. How can it be right that anyone should be subject to a great injustice based on a postcode lottery determined by arbitrary decisions and the serial failings of the Department for Work and Pensions in delivering the programmes thus far? We have all heard the arguments on tax credits, and Members on both sides of the House were in agreement. Surely the change of terminology to universal credit from tax credit does not justify or warrant these cuts. It is simply indefensible that some people should be cast aside in this incompetent administrative experiment.

We have experienced other issues during the roll-out of universal credit. It would be unreasonable to assume that such a large scheme could be implemented without hiccups and a certain level of teething problems. The Government were forced to slow down the roll-out of the programme dramatically compared with their original aim. The OBR forecast in March 2013 that there would be 6.1 million claimants, but it is now expected that 330,000 people will receive universal credit during 2016-17. However, the problems that we have experienced in the north-west go well beyond what could be put down to normal problems that can be ironed out as the system beds in.

A range of administrative issues have had a terrible impact on people in receipt of universal credit. Many of the issues were highlighted in a report by Citizens Advice published in the summer of 2015. That report, “Waiting for Credit,” was drawn from 16 citizens advice bureaux, the majority of them in the north-west, including St Helens CAB. It detailed a range of issues faced by people claiming universal credit and by those trying to access it. For instance, universal credit is paid monthly in arrears. Following a new claim, the aim is for the claimant to be paid within five weeks—that is a total of nine weeks. The time lag causes claimants huge short-term financial difficulties, even when that aim is adhered to. However, the report found that 30% of claimants had to wait even longer.

Graham Evans (Weaver Vale) (Con): I am grateful to the hon. Lady for securing this important debate. She mentioned that people are paid monthly in arrears. Does that not apply to everybody who works for a living and pays taxes, which is what ultimately pays for the welfare?

Marie Rimmer: It can take five weeks for people on universal credit to be paid—that is the Government's aim. If the hon. Gentleman listened to my point, he would know that the report found that 30% of claimants had to wait even longer than the nine-week total. Those people suffer from income deprivation, which is why they are eligible for universal credit and why they are different from those in normal, well-paid work.

The report found that many claimants faced continuing difficulties in getting the right amount, even when their claim had been processed. Basic administrative problems, such as being asked repeatedly for the same documentary evidence, were cited.

Fiona Bruce (Congleton) (Con): The hon. Lady talks about administrative problems, but was not the key problem when we had a Labour Government that many people were left languishing on welfare and given no help at all to find work, some for as long as 10 years? Is that not the key difference from what we now have under this Government? Hundreds of thousands of people are now being supported into work. Is that not better for them, their families and their communities, and for the income that their households earn?

Marie Rimmer: No, I do not agree. People knew what was coming and knew that the funds were available. There are 155,000 people on universal credit now, and I am talking about the problems that they are experiencing now. For most people, not getting paid on time will cause at least some level of difficulty. For people on universal credit, not getting paid can be a catastrophe that makes it impossible to manage everyday living and responsibilities such as heating their home, eating, or clothing their children. Increased numbers of people are in rent arrears.

In my experience, there have been other cases of people facing great hardship through the incompetence of the programme so far. Basic work with different agencies has not taken place. For example, one of my constituents was previously in receipt of jobseeker's allowance and was subsequently moved on to universal credit. Upon going to the dentist he required treatment, which was free under the NHS. When he was filling in the usual form, he was advised to tick the box marked "income-based jobseeker's allowance", as there was no box for universal credit. Subsequently, he was billed and pursued by the NHS Business Services Authority and threatened with county court action for a false declaration. If that is the level of co-operation between different agencies at this stage, what hope is there for the future?

I must highlight the DWP's use of sanctions in the case of universal credit. It has thus far been largely concentrated on those who are on jobseeker's allowance or employment and support allowance. We have all heard of the cases of people who have had their benefits stopped, often for absurdly spurious reasons such as selling poppies or not searching hard enough for jobs on Christmas day—that is true. We have come across many tragic cases of constituents who are literally starving and unable to turn on their heating because they have no money. Sanctions are sometimes imposed for the crime of arriving only a few minutes late for a jobcentre appointment following a hospital appointment.

There is no confidence in the current sanctions regime. It is both incompetent and brutal. There needs to be a full and independent review to restore some kind of

confidence in the whole system. It is therefore completely irresponsible to expand the use of sanctions under universal credit to claimants in work.

Conditionality of benefits is being trialled for some of the in-work elements of universal credit. The New Policy Institute published a report into sanctions last year, which said:

"The expansion of conditionality under Universal Credit could see a substantial increase in sanctions: if sanctioning occurred at the same rate as for JSA claimants, then the number could almost double, with an additional 600,000 sanctions."

It is surely inconceivable that people in work could be left in such a situation because of a Government policy that is supposed to support them for doing the right thing, but that is what will happen unless the Government think again.

To say the least, there has not been a smooth transition to universal credit for people in the north-west region. I do not have enough time to outline the range of problems that we have faced as a result of being the guinea-pig region for the Secretary of State for Work and Pensions.

Mary Robinson (Cheadle) (Con): Does the hon. Lady not agree that behind the roll-out of universal credit is the desire to help working families, to get people back into work and to fulfil the aspirations that people have for their lives and their families, and that it would be much better for us to support that aspiration, support universal credit and iron out all the operational difficulties that she has highlighted?

Marie Rimmer: Universal credit was supposed to simplify the benefits system and increase incentives to work. It has not simplified the benefits system. People have to wait longer, and very often the assessments that they receive are wrong. How does it incentivise people to work if they are subjected to cuts that they would not have been subjected to previously? We have experienced neither benefits being simplified nor incentives to work being increased.

The cuts to the work allowance will destroy the basis of the new system and any incentive or encouragement to work. The Minister said that no one would lose a penny, but now the Government are saying that people should work for three to four hours more a week—200 hours more a year—to be no better off. How does anyone find three to four hours more a week for an adviser to help them when they are in full-time employment anyway?

This change will hit the people who most need help. I urge the Government to stop, think and implement something that will work. They should think again before pursuing these devastating cuts, and, importantly, they should put transitional protection on a legal footing. Until someone's earnings reach the universal credit work allowance scheme limit, their transitional protection should be put on a legal basis. That is what I ask for.

9.44 am

Graham Evans (Weaver Vale) (Con): Thank you, Mr Nuttall, for calling me to speak in this important debate. It is a pleasure to serve under your chairmanship.

I pay tribute to the hon. Member for St Helens South and Whiston (Marie Rimmer) for bringing this important debate to this Chamber today. In the last Parliament, it was my privilege to work for three years on the Work

and Pensions Committee. We conducted an investigation and produced a report on the introduction and roll-out of universal credit, and we visited jobcentres in the Greater Manchester area. Indeed, we also conducted an investigation at about the same time into jobcentres themselves, which was overwhelmingly welcomed by the people at the sharp end—the people who work in jobcentres.

A couple of weeks ago, I visited two local jobcentres—one in Runcorn and one in Northwich—and the staff told me that universal credit made it a lot easier to help people to get into work, particularly the long-term unemployed. Together with the changes that the Government have introduced to tax, which effectively take some of the lowest-paid people out of tax altogether, universal credit helps people who have been unemployed for a long time. There is a clear incentive to work, because people can keep more of their pay. The Government intend to introduce a system whereby people can earn £12,500—just over £1,000 a month—before they start to pay income tax.

Chris Green (Bolton West) (Con): Does my hon. Friend agree that this change marks a profound shift in the welfare system? As many people would expect, the welfare system is now a mechanism to help people into work, as opposed to a catchment for people to remain unemployed.

Graham Evans: I absolutely agree with my hon. Friend; he hits the nail on the head. This change is about enabling people to stand on their own two feet and to get away from the welfare culture that grew under the 13 years of the previous Labour Administration. When Labour introduced tax credits, they were going to cost £4 billion; the figure is now £30 billion. That is simply unaffordable. As a nation, do we pay money to people for not working or do we encourage them to stand on their own two feet and get a job? And as I say, the tax incentive means that people can earn about £1,000 a month before paying tax, because Conservatives believe that people should keep more of their earnings.

Fiona Bruce: Perhaps it is also good to remember that this Government are going to double the amount of free childcare to 30 hours a week, which for working parents of three and four-year-olds is worth about £5,000 a year per child. More than that, even for those on universal credit there is help. Universal credit currently covers up to 70% of eligible childcare costs, but from April that will increase to 85%. That is a huge difference, worth £1,368 per year for every child.

Graham Evans: I am most grateful for that intervention; my hon. Friend makes a very powerful point. As I have said, jobcentre staff say that the changes that the Government have introduced to simplify welfare and benefits, and the incentive to work, enable those people who are unemployed to get into work quickly. And for long-term unemployed people who have been on benefits for many years, there are now clear incentives to get into work, because they will keep more of the money they earn; universal credit enables them to keep more of what they earn.

Nick Thomas-Symonds (Torfaen) (Lab): It has emerged clearly from this discussion that there needs to be greater awareness of the cuts to the universal credit work

allowance that are coming in this April. Let me just give the example of a single parent—say, a single mother—with one or more children. That allowance will be halved from April from £8,808 to £4,764, which is a reduction of £4,044. In cash terms, that working mother will lose £2,628 from this April. How on earth is that an incentive to work?

Graham Evans: We have to look at the whole scheme. We have to look at the fairness to those in receipt of welfare and benefits, but what we never hear about from Labour Members is that the scheme has to be fair to the people who pay for it, who are the hard-working taxpayers. If we look at people who are working—*[Interruption.]* I know it is controversial to talk about the people who actually contribute and pay for welfare, but we have to look at the people who make the decisions to work hard and work full-time. The examples that people always look at are of people who work part-time, and their income is topped up. Well, we have to look at the decisions of people who work hard every day. They have to work full-time—work, work—and make those decisions and pay taxes, which go into the welfare system.

Several hon. Members rose—

Graham Evans: I will give way to the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) and then I want to make some progress.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I intend to make a speech, and I appreciate the hon. Gentleman's courtesy in giving way. I gently say to him—this is important in a debate on universal credit—that Britain is not divided into two groups of people: those who pay taxes and those who receive welfare benefits. It is a lot more complicated than that. The point of universal credit was actually to allow a seamless transition between the two to support people. The point of this debate should be to point out that that transition is not working so far in the initial roll-out of universal credit. That is where the attention needs to lie in a discussion such as this.

Graham Evans: As always, the hon. Gentleman makes a powerful point. I am not saying that the system is perfect. Under the Labour Government, the welfare system was very complicated. In the previous Parliament, the Government tried to make it simpler and fairer for people in receipt of welfare while also making it fairer for the people who pay for it—hard-working taxpayers. Not for one minute am I saying that the system is perfect, but the people who work in Jobcentre Plus tell me that universal credit makes it a lot easier and simpler for them to help people, particularly the long-term unemployed, to get into work. That is the evidence in my constituency.

Jim Shannon (Strangford) (DUP): Will the hon. Gentleman give way?

Graham Evans: May I make a bit of progress first? I have actually got a speech here.

Everyone with the ability to work should be given the support and opportunity to do so. The previous system wrote too many people off for too long, and too many people were left in a cycle of welfare. The point behind

[Graham Evans]

the reforms is to break that cycle. The roll-out of universal credit will fundamentally transform the welfare benefits system in Britain and the north-west, making 3 million people better off and bringing £33 billion in economic benefits to society. Universal credit will simplify and streamline the welfare system, improve work incentives, tackle poverty among low-income families and reduce the scope for error and fraud.

The hon. Member for St Helens South and Whiston gave some powerful examples. I am not saying that errors do not happen; of course they do. Things are not perfect, but other nations around the world are looking at the welfare reforms that the previous Government introduced and are considering doing the same. Since the introduction of universal credit, unemployment in the north-west has fallen by 50,000—more than 30%. Unemployment in my constituency has more than halved in the same period. While that fall cannot be solely attributed to universal credit, its roll-out has had a part to play in that success, and it will continue to play a major part in entrenching that success as the roll-out continues.

Jim Shannon: The hon. Gentleman is making powerful points, but I am sure that he recognises the concerns of those of us on this side of the Chamber. Government Members may share those concerns, to be fair. Society is marked by its attitude to those on low incomes and the less well-off. In this House, we have a duty to them as well as to taxpayers, who provide income. Does he accept that universal credit is causing undue delays for many of my constituents and those of other Members in the Chamber? There is a knock-on effect on those receiving benefit with the changes to their income tax, tax credits and housing benefit. Some people are without money for periods of seven, eight, nine or even 10 weeks. There has to be something wrong with a system that cannot respond to the needs of those on low incomes when they need it most.

Graham Evans: I am most grateful to the hon. Gentleman. There is a lot of evidence that delays are there, and those delays are unacceptable for the individuals concerned. I will not attempt to defend that. The system is not perfect, but any individual cases should be brought perhaps to the attention of the Member of Parliament, but certainly to the attention of Jobcentre Plus and the benefits agency. Those cases should be looked into and investigated.

People claiming universal credit are 13% more likely to be in work than people claiming jobseeker's allowance. They are earning more money and are more willing to take a job. One constituent of mine, a hairdresser, was complaining. She said, "At this time of year, I usually get a rebate on income tax, but because I now have a far better personal allowance, I do not have that problem." She is keeping more of her hard-earned money. That is what the Government are helping the lowest-paid to do.

Employment has been the Government's real success. A thousand jobs were created each and every day during the last Parliament. That represents 2 million jobs over that period. The Office for Budget Responsibility predicts that a further million jobs will be created over the next five years. This country is the economic powerhouse of Europe. Yorkshire is creating more jobs than France,

and that is why so many people want to come here. We have good quality, well-paid jobs, and the living wage is being introduced. We have a far better working environment than many other countries in the European Union. That all indicates just how successful the Government have been at getting people off benefits and back into work. There are so many opportunities in all our communities, and it is important that we expose those opportunities to those looking for work.

Crucial to the Government's success has been the support towards childcare costs for parents, as my hon. Friend the Member for Congleton (Fiona Bruce) pointed out. Under universal credit, there is additional cover for childcare costs for parents, with up to 70% of childcare costs covered regardless of hours worked. That will be increased to 85% this year, with a monthly limit of £646 for one child and more than £1,000 for two or more children, helping more parents into work. When my children were younger, I remember Mrs Evans saying, "It is pointless me going back to work because of the childcare costs." I know that the cover for childcare costs is an important step forward in helping working mums to work longer and keep more of their money.

The ethos of "It pays to work" is built into the DNA of the Government's reforms, particularly universal credit. I have no doubt that as universal credit is rolled out further, we will continue to see more and more people getting back into work. The hon. Member for St Helens South and Whiston referred to the region as a guinea pig, but I am comfortable and proud that the north-west has led the way. I was particularly pleased when universal credit started in my jobcentres in Weaver Vale, because it made a massive difference. I pay tribute to the hard-working staff at Runcorn and Northwich jobcentres for the fantastic work they do helping people back into employment. They are a great example of best practice, and their hard work was recognised by the Secretary of State for Work and Pensions when he visited the jobcentre in Northwich at the end of last year. He gave the staff an award for the number of people they had helped back into work. The staff at Northwich jobcentre have told me that the introduction of universal credit has made their job easier.

A lot of people come into Weaver Vale to work. As the MP, I am puzzled why people travel great distances to work in my constituency yet I still have unemployed people. One of my challenges is to get my constituents to take the jobs that are virtually on their doorstep. That is why, when I became the MP, I started my jobs and apprenticeship fairs. The fifth will take place next month. The first time I did it, there were a lot of unemployed people, but that number has halved over the past four or five years. It is the harder-to-reach people who are left. The companies that come to my jobs fairs are fine-tuning their job offers for people who perhaps have not been in work for a long, long time.

I was most privileged to have the John Lewis Partnership come into Northwich. I am sure Members will agree that Waitrose is a fantastic organisation. When it came, it said, "We will guarantee that 30% of interviews will be for local people." That was only an interview, not a job, but it was so impressed with the calibre and the quality of the interviewees that it ended up with more than 50% of its employees being local people. Some of those people had been long-term employed, but Jobcentre Plus had worked with the local authority and Mid Cheshire

College, training the people for job interviews, CV filling out and what retail employers are looking for. That was a great example of organisations working together to get the long-term unemployed working for the great company that is the John Lewis Partnership. That 50% figure is an achievement of which we can be proud. The reforms are transforming the lives of some of the poorest families in our communities and giving people the skills and the opportunity to get on in life and stand on their own two feet.

I am keen to move Weaver Vale—indeed, Great Britain—from a low-wage, high-tax, high-welfare economy to a higher-wage, lower-tax, lower-welfare country. I support the Government's reforms in welfare and universal credit. The system is not perfect, but it is far better than that attempted by the previous Government. I believe it is working, as proved by the reduction in unemployment, the growth in wages and the quality of the jobs now available in this country.

Mr David Nuttall (in the Chair): Will people who wish to catch my eye please stand?

10 am

Yvonne Fovargue (Makerfield) (Lab): It is a pleasure to serve under your chairmanship, Mr Nuttall. I congratulate my hon. Friend the Member for St Helens South and Whiston (Marie Rimmer) on the eloquent way in which she put the concerns of her constituents—indeed, all our constituents—about universal credit, particularly the changes to the working allowance, which will disadvantage working people. That bears saying once more. Such people are taxpayers. There are not two groups—people who pay tax and people who get benefits—because people move in and out. They pay tax and they deserve support, but they will lose money. Some 20,000 people working full time in my constituency will lose money by 2020. That is appalling.

However, as I represent a pathfinder authority, I want to move on to the difficulties caused by the universal credit roll-out and the lessons we can learn to make sure that it goes more smoothly in the rest of the country. Call me cynical, but I worked in the Citizens Advice Bureau from 1986 and I saw the change from supplementary benefit to income support. We now have universal credit. The aim was always to simplify, not to make things more complicated. The basic fact is that people's lives are not simple. Lives are complicated and a system has to be devised that deals with the complications and issues that people have at different times of their lives. Certain problems with universal credit have been highlighted in the roll-out, such as the mismatch in budgeting periods and the six-week universal credit waiting period. I take issue with what the hon. Member for Weaver Vale (Graham Evans) said about everyone who is in work being paid monthly. In fact, only half of low-paid workers are paid monthly. Many are paid weekly or fortnightly, so they do not have a cushion to rely on when they first claim universal credit. Anyone who is paid weekly will have one week's money to manage on for five or six weeks.

There is some difficulty in claiming advance payments, and people are loth to do so. We have seen a rise in debt of 42% over the past six months. People go to payday lenders and suchlike to cover that period of time. There are other delays, without the additional delays in receiving

payments. According to the Citizens Advice report, three in 10 have experienced a delay of more than a week beyond the standard five weeks. One in 10 wait more than nine weeks and some wait four months, owing to administrative problems. I accept that things go wrong, but we can look at what happens when things go wrong and at how we can improve that for people.

Confusion about the council tax reduction needs to be looked at, but the major effect of delayed payments has been the increased use of food banks. My local food bank, the Brick, has reported that the majority of people visit because of sanctions and waiting for universal credit—that includes people who are in work. That is a key finding of the survey, which found that 80% have difficulty paying essential household bills such as rent and utilities during these periods. Wigan and Leigh Homes has said that rent arrears have gone up since universal credit came in. People do not realise that they are getting all their money, which is another issue. Many people have been pushed into debt simply because of universal credit.

My local citizens advice bureau reports a much greater level of debt among universal credit claimants compared with the claimants of the past legacy benefits. Some 63% of people say that they have difficulty buying food and feeding their families—a basic human need—which means that the rise in food banks is related in some way to universal credit. I do not think that that can be denied.

I remember claiming a benefit when my husband walked out on me and I had a young child. The whole situation was appalling. I went to the Benefits Agency and felt pretty bad at having to claim benefits. If I had had to go to a food bank as well to feed my family, how would that have incentivised me at that particular period in time to seek work? I was fortunate. I managed to find work within three months, but if I had had to rely on a food bank and wonder where the next meal was coming from for me and my daughter, I am not sure I would have been able to concentrate as much on finding work.

A claimant in my constituency went to my local CAB because they were sanctioned for hundreds of days—not a short period—because they were passed backwards and forwards between jobseeker's allowance and employment and support allowance. Both teams said my constituent was not eligible for benefit. Ultimately, that person received £4,000 in backdated benefits, and universal credit was put back into regular payment. It is very nice that they got £4,000 in backdated benefits, but how on earth did they manage to feed their family during the time when they were owed £4,000 by the Government?

We need a way to resolve such problems. I would like a universal credit claimant champion, as recommended by Citizens Advice—someone who can look at difficult cases and take responsibility for them. Part of the problem is the fact that no one takes responsibility and people are passed back and to. I do not know about other hon. Members, but I have certainly seen an increase in the number of people coming to my surgeries about universal credit problems since we became a pathfinder. They have to go to their MP because we have a helpline, but advice agencies should have a dedicated helpline. I want to plead for extra funding for advice agencies. Since the changes to legal aid in 2010 when welfare benefits were no longer seen as a legally aidable necessity,

[Yvonne Fovargue]

less advice has been available from such agencies. Indeed, welfare benefits specialists are having to find other work. We are losing our expertise.

We should have a review before the full roll-out to make sure that when things go wrong, they are quickly resolved and we do not get into a situation in which people are paid huge sums of money backdated, but wonder how they live in the meantime.

The helpline has an 0345 number, which is charged at a fairly high rate on prepaid mobile phones. Constituents have told me that they have run out of credit using their mobile phones to ring an 0345 number, because they have been passed back and to. As I have said before, we need a local number. There should be a freephone number. There should be more phone lines available in offices. Freephone numbers should be available so that people can use the few phone boxes that are available to ring the universal credit number.

Mr Nigel Evans (Ribble Valley) (Con): I fully accept what the hon. Lady says. It is absolutely right that we should have a system whereby people are not penalised for phoning to get information or assistance. Perhaps a system should be set up where the person is able to use a freephone number. If not, perhaps they could send an email and be called back free of charge. I do not believe people should be penalised.

Yvonne Fovargue: I agree, but, as for sending emails, the local authority did a survey to see how many people in Wigan use the internet regularly and found that 30% have never accessed or even looked at the internet. We need to think about those people. When we look at digital by default as a way of claiming, we need to provide more help for people to claim in other ways and not penalise them with a delay.

Graham Evans: The hon. Lady is making powerful points and I do not disagree with a lot of what she is saying. My hon. Friend the Member for Ribble Valley (Mr Evans) also just made a very good point. On digital by default, when I left school there were no computers. I have had to learn how to use computers throughout my life, so I know how difficult it is for people of a certain age to gain access to the internet. Even now, I am not perfect—my children are far better. Does the hon. Lady agree that, in the 21st century, if someone is unemployed and looking for a job but is not very good with the internet and computers, they will not find many jobs in which some form of computer use would not be required at a basic level? It may be that 30% of the hon. Lady's constituents have never accessed the internet, but as much help as possible should be given to that 30% to enable them to apply for jobs, because I am pretty sure that computers will be involved.

Yvonne Fovargue: I do not disagree, but in the meantime people should not be penalised by having to seek help to claim the universal credit benefit because it is digital by default. If they want help to claim, there are agencies that can help, but there is often a delay in receiving an appointment for that. People should not be penalised because they have to wait to claim universal credit simply because they do not have access to a computer. That is another issue to look at.

When claims are refused, people are sometimes confused about why. Again, a helpline number—an 0800 number—would be extremely helpful for those people. When it gets complicated, there should be a named person to help them. I do not think anyone would disagree with the idea that we want to make the system as simple as possible. We know that people's lives are complicated and that they move in and out of work, particularly those in low-paid work. Anything that makes the transition more simple should be looked at carefully.

Fiona Bruce: The hon. Lady has made a number of valid points, and I have great respect for her. We worked together as councillors on Warrington Borough Council and I know that she has in-depth knowledge of the subject, beyond that of many Members, but as I understand it, as part of universal credit a named personal contact is now being offered to help individuals to seek work, as well as to ensure that they access the right benefits.

Yvonne Fovargue: Although there is someone available to help them to seek work, I am looking for someone to help when things go wrong—someone with a detailed understanding of the universal credit system, not someone who perhaps has more knowledge of the work environment. People need someone to talk to about the complexities of the universal credit system and how it relates to council tax benefits and local authorities—all the major issues—rather than simply a work adviser.

Trying to make things simpler with universal credit is a laudable aim. We need to look at what has happened in the pilots and how the system can be made to work. I cannot finish without also saying that we need to look at how universal credit can incentivise people to work, which is certainly not done by cutting the work allowance and giving people less incentive to find work.

10.13 am

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It is a pleasure to see a fellow north-west MP in the Chair for this important debate, Mr Nuttall. I congratulate my hon. Friend the Member for St Helens South and Whiston (Marie Rimmer) on securing the debate, and indeed on the impressive work she has done since being elected to Parliament. St Helens is a place with similar issues to my borough, Tameside, so it is excellent that she is raising them.

My hon. Friend the Member for Ashton-under-Lyne (Angela Rayner) is also present. She, too, represents Tameside, which was a universal credit pathfinder area, so we were one of the first parts of the country to experience some of the problems related to it. No matter what political perspective a person has going into the debate on welfare rights and the welfare system, it is important to listen to relevant experience, where it exists, of how universal credit has functioned so far. I should say at the outset that I completely support the goal of simplifying our welfare system—I do not think anyone in this country would not want that.

Like many Members, I use the Child Poverty Action Group handbook to help constituents when they come to me with problems. The handbook is sometimes referred to as the bible of welfare rights; indeed, it is the same size and written in a similar font as the Bible. That indicates the complexity of the system, so of course people should be trying to simplify it. However, as my

hon. Friend the Member for Makerfield (Yvonne Fovargue) said, we cannot get away from the reality that many people lead complex lives and have complex needs. The system must function in a way that gives them the support they need.

A number of the issues that come up at my constituency surgery that I wanted to raise have already been mentioned, but they are so important that I want to reiterate why they are key to making the system work properly. The first one is the first payment that people get. In my experience, there are immediate problems for people when they try to access universal credit because of how the system is designed. It is not a teething problem with the roll-out, but a structural flaw in how universal credit has been created. A lot of people are immediately put into a position where they struggle to afford food and heating. That simply does not seem to tally with the goal of supporting people into and out of the workplace. Instead of giving them a professional and efficient service when they need it, it often robs them of their dignity and puts them into crisis.

Like other Members present, at times of my life I have had to access support from the welfare system, particularly the tax credit system, which is almost always the case for those who have children at quite a young age. It did not lead me into a life of welfare dependency—it arguably led me to a worse life, as I ended up here in the House of Commons. Nevertheless, that is an important point, because so much of the Government’s rhetoric is based on the assumption that there are two sets of people in the country: an underclass of welfare recipients who must be punished and whipped back into the workplace, and everyone else who suffers from having to pay for the system. If that is the Government’s mindset going into the designing of a welfare benefit, the welfare system will simply never be designed in an appropriate fashion to meet the objectives of the people who have been described in this debate.

Mr Nigel Evans: I am glad that the hon. Gentleman has brought up the question of whether that is what the Government intend, because the answer is clearly no. The greatest dignity that we can give to anyone is the dignity of work and employment. That is the main thrust of what the Government want to see. Getting people off benefits and into full-time work will provide them with dignity and give their children a role model to follow.

Jonathan Reynolds: I do not doubt the hon. Gentleman’s motivation. Before the debate we exchanged some comments about that sense of there being a group of taxpayers paying for the welfare system and a group of people in receipt of welfare benefits. That is not the way to design a welfare system. We cannot do it in a way that divides the country so simply into those arbitrary classifications. Indeed, if we do that, it is impossible to design an effective system.

I mentioned the issues relating to the first universal credit payment. People have to wait a long time, because it is designed to be paid five to six weeks in arrears. As the hon. Member for Weaver Vale (Graham Evans) said in an intervention, the assumption is that they are in the workplace and receiving a monthly salary in arrears, so they will have that support before receiving universal credit. I say this completely genuinely: that is not how the economy of my constituency works. A great many

people are still paid weekly or fortnightly. A lot of people have different levels of income week by week because of zero-hours contracts. That does not seem to have been considered in the level of detail required to design how and when people will receive the support that they need.

Delays occur in any bureaucratic system, but there is an even bigger structural flaw in universal credit that I have heard about several times in my constituency surgeries. If someone applies for universal credit on the wrong day—perhaps one or two days before they really “should” apply; in other words, when they have lost their job but before they have received their final pay cheque from their former employer—the system becomes disastrous for them. We must bear in mind that a lot of people, on finding out that they are going to be made redundant, would go to the jobcentre to look at the available support. If they apply for universal credit but receive a further pay cheque from their employer, they will wait not five to six weeks but 10 to 11. That is an enormous problem that must be looked at. If that happens—if someone has to know exactly when to apply for the support to which they are entitled—it will go far beyond the current level of complexity. That would have to be sorted out before any national roll-out.

I have raised those points because we have to find a way to get a supportive system that copes with people going into and out of the workplace—regular or temporary work—in a way that does not completely reset the system and cause all kinds of problems if they then go back into work. That is what I mean when I say that we should not split the country with an arbitrary classification of those in work and those out of work and receiving welfare benefits.

Whenever problems with universal credit are raised, the Government say that advance payments can sort out all the problems, whether with housing arrears, heating or food. That is the first question I ask people who come to see me with problems with universal credit, and a lot of them tell me that they have not been told about the advance payments system. I do not know what the experience of other hon. Members is, but advance payments do not seem to be programmed into the initial assessment. If a person does not know about the advance payment system, they have an even bigger problem, because they cannot claim an advance payment if they are a number of days past their initial assessment. If people accessing unemployment benefits for the first time face a confusing system that does not give them the funding they are entitled to, given that they have paid into the system, and that prevents them from getting back into the workplace, that is not an improvement on the current system. There has been a lot of party political advertising of the employment rate, the Government’s successes, childcare and all that, but we need to look at these genuine, serious problems.

Despite the objective of simplifying the system, the roll-out would have been disastrous in my area if it were not for our welfare rights advisers. To my mind, the staff of Tameside citizens advice bureau are absolute heroes. The reality is that that kind of support is being stripped from all communities. Law centres and citizens advice bureaux are closing. If the system is to work, we have got to give people impartial, fair advice. The hon. Member for Ribble Valley (Mr Evans) made a fair comment about how people can get in touch with

[Jonathan Reynolds]

welfare advisers. That is important, and it is sad to see welfare advisers going at a time when people need them.

Universal credit is a big change, and if people do not have support to access it properly, their perception of it will be negative. We have to ensure that that is not the case. From my casework and experience, from what is happening in other parts of the country and from people's testimonies, my overwhelming impression is that, despite the scale of the bureaucratic challenge of moving to universal credit, we are not tackling the big problems of our social security system. We are not providing sufficient support for people who have lost their job for the very first time—particularly during the global finance crisis—and who never thought they would be unemployed. When they find out what their national insurance contributions will buy, they are often frankly disgusted at the level of support available to them.

We are not tackling the sanctions, the conditionality and the job search criteria. Frankly, I think we are treating a lot of people like children and robbing them of their dignity. We are not giving them what they should reasonably expect when they access the welfare system. Most of all, the system is unable to cope with the flexible working patterns that are so common in our economy. Many people do not have jobs for life; often, they do not even have jobs that last for years. The system has to reflect that, but I do not think those things have been priced in. Despite the bureaucracy and our overall level of spending on the social security system, people in my constituency have been left genuinely destitute and reliant on charity and food banks to survive. That cannot be right. Given the resources we put into the system, there has to be a better way to do it.

I think we need an even more radical approach. We should look to other countries for best practice. Concepts such as basic income do not lead to a taper problem and do not disincentivise people from going back into the workplace; rather, people are supported in different stages of their lives and everybody gets something out of the system for what they pay into it. That is the direction in which we have got to be looking. We need something more radical than universal credit. Universal credit, if it worked properly, would be welcome, but at the moment there are huge teething and design problems. Even once those problems are sorted, it will not tackle the big problems of the welfare system. Let us sort those problems out, but let us not end the conversation about welfare reform here. Let us address the challenges and create a system that truly works for everybody.

Mr David Nuttall (in the Chair): We now move to the winding-up speeches. I gently remind the shadow Minister, the Minister and the Scottish National party spokesman to leave a couple of minutes at the end of the debate before 11 o'clock for the hon. Member for St Helens South and Whiston (Marie Rimmer) to wind up.

10.24 am

Neil Gray (Airdrie and Shotts) (SNP): It is a pleasure to contribute to this important debate under your chairmanship, Mr Nuttall. I pay tribute to the hon. Member for St Helens South and Whiston (Marie Rimmer) for securing this debate. It is primarily focused on the north-west of England, but as it concerns the roll-out of

universal credit across the isles, the implications of what is said this morning stretch much further than the north-west. I congratulate her on her very good speech. She rightly did not shirk the opportunity to give the Government a kicking on their record on this matter. I pay tribute to other hon. Members who contributed. In particular, the hon. Member for Makerfield (Yvonne Fovargue) delivered a very powerful speech.

There are a great many issues at play around the changes to universal credit and the roll-out in the north-west and further afield. SNP Members are fundamentally concerned about the removal of the work allowance, which underpins the potential success of universal credit and the aim to support people into work and make work pay. We are also concerned about the monthly payment regime. Support for housing benefit recipients will not go directly to landlords, and payments will be made to households, rather than individuals.

Graham Evans: Will the hon. Gentleman give way?

Neil Gray: I will make some progress; I am just starting.

Pilot projects across the country have shown that those areas of concern are problematic. That has been highlighted by a raft of third-sector organisations in reports on this subject. In principle, universal credit sounds tempting. We are told that it is a smooth, streamlined system to assist low-income families. However, as has been emphasised today, in reality it is fraught with flaws, and low-income families are the casualties of the Tories' poor economic choices and ideologically driven cuts. The ineffective and costly roll-out of the system to date highlights the need for an urgent rethink of these draconian policies.

Universal credit was first introduced as a pathfinder in Ashton-under-Lyne in April 2013. New claims were taken from single unemployed people who satisfied the gateway conditions. The pathfinder was then extended to three other areas in the north-west—Wigan, Warrington and Oldham—in July 2013, and in the summer of 2014 universal credit was expanded to a further 29 areas in the north-west for single people and couples who satisfied the gateway conditions. After a relaxation of the constraints on single people claiming between September and December 2014, universal credit was expanded to cover all parts of the north-west of England. New claims from families with children have been accepted in some areas, and since last January new claims from families with children have been accepted throughout the north-west.

The north-west was the first area in which universal credit was rolled out to all jobcentres. Of the 155,568 claimants at mid-November 2015, 77,378 were in the north-west, and of those, 26,521 were in employment and 50,855 were not in employment.

Graham Evans: May I go back to a point that the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) made about treating people like children? The hon. Member for Airdrie and Shotts (Neil Gray) mentioned paying housing benefit directly to the landlord. Are we not treating people like children if we do not think they are able to pay their housing benefit to their landlords? Surely people in receipt of benefits are perfectly capable of paying their landlords.

Neil Gray: Actually, I do not accept that.

Graham Evans: It is treating them like children.

Neil Gray: It is not treating people like children. I totally disagree with that. People in such circumstances often live chaotic lives. Sometimes, although not always, they do not wish to have the responsibility for managing that extra level of financial responsibility. A great many people in my constituency have told me that they would far rather know that they have a roof over their head that is secure regardless of what happens elsewhere, and that they would rather see their benefit paid directly to their landlord. People should be given the choice over that matter, and at the moment they are not. It is being paid to them, and they are being given the responsibility, which is not always welcome.

Jonathan Reynolds: I want to clarify for the record that my comment about treating people like children referred to people who have worked for 20 or 30 years and are forced to fill in a graph to show how many jobs they have applied for that day and that week. I do not think that is an appropriate way of treating people who have been in work for a long time and have lost their job; they should be treated with respect and dignity. On the point about paying housing benefit directly to landlords, I believe that there should be a choice. If people want to manage their money themselves, that is fine. There has been a huge increase in housing arrears in every area in which universal credit has been rolled out, which causes huge problems for everybody else because it has to be covered in some way. If that can be alleviated by paying housing benefit directly to landlords, I see no reason why that option should not be available to people.

Neil Gray: I appreciate the hon. Gentleman's intervention.

The New Policy Institute's report "The rise of sanctioning in Great Britain", which was mentioned by the hon. Member for St Helens South and Whiston, states:

"The expansion of conditionality under Universal Credit could see a substantial increase in sanctions: if sanctioning occurred at the same rate as for JSA claimants, then the number could almost double, with an additional 600,000 sanctions."

That is very concerning. The Institute for Public Policy Research, an independent think-tank, found that low-income families in Scotland will face an £800 a year cut in their income by 2020 following the UK Government's cuts while the richest 40% will see their incomes rise as a result of tax cuts.

A number of National Audit Office reports have come to damning conclusions about the ongoing universal credit transition, highlighting the early setbacks, missed targets and overspending. The numbers simply do not lie: 17,850 claimants were on universal credit in October 2014, but the Government had planned to have 500,000 claimants on universal credit by April this year and 7 million by December 2019. Not only does that show that the Government are completely missing their own targets, but they are spending huge budgets, wasting vital funds that could be better spent supporting poor families who are struggling to make ends meet. Indeed, the NAO published a report in May 2015 entitled "Welfare reform—lessons learned". Speaking about the report, Amyas Morse, head of the NAO, said that the DWP, "has had to learn some hard lessons with significant financial and human costs."

Fiona Bruce: The hon. Gentleman has reeled off reams of statistics during his speech, but the key statistic is the legacy of the previous Labour Government: nearly one in five households in our country had no one working at all. That in no way brought dignity to those households, those families or their communities. Should we not be addressing that statistic as a priority?

Neil Gray: Where people are capable of working, it is right that we should encourage them to do so. However, the problem with the changes that the Government are implementing through universal credit is that they are removing the work allowance, which is the only incentive to work in universal credit. It underpins the incentive to get into work and to remain there. Taking that away removes the premise that work should pay, which is a sad situation.

The DWP has said that universal credit will be simpler for claimants and will be treated like a wage for individuals, readying them for work. In reality, there are complex problems that will ultimately see less money in people's pockets and more difficulties accessing adequate financial support. Analysis of the autumn statement by the IFS found that the benefit system is still much less generous in the long run, pointing out that universal credit now represents an additional cut on top of other changes, including the cut to benefit entitlement, of £3.7 billion a year in the long run. Some 4.5 million working families will be affected by the introduction of universal credit, and 2.6 million will lose an average of £1,600 a year.

This is where I must disagree with the hon. Member for Weaver Vale (Graham Evans) and where he missed the point in his contribution. People are being encouraged into work, which is right for those who can work, but removing the work allowance aspect of universal credit takes away the only incentive to work. He also made the point that the social security system needs to be fair for those who pay for it, but he perhaps forgets that those in receipt of the universal credit work allowance are in work.

Graham Evans: They are taxpayers.

Neil Gray: Absolutely. They are taxpayers.

Some 1.8 million non-working families will be affected by the introduction of universal credit, and 1.2 million families will lose an average of £1,000 a year. Over recent months, the focus of much discussion has been on tax credits, but changes to universal credit will also have profound effects. The Government's so-called U-turn on tax credits is nothing more than a delay tactic, with the pain to be felt in the next few years under universal credit. Support for working households on low incomes getting universal credit was also reduced in the summer Budget. Ian Mulheirn of Oxford Economics said that,

"this may be a U-turn in April 2016, but it doesn't look like a U-turn by 2020."

In conclusion, the Scottish people voted in May 2015 for an end to austerity when they voted for the SNP. They deserve the leadership they voted for and not to face the social security storm that the Tories are brewing. The failures of the UK Government to give us full power over universal credit have left our country picking up the tab for the Tories' poor economic choices and shoddy governance once again.

10.34 am

Nick Thomas-Symonds (Torfaen) (Lab): It is a pleasure to serve under your chairmanship, Mr Nuttall. I warmly compliment my hon. Friend the Member for St Helens South and Whiston (Marie Rimmer) both on securing the debate and on the dignified, cogent and passionate way in which she put her case this morning.

The hon. Member for Weaver Vale (Graham Evans) spoke well about the staff to whom he had spoken at a Jobcentre Plus office in his constituency. My hon. Friend the Member for Makerfield (Yvonne Fovargue) made an excellent speech, drawing on her experience at Citizens Advice in the 1980s and speaking powerfully about the sad explosion in the number of food banks in this country since 2010.

I am grateful to my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) for his speech, in which he spoke well about the complexity of the modern economy. He made a powerful point about our need to draw on experience, and any well thought out, coherent and simple policy is to be welcomed. I may even give him a shorter book to read in due course. There were also interventions from my hon. Friend the Member for Salford and Eccles (Rebecca Long Bailey) and the hon. Members for Congleton (Fiona Bruce), for Cheadle (Mary Robinson), for Bolton West (Chris Green), for Strangford (Jim Shannon) and for Ribble Valley (Mr Evans).

Much of today's discussion has been about the language with which the debate is conducted, and I am extremely concerned about the language framework that the Government use. The Chancellor of the Exchequer said on the "Today" programme on Monday 8 October 2012:

"It is unfair that people listening to this programme going out to work see the neighbour next door with the blinds down because they are on benefits."

Those are his actual words. He presumably thinks that that type of stuff is popular at the Tory conference. The real problem with that sort of language is how divisive it is. There is no sense that the person behind those blinds might be vulnerable or disabled. The Minister has an opportunity today to condemn such divisive language, and I sincerely hope that she feels able to do so.

Even if one accepts the abysmal logic, which I do not, the real problem is that the Chancellor is so lost in tactical mazes of his own construction that he is actually on the wrong side of his own dividing lines. He is attempting to separate people into the workers and the non-workers—that is precisely what he was trying to do in that quote. However, what we saw with the cuts to tax credits, which the Chancellor eventually caved in on, we are also seeing with the cuts to the universal credit work allowance from this April.

Mr Nigel Evans: What was appalling under the previous Labour Government was the high level of unemployment, which meant more people spending time with the blinds down. Under this Government, employment has reached record levels, unemployment has dropped, and far more people are earning more money than ever before. Is that not bringing dignity to the British people?

Nick Thomas-Symonds: I will come to people earning more than ever before in a moment. I make no apology for a Government who introduced the national minimum

wage or for wage growth in the Labour years. This decade risks becoming the lost Tory decade, with wage growth lower than at any point since the 1920s.

The hon. Gentleman wants to talk about money in people's pockets. I have already spoken about the effects of the cuts to the universal credit work allowance on single parents from this April, so shall I use some other specific examples? Take a couple, living and working together, one or both of whom has limited capacity to work as they are disabled. For them, the work allowance will be cut from £7,700 to £4,700, a loss in income of £3,000. That is for people who are actually in work. To take another example, single individuals will essentially lose everything, with a reduction of £1,332, at a net loss to income of £865.

When universal credit is damaging and attacking people in work, it is in danger of undermining the aims that it was set up to achieve. If Government Members do not want to take my word for that, let us take the word of the Social Mobility and Child Poverty Commission's "State of the nation 2015" policy paper, published on a big date for dumping things just before Christmas, 17 December 2015. The paper is available on the Government website if any Members want to see it. The commission stated:

"The immediate priority must be taking action to ensure that the introduction of Universal Credit does not make families with children who 'do the right thing' (in terms of working as much as society expects them to) worse off than they would be under the current system. That means reversing the cuts to Universal Credit work allowances enacted through the Universal Credit (Work Allowance) Amendment Regulations 2015 before they are implemented in April 2016."

That is what the commission says should be the priority from this April.

Graham Evans: The hon. Gentleman is right to point out that the Labour Government introduced the national minimum wage. I supported that outside this place, as did many of my Conservative colleagues. This Government, however, are introducing a national living wage and—this is the key thing, which is lost on the Opposition—are keen for people to keep more of their own money. That is why the personal allowance has increased, taking the lowest-paid out of income tax altogether. He might remember Gordon Brown's fiasco with the 10p tax rate, which penalised the lowest-paid workers in the country. The system is complicated, yes, but the underlying mantra is that it always pays to work. Getting low-paid people out of tax altogether is the best way of doing things, so that they keep more of their own money.

Nick Thomas-Symonds: I am interested in history, as the hon. Gentleman might know, but I do not recall the Conservative party in the 20th century supporting a national minimum wage. His personal view might well have been different, but I do not recall his party voting for a national minimum wage—rather, at the 1997 election I remember the Conservatives saying that it would cost jobs. They seem to have changed their position significantly since, which is to be welcomed.

Alec Shelbrooke (Elmet and Rothwell) (Con): Almost 20 years ago.

Nick Thomas-Symonds: If the Parliamentary Private Secretary wishes to intervene, he is welcome to do so.

Alec Shelbrooke: If I was allowed to, I would.

Mr David Nuttall (in the Chair): Order.

Nick Thomas-Symonds: Perhaps the hon. Gentleman has special permission—I will take it up with him another time.

Another unfortunate pattern is the Conservative party putting forward various mitigations for its Government's cuts. The latest one was on 6 January, when the Under-Secretary of State for Justice, the hon. Member for North West Cambridgeshire (Mr Vara), tried to defend the cuts to the work element of the universal credit, saying, "let us not forget, the fact that every time we fill up our tank with petrol there is a saving of £10 because of the freezing of the fuel duty.—[*Official Report*, 6 January 2016; Vol. 604, c. 342.]

Back in the 1980s the Conservatives' answer to the unemployed was, "Get on your bike," but in 2016 it seems to be, "Fill your car." That is the level of debate we have reached.

Confidence in the roll-out is another enormous issue, as my hon. Friend the Member for St Helens South and Whiston indicated. Let us not forget what the Secretary of State for Work and Pensions said in a press release on 1 November 2011:

"Over one million people will be claiming Universal Credit by April 2014."

The actual number reached by November 2015 was 155,568. The hon. Member for Weaver Vale said with delicious understatement that that was not perfect. I have to agree—less than one fifth of the target had been reached. According to the independent Office for Budget Responsibility, the number will not exceed 1 million until April 2018, four years late. Does that not show the situation that we are in today? Given the cuts to the work element of universal credit and the sheer scale of incompetence with the roll-out, are we not in the worst of all worlds, where the Government lack both compassion and competence?

10.44 am

The Minister for Employment (Priti Patel): It is a pleasure to serve under your chairmanship this morning, Mr Nuttall.

I congratulate the hon. Member for St Helens South and Whiston (Marie Rimmer) on securing the debate and on her contribution. I thank all Members present for their good, strong and wide-ranging contributions, including my hon. Friends the Members for Weaver Vale (Graham Evans), for Congleton (Fiona Bruce), for Cheadle (Mary Robinson), for Bolton West (Chris Green) and for Ribble Valley (Mr Evans) and the hon. Members for Stalybridge and Hyde (Jonathan Reynolds) and for Makerfield (Yvonne Fovargue), to name but a few. I hope to cover many of the points they raised.

The debate has been interesting because of its content and the nature and variety of the issues raised. My opening remarks, however, will focus on what the hon. Member for Torfaen (Nick Thomas-Symonds) said. I, too, welcome him to his new role. He rightly highlighted language and its use, which are incredibly important when discussing people, welfare, benefits and access to welfare. However, I do not accept his assessment that the Government use divisive language. I do not see the Government's focus of ensuring that work always pays and that Britain moves from being a low-wage, high-welfare and high-tax

society to being a higher-wage, lower-welfare and lower-tax society as divisive. Nor do I see as divisive the language used by the Prime Minister this week when he announced our life chances strategy, which is to do with this very issue of welfare and transforming people's lives.

This Government and the Conservative party are focused on helping people with multiple barriers to their life chances, or with difficulties in life, so that they can get back into work or secure their routes to employment, which the debate has touched on. Importantly, we are securing the right kind of opportunities for all individuals. That is the right thing to do and is what all hon. Members seek to do when they are elected as Members of Parliament to represent their constituents.

Fiona Bruce: I am sorry to interrupt the Minister when she is in full flow, as she often is. Will she clarify one point that arose earlier in the debate when the hon. Member for Makerfield (Yvonne Fovargue) spoke about a "named contact"? I confirmed that, under universal credit, as I understood it, a named personal contact will not only act as a work coach, but also, according to the Under-Secretary of State for Disabled People in a debate on 6 January,

"help them to deal with their individual case when they are navigating complicated benefit systems".—[*Official Report*, 6 January 2016; Vol. 604, c. 302.]

Will the Minister confirm that the named contact will supply the support necessary for people both to access their benefits and to get into work?

Priti Patel: My hon. Friend is absolutely right. Claimants have access to personalised and dedicated support via a named work coach. Indeed, I have been to many of our jobcentres and sat in on universal credit interviews with claimants and work coaches. There is additional support available for claimants who require help with housing and other benefits, arrears payments or even budgeting.

It is therefore worth highlighting how much our welfare system has moved on, compared with the complex and distorted system that existed previously. Many years ago we had a number of benefits but, fundamentally, universal credit has rolled six benefits into one to streamline our system and to make it less complicated. The more complex a benefits system is, as we saw in the past, the more difficult it becomes to support individuals—they spend more time navigating the system than looking for or being supported into work.

All that goes back to some of the fundamental principles of the universal credit: it can support individuals and families not only in having a job, but in their journey to employment. Once they are in work and achieve sustained employment, they get support to secure long-term employment or to work more hours, which removes the barriers that existed under the previous system.

As we have said, universal credit supports individuals to make progress into work in particular. Yes, people are supported by the wages that they earn and benefits they receive at the same time, but, unlike in previous systems, we do not have the barrier of a 16-hour work requirement that may have caused people to restrict their working in order to avoid losing benefits. That is part of the changes brought in by universal credit, which stays with the claimants when they move into work and gradually reduces as their earnings increase. Therefore, people—in particular those on low incomes—do not lose their benefits all at once.

Nick Thomas-Symonds: Lord Freud has said that there will be an automatic movement from tax credits to universal credit in two situations: “repartnering” and a “new member joining the household”.

Will the Minister confirm that, if someone gets married or has a child, they will be moved from tax credits to universal credit?

Priti Patel: We are clear that people being moved on to universal credit from tax credits will be supported and will not lose out. A fundamental principle of universal credit is that it removes barriers that may have existed and, importantly, it gives people the support they need when they come on to it. That is different from previous systems. It is different from tax credits, for example, which did not provide support for people when they wanted to increase their hours and earnings.

The previous system was fragmented and there was little incentive for people to take up even a few more hours of employment, but under universal credit people can benefit as soon as they start to work. It is a simpler system to understand. It comes back to the point that we have support in our jobcentres to help people to extend their hours of work or, when they are moved on to universal credit, to understand the system and support them.

That is different from what existed before. Under universal credit, no one will have to worry about the Government asking for money back because the real-time information system connects the employer and Her Majesty’s Revenue and Customs on the number of hours worked. That is dramatically different from the situation when tax credits was introduced and millions of low-income families faced uncertainty about owing money back to HMRC at the end of the year. I am sure all Members have dealt with many examples of casework in that area.

I want to come on to the points raised, because I am conscious of time. There is evidence that universal credit is getting people into work and helping them stay in work. We have reviewed universal credit and, as a result of the support that people are given, we see that they spend 50% more time looking for work. We now see more universal credit claimants moving into employment compared with JSA claimants thanks to the focused support they get through their single point of contact, their work coach and other means.

Mr Nigel Evans: Is not the point—surely this helped win us the general election—the message that no one should be better off out of work than in work? With the national living wage and higher thresholds, we have ensured that far more people who are in work will keep more of their money.

Priti Patel: My hon. Friend is absolutely right about people keeping more of the money that they earn rather than going through the process of having more taken away and then recycled through benefits such as tax credits. It is also worth reflecting on the point made by my hon. Friend the Member for Weaver Vale. He mentioned Northwich jobcentre, which has done a great deal of work to support people on universal credit. The award that the Secretary of State gave to staff members there shows how they are supporting people and transforming lives, which is fundamental to the welfare reforms that we are bringing in.

Many comments were made about universal credit in terms of the process, the roll-out and delays. I do not agree with some of the assessments and analysis given, and those with reference to the OBR in particular. We are rolling out universal credit as planned. Importantly, we no longer believe in the “big bang” model used in previous systems such as tax credits, which when introduced brought a great deal of chaos to jobcentres and the welfare system. We have adopted a test-and-learn approach to ensure safe and secure delivery and, importantly, to ensure that we can learn from individuals as they go through the process.

We have an enhanced digital service, which makes it clear immediately that a claim has not been progressed and that further information is needed. Jobcentre Plus and work coaches speak well of the system. I have seen it in action, with the immediate way in which data are exchanged and claims are processed. We have faster electronic payments to allow the Department to make payments via BACS on the same day to minimise further delays, because of course people need to be supported.

I do not agree with the comments made about the report from Citizens Advice, because we know that the research for that was based on anecdotal evidence from a small group of current UC claimants—the sample was less than 1%. Even Citizens Advice said that that was not representative of all claimants on universal credit.

We have universal support working alongside universal credit, which offers wraparound support for those who need it. That comes back to the points raised about no two individuals being the same. Situations are different for claimers and no one can count for the life circumstances of individuals, so universal support provides that wraparound support.

Jonathan Reynolds: It sounds a little inconsistent to say that the Government did not want a big bang approach and want to learn from the roll-out, but then the Minister immediately dismissed one of the most useful and authoritative reports on the roll-out in our area. That report includes a number of cases that, based on my constituency surgeries, are spot on in the problems identified.

Priti Patel: We are clear that we have an agile test-and-learn system. That is not a big bang approach. With all due respect to Labour Members, previous Governments went for the big bang approach on welfare systems and there were consequences: I highlight again the tax credits example.

I will wrap up, because I am conscious of time. In terms of incentives and support, from April we are increasing the amount of eligible childcare cost in universal credit to 85%. That will make a remarkable difference to families. Welfare is about much more than just giving people money. It is about removing barriers for individuals, understanding circumstances and giving people the support they need to get on in life.

10.57 am

Marie Rimmer: I am deeply disappointed that the Employment Minister has not taken the debate seriously. Does she not accept that the language used by the Chancellor and indeed the Prime Minister is unacceptable?

The trouble is, their words are at odds with the outcomes of the Government's policies experienced by people in this country. She has not accepted that significant changes will remove people from the transitional protection arrangements. She should look at the Library briefing.

I ask the Minister to stop and think again. I ask her not to implement the cuts to work allowances. She should examine and address the real problems experienced out there in the pilot areas, as outlined so eloquently today.

The cuts in the work allowances remove the incentive to work. Transitional protection is not secure, because it is removed if one person leaves the household. There is more inequality and the dividing line is widening. The experience of people in our communities is worsening. There are examples of that in the report commissioned by the Minister's Government, produced just a couple of weeks ago. She should read that report.

I ask the Minister to take seriously what is being experienced out there in the community and not to make the mess even worse. We are trying to help to improve roll-out across the country. She must examine and address the inequality and outcomes in the pilot areas before that. She should stop and address the problems, and not cut work allowances. Otherwise, there will surely be an outcry right across the country.

Motion lapsed (Standing Order No. 10(6)).

Defence Procurement

11 am

Mr Douglas Carswell (Clacton) (UKIP): I beg to move,

That this House has considered defence procurement.

I am grateful to be having this debate, and I thank the Minister for coming here to discuss a subject that he and I have talked about on a number of occasions.

British defence policy should be exclusively aimed at keeping Britain safe, but is it? Instead of serving the national interest, it too often serves the interests of a cartel of defence contractors. Britain does not get military bang for the taxpayer's buck. We spend about one tenth of what the United States does on defence, yet we have far less than one tenth of the Americans' capability—in many areas, we can barely field 1% or 2% of their capability. We are the second-largest defence spender in NATO and the fifth-biggest defence spender in the world, but we are simply not getting value for money.

What is going wrong? The problem is procurement. Major projects routinely come in late and way over budget. To be fair to the Minister, it is not his fault; it is not even the fault of his predecessors. The problems are the culmination of successive Governments' policies over many decades. Starting perhaps in the 1960s, successive Governments attempted to consolidate the defence-industrial base. They thought consolidation would deliver economies of scale and make the UK defence industry more viable. At a time when deindustrialisation was feared, it was believed that ensuring that different defence suppliers amalgamated and merged into one would somehow make them viable. The problem is that consolidating the supply base in any market means that the seller ends up setting the terms of trade, and so it is in defence.

I have often heard Members of Parliament say that defence inflation is somehow higher than inflation in the rest of the economy. That is often described as a fact of life—somehow inevitable—but why do defence costs and prices rise faster than prices in the rest of the economy? Higher defence inflation is a reflection of problems in the procurement process, where too much money chases too restricted a supply of goods. Restrictions on supply are fundamentally the problem. Procurement is the problem.

Some projects, such as the Nimrod MRA4—we cannot possibly blame the Minister for that fiasco—never get off the ground at all. Despite constant cock-ups, however, the MOD keeps going back to the same contractors; we keep seeing the same pattern of dependence on a handful of contractors and bad value for money. Yet, the same contractors keep getting the lion's share of the defence budget.

The MOD should be sourcing the best equipment possible to keep our armed forces and our country safe. Too often, unfortunately, procurement ends up being protectionist. Protectionist procurement produces huge inefficiencies; it means less competition—it cuts competition—and as we know, competition drives down costs and raises standards. Without competition, contractors ended up being rewarded for failure. Protectionist procurement means we spend years designing and building new equipment from scratch, instead of buying cheaper, better, readily available off-the-shelf alternatives.

Jim Shannon (Strangford) (DUP): I thank the hon. Gentleman for giving way, and it is good to see the Minister in his place. I look forward to a very positive response from him, because we have discussed this matter before. The hon. Gentleman is right. Defence is very important to our economy in Northern Ireland, where it provides high-tech, skilled jobs for the workforce. It is important that defence procurement is equally shared across the whole United Kingdom of Great Britain and Northern Ireland, and that regions such as mine can receive the benefit. If that is done right, we all benefit.

Mr Carswell: The hon. Gentleman makes a powerful point. I have to say that I am a little nervous about looking at the defence budget through the prism of what it means for jobs. Clearly that is important, but the defence budget's primary purpose is surely not to act as some sort of Keynesian demand stimulus for a regional economy, but to make sure that our armed forces have the equipment they need to defeat our enemies and keep us safe.

Jim Shannon: We already have established companies in Northern Ireland that deliver the best and give value for money. The point I am trying to make is that they could do more if defence procurement was regionally spread.

Mr Carswell: I agree. If we allocated the defence budget on the basis of value for money, I am sure companies in Northern Ireland would get an enhanced share. However, if we create a system where public money is allocated on the basis of something other than value for money, we open the door—the revolving door—to lobbying and all sorts of nefarious influences. Not only is that bad in itself, but it has negative consequences in terms of giving us value for money as part of what will, by definition, always be a finite budget.

Those in the defence establishment will claim that providing Britain's defence protection base is a strategic industry, and of course our defence industry is a strategic industry. However, they seek to justify giving privileged contractors the privileges they get on the grounds that that maintains our defence industry and that it is critical to our national security. However, let us assess that argument a little further.

The idea that Britain is self-sufficient in defence production is a myth. We need to import defence equipment and materiel. We did so throughout the last century, and it is thanks to our ability to do so that we won wars we would not have otherwise won. In fact, during the Napoleonic wars, we imported materiel and equipment from overseas through Harwich, near my constituency, to ensure that we prevailed in that struggle. Not for centuries have we been entirely dependent for our defence on equipment produced exclusively on this island, and it would be naive to assume we ever could be.

Today, British defence manufacturers cannot produce equipment without international support. There are few systems anywhere—from mobile phones to jets to missiles—that can be built and manufactured without some sort of international trade. I would say that that is a good thing. International dependence and complex international supply chains are a good thing; apart from anything else, they help to keep the peace and to enhance international co-operation. However, many supposedly British procurement options, which are sold

to politicians, civil servants and Ministers as the most British option, actually mean we end up being ever more dependent on other Governments.

Let us take the example of the RAF's new transport plane—the Airbus A400M. It is partly manufactured in the UK, and a very good thing that is too—I do not denigrate that at all. But it has a shorter range, a lower top speed and a smaller payload than the comparable Boeing C-17 Globemaster, and it is considerably more expensive to boot. However, here is the really shocking thing: if we bought the C-17, we would need the support, compliance and good will of only one Government—the United States Government. But the A400M option requires the compliance and support of the Governments of France, Spain, Belgium, Germany and Turkey, as well as that of the United States. The supply chain is even more interdependent. Far from giving us so-called sovereignty of supply, the A400M is an example of procurement that is protectionist and, at the same time, makes us more dependent and less operationally sovereign.

Defence protectionism has also created a contractor cartel. In an attempt to prop up the defence industry, successive Governments have promoted the supply side and consolidated it. That has created what economists call—this is a rather clumsy term—a *monopoly*, which is a monopoly of supply. That means that a limited number of suppliers, not the state, control the terms of trade. Britain is paying over the odds because a tiny group of producers sets the terms of trade.

Big business is not the only vested interest that distorts procurement, either. Perhaps inevitably there is inter-service rivalry, so that projects serve the interests of different sectors rather than the defence interest overall. We have unenforceable anti-lobbying rules, which mean that former defence personnel can pursue what I would regard as inappropriate contacts on behalf of clients, without censure. Protectionist policy and those various crony corporate vested interests are undermining our national security. They are preventing our nation state from being able to turn whatever fiscal power we have into military muscle. We are simply being less efficient than we ought to be. We need a procurement policy that puts the national interest first and allows us to convert the fiscal power that we have into the maximum possible military muscle.

A few weeks ago, the UK Independence party parliamentary resource unit published an excellent paper called “Rethinking Defence Procurement”, in which we set out some ideas and suggestions—I think they are rather sensible, soft suggestions—on what we can do to get things right. First we suggest that the default—though not the exclusive—approach should be to buy a weapons system off the shelf. I grant that there are some weapons systems that we need to make in-house; we need that capability. However, if we want the best value equipment possible we need to be prepared to buy off the shelf.

It would be perfectly possible for us as a nation state to build smartphones that would be manufactured exclusively in the United Kingdom. Probably, they would be the size of a brick, there would be a waiting list for them and they would run on clockwork. It makes much more sense for us to buy smartphones that are the result of international co-operation, with chips built in South Korea, design from California and software from India. International co-operation enables us to have smartphones with a higher level of technology for less cost every year.

We should apply a similar principle to defence procurement. We might think of off-the-shelf procurement as being almost like urgent operational requirements—which I know the military rather like. In other words, the military can buy what it wants, from whom it wants. We can think of it as an urgent operational requirement, but without the guddle and the rush.

Secondly, we need to start consolidating not the supply side but the demand side. By working with our allies we could initiate joint procurement projects. That is not a case of our building and manufacturing things jointly; that would be a supply solution. Rather it would be a matter of putting in procurement bids collectively with our allies, ensuring that in many areas we would have a buyers' market, where the buyers collectively could set the terms of trade. We could do that with a number of countries—not just European countries and NATO members but countries such as Australia and India. If they and we needed a weapons system, why not put in joint procurement bids with our Anglosphere allies? That would drive down prices and ensure both we and our allies got better value for money.

Thirdly, I would like Parliament to have real oversight of the procurement process. Instead of just reviewing the annual report from the Ministry of Defence, the Select Committee on Defence should be required to oversee and authorise major projects. We should take back as a Parliament the power to scrutinise what the Executive spend on our account. Specifically in relation to defence, the Defence Committee should be required to approve and sign off on particular large projects. That sort of oversight would ensure that there was genuine accountability on procurement.

Finally, anti-lobbying guidelines need to become law. I was delighted to hear my hon. Friend and neighbour the Member for Harwich and North Essex (Mr Jenkin), as Chair of the Public Administration Committee, making some suggestions about that the other day. I think that is exactly what we need to be prepared to introduce, to make sure that, yes, the expertise that exists in Government Departments can be shared with contractors, but that there are public records of those contacts and that where there is a revolving door there is some accountability to ensure that nothing untoward happens.

Britain needs a defence strategy that aims above all to keep our country safe. In an era of growing threats and constrained budgets, misspending is no longer a luxury that we can afford. We need real reform. I know that the Minister recognises the need to improve the way we spend our defence budget, and that he is a reformer. I also happen to know, too, that in his Department reformers do not always get an entirely easy ride. I look forward to hearing what changes he has in mind to improve things, and whether he will consider going further and recommending any of the measures I have outlined.

11.14 am

The Minister for Defence Procurement (Mr Philip Dunne):

It is a pleasure to serve under your chairmanship, Mr Nuttall. It is all too infrequent that we have the opportunity to debate defence matters—and particularly defence procurement—in Westminster Hall, so I am especially grateful to the hon. Member for Clacton (Mr Carswell) for securing the debate, and I congratulate him on doing so. The subject is one of great interest to

me, and to him, but of somewhat less obvious interest to other Members. It is a pleasure to see the hon. Member for Strangford (Jim Shannon) here; he takes a personal interest in the subject on behalf of his constituents and Northern Ireland.

It is a good time to have such a debate, not least because it comes two months after the Government published the gratifyingly well received strategic defence and security review in November. The review was comprehensive and ambitious, and when combined with the Chancellor's summer Budget announcement it was good news for defence. Defence procurement is central to our plans to deliver our national security objectives, and that was precisely the point on which the hon. Member for Clacton opened his remarks—that the purpose of defence procurement must be to provide the capability for our armed forces to keep us safe. That is the primary duty of Government, as has been recognised in the priority that the Government have given defence and in the reform of defence procurement processes, in which the hon. Gentleman takes such a keen interest.

By giving us an increasing budget, the SDSR will help us to protect our people with more new planes, ships and armoured vehicles over the procurement cycle. It will help promote our prosperity. An additional task for defence—an additional strategic objective—of contributing to the economic prosperity of the country has been emphasised through the SDSR in a way that has not happened before. That has a number of implications for how we go about procurement.

Promoting prosperity provides a stimulus for innovation, which is essential for maintaining technological superiority over our adversaries. It provides the opportunity for the Department to become a champion of small business, which in many respects is where innovation originates. It also allows us to encourage defence exports, which means that we can allow our defence supply chain to be competitive internationally, from which we benefit through our own procurement. All in all that is a good thing, as I am sure the hon. Gentleman will agree as we explore the issue in this debate and on future occasions. We are on the right track. We may not have gone as far as he would like or necessarily as fast as we would like, but in my view we are making great strides.

Before I look to the future and address some of the hon. Gentleman's comments, it is worth acknowledging the enormous achievements in the previous Parliament. I want to preface my comments on the document prepared by his party, which he referred to and which he has in front of him, by saying that many of the criticisms it makes—in many respects rightly—relate to a period that we are now some way beyond. They relate to the defence industrial strategy that was authored in 2005-06 under the previous Administration, which no longer prevails. Part of the disagreement that there may be between us will be about the extent to which today's policy has moved on beyond the defence industrial strategy, rather than being grounded in it.

In 2010 we inherited a defence procurement position that was unquestionably unfit for purpose. It was not delivering to time, performance or, above all, cost. That is why, at a time of heightened pressure on the national finances, we had to make some tough decisions. We did not shrink from cancelling overrunning and massively expensive programmes such as the Nimrod MRA4 programme, to which the hon. Gentleman referred in

[Mr Philip Dunne]

his remarks. We embarked on the most radical series of defence reforms in decades, and I am pleased to say that those reforms meant that defence ended the last Parliament in a markedly better state than it began it in.

The National Audit Office's major projects report for 2015, which was published before the end of last year and covered the most recently available material we had, recorded a fall of £247 million in the forecast cost of defence projects—the second successive year of reductions in the major projects it reviewed. That compares with a £1.2 billion in-year cost overrun reported for 2009 by the NAO in its major projects report.

The 2015 report builds on the success of the 2014 report, which reported the best cost performance since 2005 and the best time performance since 2001. That is powerful evidence of how far we were able to progress in improving performance during the previous Parliament. Indeed, Lord Levene of Portsoken said in his 2014 report on the Department as a whole that,

“a leopard really can change its spots”—

rare praise indeed from Lord Levene.

If I may reflect on the comments of the hon. Member for Clacton and the document to which he referred, we recognised the glaring inadequacies of the defence industrial strategy of 2005-06. That was why we determined to overturn it in a White Paper published in 2012, “National Security Through Technology”, which set out our thinking on industrial policy. It replaced outdated concepts of industrial sovereignty at any cost with a much more nuanced approach, saying that the sole aim of defence procurement was to equip our armed forces with the best capabilities we could afford at the best value for money. That meant putting an end to unaffordable gold-plated requirements and instead increasingly buying things off the shelf, from the global market where possible and appropriate.

“National Security Through Technology” highlighted the benefits of working with other countries, as the hon. Gentleman seeks to do, to open up each other's defence markets and, where we share requirements, collaborate on international acquisition programmes. The best live example of that new way of collaborating on procurement is the F-35 programme—the largest defence procurement programme in the world ever. Eleven nations are pooling their demand signal to provide as large an order as possible to the contractor consortium—at the moment in annual buys, but in the future it will be multi-year buys. That order is for three different variants of the aircraft type, but it is essentially the same aircraft type for each customer, in order to avoid the bespokeing that, as the hon. Gentleman said, becomes so expensive in defence procurement. We are already doing that, and we are doing it in a big way.

The White Paper also recognised that defence procurement is different from other procurement, so for some aspects of capability, we still need to take special measures to maintain our operational advantage and freedom of action, but we stated that those would become the exception rather than the rule.

Having pointed out some of the areas where we agree with the hon. Gentleman's critique, I will have to disappoint him by saying that I do not see the document prepared by his party as a valid critique of today's policy and the

important work that has been done over the past five years. The White Paper that we published heralded a series of sweeping reforms to defence procurement, which went hand in hand with the much-needed reforms we made to the wider Ministry of Defence. We adopted the proposals outlined by Lord Levene to overhaul the structure and management of the Ministry of Defence. We have thereby created a much leaner, more strategic head office, devolved responsibility and accountability to the single services and, crucially, stood up a Joint Forces Command to look after cross-cutting areas such as helicopters and ISTAR—intelligence, surveillance, target acquisition and reconnaissance. Far from being dominated by single service rivalry, the Department is now more joined up than at any time in its history. That was amply demonstrated by how we handled defence's contribution to the SDSR, with virtually no trace of the behaviours that had so coloured the exercise five years before.

Nowhere has the extent of our transformation been more ambitious than in our procurement entity, Defence Equipment and Support. DE&S provides vital support to the armed forces, without which they simply could not operate, and I pay tribute to the civilian and military staff employed in that endeavour for their dedication. Re-formed as a bespoke trading entity in April 2014, DE&S now has the freedom to make the changes needed to transform it into a world-class acquisition organisation. DE&S staff numbers have already reduced by around 18,000 since 2007 and, through transformation, we will continue to professionalise it and focus on the people and skills we need.

Mr Carswell: Of those 18,000 people, how many have been re-hired in a contractor or arm's length capacity?

Mr Dunne: I cannot give the hon. Gentleman an exact number, but some of the activities previously held within DE&S have been outsourced. One example is the operation of the Royal Navy operating bases, which had, for some historical reason, been managed within DE&S. That has now gone back to the Navy, so those jobs by and large remain, but a large number of the 18,000 are a reduction in individual roles, to become more efficient.

Turning to how we obtain equipment, it is not as simple as making direct comparisons with other nations' defence procurement models. Structures, roles, operational commitments and, consequently, equipment needs vary. For the past three years we have published a comprehensive and fully costed 10-year forward-looking equipment plan that takes account of our defence priorities and the capabilities needed to support them.

Our £178 billion investment in equipment over the next decade will support all three services, including committing to the F-35 joint strike fighter, which I have mentioned, and to new maritime patrol aircraft. Incidentally, we have decided that those aircraft should be procured off the shelf, to take advantage of the existing production line in the United States, to maximise interoperability with the United States and the other allies that will be procuring that capability, and to minimise bespokeing, so that the cost is as plain vanilla as it can be. Through the equipment programme, we will also invest heavily in the Navy through the Type 26 frigates and in the Army through forming the new strike brigades with its equipment, which will be state-of-the-art.

Mr Carswell: Excellent.

Mr Dunne: That will allow us to acquire the capability we need, with minimal costly bespokeing, in the timescale required. The hon. Gentleman has just indicated from a sedentary position that he supports those initiatives.

We share the hon. Gentleman's view that protectionism is not good for defence or for the UK in the long term, not because we do not want to support British industry—we do—but because we recognise that protectionism provides no lasting solution. It does not give us the capabilities we need when we need them, at a price we can afford. Above all, it does not help industry. It stifles innovation, saps productivity and suppresses competitiveness.

That is why we focus on competitive procurement, with one of the most open defence markets in the world. It is why, for example, we decided to procure the new fleet of Royal Fleet Auxiliary tankers from South Korea, which the hon. Gentleman touched on in his remarks. The fleet will come into operation later this year and draws on key British technology, with some 25% of the supply chain for the vessels coming from the UK. There is still a strong UK component to an international procurement, demonstrating that having an open defence market helps to sustain a competitive defence industry in this country.

We recognised that we needed to reset the relationship with industry, particularly on the large single-source projects of which the hon. Gentleman is so critical. For that reason, we used the Defence Reform Act 2014 to reform single-source procurement. It established a statutory governance framework to ensure that costs are fair to us and to our suppliers. We have also set up the Single Source Regulations Office as an independent review body, and it has now been operational for 12 months. No longer will suppliers have carte blanche to set the terms of the trade. We believe that that will help to address the hon. Gentleman's concern about defence inflation by imposing a much greater spotlight of transparency on individual single-source contractors and the bill invoices they submit, which we think will put downward pressure on inflationary pressures.

I point out gently to the hon. Gentleman that some of the cost comparisons in his party's document confuse different things, often comparing apples with pears by not taking into account some of the additional costs that appear when we procure in the UK, other than on an off-the-shelf basis. We tend to include the cost of support, training and simulators alongside the cost of the capital equipment itself, which can often distort a like-for-like comparison with an off-the-shelf purchase.

Question put and agreed to.

11.29 am

Sitting suspended.

Care Homes: England

[MRS ANNE MAIN *in the Chair*]

2.30 pm

Peter Kyle (Hove) (Lab): I beg to move,

That this House has considered care homes in England.

It is an honour to serve under your chairmanship, Mrs Main. It is the second time I have done so; the first was on my first Bill Committee, and this is now my first Westminster Hall debate, so I seem to be following you around the corridors of the House of Commons.

I take pride in the fact that my first Westminster Hall debate is on the care that we as a society provide for older generations. Care homes are an essential part of our social care network, providing support and residential care for more than 400,000 older people. We must reassure older people, families, carers and society at large that we are a country that will continue to offer sustainable, quality, statutorily supported care in what is about to become an extremely difficult funding climate for them.

This is not the first time that I have raised this topic; the Minister will be familiar with the many parliamentary questions I have tabled on the subject. As he is personally dedicated to quality care for older people, I know that he will welcome the opportunity to discuss this matter in more detail than would often be the case for a humble Back Bencher such as me going through the normal channels of parliamentary protocol.

In many ways, it is strange that we need to have this debate at all. With an ageing population and estimates that the number of people aged 85 and over is set to double over the next 30 years, people would think that having a well-funded and secure network of homes to provide care for later in life would be a given. This is the 21st century after all, and we meet in a Parliament of one of the world's largest economies—an economy that was built through the graft and ingenuity of the wartime generation, our security delivered through their sacrifice.

However, evidence and testimony from care providers points to a sector in a perilous state, primarily for two reasons. First, a significant amount of the funding for older people in residential care who lack independent means comes from local authorities, so the significant cuts in local council funding have led to a 17% reduction in real terms in local authority spending on adult social care for older people since 2009-10.

Paula Sherriff (Dewsbury) (Lab): I recently took part in a conference organised by the GMB trade union along with carers and people who run care homes. Those who run care homes expressed specific concerns about the fact that they were aware of people—and particularly older people—sometimes being kept in hospital when there was no real medical need for them to be. If we compare the costs, it costs a couple of hundred pounds a day for them to be staying in hospital—

Mrs Anne Main (in the Chair): Order. The hon. Lady's intervention is becoming a speech.

Paula Sherriff: Okay. Does my hon. Friend agree that we should speed up the transitional process and put pathways in place, so that the move between hospital and care homes can happen much more efficiently?

Peter Kyle: I am extremely grateful to my hon. Friend for raising an incredibly important point, and I know well from conversations that we have had both in the Chamber and outside it how much she advocates for her constituents who are in care homes. The fact is that the so-called bed-blocking problem is often caused not by a lack of beds, but by a lack of capacity out in communities, for various reasons. One of those involves communities and the care home sector itself. The fact that people are ending up in hospitals is indicative of the much broader problem of caring for people where they need to be cared for most, which is in their homes and communities. My hon. Friend makes that point very well.

The significant cuts to local council funding have led to a 17% reduction in real terms for local authority spending. Industry research cited by ResPublica points to a shortfall between the cost and provision of the average weekly fee paid by local authorities, which worked out as £42 per resident per week in the period between October 2014 to September 2015.

Anne Marie Morris (Newton Abbot) (Con): As the hon. Gentleman may know, I have been a great champion of care homes and the need to meet the challenges over many years. Does he at least, despite being absolutely right to raise these problems, feel some comfort from the 2% precept? I understand that many of the county councils are going to take up that precept, which has been introduced to alleviate some of the challenges that he alludes to.

Peter Kyle: I am very grateful for that intervention. I will come to the precept in a moment, when I would welcome further interventions as we talk about the detail of the precept and how it actually, while being welcome on a surface level, will be rolled out in different ways and impact on communities differently. I will keep my eyes open, as the hon. Lady might well want to come back to this when we tackle those issues.

The pressures on care providers will only be exacerbated by the increases in the minimum wage that will come in from this April. However, let me restate my position on the rising minimum wage for the avoidance of any doubt: I believe that those working in the caring professions deserve a pay rise for the fantastic jobs that they do, especially considering that it has sadly become a low-pay sector. I am glad that there is now cross-party consensus on the ambitious rise that is deserved by all those on low pay. However, we must make this work, and it will only work if we are aware of and prepare for what will happen in the areas that this will impact on hardest.

The National Care Association, for example, has estimated that the rise will add at least 5% to payrolls this year and a further 7% year on year by 2020. Without extra resources, local authorities will end up pushing independent, statutorily funded care homes closer to the brink. The excellent ResPublica report from November laid bare the startling and shocking fact that an unfunded living wage could end up with the loss of 37,000 care home places. I know that the Minister and his colleagues will point to two actions that they think will mitigate that, so let me address both of those in turn.

First, there is the social care precept. Introduced in the autumn statement, it gives local authorities the power to raise council tax by an additional 2%, the proceeds of which are ring-fenced for social care. Although all additional funds are welcome, that is a drop in the

ocean compared with the additional resources needed. Following the autumn statement, the King's Fund estimated that the funding gap for social care could be as high as £3.5 billion by the end of this Parliament.

What is more, the precept may well end up generating extra revenue where it is least needed. At present, residential care home funding is split between people who pay for their care themselves and those who have it paid for by their local authority. Self-funders pay 50% more than those funded by councils so, in effect, they subsidise those paid for by the public purse. It is not hard to work out that the homes with a smaller number of self-funders are the ones who are most at risk financially from the cut in funding rates from local authorities. The split varies across the country, but on the estimated figures put together by LaingBuisson in its "Care of Older People UK Market Report", the number of self-funders in 2014 was only 18% in the north-east, with the majority of other regions hovering around the 40% mark. It is pretty obvious that the power to raise council tax will generate the most revenue in the areas with a higher council tax base, namely the southern regions of England, which—you guessed it—have a higher number of self-funders.

Anna Turley (Redcar) (Lab/Co-op): Does my hon. Friend share my opinion that council tax can be a regressive tax, and that for areas such as mine, which have levels of deprivation and are already hit by a tax that is not particularly fair, this precept is not a progressive tax? Those areas that have already been hit hardest by cuts in local government funding will be hit yet again by this tax.

Peter Kyle: I am very grateful to my hon. Friend for making that point. In representing Redcar, she knows better than anyone that people in residential care homes that are heavily reliant on statutory funding will be hit the most because of the cuts that are going into local authorities, and they will be hit again by the precept, which, because of the process that I have just outlined, will be front-loading resources into the areas that need it least. Her area of the country will have people who are more dependent on statutory funding for care home places. The 2% is based on a lower percentage of people paying council tax in the first place and will have to cover more people. That is why the precept is not fair and will not get to the people who need it most.

Anne Marie Morris: The hon. Gentleman is being incredibly generous with his time. He raised a point about inequality. Does he agree that we should be asking the Care Quality Commission to look at how much funding is being supplied in each county to each home? At the moment, it seems that it is a bit of a lottery, for all sorts of reasons, which may or may not be part of his argument. At the very least, we should agree the standard of care and it should be equal across the country.

Peter Kyle: I will always be generous with my time for the hon. Lady because, early in this debate, we have found common ground. Later in my speech, I will call for assessment of exactly those areas. We need to understand how the funding changes and the new mechanisms are impacting on the ground and geographically across the country. We must make sure that any revenues generated, particularly in these times of restraint, are going to the

parts of the country that need it most. My hon. Friend the Member for Redcar (Anna Turley) made the point well from the Opposition Benches. In this case, the support promised by the Government will simply not end up where it is needed most.

Secondly, on the better care fund, Ministers have belatedly recognised some of the flaws in simply relying on a precept to generate the extra funds needed for social care. There is simply not enough revenue being generated in poorer areas. The Government have said they will take that into account and use a formula for allocating extra funds for these areas taken from the better care fund. That was announced less than a month ago and we wait to see exactly how the details will operate in practice. There are murky areas and a lot of detail is coming. We must make sure we know exactly how this will impact providers in the front line.

Care England, a leading representative body for the independent care services, has already voiced its concern. It doubts whether the funding will get to the care homes that need it most. It is more likely that it will be used on other unfunded projects across the social care budget. It is worth remembering that the initial funding for the better care fund was not new money; it was funding to assist health services which was re-allocated to local authorities. I want to give the Minister the opportunity today to confirm whether the £1.5 billion is new money, or is again taken from existing health service budgets.

Local authorities will not see any of this money, whether new or recycled, until 2017-18 and even then it will be only £105 million. It could be too little, too late to prevent parts of our care home sector catering for the most vulnerable people in our society collapsing or withdrawing from the market and focusing on self-funding residents. Initial better care fund plans have been signed off by local authorities and NHS England. It would be great if an evaluation was conducted into how the funding to date has helped to support residential care homes, if at all.

I think the Minister can now see that there is cross-party support for this kind of independent evaluation into how funding mechanisms are impacting on front-line care provision. It could act as a best practice guide for authorities going forward, even when the extra resources the Government referred to become available. Will the Minister commit to this evaluation covering the impact of funding on the sector? Both Government and Opposition Members would find that helpful.

The majority of media coverage of the sector has been about the state of big providers, such as Four Seasons Health Care and HC-One, and speculation about their future viability. It is important to realise that the 10 largest providers account for about only 25% of the market, the rest being much smaller, independent providers. In my constituency there is a small family home, Wilbury rest home. Last year I sat down with the owner, Graham Dean, shortly after the Chancellor's announcement on the living wage. Graham is the second generation of his family to run the home and, remarkably, he was born in it. Listening to him and other local independent care home managers talking with kindness, compassion and outright professionalism about the people they care for day in and day out has left a deep impression on me. They provide the kind of loving, caring environment that every human being deserves into their old age.

There are countless homes like that dotted around the country, but they are being pushed to the limit. Indeed, a survey from the National Care Association shows that almost a quarter of providers could exit the market altogether. That would be a tragedy for residents and society, and a crisis for the Government.

Another issue that is putting pressure on the sector is the national shortage of nurses, which has resulted in the increased use of agency nurses. In some cases that costs double the amount for permanent staff. To the Government's credit, they have recognised that there is an issue and have been working with the care sector and with the Government's skills body to develop a new training scheme to create a career ladder into caring professions. Sadly, that project was axed last December, just weeks before it was due to be launched. I understand from written answers that I have received that that was not a decision taken by the Department of Health. As a member of the Select Committee on Business, Innovation and Skills, I am happy to take up this cause with the relevant Ministers in that Department if the Minister feels that would be helpful. I would like to aid his work and I hope that his officials have already been doing much work behind the scenes to fight for its reinstatement.

As I move to my closing remarks, I would appreciate some reassurance from the Minister that the Government have a plan—dare I say it, a plan B—that is ready to be implemented should the worst-case scenario predicted by ResPublica and other respected think-tanks in the health sector come to pass. Do the Government have in place a robust contingency plan should the statutorily funded care home sector collapse, resulting in the nightmare scenario of 37,000 older people becoming homeless?

When Southern Cross Healthcare went bust in 2011, there were just enough resources from other providers in the sector to take over. Due to the current state of the industry, no private provider has the capacity to respond to a shortfall of 37,000 beds.

Mr Gregory Campbell (East Londonderry) (DUP): I congratulate the hon. Gentleman on securing this debate. He is outlining the scenario that might lie ahead if the Government do not increase their intervention. Does he agree that, for the first time in history, the UK is reaching a stage where, in addition to senior citizens being dependent on care they receive in care homes, some of their sons and daughters are of such an age that they, too, are senior citizens, so the level of dependence is even greater?

Peter Kyle: I am extremely grateful for that intervention. I had not considered that and I will take it on board. I am grateful to the hon. Gentleman for pointing it out and putting it on the record.

It may not be a Southern Cross that fails first. In fact, it is most likely to be the smaller, independent providers in areas that are most dependent on local authority placements. Can the Minister reassure us that his Department and local government have the capacity to respond to any piecemeal closures that are likely to occur?

The Minister for Community and Social Care (Alistair Burt) *indicated assent.*

Peter Kyle: The Minister is nodding and I look forward to testing the argument in his statement.

[Peter Kyle]

Everyone here wants to ensure dignity for all later in life. That can be assured only if there is a properly resourced residential care sector with stability and financial security. I look forward to hearing the Minister's response and receiving reassurances that all Members, of whatever party, want to hear, and I look forward to being able to work with him and care home providers in the months and years ahead to ensure that that type of residential care sector becomes a reality.

Mrs Anne Main (in the Chair): I shall call the Scottish National party's Front-Bench spokesman at 3.30 and then the Opposition Front-Bench spokesman and the Minister. Quite a few hon. Members want to catch my eye and if they divvy up the time between them that will be helpful.

2.49 pm

Huw Merriman (Bexhill and Battle) (Con): It is a pleasure to serve under your chairmanship, Mrs Main. I thank the hon. Member for Hove (Peter Kyle), one of my constituency neighbours, for securing the debate and permitting me to consider the role that care homes play in my constituency.

Some 27,000 of my constituents are aged over 65 years. The hon. Gentleman mentioned the ResPublica article, which states that by 2050 the proportion of people in the UK aged 65-plus will have risen to 25%. In my constituency it is already at 28%, against a national and regional average of 17%. Indeed, Bexhill and Battle has the fifth highest proportion of people over 65 years old in the UK.

As a result, many of my constituents live or work in care homes. Before and since my election, I have visited many of those care homes and been hugely impressed by the levels of care and devotion afforded to that most special group of constituents. It is therefore right today to celebrate the role that care homes play in our country and to say thank you.

There is an unfortunate perception of care homes, which regular visitors such as myself try hard to dispel. Although many people feel negatively towards hospitals, they are considered to be places where improvements in outcomes are possible. The same is not often said of care homes. The perception is of a place that people move to when their lives have deteriorated and will continue to deteriorate. That perception means that the public rarely hear about the improvements in outcomes that care homes deliver, the innovative treatment that residents are afforded and the compassionate care that owners and their staff deliver to residents. I hope that we can use this debate to celebrate what care homes do for our constituents.

However, it is right to highlight some key challenges for care home providers, and I shall list two that require the support of the House and the Government. The first, which the hon. Gentleman mentioned, is local authority funding. The gap between local authority care home fees and the cost of care home places in real terms continues to grow. That has represented a drop of almost 5% for council-funded residents over the past five years. That situation could be exacerbated by the welcome announcement of the Government's new living wage, which will give care home staff a wage of £9 an hour by 2020. I was glad to hear the hon. Gentleman

celebrate that pay rise for hard-working care home staff, who, as he mentioned, have been underpaid for many years.

Many of my local care home providers have approached me with concerns that they may have to cease operating if margins continue to be squeezed. On their behalf I have lobbied Ministers to highlight the funding gap, and I am pleased that the Government have now given local authorities the right to add a 2% council tax surcharge for adult social care. In East Sussex, local authorities and the NHS are delivering our "Better Together" integrated healthcare programme. Although I continue to lobby for lower taxes for my constituents, I hope that they will embrace that new tax levy as a means to support the funding of care for our elderly community. I therefore hope that the gap will be plugged, at least in part. It will be interesting to hear the responses of my right hon. Friend the Minister to the other questions that the hon. Gentleman asked.

I would like to touch on staff recruitment. In the care home sector, the staff turnover rate is 32%, which is incredibly high. It is clear that the sector has issues in recruiting and retaining staff. Reliance on staff recruitment from abroad is very strong. I am delighted that the Government have added care home nurses to the shortage occupation list, albeit temporarily. Those who criticise net increases in immigration to the UK need to understand that our population is getting older and needs more care, which means more carers. I welcome the desire of the care home industry to win more contracts from our clinical commissioning funders, because I hope that that will make jobs in care homes more fulfilling, skilled and desirable. I also hope that it will allow us to rely less on staff coming from abroad—from countries that are underdeveloped and whose own residents may need care and assistance even more than people in this country do.

I will conclude, to allow other hon. Members to speak. I welcome the debate, and I celebrate the role that care homes play in this country. I have visited care homes where dementia sufferers are taken on incredible journeys back to their childhoods, where schoolchildren are invited in to go through their exercise books with residents, where residents play games and sing and where there is a great celebration of the rich lives that they have experienced and will continue to experience. I look forward to visiting more care homes and championing their owners, staff and residents in the years to come.

2.54 pm

Joan Ryan (Enfield North) (Lab): It is a pleasure to follow the hon. Member for Bexhill and Battle (Huw Merriman). I echo what he said about some of the excellent care that we see in care homes.

I congratulate my hon. Friend the Member for Hove (Peter Kyle) on securing an important and timely debate. He highlighted many of the key concerns of care providers in the UK. One is the current funding crisis in social care. Over the past five years we have seen social care budgets across the country cut by almost 11%. In Enfield, the local authority has had to deliver net savings in its adult social care budget of 16% over the past four years, and by 2019, the savings requirement that the council will need to initiate will further reduce the budget by £19.8 million, from £80.8 million this year to £61 million. That is equivalent to another 25% reduction

in the net budget. How do the Government seriously expect local authorities such as Enfield to cope with a cut of that level?

Andrea Jenkyns (Morley and Outwood) (Con): I have been a councillor, so I know that budgets have been quite tight in local authorities over the years. A care home in my constituency, Siegen Manor, is possibly due to close. Does the right hon. Lady agree that we need to look at the way councils spend money? In my new city council, there is a lot of wastage. We need to look at how councils spend their money, because I could give a lot of examples of how they could—

Mrs Anne Main (in the Chair): Order. I call Joan Ryan.

Joan Ryan: It is always important that we have a weather eye on how any public authority is spending its money and that we get the best value for money; that goes without saying. However, I think—I do not believe the hon. Member for Morley and Outwood (Andrea Jenkyns) was disagreeing with me on this—that we need to hear from the Government how local authorities can be expected to cope with the size of cut that has been happening and is continuing to come their way. I thank the hon. Lady for her intervention.

Spending reductions of the size that my local authority is facing will almost inevitably result in cuts to the services that Enfield delivers to some of the most vulnerable people in the borough. Given the huge pressures on shrinking resources, I commend Enfield Council for its nationally recognised standards of best practice and the gold accreditation that it has received for its safeguarding work. Enfield has a wide range of care homes, which provide support to older and disabled people not only from the local area but from other areas. However, the deep cuts from central Government have already seen care homes close, and a significant increase in the number of people placed in the borough by other councils has meant that nursing home provision, particularly for people with dementia, is under severe strain. As a result, an ever increasing burden has been placed on our local NHS services and family carers. In those circumstances, it can be no great surprise that there is difficulty in recruiting and retaining staff to work as care providers.

Front-line care workers are all too often grossly undervalued. They offer vital support to people with ever more complex conditions, yet in return they often receive very poor wages. So although I welcome the introduction of the national living wage of £7.20 from April 2016, that figure is nowhere near the current London living wage of £9.40. Many care workers working in Enfield and elsewhere in London need that hourly rate just to get by. However, the Government have yet to explain how the care sector will be able to cope with the increased pressures on payrolls when funding has been so drastically cut. It is estimated that the introduction of the national living wage will add at least 5% to payrolls from 2016-17 and a further 7% every year until 2020. That will drive even more front-line care providers out of business and make a bad situation even worse.

I would like to draw to the Minister's attention a letter I received from the Enfield Carers Centre in August last year. It read:

"Dear Joan Ryan

I am writing to you on behalf of Enfield Carers Centre to ask if you will support us in an urgent call that we are issuing to the Chancellor George Osborne in advance of the 2015 Spending Review.

In the Summer Budget, the Chancellor announced that, as of 2016, there will be a new compulsory National Living Wage of £7.20 per hour. We welcome support for care workers who deserve decent pay. However since we are dependent on local authorities paying us enough to pass this on to our valued care workers this increase therefore has to be reflected in the hourly rate paid by local authorities for care and support.

A report by the UK Homecare Association (UKHCA) has found that councils are going to need an additional £753 million to ensure their local care providers can meet these new pay requirements. Without that funding, care services risk closing down entirely...Care services have been badly affected over recent years by cuts and this is a financial stretch which we cannot meet. Quite simply the home care market, is at risk of collapse."

I do not think that the Enfield Carers Centre got the answer it was looking for from the Chancellor, and I hope that it will hear some better news today from the Minister. I agree with the National Care Association when it states:

"UK Care Services are an irreplaceable part of the fabric of the NHS. There should be no doubt that what is under threat is a UK support service which is essential to local government and NHS care provision."

I would like to know how the Minister will address those concerns and what steps the Government intend to put in place to provide a transparent and sustainable funding settlement for social care. The older and disabled people who rely on the service, their families and the all too often unsung heroes who work in it deserve no less.

3.2 pm

Simon Danczuk (Rochdale) (Ind): It is a pleasure, as always, to serve under your chairmanship, Mrs Main. I thank my hon. Friend the Member for Hove (Peter Kyle) for securing this important debate. Proper funding for care homes and social care can go a long way to reducing the pressures faced by our NHS. We must continue to do all we can to integrate social care and the NHS. I am worried that under this Government, it is becoming increasingly difficult to do so, and care homes are becoming increasingly underfunded and overstretched.

Last November, figures were published showing that 5,247 patients were stuck in hospital beds. They were well enough to be discharged, but doctors and nurses felt they could not discharge them because of the lack of care available to the patient. The majority of such people are elderly. They cannot leave hospital because there is no space in their local care homes, and there are not the facilities or staff to look after them in their own homes. Our adult care facilities are not adequate for many people up and down the country, and the problem will only get worse, in many places, under the Government's proposals.

I have some concerns about the new proposal to give councils the ability to raise council tax by 2%, which they will be able to spend only on social care. It looks like a good initiative at first glance, but council leaders and healthcare professionals can see that it is simply smoke and mirrors. The social care precept, as it has been labelled, will disproportionately affect poorer councils. Councils such as Rochdale will be worse off, while richer areas will be better off. The leadership of Rochdale Borough Council have rightly raised concerns about the policy. Because much of Rochdale's housing is in council tax bands A and B, the proposal will raise only an extra £1.3 million. That is why poorer councils will be worse off. Rochdale council has already faced cuts to its budget of up to £200 million since 2010. We are struggling to cope, and services are being stripped to the bare bones.

[Simon Danczuk]

The precept is welcome, but it will barely scrape the surface of the problem. The funding gap in social care and care home provision is getting worse. The Local Government Association estimates that it is growing by £700 million a year, and the King's Fund estimates that it will be £3.5 billion by the end of this Parliament. The 2% increase will raise the least money in the areas of greatest need, so it will only increase health inequality, and it will vastly increase funds for councils that are already wealthy.

The most vulnerable have already seen their social care provision cut. The Joseph Roundtree Foundation points out that during the last Parliament, spending on social care fell by £65 per person in the most deprived communities, compared with a rise of £28 per person in the least deprived communities. The Government must do more to help the most vulnerable.

In the autumn statement, the Government announced that from 2017, funding expected to be worth £1.5 billion in 2019-20 will be available to local government. That funding will be included in the better care fund, as my hon. Friend the Member for Hove pointed out. It will go some way to addressing the funding gap and the disparities that will be caused by the 2% rise, but it will not be enough. The director of adult care for Rochdale, Sheila Downey, has made it clear to me that she does not know how much of that money will arrive in Rochdale, or how the funding gap will be filled until 2017.

The increase in the minimum wage will also have an effect on social care services and care homes, as has been pointed out. I welcome the raising of the minimum wage, but it must be accompanied by increased funding to allow for it. Care workers are some of the most underpaid, and they deserve their pay rise, so let us fund it properly. Rochdale's director of adult care has raised that with me, because she is concerned about how she will find that money in her budget. She is working with local providers on the fees that will be required, but she is adamant that the pressure of the wage increase on social care budgets will not be fully met by the 2% increase. The widely cited ResPublica report from November, which my hon. Friend the Member for Hove mentioned, suggests that 37,000 care home beds could be lost if we do not fund the increase properly, because care providers will simply not be able to remain open. Alarm bells should be ringing. The loss of beds will need to be made up, and it will simply be made up in the NHS.

I finish by saying that I share the vision of an integrated health and social care system. We must achieve that if we are to have a health system that is fit for the 21st century. To achieve that, however, we cannot simply plug the gap; we need to invest in our social care and care homes now. Investment in care provision and homes can take the stress off the NHS. We saw all too recently in the case of the floods what a lack of investment can do. Let us not make the same mistake when it comes to social care.

3.7 pm

Rachael Maskell (York Central) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mrs Main. I thank my hon. Friend the Member for Hove (Peter Kyle) for securing today's timely and important debate.

As a country, we need to give deep thought to the importance we place on social care. We have heard in this debate that constrained finances are skewing the opportunity to do that. I have always said that we can judge a country by the way it treats its older people, and I wonder how we really think we are doing against that test. Those who have served our country in so many different ways deserve the very best care, and I am not sure that our system is built on that model. In fact, the model is now built more on minimal provision as opposed to optimal provision. I wrestle with that approach, and I believe that we really need to think about the direction in which we are going.

The current black hole in state funding for care has been made more challenging as the years have gone on by local authority cuts. We have heard clearly about the impact of a 10.7% budget cut over five years, and the fact that care providers have to pay more has added further challenge. I really welcome an uplift in the pay of care staff, because they are paid a ridiculously low amount of money. They are also faced with pension uplifts, and they have had to wrestle with the rise in national insurance and steep rises in the cost of energy, food and other services. That has all happened at the same time as they face the increasing demands of a challenging and changing demographic, including people with multiple needs, and tighter budgets. What we are seeing is unrealistic: the demand is greater, but the money is less.

Joan Ryan: Will my hon. Friend add to that list the fact that the CQC rates more than 50% of nursing homes as inadequate and needing improvement? The people living in those homes are therefore living in inadequate situations. How will that change, given the circumstances she outlines?

Rachael Maskell: My right hon. Friend makes a really pertinent point. There has to be a debate about safety and about providing good, secure homes for individuals. If people are living in substandard conditions, that is simply unacceptable. If there are not the resources to put that right, we obviously fear for the future.

Another thing we know is that the pressure being put on so many care organisations will make older people far more vulnerable. As we have heard, tens of thousands of beds could be lost. If people do not have security in later life, it can have a real impact on their wellbeing.

As others right across the Chamber have said in the debate, the autumn statement has left many question marks, and one of the issues we are going to see as a result is inequality. Some of the communities with the most demand for investment in social care will get the least money from the precept the Chancellor set out. Taken with the further cuts that local authorities will experience, that will have a cumulative negative impact on the provision of social care. That is happening at the same time as the NHS is really struggling with discharges, because the provision is not there in the community. In my constituency of York Central, some of the transitional beds will be lost because of a care home closure programme, which I will return to.

Cuts to support services for the elderly, such as day care placements, are happening because of the cuts to local authorities, and they are having a detrimental impact. The little things that local authorities could provide that kept people safe in their homes and connected

in their communities are now very much part of history, as opposed to part of the solution. We keep hearing that finances are tight, but we must remember that it was not the people in our care homes who caused the financial crash—but, my, how they are paying for it.

A care provider in my constituency has highlighted the challenges of the new minimum wage rate and asked how on earth they are going to pay it. They already have staff who are engaged on zero-hours contracts. They tell me they cannot pay for staff to travel between visits. I obviously question that, and I support paying staff proper wages, but I really worry about how providers will deal with these issues in the future and how they will survive. I have written to the Government to raise those concerns.

The issues I have outlined are particularly challenging in a city such as York, which has a high cost of living and high housing costs. When those are combined with low wages, it is virtually impossible to recruit care staff, and that adds to the sector's challenges. As a result, the care model we have does not really address people's needs. That has had a real impact on discharges from the NHS and on being able to give individuals timely care in the community. We are now seeing the cumulative impact of these things, as the care home closure programme across York means that fewer beds are available.

The problem we have is that care is seen as a zero-hours, minimum wage, low-esteem industry, when it should be regarded as a high-skilled, professional service and the funding should match that. Those who have the means can afford to pay for what they get—only just, but they can. However, for the rest, care packages are being driven to the absolute minimum. It would therefore be appropriate for us all to agree that current provision is totally unacceptable. We need to draw a line under that and to have a real debate about what needs to be done. After all, who are we talking about? Who are we providing care for? It is our mums and dads. It is the most vulnerable in our society—those with multiple disabilities, those with learning challenges, those with mental health challenges and those whose bodies are not quite working as they once did. One day, it will be us.

Who do we expect to care for those individuals? It is highly trained professionals—the very best—who are rewarded appropriately, motivated and driven to learn more and deliver more. Like everybody else, I have met care workers right across the sector—in fact, I spent time doing care work myself—and I know the passion they have for providing the optimum care for individuals, but if they are not given the time to care, how can they deliver that service?

The Kingsmill review “Taking Care”, which Labour brought forward before the last general election, set out a clear programme for improving care standards and providing training and remuneration. It also dealt with the important issue of registration. It is really important that care workers are state-registered to ensure public safety. The steps the review set out show how we can secure high standards in care and safeguard service users.

We then need to think about how and where care needs to be provided. Of course people have different needs, including physical needs. In my own clinical practice as a state-registered physiotherapist, I would often get people's confidence up and get them back on their feet, only for them to go home and lose the support and stimulation they had had, because support was not

available continually in the community. Falls prevention work, which really puts in investment upstream and provides care, means that individuals avoid things such as a fractured neck of femur, which is so expensive to treat, putting more pressure on the health service. Little steps can make such a difference in the community and in care homes, keeping people well and addressing their physical needs.

Likewise, we know that so many people have mental health challenges in later life—two thirds of the occupants of care homes experience some form of mental health challenge. It is really important that the setting individuals are placed in appropriately addresses those needs. We need to start thinking big on these issues. The Dutch—I hope I say this right—Hogeweyk dementia care village is a fantastic scheme. It is about state provision. We need that kind of investment and that imaginative, big thinking around how we provide care in our country.

The issues I have mentioned are exacerbated by some of the most prevalent diseases in our country—loneliness and isolation, and the social and emotional health of the most vulnerable in our society. The tightening of budgets is having a major impact on the wellbeing of old people. Investment in the issue can mitigate the worst aspects. I am totally passionate about that. It is heart-breaking that older people are just given 15-minute appointments, often with a stranger, as opposed to a full support network and a real life. Our goal should be helping people to live, not preparing them to die.

On the challenges we face, we need to take a step back and think about what we want from care provision in future. These are political choices and are possible if somebody believes they can deliver them. I talk to carers who share the vision I have outlined and who want the very best for the people they serve. I also talk to people in residential care, who want hope in their future. Those people would give momentum to a Government who would dare to grasp the nettle to make sure that we provide appropriate care in future.

I want quickly to set out the situation we have in York. I have had many conversations with the residents of care homes, their families and the staff. We are going through a transition. That has already resulted in two care homes closing, and a further two—Oakhaven and Grove House—are set to close early this year. Residents and their families are distraught about the fragmentation that that is causing. Residents are being moved to placements across the city and away from their families. Some placements are on the other side of the city from where their families live, so family members can no longer just pop in to see mum as they do at the moment. Residents are being moved away from their friends in the care home—for some, these are the only friends they have in the world. Staff are also being moved away from their homes. Residents feel that they have not been listened to and that they have been ignored, which is unacceptable.

The council has put its plans ahead of the support that it purports to want to deliver. It is remodelling social care. I very much support the last Labour Administration's vision for that. However, the sequencing of the changes is detrimental. It is about putting money before people's needs. We need to hold back on the transition that is taking place, to make sure that there is

[Rachael Maskell]

investment upstream, as opposed to making people fit the system and sacrifice some of the only bonds that they have.

We have gone badly wrong in many areas of social care, and do not currently place the value on care users and staff that we should. As I have said, this is about political choices and political priorities. I ask the Minister whether there could be any greater priority than getting this right. I urge Parliament from today to take the debate forward. I want all those who have participated in today's debate to make sure that we prioritise social care so that it is seen as an urgent need to be addressed by the Government in this term, so that we do not have to face challenges and struggles we face at the moment of questioning the finances and the value we put on social care. The question is whether the Government are willing.

3.21 pm

Anna Turley (Redcar) (Lab/Co-op): It is a pleasure to serve again under your chairmanship, Mrs Main. I thank my hon. Friend the Member for Hove (Peter Kyle) for obtaining this important debate with his customary determination to tackle the big challenges of the day and his concern for the most vulnerable in society. As everyone on both sides of the House has agreed during the debate, older people deserve the right to live with dignity and decency; but, as has also been discussed, too often that is not the case, and I am afraid the situation seems set only to get worse.

Eighty-six per cent. of care home places are run by the private sector for profit. Local authorities are the largest single purchasers of those places across the country. Because of intense budgetary pressures, which my right hon. Friend the Member for Enfield North (Joan Ryan) and my hon. Friend the Member for York Central (Rachael Maskell) clearly explained, local authorities reduced their fees by an average of 5% between 2010-11 and 2015-16. According to the sector analysts LaingBuisson, the care home sector is closing more beds than it is opening for the first time since 2005, with a net loss of 3,000 across the UK last year. In the north-east we expect to have a substantial crisis in social care as a result of the Government's failure to grip the issue.

As my hon. Friend the Member for Hove said, the homes most at risk are those dependent on residents paid for by local councils at rates far below those paid by self-funding residents: proprietors say rates are actually below break-even point. In the north-east, only 18% of people requiring care are self-paying, compared with 54% in the south-east. In Surrey, by contrast, only 1% of people in residential homes are paid for by the state.

The *Financial Times* has noticed that the care home market is highly polarised between lucrative self-pay homes, mostly in south-east England, and those with local authority residents, such as Redcar and Cleveland, which are struggling. Given that disparity between areas such as Surrey and areas such as mine, and since there is a crisis in the funding not of residential care but of state residential care, it is probable that the market will not collapse nationally, but will fall over in areas such as mine where the state is the main payer. If a major provider struggles it is likely to mean that it will close its homes in the north but not the south.

There is no capacity in local government to take over those homes. Any private sector supplier that did so would be taking an unsustainable risk, because they are currently loss-making businesses. At the moment there appears to be no plan B for the Government. I want to ask the Minister whether he accepts the scale of the impending crisis. Crisis point will be reached shortly in our region as demand continues to increase while spending is drastically cut back. The Government's care legislation will further increase the burdens on councils in England. The only way in which providers can make any money is by cutting services and by squeezing workers' pay and conditions.

The comprehensive spending review in December 2015 gave councils the option of adding a social care precept of up to 2% to annual council tax bills to raise extra money to pay for adult social care. However, as well as being regressive, as we have already discussed, the precept will at best raise £2 billion by 2020, against a predicted funding gap of closer to £8 billion. Indeed, the King's Fund estimates that at best the precept will raise £800 million.

I want to use this opportunity to raise some contributory factors to the crisis, which the Government need to address, and I will begin by talking about the care workforce and national minimum wage compliance. The Resolution Foundation has estimated that care workers—both those in care homes and those providing home care—are already collectively cheated of £130 million a year because of sub national minimum wage pay. That is driven by chronic underfunding of the care sector, poor employment practices, poor commissioning practices and the ineffective enforcement of the national minimum wage by Her Majesty's Revenue and Customs.

One employer, which will remain nameless at this stage, has put to its workforce a set of proposed changes to terms and conditions, to prepare for the introduction of the national living wage. Those include withdrawing all bank holiday and overtime enhancements, removing contractual sick pay, scrapping the meal allowance for workers when they are eating with clients, asking workers to pay for their own registration with the Disclosure and Barring Service, enforcing eight hours per annum of unpaid training time, introducing new duties and making changes to existing duties. In care homes non-payment of the national minimum wage is driven by a failure to pay for actual hours worked, such as when staff are not properly recompensed for overnight sleep-ins or time spent training; failure to pay for uniforms; and deduction of money for accommodation that does not form part of an employment contract.

The *Financial Times* has said that,

"businesses that run care homes for the elderly are at risk of going bankrupt, especially those reliant on revenues from local authority funded places, from a double blow of the imminent increases in the minimum wage and tighter immigration rules, making it harder to recruit from overseas".

That is the issue I want to discuss next. The care sector is particularly dependent on migrant labour. The latest estimates suggest that nearly a fifth of the workforce are non-British. Unison has highlighted a particular problem in the care home sector with regard to the treatment of migrant workers. In a recent round-table event, a group of Filipino workers reported that they were paying £300 a month each to share a flat with only one toilet and no lounge at the residential care home where they

worked. The rate paid for the work they did was £7.02 per hour, but there were then monthly deductions. The deductions were for their uniform—they got one per year but had to pay every month—and for training; that is a breach of national minimum wage law. The cost would normally be more than £200 a month, and it transpired that the workers were not necessarily getting the uplifts in the minimum wage that they were entitled to.

The round table also heard that a working week for the staff could sometimes be as long as 60 hours, depending on staffing levels, despite the fact that they were contracted for 36 hours. They could also find themselves working a 10-hour night shift for a paltry £35, way below the national minimum wage, and with no sleeping permitted. The employer extorted £500 each from that group of workers as their initial five-year period in the job came to an end, on the basis that payments were needed to retain a licence to hire foreign workers and to protect their immigration papers. The staff were also subject to body searches before meeting the employers. To compound matters, they were then obliged to pay fees of £2,000 each for a solicitor to renew their work permits—in cash. The work permits are for work with that one employer, so if the workers lost them they would lose their visa and have to leave the country. Not only is the exploitation of immigrant workers immoral, but it drives down terms and conditions across the sector for all workers and reduces the number of job opportunities for local people.

I want to discuss some wider problems in the care home sector. The social care workforce are predominantly female, with the latest estimates suggesting that 82% of care workers are women and that the percentage is broadly similar across all types of care. Social care is a highly gender-segregated sector, with low pay and poor conditions reflecting, as my hon. Friend the Member for York Central has mentioned, the historic undervaluing of what is deemed to be women's work. Compared with other sectors, the workforce are also particularly concentrated in the 45 to 60 age bracket. Government-backed attempts to move away from that disproportionately middle-aged demographic have foundered, largely on the basis that the quality of work, pay and conditions is simply not attractive enough to bring in younger staff.

Residential care tends to be based on shift work and there are often problems with short-staffing, with care workers being called on at short notice to cover shifts. That can be particularly problematic for night shifts, where the compensation is often insufficient. There may also be pressure from care providers to work beyond a 48-hour working week. Vacancy rates and staff turnover are high across the sector. Councils are struggling to retain social workers in the face of high caseloads, a blame culture and competition over pay. High turnover has damaging implications for the continuity and quality of care.

There is no English language requirement for care workers whose first language is not English. The overall level of training and qualifications across the care sector is low. There are expectations of induction training for staff but the nature and quality varies considerably. There is less training available in outsourced services, and there are particular concerns about agency staff not receiving training. There are increasing expectations for care workers to carry out medical treatments that have previously been the preserve of nurses or other

NHS professionals, but there is no concomitant expansion in training. There are no longer any universal standards for providers to meet benchmarks for percentages of trained staff in their workforces. Without obligations it makes no business sense for providers to do that training voluntarily, because of the high turnover of staff. There is also no central quality assurance mechanism for training, which leads to a lack of faith in qualifications, and no incentive—

Mrs Anne Main (in the Chair): Order. I ask the hon. Lady to bring her remarks to a close in the next few seconds.

Anna Turley: I will. In summary, the Government's crisis in funding for care homes has pushed the sector to the brink. Terms and conditions for the workforce are being squeezed, and the current funding structure for local authorities is simply unsustainable. The Government must get a grip.

3.30 pm

Patricia Gibson (North Ayrshire and Arran) (SNP): I thank the hon. Member for Hove (Peter Kyle) for securing this important debate. As Members might imagine, I have listened with great interest to the debate, albeit from a Scottish perspective. However, it is in all our interests and, indeed, in the interests of a decent society that those who require care can access the care they need, and are treated with dignity and respect wherever they live in the United Kingdom. There are challenges, many of which have been debated this afternoon, as our ageing population grows in number and as needs become more complex, requiring additionally trained and supported staff, and bringing all the pressures outlined by the hon. Member for Hove.

I declare an interest in the issue as my mother-in-law, Iris Gibson, is fortunate to receive wonderful care at the marvellous Haylie House, which is located in the lovely Ayrshire coastal town of Largs in my constituency of North Ayrshire and Arran. Hon. Members might be interested in the approach taken in Scotland under the Scottish National party Government, who have been working hard to ensure that as many people as possible who need care in Scotland receive care in their own homes. Indeed, the number of older people receiving personal care services in their own homes in Scotland has increased from 36,000 in 2004-05 to 47,810 in 2013-14.

Since July 2002, local authorities in Scotland can no longer charge for those personal care services. In addition, payments for free personal and nursing care have been increased in line with inflation annually by the SNP Government since April 2008, improving the lives of about 7,000 to 8,000 vulnerable older people in Scotland, but, of course, funding continues to be a challenge in Scotland and across the UK.

As for carers, Scotland's First Minister, Nicola Sturgeon, has pledged to increase carer's allowance to the same rate as jobseeker's allowance, which is a clear recognition of the very important job that carers do. I want to pick up on something that has been highlighted by several Members, which is what I would call the so-called national living wage because it is, in fact, nothing of the sort. It is a minimum wage, unlike the Scottish living wage that actually relates to the cost of living. The Scottish Government are a living wage employer and continue to encourage Scots-based businesses to become living wage accredited employers.

[Patricia Gibson]

The hon. Member for Hove is correct that the caring sector has become associated with low pay. That is a scourge on that important sector, and must be acknowledged and tackled in any discussion about the future of the whole care sector. I agree very much with the hon. Member for Rochdale (Simon Danczuk) that the provisions of the social care precept are not enough. What is needed is more investment in the care of older people from central Government. Many private care homes argue that they will struggle to pay the national living wage, as outlined by the Chancellor, of £7.20 an hour from April—never mind the living wage that the Scottish Government are encouraging employers to pay, which currently stands at £8.25 an hour.

We have heard from the hon. Member for Redcar (Anna Turley) about some shocking employment practices. The SNP is committed to improving the quality of care in Scotland and will consider carefully the impact of the living wage on the care sector. Make no mistake: any discussion about how to improve the quality of care must include a discussion about the scourge of low pay. Indeed, the Scottish Government are taking forward the recommendation of the residential care taskforce to undertake financial modelling of the costs of paying the living wage.

Mrs Anne Main (in the Chair): Order. I ask that the hon. Lady sticks as closely as possible to the subject of the debate, which is care homes in England. I have given her some latitude but she is somewhat straying off the point.

Patricia Gibson: I was simply going to ask the Minister to ensure that the scourge of low pay is tackled as far as possible under the Chancellor's arrangements to ensure that the wage levels are at least enforced. As we have heard from the hon. Member for Redcar, that is not even currently the case.

It is clear that there are urgent concerns about care homes, which must be addressed. I look forward to the Minister's taking the opportunity to do so. The urgency of the concerns are apparent as care home margins are squeezed by a lack of investment and a failure to deal with the funding of long-term care to an acceptable and sustainable level with local authorities facing even tighter budgets. We should recognise that care services are a vital component of the fabric of the NHS.

What happens in the care sector in England has a direct consequence for the care sector across the UK. Caring for our older population and caring for our carers is an issue of social justice. Of course there is a price tag and a cost for supporting older people, but politics is about choices and the challenges of our ageing population will only increase. We must make the choice to treat them with dignity, and to support carers and our older population as much as we can. We cannot afford not to.

3.35 pm

Barbara Keeley (Worsley and Eccles South) (Lab): It is a pleasure to speak in a debate with you as the Chair, Mrs Main. I think it is the first time for me, although others have a different experience. I congratulate my hon. Friend the Member for Hove (Peter Kyle) on securing this important debate. As well as his speech,

there have been speeches and interventions from my right hon. Friend the Member for Enfield North (Joan Ryan), my hon. Friends the Members for Dewsbury (Paula Sherriff), for Rochdale (Simon Danczuk), for York Central (Rachael Maskell) and for Redcar (Anna Turley), the hon. Members for Newton Abbot (Anne Marie Morris) and for Bexhill and Battle (Huw Merriman), and the SNP spokesman, the hon. Member for North Ayrshire and Arran (Patricia Gibson).

The care home sector in England is in crisis. A toxic combination of a chronic lack of funding plus rising demand and increased costs means that care providers are facing an extremely difficult time. I will go on to say more but we heard a great deal about that during the debate. The social care settlement announced in the autumn statement does little to provide the additional resources that the care home sector needs. As I said in Health questions last week, the Government's funding proposals for social care are risky, uncertain and late. They are risky because the better care funding is back-loaded. It does not reach £1.5 billion until 2019. Indeed, it offers nothing this year and only £100 million next year.

Funding from the social care precept is uncertain. It can only raise £1.6 billion if every single council decides to raise council tax by the maximum amount and that is by no means certain. Only about half of councils chose to increase council tax this year. Despite social care pressures, it is unlikely that all councils will want to implement an unpopular tax increase at this time. Both sources combined are late, because they do not help this year and they only reach £3.5 billion in 2019-20. Council leaders—including, I think, a council leader in Essex—wrote to the Prime Minister asking him to move some of the funding forward.

In a joint review of the spending review undertaken by the King's Fund, the Health Foundation and the Nuffield Trust, the total funding gap for social care is found to be between £2.8 billion and £3.5 billion by the end of this Parliament. We need to make it a goal to close that gap. The three organisations conclude:

“Public spending on social care as a proportion of GDP will fall back to around 0.9 per cent by 2019/20, despite the ageing population and rising demand for services. This will leave thousands more older and disabled people without access to services.”

I suspect that it is probably hundreds of thousands, not just thousands.

The plans for the social care precept are seen as unfair due to the wide variations in the revenue that local councils can raise from their council tax base. Deprived areas can have the highest need for publicly-funded social care, yet councils in those areas are less able to raise significant additional revenue from council tax.

Let me give the example of my local authority in Salford. The adult social care budget is now £61 million. It has had to be cut by £15 million since 2010 due to cuts in the central Government grant, and 2% of our council tax—the maximum we could raise if everyone paid and, of course, they do not—is £1.6 million a year so that does not close the gap. Ministers have failed to explain how the social care precept can be implemented in a fair way that addresses the differences in need across the country. That is important.

The care sector responded to the spending review by saying:

“We believe the package put forward for social care will not enable us to fill the current gap in funding, cover additional costs

associated with the introduction of the National Living Wage, nor fully meet...growth in demand due to our ageing population... the settlement is not sufficient, not targeted at the right geographies and will not come soon enough to resolve the care funding crisis.” That is absolutely clear, and it is the sector itself saying that.

The social care funding crisis is most apparent in the care homes sector. In his opening speech, my hon. Friend the Member for Hove gave a useful analysis of the differences between large and small providers, but I will focus on what could happen with the biggest care home operator. Four Seasons owns some 470 homes and cares for 20,000 residents, mainly older people. It has been reported that, in the third quarter of 2015, Four Seasons lost more than £25 million before tax, and the rating agency Standard & Poor’s has warned that Four Seasons could run out of money in as little as six months. Squeezed local authority fees and the cost of temporary nursing staff are cited by the company as the reason for its financial difficulty, and we know from this debate that those pressures are only going to rise.

The so-called national living wage will be introduced in April 2016, and we have just heard the views of the hon. Member for North Ayrshire and Arran, the Scottish National party spokesperson, on that. Perhaps the key thing, whatever we think of the level of the national living wage, and it probably is not enough, is that the Government have so far provided no assistance to help care home providers or local authorities to address the increasing costs caused by their own policy, welcome though it is, because increasing the pay of staff working in the care sector is vital—I think we all agree on that.

Before the spending review, a sector-wide group of charities, organisations and providers wrote to the Chancellor expressing concerns about the funding gap in social care. They said that a £2.9 billion social care funding gap would have these results:

“Up to 50% of the care home market will become financially unviable and care homes will start to close their doors. 74% of homecare providers who work with local councils, have said that they will have to reduce the amount of publicly-funded care they provide.”

Care homes are already finding it difficult to provide quality care, as we have heard. The CQC’s 2015 report recognised that, of course, adult social care providers face challenging times, but it raised concerns, as my hon. Friend the Member for Hove did, that nursing homes provide a poorer quality of care than other adult social care services. Indeed, just under half of nursing homes rated up to 31 May 2015 were rated good or outstanding, and one in 10 were rated inadequate. That trend is likely to continue unless the funding gap is addressed.

We have heard about the ResPublica report released in November, which projected a funding gap of more than £1 billion for older people’s residential care alone by 2020-21. My hon. Friend referred to that, and it could result in a loss of some 37,000 beds, which would be greater in scale than the collapse of Southern Cross. A loss of beds on that scale would have significant costs for individuals, families and the NHS. If all the residents of lost beds in care homes included in the report were to flow through to hospitals, the annual cost to the NHS is put by the report at £3 billion.

There has been excellent coverage in this debate of the postcode lottery that exists in certain regions of the UK. Of course, care homes in certain regions are much

more likely to be subject to significant financial pressures. A market insight report by LaingBuisson found that the proportion of self-funders varies dramatically between regions, and we have already heard some examples. In 2014, in the north-west, only 18% of residents were self-funders, compared with 54% of residents in the south-east. That contrast has already been drawn out by my hon. Friends. Those differences have significant implications for the financial viability of care homes in regions with higher levels of local authority-funded residents.

It is no surprise that the Government’s policies have failed to attract investment in state-funded social care, and it has not happened on its own; but many providers have been forced to attract private funders to maintain their profitability, and LaingBuisson concluded:

“Prospective new care home developments for state-funded clientele...struggle to meet investment criteria because of inadequate fee levels on offer from local authorities in most areas of the country”.

That is a serious point.

The hon. Member for Bexhill and Battle raised the issue of migrants working in nursing in the care sector, but there is a further issue with recruitment to which my hon. Friend the Member for York Central referred. Independent Age and the International Longevity Centre produced a report called “Moved to Care,” which raised that issue:

“Migrants and particularly non-EU migrants play a big role in the care workforce. Nearly 1 in...5 care workers was born outside of the UK”.

The report states that one in seven care workers—more than 191,000 people—is a non-EU migrant. The care sector has a vacancy rate of nearly 5%. That is the recruitment problem that my hon. Friend the Member for Hove talked about. Given those statistics, the serious thing is that care workers do not appear on the shortage occupation list, so a fall in net migration could have a serious impact on the care sector. As the hon. Member for Bexhill and Battle asked—this is in addition to what I was going to ask today—would it be viable for skilled care workers, including senior care workers, to be included on the tier 2 shortage occupation list, as are nurses?

Good quality, affordable care in old age is a basic right, but the current pressures that care providers and local authorities face mean that there is a risk that good care will become the preserve of the wealthy. Julia Unwin, the chief executive of the Joseph Rowntree Foundation, has said that the effects of reduced home care capacity would be “devastating.” She said that, “care homes are already under financial pressure.”

We have heard ample examples of that. She continued, “if proper funding is not provided...with these additional costs, the Government risks creating a two-tier care home system where good care is only available to those who can pay for it.”

Ministers must do more to ensure that the most vulnerable people in our society start to receive the good-quality care that they need.

A sustainable financial settlement is needed, but the Government’s policies are ineffective and are failing to take account of differing needs across the country. We had an opportunity for a settlement with the Dilnot reforms, but chronic underfunding has led to long delays in implementation. Will the Minister reiterate his support for the implementation of the Dilnot reforms? After all,

[Barbara Keeley]

page 65 of the Conservative manifesto—that was not very long ago—stated that that is what the party would do.

Whatever we do about the cap on care costs, we must first address the deepening funding crisis. A first step would be for the Government to admit that the plans announced in the spending review do not address the funding crisis that has been so amply referred to in this debate. What steps will be taken to protect services from collapse? That is the priority. Without a radical change in policy, care homes will be unable to offer the services needed to ensure what almost everybody in this room would want—that every older person has the care they need and the dignity and respect that they deserve.

3.47 pm

The Minister for Community and Social Care (Alistair Burt): It is a pleasure to serve under your chairmanship, Mrs Main. I congratulate the hon. Member for Hove (Peter Kyle) on securing the debate and thank him for introducing it courteously and knowledgeably. He is a valuable addition to the House, as indeed are a number of the new Members who have spoken. This is another example of a debate where the House's knowledge and passion is conveyed in an entirely reasonable but challenging manner. I do not think this is the only debate we will have on this subject, so we will return to a number of issues.

I thank colleagues for their contributions. My hon. Friend the Member for Bexhill and Battle (Huw Merriman) spoke about the quality care provided in our care homes, and it is important not to lose sight of that. The right hon. Member for Enfield North (Joan Ryan) spoke about costs—we will come back to that—and workforce issues. The hon. Member for Rochdale (Simon Danczuk) spoke about the need to ensure that local authorities in poorer areas are covered, and I will speak about that. The hon. Member for York Central (Rachael Maskell) spoke about choices, and I will come back to her on that in a moment.

The hon. Member for Redcar (Anna Turley) spoke knowledgeably about workforce issues. The hon. Member for North Ayrshire and Arran (Patricia Gibson)—we wish her mother-in-law well in the home where she is situated—gave more examples of what is happening in Scotland. I am always keen to see whether we can find anything that can be extrapolated from what is done up there. The hon. Member for Worsley and Eccles South (Barbara Keeley) spoke with her usual eloquence and from her strong background in the subject. Again, we will be covering a number of these issues over quite some time, and it cannot be completed today. I thank colleagues from all parties who made interventions.

I will not be able to respond to every point in 10 minutes. I will talk about quality and care issues, the spending issue and contingency—what to do if there is a problem. I think those are the three biggest things. That does not mean that I am uninterested in integration and winter pressures, which we believe we are working through and tackling. I will not talk much about the workforce, but I entirely agree that we should value the workforce at all levels and provide a decent career path. I agree entirely with the view that everyone has to be valued in a way that has not really been the case in social care up to now.

There are a number of other issues that I will just not be able to touch on. If there were specific questions directed at me and I do not cover them, I will go through them and write to the appropriate Member.

In general, we all start from a common position on the importance of this issue and the context in which it is set: an ageing population; people living longer with multiple long-term conditions; and many of our care workers working with dedication, both in homes small and large and in domiciliary care. I praise Chris Ryan of Bedford, who does much the same job as the gentleman the hon. Member for Hove mentioned in looking after a smaller home. It is a family business with a great sense of care and compassion, and I see those things in many homes.

May I start with a few words about quality? I am conscious of time, and I will try to keep my remarks on the three main issues that I want to cover quite short. In a way, we cannot win with the inspection regime. If inspection is done thoroughly and reveals things that need to be changed and improved, I can be lambasted for things that are inadequate. On the other hand, if we do not have a regime that turns up the things that need to be changed, then we are missing things.

The tougher inspection regime and the work that the Care Quality Commission is doing are good for us all. The bulk of homes—60% of the homes inspected, and a third of all homes have been inspected—have been rated “good” or “outstanding”. The CQC started with some local knowledge and wanted to go to the most difficult homes first. When it goes back to them it sees improvement, because the job of inspecting is not just about closing people down; it is also about seeing what improvement needs to be made.

In many cases, care is not about resource per se. I will never stand here as Minister and say that money and resource do not matter, but I will always say that making sure there is good-quality care is about many other things as well. There is tremendous variability of provision. There are people who handle the same resource in very different ways, and some are poorer at it than others. Quality of management, quality of leadership and in particular the use of registered managers in homes are all important issues, and there is much that can be learned through the inspection regime.

It is important for us to set out the five key questions, so that we remember what the regime is intended to do. These questions are asked of each service that is inspected: is it safe, is it caring, is it effective, is it responsive, and is it well led? All inspections deliver a rating for the answers to each of those five key questions, on a scale that ranges from “inadequate” to “requires improvement” to “good” and “outstanding”. It is right that we do that, and I am not afraid of the answers that have been produced.

However, I want to go slightly beyond that process. I am never content to rest on what the inspection regime is bringing forward; I listen to other voices as well. Although I do not respond to all the tweets I receive, I read them all, and I am in contact with some of those who represent families and with those who have uncovered things and who do not feel that the inspection regime is doing its job. I say to them that we can do more, and I am listening carefully. I want to use the experiences of those who have been through poor circumstances to see whether we can make any changes that will make such

circumstances less likely. There will never be nil bad circumstances, although there should be, but we must do all we can, and I am listening carefully to some less heard voices to try to ensure that that is the case.

I will speak about spending, which I know is at the heart of this debate, before I cover contingency. The hon. Member for York Central spoke about choices. I will not labour this point, but it needs to be said, because it is at the heart of all we do—yes, there are choices to be made. In a different context, I hear much talk about “mandate” from Opposition Members. The Government also have a mandate, and it is a difficult one. It is to try to ensure that our spending on public services matches the needs of the population and also looks after the future, ensuring that we are not running a continuous debt and running into more debt. It is a difficult choice, and we put it to the people and they gave their answer. We are working with that mandate.

The hon. Lady also said that how a society treats its old people is a measure of the quality of that society. That is quite true, as it is of our treatment of our children, those with mental health issues and our prisoners. It is also true of how we treat the future and what we leave for the future. That is why this Government, like every previous Government who have had to make difficult choices, including Labour Governments, have never been able to spend as much money as some would have wished. That is at the heart of this debate as well. We will do what we can with what we have got, and I will explain how we will do it, but that is the difficult choice that we have to make, and the hon. Lady does not have to do so yet. All I will say is that I will explain what we are trying to do in making that choice.

Peter Kyle: I am grateful to the Minister for giving way, and for letting us know that he reads all the tweets he receives, because that has opened up another avenue for communicating with him; he may well regret that, even by the end of today.

Part of the Minister’s mandate is to reduce spending—we understand that—and part of his mandate is to spend money better, which is an issue that has come up time and time again in this debate. There was cross-party support for an independent evaluation of the better care fund and how it applies to the care home industry. May I specifically ask him whether he will support the call for that evaluation, which came from Government Members as well as from Labour Members?

Alistair Burt: We are constantly evaluating the better care fund. We work on it with local authorities on a regular basis, and with the Association of Directors of Adult Social Services, so it is constantly being evaluated. I do not know whether something else would add to that process.

Barbara Keeley: I have made the point about choices to the Chancellor in the past. Perhaps the Minister has not got the Chancellor on side yet; I hope that he will do so. However, the inheritance tax giveaway that this Government have enacted will cost £1 billion by 2020. How far would that £1 billion go in social care? A long way.

Alistair Burt: We could all pick items of Government spending that we do not particularly fancy and say, “Oh, if only it was applied to this, it would be great.”

Every single Government and every single Chancellor have faced the same argument. We are where we are. We have made choices about a whole variety of things, and we have a range of obligations to deliver to the public. In this particular instance, however, I want to talk about what we are spending and what is new. I will do so briefly, but I must cover that.

The Government are giving local authorities access to up to £3.5 billion of new support for social care in 2019-20. We believe that the precept could raise up to £2 billion a year, and with that money and the £1.5 billion that was included in the spending review, we believe that by 2019-20 there will be the opportunity for a real-terms increase in spending on social care.

Barbara Keeley: Will the Minister give way?

Alistair Burt: No. I have only three minutes. If I give way, I will not be able to cover everything now.

Barbara Keeley: I just want the Minister to say how councils such as the Essex council that wrote to the Prime Minister will manage until 2019.

Alistair Burt: I will give two responses to that and talk about the equalisation of funding. First, we are working closely with local authorities and with ADASS. I do not pretend in any way that the situation will not be tough for the next couple of years; it will be. However, we believe the resource is there. Secondly, the social care precept will come in this year, and that money will be made available more quickly. It will be difficult and it will be tight, but a lot of changes are being made and a lot of work is being done to ensure that services are more efficient. Those things are going on all the time.

I want to address the problem that was raised about the precept and explain how it will be used to ensure that local authorities do not miss out. The Department for Communities and Local Government published for consultation a provisional local government finance settlement in December. Recognising that local authorities have varying capacity to raise council tax, it is proposed that the additional funding for the better care fund that will be available from 2017 should be allocated using a methodology that provides greater funding to authorities that benefit less than others from additional council tax flexibility for social care. That will include consideration of the main resources available to local authorities, including council tax and business rates.

Peter Kyle: Will the Minister give way?

Alistair Burt: No, if the hon. Gentleman will forgive me; I have 90 seconds left.

That is how there will be some degree of equalisation, to respond to the point made by the hon. Member for Rochdale. More money is being spent, and there is an equalisation process.

I will speak about contingency plans briefly. Local authorities now have a responsibility, through the Care Act 2014, to monitor the care providers in their area for any early warning of difficulties. In total, 44 care providers are included. Local councils are also under a duty to provide contingency plans for what would happen if there was a failure of provision, and 95% of local authority areas are currently covered by such contingency

[Alistair Burt]

plans. Of course, I am looking for answers from the other 5% to ensure that coverage is there. If there is a failure of provision, local authorities have a responsibility to step in, and we are addressing the situation to ensure that contingency provision is in place.

We believe that we have put in money that will assist the system and provide the care that is needed. With local authorities, we are constantly looking at what can be done to make things more efficient. We want to ensure that money is spent properly. That is why the social care precept is there; it can only be spent on social care. I have mentioned the position of councils that might be in particular difficulties over that issue, and over time, we will see whether that provision is sufficient. The Government and I will keep this issue under constant review, and we will talk about it again—

Motion lapsed (Standing Order No. 10(6)).

Dartford Crossing: Congestion

[SIR ALAN MEALE *in the Chair*]

4 pm

Gareth Johnson (Dartford) (Con): I beg to move,

That this House has considered congestion at the Dartford Crossing.

It is, as always, a pleasure to serve under your chairmanship, Sir Alan. I am pleased to secure this debate on an issue that has dominated road transport in the south-east and beyond: the congestion so often found at the Dartford crossing. Local people have in their thousands signed a petition relating to the issue, and that has prompted a response from the Government. I do not believe, however, that it is right to wait for the number of signatories to reach the 100,000 trigger point for a debate in the House, so I am pleased to have secured a debate today.

The tunnels have caused problems in the area for pretty much all my life. It is fair to say that there was a period of respite when the bridge was built, but that was back in 1991, and the problems have grown ever since. In Dartford, we believed that there would be further respite when the tollbooths were finally removed but, alas, that has not been the case. Today we have congestion like I have never known before.

Quite simply, the approach to the Dartford crossing is Britain's worst stretch of road. I challenge the Roads Minister to name one stretch of road in the UK that is worse than the Dartford crossing approach. It will be interesting to see whether he can come up with a single road in the whole United Kingdom that can compare. The congestion has a huge impact on local residents. Children cannot be picked up from school and people cannot get to work or home from work. People say to me that often it is like being a prisoner in their own home. Businesses are also affected, particularly those on Crossways Boulevard. If the congestion continues, it will ultimately cost Dartford hundreds of jobs.

We have a growing economy. London and the south-east are envied around the world for their wealth creation. The south-east provides not just thousands but millions of new jobs. It is very much the financial engine of the country, but the whole area is held back by Britain's worst stretch of road. It is pointless to have a financial engine if the tyres are punctured. As the Prime Minister said in response to my hon. Friend the Member for Sittingbourne and Sheppey (Gordon Henderson), we cannot secure inward investment for Kent unless we have a modern road system. That applies as much to the A249, which my hon. Friend asked about in Prime Minister's questions, as it does to the Dartford crossing.

The congestion is not only a transport issue; it also leads to pollution. The pollution created at the Dartford crossing is nothing short of a national disgrace. It is both noise pollution and air pollution. According to Public Health England, a staggering 6.7% of the deaths in Dartford are at least partly attributable to long-term exposure to human-caused particle air pollution. In other words, more people die from air pollution in Dartford than anywhere else in Kent or Essex. The figure is the second highest in the whole south-east, behind only Slough, which is of course home to Heathrow

airport. The worst area in the east of the country is Thurrock, and we know where the Dartford crossing links up to. Why should the people of Dartford be subjected to such high levels of pollution? Why should the health of people in Dartford be put at risk by the road scheme?

The congestion at the Dartford crossing will be properly dealt with only when we have another crossing in the lower Thames area. In my opinion, that crossing should be located away from Dartford and east of Gravesend if it is to provide a proper alternative for the motorist. I shudder to think of the problems that will be caused if another crossing was to be built at Dartford.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): I congratulate my hon. Friend on securing this important debate and echo some of his comments, particularly on air pollution in Thurrock. I am privileged to represent parts of that area. He talks about an additional crossing east of the existing crossing. Does he agree that both options A and C answer a question that was posed 10 years ago? We should broaden the debate and potentially look further east, and west into London, to resolve the issues.

Gareth Johnson: My hon. Friend makes an important point, and I pay tribute to his campaigning on behalf of his constituents on transport links in Basildon and Thurrock. As I understand it, the Mayor of London continues to assess the alternatives to the Blackwall tunnel, and that work is ongoing.

With the Dartford crossing, I argue that options D, E and F have been assessed previously and have been properly looked at. We are left with options A and C. My hon. Friend the Member for Gravesham (Mr Holloway) is a vociferous opponent of any crossing east of Gravesend. I disagree with that stance; I believe that there needs to be that alternative for the motorist, but we need a decision. We need something to be built as soon as possible, because the current situation is completely untenable.

Gordon Henderson (Sittingbourne and Sheppey) (Con): Would my hon. Friend accept that any crossing east of the Dartford crossing would have to take account of the existing problems on the M2 and the A2?

Gareth Johnson: My hon. Friend makes an important point, and I would add the M20. It has been years—I cannot remember it happening in my lifetime—since we have seen any major improvements on the M20, A20, M2 or A2. It is high time that we had some road improvements in the county of Kent. We have increasing levels of traffic coming from the port at Dover through to the east of England and round to ports such as Harwich. Kent is being used as a thoroughfare. There are too many pinch points and too many roads that simply cannot cope with the amount of traffic that we have. A garden city is being built in my constituency. We have population growth throughout the county, which in many ways is welcome, but we must have the infrastructure to match that, and a crucial part of that infrastructure is investment in our road network, because the local roads simply cannot cope with the demands of the levels of traffic.

On whether there should be a crossing at Gravesham or Dartford, my argument is that another crossing at Dartford would give us years of roadworks. As a

consequence, we would have more traffic squeezed into what is already a pinch point. It would be nothing short of a disaster for the town.

Mr Adam Holloway (Gravesham) (Con): I thank my hon. Friend for securing the debate. It strikes me that we need to fix the appalling problem at Dartford—I was not aware of the awful statistics he mentioned on respiratory illnesses—but is not the answer, therefore, to fix the problem at Dartford, rather than unnecessarily create a whole range of problems for 20,000 people to the east of Gravesend?

Gareth Johnson: My hon. Friend the Member for Gravesham and I disagree on this. Understandably, he wants a crossing, but not in his constituency, and I fully understand the reasons why. My argument is that if we had another crossing east of Gravesend, we would see far less of the stationary traffic that creates the most pollution. It is estimated that 30% of the traffic currently using the Dartford crossing would move east of Gravesham, where there would be another crossing, giving not only relief to Dartford but an alternative for the motorist. If we insist on having just one crossing point at Dartford, no matter how wide we make it, it puts so much pressure on the roads in the area that they will not be able to cope. One single problem on the M25 at Dartford can cause mayhem in the area. We need an alternative. Unless we have that alternative, there will always be problems at Dartford.

Mr Holloway: Does my hon. Friend not agree that the reason for the northbound back-up is that we have a tunnel bore? According to Highways Agency staff, the problem is caused by dangerous goods vehicles backing up. It takes seven minutes to reverse one. Should he not concentrate on fixing the problems at Dartford, rather than creating problems for people living elsewhere?

Gareth Johnson: HGVs that are too high and need to turn round do cause problems with delays in that area—

Mr Holloway: It is the problem.

Gareth Johnson: It is not the only problem.

Mr Holloway: It is the main one.

Gareth Johnson: The existing tunnels were designed for roughly 140,000 vehicles a day, and anything up to 170,000 vehicles currently use them. Inevitably, according to the laws of physics, there will be congestion at certain times going through the existing Dartford tunnel. So we have two options. We either build a crossing further away from Dartford to give motorists an alternative, or we put another crossing next to the existing one, putting an increasing amount of pressure on local roads that cannot cope at the moment. If we put more traffic there, even after the roadworks are finished we will have even more problems.

Mr Holloway: That is the point. If my hon. Friend wants to protect his constituents from respiratory problems, he has to have a way of stopping those great build-ups at Dartford. Of course the multi-billion-pound answer is to build another crossing, but another bridge at Dartford going northbound will help his constituents much more quickly.

Gareth Johnson: Even if we had 100 crossings at Dartford, we would still rely on a small geographical area that would inevitably be a pinch point. The only solution is to have another crossing east of Gravesham. I struggle to think of organisations outside of Gravesham that believe Dartford is the best location for another crossing. The organisations I have spoken to—outside of Gravesham—agree that there should be a crossing elsewhere and an alternative for the motorist. That is the way forward and it is the only way in which we will see real relief from the problems we have today.

Stephen Metcalfe: I am grateful to my hon. Friend for giving way and being so generous with his time. Does he accept that the danger with his approach of championing a crossing east of the current crossing is that we will still experience air pollution at the existing crossing and create a new area of air pollution to the east potentially coming into my constituency? Because both options A and C land in Thurrock, we will end up with pollution both in the west and the east of the borough. Would it not be better to move some of this to a wider extent and not concentrate it in south Essex?

Gareth Johnson: My argument is that if all the traffic uses one area, it inevitably leads to traffic hold-ups and increased pollution. The best way of dealing with pollution in an area is to relieve the congestion. The only way to properly relieve congestion in north Kent is to have another crossing away from Dartford—east of Gravesend—that gives motorists an alternative and ensures there is less chance than we have now of the horrific jams that we so regularly see in that area.

Kelly Tolhurst (Rochester and Strood) (Con): I thank my hon. Friend for securing the debate today. My constituents complain continuously about the tunnel and congestion. They also think the charges are a tax on local businesses in the south-east. Does my hon. Friend agree that, whatever option is put forward, we need a real strategic view and a project that suits north Kent's development over the next 20 years and meets our needs? We are an important part of the UK and any project must be suitable for the future—not just for now—and not simply solve a problem in the short term.

Gareth Johnson: The hon. Lady is absolutely right. That is why option C ensures that the vehicles using the M20 are able to access the Thames. We must take into account the growth in population in the area. I pay tribute to the work that the hon. Lady has put in for her constituency. I know that the problems with the Dartford crossing affect her constituents, a number of whom have contacted me. I pay tribute to the work that she has put in on their behalf to help alleviate some of the problems that they have had, particularly using the Dart Charge system.

I need to make progress; I am aware that the Minister will have limited time to respond. I will focus on the small part of Dartford where a lot of the problems are caused—the roundabouts at junction 1A and the Bluestar roundabout at junction 1B. These need a major overhaul and greater enforcement of the vehicles that block traffic on the roundabouts. Highways England correctly points out that that is an issue for Kent County Council. We therefore look to those organisations together to tackle the issues.

I recently held a round-table summit for all authorities with responsibility for the crossing. Both Kent County Council and Highways England know that the current situation is untenable, and that they need to find a solution. Congestion is also caused at the slip road from Bob Dunn Way, which causes huge problems for the people who live on an estate called The Bridge, which is adjacent to that road. If Kent County Council is unresponsive to requests made by Highways England, it should make that publicly known. Kent County Council must work with Highways England to find a solution to the problems that we currently face.

The new road layout was put in place to facilitate the free-flow system that saw the back of the tollbooths. I still maintain that it was right to remove the tollbooths, but the road layout simply has not worked. The Dart Charge system is riddled with administrative errors and incompetency. Hardly a day goes by—I am sure this is the case for my colleagues in Kent and in Essex—when I am not approached by a motorist who has been wrongly or unfairly given a penalty notice. I do not want any tolls on the crossings in the area, but where they exist motorists have a right to have confidence in the tolling system. The London congestion charge rarely makes a mistake, but the same cannot be said about Sanef, the company that runs the Dart Charge system. Will the Minister look again at withholding payments to Sanef until it can rectify the mistakes it frequently makes?

I anticipate that the Minister will claim, on behalf of Highways England, that journey times have improved since the new road system was put in place. I do not dispute that traffic flow has improved from Essex into Kent. However, it is hard to find anyone in Kent who thinks that journey times the other way round have improved. Highways England claims that journey times northbound have improved by five minutes. However, that calculation is obtained purely by measuring traffic flows for just 1.5 miles before the tunnel entrance, compared with 6.5 miles approaching Kent from Essex. Why the difference between the two? It seems that the figures have been taken to obtain the most favourable outcomes. I hope that this is not simply a case of cherry-picking. Why not measure from the same distance northbound and southbound? Parliamentary answers today show that such figures are not available.

In conclusion, Highways England has accepted that it needs to do more, and I agree. The approach to the Dartford crossing is a hellish, unpredictable nightmare for motorists. The crossing strangles the town of Dartford and causes misery and anger. It damages both the economy and the health of the local area and must be improved as a priority. The road layout needs a major overhaul. Britain's worst stretch of road needs to be given priority by both Highways England and the Department for Transport. It is essential that everybody who has been stuck in jams at the crossing hears that action will be taken to improve the situation in advance of a new crossing being built.

Sir Alan Meale (in the Chair): Before you start, Minister, I apologise for the short time you have to respond. I thought it was important that the local Members had a chance to participate in the debate and get their message across.

4.20 pm

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): Thank you very much, Sir Alan. We need to ensure that local Members' voices are heard—I have absolutely no problem with that and will rattle through what I have to say. The need to champion the constituencies in the area, recognise the problems and seek answers has come across very strongly.

I congratulate my hon. Friend the Member for Dartford (Gareth Johnson) on securing this debate on an issue that is incredibly important to him. We have discussed it on previous occasions, and he is a vigorous local champion and continues to highlight the issue. It will be no surprise for him to hear that we agree on many of the issues he has raised. He has played an important role in bringing people together locally, and I hope that, as that work continues, I will be able to offer support, and that we will be able to work together and count on each other's mutual support as we make progress and develop solutions.

The crossing consists of two bored tunnels for northbound traffic and a bridge for southbound traffic. It was initially built as a tunnel 50 years ago to provide a link between Kent and Essex, and provides the only road-based river crossing east of London. It is a link in the M25, which is used by many to orbit or bypass the capital, as well as a connection to several strategic radial routes. As my hon. Friend said, since it was originally built, the area has seen enormous growth. The M25 has been constructed, as have the Lakeside and Bluewater shopping centres. Traffic levels have increased, including freight, and the crossing provides connections to a host of international gateways in the south-east, including the port of London, the Medway ports, the port of Dover and the channel tunnel.

The incremental upgrades that have been made as growth has occurred have led to a layout ill-suited to the needs of today's traffic. The crossing is now one of the busiest stretches of road in the country. I cannot say that it is the worst road in the country, because I am afraid to say I have heard that accusation from many colleagues in this place, but I can certainly agree that it is a real problem, so we have to work together to find a solution. The Dartford crossing is hugely busy, with more than 50 million vehicle crossings each year, and it has been operating well above its design capacity for years.

When incidents occur, the consequences for the road network are severe. Delays can take a long time to clear, meaning that road users have to endure unreliable journeys. There are typically more than 300 unplanned lane closures every year. When the crossing closes, users have no choice but to wait it out, use the Blackwall tunnel, or take the long way around the M25, all of which are unacceptable options. Such resilience issues will worsen until we build on the actions we have taken recently and get the planning right for future capacity.

The free-flow system has been mentioned a number of times in the debate. Until recently, the road layout on the south shore of the crossing broadened out to multiple lanes to accommodate toll booths and then merged back into four lanes in each direction. The new arrangements, known as free-flow charging, require remote payment of the Dart Charge. Drivers no longer need to stop to pay at a barrier, and there is no need for multiple lanes

to merge back in. The new arrangements have reduced journey times, although I recognise the concerns that my hon. Friend has about the accuracy of the data. I will pass them on to Highways England and ask it to write back. I will then forward the reply to him. The latest data from Highways England show that journeys are now on average a third faster than before the new system was introduced. Those traveling from the north to the south are saving almost 7 minutes, which is a reduction in journey times of around 36%. Less positively, for those traveling from south of the river the journey time saving is around 3 minutes per trip, which is much smaller.

Mr Holloway: Does my hon. Friend agree that we need to be a lot more creative if we are to rescue the people of Dartford and prevent the blight on 15,000 homes? We have to think about things such as using the tunnel for local traffic and anticipating the huge future effects of driverless cars. We also need to do pretty straightforward things such as running freight trains—rather than unloading them all at Dover, we should let them run north.

Andrew Jones: I entirely agree that creative approaches are required. We will need to take a number of approaches, because there is no single, silver-bullet answer to this question. If I have time, I will discuss some of these issues shortly.

After several months of close working, in December, Highways England made proposals to both Kent County Council and Dartford Borough Council to make better use of technology, such as signalling and signs. The proposals have been with Kent County Council for a short period, and a response is due in the next few days. In addition to that partnership, I hope data sharing will help both authorities to agree strategies to help traffic moving between the local network, which is controlled by Kent County Council, and the strategic network, which is run by Highways England. I expect decisions to be made and improvements in place by February. My hon. Friend the Member for Dartford has supported the initiative through his work to bring all parties to the table, and I hope he will be pleased with the results as it develops.

Highways England is working hard to improve the traffic safety system, which meters traffic if congestion is backed up on the other side of the tunnel to prevent the dangerous build-up of traffic inside the tunnel. Nevertheless, I agree with my hon. Friend that there are still unacceptable levels of congestion at the crossing, caused by the limits to its capacity and driven by the extreme growth in traffic. More needs to be done. That "more" is the development of a lower Thames crossing. From the debate today and the conversations I have had with colleagues, I recognise that a new crossing is not going to be an easy option. There will perhaps be some difficulty in getting everyone aligned behind it, but I have no doubt that we need to get it in place.

The Dartford crossing's capacity has been exceeded. In July and August 2015, the bridges and tunnels carried 20,000 more crossings a day than they were designed for. Dart Charge is at best a medium-term solution to the capacity challenges. The 2011 national infrastructure plan named a new lower Thames crossing as a top-40 project. Successive Governments have investigated the need for

[*Andrew Jones*]

additional crossing capacity in the lower Thames area and where to locate it. The Government are committed to delivering the investment required for a new lower Thames crossing in the next road investment period. Highways England is currently concluding its examination of routes at the two remaining location options: a further crossing near the existing Dartford-Thurrock crossing, or a new link further east to connect the A2/M2 with the A13. There would be many benefits to a new lower Thames crossing, some of which have already been articulated during the course of the debate, but the decision is very important and will affect thousands of people, so it is vital that we get it right.

On the administration of the Dart Charge scheme, Sanef's performance is of concern to colleagues. I have called Sanef in to meet me at the Department to highlight our concerns. Complaint levels are at their lowest to date, but I will continue to monitor the situation and ensure that the feedback from colleagues present is delivered back to Highways England, Sanef and Kent County Council. Local service providers are working together, and I guarantee my support for finding solutions to make the situation better. I will do all I can to support them and local Members. The situation is very challenging. It is driven by growth and capacity constraints. We can take some short and medium-term measures to improve the situation, but a long-term measure in the form of increased capacity via a new crossing is the only answer that will make a significant difference.

Question put and agreed to.

Hand Hygiene: NHS

4.30 pm

Nigel Mills (Amber Valley) (Con): I beg to move, That this House has considered hand hygiene in the NHS.

I am grateful for the chance to raise these concerns. It is a pleasure to serve under your chairmanship, Sir Alan. I secured this debate to highlight some important issues. The germs that cause infections are spread to patients primarily on the hands of healthcare workers, so cleaning hands is the No. 1 way of reducing the spread of infection. Guidelines and rules are already in place, but they are not followed closely enough and the inspection regimes do not do their job and do not produce meaningful data about hand hygiene compliance levels. This serious issue has a dramatic effect on the health of many thousands of patients a year. For many of them, it could be avoided. There is a way of dramatically improving this issue for patients.

The data on this issue are scary. The 2011 prevalence survey showed that 6.4% of hospital patients—one in every 16—contracted an infection while in hospital. Imagine going to a restaurant where one in 16 customers was made ill by the food. No one would go back again; we would not allow it to stay open. But that is what the data showed for our hospitals five years ago. We should not be willing to accept that.

Infections contracted in hospitals affect 300,000 patients every year and cause 5,000 deaths. They have a dramatic impact on those individuals and a significant impact on the NHS, because patients who contract such infections remain in hospital on average two and a half times longer than patients who do not. They spend an average of 11, and a maximum of 25, extra days in hospital at an estimated cost of about £1 billion a year. It is estimated that 30% of such infections can be avoided simply by better applying the existing rules and practices.

The NHS must improve its performance on this fundamental issue. We should not be willing to accept that level of unnecessary infection. I am not saying that such infections are caused by people deliberately not washing their hands enough. They probably do not realise what they are doing, and their behaviour is not corrected. I suspect that most people in the NHS do not realise how many times they should wash their hands when they see a patient and do not know that they are not doing all they can. I am sure most people are extremely keen to do everything they can to fix this problem and prevent such infections. We must look at what more we can do to put systems in place and enforce them. We should give people support, training, peer pressure and peer reviews to ensure it is happening, rather than blame individuals. This issue will become increasingly important as the problem of antimicrobial resistance grows. We cannot rely on antibiotics to fix such infections and tackle the problem, so it is important that we stop the infections in the first place and prevent the situation from getting worse.

I want to talk about the existing hand-washing rules, the systems for monitoring them and why they do not work. I will look at some things that can be done to improve the situation. I hope the Minister will accept that I do not intend these ideas to be controversial or costly; they are ways of enforcing the rules that are already in place and of using the existing systems.

There is a generally accepted international standard for the number of hand-washing moments when nurses and doctors treat patients. It is not controversial; all nurses and doctors are taught it as part of their training. It is an accepted standard in the NHS and most hospitals around the world. I am not asking for a super gold standard for the UK. I do not want to create anything new, different or complicated. That set of moments when hand-washing is needed is accepted by everybody; it is just a question of how many of them are acted upon.

The National Institute for Health and Care Excellence put in place rules for hospitals to assess compliance with that number of hand-washing moments, so we do not need a new framework or a new duty on hospitals. Hospitals already have a duty to assess how well their staff comply with the rules for the five hand-washing moments when they deal with patients. When the Care Quality Commission audits hospitals, it checks how well those rules are enforced, so the systems are there but they are not working and we are not getting the outcomes we ought to have.

One of the problems is that hospitals check the compliance of their staff mainly through observations carried out by a member of staff on the ward or a member of the team. Normally, a nurse who happens to have half an hour spare one day is asked to review how well her colleagues are performing the five hand-washing moments. If I am doing a job and someone tells me, "Right, today you're being observed on these criteria," my performance goes up a bit because I know I am being observed and I do everything I can to comply—far in excess of my normal behaviour.

Another issue is that the staff members conducting the review are not trained in how to do it. They may not be entirely familiar with how many hand-washing moments there are or how many arise in the care of patients, so there is a combination of effects. If the people reviewing their colleagues, perhaps their friends, have not been trained to do so—they are not specialists—and are not fully familiar with the rules, it is not surprising that we do not end up with the most reliable data.

The vast majority of the observations show that the nurses and doctors observed are somewhere in the high 90s for compliance, which means they clean their hands more than 96% of the time, as they are meant to. The problem is that independent assessments carried out by people in a more reliable way suggest that compliance is significantly lower. Those data suggest that the actual compliance levels are somewhere between 18% and 40%. There is a set of rules and a system for checking compliance, but it is producing a dramatic false positive. It suggests that we are in the very high 90s for compliance, when we are nearer 20% compliant. It overstates the results by a factor of nearly five, with the terrible effect that there are more infections than there need to be and patients are suffering.

The NHS and other international health bodies accept that the levels of compliance with the hand-washing rules in the high 90s cannot possibly be right. Everybody knows they are false positives, but they give excessive reassurance to the boards of trusts that their staff are compliant, so further action is not taken. Everybody accepts that there has been progress in recent years in tackling infections, which have been reduced from even higher levels. The measures that were adopted to tackle

infections had an effect on *Clostridium difficile* and MRSA, but the problem is that we do not track instances of other infections, so it is hard to get data on how many are being tackled.

There have been various studies to try to assess levels of hand hygiene compliance to see what can be done to improve it. I am grateful to the Deb Group, one of the large employers in my constituency, which has an interest in this issue because it makes hand hygiene gel. It has some innovative ideas about how we can monitor hand hygiene compliance. I am grateful for the information it gave me for this debate. I should be clear that I am not advocating any one solution or product; we need a greater recognition in the NHS that this is an issue, and that there are better ways of assessing compliance. We need to encourage greater compliance.

As for recognition of the issue, Sir Mike Richards, the chief inspector of hospitals at the CQC, has highlighted the inaccuracy of local hand hygiene audits, so one would think that action is required. If we recognise that hand hygiene is important and if we recognise that we are nowhere near as compliant as we ought to be, one would think that many hospital trusts would be taking action to try to improve the situation. Sadly, that is not the case. Trusts have a lot on their plates and there are many issues, financial and others, to deal with, so they may decide that an area with compliance levels in the high 90s is not a stone that they want to turn over. They may fear that some proper audits might lead to the discovery that they are only 25% compliant and thus incur some unnecessary wrath.

However, the experience is that hospitals that take the matter seriously do get positive feedback. The CQC report on Burton Hospitals NHS Foundation Trust, which was in special measures until last year and is not too far from my constituency, highlights its use of a method to count the number of hand hygiene moments and the number of times ward staff were complying with the rules. It received some positive feedback in the letter from the chief inspector of hospitals in the report, which states that the hospital was using

"innovative practice to increase hand hygiene, using the latest technology monitoring the use of alcohol in sanitising gel."

They were not marked down for having discovered an issue; they were complimented. The report states:

"We saw innovation in practice on ward 11 (male surgical ward) where the infection control nurses had worked with staff to reduce infection control risks and increase hand hygiene. The team implemented technology which counted the use of alcohol sanitising gel and compared it against the target of how often it should be used. This was in response to hand hygiene audits which needed improvement."

On action that the trust must take to improve, the report states:

"The trust must ensure that ward assurance targets, such as hand hygiene practice and recording of patient observations, is achieved at a consistent level in the emergency department."

We can see from that that if hospitals take the matter seriously, recognise that they are not as compliant as they ought to be and take action, that helps them in these audits.

The big ask here is what more we can do to ensure that CQC reviews identify that hospitals are perhaps fooling themselves into thinking that they are compliant when they are not. Perhaps asking, "Are you really doing accurate and competent monitoring of whether your

[Nigel Mills]

staff are complying with the hand hygiene rules? Do you have any independent assurance that that data is accurate or are you just relying on surveys done in an idle half an hour by a member of staff who is not really trained, which can produce false positives?" should be a regular feature of all inspections. Work done over a long period to improve levels of hand hygiene compliance in hospitals has produced data showing that when hospitals improve performance and increase the number of hand hygiene moments, infections decrease at a pretty similar rate to the increase in hand hygiene moments. Data exists in the public domain that shows that that is not just a coincidence. If a hospital can increase compliance, infection rates can come down, improving outcomes for patients and reducing costs to the NHS.

My suggestion is not particularly complicated or expensive. It would not lead to the creation of new rules or new burdens that people have not been trained for. I am simply asking that hospital trusts around the country comply with the rules that are already there and monitor whether their staff are complying with the standards that they have been trained in. The NICE guidelines could be tightened up so that hospitals must not only monitor whether staff are compliant, but do so in a competent, independent and impartial manner and not rely on the occasional untrained observation by members of the same team.

When the CQC goes around hospitals assessing cleanliness and patient safety, we should expect it to check whether competent work has been done. If it has not, it should encourage and instruct hospitals to take the matter seriously. When hospitals show higher than average instances of infections, it should check that they took this issue seriously and that the relatively simple and low-cost measures that can be taken to reduce infection were applied. When hospitals are not doing that, it should be regarded as a serious issue.

There are many things in health that we cannot control or fix or that are incredibly expensive, but what we have here is a set of rules that already exist. It is a simple thing that most people are trained in. By doing everything that we can to comply with it, we could save a lot of money and a lot of patient suffering. There is the potential for real improvement. I hope the Minister will accept that this is a serious situation, and that there is more that NICE and the CQC can do and more that hospital trusts can be expected to do, so that the prevalence of infections in the next report is at the lowest possible level.

Sir Alan Meale (in the Chair): As the debate is only an hour long and we have three quarters of an hour remaining, I want to inform Members that I intend to call Back Benchers first, then the Front-Bench Spokespeople and then the Minister. I will call the Back Benchers who stand.

4.45 pm

Mrs Madeleine Moon (Bridgend) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan. I commend the hon. Member for Amber Valley (Nigel Mills) for calling the debate. It is such a simple issue. We are taught from early childhood to wash our hands, and yet somehow it seems to get lost. It seems to have disappeared

out of our daily practices. We are failing on one of the easiest ways of addressing so many conditions that are costing this country a huge amount and causing the NHS a terrible problem.

We are told every day whether we should take vitamins or whether we should drink red wine, which is either good for us or destroying our lives, and we are told what superfoods to eat, but a simple, life-changing thing that can be added to the daily routine is washing one's hands on a regular basis. It is one of those bizarre things that came up during a quiz. The question was, "What is the fastest thing that a human being can do?" and the answer was sneezing. Apparently, a sneeze comes out at 100 mph and can spread across a huge area. Most people catch it in their hands and do not then think to wash them. We all know about washing our hands after going to the bathroom, but we somehow cough and sneeze into our hands and pass diseases on, particularly to those who are vulnerable, in the most frightening of ways.

Globally, poor hand-washing leads to 600,000 deaths a year. Another horrible statistic is that 28% of commuters across the UK have faecal bacteria on their hands. I dread to think who found that out and how they did it, but there we are. It takes just 30 seconds of washing to stop an infection being passed on to someone else and it can make huge difference. In Europe alone, 25,000 people a year die from infections resistant to antibiotics. Resistance to antibiotics is on the global agenda and hand hygiene is a way that we can actually reduce our dependence on antibiotics and prevent common illnesses such as food poisoning.

I want to bring to the Minister's attention today a deeply concerning condition that sadly not many people seem to know about, but hand-washing really can make a difference to it. CMV, or cytomegalovirus, is a common virus that can infect anyone. Most people will not know they carry it, but if a pregnant woman contracts the virus, she can pass it on to her unborn child with catastrophic results. Almost 1,000 children are affected by the condition every year. CMV can cause miscarriage or stillbirth. Five out of 1,000 babies will die in their first year of life, and two to three babies a day are damaged by CMV, which was identified in 1956 by the same research team that discovered polio, mumps and rubella. There is no vaccine to deal with it, but we can prevent passing it on simply by washing our hands.

CMV is responsible for 25% of childhood hearing loss, as well as for vision loss, physical impairment, ADHD—attention deficit hyperactivity disorder—behavioural and learning difficulties, and cerebral palsy. It is passed on by bodily fluids, mainly saliva and urine, often from small children. It is battled simply by washing hands in soap and water and by getting parents to understand that they must not share food, cutlery or drinks with their children. No parents, I hope, would think of changing a child's nappy without washing their hands, but how many parents wipe a child's nose without thinking to use a handwashing sanitiser or washing their hands? Parents should ensure that they wash their hands both before and after feeding a child. Those are simple ways to prevent dramatic changes.

Hand-washing can prevent diarrhoea, vomiting, food poisoning, the norovirus and MRSA. It is a simple way to change infection rates. We could save the NHS huge amounts of money. I am pleased that nurses are very

conscious of it, but we almost need to have every patient watching for other people's visitors and ensuring that they use the antibacterial washers as they enter the ward. The statistic mentioned by the hon. Member for Amber Valley—one in 16 patients acquires an infection—is horrific. That is not something that on the whole doctors have to combat; it is something that every one of us as patients, visitors and fellow citizens should take responsibility for tackling. I am delighted that we have had the opportunity to raise the profile of the issue today.

4.51 pm

Andrea Jenkyns (Morley and Outwood) (Con): It is a pleasure to serve under your chairmanship, Sir Alan.

I thank my hon. Friend the Member for Amber Valley (Nigel Mills) for securing the debate and for his support of my campaign on hand hygiene. I also thank the hon. Member for Central Ayrshire (Dr Whitford) who, with the hon. Member for Wolverhampton North East (Emma Reynolds), worked with me on a cross-party campaign on hand hygiene. Recently, we got more than 50 MPs to sign up to it. I ask anyone present who has not signed up to join us, please. Hand hygiene is a bit of a personal crusade of mine. We simply cannot ignore the importance of hand hygiene in hospitals and the community. It is the single most effective, yet simple, way to prevent avoidable infections and so reduce the burden on the NHS.

I will talk a bit about my background and why I am such a fierce advocate of hand hygiene. My father, Clifford, was diagnosed with lung cancer in 2011; the prognosis was good, but he got fluid on his lungs and he went into hospital for a routine operation. The simple procedure should have taken about 20 minutes, but a junior doctor practised reinserting the lung drain with medical students for two hours. My father subsequently became infected with MRSA. What we saw in the hospital was shocking. One nurse walked in, put antibacterial cream on her hands, put something up my father's nose and did not wash her hands. Basic things were not happening. I constantly observed a failure to follow basic hygiene procedures, which I mentioned to nurses at the time, but I was ignored and even rebuked. A few months later, in November 2011, he died from MRSA.

Afterwards I got in touch with MRSA Action UK, the charity, and became its regional representative. In Parliament, I set up an all-party group for patient safety for the Patients Association—I commend the Minister, the Secretary of State and the shadow Minister, the hon. Member for Ellesmere Port and Neston (Justin Madders), for supporting it. From my conversations with the Secretary of State and other Ministers, I know they are taking hand hygiene seriously and have plans to deal with it.

On areas for improvement, the World Health Organisation has taken a lead in establishing good practice in hand hygiene around the world, although through Dame Sally Davies, our chief medical officer, and the Prime Minister we have put the issue of antimicrobial resistance on to the global agenda. The WHO talks about the five moments for hand hygiene and identifies when medical workers should wash their hands, providing clear guidance that could make a real difference to hand hygiene routines. I commend the work done by everyone at the WHO.

In England, hand hygiene is most frequently monitored through direct observation—a member of the ward staff will take time to observe colleagues and their adherence to the five moments of hand hygiene. Such studies often produce incredibly high rates of compliance, nudging around 80% or 90%. That is because direct observation is ineffective. Only a minimum of 10 moments have to be observed, which on a busy ward is negligible. Furthermore, staff are aware that they are being monitored and will often change their behaviour—I know that from personal experience.

The APPG had an evidence session at which a lady from the Royal College of Nursing was present. I asked her a simple question—whether she had ever disciplined anyone or taken any of her nursing staff to one side to discipline them on lack of hand hygiene. The answer was no. That was in a 20-year career. We need to ensure a place of consequence if hand-washing is not adhered to.

The hon. Member for Amber Valley and I were presented with some startling statistics at a recent meeting with the Deb Group, which kindly sponsored our cross-party Handz campaign. They included registered rates of hand hygiene compliance as low as 20% to 40% in hospitals in which Deb systems were installed. Such figures are common to other companies offering a similar service in the healthcare sector. We cannot ignore the fact that, although the hospital statistics show a high rate of compliance with the five moments, in reality it is not always the case.

We need to implement a new system for proper observation and monitoring, hand in hand—excuse the pun—with proper awareness of the risks of poor hand hygiene. The hon. Member for Central Ayrshire has told me a lot about the fantastic work being done in NHS Scotland, educating the public with a proactive campaign of posters and information.

Douglas Chapman (Dunfermline and West Fife) (SNP): As the hon. Member for Bridgend (Mrs Moon) has suggested, there are simple ways in which to improve hand hygiene. Recently, when visiting a school, I noticed that children were washing their hands to the two verses of “Happy Birthday to You”, which seemed to be going down well and was doing the trick. Does the hon. Lady accept that that is a good way of introducing children to hand hygiene at an early age? It is cost-effective, simple, memorable and starts the hand hygiene routine at a very early age.

Andrea Jenkyns: I thank the hon. Gentleman for making that point. With MRSA Action, the charity that I am involved with, I have been going into schools and we use that technique of singing “Happy Birthday” twice. The Handz campaign with the hon. Members for Central Ayrshire and for Wolverhampton North East is about education in schools and promoting hand hygiene from a young age. It is a year-long campaign running through to October and we are also going to go into care homes—there was a recent Westminster Hall debate on care homes—to emphasise the importance of good hand hygiene with the vulnerable in care homes.

Going back to what I was saying, hospitals in Scotland are covered in reminders for people to wash their hands and about the risks brought on to the ward if they do not. I am sure that the hon. Member for Central Ayrshire will mention this herself, but, in Scottish hospitals, people observe staff members when the staff members do not know they are being observed, which is a much better system than the one we use.

[*Andrea Jenkyns*]

To sum up, we need to do a number of different things to improve hand hygiene compliance. First, we need to improve observation and reporting of hand-hygiene breaches so that we can get real and effective reports on compliance. As I said earlier, we need a place of consequence when that does not happen.

Secondly, we need to make it clearer to patients and staff when a ward is not hitting its compliance targets. NHS staff strive for brilliance and we thank them for their hard work, but we need to ensure that they are aware of areas in which they need to improve.

Thirdly, we need to ensure that people are properly aware of the risks of poor hand hygiene compliance in hospitals and elsewhere. Those achievable aims would make a real difference. The hon. Members for Wolverhampton North East, for Central Ayrshire and I are working hard to increase awareness through the Handz campaign and are planning further events.

Hand hygiene goes beyond people catching infections in hospital. More infections means that more antibiotics are needed for treatment, which leads to antimicrobial resistance, which is a huge global threat. Dame Sally Davies, our chief medical officer, has been an advocate on that issue and supported our campaign.

Hand hygiene is incredibly important. I reiterate my thanks to my hon. Friend the Member for Amber Valley for securing the debate, which will make a valuable contribution to discussions on the subject. The UK already leads the fight and it is great to see so many colleagues from the Government and other parties with such great enthusiasm for the subject.

5 pm

Jim Shannon (Strangford) (DUP): It is always a pleasure to serve under your chairmanship, Sir Alan. It was especially nice to hear the hon. Member for Amber Valley (Nigel Mills) introduce the debate, and it is good to participate in it. I would like to give some personal knowledge and put forward some viewpoints.

I congratulate the hon. Gentleman on so succinctly setting the scene for the rest of us to follow. To add a bit of background to the debate, patients in the NHS today have a 6.4% chance of catching an infection in UK hospitals. There are 300,000 healthcare-acquired infections annually, of which 5,000 result in mortality. We cannot ignore the mortality rate—5,000 people dying in our hospitals is 5,000 too many. If the figure was one, that would be one too many. If we can take steps to prevent those deaths, we should do so.

Although our figures are below the European average, many other developed countries perform better, including the United States at 4.5%, Italy at 4.6%, Slovenia at 4.6% and Norway at 5.1%. I know that the Minister will address that in his response, but if the States, Italy, Norway and Slovenia can do it better, I am sure that we can achieve their levels, which would be a two percentage point drop or thereabouts from our current figure.

Not all healthcare-acquired infections are preventable, but it is believed that approximately 30% of them could be avoided by better application of existing knowledge and realistic infection control practices. Hand hygiene is an essential component of that.

I remember when my brother was in an accident. He liked racing motorbikes, but unfortunately 11 years ago he had a very serious accident that resulted in him being in a coma and in intensive care for some 19 weeks, followed by 2 years of rehabilitation. Whenever we visited him in the Royal Victoria hospital in Belfast, we all had to wash our hands. He was not able to respond to us at that stage, but his family and other people who knew him wanted to go and see him because of the severity of his injury. The nurse was clear: she said, “You have to wash your hands every time you go to that bed, because the risk of infection for someone in that extreme circumstance is very real.” Every time we left the bed and went outside the ward, we had to wash our hands before we went back to the bed—that was clearly outlined.

To me it was clear: we do that because we want to visit the person in the bed, but we may unwittingly have infections on our hands. The hon. Member for Bridgend (Mrs Moon) spoke earlier about sneezing. Unwittingly, we cover our mouth with our hand and then rub our hands. Then we might stick our hands in our pockets and rub them on the pockets. Even when using a hanky, there will still be infection on the hands. That is the point I am trying to make. It is clear that we have to do something.

The infection prevention and control sector claims that basic hand hygiene standards are not being met on many NHS wards. If that is the case, a clear guide needs to be given to those on wards to ensure compliance. The Deb Group claims that although 90% to 100% compliance with hand hygiene standards was reported by UK hospitals—it is easy to say that—the true figures are between 18% and 40%.

As health is a devolved matter, I have asked the Minister responsible for health back home questions on MRSA infections in hospitals, because even though we have few infections, it is clear that something needs to be done. Back home—it is probably the same elsewhere—many would say, “If you’re ill, be careful in hospital, because you have people with open wounds and people whose immune systems are down. If you bring in your colds, flus and coughs, or whatever it may be, that can have an impact.”

Deb also argues that the data collection method is flawed and that direct observation artificially inflates compliance, as nurses observe colleagues meeting the requirements and undertake a tick-box exercise. There needs to be more than that. NICE issues guidance on hand-washing in hospitals and encourages strict hand-washing practices, but it does not include a demand that accurate data be recorded. We want to ensure that that happens. If we record the data, we are making an effort and, if we are doing that, we are washing our hands. There may be some weight to Deb’s concerns, and that should be extremely worrying for all of us.

Good hand hygiene practice in hospitals is the single most effective way to prevent the spread of infection, and we should take action to ensure that more effective records of hand-washing on NHS wards are made in future. That is a simple yet effective way of making our hospitals safer, and with the recent growth in antimicrobial resistance we need to act sooner rather than later to ensure that poor hand hygiene does not further increase the severity of HAIs.

We have had an extensive hand hygiene strategy in Northern Ireland since 2008, and although some problems persist—in all honesty, we cannot stop all infections—we have seen results from simply adopting a thorough hand hygiene regime in our hospitals, with education on the importance and effectiveness of hand hygiene being an essential part of the Department of Health, Social Services and Public Safety's regional infection control strategy. Like in Scotland and in some individual trusts, we are taking action to address the issue.

Accurate records are the starting point for addressing the problem. There are many examples across the world, but a recent three-year pilot in a hospital in South Carolina in the United States of America found that once staff were trained in how to use electronic hand monitoring systems, compliance with best practice increased and MRSA rates dropped. That saved the hospital \$433,644 from April 2014 to March 2015. There was therefore also a financial advantage, and although that is not the reason to do it, it is an example of what can be done to stop infections and address costs.

As we seek to have a more streamlined and cost-effective NHS, those are the sorts of approaches we need to look into. Indeed, the introduction of such a system at Burton Hospitals NHS Foundation Trust drove up hand hygiene compliance by up to 50% in just three months. That is an example from this country, which shows what we can do if we put in the effort.

With 5,000 people dying each year as a result of HAIs, it is clear that action must be taken. With resistance to antimicrobial treatment increasing, we need to get on top of the issue before it is too late. Hand hygiene is the simplest and most effective way to do that, so let us make sure hospitals are doing that right and doing it well.

Sir Alan Meale (in the Chair): We now move to the Front-Bench Members, and we have only until 5.30 pm. I therefore ask Members to be succinct. Minister, if it is possible, could you give a minute or so at the end to the Member who moved the motion to allow him to wind up the debate?

5.8 pm

Dr Philippa Whitford (Central Ayrshire) (SNP): Thank you for calling me, Sir Alan, in a debate that sounds simple but is important. The education centre in my hospital in Ayrshire is named after Sir Alexander Fleming, because the man who discovered penicillin was an Ayrshire lad. It may be that people have got complacent and think that the age of infections is done with. In earlier generations, children did wash their hands, but then people got too casual.

In Scotland, we began to be much more fixated on hand-washing in 2001, after some of the evidence about the impact of hospital-associated infections came out. In the early 2000s, our uniforms changed: white coats were banned, tops needed short sleeves and eventually we moved to no ties or jackets. We also began to have more audit in the system. We went through a painful experience between 2006 and 2007: a massive clostridium difficile outbreak in the Vale of Leven hospital in which 163 patients were affected and 34 died. Nicola Sturgeon, our First Minister, was the Cabinet Secretary for Health at the time, and she instantly set up a hospital-acquired infection taskforce when the problem became obvious. The whole approach accelerated.

We have several different organisations that are part of driving hand-washing, but it is about the culture. It is not a question of someone facing the threat of losing their job or being sanctioned; it is about getting people to see hand-washing as part of the rhythm of every contact. There is observation, as has been mentioned, and there are also ward champions. The observation is hidden, so no one knows it is happening. I must say, to my chagrin, that in every single audit of staff, doctors were the worst. That fact was published, to shame doctors by showing that we were the slowest to adopt the right practice. We also observe visitors, and there is alcohol gel as people come into wards. My office was on the ward, and it was easy to see physios, nurses, doctors and visitors interacting with the alcohol gel.

I pay tribute to the hon. Member for Morley and Outwood (Andrea Jenkyns) for setting up the APPG for patient safety, which I am part of, and the Handz campaign. In Scotland, we have the “Happy Birthday” hand-washing campaign, which has been running for some time. We already have that campaign in schools, but it is important to raise the issue.

To verify hand-washing, we have the Healthcare Environment Inspectorate, which turns up without anyone knowing it is coming. Its inspectors are down under the beds and poking around in the mattresses on the trolleys. They are observing staff and, believe me, if there is a dusty corner, they will find it. They also look at surfaces—is there a cracked surface or a rough bit of floor that could be difficult to clean? It is about not only hands but the cleanliness of the entire ward.

My hospital was lucky in that it never outsourced cleaning. We never had companies coming and going. We kept our ward maids. It was their patch, in which they took pride. The supervisor comes along, like your mother-in-law, wearing a white glove, to check exactly what everything looks like. They can be seen under the bed, in among the frame, cleaning every pick of it while chatting to the patient. Those are simple things, but we need to do them, because we are moving into what could be a post-antibiotic era. To think that we could lose something that we started using in 1942 after 80 years is absolutely terrifying, so we need to bring that culture back.

In the NHS, every single trust publishes its infection figures every quarter. The hon. Member for Amber Valley (Nigel Mills) mentioned all infections, and as a surgeon I have to admit that infections happen for all sorts of reasons. The reason why *C. diff* and MRSA are so important is that their root cause is the poor use—prolonged use—of antibiotics, which causes *C. diff*, and poor hospital hand hygiene, which causes MRSA.

Trusts' infection rates are published every month and pinned up on the wards, so that visitors can see them. We also put out the reports of the Healthcare Environment Inspectorate. I have shown a critical report on one of our hospitals to the hon. Member for Morley and Outwood, to show how thorough and challenging the inspection is; there are no holds barred. That is what has to be done. There are also infections out in the community. The hon. Member for Bridgend (Mrs Moon) mentioned cytomegalovirus, which, again, can simply be reduced by hand-washing.

We in this place have to realise our part in all of this. We shake hands with hundreds of people. We go and eat our lunch, and I do not see people forming a queue

[*Dr Philippa Whitford*]

at the ladies or gents to wash their hands. We should all have a bottle of alcohol gel in our bags. I am on the House's medical panel, and I have put on the agenda that we should have exactly the same dispensers of alcohol gel used in hospitals outside our canteens. We need to set examples, whether that is by visiting local schools or simply by showing all the people we interact with.

The NHS has a responsibility for hand hygiene. We need to change the culture in the NHS, so that if a member of staff is near a patient and touching not only them but their environment, the member of staff washes their hands or uses alcohol gel before their next contact. We in this place also have a role in getting the message out into society.

5.14 pm

Justin Madders (Ellesmere Port and Neston) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan. I congratulate the hon. Member for Amber Valley (Nigel Mills) on securing this important debate. I also pay tribute to the hon. Member for Morley and Outwood (Andrea Jenkyns), who chairs the all-party parliamentary group on patient safety and has been a passionate advocate on the issue. Indeed, infection prevention was the first subject that the APPG decided to focus on. She referred to the startling answer given by an RCN representative at our first meeting that no nurse, in her experience of some 20 years, had been disciplined for failing to wash their hands. I do not know whether that is because this system is, by its nature, self-policing, but it raises questions about whether the issue is treated with the appropriate importance that we would all agree it should be.

There have been excellent contributions today. My hon. Friend the Member for Bridgend (Mrs Moon) and the hon. Member for Strangford (Jim Shannon) rightly said that washing hands after coughing and sneezing is such a simple thing to do, yet so many of us fail to do it. My hon. Friend the Member for Bridgend mentioned the devastating effects that CMV can have, and how easily it can be prevented. There were also excellent comments from the hon. Member for Central Ayrshire (Dr Whitford), who spoke from her personal experience with remarkable candour about which health professionals have the most to do to catch up in this area. She is right: this is all about the culture in which our health professionals work.

During my Christmas break, I spent a Saturday night shadowing an emergency medicine consultant at the Countess of Chester hospital. It was an incredibly busy environment, and the pace was relentless. Despite the extremely challenging circumstances faced by staff, there was a continual focus on hygiene at every stage. Hands, as well as equipment, were constantly cleaned and sanitised before and after every contact with patients. Indeed, I am now something of an expert at cleaning trolleys.

My experience, however, was not an isolated one. The importance of compliance with hand hygiene is something that NHS staff treat with a high level of importance, and it is worth recognising that, despite the difficulties highlighted today, most staff in the NHS do the right thing and do a fantastic job.

Despite the improvements in recent years, the rates of healthcare-acquired infections in England remain stubbornly high, with what can only be described as inadequate checks on compliance with hand hygiene best practice. As the hon. Member for Amber Valley said in his opening remarks, around 300,000 people per year—or, to put it another way, one in 16 people—get an infection while being cared for in the NHS in England. As he rightly pointed out, if that was our experience at a restaurant, we would not consider it acceptable.

As well as the devastating impact on the patients who are immediately affected, those infections have a significant financial impact on the NHS—the most recent reliable estimate derived from the Plowman report puts the figure at £1 billion per year—and lengthen hospital stays.

The growing threat of antimicrobial resistance adds to the seriousness of the matter and the urgent need for the Government to act. Antimicrobial resistance-associated deaths are projected to increase 2,000-fold by 2050. A report by the World Health Organisation states that resistance is very frequent in bacteria isolated in healthcare facilities and that, at present, antibiotic-resistant bacteria are the cause of over half of all surgical site infections.

Given the clear scientific evidence that good hand hygiene by health workers reduces infections, and in particular MRSA, it is clear that hospital workers are on the frontline against this threat. We therefore need more action to bring about improved hand hygiene to avoid problems in future.

Of course, not all hospital-acquired infections are preventable, but it is believed that around 30% could be avoided by better application of existing knowledge and good practice. It is also widely accepted that good hygiene practice in hospitals is the single most effective method of preventing the spread of infections. That was recognised by NICE in early 2014 when it issued a new quality standard, which included six statements designed to reduce infection rates, with the central aim being that all patients should be looked after by healthcare workers who always clean their hands thoroughly, both before and immediately after contact or care.

While those aspirations are laudable, since the publication of NICE's guidance, the positive progress made in recent years appears to have stalled, and in some cases possibly reversed. The most recent figures I have seen make worrying reading, with C. diff showing no reduction in the past year, the rate of MSSA increasing and the rate of MRSA increasing by a worrying 14%. For all its aspiration, the NICE guidance is seriously flawed, not least because it relies upon monitoring by direct observation by nurses, which not only takes up valuable nursing time but has been found to overstate compliance rates.

The chief inspector of hospitals for the Care Quality Commission, Mike Richards, has drawn attention to the inaccuracy of local hand hygiene audits. The high compliance rates reported by hospitals simply are not supported when we look at the levels of hospital-acquired infections. We have heard that the compliance rate is more likely to be 18% to 40%, rather than the 90% to 100% reported by hospitals. As the hon. Member for Amber Valley set out with great clarity, there are possibly a great number of reasons for such a discrepancy, and there seems to be an element of self-fulfilment about how assessments are carried out. The trials that have

been undertaken to ensure that there are more accurate data have also been shown to improve compliance with best practice.

The introduction of electronic monitoring equipment at Burton hospitals NHS foundation trust was found to improve hand hygiene compliance by 50% within three months. I would therefore welcome an expansion in the use of data and electronic monitoring, and I would be grateful if the Minister could set out in his response how he intends to address that. There is clearly a role for the Care Quality Commission. A key element of every inspection needs to be an assurance that proper checks on hand-washing are carried out. The greater use of data would also enable a new era of transparency to be ushered in. Patients should have the right to meaningful information about hand infection control and hygiene.

Another cause of the recent increase in infection rates is the chronic shortage of nurses on many hospital wards and the increased use of agency staff, caused in part by the Government's decision to slash the number of nurse training places after taking office in 2010, as well as the worrying retention trends. Significantly, when there is a high turnover of staff, it is much more difficult for best practice to be instilled, monitored and ingrained into the culture of a hospital. I hope that when the Minister responds, he will say a little more than he was able to last week at the Dispatch Box about improving the retention rates for nursing staff.

Finally, as well as improving practices within the NHS, we need to improve hand hygiene among the public at large. Studies have shown that, despite awareness about good hand-washing practices being widespread, one in five people do not wash their hands after using the toilet. According to the Royal Society for Public Health, one of the major barriers has been an assumption by people that they do not carry any diseases. However, on average, studies have shown that hands can carry about 3,000 different bacteria, so we also need to explore what more we can do to improve good hand-washing practices among the public. The cross-party Handz campaign, which was launched by the hon. Member for Morley and Outwood, has already done very good work to raise awareness of these issues, and I hope it will provide a catalyst to drive forward improvements both inside and outside the NHS.

5.22 pm

The Parliamentary Under-Secretary of State for Health (Ben Gummer): I thank my hon. Friend the Member for Amber Valley (Nigel Mills) for bringing this important matter to the notice of the House, and I thank hon. Members on both sides of the Chamber for their speeches and contributions.

Hand-washing is an interesting thing, is it not? For the majority of human history, from Pontius Pilate to Lady Macbeth, it was associated with a bad act. Hand-washing was what someone did after they had done something wrong. It was only through the transformation in clinical knowledge in the 19th century that the understanding of hand-washing and its criticality in reducing infection rates became commonplace, but it was a long fight. It is worth remembering that Ignaz Semmelweis, the man who made people understand that washing their hands in obstetric and maternity settings reduced the risk of infection, was so criticised by his colleagues that it drove him to insanity, and eventually

to death in an asylum. This was a hard-won victory, and I utterly endorse the wise comments made by the hon. Member for Central Ayrshire (Dr Whitford): perhaps it is because it has become such a commonplace part of our modern understanding of hygiene that we have forgotten its central importance in reducing infection.

My hon. Friend the Member for Morley and Outwood (Andrea Jenkyns) came to the Department of Health a few months ago and sat in on one of the Secretary of State's Monday morning care meetings to discuss her Handz campaign and the fact that she wanted to set up an all-party parliamentary group on hand hygiene. I know that her personal testimony brought acuity to our understanding of why this is important. It is all too easy to see MRSA, E. coli and C. diff rates plotted on a chart and to forget that, actually, the result of those infections can lead to the tragic and completely unnecessary loss of life. However, even if it does not lead to that, it can often mean a very extended stay in hospital, with serious injury sometimes incurred as a result of infection.

The overall story of infection caused by poor hand-washing has been good over the last decade. Rates of MRSA, MSSA, C. diff and E. coli have all come down—very considerably in some circumstances—but, as the shadow Minister, the hon. Member for Ellesmere Port and Neston (Justin Madders), rightly noted, we have plateaued in almost all of those, and worryingly so. In fact, in the case of MRSA, there has been a worrying, albeit slight, increase in rates in hospitals. That has now been consistent enough to constitute a trend.

We have to be clear that, from the Government's perspective, we are still not entirely sure in each case why the reductions have not continued. To some extent, it is clear that an increasing role is played by community infection and community onset, or expression, of infection. We do not yet have a full understanding of the relationship between community settings and hospitals, and the chief medical officer is working very hard to try and understand it. Therefore, this is a pressing moment, not least because of the problems of antimicrobial resistance, which the hon. Member for Central Ayrshire mentioned, and which is why we have to be particularly vigilant.

Overall, the one thing that will guarantee that we do not make more progress is if I make a central directive from Richmond House and then ensure compliance through a massive, bureaucratic reporting mechanism. The only point on which I differed from anyone in their observations was when the shadow Minister, in his generally very wise comments, talked about the relationship to staff retention. That was because, although general infection control should be part of how teams work, it should be part of the personal, professional responsibility of a clinician, no matter where they work—whether in the community or between hospitals as a bank nurse or clinician—to take infection control very seriously.

How do we improve matters? How do we make sure that, as in so much of the NHS—to copy Bevan's words, which I do not tire of using—we are “universalising the best” and lifting poor performers, of which there are several, up to the best standards in the country, some of which can be found with our neighbours in Scotland?

Dr Philippa Whitford: I have not worked in a hospital in England, but the poster campaign that the hon. Member for Morley and Outwood (Andrea Jenkyns) referred to involved massive posters that were in the lifts

[Dr Philippa Whitford]

and targeted at visitors, porters, nurses and doctors. The five points of contact were above every sink and in every room. If we are trying to change a culture, I wonder whether the first thing is actually just to try to get the campaign out there among staff and visitors.

Ben Gummer: I take the hon. Lady's point, and I agree that we have to re-educate the public that we have not won the battle and that we have to re-engage. I will take her comments to the chief medical officer and talk to her about what more we can do to re-engage the public in the debate on hospital-acquired infections.

Douglas Chapman: My hon. Friend the Member for Central Ayrshire (Dr Whitford) has outlined some of the initiatives taken by the Scottish Government and the NHS in Scotland. Despite those measures, hospital-acquired infections in Scotland still cost the NHS £183 million a year. If we managed to reduce those infections by 20%, that would give us a saving of £36 million. A 40% reduction would give us £73 million. Does the Minister agree that there is a huge financial incentive to

reducing the infection figures as much as we can, especially in these times of public spending restraint?

Ben Gummer: The finances follow the far bigger win, which is the benefit to patients and the saving of lives.

One further thing that I will attack quickly is compliance monitoring. It is a very interesting area, and I would encourage local trusts to look at it in detail. The CQC has it as one of its main targets and, in the new inspection round, which will come very soon, it will want to look at the area as a central part of its monitoring.

5.29 pm

Nigel Mills: I thank everyone who joined in the debate. We have raised an important issue, and I thank the Minister for his recognition of its seriousness. We were never asking him to issue a direction from Richmond House. However, we have a set of rules and instructions to trusts that they should be checking this, and I think we want to see those rules enforced—

5.30 pm

Motion lapsed, and sitting adjourned without Question put (Standing Order No. 10(14)).

Written Statements

Wednesday 13 January 2016

DEFENCE

Defence Science and Technology Laboratory Trading Fund Review

The Minister for Defence Procurement (Mr Philip Dunne):

I am announcing today that following a review of its status, the Defence Science and Technology Laboratory (DSTL) will continue to remain an Executive agency of the Ministry of Defence (MOD), but its trading fund status will be revoked from April 2017.

Since its creation in 2001, DSTL has been at the forefront of national security, working with international partners and industry to deliver a range of high-impact science and technology solutions, such as developing life-saving armour and deploying scientists to contain the Ebola outbreak. I am pleased to report that the review has strongly reaffirmed the ongoing need for DSTL's services for both defence and wider national security.

In order for DSTL to continue to fulfil this role, the review has recommended that DSTL continues as an Executive agency of the MOD. This will be the most effective and efficient option for the future of DSTL because it preserves the flexibility and agility DSTL has to work across the MOD, wider Government and internationally, but will also promote greater efficiency in the delivery of science and technology, and bring about a renewed focus on strategic partnerships with our allies, other laboratories, academia and industry. However, because DSTL's income comes largely from customers within Government, it has been agreed that DSTL can no longer remain a trading fund and will come within the ambit of the defence vote from 1 April 2017.

DSTL has a bright future within MOD, and will continue to play a key part in delivering the MOD's science and technology strategy as well as supporting the rest of Government on vital national security tasks and our international partners. The strategic defence and security review has reiterated the importance of science, technology and innovation in meeting our national security needs into the future and the retention of DSTL as an MOD agency fully supports the delivery of that strategy.

There is now more work to do in order to transition DSTL's organisational status and I look forward to seeing the changes recommended by the review becoming operational by April 2017.

[HCWS465]

FOREIGN AND COMMONWEALTH OFFICE

North Korean Nuclear Test

The Secretary of State for Foreign and Commonwealth Affairs (Mr Philip Hammond): At 0400 GMT on 6 January North Korean state media claimed that it had successfully conducted its first hydrogen bomb test at 0130 GMT.

The Comprehensive Test-Ban Treaty Organisation reported seismic signatures with a magnitude of 4.85, consistent with previous North Korean nuclear tests. We assess that the size of the seismic event caused by the nuclear test, while indicative of a nuclear explosion, is not indicative of the successful test of a thermonuclear weapon (also known as a hydrogen bomb); however this nuclear test is a serious violation of UN Security Council resolutions 1718, 1874, 2087 and 2094. North Korea's nuclear and ballistic missile programme poses a significant threat to international security and regional stability. North Korea's repeated provocations hinder the prospects for lasting peace on the Korean peninsula.

On 6 January I issued a statement strongly condemning the nuclear test as a grave breach of UN Security Council resolutions. While travelling in the region last week I spoke to my South Korean, Japanese and Chinese counterparts about the international response. I have also spoken to the US Secretary of State. The Minister of State for Foreign and Commonwealth Affairs, my right hon. Friend the Member for East Devon (Mr Swire), summoned the North Korean Ambassador to the Foreign and Commonwealth Office on 7 January in order to underline, in the strongest terms, the UK's firm condemnation of this nuclear test and to make clear to North Korea that it can either engage constructively with the international community, or face increasing isolation and further action by the international community.

We worked to secure, and strongly support, the UN Security Council's swift condemnation of this nuclear test in its statement following its emergency meeting on 6 January. The Security Council agreed that this North Korean nuclear test was a clear violation of existing Security Council resolutions; and that there should be a robust response including immediate work on further significant measures in a new Security Council resolution.

The UK remains deeply concerned by North Korea's continued development of its nuclear and ballistic missile programmes. We continue to urge North Korea to return to credible and authentic multilateral talks on its nuclear programme, to abide by its obligations under the Nuclear Non-Proliferation Treaty, and to permit full access by the International Atomic Energy Agency.

[HCWS464]

PRIME MINISTER

UK Delegation to the Parliamentary Assembly of the Council of Europe

The Prime Minister (Mr David Cameron): This written ministerial statement confirms that Lord Wright of Richmond has been appointed as a substitute member of the United Kingdom delegation to the Parliamentary Assembly of the Council of Europe in place of Baroness O'Loan.

[HCWS466]

ORAL ANSWERS

Wednesday 13 January 2016

	<i>Col. No.</i>		<i>Col. No.</i>
PRIME MINISTER	849	WALES—continued	
Engagements.....	849	Rail Connectivity.....	843
WALES	839	S4C: Funding.....	839
Cardiff City Deal.....	844	SMEs.....	841
M4.....	844	Swansea Tidal Lagoon.....	848
Northern Powerhouse.....	845	Workless Households.....	847

WRITTEN STATEMENTS

Wednesday 13 January 2016

	<i>Col. No.</i>		<i>Col. No.</i>
DEFENCE	21WS	PRIME MINISTER	22WS
Defence Science and Technology Laboratory		UK Delegation to the Parliamentary Assembly of	
Trading Fund Review.....	21WS	the Council of Europe.....	22WS
FOREIGN AND COMMONWEALTH OFFICE	21WS		
North Korean Nuclear Test.....	21WS		

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CONTENTS

Wednesday 13 January 2016

Oral Answers to Questions [Col. 839] [see index inside back page]

Secretary of State for Wales
Prime Minister

English National Anthem [Col. 863]

Motion for leave to bring in Bill—(Toby Perkins)—agreed to
Bill presented, and read the First time

Opposition Day [15th allotted day]

Trade, Exports, Innovation and Productivity [Col. 868]

Motion—(Stewart Hosie)—on a Division, negatived

Catastrophic Sporting Injuries: Steven Cox [Col. 966]

Debate on motion for Adjournment

Westminster Hall

Universal Credit: North-West [Col. 329WH]

Defence Procurement [Col. 354WH]

Care Homes: England [Col. 362WH]

Dartford Crossing: Congestion [Col. 388WH]

Hand Hygiene: NHS [Col. 396WH]

General Debates

Written Statements [Col. 21WS]

Written Answers to Questions [The written answers can now be found at <http://www.parliament.uk/writtenanswers>]
