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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES
(HANSARD)**

Tuesday 25 October 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

TREASURY

The Chancellor of the Exchequer was asked—

Economic Growth

1. **Martin Vickers** (Cleethorpes) (Con): What steps he is taking to support economic growth outside London and the south-east. [906782]

The Chancellor of the Exchequer (Mr Philip Hammond): Creating an economy that works for all is a key priority of this Government. All regions are benefiting from the £12 billion local growth fund, and our industrial strategy will boost sustainable economic growth across the UK. Devolution deals are giving areas the tools they need to make the right economic decisions. We are supporting the northern powerhouse and the midlands engine, and we are investing more than £100 billion in infrastructure across the UK over the course of this Parliament.

Martin Vickers: I thank the Chancellor for his reply and am encouraged by it, but there has always been a feeling in northern Lincolnshire that we are somewhat peripheral from the northern powerhouse and that the focus has been too much on Leeds and Manchester. Could he reassure us that that is not the case? North East Lincolnshire Council has a number of innovative regeneration projects in process. Will he or one of his team agree to meet a delegation from north-east Lincolnshire in order to pursue them?

Mr Hammond: I reassure my hon. Friend that that is not the case. North-east Lincolnshire is very much a focus of the Government's attention. We have agreed growth deals with the Humber local enterprise partnership worth more than £110 million, including support for a regeneration programme for the centre of Cleethorpes. I am sure that one of my ministerial team will be very happy to meet him and his council colleagues.

Rachel Reeves (Leeds West) (Lab): The floods in Yorkshire, including in Leeds, last Boxing day caused devastation, and many businesses have still not reopened. What conversations is the Chancellor having with insurance companies, which have restricted cover, increased premiums

and put up excesses, thereby not only risking creating ghost towns in many of our communities, but risking jobs, too?

Mr Hammond: That is a matter on which my right hon. Friend the Minister for the Cabinet Office leads, but I have a considerable understanding of the problem, as my own constituency was subject to serious flooding in 2013-14. I will talk to my right hon. Friend and make him aware of the hon. Lady's concerns.

Anna Soubry (Broxtowe) (Con): May I thank you, Mr Speaker, for allowing Nottingham to begin to take over Parliament today? My right hon. Friend the Chancellor knows of the great benefits of the queen of the east midlands, because he used to work in Nottingham, and he believes in the huge value of infrastructure projects. Is he minded, as he prepares his autumn statement, to bring forward HS2, making sure that the east midlands hub is in Toton in my constituency, and the electrification of the midlands main line, all of which will help the great city and county of Nottinghamshire?

Mr Hammond: Nottinghamshire is, indeed, a part of the country that I know well and have a great deal of affection for. The Government are completely seized of the need for infrastructure investment to support the productivity performance of our economy. My right hon. Friend the Transport Secretary will look at the priority to be afforded to different specific projects and will make statements in due course.

Chris Leslie (Nottingham East) (Lab/Co-op): Given that the east and west midlands together could generate significant growth for our economy if they got the right road, rail and skills infrastructure, and given that today is Nottingham in Parliament day, will the Chancellor acknowledge that the autumn statement should bring forward those ambitions for the midlands engine?

Mr Hammond: The Government are committed to the midlands engine. The hon. Gentleman is absolutely right to say that the midlands conurbation overall has a weight of population and economic activity that allows it to be a rival to the hub of London and the south-east. As I said to my right hon. Friend the Member for Broxtowe (Anna Soubry), announcements about specific projects will be made in due course by the relevant Minister.

Kit Malthouse (North West Hampshire) (Con): One of the most important ways in which the Chancellor could boost economic growth outside—and, indeed, in—London and the south-east is by energising small business. Will he consider reviewing the small enterprise investment scheme, in the hope of simplifying it and of thereby seeing a wall of private cash invested in starting and maintaining small businesses?

Mr Hammond: My hon. Friend is right. Ensuring the supply of funding to start-ups and smaller enterprises as they grow is a key to the future of our economy. I assure him that all schemes, taxes and other such structures will be reviewed in the run-up to the autumn statement, and I will let him know my conclusions on 23 November.

Mr Dennis Skinner (Bolsover) (Lab): Is the Chancellor of the Exchequer aware that his predecessor introduced a scheme that was based on robbing Derbyshire County Council of £155 million in cuts and promising to give it less than 20% of that money back? No wonder the people in Bolsover marketplace do not call it the northern powerhouse; it is the northern poorhouse.

Mr Hammond: I know that my right hon. Friend the Secretary of State for Communities and Local Government will want to look at the allocation of funding to local authorities, including Derbyshire County Council. As the hon. Member for Bolsover (Mr Skinner) will know, there are many powerful advocates for Derbyshire on both sides of the House.

Mr Speaker: I wish the hon. Member for Solihull (Julian Knight) a speedy recovery. He may ask his question from his seat.

Julian Knight (Solihull) (Con): Thank you, Mr Speaker. The Chancellor will be well aware that the west midlands has a trade surplus with China, thanks to Jaguar Land Rover in Solihull and wider manufacturing. On their visits to BRIC nations, previous Chancellors have been keen to trumpet business in the northern powerhouse. Will this Chancellor help the cogs of the midlands engine to turn by taking west midlands businesses with him on future visits?

Mr Hammond: Indeed I will. It is an important part of the role of a Chancellor to act as a champion for businesses in the north and the midlands, and to draw the attention of inward investors such as the Chinese and the Indians, who are already heavily invested in the west midlands, to the opportunities that exist in the UK beyond London and the south-east. Such opportunities are not always as obvious to foreign investors as those that exist in London.

Stewart Hosie (Dundee East) (SNP): In order to boost growth outside London and the south-east, there should be a laser-like focus on manufacturing and its associated innovation research and development, but the UK's record on R and D spending is lamentable compared with that of our international competitors. May I ask the Chancellor how he intends to remedy that? Will he take the opportunity of the autumn statement to reverse the decision to convert innovation funding from grants to loans?

Mr Hammond: We have supported £22 billion of R and D spending across the UK through the tax credit system. The hon. Gentleman is right; the UK's productivity performance is weak compared with that of its principal competitors, and our investment in R and D is significantly less than that of many of our principal competitors. I promise him that we are acutely aware of that challenge, and I will address that challenge in the autumn statement on 23 November.

Stewart Hosie: I will take that as a veiled good news story at some point to come. In order to boost growth we need to take exports more seriously, including to the EU, given that our trade balance has gone into reverse over the past two years. To effect that, what efforts is the Chancellor making to rule out a hard Brexit, with visas, tariff barriers and an end to the customs union, all of which the Treasury says could lead to the loss of

£66 billion of revenue, a reduction in GDP of around 7.5% and a threat, estimated conservatively, to half a million jobs?

Mr Hammond: I know that the SNP does not like a good news story, and I am sure that the hon. Gentleman will have been able, by 23 November, to think up a suitable response just in case there is such a story on that day.

On the wider issue of managing Britain's exit from the European Union, the Prime Minister has been very clear. We understand the instructions that we have received from the British people, and within our obligation to deliver those we will seek to get the very best deal we can with the European Union that maximises the amount of trade in goods and services between our companies and the markets of the European Union, and between European companies and the UK market.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Financial services are one of the sectors most exposed to Brexit, but it is not just jobs in Canary Wharf and the square mile that are at risk; it is jobs throughout the UK, in Manchester, Leeds, Birmingham, Edinburgh and beyond. The messages that the Government have sent so far have been incoherent and counterproductive. Firms need assurance that they will get comparable access to the single market and the ability to retain EU nationals who work for them. Will the Chancellor help finally to put an end to his Government's chaos today and make a promise to deliver both?

Mr Hammond: The hon. Gentleman is right to identify financial services as one of the areas that is particularly concerned about the way in which the exit from the European Union is managed, because the industry is particularly dependent on the passporting regime that is in place. He is also right to draw attention to the often overlooked fact that 75% of financial services jobs are outside London. This is an important UK-wide industry.

On the specific points that the hon. Gentleman makes, I have certainly sought to reassure financial services businesses that we will put their needs at the heart of our negotiation with the European Union. We understand their need for market access. We also understand their need to be able to engage the right skilled people. I have said on the record—I am happy to say this again today—that I do not believe that the concerns the British people have expressed about migration from the European Union relate to those with high skills and high pay. The problem that people are concerned about relates to those taking entry level jobs. I see no likelihood of our using powers to control migration into the UK to prevent companies from bringing highly skilled, highly paid workers here.

Double Taxation Treaties: Developing Countries

2. **Patrick Grady** (Glasgow North) (SNP): What his Department's objectives are in negotiating double taxation treaties with developing countries. [906783]

4. **Mr Virendra Sharma** (Ealing, Southall) (Lab): What outcomes his Department seeks to achieve when negotiating double taxation treaties with developing countries. [906785]

The Financial Secretary to the Treasury (Jane Ellison):

In negotiating double taxation treaties, the UK's objective is to reach an agreement that allocates taxing rights on a basis that is acceptable to both countries.

Patrick Grady: Restrictive tax treaties inhibit the ability of developing countries to spend money on public services, such as schools and education. Research from ActionAid shows that, along with Italy, the UK has the highest number of such treaties. Is the Minister willing to work with the Department for International Development to change that?

Jane Ellison: I disagree with the hon. Gentleman. In fact, double taxation treaties help developing countries. They often remove uncertainty about the way in which businesses choose to make investments, and they open up the route to fairer and more open trade. The majority of the UK's double taxation treaties are based on the OECD model double taxation convention, and we work very closely with countries to reach mutually acceptable treaties.

Mr Sharma: What plans does the Minister have to carry out assessments of the impact of the UK's tax treaties on developing countries, and will her Department offer poorer countries the opportunity to renegotiate treaties that do not do enough to support their development?

Jane Ellison: As I have said, there is a rolling programme of renegotiation to make sure that treaties reflect modern standards. More broadly, the UK has a very proud record on capacity building in this area. We lead international efforts to support developing countries in tax capacity building. One example is that DFID funds the Global Forum, the World Bank and the OECD to provide technical assistance to partner countries. We can be proud of that record.

Charlie Elphicke (Dover) (Con): In negotiating double taxation regimes with developing and advanced nations, will the Minister look at transfer pricing in terms of establishment provisions so that we can broaden the tax base and stop the likes of Apple, Amazon and Google gaming our tax system?

Jane Ellison: The UK is committed to ensuring that UK companies pay a fair share of tax in the countries in which they operate. On all the wider aspects of international tax fairness, I reiterate that the UK has taken a very strong stance across the board on a number of issues. I am always happy to speak to my hon. Friend about this issue because he is very much an expert, and I would welcome his views on all such issues.

Manufacturing Industry

3. **Gordon Henderson (Sittingbourne and Sheppey) (Con):** What fiscal steps he is taking to support the manufacturing industry. [906784]

The Chief Secretary to the Treasury (Mr David Gauke): The Government have taken steps to maintain a world-class business environment that helps UK manufacturers to thrive. That is why we have cut corporation tax from 28% to 20%—it will fall further, to 17%—and why we have supported £22 billion of research and development

through tax credits for UK companies. This environment helps our manufacturers to grow as innovative, competitive companies.

Gordon Henderson: I welcome the Minister's response, but what message is he sending to international manufacturing companies with operations in Britain about this country's future international competitiveness as we leave the European Union?

Mr Gauke: Our message is straightforward: Britain is open for business. As the Prime Minister has said, we are and will continue to be a confident, outward-looking country.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): Manufacturing depends on long-term investment. What assessment has the Minister made of the impact of our potentially leaving the European Investment Bank, and what progress has there been in any discussions about us maintaining our stake?

Mr Gauke: The UK is in discussions with the EIB.

Mr Steve Baker (Wycombe) (Con): Does my right hon. Friend agree that reducing anti-competitive market distortions is both a great fiscal way to promote manufacturing and a way of ensuring our country is best placed for new trade deals?

Mr Gauke: I agree that removing distortions in the economy results in a more efficient economy. The UK Government have a record of doing that, by, for example, reducing corporation tax.

Ms Margaret Ritchie (South Down) (SDLP): Apart from lowering corporation tax what other steps will the Chancellor and his ministerial team take to incentivise manufacturing industry in Northern Ireland?

Mr Gauke: The freedom for Northern Ireland to set its corporation tax rate is an important measure in itself. We look forward to further progress on that. Of course, there will be an autumn statement next month in which the Government will set out their economic policy. I have mentioned corporation tax and R and D tax credits, which we have made more generous. Those measures will have helped manufacturing businesses in Northern Ireland and elsewhere.

Kevin Hollinrake (Thirsk and Malton) (Con): I welcome the Government's ongoing commitment to the northern powerhouse given the impact that that can have on manufacturing, in particular in my constituency, and the allocated funds for the A64 at Hopgrove. Does the Minister agree that such investments must seek maximum economic benefit? The current proposal from Highways England will simply kick an existing pinch point down the road if we do not see the dualling of that carriageway on the A64.

Mr Speaker: That had an extremely tangential relationship with the matter of manufacturing industry, therefore meriting an extremely pithy response.

Mr Gauke: I look forward to examining the case for dualling the A64 and the benefit that would provide to manufacturing industry.

Rebecca Long Bailey (Salford and Eccles) (Lab): Last month, the Chancellor proudly dismissed his predecessor's plans to cut corporation tax to 15%. This week, however, we hear of plans hatched by senior Government figures to cut corporation tax as low as 10% as part of a so-called Brexit nuclear option, despite the fact that both the British Chambers of Commerce and the Institute of Directors have stated that cutting corporation tax would not be at the top of their wishlist. Will the Minister put an end to his Government's reign of chaos and confirm his long-term position on corporation tax, so that businesses have the stability they deserve?

Mr Gauke: I am not sure whether I would use the phrase "reign of chaos" if I was a Labour Front Bench. Let me be very clear. The UK Government have rightly reduced corporation tax from 28% to 20%. We have legislated for it to go down to 17%. If there are any further announcements they will be at a fiscal event, whether an autumn statement or a Budget.

Rebecca Long Bailey: I am afraid that the Government chaos we have seen on corporation tax is sadly replicated on investment. The Chancellor promised to tear up his predecessor's Budget and develop an industrial strategy, before denying he was planning a spending splurge. A recent Ipsos MORI poll showed that almost two thirds of Britons agree that the country is not doing enough to meet its infrastructure needs, and the Opposition agree. Will the Minister end his Government's chaotic record on investment and confirm how much he plans to invest in infrastructure, on what, and where he will get the money from?

Mr Gauke: On the subject of corporation tax, I point out that it was not that many months ago that on one day the shadow Chancellor condemned the reduction to 17% while in Committee the Labour party voted for it. I will be clear that it is no good coming forward with incredible plans to spend £500 billion on infrastructure without any idea of how those plans will be paid for. The Chancellor will make a statement on 23 November on our policy on this issue. The Labour party really needs to change track if it is to have some credibility.

Priority School Building Programme

5. **Craig Whittaker** (Calder Valley) (Con): What recent discussions he has had with the Secretary of State for Education on when the next phase of funding will be available for the priority school building programme. [906786]

The Chief Secretary to the Treasury (Mr David Gauke): The £4.4 billion priority school building programme was established to rebuild or refurbish those school buildings in the very worst condition across the country. The programme's second phase was announced in May 2014 and feasibility studies are now being carried out. In addition, we are allocating £4.2 billion across 2015 to 2018 to schools, local authorities, academy trusts and voluntary aided partnerships to maintain and improve their schools.

Craig Whittaker: I thank my right hon. Friend for his reply. For many years now, Todmorden High School in Calder Valley has been the top priority for a rebuild. It is currently taking a good chunk of maintenance money from other schools just to stay open. Will my right hon. Friend look at this carefully, so that we can finally give the pupils of Todmorden high school the school they deserve?

Mr Gauke: I understand my hon. Friend's disappointment, and that of his constituents, that Todmorden was not successful in its application to the priority school building programme. We need to prioritise schools with blocks in the very worst condition. I understand that Todmorden's buildings are now receiving some investment through the local authority, which will have competing priorities for capital resources, but I am sure my hon. Friend will continue to make the case for the school.

John Pugh (Southport) (LD): Given the £180 million overrun on phase one, will the Government be tempted to backfill with second-rate private finance initiative buildings? What role will PFI have in the programme?

Mr Gauke: Let me address our record. We have spent £18 billion since 2010 on the school estate and we are committed to a further £23 billion so that pupils can be taught in facilities that are fit for the 21st century. We of course want to ensure that that is funded in the most appropriate, value for money and sustainable way.

Regional Infrastructure Development

6. **Rehman Chishti** (Gillingham and Rainham) (Con): What steps he is taking to support regional infrastructure development. [906787]

7. **Sir David Amess** (Southend West) (Con): What steps he is taking to support regional infrastructure development. [906788]

12. **Karl McCartney** (Lincoln) (Con): What steps he is taking to support regional infrastructure development. [906793]

14. **Kelly Tolhurst** (Rochester and Strood) (Con): What steps he is taking to support regional infrastructure development. [906795]

The Chancellor of the Exchequer (Mr Philip Hammond): World-class infrastructure is central to raising our country's productivity. About 3,000 infrastructure projects have been delivered across the UK since 2010, with another 600 projects worth over £480 billion in the pipeline. We are investing over £13 billion in transport across the north, with £5 billion in the midlands. Nationwide, we are making the largest investment in roads across the UK in a generation, and rail is experiencing a level of investment not seen since Victorian times.

Rehman Chishti: I thank the Chancellor for that answer. Will he ensure that the Lower Thames Crossing option C, preferred by the Highways Agency, is quickly taken forward? That will enhance the investment in Medway and the whole of the Thames Gateway area, facilitating house building, encouraging business growth and supporting existing infrastructure in the Kent area.

Mr Hammond: I commend my hon. Friend for the way he has campaigned on this issue. We recognise the importance of this crossing to supporting the economy on both sides of the Thames, particularly given the constrained capacity at Dartford. It will produce significant benefits locally, regionally and nationally. The Government will be making a decision on the location and route in due course.

Sir David Amess: Conservative-controlled Southend-on-Sea Borough Council was very disappointed that it was unsuccessful in its bid to the coastal communities fund. Will my right hon. Friend agree to meet me, the leader of the council John Lamb and others, so we may share with him why we need investment in infrastructure, particularly as Southend is the alternative city of culture next year?

Mr Hammond: My hon. Friend makes a good point. The Government recognise the ongoing growth potential of Southend. The Government's substantial investment to date in Southend includes over £40 million through the South East local enterprise partnership growth deal and the 2014 city deal. The Government announced last year that the coastal communities fund would be extended over this Parliament. At least another £90 million of further funding is available to promote sustainable economic growth and jobs in the UK's coastal communities. I strongly encourage Southend-on-Sea Borough Council to apply to this fund.

Karl McCartney: Given my right hon. Friend's welcome commitments on regional infrastructure and my plethora of conversations with his Cabinet colleagues, Ministers and the leader of Lincolnshire County Council over the past few days and years, will he now commit to working with us all to secure the funding for the dualling of the eastern bypass around my constituency of Lincoln, which will greatly support not only the further development of the city but the whole of Greater Lincolnshire?

Mr Hammond: I recognise my hon. Friend's commitment to his preferred version of this project. Funding has been made available for the provision of the Lincoln eastern bypass, in the county council's preferred version of single carriageway road. As my hon. Friend will know, the county council is not in favour of restarting the process from scratch and introducing further delays, so I am afraid I cannot give him any confidence that additional funding will be made available to adopt a dualling solution.

Kelly Tolhurst: I was pleased that in the last Budget statement, the previous Chancellor, my right hon. Friend the Member for Tatton (Mr Osborne), announced a new Thames Estuary 2050 Growth Commission to focus on delivering essential infrastructure development for this crucial region. Will my right hon. Friend assure me that this commission, which is led by Lord Heseltine, will continue to be supported?

Mr Hammond: Yes. I am glad that my hon. Friend has raised this point. The Thames Estuary 2050 Growth Commission has been asked to develop an ambitious plan for north Kent, south Essex and east London. I am grateful to Lord Heseltine and his fellow commissioners

for leading this important work, and I look forward to receiving the interim report ahead of next year's Budget, when I will respond to it.

Helen Goodman (Bishop Auckland) (Lab): When the Chancellor came to the Treasury Select Committee last week, he was unsure whether analysis of the effects of leaving the European Union was being done by region. He has had a week to find out, so will he now give us an answer?

Mr Hammond: If the hon. Lady checks the video, she will find that I was not unsure. I was advising my civil service colleague that I understood that we were doing such regional analysis. We are carrying out regional analysis, which will help to inform the Prime Minister's negotiating strategy.

Caroline Flint (Don Valley) (Lab): Does the Chancellor agree that energy efficiency should be a priority for infrastructure development, both nationally and regionally? To that end, will he seriously consider earmarking the proceeds of the shale gas sovereign wealth fund for energy efficiency measures so that we can not only save on bills, but create jobs and encourage innovation?

Mr Hammond: I am not necessarily in favour of earmarking or hypothecation of funds for that specific purpose, but the right hon. Lady makes an important point. We have a serious challenge on this country's energy capacity over the next 20 years, and we are going to have to invest eye-wateringly large sums of money—perhaps £100 billion—just to ensure that the lights stay on. Of course it makes sense to look at ways of reducing demand for energy through energy conservation measures alongside the demands for new energy generation plants.

Sammy Wilson (East Antrim) (DUP): Last week, the Infrastructure Minister in the Northern Ireland Executive announced that a major infrastructure project in Belfast would be stopped because it was unlikely to be completed before we leave the EU so the funding would be lost. Has the Infrastructure Minister had any discussions with the Chancellor about this project, and will the right hon. Gentleman assure the Northern Ireland Executive that any funding gap for any project started before we leave the EU will be bridged by the Treasury?

Mr Hammond: I am not aware of the project to which the hon. Gentleman refers. As far as I am aware, the Northern Ireland Executive has not been in touch with the Treasury about it. We have, in fact, made two announcements. I announced that all projects signed in the normal course of business before the autumn statement would be guaranteed, irrespective of whether they continued to be funded by the EU after our exit. I subsequently made a further statement saying that after the autumn statement any new EU-funded projects would, provided they passed a UK value-for-money and strategic priorities test, get the same guarantee: however long they last, they will be funded by the UK Treasury once EU funding stops.

Peter Dowd (Bootle) (Lab): This Government continue to be in chaos over their flagship so-called northern powerhouse. I live there, and I see it every day: they have no long-term industrial strategy. Meanwhile,

notwithstanding what the Chancellor said earlier, regional economies are suffering from a lack of sustained investment in their infrastructure, and particularly transport infrastructure, by comparison with our major European partners—a problem now compounded by Brexit. What plans does the Chancellor have to end this uncertainty and finally bring about a rebalancing or an enhancement of regional transport infrastructure expenditure?

Mr Hammond: I urge the hon. Gentleman not to talk down the north and the significance of the northern powerhouse. The northern powerhouse is an important part of the Government's strategy, and the new Prime Minister has made clear her commitment to it. The hon. Gentleman is, however, right to draw attention to the shortfall of infrastructure investment in the United Kingdom overall, by comparison with our principal competitors. That is an issue that we must address at national level. We must look for the best value for money—the projects that will make the greatest contribution to closing the productivity gap across the UK—and that is what we will do.

EU Budget: UK Contribution 2017-18

8. **Mr Laurence Robertson** (Tewkesbury) (Con): What the UK contribution to the EU budget is expected to be in 2017-18. [906789]

The Chief Secretary to the Treasury (Mr David Gauke): The Office for Budget Responsibility is responsible for forecasting contributions to the European Union. It will update its forecast in this year's autumn statement, but the forecast for the UK's gross contribution in 2017-18 was £12.6 billion at the time of the Budget.

Mr Robertson: Notwithstanding all the spending pledges that have been made today and recently, hospitals, schools, police and roads in my constituency certainly need a spending boost. Does the Minister agree that the sooner we leave the European Union, the sooner that money will be available to them?

Mr Gauke: The amount of any money saved will depend on the overall fiscal situation and the broader economic environment. Decisions on spending will be made in the round in autumn statements and Budgets, but while we remain members of the European Union, we must of course comply with the requirements to pay into it.

Emma Reynolds (Wolverhampton North East) (Lab): May I press the Chief Secretary on this point? On the day of the referendum, I met an NHS worker who had voted to leave the European Union precisely because she thought that more money would be available for the NHS, thanks to the "£350 million a week" that was emblazoned on the Vote Leave bus. When we leave the European Union, will we get that money?

Mr Gauke: It is certainly not for me to justify or explain the pledges that were made by the leave campaign, but I will say that public spending decisions must be made in the context of the economic and fiscal situation.

Mark Field (Cities of London and Westminster) (Con): I appreciate that getting back some of our EU contribution was a factor in the decision to leave the European Union, but will my right hon. Friend confirm that the

Government are, at least at this stage, open to the idea of making some contribution in the future if we are to secure some sort of access to the single market for financial services, or, indeed, making some contribution in relation to passporting and equivalence?

Mr Gauke: What is important is for the United Kingdom to secure the best possible deal in our negotiations with the European Union. I do not think that it makes sense to bind our hands and close down options at this point; nor do I think it right for us to provide a running commentary on the matter.

Geraint Davies (Swansea West) (Lab/Co-op): Wales will continue to receive convergence funding while we are in the EU, but will the Treasury nevertheless honour the Prime Minister's pledge to electrify the Great Western Railway line all the way to Swansea in order to make it part of the pan-European network and stimulate manufacturing and exports?

Mr Gauke: That is a matter for my right hon. Friend the Secretary of State for Transport, but, as my right hon. Friend the Chancellor of the Exchequer has made clear, the Government are committed to improving our infrastructure.

Economic Growth: Midlands

9. **Edward Argar** (Charnwood) (Con): What steps he is taking to support economic growth in the midlands. [906790]

The Economic Secretary to the Treasury (Simon Kirby): The Government are committed to helping the midlands to unleash its economic potential and make it a powerful engine for growth. We are backing skills and innovation. We are supporting the automotive and aerospace industries. We have made investments, and we are putting power in the hands of local people by devolving budgets from Whitehall to a new mayor for the midlands. I hope that it is in order, Mr Speaker, for me to mention our excellent candidate, Andy Street.

Edward Argar: Earlier this year, a Grant Thornton report suggested that the east midlands could contribute £53 billion to the UK economy by 2025, reflecting the central role that Leicestershire and the east midlands continue to play in driving the country's growth. Does my hon. Friend agree, however, that if we are to sustain that record of success, it is vital for us to continue to deliver on investment in Leicestershire's road, rail and broader infrastructure?

Mr Speaker: Order. May I remind colleagues of the merits of the blue pencil?

Simon Kirby: Good advice, Mr Speaker, as ever.

I thank my hon. Friend for his interest in the east midlands. I agree that improving transport between and within our major cities is vital to help them fulfil their productive potential. As the Chancellor has said, we are investing over £5 billion in transport infrastructure to put the midlands at the heart of a modern transport network.

Mr Speaker: Pithiness personified.

Mr Philip Hollobone (Kettering) (Con): May I press the case for the continued electrification of the midland main line and that there be no further delays to this excellent project?

Simon Kirby: Yes, he can.

Tax Credits (Concentrix)

10. **Christina Rees** (Neath) (Lab/Co-op): What steps his Department is taking to compensate people affected by incorrect withdrawal of tax credits as a result of errors by Concentrix. [906791]

The Financial Secretary to the Treasury (Jane Ellison): If anyone feels their tax credits have been incorrectly withdrawn owing to errors by Concentrix, they should urgently contact Her Majesty's Revenue and Customs, which will review all complaint cases and will, and indeed does, pay redress where appropriate.

Christina Rees: Labour welcomes the cancellation of the Concentrix contract and the fact that it will be administered in-house by HMRC staff. Will the Minister reassure the thousands of single parents and families, many in my Neath constituency, that their tax credits erroneously stopped by Concentrix will be reinstated immediately so their children can be kept safe and warm and not go unfed as winter approaches?

Jane Ellison: The hon. Lady is absolutely right to draw the House's attention to the importance of prioritising vulnerable claimants. HMRC held a further drop-in for colleagues recently, on 19 October; it was attended by 15 Members, and a number of complaints and issues were raised, which we are on the way to resolving.

On restarting claims, the key is to get the right information. HMRC has taken back a vast number of cases, and I will say more about this tomorrow. The priority is to get the right information, to get claims started again as soon as the facts are established.

Helen Jones (Warrington North) (Lab): When the Minister wrote to me after I asked a previous question, she said:

"Amounts to be paid to the supplier are reduced if actual performance fails to meet standards set in the contract."

Does that include penalties for withdrawing tax credits when they should not have been withdrawn?

Jane Ellison: The terms of the contract between HMRC and Concentrix are obviously in the public domain, and it is right that when performance is not as per the contract there are associated deductions, but I will be in a position to give the House more information about the contract in tomorrow's Opposition day debate.

Hannah Bardell (Livingston) (SNP): A number of my constituents have been affected by this issue, not least a frontline police officer who had her benefits withdrawn, which meant her childcare could not be paid and she was potentially not going to be able to go to work. Luckily, my office intervened and we were able to get her benefits, but what is the Minister going to do to compensate people for upset and unjust treatment?

Jane Ellison: There are two points here. First, as I have said, if people feel their tax credits have been incorrectly withdrawn because of errors they should contact HMRC, which will review that and redress can be made. Secondly, customers can ask for mandatory reconsideration if they do not feel that their circumstances have been correctly identified. Sometimes that is because people do not send through the right information.

Single Market

11. **Shabana Mahmood** (Birmingham, Ladywood) (Lab): What assessment his Department has made of the potential effect on the economy of the UK no longer having access to the single market. [906792]

The Chancellor of the Exchequer (Mr Philip Hammond): The UK will leave the European Union and will introduce control of migration between Britain and the EU. Working with officials across Government, the Treasury continues to undertake a range of analyses to inform the UK's position for the upcoming negotiations and we have made it clear, I am afraid, that we are not going to provide a running commentary, but we do want the best outcome for the UK and that means pursuing a bespoke arrangement that will allow our companies maximum access to the European market.

Shabana Mahmood: The Chancellor's predecessor had many a failed target and plan, one of which was a target of £1 trillion in exports by 2020, a target that is nowhere near being reached even with full access to, and membership of, the single market. Meanwhile other countries such as Germany currently export more than we do to China and other growth markets. Does the Chancellor agree that the failure of the Government to improve the UK's export performance has left us unable to take full advantage of opportunities outside the EU and more vulnerable to—

Mr Speaker: Order. I think the hon. Lady should leave a full version of her question in the Library of the House.

Mr Hammond: The Government can of course support and enable exporters, but we cannot do their job for them. It is for British exporters to make their businesses competitive and to go and sell their wares around the world, but we will do everything we can to support them in that endeavour.

Mr David Nuttall (Bury North) (Con): Does my right hon. Friend agree that unless, bizarrely, the European Union were to impose trade sanctions on the UK, there would be absolutely nothing to prevent us from having access to the single market when we leave the EU?

Mr Hammond: My hon. Friend is right in the sense that every nation that is a member of the World Trade Organisation, as we are, has the right to access other members' markets on WTO terms. However, WTO terms would be quite challenging for some of our industries. For example, in the automotive industry, WTO terms imply a 10% tariff on cars entering other markets.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Chancellor will know that West Yorkshire is the beating heart of the manufacturing economy in this country, but my manufacturing leaders, and the EEF, feel left out of the loop in relation to their future after Brexit. Can he reassure them, because they are very disturbed about the future?

Mr Hammond: I can certainly reassure the hon. Gentleman that manufacturing industry is very much in the forefront of our thinking as we approach these negotiations. I am sorry that I have not had a chance to go to West Yorkshire, but I have been engaging with businesses in all sectors of the economy, including many businesses from the north that have attended round-tables in Downing Street over the past few weeks to set out their concerns so that we can take them properly into account.

Mr Julian Brazier (Canterbury) (Con): In welcoming my right hon. Friend's robust stance on this matter, may I suggest that as there is a large balance of payments deficit with Europe, specifically in the automotive sector, it would be in the EU's interest to strike a decent deal with us, as he intends to do?

Mr Hammond: Our intention is to get the very best deal we can with our neighbours in the European Union to allow access for our companies to trade their goods and services into the EU. However, I would just caution my hon. Friend: to look at the economic arguments alone is to miss an important point. There is a political debate going on here in Europe, and European politicians are very conscious of the impact of Britain's departure on their political project. I do not think we can be certain that economics alone will dictate the course of this negotiation.

Leaving the EU: Regional Funding

13. **Luciana Berger** (Liverpool, Wavertree) (Lab/Co-op): What assessment he has made of the potential effect of the UK leaving the EU on (a) the northern powerhouse and (b) regional funding. [906794]

The Chancellor of the Exchequer (Mr Philip Hammond): The Government have provided a guarantee for all European structural and investment fund projects signed before the autumn statement. We have also provided a guarantee for all ESIF projects signed after the autumn statement and before the UK's departure from the European Union, provided that they pass the value-for-money test and are in line with domestic strategic priorities.

Luciana Berger: I have listened closely to the Chancellor's previous answers about regional distribution of investment. The latest figures show that only a quarter of national infrastructure projects are in either the north-west or the north-east of England, with just one of the top-funded 25 projects in that area. With further damaging cuts to public sector net investment due in the remainder of this Parliament, when will the Government address this inequality, match their rhetoric with action and start properly funding the northern powerhouse?

Mr Hammond: I make three points to the hon. Lady. First, we will have an autumn statement in just over four weeks' time, and I will be able to set out more of our forward plans at that time. Secondly, I am not sure off the top of my head what the population proportion of the UK is in the north-west and north-east regions, but if the figures that she has quoted are correct, I am not so sure that a quarter of infrastructure investment represents disproportionate underfunding. I would need to check that. Thirdly, the very large investment in Crossrail, a strategically important national project, has had the effect of skewing infrastructure investment towards London over the past few years.

Smart Energy System

15. **James Heapey** (Wells) (Con): What assessment he has made of the potential effect of a smart energy system on levels of productivity. [906796]

The Economic Secretary to the Treasury (Simon Kirby): I thank my hon. Friend for his interest in both these important topics. The National Infrastructure Commission has estimated the benefits of a smart energy system to be between £3 billion and £8 billion a year by 2030.

James Heapey: I am grateful to the Minister for his response and am pleased that he agrees with the advantages of a smart energy system. Ahead of the autumn statement, will the Minister look at the role that the Treasury might play in digitising our energy system by accelerating the deployment of storage technologies, demand-side response and the upgrade of our distribution networks so that we can achieve the productivity gains he expects?

Simon Kirby: The Treasury will continue to work with the Department for Business, Energy and Industrial Strategy to drive forward a smart energy system. The Government have committed to implementing the National Infrastructure Commission's recommendations in full.

Topical Questions

T1. [906772] **Steve Double** (St Austell and Newquay) (Con): If he will make a statement on his departmental responsibilities.

The Chancellor of the Exchequer (Mr Philip Hammond): My principal responsibility is to ensure the stability and prosperity of the economy. In the current circumstances, that requires a combination of near-term measures to respond to the shock that the economy has received and longer-term measures to manage the structural adjustment as the UK transitions out of the EU and to address the UK's long-term productivity challenge.

Steve Double: Today is my 30th wedding anniversary, so will the Chancellor join me in wishing the long-suffering Mrs Double a happy anniversary? Does he agree that the marriage tax allowance is a demonstration of this Government's support for marriage? However, take-up has been low, so ahead of the autumn statement is the Chancellor considering increasing the allowance? If he is not, may I encourage him to do so?

Mr Hammond: I certainly join in wishing my hon. Friend and his wife a very happy 30th anniversary. Taking my queue from last week, I probably will not suggest how Mrs Double might commemorate the event.

My hon. Friend is quite right to highlight the value of marriage in society. I hope that I can reassure him that the Government remain firmly committed to supporting this important institution through the marriage allowance. Eligible couples could benefit by up to £432 this year, and we have just passed the landmark of 1 million families who have made successful applications. I agree with my hon. Friend that take-up of the marriage allowance is not high enough, but HMRC will launch a new campaign early next month to increase awareness and take-up.

John McDonnell (Hayes and Harlington) (Lab): Bringing the Chancellor back to Brexit and the role of his Department—happy anniversary, by the way, to the hon. Member for St Austell and Newquay (Steve Double)—before the referendum, as the hon. Member for Dundee East (Stewart Hosie) said, the Treasury published a paper warning that the impact on Government receipts of leaving the single market would be a loss of up to £66 billion. Last week, Tom Scholar, the permanent secretary to the Treasury, told the Treasury Committee that the figures were “not directly applicable”. The Chancellor then questioned his own Department’s calculations by referring to mitigating factors that were not taken into account. There is fumbling chaos about Brexit not just in the Cabinet, but in the Treasury as well. Will the Chancellor clarify his Department’s exact calculation of the outlook for public finances if access to the single market is not achieved?

Mr Hammond: The right hon. Gentleman can characterise it however he likes, but the simple fact is that all economic modelling must make assumptions. The model that the Treasury produced in April assumed no policy response by Government—we know that there has been a monetary response in the form of the monetary expansion delivered by the Bank of England on 2 August—and that an article 50 notice would be served immediately after the referendum, which we know was not the case.

As for the ongoing work, the right hon. Gentleman will have to wait until 23 November when the Office for Budget Responsibility will publish its forecast.

John McDonnell: No figure is attached to anything that the Chancellor has said, which again confirms the chaos in Cabinet and in his Department. Can I ask the Chancellor to pass on my thanks to the officials who helpfully published on the Treasury’s website a document labelled

“Public Sector Finances Briefing – Official: Sensitive for internal use only”?

The document at least gives us some reliable information in that it confirms that the Government are failing to meet predictions on tax receipts and deficit reduction. It also reveals that that data are based on

“activity from before the referendum so any post referendum downturn will exacerbate this.”

Does that not prove once and for all that far from fixing the roof while the sun shone, this country was scandalously economically ill-prepared and politically totally unprepared for the Brexit decision?

Mr Hammond: Just so that the right hon. Gentleman is absolutely clear, it is quite wrong to suggest that my Department does not have any figures—it does, but I am just not giving them to him.

As for the document that the right hon. Gentleman spent such a lot of time yesterday rather unsuccessfully trying to tout around the media, it was published by mistake, but all the figures in the document have already been published elsewhere. All of them are in the public domain.

T2. [906773] Suella Fernandes (Fareham) (Con): Kevin Lancaster and Simon Davis started their business, Aqua Cooling, from scratch in Fareham in 2000, and it now generates £1.7 million in profit and is a leading industrial cooling firm. Last week, the Institute of Physics awarded Aqua Cooling its business innovation award for its innovate application of physics to generate jobs and profit. Will the Chancellor join me in congratulating Aqua Cooling and outline what the Government are doing to support research and development, so that other self-starters like Kevin and Simon can grow their businesses?

The Financial Secretary to the Treasury (Jane Ellison): I think that all Treasury Ministers would be delighted to congratulate Aqua Cooling on the innovation award it has won. As has been said, the Government have committed to supporting research and development in British businesses, providing one of the most generous R and D tax credit schemes in the world to UK small business. I am delighted to say that it was claimed by more than 18,000 small and medium-sized enterprises in 2014-15.

T7. [906778] Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Why does the Chancellor believe that corporation tax receipts collapsed in September 2016 to their lowest level since 2009? Why does he believe borrowing will overshoot the Office for Budget Responsibility’s forecast by an extra £17 billion this financial year?

Mr Philip Hammond: I am sorry to be boring, but all these issues will be addressed at the time of the autumn statement, when we will have the latest fiscal projections from the OBR.

T3. [906774] Stuart Andrew (Pudsey) (Con): I know that there will be a statement on this in a moment, but it has been reported that Heathrow is the chosen option for expansion. It is important that every part of the UK benefits from this and so do our regional airports. Will the Chancellor agree to meet me to discuss how we can improve connectivity to Leeds Bradford airport and how we might get funding for a rail link to it?

Mr Hammond: As my hon. Friend and the House will know, an announcement has been made that the airports committee this morning decided to move ahead with the north-west runway at Heathrow, and my right hon. Friend the Transport Secretary will be making a statement to the House very shortly. My hon. Friend is absolutely right to say that regional connectivity is vital. Regional slots at Heathrow have been squeezed out by the pressure on the runways there, and we will ensure, as a part of this package, that regional slots are protected in the future.

Stephen Timms (East Ham) (Lab): Tens of thousands of UK jobs depend on euro-denominated clearing in the UK. Will the Chancellor tell us how important he regards its still being permissible in the UK after we leave the European Union?

Mr Hammond: The right hon. Gentleman has put his finger on an important issue. As he will know, the European Central Bank has already had one go at trying to prevent euro-denominated clearing from taking place in the UK, and it is no doubt a very iconic issue for many of our European partners. It is an important part of the overall financial structure in London and it is not easily separated from the other activities that operate in London, but in terms of the jobs and value attached to it, it is a relatively small part of the total.

T4. [906775] **Sir Desmond Swayne** (New Forest West) (Con): What is the Chancellor planning to do with Bradford & Bingley's assets?

Mr Hammond: Following the announcement at Budget 2016, UK Asset Resolution Limited has launched a programme of sales of the Bradford & Bingley mortgage assets that it holds. That will be designed to raise sufficient proceeds to repay the £15.65 billion debt to the Financial Services Compensation Scheme and, in turn, the corresponding loan from the Treasury. It is expected, subject to market conditions and ensuring value for money, that this programme of sales will have been concluded in full by the end of 2017-18.

Stewart Malcolm McDonald (Glasgow South) (SNP): The Government gave £5 million in funding for the refurbishment of the Burrell collection in my constituency, with the money coming from cash collected from the LIBOR scandal. Will the Chancellor consider a similar funding scheme for Holmwood house in my constituency, given that it is the bicentenary of the architect's birth next year and it needs some TLC?

Mr Hammond: I am glad that at this stage of the process before the autumn statement, I am able to say that all submissions will be carefully considered, and if the hon. Gentleman would care to let me have something in writing, I will happily look at it.

T5. [906776] **Nigel Huddleston** (Mid Worcestershire) (Con): Will the Chancellor provide an update on what the Government are minded to do about air passenger duty, in response to impending APD changes in Scotland?

Jane Ellison: The Government are reviewing the potential options to support regional airports, following the discussion paper that was published last year, and of course we will set out full details of our response in due course. We received 53 responses to the consultation. They were good, constructive, valuable responses and we are looking carefully at them.

Derek Twigg (Halton) (Lab): What is the Chancellor's assessment of the effect of inflationary pressures on the prices of goods and food over the next 12 months?

Mr Philip Hammond: Clearly, the decline in the value of sterling will have an inflationary impact. How quickly that passes through into the UK economy is a subject of modelling by all economists who carry out these types of analyses. The Bank of England will very shortly be publishing its next inflation report, and that should give an indication of the forward trajectory.

T6. [906777] **Mr Philip Hollobone** (Kettering) (Con): Under what circumstances would my right hon. Friend the Chancellor authorise another round of quantitative easing if requested by the Governor of the Bank of England?

Mr Hammond: I am grateful to my hon. Friend, as he has asked me a very important question. He knows that the operation of monetary policy in the UK is independent of Government. Monetary policy, including measures such as quantitative easing, has been highly effective in supporting the economy. Because of the fiscal implications of an indemnity for the Bank, packages have to be formally agreed by the Chancellor. Although I cannot prejudge any hypothetical request, no request for quantitative easing has ever been refused, and I see no reason why circumstances would be different in future.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): The latest reports on the dash for cash in RBS's Global Restructuring Group show even more misconduct by this bank. Given that we own a majority of RBS shares, does the Chancellor not believe that the UK Government have an obligation to the people of this country to conduct a robust investigation into the allegations of misconduct?

The Economic Secretary to the Treasury (Simon Kirby): The Financial Conduct Authority is looking at this important issue, and we will wait on its view.

Mr Speaker: Michael Fabricant—not here. That is unprecedented in the history of my being in the Chair. I have never known the hon. Gentleman not to be here, but, fortunately, Mr Philip Davies is here.

T9. [906780] **Philip Davies** (Shipley) (Con): How much UK taxpayers' money used to bail out and to loan to other EU countries by the EU has been repaid to the UK, and how much is still outstanding? What is the Chancellor doing to ensure that we get all that money back when we leave the European Union?

The Chief Secretary to the Treasury (Mr David Gauke): No UK taxpayers' money has been used in the EU's lending to other member states. Only in the event of default would the UK be asked to pay its share.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): What impact has the Secretary of State made of his predecessor's austerity economics on the nation's prosperity and would he like to apologise for that divisive and discredited ideology?

Mr Philip Hammond: I assume that the hon. Lady means what assessment I have made. Since 2010, we have brought this country back from the very brink. We have borrowing down from more than 10% of GDP to around 4% with more to deliver. We have created 2.7 million new jobs, making this economy the fastest growing in the G7 for the past three years, and the fastest job creator in the developed world. That is a record of which we can be proud.

T10. [906781] **Mrs Cheryl Gillan** (Chesham and Amersham) (Con): To what level must the astronomical costs of HS2 rise before the Chancellor advises his colleagues that the project is no longer good value for money for the taxpayer?

Mr Gauke: We believe that HS2 is part of modernising our transport system and ensuring that we have infrastructure fit for the 21st century.

George Kerevan (East Lothian) (SNP): In light of the upcoming report of the RBS's Global Restructuring Group and given that past systems of redress for small businesses have been ad hoc and have failed, will the Chancellor meet the all-party group for fair business banking to see whether we can involve a permanent and effective system of redress?

Simon Kirby: The hon. Gentleman makes a fair point, but we should wait until we receive the FCA report before we proceed.

Robert Jenrick (Newark) (Con): Mr Speaker, you will have seen the latest Office for National Statistics survey that found that Newark is the happiest place in mainland Britain. However, what is testing the people of Newark is the appalling state of their local roads. Will the Chancellor do another favour for Newark, and in his autumn statement bring forward the new Newark northern bypass?

Mr Philip Hammond: As a former resident of my hon. Friend's constituency, I am delighted to acknowledge that it is the happiest place in Britain. Certainly some of my happiest times and memories are of living there. As I said earlier, we are currently in the process of receiving submissions from hon. Members across the House, and I would be very happy to receive a written submission from my hon. Friend.

Kate Green (Stretford and Urmston) (Lab): As the Chancellor is considering investment in roads in his autumn statement, will he look sympathetically at the need for investment to support the substantial Carrington development in my constituency, both in the M60-M62 network and in the relief road that will be necessary to support journeys in and out of the Carrington area?

Mr Hammond: I do not know the project that the hon. Lady talks about. I assume that it is a housing development, and we are certainly interested in the way in which infrastructure investment can not only deliver in its own right, but enable much-needed housing development. If she would like to let me have a written submission, I would be happy to look at it.

Several hon. Members *rose*—

Mr Speaker: I am afraid that this will be the last topical question.

Alex Chalk (Cheltenham) (Con): Does the Chancellor support Cheltenham's Cyber Innovation Centre, and does he agree that spending on our world-class defence and security assets, such as GCHQ, can play a vital role in nurturing the high-tech civilian jobs of tomorrow?

Mr Hammond: Yes. I was privileged as Foreign Secretary for two years to have oversight of GCHQ, which is truly a world-class facility, and using that facility not only to ensure Britain's security but to create a cutting-edge business sector is an entirely sensible thing to do. I welcome the success of the Cheltenham Cyber Innovation Centre.

Private Members' Bills

12.36 pm

Mr Charles Walker (Broxbourne) (Con) (*Urgent Question*): To ask the Leader of the House of Commons if he will make a statement on the Government's response to the Procedure Committee's second report of this Session on Private Members' Bills and if he will provide time for that report to be debated.

The Leader of the House of Commons (Mr David Lidington): The Procedure Committee published its report last Tuesday, 18 October. In my evidence to the Committee last Wednesday, 19 October, I said that the Government were considering the report and intended to respond in detail within the normal two-month timeframe. I am happy to confirm that commitment to the House today.

Mr Walker: I thank the Leader of the House for his answer. Too often on Fridays, when we have private Members' Bills, this House bleeds. It bleeds credibility and it bleeds standing. The Government are well aware of that fact. The Procedure Committee has been trying for the past three years to bring its concerns to the attention of the House and to gain Government support for some of our modest recommendations to restore some credibility and some faith in the process.

Our recommendations—the Committee's recommendations—would not necessarily mean that what happened this past Friday would not happen again, but they would demonstrate to the public that we in this place, Back Benchers, take legislation seriously and we take Back-Bench legislation seriously. The truth is that, without the will on behalf of the Government to change Fridays, we will still have too many days when we leave this place downcast and somewhat ashamed at the proceedings that have gone on before us.

We have a listening and concerned Leader of the House. I hope that he will receive our recommendations in a positive way and accept some small part of them, particularly that part that would allow the Backbench Business Committee to assign up to the first four private Members' Bill slots to Members. That would encourage serious legislators in this place to invest time and energy, working with one another for a year or more, to come up with a legislative proposition that, if it did not command the support of the House, would at least demand the attention of the House when it was brought before it.

Mr Lidington: My hon. Friend has provided a succinct summary of some of the key recommendations of his Committee's report. He has campaigned strongly and honourably for procedural changes to try to enhance the status of Friday debates on private Members' Bills. I gave him an undertaking in an evidence session with his Committee last week that the Government would look seriously at his Committee's most recent report. Clearly, we will need both to consider his recommendations and to have collective discussion in the Government before publishing our response, but that we will do.

Valerie Vaz (Walsall South) (Lab): I thank the hon. Member for Broxbourne (Mr Walker) for his urgent question. I well remember as a new Member coming in here on a Friday when there was a debate on a private

Member's Bill on daylight saving and Members took so long to talk it out that it was dark by the time we left the Chamber.

One of the recommendations is that the Backbench Business Committee should decide which Bills are worthy of going forward. May I ask the Leader of the House whether the Committee will be expanded on a cross-party basis? It currently has two members from the Opposition, five from the Government party and one from the Scottish National party. The smaller parties are not represented at all.

Does it not appear that the Government would be in control of which Bills are picked? Therefore, will the Committee's terms of reference and the objectives have to change? Will the Leader of the House have to provide extra time for these Bills, or will they eat into other House business that is currently protected such as Opposition days and Backbench Business debates? When the Bills are picked by the Committee, will they become part of days devoted to Backbench Business debates? If the Government say that they support a Bill, rather than talk it out as the Under-Secretary of State for Justice, the hon. Member for East Surrey (Mr Gyimah), did last Friday, can they not set up a Bill Committee to go through the clauses and amend the measure, just as we do for other legislation? Alternatively, they can come clean and say that they do not support the Bill.

Will the Leader of the House have to look at changing the right of a Member to present a Bill under a ten-minute rule motion and at the procedure for doing so? Finally, he kindly said that he will report back to the House within two months—is that before or after Christmas?

Mr Lidington: Our intention is to publish the Government's response within the two-month timeframe that has been long established under the conventions of the House. We will respond in detail to the proposals from the Procedure Committee. I am always willing to look with an open mind at proposals, whether from the hon. Lady or from other hon. Members, for changes to our procedures that command significant and, ideally, cross-party support. I do not intend this to be in any way a rejection of what she said, but sometimes proposals are made that, when examined more closely, turn out to have the support of a minority of Members, who feel strongly, but which do not command widespread support.

To respond to another point that the hon. Lady made, it remains the case, as it always has, that if a promoter of a private Member's Bill has sufficient support among colleagues in all parts of the House to deal with closure motions or insist on a Second Reading, they can do so. Their ability to do so would reflect a genuine surge of support for their Bill from the House as a whole.

Sir Alan Haselhurst (Saffron Walden) (Con): As someone who has probably had the privilege of listening to more Friday debates than any other serving Member, I support the vehemence of my hon. Friend the Member for Broxbourne (Mr Walker), if not all the recommendations of the Procedure Committee. I hope that the Leader of the House is prepared to allow a fuller debate in which different ideas can be put forward, because we have really got to change the present arrangements.

Mr Lidington: I am happy to discuss further with my right hon. Friend his particular experience as a former Chairman of Ways and Means. I will consider the

request for time to be made available, although I would gently say that time is available in the House for debates that is not within the gift of the Government but within the gift of Back Benchers.

Pete Wishart (Perth and North Perthshire) (SNP): I do not think that we have ever witnessed such a depressing and dispiriting spectacle as the one we saw on Friday. A Government Minister got to his feet to talk out a private Member's Bill. It was not political knockabout or a party political issue: it was a private Member's Bill designed sensitively to try to ensure that generations of gay men were pardoned for crimes that no longer exist.

The public could not hold the way in which we conduct business in the House in more contempt. On Friday, they were proved right, and every single fear about the way in which we conduct business was justified. I totally support the hon. Member for Broxbourne (Mr Walker) in his attempt to ensure that we do something about the appalling way in which we deal with private Members' Bills. It is the one opportunity that we have as Back Benchers to engage in the legislative process and to ensure that we get things on the statute book. We cannot continue to do things as we did on Friday, so I appeal to the Leader of the House to look at the report, treat it seriously and introduce solid plans so that we never, ever get the disgrace of Friday on the Floor of the House again.

Mr Lidington: I repeat the undertaking that I have given once this afternoon that the Government will indeed consider the report from the Procedure Committee very carefully and publish our response to it. As regards last Friday, the Under-Secretary of State for Justice, my hon. Friend the Member for East Surrey (Mr Gyimah), was speaking at 2.30 pm, having spoken for 26 minutes. During that time he took seven interventions, including at least two from the Scottish National party Benches, and refused four SNP requests to give way. I would have hoped that, on reflection after the weekend, the hon. Gentleman and his party would be willing to welcome the fact that the Government's chosen course of moving an amendment to a Government Bill ensures that the legislative change that the hon. Gentleman and I both want to see will come into effect more swiftly and with many fewer risks that somebody convicted of an offence against a child would receive a pardon than would be the case if we had gone ahead with his hon. Friend's Bill.

Several hon. Members *rose*—

Mr Speaker: Order. I intend to terminate exchanges on the urgent question 30 minutes after they started. I would like to accommodate all colleagues, but extreme brevity is required. We will be led in this exercise by Mrs Cheryl Gillan.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The Leader of the House and I entered the House at the same time in 1992 and we spent an awful lot of time in this Chamber, often sitting through the night. Friday is a good constituency day for many Members of Parliament. Would the Leader of the House look at the possibility of debating private Members' Bills on other days of the week or even in the evenings when Members are here?

Mr Lidington: As my right hon. Friend knows, that subject has been raised many times. The views and interests of Members vary a great deal on the issue that she has addressed to us.

Mr George Howarth (Knowsley) (Lab): The Chair and members of the Procedure Committee are to be congratulated on putting forward what I believe are, taken together, a set of good proposals that point the way forward. Will the Leader of the House, who has a reputation as being a reasonable man, acknowledge that the current procedures as they now operate bring this House into disrepute? Does he accept that this short report—the main body of it is only 18 pages long—provides a way forward, and will he undertake to look at it quickly and arrive at what we hope will be a favourable decision as quickly as possible?

Mr Lidington: We will certainly consider the report as quickly as we can, but equally we want to make sure that we have given serious and proper consideration to the various proposals that the Committee has made. It is important that legislation, whether it stems from Government or from a private Member's Bill, is thoroughly scrutinised in the House of Commons and enjoys a clear majority of support across the House. It would be wrong for legislation that lacked that support or that scrutiny to hit the statute book.

Mr Mark Harper (Forest of Dean) (Con): You will remember, Mr Speaker, that, before I was fortunate to be in government, I was a regular attender on Fridays. Who knows, now that I am back on the Back Benches, I may well become so again. From my observations it seems to me that the real problem with Fridays is that many colleagues profess support for measures, but do not consider them important enough to bother appearing here in this House of Commons when it is sitting. That is the problem, and Members have it within their own power to deal with that by turning up here and supporting measures that they feel command the support of the House.

Mr Lidington: My right hon. Friend makes a very good point. Last Friday a closure motion was moved, but only 57 Members were present to vote in its support.

Caroline Lucas (Brighton, Pavilion) (Green): I am surprised by what sounds like complacency from the Leader of the House. He knows that one of the reasons that Members cannot always be here is constituency obligations. When we know that his own Minister is going to talk out a Bill, that devalues this place. More than 130,000 people signed a petition when my National Health Service Bill was talked out earlier this year, so can he demonstrate greater seriousness and greater urgency in tackling this massive area of reputational damage to this House?

Mr Lidington: I said that we would consider seriously the proposals from the Committee. The hon. Lady needs to reflect on why her Bill failed to get the support of the majority of MPs.

Philip Davies (Shipley) (Con): Does the Leader of the House agree that if people are particularly unhappy about a Bill not getting through on a Friday, they

[Philip Davies]

should make the effort to turn up to support it, because if at least 100 people turn up to support the first Bill that is taken, it will go through despite any opposition or attempt to block it? Does he agree that it is not too much to expect any Bill that goes through this House to have the support of 100 MPs?

Mr Lidington: I do not always agree with my hon. Friend, but on this occasion he makes a very reasonable point.

Chris Bryant (Rhondda) (Lab): The thing is that tens of thousands of people were watching the debate last Friday as though it really were a matter of life and death for them, because it was about their own sense of shame, how society had treated them, and whether they would have a possibility of real exoneration. For all the fine words that we hear about 100 Members and all the rest of it, the truth is that last Friday brought the House into disrepute. I have no beef with the Minister; the problem is that the system encourages Ministers to do that week after week. The system is bust and it needs mending.

Mr Lidington: I repeat that as a result of the course that the Government have chosen, Turing's law will now be enacted within weeks as part of a Government Bill, together with safeguards to ensure that anyone who is not supposed to receive a disregard or pardon will not be able to secure it by subterfuge.

Dr Sarah Wollaston (Totnes) (Con): I fully support my hon. Friend the Chair of the Procedure Committee. Will the Leader of the House respond to the question he has been asked as to whether he accepts that the existing arrangements bring this House into disrepute? I believe that they do.

Mr Lidington: We will respond in full to the Committee's report. Over the years, many criticisms of the private Members' Bill procedure have been made from different quarters. I will take seriously the proposals the Committee has made. However, we also need to ensure that under our procedures, legislation does not reach the statute book, perhaps even creating criminal offences affecting our constituents, unless there is clear demonstrable support within Parliament among a majority of Members for it to be enacted.

Kirsten Oswald (East Renfrewshire) (SNP): Does the Leader of the House understand that the people watching the unedifying carryings-on in this place when private Members' Bills, such as that of my hon. Friend the Member for East Dunbartonshire (John Nicolson), are talked out, feel appalled and completely disfranchised? Does he truly think that his Government are acting in good faith in letting this situation continue any longer?

Mr Lidington: As I said, no complaints were made last Friday about filibustering. The Minister took a very large number of interventions during the course of his remarks, as is his normal courteous practice when speaking from the Dispatch Box. The hon. Member for East Dunbartonshire (John Nicolson), the promoter of the Bill debated last Friday, was told by the Government

about a month ahead of the Second Reading debate that they would not be able to support it as he had at that time envisaged it.

Mr David Nuttall (Bury North) (Con): May I urge my right hon. Friend, when he schedules the debate on the Procedure Committee's report, to provide sufficient time to allow a full discussion of all the aspects of the private Members' Bill procedure, because part of the problem seems to be that not every Member of this House fully understands what the procedure is?

Mr Lidington: It is a good bit of advice to all Members of the House, recently arrived or more senior, to be thoroughly cognisant of its procedures and to do additional homework from time to time.

Mr Ben Bradshaw (Exeter) (Lab): As this weekend, yet again, we are plunged needlessly into winter darkness, what happened to the Daylight Saving Bill is a very good example of the Leader of the House being wrong when he says that if a Bill has overwhelming support it can proceed. That Bill did proceed, but the Government killed it by not implementing its provisions. Will he fully accept the recommendations of the Committee in order to restore public confidence and the reputation of this House?

Mr Lidington: That is obviously a matter for other Ministers, and I shall draw the right hon. Gentleman's remarks to their attention. However, there was, I recall, very strong opposition in certain parts of the United Kingdom, particularly from Scotland and Northern Ireland, to the daylight saving measure that he supported.

Mr Peter Bone (Wellingborough) (Con): I voted for the closure motion on Friday. The problem was that there were not enough Members here; that is the reason the Bill did not proceed. However, there are occasions when a Bill does get to Committee and can pass this House on Second Reading but is blocked by the lack of provision of a money resolution. That needs reforming. We need to debate this as soon as possible, because there are areas that do need reform.

Mr Lidington: The issue of money resolutions was mentioned in the Procedure Committee's report, so the Government will respond on it in due course.

Alan Brown (Kilmarnock and Loudoun) (SNP): Instead of listening, it seems that the Leader of the House is hiding behind excuses about the closure motion not being supported, complacency about filibustering, and the fact that the Minister spoke for 26 minutes. The Minister treated this place, and the viewing public, with contempt. Will the Leader of the House commit to his Government not treating this place with contempt?

Mr Lidington: I completely reject the aspersions that the hon. Gentleman casts on the Minister, who handled last Friday's business in a thoroughly reasonable and courteous fashion. The hon. Gentleman might ask himself why, if he and his colleagues genuinely wanted the Bill to reach the statute book, it was published only a couple of days before the Second Reading debate.

Kevin Foster (Torbay) (Con): As a veteran of sitting through talk-outs and the sleep-out, I have seen all sides of the private Members' Bill process. Does the Leader of the House agree that while there may be merit in the Backbench Business Committee being able to schedule Bills that have widespread support, it must still remain difficult to get it debated, and the key reform is that people should show up to debates?

Mr Lidington: My hon. Friend makes a very telling point.

Ian C. Lucas (Wrexham) (Lab): Is not the real reason there is a bankruptcy of confidence in the private Members' Bill system that the Government can always kill a Bill by using methods that are sometimes hidden and sometimes open? We need a shaft of sunlight on this system so that we can restore some confidence. Let us have a debate on it.

Mr Lidington: The convention for many years, under successive Governments, has been that the Government make their view on private Members' Bills plain during the course of a Second Reading debate. I return to the point that a private Member's Bill that enjoys genuine majority support within the House has a decent chance of success.

Bob Blackman (Harrow East) (Con): This Friday, I will have the opportunity to present my Bill, which has all-party support and has been properly scrutinised before getting to this place. Does my right hon. Friend agree that we should not have a lottery to get serious legislation on to the statute book, but require the case to be argued before a Committee before we get to that stage?

Mr Lidington: In the light of the Procedure Committee's recommendations, I would be genuinely interested in whether my hon. Friend's suggestion represents the view of the House as a whole, or whether more Members feel that they might lose out through the abolition of the lottery, which very many Back-Bench Members in all parts of the House prize as a great annual occasion.

Helen Goodman (Bishop Auckland) (Lab): When I was briefly Deputy Leader of the House, I had responsibility for private Members' Bills. I found that, in practice, it was not Ministers in other Departments who were opposed to them, but officials in the Cabinet Office who did not want to devote the time to the briefings. The right hon. Gentleman has the opportunity to be a reforming Leader of the House and to improve on the performance of his recent successors—will he take it?

Mr Lidington: We shall consider all the recommendations of the Committee and respond within the timescale that the House usually expects.

Jake Berry (Rossendale and Darwen) (Con): As I am someone who, in the previous Parliament, had the privilege of bringing a private Member's Bill through this place, I hope that the Leader of the House will give serious consideration to reforms to the system. When I listened to coverage of the day's proceedings on Friday night, my toes curled with embarrassment at the shabby treatment of the Turing Bill.

Mr Lidington: As someone who has also managed to get a private Member's Bill on to the statute book, I understand my hon. Friend's sense of pride. I reiterate that the Government, and the Minister in particular, have nothing to apologise for in the way that Friday's business was handled. The fact that we now have an amendment tabled in the name of a Liberal Democrat Member of the House of Lords means, most assuredly, that the Turing Bill will be on the statute book much more quickly than if we had resorted to the private Members' Bill route.

Kirsty Blackman (Aberdeen North) (SNP): In too many places the Standing Orders of this House give power to the Government at the expense of Parliament. Will the Leader of the House admit that he will not make changes to the private Members' Bill process because he does not want the Government to cede any power?

Mr Lidington: I point out to the hon. Lady that, through such measures as the creation of the Backbench Business Committee and the provision for the direct election of Select Committee Chairs, we now have a Parliament—a legislature—that is more powerful, less deferential and more outspoken than at any time during my 24 years of service.

Mr Speaker: Jolly good thing, too.

Mr Philip Hollobone (Kettering) (Con): Will the Leader of the House remind the Procedure Committee that there are, in fact, 52 Fridays in any year; that Members can attend all 13 private Members' Bill Fridays and still have 39 constituency Fridays; and that, given that they involve creating laws of the land and that there are 650 Members, asking 100 Members to turn up to support any Bill really is not too much to ask?

Mr Lidington: I agree completely with my hon. Friend.

Nick Thomas-Symonds (Torfaen) (Lab): A constituent wrote to me after last Friday's filibustering to say, "How on earth can this happen in this day and age?" If the Leader of the House responds positively to the report, will that not at least do something to improve the reputation of this House?

Mr Lidington: I do not know whether the hon. Gentleman was one of the 57 who voted in favour of the closure motion, or whether he was elsewhere at the time. Anyone who read the Minister's speech on Friday in *Hansard*, or his subsequent article in *PinkNews*, will understand and sympathise with the arguments that he posed and will welcome the Government's proposed legislation to give effect to the Turing Bill.

Patrick Grady (Glasgow North) (SNP): Is it not the case that the Government accepted the Sharkey amendment simply because my hon. Friend the Member for East Dunbartonshire (John Nicolson) won a raffle? Does he agree that the Procedure Committee's report brings us closer to the Scottish Parliament system, whereby a Bill that can demonstrate genuine cross-party support can continue to progress through the legislative process, or does he think that that is not the best way to proceed?

Mr Lidington: The reason we are introducing this legislation is that it was a Conservative manifesto commitment.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): SNP Members regard Friday as an extremely important opportunity to work in our constituencies. It is, therefore, not only frustrating for us, but incredibly disrespectful to our constituents, when private Members' Bills are talked out. Will the Government look seriously at the report's recommendations, in particular those that tackle the issue of filibustering?

Mr Lidington: No complaint was made about filibustering during the debate on Friday. Members on both sides of the House took part, and my hon. Friend the Minister spoke for a perfectly reasonable length of time and took seven different interventions during the course of his speech. The hon. Lady ought to reflect on that and welcome what the Government have done, which is provide a better, surer course of action than that proposed by her party.

Peter Grant (Glenrothes) (SNP): May I correct the Leader of the House? In my speech I explicitly said that if the Bill was deliberately talked out by the Government, what should have been one of the brightest days in this Parliament's history would become one of its darkest. May I therefore invite him to withdraw the suggestion that no complaints were made during the debate? Will the Leader of the House also confirm that several of the interventions that the Minister took were specifically from Back Benchers pleading with him to sit down, stop filibustering and give the democratic, elected Chamber the chance to make a decision?

Given that the Leader of the House is convinced that if a Member cannot get 100 Members in here to support a Bill, it does not deserve to go through, will he tell us how many Members were in this Chamber last night when the Health Service Medical Supplies (Costs) Bill was given its Second Reading?

Mr Speaker: Order. That last point has absolutely nothing to do with the Procedure Committee report. I am sure that the coming off of the topic was entirely inadvertent on the part of the hon. Gentleman, and it therefore requires no reply.

Mr Lidington: We will respond to the report in due course. The problem with the Bill that was debated last Friday is that it was flawed, in that it would have made it possible for people who are living today to receive a blanket pardon, even if they have been properly convicted of offences against minors or offences involving non-consensual sex. That is why the Government consistently took the view that the disregard procedure needed to be followed, and why we have taken swift action to provide for such a scheme though proposed Government legislation to give effect to the Turing Bill.

Airport Capacity

1.4 pm

The Secretary of State for Transport (Chris Grayling): With permission, Mr Speaker, I would like to make a statement about airport policy.

Last year, the independent Airports Commission delivered its final report under the chairmanship of Sir Howard Davies. I would like to pay tribute to the quality and professionalism of the commission's work and express my thanks to all its members. The commission concluded that we need more capacity in the south-east and put forward three viable options for expansion. It unanimously agreed that the proposed north-west runway at Heathrow presented the strongest case. In December, my predecessor came to the House to announce that the Government accepted the commission's assessment of the need for additional capacity, but made clear that further work was required before a decision could be made on the location of a new runway. That work is now complete.

This is a momentous step for our country. The decisions taken earlier today, which I shall outline in a moment, are long overdue, but they will serve our country for generations to come. I know that some Members have strong convictions on this issue and that everyone in this House will understand the significance of this announcement for jobs; an economy that works for everyone; passengers; the global importance of our country; the environment; and people affected by expansion. It also sends a very clear message that this country is open for business.

It is not an easy issue or a simple process. I make no apologies for the fact that we have taken time to get it right, but today also shows that this is a Government who are unafraid to take difficult decisions and get on with the job. Before I outline the decision that the Government have reached, I want to explain how today's announcement fits within the planning process and the opportunities that Members will have to contribute.

In the new year, we will bring forward a draft national policy statement, which will include the details of the proposed scheme. As required under legislation, it will be subject to a full and extensive public consultation, followed by a period of parliamentary scrutiny. Only once Members have voted on the final national policy statement and it has been designated will the airport be able to make a detailed planning application.

Strong connections with global partners and the ability to trade with new and growing markets are vital to securing Britain's place in the world. The UK currently has the third largest aviation network in the world—second only to the United States and China—contributing more than £22 billion to UK GDP. We have the second largest aerospace manufacturing sector, which generates annual exports of £26 billion. Our aviation industry supports almost 1 million jobs and invests £1.7 billion every year in research and development. Last year, UK airports handled more than 250 million passengers—up 5% on 2014—and 2.3 million tonnes of freight.

Heathrow is the busiest two-runway airport in the world, and Gatwick the busiest single-runway airport. Indeed, the London system will be almost entirely full by 2030, with the exception of a small amount of capacity at Luton, and that will be taken up soon

afterwards. If we do nothing, the cost to our nation will be significant, amounting to more than £20 billion over 60 years through delays, fewer flights and passengers having to fly from airports elsewhere. In addition, the wider impacts on our economy will be in the region of £30 billion to £45 billion. That is why the decision we have reached today is so important to the future of our country, not just to tackle the immediate shortage of airport capacity, but to set our country on a course to even greater prosperity for future generations.

I have spent a considerable amount of time this summer visiting the different schemes, talking to their promoters, and assessing their strengths and weaknesses. I have been genuinely impressed by the quality of choice available to us and the detailed work that has been put into the three plans. Any one of them would bring benefits to our country. At the end of its work, however, the Airports Commission made a clear and unanimous recommendation to the Government—that we should accept the proposal to build a new north-west runway at Heathrow, subject to a package of measures to make expansion more acceptable to the airport's local community. Since the publication of that recommendation, my Department has studied in detail not only the report, but new and supplementary information that has emerged about the different options since.

The commission's report and the subsequent information formed the basis of the discussion that took place this morning at the Cabinet Sub-Committee. As a result of that discussion, the Government have decided to accept the recommendation. We believe that the expansion of Heathrow airport and the north-west runway scheme, in combination with a significant package of supporting measures on the scale recommended by the Airports Commission, offers the greatest benefit to passengers and business, and will help us to deliver the broadest possible benefit to the whole United Kingdom. That approach will deliver the greatest economic and strategic benefits for our economy. It will strengthen connectivity for passengers right across the United Kingdom. It offers a major boost to freight operators. It can be delivered within carbon and air quality limits and, crucially, it comes with world-leading measures to limit the impacts on those living nearby.

In addition to the benefits identified by the commission, the scheme will deliver the connectivity and hub capacity that the UK needs to compete with fast-growing European and middle eastern hubs. The airport's location means it is more accessible to business and the rest of the United Kingdom by both road and rail. Access to Heathrow is more resilient, and it is better placed as the national freight hub. Ultimately, the proposal will bring the largest benefit to passengers and the wider economy: up to £61 billion over 60 years. But we are not alone in this view. UK airlines and businesses are also clear that Heathrow is the right place to expand.

Before I continue, I would like to pay genuine tribute to the promoters of the other two schemes considered by the Sub-Committee. As I have said, both presented well-developed and compelling cases for new capacity. In particular, I would like to place on record the fact that Gatwick, despite not being selected today, remains a key part of our national transport picture and will continue to do so in the future.

I want to be clear that expansion will not be at any cost to local people, to passengers or to industry. We have to make three assurances. The first is about making

Heathrow a better neighbour. We must tackle air quality and noise, and meet our obligations on carbon both during and after construction. Air quality is a significant national health issue that the Government take immensely seriously. That was why we undertook further work, which confirms the commission's original conclusion that a new runway at Heathrow is deliverable within air quality limits. We remain committed to ensuring that that remains the case. The airport has already committed to industry-leading measures to mitigate air quality impacts. Furthermore, the Government will grant development consent only if we remain satisfied that a new runway will not impact on the UK's compliance with its air quality obligations.

The broader issue of air quality is something that the Government take very seriously, and the updated evidence base shows clearly that the biggest challenge we face is not the expansion of an airport, but the levels of emissions in urban areas more generally. That is the very reason for our national air quality plan. As part of our ongoing work on air quality, my Department has embarked on a joint project with the Department for Environment, Food and Rural Affairs and the Treasury to identify further ways in which we can tackle the issue. By the time a new runway opens in the next decade, we intend to have made substantial progress on tackling such air quality challenges across our nation as a whole.

On the issue of noise, no airport can be silent, but technology is making aircraft quieter. The new generation of aircraft coming into service have a noise footprint that is typically 50% smaller on departure, and at least 30% smaller on arrival, than that of the aircraft they are replacing. Although planes are getting quieter, however, they still have an impact, which is why we will expect a six-and-a-half hour ban on scheduled flights each night to be a requirement for development consent. That would also see the airport held to clear and legally enforceable noise performance targets. Even with expansion, therefore, fewer people will be affected by aircraft noise than is the case today. We also recognise the importance of providing local residents with a clear, predictable timetable of respite from aircraft noise. That is something local communities value, and we will ensure that it continues once a new runway is built.

I recognise that the decision will have a big impact on people who live close to Heathrow, which is why we have insisted on a world-class package of supporting measures. Communities affected by the decision will be supported by up to £2.6 billion towards compensation, noise insulation for homes and schools, improvements to public facilities and other measures. For those whose homes need to be bought to make way for the new runway, Heathrow plans to pay 25% above the full market value of those homes and to cover all costs, including stamp duty, moving and legal fees. That offer is significantly above the statutory requirement. In addition, I can announce the creation of a community compensation fund. Local authorities will benefit from our policy of local retention of business rates.

The second assurance is on costs for airlines and passengers. A new runway will bring in new capacity to meet demand and allow for greater levels of competition, which will lower fares relative to no expansion, even after the costs of construction are taken into account. This is an investment in our country's future. It will deliver major economic and strategic benefits to the UK, but they must be delivered without hitting passengers

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in the pocket. The Airports Commission has made it clear that that is achievable, as has the Civil Aviation Authority. It is important to send the message that this is not expansion at any cost, but the right scheme at the right price. I expect the industry to work together to drive down costs for the benefit of passengers. As the regulator, the CAA will have a vital part to play in achieving that and ensuring that new capacity fosters competition. Its aim should be to deliver a plan for expansion that keeps landing charges close to current levels, and I have full confidence in its ability to do so.

The third assurance is about how the expanded airport will benefit the whole of the UK, not just by creating jobs across the airport's UK-wide supply chain, but by giving even more of the UK access to important international markets by strengthening existing domestic links and developing new connections to regions that are not currently served. The airport expects to add six more domestic routes across the UK by 2030, bringing the total to 14. That will strengthen existing links to nations and regions such as Northern Ireland, Scotland and the north of England, and allow the development of new connections to regions such as the south-west.

I am determined that Heathrow will meet those pledges and that the Government will hold the airport to account on them. Furthermore, the Government will take all necessary steps, including, where appropriate, ring-fencing a suitable proportion of new slots for domestic routes through public service obligations to enhance connectivity within the United Kingdom. It is important to stress that this is a decision in the national interest; it is not just about the south-east of England.

A new runway will strengthen the aviation sector across the whole nation, but we need to do even more. Our airspace is out of date. Modernising it will boost the sector and help to further reduce noise and carbon emissions. We will soon introduce proposals to support improvements to the airspace and to manage noise, which will include a consideration of the way in which affected communities can be engaged and whether there is a role for a new independent aviation noise body such as the commission recommended.

Let me turn to what happens next. There have been recent suggestions in the media that the process has been slowed down or somehow delayed. In fact, the opposite is true. Members will remember the saga of the planning process behind terminal 5, which took years to resolve. Following that, the national policy statement process, which was created by the previous Labour Government in the Planning Act 2008 and improved through the Localism Act 2011, was designed to speed up major projects, but in an open and fair manner. By setting out now why we believe that there is a need for new runway capacity, along with the supporting evidence, we will fulfil our legal obligations to consult the public and allow Members to vote on the proposal before it becomes national policy. That is what the law requires. That means that Heathrow will be able to submit a planning application safe in the knowledge that the high-level arguments have been settled and will not be reopened.

Today, the Government have reached a view on their preferred scheme, and the national policy statement that we will publish in the new year will set out in more

detail why we believe it is the right one for the UK. It will also set out in more detail the conditions we wish to place on the development, including the supporting measures I outlined. We want to make sure that we have considered all the evidence and heard the voices of all those who might be affected and, of course, of those who will benefit. The consultation will start in the new year, and I can announce today that I have appointed Sir Jeremy Sullivan, the former Senior President of Tribunals, to oversee the consultation process. This is an independent role, and Sir Jeremy will be responsible for holding the Government to account and for ensuring that best practice is upheld.

The issue of runway capacity in the south-east has challenged successive Administrations for decades. There are strong feelings both for and against a third runway at Heathrow. This is not the scheme that was previously promoted in 2009. It does much more to mitigate environmental impacts, to compensate communities and to distribute benefits across the nation. This is an issue of vital national interest that touches every part of our United Kingdom. It is vital to the economic prosperity and global status of our nation, and I commend this statement to the House.

1.21 pm

Andy McDonald (Middlesbrough) (Lab): Although I thank the Secretary of State for giving me advance sight of his statement, it cannot pass without comment that this decision has been widely leaked throughout the media during the past number of hours in advance of it being sent to me and of being announced to the House. It is simply unacceptable for such a decision to be announced in this manner; it is totally disrespectful to Members and the House. Be that as it may, aviation is crucial to our nation's economy and our future as an outward-looking trading nation. That will be even more the case in the light of the vote to leave the European Union, so we welcome the fact that a decision on the preferred location has now been made. I hope we can put the years of procrastination and delay behind us.

Despite the Secretary of State's proclamation that the work is now complete, today's announcement is not the end of the process, but merely the start of it. It beggars belief that it has taken Ministers more than a year since the publication of the Davies report even to make a start. Just what have they been doing for all these months, apart from worrying about splits in the Cabinet, or about the Foreign Secretary throwing himself in front of the bulldozers and former mayoral candidates triggering by-elections? There is no justification for dithering on this scale. The Secretary of State has failed to provide the shorter timescale for getting to the national policy statement that was set out by the Transport Committee.

We cannot bring back the time that Ministers have already wasted, so over the coming months it will be vital that there is proper engagement, and full and fair consultation with all the interested parties, so that we secure an outcome that stands the test of time. It is essential that there is proper forensic examination and scrutiny. Labour has consistently said that support for any such decision will be conditional: first, on sufficient capacity being delivered; secondly, on meeting the UK's legal climate change obligations; thirdly, on local noise

and environmental impacts being managed and minimised; and, fourthly, on the benefits not being confined to London and the south-east.

Labour fully recognises the need for runway expansion in the south-east of England, but following today's announcement, it could be a decade before an additional runway is operational. We face capacity challenges here and now, but we heard nothing in the Secretary of State's statement about how the Government intend to tackle the immediate shortage of airport capacity. What are his plans to utilise existing capacity in the south-east at Stansted and Luton—and, indeed, elsewhere?

There was also no mention of more utilisation of our international gateways. What message does that send to Stansted, Manchester, Birmingham and East Midlands, and what message does it send about the Government's commitment to the so-called northern powerhouse and the midlands engine? Surface access to many of our international gateways around the UK needs improving, yet it is unclear what action the Government are taking. That is why Labour is calling for the new National Infrastructure Commission to examine the road and rail needs of airports outside the south-east. I urge the Secretary of State to support that proposal as well as Labour's call to update the West Anglia line to improve rail services to Stansted, and to have better connectivity to Luton airport.

The Government must ensure that we do not fall short of our legal climate change obligations. We have but one planet, and it is essential that the UK plays a leading role in ensuring that agreed reductions in carbon emissions are met. Sustainable Aviation believes that UK aviation could reduce its carbon dioxide emissions by up to 24% by 2050 through the deployment of sustainable alternative fuels. Other countries have made considerable progress but, sadly, the lack of commitment and clarity from our Government caused the collapse of the British Airways green sky project. May we hear more from the Government about what steps will be taken to meet our climate change targets, particularly on developing sustainable fuels and progressing the consultation on the inclusion of aviation in the renewable transport fuels obligation?

After the Davies commission, the Government announced that they wanted to look further at environmental matters and, in particular, at air quality. As was revealed in *The Guardian* last week, David Cameron's former policy adviser at No. 10 warned the then Prime Minister a year ago that he was "exposed on Heathrow", because the Government did not have an answer about the effect on air quality. Indeed, the need for further work on air quality was the reason given for the delay, yet there was not a single reference in the Secretary of State's statement to explain what work on that has been completed or how such work has informed his position. Will he publish—I hope he will—the additional work that he tells us the Government have done post-Davies so that those inside and outside the House can scrutinise it properly?

It is essential that the unacceptable levels of nitrogen dioxide and particulates from diesel engines are reduced because their direct impact on the health and wellbeing of tens of thousands of citizens simply cannot be ignored or tolerated. Direct measures are needed to lower emissions across the nation, especially in areas

with a high concentration of emissions. I urge the Secretary of State to be unrelenting in his pursuit of improved air quality.

The commission recommended establishing an independent aviation noise authority, so will the Secretary of State immediately advise us about the Government's intentions in that respect? Our air traffic management infrastructure is ancient, and modernisation would secure great dividends not only in terms of carbon emissions, but through considerable mitigations on noise and air quality. What steps is he taking to ensure that the modernisation that is so urgently needed is prioritised and progressed?

On our fourth test that the benefits of expansion are not confined to London and the south-east, it is essential that landing slots affording better connectivity and trading links for our nations and regions are maintained in the longer term. Any assurances that the Secretary of State can give in that respect would be most welcome. Will he also assure the House that the entire UK will be afforded a proper opportunity to engage in the construction process? Perhaps some of the HS2 Ltd protocols can be adopted. You never know, but we might be using UK steel.

The location of an additional runway cannot be the sum total of aviation strategy, so I urge the Secretary of State to press ahead with the full range of measures that are necessary to sustain our successful aviation industry. We must also ensure that the best interests of all the United Kingdom are served, and that the legitimate environmental concerns that have been raised, and that will continue to be raised, are fully addressed. We must do all that we can to protect our precious planet for the generations to come.

Chris Grayling: I will start with the point about the announcement. You know, Mr Speaker, how seriously I, as a former Leader of the House, take such issues. You will also be aware that this matter is highly price sensitive. Indeed, when the Airports Commission published its initial reports, they were launched in a way—they were announced at the start of the morning—that was consistent with a market announcement. That is the approach we have taken with this announcement. I have come to the House at the earliest opportunity to make a statement, and I will take all the questions that Members have for me.

On the timeframe, the hon. Gentleman asked me what we have been doing for the past year. We have been doing precisely what he asked about: working on the issue of air quality. Today and over the coming days, we will publish additional material so that Members, the public and others who are interested will be able to scrutinise in detail the work we have done and the route we have followed to reach this conclusion. Given the particular importance of air quality, he would expect us to make sure that we had done the additional work to satisfy ourselves that this can be done in line with what we all accept are our necessary priorities for reducing emissions levels.

The hon. Gentleman talked about what will happen during the coming months. As I said earlier, yes, there will be a full and proper consultation. That consultation is set out clearly in statute—[*Interruption.*] Despite the murmurings of Opposition Members, the consultation is set out in an Act that Labour rightly passed to improve

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the process of going ahead with such a national project. That is the process we will follow. We will do so in as timely a way as we can, but we cannot short-change a process set out in primary legislation.

On the capacity challenges here and now, there is absolutely nothing to stop new routes being set up tomorrow. We have capacity at Stansted, and new routes have come into Heathrow and Gatwick in the past 12 months. We are not preventing the airports around London that still have capacity—

Richard Burden (Birmingham, Northfield) (Lab): You're not doing anything!

Chris Grayling: The hon. Gentleman talks about not doing anything. With respect, the Opposition do not appear to understand that the airports themselves go out to sell opportunities around the world and bring in new routes. The leaderships of those airports sell Britain as a great destination to fly to and do business in. They will carry on doing that.

There are clearly some big surface access issues to address in connection with this new scheme. However, I remind the hon. Member for Middlesbrough (Andy McDonald) that we are close to completion of Crossrail, which will make a major difference to connectivity to Heathrow, we will shortly be starting improvements to the M25 between Heathrow and Gatwick, and the new Thameslink routes are due to open in about 18 months' time, which will significantly improve links to Luton airport. Things are already happening to improve surface access links to our airports.

Climate change is a very important issue that we take very seriously. I was delighted by the agreement reached at the International Civil Aviation Organisation summit in Montreal recently, which sets a way forward for the aviation industry with international agreement. That is a significant step forward. We agree that a significant challenge remains that we must monitor very carefully, but the Airports Commission said very clearly that the expansion could take place and we could meet our objectives. That is what we intend to do.

The hon. Gentleman mentioned sustainable fuels, and good work is being done on those, by Virgin in this country, for example, and by airlines around the world. The technology will improve as the years go by.

The hon. Gentleman asked what we are doing on air quality. I agree with him that it is a bigger issue for our country, affecting very many of our urban areas. It requires a broad-ranging response to deal with it through clean air zones, as set out in our national air quality strategy, and other measures that we are working on that go beyond that strategy and continue a process of improvement over the coming decade.

I said in my remarks that I would consult on a noise authority and that we would bring forward plans for airspace modernisation. On regional connectivity, I am happy to restate our commitment to hon. Members from Scotland, Wales, Northern Ireland, northern England and the south-west. We are very clear that this expansion must include binding provision for links to those parts of the country. This has to be a benefit to the entire

United Kingdom and it will be. On the hon. Gentleman's last point, Heathrow airport is committed to ensuring that the project will be built using UK steel.

Sir Alan Haselhurst (Saffron Walden) (Con): Will my right hon. Friend acknowledge, in the light of the very courageous decision he has announced to the House, that in the 10 years before the extra runway at Heathrow is available great pressure will descend upon Stansted, to which he has referred? Does he understand that my constituents will expect the same level of compensation and care for them against noise disturbance, and wish the recommendations of the West Anglia task force to be implemented as soon as possible, as life will otherwise become intolerable for everyone on that railway line, whether passengers, employees at the airport or regular commuters?

Chris Grayling: My right hon. Friend has been a passionate advocate for the communities around Stansted for a very long time; I remember visiting the airport with him when I shadowed this brief a decade ago. This is something we must be immensely sensitive to, and I give him a commitment that we will be. We are now looking very carefully at the proposals he was involved in shaping and the set of recommendations that he published recently. I want everything done as soon as is practical to make sure that the links to Stansted are as good as those to London's other airports.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): I welcome the Secretary of State to his place and thank him for early sight of his statement. After what has been world-leading prevarication from his Government, we welcome this decision, which finally almost ends what the Scottish Chambers of Commerce has called the "economic illiteracy" of failing to make a decision. True to form, however, the Government's indecisiveness could not resist one last piece of bad taste fudge to stick in people's throats. The lack of a vote in this House for more than a year will not allow people and companies a true end, and the soap opera will therefore continue.

That said, we welcome the announcement of Heathrow as a preference. Although airport expansion of this type disproportionately benefits the south-east of England, it has strategic consequences for Scottish air routes. In preparation for this announcement, and after more than 18 months of meetings with, among others, airports, campaign groups, business bodies and the UK Government, the Scottish National party Scottish Government have agreed a memorandum of understanding with Heathrow that will bring, among many other things, jobs, an engineering hub and route support to Scotland.

It is now time for the UK Government to ensure a full and fair deal for Scotland. We must see a commitment to addressing those needs. A lot is required. Will the Secretary of State commit to meeting the following wider challenges? First, as he has intimated, will he work with me and the Scottish Government to develop genuine route support and public service obligations, and address Scotland's needs in relation to this development? Secondly, will he make a proper commitment to supporting aircraft biofuels and giving genuine encouragement to carbon-reducing technology in aircraft? Thirdly, will he

go further than he did in his statement and commit to starting immediate work to replace the airspace strategy for the UK, which is more than 50 years old?

Chris Grayling: I am grateful to the SNP for its support for today's announcement. The hon. Gentleman talked about the lack of a vote. I remind him that this is the law. We are following a process that is set out in statute—he is surely not suggesting that we should not follow that process. We will do so in as timely a way as possible, but we have a duty to follow primary legislation.

The hon. Gentleman talked about the benefits the expansion can bring to Scotland. I absolutely agree and will be delighted to work with his party and my counterparts in other parties in Scotland to ensure that Scotland gets a good deal out of all of this. It is not just about Scotland, however, but about the whole United Kingdom. It is about Northern Ireland. It is about making sure that skills development happens in Wales. It is about ensuring better links to the south-west of England, and good links to the north-east—I am going to Newcastle tomorrow, and the north-east is one region that I hope will benefit from today's announcement. This is about the whole United Kingdom and so I have every intention of ensuring that our work is about the whole UK.

The hon. Gentleman raised the airspace modernisation programme. The CAA has already started preparatory work on that, and we need to press ahead with it, not simply because of today's announcement but because we need to change many of the things that unnecessarily use up fuel and cause additional carbon emissions, such as the stacking structures. That work is beginning. We will consult on it extensively over the next two years. That modernisation has to happen alongside the development of the runway plan.

Zac Goldsmith (Richmond Park) (Con): The Government have chosen a course that is not only wrong but doomed. It is wrong because of the million people who will suffer directly on the back of the environmental harm this project unavoidably produces. It is doomed because the complexities, cost and legal complications mean that the project is almost certainly not going to be delivered. I believe it will be a millstone around the Government's neck for many years to come—a constant source of delay, and of anger and betrayal among those people who will be directly affected. There are so many questions one could ask at a statement of this sort that I would not know where to begin, so I simply use this opportunity to put my absolute opposition on the record.

Chris Grayling: I very much respect the sincerity of the views that my hon. Friend holds and the commitment he has made to his constituents on this issue. I know how strongly he will disagree with the decision we have taken today. I hope that he will at least respect the fact that all of us in politics have to do what we believe is right. I am doing today what I believe is right. His views are very much what he believes is right. Not all of us can get it right all of the time, but we have to do what we believe is best for our country, and that is what I am doing now.

Lilian Greenwood (Nottingham South) (Lab): The decision to build a new runway at Heathrow is the right one, but it is absolutely vital that the Secretary of State

delivers on his pledge to ensure that the benefits of expansion are felt in every nation and region of the UK. The Davies commission noted the difficulties in reserving slots for domestic flights from regional airports posed by the EU slot regulations. Now that the UK has voted to leave the EU what assessment has he made of the decision for potential measures to protect and enhance domestic connectivity?

Chris Grayling: The slot issue is one avenue for us to follow. We want to have a detailed discussion with regional airports, airlines and Heathrow itself about the best mechanism. I am absolutely clear that the planning consents, which I hope and believe will eventually be granted, and the national policy statements we prepare must contain provisions that protect connectivity. We need to work out the best way of doing it. It is not just about having a handful of slots at 11 o'clock at night; it is also about connectivity with international flights. We have to get this right for the whole United Kingdom and I give a commitment that that is what our agenda will be.

Stephen Hammond (Wimbledon) (Con): Respected outside experts have estimated the need for £11.5 billion of taxpayer support for the third runway and even the Airports Commission suggests up to £5 billion, yet post the Cabinet meeting this morning, the Government website says that the expansion costs will be paid for by the private sector. I listened carefully to the Secretary of State's statement, but he did not reiterate that commitment. Will he tell the House how much the taxpayer will have to put in for runway 3 and the associated surface works?

Chris Grayling: The most fundamental point is that Heathrow has committed, and will be held, to a plan that: first, does not increase the current level of road transport to the airport; and, secondly, increases public transport access to the airport to 55% of those using it. Those will be obligations that it will have to fund. The Government's financial advisers have said that that is viable and investible. There are question marks about what schemes are actually part of the surface access. Some of them we have to do anyway. For example, we are about to start improvements to the M4, which will benefit Heathrow and improve access, but they are not solely about Heathrow. There are, however, some very clear obligations in terms of actual deliverables that the airport will have to meet and pay for.

Mr Nigel Dodds (Belfast North) (DUP): I welcome the fact that the new Government have made this important decision and I welcome the fact that they have made the right decision. In Northern Ireland, there is a wide consensus that Heathrow is the right decision. It will lead to thousands more jobs, and major investment in tourism and business. I therefore warmly welcome what the Secretary of State has said. I also welcome what he said about slots and domestic connectivity, but may I press him on whether there will be any Barnett consequential through investment and infrastructure?

Chris Grayling: First, I am very grateful to the right hon. Gentleman for his support, and for the support of his party and colleagues in Northern Ireland. It is very much my belief that Northern Ireland will benefit

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enormously from this decision, and so it should. I hope it benefits not simply in terms of connectivity: I hope to see some of the work being done in Northern Ireland as we aim for a UK-wide supply chain and encourage the airport to achieve that. On other aspects, we will work hard to ensure that we deliver the best possible outcome for all parts of the United Kingdom, that we listen and consult, discuss issues such as the one he raised and try to make sure it is as beneficial as possible to the people he represents.

Crispin Blunt (Reigate) (Con): As the chair of the Gatwick co-ordination group, I congratulate my right hon. Friend on this announcement and make clear to him the relief with which this somewhat overdue statement will be received by all the people represented by colleagues in the group. It will have been clear that keeping Gatwick in the game has delivered welcome improvements in the Heathrow proposition, but, as everyone who uses the Brighton main line will know, the Gatwick proposition, frankly, was not practical. Local authorities would have had to have found housing for the workforce to support the Gatwick option. Before this process began, Gatwick management ran the best single runway airport in the country and had a very good set of relationships with local communities. Will he now invite Gatwick management to go back to those priorities now that the scheme is over?

Chris Grayling: My hon. Friend has strong feelings about Gatwick expansion, as did many of those in his constituency and in his neighbouring constituencies. What I would like to say about Gatwick is that we need to understand the important role it plays in the economy of the southern part of the country—the Surrey-Sussex economy—and in the economic development of that area and the south coast. I recognise the very real amount of work that Gatwick airport put into its proposal, which, as I said, was very impressive and carefully crafted. I know it will be immensely disappointed with today's decision. As I said earlier, I believe Gatwick will continue to be a really important part of our transport infrastructure and I send it all my best wishes.

Several hon. Members *rose*—

Mr Speaker: Well over 50 colleagues are still seeking to catch my eye and I am keen to accommodate them, but doing so will be brevity-dependent.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): The Secretary of State said in his statement that he plans to bring forward proposals to support improvements to airspace and how to manage noise, including the way affected communities, such as mine in Hounslow, can be best engaged. He stated that that would include consideration on whether there is a role for a new independent aviation noise body, but he also said that the commission had recommended one. Why has that been downgraded?

Chris Grayling: I have not downgraded it. I want to make sure there is proper independent noise monitoring. It is just a question of working out the best way to do

that. The commission did not set out detailed plans. I will be discussing with interested parties how best to secure that.

Mr Graham Brady (Altrincham and Sale West) (Con): A global trading nation clearly needs world-class infrastructure and I think this is the right judgment in the national interest. Will my right hon. Friend reflect on the damage done to our international competitiveness by this country maintaining the highest level of taxation on aviation?

Chris Grayling: Air passenger duty creates a lot of debate in this country. I am absolutely certain that none of us on the Conservative Benches would wish to maintain any tax higher than we needed to. We are, by instinct, a low-tax party, but we are also dealing with some quite challenging financial and public finance circumstances and therefore cannot always do the things we wish to do. Nevertheless, I am sure the Chancellor will have heard my hon. Friend's wise words, ahead of planning for the next two financial moments.

Caroline Lucas (Brighton, Pavilion) (Green): In 2009, the Committee on Energy and Climate Change suggested that a maximum 60% air passenger growth to 2050 could be compatible with UK climate change goals, provided various fantasy conditions are met. However, the Government's own analysis shows that even without a new runway there will be 93% growth by 2050. That implies that aviation will take up to two thirds of the UK's entire carbon budget in 2050, a scenario that is quite simply incredible. Given that the Committee advised against taking international offsetting as a substitute for domestic action, will the Secretary of State explain how this decision can possibly be compatible with our climate change objectives?

Chris Grayling: We listened to the Airports Commission, which did detailed work on this. It recommended that this was an approach we could take and meet our obligations. We have validated that work since and we still believe that to be the case. I was encouraged, as I said earlier, by the ICAO agreement, which I hope will make it easier for the aviation sector to meet those obligations.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The business opportunities arising from the expansion are substantial for Buckinghamshire. Bucks Business First and the Buckinghamshire Thames Valley local enterprise partnership have both welcomed today's announcement. It will continue to reinforce Buckinghamshire as a prime location for businesses to locate to. However, will the Secretary of State undertake to do an assessment of the impact on the local economy of the potential disruption and cumulative effect of having two major projects, namely Heathrow expansion and HS2, being constructed within the same timeframe and in close proximity?

Chris Grayling: Clearly, we have to work to ensure that the impact of two major projects on surrounding communities is minimised to the maximum possible extent. I know everyone involved in both projects will seek to do that. Undertaking two ambitious, modern future-looking projects is a sign of the direction that

defines the approach we are taking to governing the country. We want to prepare for a stronger and better future for Britain.

Andy Burnham (Leigh) (Lab): Is not the biggest loser from the Tory civil war over Heathrow neither the Foreign Secretary nor the hon. Member for Richmond Park (Zac Goldsmith) but transport everywhere else? For over five years, there has been an obsessive focus on London and the south-east. While welcoming this decision, may I ask the home counties-based Cabinet to listen to what William Hague has said today, and set out in the autumn statement a clear timetable for HS3, linking Manchester Airport to the great cities of the north?

Chris Grayling: I am not sure that Manchester Airport needs to be linked to the great cities of the north, since it is in one of the great cities of the north. Let us be clear first about what we are doing in the north. Across the north of England, a wide range of essential transport projects are happening: £350 million is being spent on improving the rail network in the right hon. Gentleman's home city of Liverpool, and the construction of the link road between the M56 and the M6. Those are two long overdue projects. He knows that support for the next generation of the Manchester Metrolink is also happening. This is a Government who are doing things for the north of England. I have to say that if I look back on the Labour party's years in government, I see that these projects were always on the drawing board but never actually happened.

Dr Tania Mathias (Twickenham) (Con): I believe that this decision is misguided and not ultimately in the nation's interests. Will the Secretary of State assure me that in the consultation and scrutiny to come there will be good and adequate scientific data, because the evidence will show that Heathrow expansion is neither possible nor deliverable? In the Minister's words, we do not want expansion "at any cost"; this is the wrong scheme and the price is too high.

Chris Grayling: I know how strongly my hon. Friend feels about this issue. I give her an assurance that we will do this job properly. The appointment of Sir Jeremy Sullivan—an exemplary former judge who led an important part of our judicial system, as those who know him will acknowledge—will, I hope, give people comfort that we intend to take the consultation process properly and seriously.

Hannah Bardell (Livingston) (SNP): The Secretary of State will know of my campaigning on the establishment of an independent aviation noise authority. About 70% of Edinburgh airport's traffic goes over my constituency, and a recent flight path trial—the first in 40 years—caused havoc. This noise authority is for everyone in the UK; it should not be dependent on this decision. Will the Secretary of State include me in the discussions as an interested party and bring them forward as soon as possible?

Chris Grayling: Absolutely. Every Member will be included in the discussions as part of the consultation process. I will happily do what the hon. Lady asks.

Sir Roger Gale (North Thanet) (Con): I congratulate my right hon. Friend on taking the right decision in the interest of the United Kingdom. Will he remind us of

how much passenger traffic, and particularly freight traffic, is currently being lost to mainland European airports as a result of lack of capacity in our south-east? Does he agree that in order to bridge the gap, we need to use all the currently available capacity?

Chris Grayling: My hon. Friend is absolutely right. It is important for people to understand this issue. It is sometimes argued that connecting traffic does not add value to the United Kingdom. However, connecting traffic combined with our own domestic traffic can often make viable a new route to an important trading centre. Winning back some of those transfer passengers in order to ensure that routes to developing markets can be opened up from this country is therefore an important part of securing our trading future.

Ruth Cadbury (Brentford and Isleworth) (Lab): With news of the replacement of the route to Chengdu with a new route serving New Orleans, why are the Government putting the commercial interests of an expensive airport whose primary passengers are tourists ahead of the health and quality of life of 300,000 people, the costs to passengers and the costs to the taxpayer?

Chris Grayling: I have talked to the boss of IAG, the parent company of British Airways, about the Chengdu decision. It has a number of routes to China and other parts of Asia. It has simply taken a commercial decision that the Chengdu situation has not proved viable. The issue is not about an individual route, but about connectivity for the future and the opportunity to open up new possibilities. It will not always be British Airways that opens up those routes; other airlines might choose to fly from developing markets to the United Kingdom. Those are the opportunities that we will need for the future. That is why we believe that expansion is necessary. If we are to open up new trading opportunities around the world, we must have the capacity to offer those new links. If we look at the price at which a slot trades at Heathrow airport, we realise that demand far exceeds supply.

Jeremy Quin (Horsham) (Con): I, too, congratulate my right hon. Friend on taking a decision that is absolutely rooted in the national interest. Will he confirm that Heathrow has the support of all three of the devolved Administrations?

Chris Grayling: My hon. Friend is absolutely right. It does have that support, as well as support from business and the trade unions. That is not to say that the Gatwick proposals were not strong or attractive, but the Heathrow option was undoubtedly the one that gained the most support.

Mr Ben Bradshaw (Exeter) (Lab): Heathrow has clear advantages over Gatwick for the south-west of England, both in respect of access to Heathrow and the hoped-for slots for our regional airports such as those at Exeter and Newquay to connect internationally. The Secretary of State must say much more about what he is going to do about air quality. He is quite right to say that road transport contributes by far the bulk of our emissions and our pollution, but he has not today said a single thing or produced a practical policy to tackle road transport and diesel in particular.

Chris Grayling: If the right hon. Gentleman wants a specific example, I can tell him that this morning we published the consultation document that will pave the way for significant expansion of the availability of electric charging points around the country. My view is that we all need greater diversity of our car fleet for the future, and we are already moving ahead with plans for low-emission zones in our cities. This is not an airports issue but a national one, and active measures are already in place to encourage diversification of the car fleet. Electric vehicles are being built in this country—for example, the Nissan Leaf is being built in Sunderland, which is the main centre in Europe for the production of that vehicle. We are seeing more and more of these cars on our streets, and I think that will continue into the future.

Kwasi Kwarteng (Spelthorne) (Con): I commend my right hon. Friend for his strong statement. It is great to see the Government making some forward progress on this issue. Will he assure my constituents and many people in the local area that full consideration will be given to the environmental impact and noise control?

Chris Grayling: It is really important to find the right balance. Around Heathrow, a large number of people, particularly those who work there or whose family members work there or whose businesses depend on the airport, support the expansion. There is a significant amount of support for what I have announced today, but those people will rightly expect that we ensure we look after the environment in which they live, that appropriate compensation will be in place where necessary and that appropriate measures are in place to support local communities. I give my hon. Friend an absolute assurance that that will be the case.

Caroline Flint (Don Valley) (Lab): Hallelujah—a decision has been made. The right hon. Gentleman should be in line for a “Minister of the Year” award. This is good news for Doncaster, good news for the north and good news for the UK. However, when we look at investment in infrastructure, we find that Crossrail costs £15 billion—nine times the combined expenditure for the rail projects planned for Yorkshire and the Humber, the north-east and the north-west. We see this as an opportunity for our regional airports, including my own, so will the right hon. Gentleman meet me and other MPs with regional airport interests to discuss how we get people to our airports to take advantage of the new slots?

Chris Grayling: We would be happy to meet Members who have regional airports in their constituencies. As I said earlier, this process needs to involve Members of all parties—and it will do.

Sir Paul Beresford (Mole Valley) (Con): My right hon. Friend will not be surprised to find out that I, too, support everything in his statement. This United Kingdom is open for business, and Heathrow is the doorway. He said he wanted to make Heathrow a better neighbour. The neighbourhood for Heathrow is considerable, and it includes the effect of stacking over areas that affect Gatwick—with a detrimental effect on people in my constituency. Will my right hon. Friend ensure that

when the Civil Aviation Authority looks at airspace, it reflects on the opportunities to make Gatwick a better neighbour as well?

Chris Grayling: The modernisation of UK airspace will hopefully make all airports better neighbours. This is a system that has barely changed for decades, and it is certainly not designed for the current patterns of usage. We very much believe that we need to modernise the use of airspace in a way that reduces stacking, for example. I know, because my constituency adjoins that of my hon. Friend, that stacking certainly affects our area. This modernisation is better for passengers and better for people on the ground; and it will also save fuel and thus reduce carbon emissions.

Mr Gavin Shaker (Luton South) (Lab/Co-op): A majority of Labour MPs and a majority of Conservative MPs support the expansion at Heathrow. Given that this project is likely to span multiple Parliaments, will the right hon. Gentleman take the opportunity to set a good example for both parties and ensure that collective responsibility will apply to any votes in this House?

Chris Grayling: The Prime Minister has been very clear that she does not want to force—indeed, I do not think the public would expect us to force—MPs who have long-standing principles of disagreement over this issue to go against their own views. There are different views on both sides. There are senior figures on the Opposition Front Bench and on the Government Front Bench who disagree with this decision. The hon. Gentleman is right that the majority of Members believe that Heathrow is the right place for expansion. Of course, the whole House will, as part of this statutorily defined process, have to vote and approve the decision. I think we should respect people’s long-standing views and not ask them to go against what they have argued in the past.

Adam Afriyie (Windsor) (Con): This is a devastating decision—for the national economic interest as well as for my constituents, hundreds of whose homes will be bulldozed, and for the millions of people affected by the very loud noise from Heathrow airport. Notwithstanding that—we could rehearse the arguments for ever—if during the consultation period the facts, the economics and the timescale on which the decision has been based, or Heathrow’s commitment to invest in the project, are called into question, will the Government have an open mind about changing their decision?

Chris Grayling: The Government decided very clearly today on their recommendation, which will have to be validated in the statutory process. It must be voted on and confirmed by the House, and that is what will happen. However, we are not entering the process with a view to changing our minds

Sammy Wilson (East Antrim) (DUP): If the vote took place tomorrow, the Democratic Unionist party would give the Government their support, because we believe that this is good for Northern Ireland. We welcome the Secretary of State’s assurances about extra slots, extra routes, and a place in the procurement process for firms from Northern Ireland. In the meantime, however, will he tell us whether slots that are currently

available for airports in Northern Ireland will be safeguarded at Heathrow, and also whether there are any Barnett consequential for the Northern Ireland Executive?

Chris Grayling: I hope that the right hon. Member for Belfast North (Mr Dodds) will forgive me: I forgot to answer his earlier question about Barnett consequential.

This project is funded by the private sector, and there are no Barnett consequential in a private project. There are Barnett consequential when we invest in our infrastructure in the public sector, but I fear that there will not be any as a result of spending by Heathrow airport shareholders. As for the question of slots in the meantime, we always want to protect connectivity with Northern Ireland—indeed, we have just done so in the case of the route from Londonderry to Stansted—and we would be extremely concerned if routes to Belfast were in any jeopardy.

Sir Gerald Howarth (Aldershot) (Con): I congratulate the Government on grasping this nettle, although I personally believe that the Heathrow hub was a cheaper and less disruptive option, and I am sorry that it was ruled out.

I feel that an opportunity has been lost here. As a party, we believe in competition. Surely it would have been better to agree on extra runway capacity at both Gatwick and Heathrow, which would have settled the matter for a long time henceforth. What is Gatwick's future following today's announcement?

Chris Grayling: I pay tribute to the promoters of the Heathrow hub scheme, having already paid tribute to the other promoters generally. The scheme was very innovative and very different, but for two prime reasons we felt unable to endorse it. First, it did not allow respite for the surrounding communities, because the same two corridors would be used for taking off and landing all the time. Secondly, the scheme's promoters could not ultimately provide the certainty that it would be built and adopted by Heathrow airport, if we opted for it rather than for the main route. Those, to my mind, are two strong reasons. However, I pay tribute again to the promoters. It was a very innovative concept, and we gave it very serious thought. After visiting and listening to the promoters, I considered very carefully whether it was the best option. In the end, however, my judgment was that the north-west runway was the better one for Britain.

Tom Brake (Carshalton and Wallington) (LD): Mr Speaker,

"I hope...the Government will recognise...widespread hostility to Heathrow expansion and say no to a third runway."

Those are not my words, but the words of our present Prime Minister. Why are the Government disregarding "widespread hostility", and bulldozing through a third runway which will inflict crippling noise, significant climate change effects, health-damaging pollution and catastrophic congestion on 1 million Londoners?

Chris Grayling: Because we do not believe that it is going to do those things; because we do not believe that it will create the air pollution to which the right hon. Gentleman refers; because we do not believe that it will impose catastrophic congestion—I have already explained

the position relating to public transport access and improved infrastructure around the airport—and, most fundamentally, because we believe that it is in the interests of the United Kingdom.

Sir Oliver Letwin (West Dorset) (Con): As my right hon. Friend knows, a decade ago I was among those who were most sceptical about this proposal, but there are times, are there not, when the House must look beyond the immediate issues, on which he touched today, and out to the next 30, 40 or 50 years. In view of the decision that the country has made on Brexit, now is surely the time when we must grab that future and build at Heathrow in order to create a link with the east.

Chris Grayling: I think the message that Britain is open for business is one of the most important messages that we can send to the world. When are we ever going to create this gateway to the future if not now, at a time when we are changing our role in the world? I think we all regret the fact that, notwithstanding our ambitions, it still takes time to do, but we really must get on with it now.

Clive Efford (Eltham) (Lab): The Department's answers to questions that I tabled asking what protections there were from noise pollution at City airport for constituents such as mine were woefully inadequate. It is clear that once expansion has taken place there will be scant regard for protections for the public, whether from industry or the Government. It is hardly surprising that people roll their eyes when the Secretary of State comes here and tells us that there will be all these environmental protections. In order to convince people that he is in earnest, would he be prepared to make those requirements legally binding, with penalties in place, before any permission is granted for this expansion, so that people can be confident that there will indeed be environmental protections?

Chris Grayling: My view is straightforward. The commitments that are made in relation to compensation for the public and amelioration must form a binding part of the eventual agreements.

Several hon. Members rose—

Mr Speaker: Order. I am grateful to the Doorkeeper, who was beetling around the Chamber looking for the wallet of some hapless fellow, poor chap. Geoffrey Clifton-Brown.

Geoffrey Clifton-Brown (The Cotswolds) (Con): I am glad to say that I have not lost my wallet, Mr Speaker.

I warmly welcome the Secretary of State's announcement, but if Heathrow is to meet its emissions targets a large number of people will have to be persuaded to travel by rail rather than car, so will he say something about the western rail link proposals? Will he also consider providing fast rail links between all London's airports?

Chris Grayling: Both the western and the southern rail links are part of the schedule for Network Rail's future projects. Heathrow airport is due to pay part of the cost of those links, since they involve broader issues than this project alone, but as a result of today's decision their construction will need to be accelerated. Links

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between airports are not currently being considered, but if the economy of the south-east continues to grow and develop, they may well be considered in the future.

Rob Marris (Wolverhampton South West) (Lab): I do not share this cosy consensus on airport expansion. Half the population each year does not fly; for environmental reasons, I have not flown for several years. The Secretary of State said today that this expansion would “further reduce...carbon emissions.” What a joke! Because of climate change, the Government should not be in the business of encouraging people to fly and encouraging more air freight, let alone subsidising increased airport capacity and higher total emissions. I urge the Secretary of State and the Government to think again.

Chris Grayling: We take the issue of climate change very seriously, and the Government have introduced a raft of measures to address it, but we must also ensure that we have the prosperity that enables us, for instance, to fund our national health service and our old age pensioners. Having a thriving, modern economy with strong links around the world is an important part of that.

Mr Mark Harper (Forest of Dean) (Con): I was pleased to hear the Scottish National party’s spokesman, the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry), confirm that we are “better together”. I was also pleased to hear the support from the right hon. Member for Belfast North (Mr Dodds) for bringing the four nations of the United Kingdom together.

I strongly welcome my right hon. Friend’s announcement, which is very important to the south-west of England. Will he redouble his efforts to ensure that he holds the promoters to their commitments about regional connectivity, which he said he would do in his statement? Will he also ensure—my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown) referred to this—that people in my constituency and elsewhere in the south-west can travel easily to the expanded Heathrow airport, and thence to the world?

Chris Grayling: My hon. Friend is right about the need for a commitment to the south-west of England in particular. I was in the south-west last week. We talk a great deal in the House about transport in the north and transport in the midlands, but I think that we also need to talk about transport in the south-west. There are many projects that are necessary to secure the economic future of the south-west. This project is part of ensuring that there is connectivity with places such as Newquay, and easy access for people such as my right hon. Friend’s constituents. That is why the western rail link must be a good priority for the future.

Andy Slaughter (Hammersmith) (Lab): The Prime Minister was right when she said that the third runway was a bad idea. She may have caved in to the Heathrow lobby, but will the Secretary of State accept that the level of opposition from councils, mainly Tory-controlled, from local communities, and from Members of Parliament—most notably my right hon. Friend the Member for Hayes and Harlington (John McDonnell)—

means that the chances of the toxic third runway being built are vanishingly small? Will he be sure to keep the Gatwick option open? We are going to need it sooner than he thinks.

Chris Grayling: I know how strongly Members in London feel about this decision, but, having listened to Members today, I have a sense that the balance of view around the country is that we need this connectivity because it is in the interests of the whole United Kingdom. As a Government who believe in delivering an economy that works for everyone, we must operate in the interests of the whole United Kingdom, and that is what we are doing today.

Paul Scully (Sutton and Cheam) (Con): I welcome the quick decision by the Secretary of State since taking up his position over the summer, but I regret the decision not to include Gatwick at least as one of the options. Will he agree to look again at the Gatwick option as the one that is deliverable in the short term and that is more open for competition, for the benefit of passengers long term?

Chris Grayling: I know that a number of people have said, “Can’t we do both?” I am clear that today we are looking at the Airports Commission report, which set a clear path and said that a new runway would be needed by 2030 and that potentially there would be a need for further capacity by 2050, but only if that could be achieved alongside carbon limits. Therefore, today is about taking the long overdue decision as to how we take that path to 2030, and that is where our focus is.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): As the MP representing Newcastle airport, I know that the airport and the wider north-east business community welcome this decision. It enables both the safeguarding and growth of our connectivity to the UK and the rest of the world. However, given the time it has taken to arrive at this point, may I urge the Secretary of State to have some urgency in getting spades in the ground? When will we see the increased capacity and trading opportunities we vitally need in the wake of Brexit uncertainty?

Chris Grayling: I can save myself and my office a phone call today by telling the hon. Lady I will be visiting her constituency and her airport tomorrow to make precisely the point about the importance of regional connectivity. [Interruption.] No, I probably will not have a spade with me; I do not think Newcastle airport wants me digging it up.

I want this to move ahead as quickly as possible. There is a statutory process we have to follow. There is then a detailed period of design. This has always been something that will be ready for the middle of the next decade. I would love to wave a wand and have it quicker than that, but these things take a long time to design and construct, quite apart from the regulatory process. I know, however, that everybody involved will want to move as quickly as possible.

Stephen Crabb (Preseli Pembrokeshire) (Con): This is the right decision for Wales, as it is for the whole of the UK. Will my right hon. Friend say a bit more about what specific powers are available to him and whether

he needs to seek further powers to ensure this becomes an outstanding example of British procurement, so that we maximise opportunities for our labour pool, supply chain and, not least, the steel industry?

Chris Grayling: I have been very clear, and this drives to the heart of the debate about costs. I understand the point made by some of the airlines about wanting to ensure that the best possible value is delivered in this project, because ultimately the cost is borne by their passengers. I want to see the maximum possible benefit across the UK. I have extended to the Civil Aviation Authority the power to have a strong supervisory role over this process, not to dictate how the project is designed in detail, but to make sure that there is value at the heart of both the supply chain and the contracting. I want to make sure that this is a value-for-money proposition and that it delivers what we need at a price that is right for passengers.

Wes Streeting (Ilford North) (Lab): The advent of Crossrail means my constituency on the London-Essex border has enormous potential to capitalise on the benefits for Heathrow, both for passengers and for business and jobs. I therefore welcome the Transport Secretary's statement. When does he anticipate the third runway being open for business?

Chris Grayling: On the current timetable, in around nine years' time. I wish it were quicker than that, but it is not. That is the length of time it takes to go through a process such as this—not just the regulatory process, which has been greatly simplified since 2008, but the sheer complexity of design, the acquisition of land, the preparation of sites and the construction not just of a runway, but of the terminal buildings. So this is not a short-term project. I know the decision on the issue has been kicked around for years, but the new Prime Minister and I have wanted to move as quickly as we could. We wanted to take the time over the summer to ensure we really understood the three projects before we decided today. We have done that; we now want to get on with it.

Henry Smith (Crawley) (Con): In the national interest, I welcome the Government's confirming what the Airports Commission has said is right for this country, and I also welcome my right hon. Friend's warm words about Gatwick. Can he give assurances that surface access to Gatwick will continue to be enhanced, particularly the rail route, as we go forward?

Chris Grayling: I do not think that any of us could think that the Brighton main line was the priority, for a whole variety of different reasons. We have to deal with the short-term issues and challenges, but we also need to think about how we can best deliver the necessary improvements for the medium and longer term. There is no doubt we need a modernisation programme, but we also need a programme that causes the minimum possible disruption to passengers.

Yvonne Fovargue (Makerfield) (Lab): Connectivity to Heathrow is essential for areas in Greater Manchester and beyond. However, does the Secretary of State agree that in tandem with expanding Heathrow, new point-to-point routes with emerging economies are essential from other international gateway airports, such as Manchester, and what is he doing to encourage that?

Chris Grayling: To be frank, I am not sure I need to do anything to encourage Manchester airport as it is doing a cracking job already. It had its runway expansion a few years ago and has made good use of it. It is a thriving airport with links around the world. I am hugely impressed by what it has achieved.

Dr Daniel Poulter (Central Suffolk and North Ipswich) (Con): I welcome my right hon. Friend's statement and the benefits it will clearly bring for British business and trade, but he was also right to acknowledge concerns about the environmental impact of the airport expansion and the potential that may have of interfering with our international commitments to reduce carbon emissions. As well as putting in place welcome consultations on electric cars, what other incentives does he envisage to encourage business to comply with these international commitments and reduce carbon emissions?

Chris Grayling: There are three elements to what we are doing. The first is the air quality strategy and the desire to put in place an environment which requires lower emission vehicles in terms of both carbon dioxide and diesel. This is about, first, a regulatory environment in our cities; secondly, incentivising the purchase of low-emission vehicles—something the Government now do extensively with incentives to buy electric vehicles, for example; and thirdly, fiscal incentives to change, which we have already introduced through the car tax system, and on which I have no doubt the Chancellor will be doing more in the future.

Chris Law (Dundee West) (SNP): Given today's announcement that the expansion of Heathrow is in the national interest, not just that of the south-east of England, will the Secretary of State commit today to have route connectivity and public service obligation support between Dundee airport and Heathrow?

Chris Grayling: I am not going to pick individual routes today, but I recognise that Dundee is one of the airports that can benefit. The hon. Gentleman will not expect me at this stage to be setting out detailed slot allocation plans, but it is precisely areas like Aberdeen, Inverness and Dundee that can benefit from greater capacity on this route and better connectivity within the United Kingdom.

Oliver Dowden (Hertsmere) (Con): As the Secretary of State has correctly and repeatedly said, this sends a very clear signal that Britain is open for business, but does he agree that if we are to compete with the likes of China and South Korea we must deliver this rapidly, and what reassurance can he give on minimising any administrative and judicial burdens that may be used to slow down this project?

Chris Grayling: I am not in any doubt that there will be obstacles on the road towards delivering this project, but that will not stop us seeking to move ahead as quickly as we can, and clearly the scheme promoter will want to do so as well, but we are also subject to due process and in a democracy we have to respect that due process.

Bill Esterson (Sefton Central) (Lab): This is indeed a hugely important project for the whole country, and the Liverpool city region stands to benefit, as other regions do, especially through freight and business travel, so I

[*Bill Esterson*]

welcome the Government's wholehearted support for the expansion of Heathrow. On the nine-year promise that the Secretary of State has now made, that will be challenging and there must be robust planning and consultation processes, so how will he make sure he gets through that and delivers on the nine-year programme?

Chris Grayling: Essentially, the way it works is that we have this overall process of the national policy statement over the next 12 months, which we will publish in the new year. Now that the recommendation has been made, my officials will prepare that detailed policy statement. It will be published in the new year, and then there will be a statutory period of consultation both outside and in this House, followed by a vote. That effectively seals the big picture stuff for the Planning Inspectorate. There is then the formal process of its submitting its detailed plans and the debate about the minutiae of the application. The Planning Inspectorate does not look at the big decision of whether we should have the runway in the first place; it looks at matters such as the details of the design for consistency with local planning laws.

Michael Fabricant (Lichfield) (Con): This statement has been long overdue. Some countries will have developed three entire nuclear power stations and five airports in the amount of time this has taken to be kicked into the long grass by two Labour Prime Ministers and I am afraid a Conservative Prime Minister too, and it is a reflection on this Prime Minister that the decision has finally been made. But why can we not still be talking about expansion at Birmingham International airport and indeed at Gatwick, too?

Chris Grayling: I have no doubt that others will have views about the further expansion of regional airports, including Birmingham. Right now, though, the focus of the Government is on this process, which was after all set up to identify additional capacity in the south-east following a recommendation by an independent commission. This is about delivering what has been recommended to us.

Danny Kinahan (South Antrim) (UUP): We very much welcome today's announcement, as have my other colleagues from Northern Ireland, but my party is pushing for expansion at both airports. The chief airlines that fly from Belfast International airport, such as EasyJet and Ryanair, have given a new life to many people in Northern Ireland. Can we not keep the door open to expansion at Gatwick, to ensure that we make the most of that and all the other regional airports, because that will help all of us?

Chris Grayling: As I said earlier, Gatwick will remain an extremely important part of our national transport system, but today's announcement is all about ensuring that we meet a very real need, as identified by the Airports Commission report. I do not think that this is the moment to start getting into a broader discussion about other airports. Let us concentrate on getting this job done; it has taken much too long to get even to this point.

Kelly Tolhurst (Rochester and Strood) (Con): I welcome the Secretary of State's announcement today. Now that the decision has been made, can my constituents be assured that the blight to their homes that they have suffered for more than a decade because of the threat of a peninsula or estuary airport is at an end and that those proposals are finally dead?

Chris Grayling: The Airports Commission looked very carefully at the issue of an airport in the Thames estuary and came to the view that that was not a viable option. I too have looked at the issue and I share that view. The Government have no intention of reopening that discussion.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Transport for London has estimated that the cost of associated transport infrastructure to service a third runway at Heathrow would be about £20 billion. Can the Secretary of State give the House a cast-iron guarantee that any public money used to pay for that work would result in full Barnett consequential? Or is he saying that the routes identified by TfL would be paid for fully by private sources?

Chris Grayling: It is important to look at the committed outputs. Heathrow airport has committed to an expansion without an increase in the number of motor vehicles using the airport, and to an increase in the number of people accessing the airport by public transport to a level of 55%. That is the objective it has to meet, and it has agreed that it has a financial obligation to get to that point. Some projects are already in train. Crossrail is nearly complete, and the western and southern routes already in Network Rail's plans will also make a contribution. There is clearly an obligation on the airport to meet those objectives.

Andrew Selous (South West Bedfordshire) (Con): My right hon. Friend has not said a great deal about the already horrendous congestion on the M25 north and south of Heathrow. Does his Department monitor the extent of the existing traffic jams, which are already really bad? Will anything be done as part of Heathrow's expansion to try to improve capacity on the M25 so that people can get to and past the airport?

Chris Grayling: As I indicated earlier, the situation around the south-west of the M25 in particular is a matter for concern. Highways England has plans in place to start to address some of those problems. My experience is that the worst jams occur to the south and the north where four lanes go into three, and I have asked Highways England to look at how we can address that issue, starting with the junctions to the south-west.

Sue Hayman (Workington) (Lab): I welcome the Secretary of State's commitment to developing new connections to the regional airports, but is he aware that it takes at least two and a half hours to get from west Cumbria to our nearest airport? Will he also look at how Carlisle airport could benefit from the expansion at Heathrow?

Chris Grayling: If there are more slots available at Heathrow and there is a market to fly there from Carlisle, there will be an opportunity for the air operators

to do that. As I have said, I am keen to ensure that we protect the capacity of our regional airports, but exactly where and how that happens, and at which airports, will be a matter for the future.

Richard Drax (South Dorset) (Con): I congratulate my right hon. Friend on his statement. There is no doubt that this will be in the best interests of the nation and of all our constituents in the south-west, where my seat is. Will he kindly confirm how many direct rail links there will be from the south-west to Heathrow, as that will be absolutely key for my constituents and everyone else in the region?

Chris Grayling: There are two options, depending on which part of the south-west you are coming from. The plan is to have a southern rail link that will join up with the South West Trains network and a western link that will join up with the Great Western network, so my hon. Friend will have a choice. The train paths will obviously be a matter for the train operators at the time, but he will have a choice of routes to follow.

Ian Murray (Edinburgh South) (Lab): This is indeed the right decision for the UK and for Scotland, but will the Secretary of State confirm that any additional slot capacity for domestic airlines will be guaranteed either in the planning process or in legislation? Furthermore, will he undertake an ongoing assessment of the ability of regional airports such as Edinburgh to attract direct routes following Heathrow's third runway coming on stream in nine years' time?

Chris Grayling: We will look carefully at what the right mechanism should be. It might not be as simple as guaranteeing a number of slots, because I want there to be the right connectivity. For example, I do not want a regional airport to be given a tail-end slot at 11 o'clock at night that does not allow proper links between that airport and international destinations. We have to think carefully about how this should be done and what the best mechanism is for doing it. However, I have given a guarantee that there will be protections for the regional airports and the connectivity that they need.

Mr David Nuttall (Bury North) (Con): I warmly welcome my right hon. Friend's statement, but with the best will in the world, it will be several years before the new runway comes into use. Will he therefore urge his Friends in the Treasury to allow zero or reduced passenger duty rates on new routes from regional airports such as Manchester, which already have the capacity to expand?

Chris Grayling: All I can say on that is that I have no doubt that my right hon. Friend the Chancellor of the Exchequer will have heard that representation in advance of the autumn statement and the subsequent Budget.

Alan Brown (Kilmarnock and Loudoun) (SNP): I welcome the fact that the Heathrow proposals include the potential for a logistics hub at Prestwick airport, and I urge the Secretary of State to involve all the relevant parties to ensure that that happens. May I also ask him, in relation to strategic thinking, to consider Prestwick when making the spaceport decision? This would give Prestwick sustainability and a long-term future.

Chris Grayling: I know that the spaceport decision is on its way. I am delighted that the hon. Gentleman thinks the United Kingdom's choice for the spaceport's location should be Prestwick. That would cement the bonds that exist between Scotland and the rest of the United Kingdom, showing that we are all part of one United Kingdom.

James Berry (Kingston and Surbiton) (Con): We need more airport capacity but, with respect to the Secretary of State, Heathrow is the worst of the choices available to the Government, particularly for my constituents. Will he confirm that the final decision will be made here in this House and that we will be free to reject Heathrow?

Chris Grayling: First, let me say to my hon. Friend, and to my hon. Friend the Member for Twickenham (Dr Mathias) and others, that I know this is a difficult decision for a number of colleagues to accept. I respect their views and have every sympathy for the pressure that we are putting them under by doing this. My hon. Friend the Member for Kingston and Surbiton (James Berry) is my constituency next-door neighbour and I have worked hard for him in his constituency. I was delighted when he won. All the same, he will understand that the Government have to do what is in the interests of the whole United Kingdom, and these decisions are sometimes difficult for colleagues. The matter will have to be approved by the House, which will have the final say on the national policy statement. If that national policy statement does not secure the approval of the House, this cannot happen.

Jim Shannon (Strangford) (DUP): I welcome the Secretary of State's statement. The Democratic Unionist party was the first political party in the United Kingdom to back Heathrow, and we have always been clear that its expansion would support growth in Northern Ireland and strengthen our Union. More cargo travels from Belfast through Heathrow than from any other UK airport. Will he commit to continuing that vital link in the supply chain between Northern Ireland's businesses and their clients in every corner of the globe?

Chris Grayling: That is an important part of what this announcement is about, although it is not always at the top of the agenda. Heathrow is the United Kingdom's biggest freight hub and an important point of connectivity that enables businesses around the UK to ship their products around the world. This is absolutely an important part of the way forward.

Jason McCartney (Colne Valley) (Con): This is yet another major transport infrastructure investment in the south of England. Will the Secretary of State show similar decisiveness in supporting new long-haul routes from Manchester airport, a new road link for Leeds Bradford airport, the electrification of the trans-Pennine routes, the Manchester and Leeds legs of HS2 and maybe even a new junction 24A on the M62 near Huddersfield?

Chris Grayling: As my hon. Friends who represent seats in the north of the country know, I am very much of the view that we must do a better job for our regions in the north—and, as I said earlier, in the south-west

[Chris Grayling]

and the midlands. Having shadowed this job 10 years ago, which involved going around the country and seeing schemes that should have happened, but which were sitting on the drawing board year after year, one of the most pleasurable things that I have found after arriving in my current job is finding so many projects that we have actually done or are doing. More are on the way. I look forward to delivering more improvements to help the constituents of more colleagues in this House.

Tom Pursglove (Corby) (Con): In reaching the decision, what weight did Ministers give to the benefit for UK supply chains? People in Corby, for example, will be pleased with Heathrow's commitment to use British steel because that will be good for jobs in our steel towns.

Chris Grayling: I was pleased by that undertaking. Heathrow will inevitably want to use a diverse supply chain within the UK. We will do everything that we can to encourage that, and I hope that Corby will be one of the beneficiaries.

Sir Desmond Swayne (New Forest West) (Con): My hon. Friend the Member for Richmond Park (Zac Goldsmith) warned us that court decisions will prevent a decision taken by this House from being implemented. Has my right hon. Friend considered any legislative remedy to stop that, notwithstanding the fact that he has already told us that this is, after all, a democracy?

Chris Grayling: From what I have read in the newspapers, I suspect that there may be attempts to challenge the decision. However, such court cases usually hang on whether we have given a decision careful consideration. We have looked at the matter exhaustively and considered all the issues. We understand the challenges and the hurdles that we have to overcome. This is a rational, measured, thought-out decision about what is in our country's best interests. Our elected Government are there to take such decisions and I hope that the courts will not seek to challenge that.

Rehman Chishti (Gillingham and Rainham) (Con): I welcome the Secretary of State's statement. It showed respect for the work of the independent Davies commission, which had already rejected the bizarre, pie-in-the-sky idea of an estuary airport due to delivery, structural and environmental concerns. I thank the Secretary of State for making the right decision on the basis of the evidence and in the national interest.

Chris Grayling: I am grateful to my hon. Friend for his comments. The commission did a first-rate job of looking at all possible options, including the concept of an estuary airport. It came out with a clear view in the end. Sir Howard Davies recently emphasised his strong commitment to his commission's recommendation. When Governments set up independent commissions and ask them to make recommendations, they should listen carefully; that is what we have done.

Tom Tugendhat (Tonbridge and Malling) (Con): I welcome my right hon. Friend's announcement, but will he assure the people of west Kent, in particular the residents of Edenbridge, Penshurst and Tonbridge, that a decision regarding Gatwick will not come up in the next few years and continue to blight their lives? Will he also say a little more about the six-and-a-half hours' relief that he is quite rightly offering to people near Heathrow? Could that ban on night flights, from which we suffer all the time, be extended to Gatwick?

Chris Grayling: I am very aware of the issues around Gatwick, including the concern about noise, which is very much on my desk. I have talked to the CAA about how best to find the right balance for residents in areas under Gatwick's take-off and landing routes. Today's announcement is about the decision to add new runway capacity. The Airports Commission's view was that we needed one new runway in the south-east by 2030. That is what the Government have sought to implement.

Kevin Foster (Torbay) (Con): I congratulate the Secretary of State on finally making a decision, which will be great news for Torbay businesses that export their seafood via Heathrow. Does he agree that the decision now makes even more urgent the resolution of another long-standing question: the dualling of the A303 and the riddle of Stonehenge?

Chris Grayling: Yes. The planning work for the A303 is now well under way.

Julian Sturdy (York Outer) (Con): For a hub airport to benefit the whole country, regional airports such as Leeds Bradford need increased access—more than the status quo. While I welcome the statement, may I push the Secretary of State on how many more slots will be available to regional airports? I also emphasise that landing charges must not work against internal flights.

Chris Grayling: I am keen to ensure that we do not see a big uplift in landing charges as a result of the project. I have been clear that the project must be brought through affordably and delivered in a way that represents best value for everyone involved. As for connectivity, I am not in a position to start setting out details about numbers of slots or exact mechanisms. I simply commit to the House that those things will be a binding part of what we eventually conclude.

Stuart Andrew (Pudsey) (Con): I, too, welcome the commitment about regional connectivity, not least because flights between Leeds Bradford and Heathrow have become increasingly popular. It is also important that passengers are able to get to Leeds Bradford airport. Will the Secretary of State meet me to explore how to make progress on the campaign for a rail link up to the airport, which would account for only a teeny-weeny amount of the money being spent on Crossrail?

Chris Grayling: I am happy to have that conversation with my hon. Friend.

National Health Service Provision (Local Consultation)

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

Mr Speaker: It is a great pleasure to be able to move on to the ten-minute rule motion. Without wishing to embarrass the hon. Member for Banbury, she must find it encouraging to have paternal support so nearby.

2.36 pm

Victoria Prentis (Banbury) (Con): I do find it encouraging to have paternal, maternal and, indeed, filial support in this place, Mr Speaker.

I beg to move,

That leave be given for to bring in a bill to make provision about mandatory local consultation in relation to changes in services proposed by NHS Trusts and healthcare commissioning authorities; and for connected purposes.

The Bill is the result of our experience in Oxfordshire this summer when the Oxford University Hospitals NHS Foundation Trust suspended consultant-led maternity services at our local general hospital with no warning and no consultation. Horton general hospital was a gift to the people of Banbury in 1872. It serves a community of some 150,000 people, although that number grows day by day as more houses are built. Horton general's patients are spread across six parliamentary constituencies that cover a large rural hinterland and some of the most deprived areas in Oxfordshire. I was born at the Horton and four generations of my family have been treated there. Like my constituents, I am proud of my local hospital and feel passionately about keeping its acute services.

Our unit was fairly small by national standards, with about 1,500 births a year. It was well regarded, both medically and by the families who chose it, but despite that fine reputation, it has been under threat for as long as I can remember. The first speech I made in primary school was about saving maternity at the Horton. The last major threat we faced was in 2008 when my predecessor, the former Prime Minister, the former Member for Daventry and the passionate "Keep the Horton General" group all fought tooth and nail to save the hospital.

At that time, the matter was referred to the independent reconfiguration panel, which looked at the evidence in considerable detail and concluded that

"there are major concerns over whether such a large unit as that being proposed"—

at the John Radcliffe hospital—

"would be (a) safe and (b) sustainable...There are sufficient concerns around ambulance provision and the transfer of very sick babies and mothers from Banbury to Oxford to call into question the safety of what is being proposed by the Trust."

After that, we thought that the fight would be over for a considerable time. How wrong we were. On 20 July, I was invited to what seemed to be a routine meeting with the trust, so I asked a member of staff to go. No other Members of Parliament were asked to attend—nor could they have done, of course, on a sitting Wednesday. I was horrified to hear that the trust had failed to recruit sufficient obstetricians and that, as a result, the Horton would be downgraded as an emergency and there would be no consultation.

On 31 August the trust board approved the downgrading. Three weeks ago, obstetricians left and we became a midwife-led unit. Colleagues know that I am, with good reason, passionate about both maternal and perinatal safety. Nevertheless, I accept that MLUs are the best place to be for most deliveries, particularly as most are located alongside or very near an obstetric unit. That is the nub of our problem: if an emergency arises, or a woman simply changes her mind about having an epidural, our labouring mothers will have to be transferred by ambulance to Oxford, which is about 23 miles away. The average time for that journey door to door in a blue-light ambulance will be between 30 and 45 minutes. The traffic is dreadful and unpredictable; many of my constituents, myself included, go to enormous lengths to avoid driving into Oxford. National Institute for Health and Care Excellence guidelines make it clear that when an emergency C-section is needed, that must happen within 30 minutes. Once the transfer time is factored in, along with how long it takes to move a labouring mother into and out of an ambulance, that will be quite impossible from the Horton. The worry, of course, is that some will not make it in time.

Clearly, most women will no longer be permitted to deliver in Banbury. In the past three weeks there have been 12 births, whereas ordinarily there would have been about 90. Many of the women who will now deliver in Oxford live up to an hour and a half's drive from the John Radcliffe. I worry about these women, about the babies that will be born at the side of the road, and about everyone's experience of labour. I can barely begin to imagine the situation facing women who do not own a car, as the journey to Oxford from many of the villages by public transport is almost impossible.

I have repeatedly asked the trust to show me risk assessments, but have been sent nothing. My office eventually tracked down some risk assessments online that set out an alarming number of "high risk" factors, including transfer time, ambulance provision and the John Radcliffe's ability to cope with the additional births. I asked for an explanation and have received nothing. Without evidence, I struggle to accept that patient safety has been fully assessed, and the unit should have been staffed by locums and professionals from the trust's other sites while that was done thoroughly. I must also question how this all became an emergency, given that I have since been told that the clinical research fellows programme had become increasingly unsustainable over the past 18 months. Serious concerns have been raised about whether sufficient and timely efforts were made to recruit. As a new MP, when meeting the new chief executive, I would have expected this problem to have been flagged up. I would have welcomed the chance to try to help to solve the problem, as my constituents are now doing by offering discounted housing, school fees and even free Hook Norton beer to those who apply to be obstetricians.

My constituents are fearful and angry. We have had a summer of protests. Many local consultants and GPs are against the suspension and have complained furiously that such an important decision was taken over six weeks during the school holidays. I have considerable sympathy for those who believe this is part of a wider conspiracy to downgrade our local hospital. For many years, a vociferous contingent at the trust has wanted to centralise services in Oxford and to use our site for

[*Victoria Prentis*]

more out-patient services. One of the options proposed in the forthcoming sustainability and transformation plan is for exactly that, with the Horton's maternity services becoming midwife-led. We fear that the situation this summer has been engineered to make that a fait accompli.

I was a civil servant for 17 years and, on the whole, I like to believe the best of our public servants, but I feel let down by the way we have been treated this summer, and by the lack of good management, transparency or evidence-based decision making. I am concerned that without a change to the law, other areas may also suffer as we have. The trust holds all the cards, as only it has the ability to manipulate the number of births each centre receives. We have no control over recruitment. Only the trust has the power to make posts attractive, and it has all the evidence and carries out all the risk assessments. The clinical commissioning group has been notable by its silence.

The Bill would increase the accountability of local trusts and commissioning authorities. When major changes to service provision are proposed, clinical groups and medical consortiums are not a replacement for public consultation. Doctor may know best, but only when he has listened to the patient. Local decision making can work, but only with democratic accountability. We in north Oxfordshire and the surrounding area remain hopeful that our unit will reopen next March, when sufficient obstetricians have been recruited. In the meantime, we fear for the safety of our mothers and babies.

Question put and agreed to.

Ordered,

That Victoria Prentis, David Mackintosh, Alex Chalk, Nigel Huddleston, Antoinette Sandbach, Will Quince, Marie Rimmer, Heidi Allen, Maria Caulfield, Harriet Harman, Robert Courts and Mr David Hanson present the Bill.

Victoria Prentis accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 27 January, and to be printed (Bill 80).

Criminal Finances Bill

Second Reading

2.46 pm

The Minister for Security (Mr Ben Wallace): I beg to move, That the Bill be now read a Second time.

First, may I, through you, Madam Deputy Speaker, apologise to the House on behalf of my right hon. Friend the Home Secretary, as she is unavoidably detained on departmental business pertaining to national security and has therefore asked me to open this debate?

Both terrorism and serious and organised crime pose a real and present threat to the UK. Those involved in terrorist activities endanger our domestic security and overseas interests. Terrorism may be the greatest threat we face, but serious criminality arguably causes the greatest harm, costing the UK at least £24 billion annually, causing loss of life, and depriving people of their security and prosperity. Right hon. and hon. Members must not doubt the scale of this problem, as it damages our economy and our communities. It also has impacts on real people, whether we are talking about a grandparent being scammed out of their life savings; the trade of weapons that enable the type of marauding firearms attacks we have seen in Paris; the smuggling of illegal drugs that blight our high streets and local neighbourhoods; or the organised trafficking of young women and children.

Those crimes have a corrosive impact on the most vulnerable in society—they ruin the lives of real people—but this is part of a truly global issue. As David Cameron has said, international corruption is

“one of the greatest enemies of progress in our time”

and the

“cancer at the heart of so many of the world's problems”.

Financial profit is at the heart of almost all forms of serious and organised crime. The UK drugs trade alone is estimated to generate £4 billion of revenue, and Her Majesty's Revenue and Customs estimates that more than £10 billion was lost to tax evasion and criminal attacks against the tax system in 2014-15 alone.

Gavin Robinson (Belfast East) (DUP): I agree entirely with that comment from the former Prime Minister and with the thrust of the Bill. One great concern of Christian Aid is that the Bill does not extend to or legislate for the Crown dependencies or overseas territories. Will the Minister respond to that at this early stage?

Mr Wallace: I thank the hon. Gentleman for that point. The Bill does extend some of the offences and powers it contains to cover an extra-territorial extent, which will go a considerable way to getting to the bottom of money laundering, whether that be carried out here or elsewhere around the world. It also goes some way to dealing with people who evade tax overseas. Just because they are not evading our tax but are robbing another country, it does not mean that we would not still like to take action against those individuals. The Bill goes some way on that.

Several hon. Members *rose*—

Mr Wallace: I will make some progress and Members will doubtless be able to make their points throughout the debate.

Many of the criminals who profit from such activities live in plain sight, untouched by law enforcement agencies. They reap the benefits by money laundering—moving, hiding and using the proceeds of their crimes to fund their lifestyles and enable further criminality. It is estimated that the annual amount of money laundered globally amounts to \$1.6 trillion, while the National Crime Agency assesses that many billions of pounds are laundered into or through the UK as a result of international corruption.

We should be rightly proud of the UK's status as a global financial centre. This is one of the best places in the world in which to do business, but we must recognise that the size of our financial sector and open economy and the attractiveness of the London property market to overseas investors make this country unusually exposed to the risks of international money laundering. That is why this Government are taking action—to combat money laundering, terrorist finance and corruption—here and overseas. We are sending a clear message that we will not stand for money laundering or the funding of terrorism through the UK.

Dame Margaret Hodge (Barking) (Lab): I am extremely grateful to the Minister for giving way. I agree with the content of his remarks, but I wish to pursue further the issue that has been raised by the hon. Member for Belfast East (Gavin Robinson). Does the Minister agree that transparency is absolutely key to trying to tackle some of the corruption and money laundering that take place? If he does agree, why is he not using this Bill to ensure that the overseas territories and Crown dependencies, which come under our jurisdiction, publish publicly available registers of beneficial ownership?

Mr Wallace: Yes, I absolutely agree that transparency is one of the steps along the path of tackling both corruption and money laundering. That is why, at the anti-corruption summit in May, the Prime Minister basically reaffirmed that commitment. Even before that, we had worked with the overseas territories and Crown dependencies to ensure that, hopefully by the end of this year or into next year, there will be transparency, registers, of which a considerable number will be public, and automatic information exchange between our tax authorities and those of our dependencies. In that way, we will be able to have access to information about people hiding tax from us, and our law enforcement agencies will then be able to set about tackling the matter.

This Bill is part of that process. A key element of that approach will be ensuring that we work with the private sector to make the UK a more hostile place for those seeking to move, hide or use the proceeds of crime.

Liz Saville Roberts (Dwyfor Meirionnydd) (PC): Prosecuting corporations for failing to prevent economic crimes was expected to be a core part of this legislation as it appeared during the consultation phase. It seems that, despite Government indications that they would include provisions to hold to account corporations that let their staff facilitate tax evasion and other economic

crimes, those provisions are not part of the Bill. Will the Minister explain why he has chosen not to include such eminently sensible precautions?

Mr Wallace: Yes, but I will come to that part of the Bill later on. It is certainly our intention to prosecute those corporations, or the corporate body, that allow their companies to facilitate tax evasion. Under the current system, an individual can be prosecuted for evading tax, and someone within a company can be prosecuted if they facilitate that evasion. At the moment, it is very, very hard to prosecute the corporate body. We are intending to make that change in our Bill. If the hon. Lady reads the Bill, she will see how we will do that. We will go after not only the corporate body here in the UK, but overseas companies. Being an overseas company will not be an excuse, and we will go after them in the same extra-territorial way that we do with the Bribery Act 2010.

Keith Vaz (Leicester East) (Lab): I congratulate the Minister on his appointment to the Home Office.

In evidence to Parliament earlier this year, the private sector made it very clear that it is trying to co-operate with the Government. There were 381,000 suspicious activity reports made under the ELMER system, only 20,000 of which could be looked into. What support is he giving the National Crime Agency to allow it to have a better system to deal with those reports?

Mr Wallace: I am grateful to the right hon. Gentleman for his intervention and for his kind comments about my appointment.

First, we will remove those barriers to information sharing. Often some of the regulators or the bodies that we deal with say that they would like to pass on more to us, but feel that they are not protected from sharing wider information. We will remove those barriers so that the National Crime Agency can see the full chain of a financial instruction. We will also empower the NCA with a stronger disclosure order so that it can force people—it can go and apply for an order—to release documentation or to comply with questions about a particular transaction. Such an order currently exists in the Proceeds of Crime Act 2002, but it only covers fraud. We will now do the same for money laundering. We will also extend the time limit for a suspicious activity report. At the moment, there is a one-off extension of up to 31 days, but we would like to see that extended to six months, which means that the NCA will have much longer for its investigations.

Keith Vaz: I thank the Minister for his very full answer, but the real problem is that the system is old. The ELMER system needs to be replaced and renewed. Will he give the National Crime Agency the additional resources to pay for the new system to do all the things that he is suggesting? Without a new system, 20,000 simply does not go into 381,000.

Mr Wallace: The right hon. Gentleman is absolutely right that 381,000 referrals is a hefty amount to get through. First, we need to ensure that there is time to get through them. Secondly, what we do not want is what has happened in the past, which is that the private sector makes a suspicious activity report by default.

[Mr Wallace]

If we can remove those excuses about why it cannot get to the bottom of a transaction before it passes it on, that will ensure that it passes on proper suspicious activities, rather than the ones that it can satisfy itself are not such a problem. In that way, we can cut out some of the referrals that are unnecessarily done.

Mr Alistair Carmichael (Orkney and Shetland) (LD): I thank the Minister for giving way. He is being exceptionally generous.

Does that example not actually illustrate exactly what prosecutors are up against here and the complexity of these cases? Compulsion for transparency will be necessary, as it will put prosecutors on the front foot. Will he look at this matter again—it has already been raised by a number of Members—as the Bill progresses?

Mr Wallace: Yes, I can assure the right hon. Gentleman that that will happen throughout the passage of the Bill and even after. This is part of a longer process. We will make sure that, where we cannot get hold of the information that we need, we will prosecute people who are deliberately trying to evade tax, and also prosecute people who are trying to launder money. That is part of the process. Many of these powers, including the unexplained wealth orders, give us the benefit of the doubt and put it on to us to say, “Actually, we think you’re linked to serious organised crime, or we can show you are. Explain to us where your money is from.” At the very least, that will get over some of those hurdles about not being able to get to the bottom of the information in that process. That is one of the steps that we will take and that I hope the right hon. Gentleman will support as the Bill goes through.

Charlie Elphicke (Dover) (Con): I welcome my hon. Friend to his place as Security Minister. His appointment is much deserved.

May I ask him about seizure and forfeiture powers? Previous legislation in this area has not been entirely successful in ensuring that the assets of criminals are seized. Can the Minister explain to the House why the provisions in this Bill will make a difference? We want to ensure that we grab the money off the criminals so that they cannot carry on with their illegal enterprises.

Mr Wallace: My hon. Friend is right that, in the past, it has been a challenge. Crafty hoods have been very good at taking their money out of cash and putting it into a range of moveable valuables, such as fast cars, paintings, jewels, or even betting slips, which I know the Scottish Government are quite keen for us to consider. We need to broaden it out and ensure that when they are crafty, we are crafty as well.

This Government have already done more than any other to tackle money laundering and terrorist financing. More assets have been recovered from criminals than ever before, with a record £255 million recovered in 2015-16, and hundreds of millions of pounds more frozen and put beyond the reach of criminals. We set up the Panama papers taskforce to ensure an effective, joined-up approach to those revelations. The London anti-corruption summit in May built capacity with overseas partners.

It is important to note that we are already doing this. In November 2015, the UK returned £28 million to Macau, which were the proceeds of corruption laundered in the UK. That is a concrete example of our giving back money to those countries that have been robbed by crooks who have used Britain to launder the money or to make the money in its jurisdiction. I want to see more of that and to see it go further.

There was a need for legislation and a need to build on the process of the anti-corruption summit and to find out where we were still vulnerable. In October 2015, the Government published the “National risk assessment for money laundering and terrorist financing”, identifying a number of areas where these regimes could be strengthened. Our response to that assessment was the action plan for anti-money laundering and counter-terrorist finance, which was published in April 2016. It represents one of the most significant changes to our anti-money laundering and terrorist finance regime in more than a decade.

The Bill will give effect to key elements of that action plan. It will significantly enhance the capability of UK law enforcement to tackle money laundering and to recover the proceeds of crime. It will strengthen the relationship between public and private sectors and combat the financing of terrorism.

Part 1 contains a number of measures that will amend the Proceeds of Crime Act 2002, including the creation of unexplained wealth orders. There are criminals who declare themselves almost penniless, yet control millions of pounds. Law enforcement agencies may suspect that assets are the proceeds of international corruption, but they are unable to freeze or recover them, often because they cannot rely on full co-operation with other jurisdictions to obtain evidence. A court will be able to make an unexplained wealth order to require an individual or organisation suspected of association with serious criminality to explain the origin of assets, where they appear to be disproportionate to their known income. If that person does not respond, this may enable the property to be recovered under existing civil recovery powers.

Part 1 chapter 1 will extend the use of disclosure orders, which allow a law enforcement officer to require someone who has relevant information to answer questions as part of an investigation. Those orders are already in use for civil recovery and confiscation investigations. They will now be available for money laundering cases.

Chapter 2 will enhance the process by which private sector companies report suspected money laundering—the suspicious activity reports, or SARs, regime. Where a company in the regulated sector, such as a bank, accountancy or legal firm, suspects that it may commit a money laundering offence, it is obliged to submit a SAR to the National Crime Agency, seeking consent to proceed. At present, there are occasions where these SARs are incomplete and where further information is needed to inform the NCA’s decision. The Bill will give law enforcement agencies more time to investigate those suspicious transactions that require consent and the NCA extra powers to request further information from companies to help to pursue those investigations and conduct wider analysis.

The Bill will provide a gateway for the sharing of information between regulated companies—subject to appropriate oversight—to help to build a broader

intelligence picture of suspected money laundering. This has been piloted through a programme known as the joint money laundering intelligence taskforce. In the 12 months from February 2015, the taskforce led directly to 11 arrests, the restraint of more than £500,000 and the identification of 1,700 bank accounts linked to suspected criminal activity. We want to build on the success of that work, by providing the clearest possible legal certainty that companies can share information for the purposes of preventing and detecting serious crime.

Part 1 chapter 3 will improve the ability of law enforcement agencies to recover the proceeds of crime. Existing legislation contains civil powers to confiscate cash, but criminals hold proceeds in other forms, as I said earlier, and we must adapt. The types of asset covered by the power are listed in the Bill, so that Parliament can properly scrutinise its potential use. We continue to consult operational partners on their requirements, and I expect that we will introduce a Government amendment to extend the list to include gambling slips and tokens, which are often used by organised criminals to launder their ill-gotten cash. I hope that such an amendment will attract cross-party support.

The rest of part 1 will extend existing POCA powers to a number of other organisations, including the Serious Fraud Office, Her Majesty's Revenue and Customs and the Financial Conduct Authority. It will make a range of minor and technical amendments to POCA.

The first duty of any Government is to keep their citizens safe. The terrorist threat is real and is growing. If we are to combat that threat, we must cut off the funding streams that enable terrorist-related activity. The 2015 national risk assessment identified two key weaknesses in this area: the raising and moving of terrorist funds through vulnerabilities in the financial sector, including money service businesses and cash couriers; and the abuse of the charitable sector for terrorist purposes. To combat these issues, part 2 will make complementary changes to powers for terrorist finance cases, by mirroring many of the provisions in the Bill, such as those on SARs, disclosure orders and seizure and confiscation powers, so that they are also available for investigations into offences under the Terrorism Act 2000.

Part 3 will deliver on the Conservative manifesto commitment to make

“it a crime if companies fail to put in place measures to stop economic crime, such as tax evasion”.

At present, if an individual evades tax and that is criminally facilitated by those working for a company, the individual taxpayer will have committed a crime and those individuals facilitating it could also be prosecuted, but it is very difficult and often impossible to hold the corporate entity to account. That needs to change. That is why we are creating two new offences of corporate failure to prevent the criminal facilitation of tax evasion—one in relation to UK taxes; another in relation to taxes owed to other countries.

Tax evasion is wrong. It is a crime. It cannot be right that a business operating in the UK can escape criminal liability simply because a tax loss is suffered by another country rather than the UK. The new offence in relation to foreign taxes will be of particular benefit in tackling corporate facilitation of corruption in developing countries.

HMRC has conducted two public consultations on these offences, including engagement with the private sector—banks, accountants and legal practices—and everyone is clear of the need to take responsibility for ensuring the highest possible standards of compliance in this area.

As I have said, tax evasion and corruption in the developing world are key contributors to global poverty. Those crimes are frequently facilitated by companies in other jurisdictions. We cannot abdicate our responsibility and leave solving this problem to other countries. The UK's financial sector should lead on the disruption of tax evasion, money laundering and corruption. This measure will help to do just that.

The Government are committed to reducing the regulatory burden on business, which can make it harder for companies to focus on real risks. The measures in the Bill were developed in close partnership with law enforcement agencies and the regulated sector, including major financial institutions, as well as other key representatives.

Robert Jenrick (Newark) (Con): Although I support the Bill, does the Minister agree that there is no point in legislating if the agencies tasked with enforcing the legislation simply do not have the resources to do so? For example, since the creation of the Office of Financial Sanctions Implementation, as far as I am aware from talking to lawyers who work on white-collar crime practices, there has been no enforcement whatever. All of us who want to support the Bill would like to hear reassurance that there will be the resources to match the good intent.

Mr Wallace: I am grateful to my hon. Friend for his intervention. In the past few months, I have visited regional organised crime units up and down the country, including in his region, and the NCA, and they all say that their barrier to getting further with some of these problems is not the resource issue; they all say that their barrier has been the ability to find the cash, see the cash and seize it. Those three things are incredibly important. We can put all the resources in the world into our law enforcement agencies, but if they do not have the powers to take back some of the stolen assets, it will not make a difference.

The thing that struck me coming into this job only a few months ago, although I thought I knew a bit about terrorism from my previous life, and what has absolutely shocked me is the weight and strength of organised crime across the United Kingdom. To see its depth, how it affects my community in the north-west and how close it comes to us all really takes my breath away. I am absolutely determined not only that the guys and girls at the top, the Mr Bigs, get sent to jail for as long as possible, but that those people who consider themselves a little removed from it—the facilitators, the white-collar smoothies who launder the money into property and so on—also face their time in court, because they are the people who contribute to the message that there is a permissive society and that it is okay to be associated with crime. They are the people who help the nasties to put a gloss on themselves.

That is what I am determined to do with the Bill. All Members should rest assured that I will use the Bill to try to build momentum in non-legislative areas—in the

[Mr Wallace]

non-regulated sector. I want to ask the regulators of estate agents and accountants what they are doing to play their part. If we can change the powers here, if their members get into trouble, what are they going to do to hold their members to account? Legislation is only one part of this. I hope that everyone supports the Bill and that the message goes out that there is more to do and that we will make sure that those people who facilitate and think that they live on the edge of the crime know that we are coming after them.

Charlie Elphicke: I thank my hon. Friend for giving way again; he is being incredibly generous. As he says, this is a question not just of laws but of the culture of the organisations. The NCA's predecessor organisations all seemed to be more culturally bureaucratic. The NCA seems to be more intelligence-led. It seems to have more officials at the top who were intelligence operators in past times. From everything that I have seen, the NCA is far more vigorous at chasing down the intelligence, which is what it really needs to do.

Mr Wallace: There are several parts to this. The NCA has absolutely got the bit between its teeth, and I see a professional organisation up and down the country determined to tackle the threat that we face. I compliment police forces throughout the country that have put away the old-fashioned territorial boundaries that organised crime often exploited and have been determined to work together. When we visit Police Scotland and regional organised crime units in the north-west and all the other regions, we see police forces all sitting around the same table, working together for their own ends, led by intelligence, deciding on their priorities, sharing capabilities and knuckling down and getting on with it, rather than just focusing on their small areas. The NCA and regional organised crime units have provided the impetus on this, and the results will speak for themselves. I can assure the House that each of the Bill's provisions will be subject to a set of stringent safeguards and robust oversight, so that they can be used only where it is necessary and proportionate to do so.

We considered carefully the responses to the public consultation on options for legislative proposals to implement the action plan. We published the Government response alongside the Bill earlier this month. I am grateful to everyone who responded to that consultation. There will inevitably be some additional pieces of statutory guidance to underpin the measures in the Bill. We will seek, wherever possible, to make that available to Parliament during the passage of the Bill, to ensure the widest possible consultation on how it will work in practice.

The Bill is only one part of a wider package of measures, as I have said, aimed at strengthening the Government's response to money laundering and increasing the amount of criminal assets confiscated by the state. Our wider programme includes improving the effectiveness of the supervisory regime for the regulated sector; reforming the SARs regime, including investment in systems and processes; and further increasing our international reach, working with other Governments, overseas territories, Crown dependencies and international organisations to crack down on money laundering, tax evasion and corruption. We must ensure that the Bill and those

other projects have the greatest possible impact on money laundering and terrorist finance in this country and abroad.

I welcome the hon. Member for Hackney North and Stoke Newington (Ms Abbott) to her post as shadow Home Secretary, and I am pleased that she has been able to meet me since her appointment to discuss this Bill. I would be delighted to continue to meet her and her team during the passage of the Bill to make sure that we get it right. Hopefully, we can work to ensure that the whole House agrees to support the Bill to send a message to the crooks, criminals and facilitators that we will not tolerate this any more. I hope that the hon. Lady, her colleagues and Members from the Scottish National party agree that it is in the public interest that the Bill be enacted at the earliest opportunity, hopefully with clear cross-party support.

I also congratulate the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) on her recent election as Chair of the Select Committee on Home Affairs. I am afraid that she is not in the Chamber, but she has a wealth of experience in home affairs, and I look forward to discussing these issues with her and the Select Committee.

The Government are committed to protecting the security and prosperity of our citizens, and the integrity of our world-leading financial system. We must ensure that we can pursue vigorously those who abuse that for illicit means. That is what the Bill will do, and I commend it to the House.

3.12 pm

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): If someone walks around the most expensive neighbourhoods of London—Knightsbridge and South Kensington—they will see house after house dark every night. Some have no lights on because the owners are out, but many more have no lights on because they have been bought as an investment and lie empty most of the time. Some of the most expensive properties in the capital are unoccupied because they have been bought solely for the purpose of laundering dirty money.

In 2016, money laundering is not just happening in accountancy offices or the back rooms of banks. It is happening in plain sight of ordinary Londoners, because we see some of the most expensive domestic properties in the world change hands but remain mysteriously and persistently empty. We welcome the Bill, which has been introduced with the express purpose of providing new powers and safeguards to improve the Government's capacity to tackle money laundering and terrorist financing and, above all, to recover the proceeds of crime. I want to make it clear that, in principle, the Opposition support the aims of the Bill.

We do so because it is vital to do as much as we can to bear down on illegal activity, including targeting the enablers of illegal activity: lawyers, accountants and estate agents. We support the Bill partly because public opinion, encouraged by the work of the Public Accounts Committee under distinguished past and present leadership, rightly demands that politicians do more to stop tax evasion. We also do so because some of the poorest countries in the world have had their Treasuries denuded by money laundering. If the UK, which is often described as one of the money-laundering centres of the world, could act effectively against money laundering, not just

our own tax authorities but the populations of countries in the global south, from which some of this money has been looted, would benefit.

We will wish, however, to ascertain that the provisions of the Bill will actually work and impact in reality on the harms that the Minister set out. We will weigh carefully the civil liberties implications of those provisions. Furthermore, we seek assurances that the Government agencies tasked with implementing the legislation will have all the resources and support that they need.

Keith Vaz: The issue of resources was raised by the hon. Member for Newark (Robert Jenrick). Despite the effective way in which the Minister made his case, he did not answer my question. When will the NCA get a new computer system? When will ELMER be renewed so that the agency can look through SARs? The system is designed for 20,000 complaints, but it is currently dealing 385,000. The agency needs a new computer system to do what the Minister and my hon. Friend the Member for Hackney North and Stoke Newington (Ms Abbott) want the Bill to achieve.

Ms Abbott: I am grateful to my right hon. Friend for that important intervention. If the Minister does not give a clear reply to that question on the Floor of the House, I can assure him that we will pursue the issue in Committee.

The Minister said that money is not the main obstacle to pursuing money launderers and criminal actors, but it does not help when agencies such as the NCA experience cuts. The Home Affairs Committee produced an important report in June on the proceeds of crime, and I am indebted to the then Chair and the Committee as a whole for their investigatory work. The Committee pointed out that money laundering takes many complicated forms, ranging from complex financial vehicles and activity in tax havens around the world to property investments in London and high-value jewellery. I share the Select Committee's astonishment that of over 1 million property transactions last year only 335 were deemed suspicious. I agree with the Select Committee's conclusion that supervision of the property market has been "totally inadequate" and has "laid out a welcome mat for launderers".

The Select Committee report also made the important point that it is all too easy for people who want to launder money to buy property in London, let it out in the capital's high-value lettings market, then take in clean money in perpetuity.

Overall, the NCA believes that up to £100 billion of criminal funds could be passing through the UK each year in the form of property, luxury cars, art and jewellery. Transparency International estimates that there are hundreds of properties in the UK that are strongly suspected to have been acquired with the proceeds of corruption. Land Registry figures show that UK real estate worth more than £170 billion is held by more than 30,000 tax haven companies. I do not argue that there can never be a legitimate reason for holding UK real estate in a tax haven company, but I believe that, all too often, what we see could well be illicit activity.

Charlie Elphicke: As a former tax lawyer, may I point out to the hon. Lady that companies in tax havens own UK property because it was possible to do a stamp duty

avoidance scheme called "enveloping" during most of the period in which the Labour Government were in office? Action taken by this Government has put a stop to a lot of that abuse.

Ms Abbott: I made a point of saying that there can be legitimate reasons for holding UK property in tax haven companies. I remind the hon. Gentleman that it was not every single detail of the activity of the last Labour Government that I supported.

Most owners of those companies hide behind anonymous trusts or nominee directors and shareholders. For instance, in a single 50-storey apartment complex in London, The Tower at St George Wharf in Vauxhall, a stone's-throw from the House, a quarter of the flats are held through offshore companies. This Bill aims to close a loophole which means that authorities cannot seize property from overseas criminals unless the individuals are first convicted in their country of origin. The orders will apply to property and other assets worth more than £100,000. If the owner fails to demonstrate that a home or piece of jewellery was acquired using legal sources of income, agencies will be able to seize it.

The Opposition support the new law in principle, but stress that for it to be effective agencies must be given the financial and political support to take powerful and wealthy individuals to court. Furthermore, there is some concern, which we will explore in Committee, that the measures may be too widely drawn. Throughout, the sole safeguard for seizure orders is the reasonable suspicion of a police officer on their own authority. This may be too low a bar as a safeguard against the incompetent use or abuse of state powers.

Keith Vaz: I thank my hon. Friend for her kind comments about the Select Committee's report published in July. In evidence to the Committee, Sir Bernard Hogan-Howe suggested that the criminal law should be amended to ensure that those who had not paid their compensation order should be the subject of a second criminal offence. Does my hon. Friend agree that it is wrong for those who are subject to a compensation order to go to prison, finish their sentence and come out without it being paid? We need to look very carefully at this aspect.

Ms Abbott: My right hon. Friend is right. We need to look at the case of people who serve a prison term that may be relatively short, but are able, in effect, to flout the compensation order.

Sir Edward Garnier (Harborough) (Con): I take the point that my neighbour, the right hon. Member for Leicester East (Keith Vaz), makes, but often when a criminal is sentenced, along with a compensation order or a proceeds of crime order, he is sentenced to an additional term of imprisonment in the event that he does not pay back the money. Sometimes those extended sentences can be very long—indeed, as long as or even longer than the original sentence.

Ms Abbott: Far be it from me to bandy words with the many lawyers in the Chamber. I repeat that as the Bill goes through Committee we will seek to examine the question of people flouting compensation orders. Overall, in relation to bearing down on money laundering, we welcome the relevant provisions, including the

[Ms Abbott]

unexplained wealth orders, the reform to the suspicious activity reports regime, information sharing and the new disclosure orders.

The Bill also deals with tax evasion. In recent years there has been a great deal of public interest and a raft of Government measures on tax avoidance. Arguably, less attention has been paid to tax evasion. There is some blurring between the two terms, but broadly, tax evasion occurs when an individual or corporate entity acts in breach of the law, and tax avoidance occurs when an individual or corporate entity complies with the letter but not the spirit of the law. In recent years Her Majesty's Revenue and Customs has produced estimates of the tax gap—that is, the difference between the tax that is collected and that which is theoretically due. Clearly, any such estimate must be speculative, but I draw the attention of the House to the fact that HMRC's most recent estimate of the gap is £36 billion, which is the equivalent of 6.5% of total tax liabilities. Of that £36 billion that is lost, £5.2 billion is lost to evasion and only £2.2 billion is lost to avoidance.

We welcome the measures to bear down on tax evasion, and we welcome the provision that makes it a criminal offence for corporations to fail to stop their associated persons facilitating tax evasion. We particularly welcome the fact that this will have extra-territorial jurisdiction. However, we regret that in the tax evasion measures in part 3 there is no reference to the British overseas territories and Crown dependencies. That is a startling oversight. There are 14 British overseas territories. Just one of them, the British Virgin Islands, is mentioned no fewer than 113,000 times in the Panama papers. BVI, with a population of just 29,000—fewer than my own constituents in Hackney—is home to 452,000 international businesses. Maybe the 29,000 population is particularly skilled at accountancy and banking, but maybe some of those business entities are shells for tax evasion.

There are three Crown dependencies, Jersey, Guernsey and the Isle of Man, and it is frequently argued that the British overseas territories and the Crown dependencies are the largest tax evasion network in the world, so the failure to mention them in a Bill which purports to deal with issues surrounding tax evasion is a major omission. We will be seeking amendments as the Bill goes through Committee. It is frequently asserted that it is not possible to legislate for the British overseas territories and the Crown dependencies, but the Ministry of Justice seems to think differently. This is an issue that we will explore.

The Minister referred to the beneficial ownership register that we are encouraging the overseas territories and the Crown dependencies to introduce, but he must be aware that at least some of the overseas territories are boasting that they are in practice evading the Government's efforts to get them to set up beneficial ownership registers, and many of them are saying that these registers will not be publicly available. The Opposition insist that if this Government are serious about dealing with tax evasion, they must ensure that the overseas territories and Crown dependencies not only set up beneficial ownership registers, but make them publicly available.

We note that there is little distinction in the Bill between corporate or partnership bodies which facilitate tax evasion, and those that do it routinely and as a

central part of their business model. We believe that we should look into a new provision specifically criminalising entities and individuals for whom tax evasion is at the heart of their business model, and punishing them more harshly.

I shall not conclude my remarks on tax evasion without mentioning the Labour party's tax transparency enforcement programme. We want a public inquiry to examine the loss of tax revenue, and increased powers for HMRC, including a specialised tax enforcement unit. We want to force foreign firms to list their owners and beneficiaries, and we want the introduction of a general anti-avoidance principle and the extension of current rules to cover offshore abuses.

The Bill deals with the important issue of terrorist finance. Those of us who have watched with horror terrorist atrocities all over the world, and here in London, know that terrorism is an existential threat to us and our society. We share the Government's aims in reducing the terrorist threat, not just to us in the UK but to our allies and interests overseas, and agree that one way of doing this is to deprive terrorists of the financial resources required for terrorism-related activity. Globalisation means that we must constantly update our legal instruments. We note the changes that the Bill will make to the law enforcement and intelligence agencies in relation to investigations of offences under the Terrorism Act 2000, but we will examine these proposals because we are anxious that they do not have too harsh a bearing on genuine charities.

Labour Members support the Bill in principle. We will scrutinise its detail with care. We insist that it is vital that agencies such as the National Crime Agency get the money they need for implementation, because otherwise the Bill will be a dead letter. For too long, London has been accused of being a hub for money laundering, with all its terrible effects not only on the take of our Treasury but on the lives and countries of many of the poorest people in the world. We hope that this Bill is the beginning of a process that brings the curtain down on the era when London could be described as a money-laundering hub, instead ensuring that London and the UK set an example internationally about what can be done to bear down on money laundering and tax evasion.

3.31 pm

Sir Edward Garnier (Harborough) (Con): I begin by declaring an interest. I have been instructed in the past, and I am currently instructed, by the Serious Fraud Office in a number of matters that touch on this Bill and some of its predecessor legislation.

I apologise to my right hon. and hon. Friends on the Front Bench, and to the shadow Home Secretary, the hon. Member for Hackney North and Stoke Newington (Ms Abbott), for the fact that I might not be able to be here for the wind-ups. I hope that my right hon. Friend the Minister for Policing and the Fire Service will forgive me. All being well, however, the debate may run short—if I do not talk too much—in which case I shall be here.

Like the shadow Home Secretary, I broadly support the principle behind the Bill, which I assume is entirely uncontroversial. We all want the criminals whom we hope will be touched by it to be caught and to be prevented from committing such financial crimes. The days

when people went into banks with sawn-off shotguns are long over. Criminals are now much more sophisticated: they go round the back with a set of wires, metaphorically, and extract money out of banks and other financial institutions through computer crime, rather than by using violence. We need to keep up with them. As my hon. Friend the Minister for Security said, we have to be craftier than the crafty hoods.

In our enthusiasm to pass the Bill, however, there are one or two matters about which we need to be a little cautious, although I am sure that, during its passage, the Government will think about how to get the detail right. It could be said that many of the points I am going to set out would be better made on Report than on Second Reading, but I might as well make them while I am on my feet.

Unexplained wealth orders, as a matter of principle, are in line with provisions in the Proceeds of Crime Act 2002 and similar measures, in that they reverse the burden of proof by making the respondent to the order explain himself, rather than requiring the prosecution or the state to make the case against him. That principle is now accepted in our criminal law, and that will continue as long as there are sufficient protections for the respondent. Under the Bill, the High Court may, on an application made by one of the prosecution authorities or enforcement agencies, make an unexplained wealth order in respect of any property if it is satisfied that each of the requirements for making the order is fulfilled. The order will be made in the High Court and the application will be made to the High Court in relation to a respondent who has a criminal connection, but also to politically exposed persons. We need to be careful that politically exposed persons, who will, as I understand it, be foreigners, are sufficiently protected from the making of an application that could trash their reputation and that, even when that is not acceded to by the High Court judge, none the less still leaves him or her exposed to the allegations made against them. I suppose that, to a lesser extent, the same could be said of a respondent with some form of criminal connection.

It seems to me that the way around that is to do what has been done with deferred prosecution agreements in the Crime and Courts Act 2013. Paragraphs 7 and 8 of schedule 17 to that Act provide a way of dealing with those issues so that reputations cannot be damaged until the necessary time when a particular state of affairs has been proved. In deferred prosecution agreements, the parties—the Serious Fraud Office in this case—apply to the court for a declaration that entering into a deferred prosecution agreement with the respondent is likely to be in the interests of justice and that

“the proposed terms of the DPA are fair, reasonable and proportionate.”

That hearing takes place in private. Once the court is satisfied, and the parties are agreed, that the terms of the order are correct, the judge makes an order that is made public, and also makes public the judgment that he made in the private hearing some days or weeks earlier.

That is a perfectly sensible way of maintaining the interests of doing justice in public, while holding in private the initial hearing in the event of an order not being made, or of it being altered in a way that makes the respondent look a lot less guilty than he might otherwise have looked. That allows a hearing to be

heard without damaging an innocent man's reputation. That is simply a matter of mechanics, and if the Government can spare the time between now and when the Bill leaves the House of Commons, we could achieve the end that we all want, without causing collateral or unintended damage.

I am also a little concerned—perhaps this can be dealt with at a later stage—that clause 1 deals with income as though that were all that needs to be considered. Proposed new section 362B(3) of the Proceeds of Crime Act 2002 states:

“The High Court must be satisfied that there are reasonable grounds for suspecting that the known sources of the respondent's lawfully obtained income would have been insufficient for the purposes of enabling the respondent to obtain the property.”

Proposed new subsection (6)(d) notes that

“‘known’ sources of the respondent's income are the sources of income (whether arising from employment, assets or otherwise) that are reasonably ascertainable from available information at the time of the making of the application for the order.”

If “income” simply means money received, I understand that; but if it means income as opposed to capital, we need to make clear that by income we mean not just the interest from capital or a salary, but all that the respondent owns, so that we can capture the distinction between income and capital. A respondent could be capital-rich, but income-poor. We need to avoid a situation where he can get away from the order by saying that his income does not amount to much when we all know, or can anticipate, that his capital is larger. I am sure that plenty of the houses that the shadow Home Secretary spoke about are bought with cash—essentially, they are bought for great lumps of capital—rather than from borrowing.

I am concerned about the Bill's use of the words “purports to comply”. I appreciate that that expression is to be found in earlier, similar Acts but, to me, purporting to do something means either doing or attempting to do one's best, or doing something speciously—appearing, falsely, to do something. Albeit that we accept that that expression is used in earlier legislation, we need to be clear that to pretend to do something should not be a defence or an answer to an accusation of failure to comply with an unexplained wealth order.

I turn to the question of enforcement, which has been brought up on several occasions. Let us assume that an unexplained wealth order is made, and let us assume that there is a hearing, initially perhaps *ex parte*—singlehanded—by the authority. The matter then either comes back for a hearing between both parties, or moves on in some other way. It is all very well making these orders, but that will do no good if we do not have the necessary police officers or investigators to ensure that they are enforced.

I have noticed that in the past with confiscation orders. Very often, the courts make an order, and either the order is never put into action or very little of the amount required from the offender is ever recovered. We need to make sure that this legislation is not simply written in air; it must have real teeth to deter those who think they can get away with this sort of misbehaviour, and to enable the Treasury to recover the ill-gotten gains. I dare say that the same could be said in relation to suspicious activity reports.

Finally on unexplained wealth orders, is there to be any form of appeal system? It strikes me that under proposed new section 362H, an application for an

[Sir Edward Garnier]

unexplained wealth order may be made without notice, and I have dealt with points about that. Will the procedure be susceptible to any sort of appeal, and if not, why not?

I turn to the “failure to prevent” provisions, which my hon. Friend the Minister mentioned in his opening speech. I heartily approve of this new system for dealing with corporate misconduct. We saw it first in our jurisdiction under section 7 of the Bribery Act 2010. Although there have been only a few cases involving section 7, it strikes me as being a sensible way of dealing with the difficulty that we face, under English law at least, in pinning criminal liability on corporations. In the United States, a corporate body can be held to be criminally liable because it employed the criminal. It is vicariously liable for employing the criminal and his activities are pinned on the company. In this country—certainly in this jurisdiction—we rely on the Victorian principle of the directing mind. Nowadays, in huge international companies that have hundreds of thousands of employees posted right across the world, albeit that the headquarters of the company may be in this jurisdiction, it is extremely difficult to demonstrate that the directing mind of the company knew what the criminal employee was up to. Section 7 of the Bribery Act gets around that.

Richard Arkless (Dumfries and Galloway) (SNP): Although I accept the directing mind principle, does the right hon. and learned Gentleman agree that when employees engage in less than ethical practices—such practices have caused a lot of the problems that we have seen in the UK over the past six or seven years—unless the liability goes to the top of an organisation, the organisation will never develop the protocols and processes required to make sure that those employees are responsible for their actions? Does he accept that point?

Sir Edward Garnier: What the hon. Gentleman says is perfectly true, but I am not sure whether that constitutes accepting what he says. The point I am trying to get across is that companies can avoid liability in the absence of the “failure to prevent” system under section 7 of the Bribery Act. Individuals can be prosecuted and imprisoned, but the company gets away free. The advantage of section 7 is that it brings the company within the ambit of responsibility.

Yes, the compliance system in banks and financial institutions is nowadays much more sophisticated and vigorously engineered, so that everybody from top to bottom should know what they are supposed to do and not do, and so that such a culture goes right the way through the company. It seems to me that there is no excuse for failing to behave properly, since we should all now know what to do. The compliance world is certainly keen to ensure that employees in banks and so forth know what they are supposed to do.

I want the Government not to limit the “failure to prevent” provisions to section 7 of the Bribery Act and those clauses in this Bill that deal with tax evasion, but to expand the regime to all offences that can sensibly be brought under it, as set out in part 2 of schedule 17 to the Crime and Courts Act 2013. The schedule covers 40 or 50 economic or financial crimes that corporations should be required to prevent. That would put a blanket

across a range of criminal financial offences that are not dealt with at the moment, such as fraud, theft, false accounting, the suppression of documents, dishonestly retaining a wrongful credit, the exportation of prohibited or restricted goods and so on. There is a list for the Government to look at. I hope that thought will be given not just to expanding the regime to the evasion of taxation both in this country and abroad, but to some of, if not all, the offences listed in the schedule.

Finally, I want to make a small point, which I suppose comes back to resources. In an online article in “The Brief” from *The Times* this morning, a senior lawyer at a City firm of solicitors complained that tax officials were failing to use existing tools against tax avoidance schemes while seeking to expand their powers. He said:

“The huge range of swingeing powers HMRC has been given in recent years may have helped its image...but to date they have been little used as an enforcement tool, and some may question whether public time and resources could have been better spent.”

He also said:

“Before granting HMRC yet further powers...parliament should consider very carefully whether such powers are actually needed and ask HMRC to explain why some of the powers it has been granted in recent years have been under-utilised.”

I do not know whether that is pinpoint accurate, but it seems to me that we can do both: we can make better use of the powers provided to HMRC and ensure that it uses them; and we can also widen the ambit of our ability to catch those involved in financial crime and our ability to prevent it by introducing the “failure to prevent” provisions in this Bill in, I hope, an expanded form.

3.48 pm

Richard Arkless (Dumfries and Galloway) (SNP): Before I go through my speech, I think I can sum up our position on the Bill very succinctly. The crux is that we support in principle the aims of the Bill. To be truthful, there is not much within the four corners of the Bill that we would dispute. Our problem is not with what is in the Bill but with what is not in the Bill, as I will make clear in my speech.

When I studied the financial system at university in the 1990s, the focus of financial crime and of the Government with regard to it was on anti-money laundering regulations and proceeds of crime legislation, which were specifically geared towards getting at the proceeds of drug traffickers and, quite frankly, bank robbers. For the most part, that has worked. Long gone are the days when criminals could easily legitimise buckets of cash from ill-gotten gains. Thankfully, long gone are the days when the only concern involved in robbing a bank was being caught red-handed. The perception of criminals was that if they could evade capture and did not flash the cash, they could eventually spend the money. In many cases, criminals could be incarcerated for crimes and still look forward to spending loot they had stashed when they were eventually released. Money now needs to be accounted for; banks must consider the sources of funds and be satisfied that they are indeed legitimate. Police now have powers to recoup proceeds of crime even if they have been spent by the criminals, and pass them back to the victims.

In my view, we simply could not believe in the rule of law unless we supported such an evolution in rules and regulation. Fairness and the rule of law should be at the

heart of everything we do as a society. It is not fair to anyone to live in a world where criminals are free to generate cash and spend it without fear of repercussion. There simply must be a level playing field for the vast majority of society who play by the rules. The past changes did not merely disincentivise criminals; they drove a police coach and horses right through their plans. There are many famous bank robbers and drug traffickers. We know them; we have watched all the films. I suggest that they simply would not have committed those crimes had we had tougher money laundering regulations then.

The challenges today are very different. We live in an era of evolving financial crime and now face a very different threat from that which we faced a generation ago, when I was at university. It is the threat of grand corruption, particularly in relation to politically exposed people, facilitated for the most part—perhaps unwittingly—by the City of London.

Earlier this year *The Guardian* revealed through the Panama papers how a powerful member of Gaddafi's inner circle had built a multimillion-pound portfolio of boutique hotels in Scotland and luxury homes in Mayfair, Marylebone and Hampstead in London. He was head of Libya's infrastructure fund for a decade and has been accused by Government prosecutors in Tripoli of plundering money meant for schools, hospitals and archaeology. Scottish police have confirmed that they are investigating. Libya has made a request for an asset freeze, but that has not yet been implemented.

These challenges are such that new and tougher legislation is required to give law enforcement the tools to really do something about this problem. We in the Scottish National party support that principle. Although I do not wish to undermine your Office's consideration of the Bill, Madam Deputy Speaker, I respectfully suggest that the Bill applies to Scotland. There are specific clauses on how the provisions will apply to Scotland.

As far as devolved competencies go, the SNP Scottish Government have demonstrated their commitment to tackling criminal finances and tax avoidance, and boast a successful track record in doing so. In Scotland we have introduced robust anti-avoidance rules on devolved taxes, described by commentators as among the toughest in the world. The SNP Government's approach to devolved taxes demonstrates that we are deadly serious about tackling tax avoidance in Scotland. For example, the Revenue Scotland and Tax Powers Act 2014 established the Scottish general anti-avoidance rule, which will allow Revenue Scotland to take counter-action against artificial tax avoidance schemes, making it more difficult for people to circumvent the requirement to pay tax.

That said, although we support the broad principle at stake here, we note with interest the clear terms of the most recent Tory manifesto:

"We will continue to lead the world on tax and transparency... We are also making it a crime if companies fail to put in place measures to stop economic crime"

and

"We will...crack down on tax evasion and aggressive tax avoidance".

Admirable principles, and ones we support, but we have real doubts that the Bill goes far enough to achieve those goals, as I and my hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin) will make clear as we move through the debate.

Many mechanisms and vehicles are provided for in the Bill. One of the most important, and perhaps the easiest for the public to understand, is the unexplained wealth order. The Bill will enable a court—in Scotland, the Court of Session, upon application by Scottish Ministers—to make an unexplained wealth order. The order will require an individual or organisation to explain the origin of assets if there are reasonable grounds for suspecting that that individual or organisation may be involved in criminality or intend to use that wealth for criminal purposes, and the value of the assets exceeds £100,000.

The order will be available to the court where assets appear disproportionate to known legitimate income—for example, as recently reported, when a taxi driver owns a £1 million fish tank. Failure to provide a response to the order and explain the legitimate source of funds would give rise to a presumption that the property was recoverable, making any subsequent civil recovery action much easier.

As a lawyer, the notion of reversing the burden of proof is not one that sits comfortably with me, but, as in other areas, I consider it to be proportional to the issue at stake. Sound legal principles, such as the presumption of innocence and the burden of proof being on the Crown, should not inadvertently protect criminals, which I suspect may have happened thus far.

Unexplained wealth orders will also help to expose the owners of property. Land Registry figures show UK real estate worth more than £170 billion is held by more than 30,000 tax haven companies. The key to this provision is that a criminal conviction will no longer be necessary before law enforcement can pierce the criminals' veil that camouflages their wealth. Getting away with the crime itself will no longer protect a criminal's wealth. The Bill will allow for this power to be applied to foreign politicians and officials, or those associated with them, known as politically exposed persons, helping to tackle the issue of proceeds of grand corruption overseas being laundered in the UK.

I have a couple of specific questions for the Minister relating to unexplained wealth orders. There is a provision relating to interim freezing orders. If an unexplained wealth order is made, one could presume that the respondent would be keen to hotfoot it out of the country with a stash of cash. Freezing orders are available if the court is satisfied that they are necessary. Will the Government consider strengthening this position to ensure that the hotfoot temptation is not available to these criminals? I could imagine the rush to flee—I think we all could. Perhaps an automatic freezing order on the granting of the application for the unexplained wealth order can be considered. Will the £100,000 threshold create a new "out" for grand corruption? Will politically exposed people collaborate with many people to do numerous transactions under £100,000? That should also be considered and we should ensure that the provisions catch those types of activities.

Current legislation does not make it easy to seize criminals' assets in the form of bank accounts and other value assets, such as precious metals and jewels, or indeed casino chips and high value betting slips. There is evidence, however, that these moveable items are being used increasingly, both domestically and across international borders. The Bill will create new civil powers similar to existing cash seizure and forfeiture schemes in current legislation, which would close that

[Richard Arkless]

gap. The powers will be exercisable where there is reasonable suspicion that the property is the proceeds of crime or will be used in unlawful conduct.

The SNP's 2016 manifesto stated:

"We will argue for changes in the law at Westminster to enable the police to seize items of monetary value from criminals, such as high value betting slips and casino chips."

I was pleased to hear the Minister state that the changes will be included in a forthcoming amendment. I was struggling to conceive how criminals could be caught by the face value vouchers provisions currently in the Bill, so I was grateful for that statement and I thank the Minister for making it.

On corporate failure to prevent tax evasion, the Bill attempts to legislate on what we understand as corporate economic crime. As we heard from the Minister, the Bill will create two new offences. We support the measures as far as they go, but we see this as a huge missed opportunity. For example, nothing in the Bill would criminalise the banks themselves for their employees rigging the LIBOR market. I suspect that when the public begin to understand which corporate crimes are dealt with in the Bill and which ones are not, they may see this as a slight cop-out and a continuation of the status quo that has got us into so much difficulty. It is uncontroversial to hold companies to account for the tax evasion of their employees. It is tax evasion, for goodness' sake. The public would expect it to be criminally sanctionable as is. What the public want are stronger measures to hold companies, in particular banks, liable for the crimes of their resident rogue bankers. It seems strange that the Government have ducked this issue.

Speaking as someone who has worked for a well-known retail bank—something that I do not advertise as much these days as I used to—I can testify with absolute certainty that until the banks themselves are in the frame they will never, as I claimed in my intervention, develop the risk management and other protocols necessary to make sure that their agents or employees do not commit these crimes. Only when liability goes to the top will we ever begin to solve these issues.

Will the Government consider reacting to what the public understand as corporate crime, and make banks liable for practices that have caused so much economic heartache to so many ordinary people since 2008? Why should the innocent ordinary punter pay for the mistakes of rogue bankers? If we make these bosses liable, we will see a tightening up almost instantly.

Sir Edward Garnier: As a first step, would the hon. Gentleman encourage the Government to look at the schedule to the 2013 Act, where the economic and financial crimes are set out, to see whether we could get "failure to prevent" provisions added to this Bill on a wider basis? Perhaps the hon. Gentleman and I could then get together to try to persuade the Government to introduce the American vicarious liability system of corporate criminal liability.

Richard Arkless: I have a great deal of sympathy with both of the right hon. and learned Gentleman's points. I suggest, however, that the first one is rather a half-house measure that does not go far enough. It will not pin criminal liability on the banks. On the second point

about vicarious liability, it is interesting to note that the United States is often considered as the free market monster of the entire world, yet the US feels comfortable with criminalising banks for the actions of their rogue employees. I suggest that we should do the same in the UK.

Mr Wallace: It is a joy as a non-lawyer to be skewered between two barristers in this place, but may I point out to the hon. Gentleman that one reason why the Bill imposes an unlimited fine for a conviction of corporate facilitating of tax evasion is that we believe it will change behaviour. It is one thing to fine a company for a capped fee, but we need to change the attitude not only of the bosses but of the shareholders—and massive fines make a difference. If that is coupled with our provision to increase the powers of the Financial Conduct Authority, we hope that both will help to change behaviour.

Richard Arkless: I agree with the Minister, but my point is that under the Bill, corporate economic crime extends only to tax evasion and not beyond it. Within the four corners of the Bill, there is relatively little to disagree with, but it does not go beyond tax evasion, which I think is a huge omission.

SNP Members can support other parts of the Bill without much hesitation—for example, the expansion of the suspicious activity reports regime, information sharing disclosure orders and combating terrorism. We support all those measures in principle. Notwithstanding our in principle support, we do not think it goes far enough, as I have said.

I shall shortly go through some of the issues that we think are missing from the Bill. Before I do so, however, I wish to make a small point about the time we have had to consider this Bill and its contents. We do not agree that the Scottish Government were given adequate time to scrutinise them. The Bill has been instructed and drafted with high speed, admirable though that may be, but with limited consultation. Only in the last fortnight were we shown draft clauses that related to unexplained wealth orders and mobile items of value—and even then, they were tagged "in confidence". That said, we welcome the move to extend to Scotland the powers for wealth orders and disclosure orders, as requested by the Scottish Government.

For these reasons, the Scottish Government have not had the chance—and neither have I—to consider the Bill in sufficient detail, to consult Scottish stakeholders properly or to provide the Minister and the Government with some detailed advice. The Scottish Government will do so in due course. In addition, we are already aware of concerns among some Scottish stakeholders, particularly the civil recovery unit, that their advice has not been fully listened to and acted upon by the Home Office, and that the current approach adopted in the draft seizure and forfeiture powers provisions may not be the most effective available. I would encourage the Minister to continue his dialogue with the Scottish Government. He demonstrated yesterday evening that that is ongoing, for which I thank him.

So what is missing? It remains the case for us that the most notable aspect of the Bill is what is not in it. The headline objective of the Tory manifesto in this context was to deal with tax evasion, but, as has already been pointed out, the Bill makes absolutely no mention of

the United Kingdom overseas territories and Crown dependencies. Given the aforementioned statement of intent in the Tory manifesto and the problems highlighted by the Panama papers—and the public reaction to the Panama papers—that omission seems very odd and very peculiar indeed.

Joanna Cherry (Edinburgh South West) (SNP): The OECD estimates that tax havens may be costing developing countries a sum up to three times the size of the global aid budget. Does my hon. Friend agree with me, and with the charity Christian Aid, that the most effective way in which the Government could tackle corruption and counter the financing of terrorism would be to set a deadline by which the overseas territories and Crown dependencies would have to adopt the same level of transparency as the rest of the UK, and does he agree that the Bill constitutes a missed opportunity for them to do so?

Richard Arkless: Unsurprisingly, I agree wholeheartedly with my hon. and learned Friend. I should like the Minister to consider whether there is any way in which we could compel the overseas territories and Crown dependencies to publish registers of beneficial ownership, which would provide much needed transparency in what is turning out to be a bottleneck in the fight against tax evasion.

Joanna Cherry: Does my hon. Friend agree that there is a precedent? The Government have repeatedly legislated in respect of overseas territories—for example, on issues relating to corruption, abolishing the death penalty, pirate radio, and the decriminalisation of homosexuality.

Richard Arkless: Again unsurprisingly, I agree with my hon. and learned Friend. Where there is a political will, there will be a way. If the Government were inclined to legislate in relation to the overseas territories and Crown dependencies, I have no doubt that that could be done, but the omission indicates to me that there was not the necessary political will.

We do not believe that the Bill will tackle tax avoidance appropriately. Avoidance has increased under the Conservative Government. Last year the UK tax gap was a staggering £36 billion, and, despite the positive rhetoric emanating from the Tory Front Bench, it has increased by £2 billion on last year. More needs to be done in the Bill to achieve everyone's stated aims.

Why does the Bill not address the tax code? The UK has one of the most complex tax codes in the world, which has clearly led to opportunities both to create new loopholes and to exploit existing ones. We therefore call on the Treasury to convene a commission, and to report back within two years following a comprehensive consultation on the simplification of the tax code. By opening the door to a simplified tax system, the Government could boost tax yield, encourage compliance, and avoid exploitative loopholes such as the Mayfair loophole and employee benefit trusts.

Changes are one thing, but they could become meaningless if we do not allocate the resources that are necessary to ensure that the Bill and subsequent measures have real effects. We think that the Government's decision to close 137 HMRC offices will be completely counterproductive in relation to the laudable aims of

the Bill. Those resources are needed to boost compliance, not to mention the human cost that has been incurred by families, employees, communities and local businesses.

Let me make one final point to the Minister, which will be expanded later by my hon. Friend the Member for Kirkcaldy and Cowdenbeath, and which we discussed yesterday evening. My request is for the wholly reserved issue of Scottish limited partnerships to be dealt with in the Bill, which it is not at present.

It is the view of the Scottish Government that a legislative consent motion will be required to give effect to the provisions covering seizure and forfeiture powers and unexplained wealth orders, and some of the minor and technical changes in the Proceeds of Crime Act 2002. The motion will also include the specific provisions on civil recovery and criminal confiscation that the Scottish Government require to be included in the Bill.

We will not trigger a Division this evening, but we want to reiterate very firmly that the Bill does not go nearly far enough in dealing with what I think is a real and tangible outcry from the public, given what has happened over the last five, six or seven years. If we are serious about creating and maintaining confidence in the banking system—which has completely evaporated—we need to tackle this issue head on, and do more than we are doing in the Bill.

4.9 pm

James Berry (Kingston and Surbiton) (Con): I rise to support the Bill—not to complain about what is not in it, but to praise the Government and agree with them on what they have put in this bold Bill.

I should declare I am a barrister and have represented a number of police forces across the country. That experience has taught me two things. The first is a genuine admiration for the men and women of our fantastic police service for their dedication to the task of keeping us safe. Thanks to their excellent work, led by Chief Superintendent Glenn Tunstall, Kingston is now the safest borough in London. However, as I learned at our recent police awards, even in London's safest borough, there are humbling examples of everyday heroism and compassion by our police officers. We do not hear enough about them, but we are truly grateful.

I pledged at the election to do what I could to give the police the tools they need to do their job. That leads me on to the second thing my experience with the police has taught me: there are a number of powers in this Bill that the police have been, and still are, hamstrung without—where they are powerless to act in the face of wrongdoing.

Before talking about those powers, I want to make a broader point. I am proud to serve as a London MP, representing those who live and work in the best city in the world. London is the world's financial services capital and I know the Government are working as hard as they can to ensure that that remains the case after Britain's exit from the EU. But over the last few years there have been reports that London is becoming the capital of something rather more insidious—money laundering.

Following the global financial crisis, property in London has become one of the safest investments in the world. Rich criminals and money launderers are attracted to it in the same way as people who make their money legitimately. Put shortly, Londoners want this stain removed from their city. The Bill will help to do that.

[James Berry]

It is not just London: the National Crime Agency assesses that billions of pounds in proceeds of international corruption are laundered into or through the UK every year. Her Majesty's Revenue and Customs estimates that £4.4 billion was lost to the Exchequer last year alone due to tax evasion in the UK. Globally, laundered money is estimated to amount to 2.7% of GDP, or \$1.6 trillion. To put that in perspective, there are only nine countries in the world with GDPs greater than that.

As the leading nation in the world for soft power, and as a nation that is trying to lead the global debate on anti-corruption, we need to ensure that our house is in order. The Bill is part of the Government's wider efforts to ensure that that is the case. I want to touch on a few aspects of the Bill.

The first is unexplained wealth orders. We have seen many cases in the press where individuals suspected of grave criminal offences are living lavish lifestyles well beyond what any legitimate income they could evidence could possibly support. It is insulting to the many hard-working people in the UK who play by the rules and go to work day in, day out to earn an honest living to support themselves and their families to see this happening. It creates a feeling of impunity in the upper echelons of criminality.

Unexplained wealth orders will require those suspected of being involved in, or associated with serious criminality to explain the origin of assets of over £100,000 that appear disproportionate to their known income. A failure to provide a response, or a satisfactory response, could lead to a presumption that the property in question is recoverable in civil proceedings.

Unexplained wealth orders will have to be made by a High Court judge on application by a relevant law enforcement officer. Even with those protections, as might be expected of a lawyer, I ask the Minister to give a little more assurance about the nature of the protections in place, given that the measure does reverse the burden of proof that normally rests on the Crown. I am sure that he will be able to provide that reassurance, and I entirely agree with the hon. Member for Dumfries and Galloway (Richard Arkless) that that appears to be proportionate in this case, given the severity of the situation that law enforcement officers face.

Secondly, on enhanced forfeiture powers, I have spent many mornings in magistrates courts up and down the country making applications under the Proceeds of Crime Act 2002. I have some familiarity with this area. The current powers under the POCA apply to cash. The police may seize it when they have reasonable grounds to suspect that it is the proceeds of crime. They may then apply to the magistrates court to forfeit that cash. A classic example is a shoebox found in a house containing some drugs and rolls of cash. However, the provisions apply to cash alone. The more sophisticated criminals do not have rolls of cash and a little bit of cannabis or cocaine in a shoebox. They have their money in bank accounts and in high-value items of personal property, which are much harder to trace and much easier to move around, domestically and internationally. Such items include precious metals and jewels—and indeed betting slips. I am grateful to the hon. Member for Dumfries and Galloway for drawing those to the Government's attention. His information appears to be

being acted on. The seizure and forfeiture provisions in the Bill extend the cash seizure powers in POCA to bank accounts and high value-items. That will mean that the law and the police's powers are keeping up with the ways in which crimes are being committed. That is a welcome move.

I now turn to part 3 and the new offence of corporate failure to prevent tax evasion. This is another manifesto commitment that the Government are delivering on today. It is already the case that a taxpayer who fraudulently evades a responsibility to pay tax commits a criminal offence. A person such as a banker, accountant or tax adviser who knowingly assists a taxpayer to fraudulently evade a responsibility to pay tax is committing a criminal offence, but the company employing that banker, accountant, tax adviser or other professional who criminally facilitates tax evasion does not commit any offence. The company is outside the reach of the law. The Bill aims to bring those companies within the reach of the law, not to duplicate the criminal liability of their employee or agent but to criminalise a failure by the company to prevent those acting on its behalf from facilitating tax evasion. It will criminalise the company for allowing an atmosphere to be created in which that tax evasion is possible.

That might seem draconian, but it is absolutely necessary. Companies will have a defence, much as they do under health and safety legislation, if they can show that they had reasonable prevention procedures in place. The new offence will be the stick that will drive up companies' efforts to ensure that their internal procedures do the utmost to prevent their employees from facilitating tax evasion. It will drive up standards in the whole sector, and that is long overdue.

Richard Arkless: I am listening with great interest to what the hon. Gentleman is saying. Does he agree that there is a real case to be made for extending the provisions on corporate economic crime beyond the tax evasion issues covered by the remit of the Bill?

James Berry: That is certainly something that could be looked at and consulted on, but the Bill is achieving a manifesto commitment to do exactly what it says on the tin. That is what the Government are trying to deliver today.

Richard Arkless *rose*—

James Berry: I will carry on, if I may.

Mark Tami (Alyn and Deeside) (Lab): Will the hon. Gentleman give way?

James Berry: No.

I hope that this provision will have the same effect that health and safety legislation has had, with companies taking the lead in rooting out bad practice to avoid being liable themselves for incidents caused by their employees. Some businesses might dismiss this as red tape, but if it is red tape, it is important red tape that is focused on the aim that it is trying to achieve. It is important to ensure the integrity of our world-leading financial services sector in London, and these measures have been welcomed by many in the industry, including

the chief executive of the British Bankers Association, even though I do not necessarily support the utterances he made earlier this week.

I have touched on just a few of the provisions in the Bill. It also contains many tidying-up provisions that are extensions of existing laws and that are based on feedback given to the Government by the police and law enforcement agencies on the deficiencies in their current powers. That approach is to be warmly welcomed, because when it comes to the fast-moving world of criminality that our police are trying to prevent and detect, we in this House must be fleet of foot. I believe that the Government are achieving that today. I am sure that hon. Members on both sides of the House will welcome the aims of the Bill unreservedly, and I hope that by the time it has been through its Committee stage, all its clauses will have been accepted.

4.19 pm

Dame Margaret Hodge (Barking) (Lab): This speech represents two firsts: I am the first non-lawyer to speak from the Back Benches; and I think I am the first to acknowledge the role played both by our former Prime Minister and by the right hon. Member for Brentwood and Ongar (Sir Eric Pickles), who was the anti-corruption tsar, in providing leadership on anti-corruption. They should both be acknowledged today as their work led to what we are considering. I agree with everyone who has spoken today that the Bill is extremely important. Whether from the National Crime Agency or HMRC, the estimates of the billions of pounds that are laundered through the UK or lost to public services because HMRC is unable to collect them make this an important measure. I fear, however, that the rhetoric that many have been given to this afternoon does not reflect the reality, so I hope that the Minister will be able to respond to the points that I raise.

Others have mentioned the omission of tax havens, and the failure to take action on the overseas territories and Crown dependencies, which act as key jurisdictions in support of tax evasion, tax avoidance and corruption, is a grave error. I hope that the Minister will reflect on that during the Bill's proceedings and see whether we can introduce some amendments. The Government's failure to mention such territories makes them complicit in facilitating the very corruption that they say they want to tackle through the Bill.

Mr Jim Cunningham (Coventry South) (Lab): I agree with my right hon. Friend and previous speakers that, were something done about the overseas territories and Crown dependencies, that would give the Government more credibility. They have committed to report annually on tax avoidance in some of these overseas tax havens—for want of a better term. Does she agree that, if they are going to negotiate with other Governments to get them on board, they should do something about the overseas territories?

Dame Margaret Hodge: I agree entirely with my hon. Friend's comments.

Mark Tami: While we support the Bill, does my right hon. Friend agree that the danger is that we might drive even more business to the overseas territories and encourage even more of the problems that have already been identified?

Dame Margaret Hodge: Indeed. I would also add that the Brexit provisions might also lead to increased activity through the overseas territories and tax havens, so there are several dangers.

A number of Members have mentioned the evidence that backs up the importance of the Bill, but I want to point out two or three facts that have not yet been raised. The World Bank reviewed 213 corruption cases from a 30-year period between 1980 and 2010. Shell entities were involved in 70% of them, and UK Crown dependencies and overseas territories were second after the US on the list of those who provided shell entities. That is clear evidence of the importance of the role played by the Crown dependencies and overseas territories. Do we always have to wait for another leak to understand that? We will keep on getting them—the Mossack Fonseca leaks and the Panama papers will be just one in a stream. If we look at the information we garnered from the leaks, over 200,000 corporate entities were exposed, more than half of which were registered in the British Virgin Islands. I ask the Minister to consider that.

I also came across the African Progress Panel, which found that citizens of the Democratic Republic of the Congo were deprived of some £1.35 billion—twice their health and education budgets combined—due to the sale of mining contracts to five anonymous BVI companies. Those assets were sold at about one sixth of their commercial value, enabling the secretive offshore companies to sell them on and secure profits of more than 500% of the original moneys they paid. Again, desperately needed resources were lost to the poorest countries in the world.

If we are really to tackle the corruption, evasion and avoidance that occur in jurisdictions over which we have ultimate control, we must have the transparency that a number of Members have asked for this afternoon.

Mr Wallace: I have listened carefully to what the right hon. Lady said. Will she not concede that since the lead-up to the London anti-corruption summit in May, the Crown dependencies and overseas territories have agreed to establish a central register of beneficial ownership and a data-sharing system with the UK enforcement agencies that will give us access to those data almost in real time, and that that goes a long way to meeting some of her concerns? I recognise that the Scottish National party would like this to be public as well as shared with our law enforcement agencies, but it still goes some way on this issue. On the other side, the unexplained wealth orders for politically exposed persons will allow us to grab the money should they put it in this country and live in the nice houses that they sometimes seem to live in.

Dame Margaret Hodge: In my view, and indeed the British Government's view, publicising those registers of ownership is crucial. We decided to do that for ourselves, so why are we not using our powers to enforce it on the Crown dependencies and overseas territories? There are multiple reasons why we have decided to do it for ourselves, and I shall mention two of them. First, for many of the poorer countries, getting their agencies up to speed so that they can pursue people and know what questions to ask is tough, and public registers make it much easier for those people to be interrogated. Civil society should interrogate them, and the registers make it much more likely that the type of activity that I mentioned in the DRC is revealed.

[*Dame Margaret Hodge*]

Secondly, we are talking about a very reactive response; if a register can be interrogated only by the international agencies that are allowed to have access, people will have to know that there is something they are after before being able to discover whether or not there is information about beneficial ownership that is relevant to a criminal activity or to aggressive tax avoidance and so on. Such an approach presupposes a degree of intensive resources and knowledge that will not necessarily be in place. Although one of course welcomes the creation of these registers, having them made public is central to making them work.

The Minister should listen not to my words on this, but to those of the former Prime Minister, who was absolutely clear, year on year, when talking about these issues, that the openness and transparency of these registers was what mattered. In 2013, he said to the Crown dependencies and overseas territories that they had to rip aside the “cloak of secrecy” by creating a public register of beneficial ownership. In April 2014, he wrote to the overseas territories, saying that

“beneficial ownership and public access to a central register is key to improving the transparency of company ownership and vital to meeting the urgent challenges of illicit finance and tax evasion.”

He also expressed his hope that overseas territories would follow suit to

“consult on a public registry and look closely at what we are doing in the UK.”

On a trip to the Caribbean in September 2015, he said:

“Some of the British Crown Dependencies and Overseas Territories are making progress in this direction. And others, frankly, are not moving anywhere near fast enough. I say to them all today, including those in this region—

the Caribbean—

“if we want to break the business model of stealing money and hiding it in places where it can’t be seen: transparency is the answer.”

When we established our own public register here in the UK, David Cameron said that

“there are also many wider benefits to making this information available to everyone. It’s better for businesses here, who’ll be better able to identify who really owns the companies they’re trading with. It’s better for developing countries, who’ll have easy access to all this data without having to submit endless requests for each line of inquiry. And it’s better for us all to have an open system which everyone has access to, because the more eyes that look at this information the more accurate it will be.”

I simply say to the Minister that I really do agree, in this instance, with the former Prime Minister and I hope the current Government will listen carefully to his wise words.

Joanna Cherry: The right hon. Lady is, as one would expect, making a very powerful speech. Does she agree that the Government can be comforted by the thought that extending this transparency to the tax havens would be a very popular move with the public, as YouGov polling shows that more than two thirds of people think that the Government should take such action? Research published by Oxfam shows that there are high levels of support for extending this transparency across the political spectrum.

Dame Margaret Hodge: I, too, have seen that survey. Any action that the Minister takes will be warmly welcomed by the public across the whole of the United

Kingdom—by people of all ages and all genders. This is a really important bit of work, and I hope that the Minister will take it seriously.

I am concerned about the action taken so far. I am concerned that in December 2015 when we had the Overseas Territories Joint Ministerial Council, the Government failed to persuade those territories to implement public registers. I am concerned that, in March 2015, the Cayman Islands and the British Virgin Islands refused to meet Ministers from the Foreign Office and the Treasury. I am concerned that they failed to meet the Financial Secretary’s request that they adopt registers by November 2015. I am concerned that—as I understand it—they have ignored letters from UK Ministers. I am deeply concerned that tax is not even on the agenda for the forthcoming meeting of the Overseas Territories Joint Ministerial Council. I hope that the Minister can address that point. We do have the powers, and, as was mentioned in a previous intervention, we have used them before. The Government must act.

If the Minister could at least tell us that he will set a timeline, at the end of which, if matters cannot be resolved in a collective and collaborative way with the overseas territories and the Crown dependencies, the Government will use their power. That would go a long way to settling some of our concerns today. I hope that he can at least consider that as a possibility for taking the matter forward.

May I briefly comment on some of the other provisions in what is a warmly welcomed bit of legislation? On the unexplained wealth orders, it is particularly welcome that they will be applicable no matter where in the world the offence takes place. May I ask the Minister two questions? If the money comes from an overseas territory—a developing country, for example—will there be a notification to that country of the setting of an unexplained wealth order? Again, our enforcement agencies will be more capable than some others in pursuing laundered money.

Mr Wallace: I can get an exact answer to the right hon. Lady’s question. Just around that, though, we have started to sign memorandums of understanding with a number of countries—we signed one in August with Nigeria—to help them recover their assets, without barriers between here and there, and to assist them, both in their country and here, with tackling crime. Once they find their assets, we will get them back to them as soon as we can.

Dame Margaret Hodge: I am grateful to the Minister for providing that information. Will he explain why the orders do not apply to politically exposed people inside the European economic area? Will he look again at that issue, because there may occasionally be a relevant instance where that is important?

Mr Wallace: That is quite straightforward. We are unable under EU law to discriminate against different members of the EEA in relation to the UK citizen. What we do for the UK citizen we also have to do for other members of the EU.

Dame Margaret Hodge: I wish to raise two other issues. One arises from a debate held in the House on March 2012, initiated by the hon. Member for Esher

and Walton (Mr Raab), on what is known as the Magnitsky-style amendment. The argument there arose from the horrific and brutal killing of Sergei Magnitsky—a Russian lawyer who was tortured and murdered because he uncovered a huge \$230 million tax fraud in Russia. Allegedly, \$30 million of that found its way laundered into the UK, according to evidence given to the Home Affairs Committee.

The hon. Gentleman proposed something similar to an amendment enacted in America—he and I would support such an amendment during the proceedings on the Bill—that would have ensured that foreign individuals involved in corruption and human rights abuses had their assets frozen, be denied right of entry to this country and be publicly named and shamed. Again, although that is slightly different to other provisions in the Bill, I think that there is strong cross-party support for introducing a Magnitsky-style amendment into UK legislation.

I hope that the Minister will look favourably on such an amendment. I have looked at the details, and a particularly disturbing aspect is how many UK banks were involved in laundering the alleged \$30 million into the UK, according to evidence given to the Home Affairs Committee. They include Barclays, HSBC, NatWest, Bank of Scotland, RBS, Citibank, Bank of America, Lloyds TSB and the Bank of Tokyo. I hope that, from that horrific tragedy, we can introduce an important change in our legislation.

Finally, I want to talk about the corporate failure to prevent tax evasion, which other hon. Members have spoken about. I welcome the Bill as the first attempt to place responsibility for tax evasion not just on individuals but on corporations. However, this is a very small first step towards making those who are responsible for devising, advising and facilitating evasion and avoidance accountable for their actions.

Before we go over the top on saying what a great change the Bill represents, we should realise that it will apply only where a criminal offence has been successfully prosecuted against an individual or where an individual adviser has committed an offence when working for a corporation. It does not cover negligence by the corporation. It will not make the corporation responsible for the crimes of its staff. It does not cover aggressive tax avoidance. Unlike my Front-Bench colleague, I think that that is where the important bit of action must be taken if we are to ensure that we get the resources into coffers according to people's wealth and their profits and incomes.

The Bill simply asks that reasonable procedures are in place, which is a risk-based and proportionate exercise, so it does not represent a fail-safe procedure. As I think through some of the instances we heard about during my time chairing the Public Accounts Committee, where we felt that corporations were misbehaving, I do not think that it would cover PricewaterhouseCoopers and all the stuff that it was doing in Luxembourg, where it was clearly selling schemes in an industrial way that had no other purpose than to avoid tax. We had a discussion earlier today about Heathrow. I do not think that it would cover Heathrow, which has managed to avoid paying a heck of a lot of tax on massive billion-pound profits that it has made. I do not think that it would cover Google. I do not think that it would cover—this is really important—the fact that when we interviewed

advisers about the tax advice they give to corporations and individuals, they said that they would give advice so long as there was a 50% chance that it was not challenged by HMRC. The reverse of that is that there is a 50% chance that it will be challenged by HMRC, but given the size of the task and HMRC's limited resources, it takes a long time to catch up with such schemes and does not have the resources that some of the big accountancy firms, advisers, banks and lawyers et al. have. That will be caught not by the first welcome but small measures that are being taken.

From all the work that we did in the PAC, the only thing that I can think would be caught is probably HSBC's actions. The non-executive director, Rona Fairhead, gave evidence to us, sought to blame the whistleblower in that instance for being a thief—I thought that that was pretty awful—and blamed the front-line staff for doing what was obviously expected of them by the organisation for which they worked. She, as a non-executive director earning £500,000 a year at HSBC, felt that she did not have any responsibility to ensure corporate governance. The measure might catch that sort of instance, but it is very limited, and as we examine the Bill, I would welcome opportunities to extend that important first step in ensuring corporate liability as well as individual liability and accountability for actions that have been taken. I warmly welcome the Bill and I hope that the Minister can take the further steps that I have suggested.

4.40 pm

Nusrat Ghani (Wealden) (Con): It is a pleasure to follow the right hon. Member for Barking (Dame Margaret Hodge). I would also like to put on record the fact that I must be the second non-lawyer to speak in the debate.

I support the Bill, especially its provisions on countering terrorist financing. In November last year, shortly after the horrific terrorist attacks in Paris, I wrote to the then Prime Minister, the former right hon. Member for Witney, to raise my concerns about overseas funding received by religious or educational establishments in this country that radicalise and promote extremist values—basic criminality—whether they network through individuals, mosques, schools or community groups. I argued that if an organisation is unwilling to agree to a set of tolerant principles that society considers acceptable, it is not unreasonable to prevent it from receiving dubious funding from overseas. I am not so naive as to overlook the accusation that that approach could itself be seen as intolerant, but we have accepted that there are rules to which the funders of political parties and unions must adhere, so why not the funders of other important institutions? Extremism is a symptom of criminal ideology, and we must cut off any finance that helps to spread an ideology that promotes criminality, extremism and violence.

The Bill builds on the Government's action plan for anti-money laundering and counter-terrorist finance by putting into law one of its main principles: more information sharing between the private and public sectors. It goes without saying that we cannot disrupt terrorist financing unless we know about it, and I welcome the fact that that is fully recognised in the Bill through concrete measures to deal with the problem. Measures to introduce a disclosure order regime under terrorism legislation offer new opportunities to uncover illicit financing of terrorist or extremist behaviour and the promotion of criminality. We have seen the benefits of the work

[Nusrat Ghani]

of accredited financial investigators in proceeds of crime investigations, and it is right that those benefits should be extended to counter-terrorism investigations with the extension of powers to AFIs in the Bill.

We need to go further with provisions that are not appropriate for inclusion in this Bill but would, in my view, strengthen its provisions. Perhaps I may be so bold as to make a suggestion. The vast majority of churches are registered as charities, which means that their finances are transparent. I would suggest that a formal register of mosques in the United Kingdom would make it far easier to investigate their financial affairs and their recruitment of imams, especially if those people come from overseas. That would help us to understand the strand of Islam that they wish to promote, and it would flush out sources of financing that promote the intolerant ideas that put us at risk of harm from criminals who use those ideas to justify their actions.

The Islam that came to this country with the communities that settled here after the second world war is not the Islam that is being exported by Daesh today. With many of our communities and mosques feeling that they are under siege from that foreign death cult, it is our duty to protect those communities and show that we stand by them in countering extremism. As a member of the Home Affairs Committee, I have seen all the evidence that I need to justify our hard-headed response to the threat of terrorism and criminal extremism. I hope that the Government will consider such a step when the appropriate vehicle arises.

As of June this year, some 165 people were in custody for terrorism-related offences, and domestic extremism and separatism, but there are still individuals and organisations based overseas that have a mission to spread insidious intolerance and violence, which requires funding that travels across borders. As terrorist groups organise and reorganise, they need access to well-funded diverse networks, and they are becoming increasingly complex and sophisticated. Technology and the proliferation of financial instruments challenge the authorities' ability to accurately trace and counter the flow of funds, but one thing remains the same: the objectives of terrorists. They seek to divide our communities, spread fear and hate, and undermine the good work of community leaders who do everything they can, often in the face of unhelpful opposition, to make sure that their communities are safe.

By enhancing our ability to counter the financing of terrorism, we are taking another step in preventing the spread of organised crime and terrorism. The Bill offers the Government's support to leaders and communities, makes us all safer, undermines the financial management of terror groups and co-ordinates legal measures to combat them. I therefore warmly welcome it.

4.45 pm

Chris Evans (Islwyn) (Lab/Co-op): I congratulate the hon. Member for Wealden (Nusrat Ghani) on a rather succinct speech. There are many things that divide us in this House, but the subjects that she was talking about bring us together.

It is a pleasure to follow my right hon. Friend the Member for Barking (Dame Margaret Hodge), formerly a formidable Chair of the Public Accounts Committee,

of which I am now a member. I know that her studs have been felt by many a civil servant and many in the private sector. A lot of people are pleased that she is no longer the Chair of that Committee, but I am not one of them.

For too long, law enforcement agencies have had to fight organised crime and terrorism with one arm effectively tied behind their back. It is simply not possible to counter organised crime and terrorism as effectively as is necessary without the power to investigate properly, and to confiscate criminal property and the proceeds of crime. Like many other speakers in the debate, I broadly support in principle most of the Bill's measures. It is right that those who have gained assets in suspicious circumstances should be asked to explain where those assets came from. Where it is found that they have been involved in crime, and that those assets are the proceeds of crime, law enforcement should be able to confiscate and seize assets beyond cash. That is the only way to ensure that justice is done and for the proceeds of crime to be returned to the system and used for the public good.

Information sharing between banks is key to the investigation of financial crimes, so I am pleased that the Bill includes measures to improve that. Perhaps the Minister will tell us whether the banks have made any response. When I have talked about the sharing of data, they have been reticent, citing reasons of competition. I hope that concern has been overcome and that the Bill will provide good law.

Following the shocking revelations earlier this year in the so-called Panama papers, I am pleased that the Government are fulfilling their commitment to be tough on the middlemen involved in tax evasion and other financial crimes. Corporations and their employees who are involved in facilitating tax evasion and other financial crimes in the UK and internationally must be held to account. I welcome the fact that investigations into terrorist financing are covered by the Bill. If we are to clamp down on violent extremism, it is vital that such groups do not have access to the resources that they need to commission their acts of evil.

I believe, however, that some elements of the Bill are vulnerable to being undermined. Although its measures would apply in the United Kingdom, it does not appear that they would extend to British overseas territories and Crown dominions. This problem must be addressed, otherwise there is a risk that the Bill and law enforcement agencies' ability to investigate crime will be weakened. In particular, British overseas territories such as the Cayman Islands and the British Virgin Islands have lamentable policies on transparency. I know that the former Prime Minister was desperate to change the situation and pay tribute to his work in that respect. Those islands literally harbour money, as they are the registered home of some of the largest and most valuable super-yachts in the world. Anybody can walk across any harbour in Spain or Italy, or see at sea, the Russian oligarchs' huge super-yachts that are registered to the Cayman Islands. One has to ask why a Russian oligarch finds the Cayman Islands such an attractive place to register his rather large boat.

Mr Gregory Campbell (East Londonderry) (DUP): It is the weather.

Chris Evans: It could be the weather, although I wonder whether the reason is something a little more sinister.

These islands have not agreed a timetable for introducing public, or at least central, registers of beneficial ownership of trusts and other companies, which are often used to launder money and hide assets. If the Government indeed intend to use the Bill to tackle money laundering and corruption, to recover the proceeds of crime, and to counter terrorist finance, their aim might be undermined as, by moving money between secret trusts and offshore companies, some of the most serious and organised criminals, including those who commission acts of terrorism, could still operate.

While the need to tackle organised crime and terrorism is important from a domestic standpoint, it is also important that we play our part in tackling international corruption. A review by the World Bank found that in more than 70% of 213 serious corruption cases, secret company ownerships were relied on to facilitate the corruption. The UK, alongside our overseas territories and Crown dominions, provided the second largest number of those companies. That situation demands urgent action.

It is sometimes hard for us to understand the serious effects of corruption, as corruption is largely under control in mainland Britain and Northern Ireland and is swiftly dealt with whenever it emerges. In developing countries, however, the misuse of public funds has a devastating impact. The Africa Progress Panel found that \$1.35 billion had been stolen from the citizens of the Democratic Republic of the Congo due to the sale of mining contracts for just one sixth of their commercial value. Those contracts were sold to five anonymous companies based in the British Virgin Islands. To give some perspective on the scale of that loss to the people of the Democratic Republic of the Congo, \$1.35 billion equals twice the country's health and education budgets combined. That devastating loss is another sad chapter in the country's long and tragic history of corruption, murder, death and executions, with many women, girls and children having become victims of a tyrant.

It might be unwise, for constitutional reasons, for the UK Government to use the Bill to force British overseas territories and Crown dominions to introduce more transparency, but it is clear that they must take action. Earlier this year, the former Prime Minister laid out a welcome commitment to transparency and urged all British overseas territories and Crown dominions to make changes. We can all agree that that was an important step forward, but the momentum has been falling away and more action must be taken. Real people are losing out every single day as a result of international corruption, organised crime and, yes, terrorism. If the Government are serious about countering that, and meeting our duty not only to ourselves but to others around the world, they must now stop dragging their feet on this very important issue.

As I said, I welcome the principle behind the Bill, but I fear that it will not do the job that is intended. I look to the Government and the Opposition to table amendments that would improve it. The Government are not covering all the bases, especially with regard to British overseas territories and Crown dominions, and I fear that that could lead to some of the Bill's measures being circumvented. The Government must match their words with actions and commit to putting far more pressure

on British overseas territories to embrace transparency. Only once transparency has been achieved will the Bill be able to meet its aims of ensuring that UK-based and international criminals and terrorists are stripped of their resources, and that our citizens are safe, wherever they live.

4.54 pm

Kirsty Blackman (Aberdeen North) (SNP): I had not been in a debate with the hon. Member for Islwyn (Chris Evans) until this morning, and now we have the pleasure of two in one day.

It is very strange to stand here and talk about the Criminal Finances Bill, because I think that a lot of the things under discussion are totally alien and completely baffling to many of my constituents. Many of them will be thinking, "Why aren't we doing this stuff already? Why has it taken so long for Governments to get around to addressing the issues?" That is particularly true of unexplained wealth orders, which, for the avoidance of doubt, I support. It is a good idea to introduce them, but I am sure that many people are wondering why that has not happened before.

Most of my constituents will only ever pay tax through pay-as-you-earn. None of the taxes under discussion, such as corporation tax and inheritance tax, apply to them, so they will not know quite how complex the UK tax code is, or that a van is needed to transport it, as is regularly mentioned in this Chamber. I am aware that repetition is allowed—in fact, it is positively encouraged—in this place.

The fact that the tax code is so complex means that it is very easy for people to find and exploit loopholes in it. I appreciate the Bill's measures to close at least some of them, but there are some glaring omissions. As my hon. Friend the Member for Dumfries and Galloway (Richard Arkless) has said—I am sure that my hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin) will mention this, too, because I may have read his speech—Scottish limited partnerships are still missing from the measures. We have brought up the issue and it has been widely reported by *The Herald*. I think that people in Scotland who have read those articles will be clear that the UK Government need to fix that and that they can do so relatively easily because of the high percentage of SLPs that are being used for financing crime.

The right hon. and learned Member for Harborough (Sir Edward Garnier) mentioned the Victorian principles behind some aspects of finance and tax law. That is a big problem. A lot of the laws have evolved over a number of years and there has never been a wholesale review. The approach has been not "Let's take it all apart and start again," but "Let's tinker by adding a little bit and taking away a little bit."

When some of the tax powers were devolved, Scotland was, in some ways, in a much better position, because we could start with a much cleaner slate. Our general anti-avoidance rule was said by Isobel d'Inverno, convenor of the tax law sub-committee of the Law Society of Scotland, to be

"much fiercer than the UK one."

It has also been widely commented that the Scottish Government are in a position to have a much stronger law and stronger rule, and that that has been beneficial for us to administer the devolved taxes.

[Kirsty Blackman]

As my hon. Friend the Member for Dumfries and Galloway has said, we are calling for a moratorium on the closure of HMRC offices. If it is a massive priority for the UK to ensure that tax loopholes are closed and that criminals do not exploit the tax system, particularly through tax evasion, it is bizarre that offices are being closed, rather than more staff being taken on and more resources being spent on ensuring that such exploitation does not happen. I would appreciate it if the UK Government would reconsider, again, the loss of those important offices and dedicated staff. That is key.

What the Government are doing and the way in which the current system is set up do not encourage people to have confidence in the economic system. It is much like the House of Commons, which is set up in a very traditional way with Standing Orders that were written hundreds of years ago. They do not encourage transparency or confidence in the system, because they allow some people to have too much power. The tax law and the tax codes have much the same problem. Some of them are far too old, and they have been tinkered with rather than changed wholesale. They encourage and allow some people who are in receipt of millions of pounds to continue to have millions of pounds without paying appropriate tax on it, whereas the people at the bottom cannot do so. One of the problems with the system is that nobody has confidence in it. Criminals have worked out how to get around it, and they continue to do so. The people at the bottom of the pile, who are not involved in those tax affairs and who do not see the criminal proceeds, do not have confidence in the system either.

The Government have a real job of work to do if they are to ensure that Bills such as this restore confidence in our tax and regulatory systems. My hon. Friend the Member for Dumfries and Galloway talked about the free market economy in America and some of the moves that that country has made. If we were to introduce similar financial regulation for banking and property ownership, not only in and around London but for those who own vast swathes of land in the Scottish highlands, we would inspire confidence among the general public.

The right hon. Member for Barking (Dame Margaret Hodge) and my hon. and learned Friend the Member for Edinburgh South West (Joanna Cherry) mentioned the recent YouGov poll, and they talked about public confidence in these measures and public concern about tax evasion, particularly in the Crown dependencies. Because such tax evasion has been widely reported in the news, the public are really concerned about it. Their concern is increased by the fact that the Government have not used the Bill to introduce a public beneficial ownership register, and they have not given Parliament a timetable for introducing such a register. The quicker the Government can publish such a timetable, the better for the confidence of the general public in the tax system. As my hon. Friend the Member for Dumfries and Galloway has said, we are generally supportive of some of the measures in the Bill, but it does not go far enough to inspire public confidence in the measures that the Government are taking.

5.2 pm

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): Many people in the Chamber consider much of the Bill to be praiseworthy. It struck me that all the critical

speeches this afternoon—spanning all parties represented by the Members who have spoken—have been about what is not in the Bill, rather than what is in it. I wondered who would put the Bill in the context of the challenge that we face, and I think the Minister did that best in his opening remarks. He said of the extent of the criminality that he discovered on becoming a Minister that

“it...takes my breath away.”

The extent to which the Bill will deal with such criminality does not quite take the breath away.

I would like to comment on three areas that have been mentioned, the first of which is the permissive culture of banks. The best critique of that culture has come not from me or from anybody who is currently in the Chamber, but from the right hon. and learned Member for Rushcliffe (Mr Clarke) on 24 May this year. When talking about this forthcoming Bill, he commented:

“we in this country are very bad at dealing with white-collar crime, and there is growing awareness of that. If someone wishes to rob a bank, they go to the LIBOR market; they do not put on a balaclava and pick up a shotgun—that is much less profitable.”

He very succinctly drew out the problem of how the culture in banks has created a context in which it is easier to commit grand crimes in them than it is for the old-fashioned external robber to do so. He went on:

“London is still the money-laundering capital of the world. For an African despot or a serious international criminal, London is the best place to put their money, because they can trust the bankers to look after it and not to steal it from them.”

He concluded:

“I hope we will also impose a duty on those at the head of the institutions involved to ensure that they take positive steps to stop those working for them encouraging such activities.”—[*Official Report*, 24 May 2016; Vol. 611, c. 450.]

I doubt whether anybody in this debate would disagree with the right hon. and learned Gentleman's words in May, but I do not think that his optimism about the Bill is reflected by the reality of what we now face.

On banking, I suggest that the Minister look at two things. The right hon. Member for Barking, who is no longer in her place, gave the example of what happened in HSBC, where someone was willing to speak up but was then pilloried by senior management. One thing I would suggest to the Minister that needs doing is to strengthen protection for whistleblowing in the banking and financial sector. If we could find a mechanism to encourage people to speak up about criminality or bad practice, that in itself would be a useful measure. Many people have commented that the crisis in the banking sector in 2008 was not predominantly because of the details of regulation, but predominantly because of the culture at the top level. It was caused by group-think on the boards of banks, and by the over-confidence of individual chief executives who were immune to considering anything other than a dash for cash. The other thing I would suggest to the Minister is that it would be useful for a requirement for proper cultural analysis to be built into the banking sector.

The second area on which I want to comment has already been hinted at by my hon. Friends the Members for Dumfries and Galloway and for Aberdeen North (Kirsty Blackman), but no one else has talked about it in this debate thus far. It is the topic of Scottish limited partnerships. This may be new to some hon. Members, so I hope they will allow me to give a few examples.

Scottish limited partnerships are not a new phenomenon. They are not a devolved matter; they are a matter for this House. Although they were created by Asquith in the Budget of 1907—even I do not remember it—from 2008 they began to be used much more extensively for criminal behaviour. Since 2008, the use of SLPs has risen by approximately 40% year on year.

Scottish limited partnerships have been at the heart of some of the major corruption scandals in the world. For example, they have been named in major corruption scandals involving the former Soviet Union, particularly Ukraine, where they are still openly marketed as off-the-peg zero-tax offshore companies. Elsewhere, one Scottish limited partnership is at the moment at the heart of a \$1 billion digital bootlegging case in the United States. The International Monetary Fund has warned that the risk posed by SLPs to the fight against money laundering and organised crime is something to which attention needs to be given. Other Scottish limited partnerships are involved in pornographic and even in paedophilia websites. Indeed, the span of criminal activity through these financial vehicles seems to know absolutely no bounds.

Closer to home, *The Herald* newspaper, which has done extraordinary work in this area, revealed barely six days ago that the tax haven bank owned by Lord Ashcroft is being used, without his permission, as a base to set up dozens of firms utilising SLP loopholes linked to a known fraudster. Indeed, two Belize companies have been falsely using the address of the HQ of Lord Ashcroft's bank for at least six years. Those secret Belizean businesses, Sherbrook Assets and Whitmoore Solutions, have formed at least 70 other Scottish entities, most of them registered, I am sorry to say, to a convicted fraudster who lives in Fife in Scotland, Anzelika Young. The Bill should be ensuring that every SLP, along with any similar financial vehicle elsewhere in the UK, is exposed to rigorous due diligence at the very least.

During proceedings on the recent Finance Bill, I attempted to add a very simple new clause calling on the Government to investigate SLPs. They chose to vote that new clause down. When, subsequently, yet more criminal activity came to light, on 26 September I wrote to the Chancellor—I have a copy of the letter with me—seeking a meeting about this major international criminal activity. As of last week, when I was yet again chasing this up, the only response I have had—this is after a month, showing the Government's lack of concern about international criminal activity—is that they are still considering how to respond to my request for a meeting. It is quite inappropriate for a Member of this House seeking a meeting about a major criminal activity to have to wait a month for any response.

Mr Wallace: I reassure the hon. Gentleman, given our meeting yesterday, that I have listened to what he said. I will meet my ministerial colleagues to discuss the problem he raised with me and see what we can do about it.

Roger Mullin: I am particularly grateful to the Minister for that clarity. Indeed, in coming to the Dispatch Box at that moment he confirmed what I was about to say in my closing line on the issue of SLPs. Given how he has discussed this matter with those of us on the Opposition Benches who are interested in it, and his understandable and quite appropriate concern about the matters raised,

I was going to suggest that the Prime Minister could appoint him the formal tutor for all Treasury Ministers, in addition to his role as Minister for Security; I am sure they would learn a great deal from the appropriate way he deals with matters. I commend that new appointment to the House. I speak in jest, but surely there is an issue here, as some of the Treasury Ministers who have been turning a blind eye for months need to learn that these are matters of great concern and importance, and deserve to be treated as such.

The third area I will briefly mention—and it will be very brief, as many Members have already commented on it—is what has been happening post Panama papers on Crown dependencies and the like. The clear view expressed in this debate is that the Bill does not yet go far enough, particularly on the much needed transparency and openness on beneficial ownership. If the Minister would be willing to think about how we might, in a collegiate way across the House, begin to address that issue and some of the others raised today, he will win himself many friends indeed.

5.14 pm

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) and listen very carefully to the important points he has had to make. I am glad he has had his meeting with the Minister and that promises have been made which I am sure he will ensure will be fulfilled.

It is a pleasure to speak in this debate, because one of the most important reports the Home Affairs Committee produced this year was that on the proceeds of crime. I am sorry to have missed the speech by the hon. Member for Wealden (Nusrat Ghani), who is a member of the Committee, but I am sure she spoke brilliantly about the conclusions of that report. I am grateful to the shadow Home Secretary for mentioning it and for the points she made concerning the practicalities and the issues it revealed.

The Minister did not mention the report, but I am sure he has read it. I am sure he has taken on board some of the points the Committee made. When seeking to legislate, it is important to first see where the problems are and where gaps exist, to listen to all those with experience—when we conducted the inquiry we did not just go to the usual suspects; many members of the private sector also gave evidence—and try to come to a conclusion that will provide the basis for sound legislation.

The Minister, who is newly appointed to his position in the Home Office, will have a pretty easy ride in respect of today's proceedings, because I understand that there will be no vote. There is general support throughout the House for the measures the Government are proposing. They are the right measures and they are sound measures. They are designed to deal with the issues of criminality and terrorism. On those two issues, he will always find a House united. However, I hope he does not take that support as *carte blanche* to get the proposed legislation through in its entirety. I hope Members will table amendments in Committee based on the important points they have made today. I hope the hon. Members for Dumfries and Galloway (Richard Arkless) and for Aberdeen North (Kirsty Blackman), my hon. Friend the Member for Islwyn (Chris Evans) and others will table amendments relating to the important measures

[Keith Vaz]

they have put forward. In advance of her speech, I want to congratulate my hon. Friend the Member for Ealing Central and Acton (Dr Huq), who will be making her maiden Opposition Front-Bench speech on this important subject. More importantly, she will not be dividing the House, for which I think we are all very grateful.

The Bill identifies three priorities, which I will compare in turn to the findings of the Select Committee report published earlier this year. Robert Barrington, the director of Transparency International, says that every year over £100 billion might be laundered through the United Kingdom. That is equivalent to the GDP of Ukraine. A lot of that money goes through London, but as we are reminded by our colleagues from north of the border, other great financial centres, such as Edinburgh, are also used. Colleagues from Northern Ireland—we were having our own little debate as the main debate was going on—pointed out the particular difficulties they face, as Dublin is sometimes used by money launderers as an entry point to the EU. All those great financial centres are being used in this way, which is why it is right that action is taken, and taken immediately.

The Committee was shocked to find that poor supervision and enforcement in the London property investment market are making a safe haven for laundering and the proceeds of crime, a point made by the shadow Home Secretary. As we found out from the regulators themselves, it is far too easy for this to happen in a financial centre like London, which we believe—Edinburgh is, of course, respected—to be the greatest financial centre in the world. It is therefore essential to look at the markets here, how regulation operates, and try to deal with it in a constructive and positive way.

The hon. Member for Newark (Robert Jenrick) is not in his place, but he raised what I thought was a very important point about the necessity for resources. The Committee found that the private sector was using suspicious activity reports as a box-ticking exercise, sending in their information because it was their duty to do so. I was heartened by what the Minister said about the Government's wish to cut through red tape so that information is sent on as quickly as possible.

Only 335 of the 1.2 million property transactions were deemed to be suspicious in 2015. The estate agents and their regulators were saying themselves that it was not possible to deal with all the complaints because there were so many of them.

We—Committees of this House, Members of Parliament—have made the point over a number of years that the assets and finances available to our law enforcement agencies cannot compare with the level of criminality in existence. Let us look at the budgets of the three main organisations dealing with this issue: the National Crime Agency has a budget of £450 million; the Financial Conduct Authority has a budget of £500 million; and the Serious Fraud Office has a budget of £45 million. However, the amount of criminal assets recovered has been very poor—only £155 million was recovered in 2014-15.

In defence of those three agencies, whose assets total about £1 billion a year, they say that it is not just about the recovery of assets—they are involved in other areas and they are part of other operations, which mean that the contribution that they make is not fully assessed.

However, if we just compare like for like, we will see quite a difference between what the budgets are and what is recovered.

I pay tribute to Lynne Owens, who has done a tremendous job as head of the NCA. The creation of the National Crime Agency was one of the legacies of the previous Home Secretary, now the Prime Minister. In fact, I am on record as saying that we had something of a revolution in policing in the six years when the Prime Minister was the Home Secretary. The whole of the Home Office was shaken up and new organisations and institutions came into existence. She stayed Home Secretary longer than any other Home Secretary since the last century. We cannot expect Home Secretaries to stay for ever—as with Chairs of Home Affairs Select Committees, there is always an end to the fun of doing these jobs. The fact remains that there are aspects that have not fully settled down, and one of them is the ability to give organisations the resources they need in order to finish the job.

Lynne Owens is doing a terrific job, as is her organisation, but I am extremely worried about the computer system that exists to do the very things that the Government want to do. I assume that the Policing Minister will be winding up this debate. When he does, he will, I hope, have the answer to the question I posed to the Minister for Security—the question has been posed over months and years—about when the ELMER system is going to be renewed. It is all very well saying that we want more information coming in but, if we look at the figures, we know that they just do not add up. This is an old and creaking system, designed to manage only 20,000 suspicious activity reports. On the basis of the last available figures, there were 381,882 suspicious activity reports, so how is a system designed to deal with 20,000 supposed to deal with 381,882?

The Minister seemed to be saying that people are ticking boxes and sending in information and they do not need to send in that information, but I do not think that we should expect the private sector to be involved in becoming officers of the law. It is similar to what we have seen over the last five years with landlords becoming immigration officers, as have people working for airlines when they check passports and tickets. Despite what immigration Ministers have said over a number of years, we do not have 100% immigration checks on exit. The airlines check, but no immigration officer checks a passport or a ticket on departure from our airports, which is very sad. That is a different story. My issue is that we cannot get staff in the private sector to act as enforcement officers; they are not trained to do so. That is why we need a new computer system.

When we asked the then Home Secretary—the present Prime Minister—about that, she had no answer to the question of who was going to pay the bill. Would the money come from the budget of the National Crime Agency? Would it come from the Home Office budget? That, I think, is crucial to ensuring that this legislation is properly resourced. Are we going to give the NCA and the Serious Fraud Office the equipment that will enable them to deal with these issues productively? I hope that the Minister will tell us when the new ELMER system will be established, because that is a fundamental issue when it comes to suspicious activity reports.

Another aspect of the Bill is the granting of powers allowing banks to close accounts. I believe that the threshold is too low, and that the Minister must look at

that, although it is really a Treasury issue. A number of my constituents have come to me—I know that this applies to other Members as well—and expressed concern after being told that their banks have closed their accounts. They are never given an explanation. Unfortunately, that has happened to too many members of the south Asian diaspora community, and, indeed, the African community. The Somali community was so concerned that representations were made to Treasury Ministers that, just because they happened to be Somali, their bank accounts had been closed. On Friday, I met someone from the Yemeni community who had been told that his bank account had been shut down in 28 days. He had been given no explanation, because banks are private organisations.

Obviously we do not want people to be told “By the way, we are closing your bank account because you are a terrorist” if inquiries are ongoing, but certain explanations need to be given. We need to be sure that the powers that we are granting are appropriate to the agencies to which we are granting them.

Charlie Elphicke: May I take up the issue of money laundering and the NCA? When I was a lawyer, one would do an ID check and then the information would be put in the bottom drawer, never to be seen again. If one were at all concerned, one would just do a “tipping off” and dump it on the authorities as a box-ticking exercise. There is no qualitative method of processing such information. Does the right hon. Gentleman agree that there should be such a method?

Keith Vaz: I think that, when it comes to the hon. Gentleman, it is probably a case of “once a lawyer, always a lawyer”. He is absolutely right. Training should be given to those who are involved in these activities, and in each organisation there should be a compliance officer who has received the necessary training. I do not know what kind of law the hon. Gentleman practised, but we would not expect every single lawyer to be trained to deal with issues such as SARs. We would expect a compliance officer in a big firm of solicitors to be able to do that, because there would not be the time to train everyone. However, I do not believe that that would cut the figure of 381,000 to 20,000. Faced with a third of a million SARs, even the best-trained lawyer—and I would put the hon. Gentleman among, probably, the best that one could find—would not be able to lower that figure. So as well as giving the private sector more responsibility to check, we need to ensure that the equipment is fit for purpose.

Let me commend the suggestion made to the inquiry by the outgoing Metropolitan Police Commissioner, Sir Bernard Hogan-Howe. I pay tribute to the excellent work that he did as commissioner. The hon. Member for Louth and Horncastle (Victoria Atkins) will remember that, when she was a member of the Home Affairs Committee—before she was poached by the Policing Minister to become his Parliamentary Private Secretary; we used to train them well in the Select Committee—Sir Bernard came up with a suggestion that was very important in relation to those who were involved in criminal activity. I raised this point with the shadow Home Secretary, and I am grateful to her for saying that she would consider it. I hope that the Policing Minister will also consider it, because when it comes from someone as distinguished as the Metropolitan Police Commissioner it is worth looking at again.

Those Mr Bigs or Mrs Bigs who serve their sentence and come out of prison and still have not paid their compensation order are at an advantage. I agree with my constituency neighbour, the right hon. and learned Member for Harborough (Sir Edward Garnier), that we probably should not keep them in prison indefinitely, but there needs to be some sanction for them to pay up.

One of the issues that arose was that compensation orders were given for assets that probably did not exist. They sound like fabulous figures in court—“This criminal involved in mass criminal activity has millions and millions of pounds”—but actually they do not have those kinds of assets. We need to be realistic about what we are going to recover when we issue the compensation orders. However, there needs to be a penalty. We need to ensure that something is done so these people have to pay up before they come out of jail, otherwise they will simply use a sentence as an opportunity to be detained at Her Majesty’s pleasure and come out and have access to that money.

Finally, Mr Deputy Speaker—or should I say very finally? [*Interruption.*] I did not realise we were short of time; I thought this debate was ending at 7 o’clock.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There is not a shortage of time, but when the right hon. Gentleman says “Finally” I actually believe him.

Keith Vaz: Mr Deputy Speaker, after all these years how can you believe a Member when they say, “Finally”—how can you assume they are about to finish their speech? But this is very finally, in honour of you, Mr Deputy Speaker: when the Policing Minister replies, I want him to address the issue of the police funding formula.

We have been waiting for a long time for the new police funding formula to be decided upon. Every Member of this House has a constabulary. That includes you, Mr Deputy Speaker, and Lancashire was very vocal last year: its Chief Constable Finnigan said he was running out of money and the reserves were going to run out.

All the constabularies have been waiting for the Policing Minister to announce the arrival of the police funding formula. His predecessor told the House he could not give us the formula because Sara Thornton, head of the Association of Chief Police Officers, now at the National Police Chiefs’ Council, was doing her analysis and we could not have a police funding formula until she had completed her work. I understand that that is not the case and that there is no reason why we cannot have the police funding formula.

Why do we need that to deal with the issues raised in the Bill? It is because it is not all about the City of London. This kind of activity happens all over the country and if we expect local police officers in Leicestershire, Lancashire, Kent, Sussex and throughout the country to be able to plan to deal with this issue, we need the formula. Therefore, I hope that, as well as telling us about ELMER, the Minister will give us the co-ordinates and the new date for the announcement of the police funding formula.

5.33 pm

Dr Rupa Huq (Ealing Central and Acton) (Lab): This is the first time that I have spoken from the Dispatch Box and I am pleased to find it accommodates even people of Rupa size.

[*Dr Rupa Huq*]

I am pleased to be responding for the Opposition on the Criminal Finances Bill, which touches on issues that have been catapulted into the public eye with both the Panama papers scandal and the anti-corruption summit held here in May under the previous Prime Minister—how long ago that all seems now.

We have had a good debate today, which has strayed into the murky underworld of illicit finance, terrorism and international aid as well as home affairs, and we have had contributions from my right hon. Friends the Members for Barking (Dame Margaret Hodge) and for Leicester East (Keith Vaz), my hon. Friend the Member for Islwyn (Chris Evans), the right hon. and learned Member for Harborough (Sir Edward Garnier) and the hon. Members for Kingston and Surbiton (James Berry) and for Dumfries and Galloway (Richard Arkless) among others.

This Bill seeks to tackle money laundering and corruption, to recover the proceeds of crime and to counteract terrorist financing, all measures Labour supports. This seems like good news in a year in which that has been in short supply on many fronts, but we must temper our reasons to be cheerful by identifying certain omissions and sounding some notes of caution.

First, the green ticks. We welcome the eye-catching unexplained wealth orders, which would force individuals with assets way above their means to account for those possessions, which can now include jewellery and art work as well as property. The new seizure and forfeiture powers will mean that such assets can be frozen and possession of them can be taken. As a London MP, I am all too aware of genuine Londoners who want to get a foot on the property ladder, but the transactions involving the ill-gotten gains of gangsters are messing things up for those people and creating an over-heated property market.

We also commend the fact that the investigatory powers are being extended to politically exposed persons. A thumbs up, too, for the new offence of failure to prevent the facilitation of tax evasion being applied to corporations and regulatory bodies. We also applaud the improved data sharing between the private and public sectors, and the Government's extension of disclosure orders to money laundering investigations, bringing them into line with corruption and fraud investigations. Also to be commended are the strengthened suspicious activity reports. The period of investigation used to be 31 days. I think that there will now be six extension periods, adding up to 186 extra days. We live in an age when terrorism is probably the biggest threat of our time, so we also welcome the extension of powers to include terrorists' property and finances.

So, what's not to like? We acknowledge the steps being taken to tighten the net on corrupt practice, and we shall not seek to divide the House this evening, but more could be done to end the status of the UK as a magnet for dirty money. There should be no safe havens, particularly in our own back yard, where the proceeds of international corruption often turn up. Taken as a package along with its overseas territories and Crown dependencies, the UK constitutes the most secretive tax jurisdiction in the world. That is not a record to be proud of. Good work has been done in the reports produced by the Public Accounts Committee and the

Home Affairs Committee, when they were chaired by my right hon. Friends the Members for Barking and for Leicester East, but not all their suggestions have been taken up. Many Members on both sides of the House have flagged up the fact that action must be taken on our overseas territories and Crown dependencies, and we argue that they need public registers of beneficial ownership. The British Virgin Islands and the Cayman Islands are among the worst offenders, and we administer them. We assert that this is the most gaping hole of all.

A trick has been missed. Applying transparency to those opaque corporate structures is a key part of the solution, but the Bill does not go there. We know that 75% of the corruption cases investigated by the Met police's proceeds of corruption unit involve companies in secrecy jurisdictions, and that 78% of the companies involved are registered in the UK's overseas territories or Crown dependencies. We need full transparency, but the Bill does not go far enough. A measure on the failure to prevent economic crime was trumpeted in May 2016, but it is missing from the Bill. Without some degree of transparency in company ownership, we cannot be completely aware of the scale of the problem or the damage that is being done. Kenya, Nigeria and Afghanistan have all conceded this point.

It has been pointed out that the people interpreting the rules need resources, and the weaponry that we use for crime-fighting could do with an update. The National Crime Agency will have more work to do, so the Bill will have cost implications in that regard. The agency is the successor to several bodies that have been merged. Notwithstanding the one-off cash injection that it received in the spending review, it needs consistency in its funding rather than just receiving one-off blockbuster sums. My right hon. Friend the Member for Leicester East eloquently made the point that there were serious question marks over the IT system designed to support the suspicious activity reports regime. It was originally designed to deal with some 20,000 cases, but, as he said, it is currently processing 381,882 of them. It is creaking at the seams. A new system was promised—I think its name is ELMER—and I again ask the Minister to tell us when we can expect it.

Keith Vaz: Will my hon. Friend give way?

Dr Huq: Will it come off my time?

Hon. Members: No.

Dr Huq: Okay. Go ahead.

Keith Vaz: I can assure my hon. Friend that I would never want to reduce her time. I congratulate her on making an excellent maiden Front-Bench speech.

The delay in ELMER, and in the new system that the Government will want to put in place as technology moves on, will lead to more criminal activity. The quicker this is done, the better.

Madam Deputy Speaker (Mrs Eleanor Laing): I reassure the hon. Lady that she is quite safe in giving way during a winding-up speech. She has plenty of time. Indeed, she has until 10 minutes to 7, but she will know that the House would prefer that she does not take quite that long.

Dr Huq: I am grateful to you, Madam Deputy Speaker, and to my right hon. Friend for his intervention. I will resist the temptation to sing, rap or recite poetry and will finish well before 10 minutes to 7.

My right hon. Friend makes a good point. We cannot fight modern cyber-wars with catapults. Technology changes and we need to upgrade this wholly inadequate system. We were told that that was happening; we want to know when.

New powers for the Serious Fraud Office are all well and good, but it needs officers with the right training. Since it was set up in 2009, it seems as though the public purse has been used to train officers in financial crime, yet we are simultaneously powerless to prevent them from falling prey to private sector poaching, so something needs to be done. There was to be a working group on the recruitment and retention of investigators—what became of that? Are some of those deficiencies to be plugged at a later stage?

At the moment, 27 separate bodies are responsible for asset recovery—people who investigate SARs—and they are often in the private sector and sometimes funded by the groups they regulate, so there is a mismatch. It would not be a bad idea to have an overall SAR tsar or tsarina to get some coherence. What progress is being made on the anti-corruption strategy due by the end of the year? I understand that a joint ministerial council will meet at the Foreign Office next week. Will tax issues be on the agenda? If the Minister does not know, will he have a word with his friends in the Foreign Office to find out? If it is not on the agenda, can I politely suggest that it be added urgently?

What are the Government doing to ensure transparency in our overseas territories and Crown dependencies? What is the plan? My right hon. Friend the Member for Barking suggested that the Government could at least set a timetable to allow them time to adjust. In the meantime, will the Government give them every support to transition their business? They have propped up this business model for a long time and they need to move away from facilitating corruption. Without action in our tax havens, the small bits of good news in the Bill will be overshadowed by the Government's failure to act. The Government should be able to persuade their own territories to follow their lead. Members on both sides of the House paid tribute to the former Prime Minister and his ambitions in this area.

We need to get away from the idea that not paying tax, whether by avoidance or evasion, is a victimless crime. Countries in the developing world lose three times as much to tax havens through illicit funds and re-laundering than they gain in aid. It adds up to a trillion pounds a year and we are pumping aid into these places at the same time—it makes no sense. Given our straitened circumstances, we should be justifying every pound spent, but HMRC estimates the tax gap to be £36 billion, including £5.2 billion owed to our Exchequer from tax evasion. My right hon. Friend the Member for Barking quoted the same figures, but other interest groups say that they are conservative estimates. By definition, secret transactions and hidden money mean that we do not really know the true extent. For that £5.2 billion, we could get 42,000 full-time doctors or 54,054 nurses a year. As my right hon. Friend the Member for Leicester East pointed out, we have a poor record of recovering costs, and these things do not pay for themselves.

The practices that this Bill seeks to tackle expose the dark side of globalisation, its links to terrorism, and the way global financial cross-border crime, terrorism and all these things can be done nowadays at the click of a mouse, meaning that illicit funds can fuel a golden age of money laundering. That is entirely possible and we do not want it to happen. We do not want illicit funds to finance terrorist operations, aided and abetted by financial secrecy jurisdictions of our own.

Governments can hold all the summits they like and people can orate good intentions, but warm words need to be matched with action. This Bill is a case of “could do better” on the Government's report card, and I urge them to work together with us. In Committee, we will be pressing the Government on some of the issues outlined today—and more. When the opportunity for reform presents itself, the Government will surely not want to go down as having bottled it. We will not oppose this Bill on Second Reading, and we look forward to contributing constructively to its passage through Parliament.

5.46 pm

The Minister for Policing and the Fire Service (Brandon Lewis): I thank right hon. and hon. Members for this informed and valuable debate. We have heard strong and important contributions, and there has been support from both sides of the House for the principles behind the Bill. We will have interesting and strong discussions in Committee.

As my hon. Friend the Minister for Security emphasised at the start of the debate, there can be no doubt about the seriousness of the threats of terrorism and organised crime, or about the scale of the challenge that we face in combating them. As of July last year, about 5,800 organised crime groups were operating in the UK. Fraud due to organised crime is thought to cost this country about £9 billion, and the social and economic costs of illegal drug supplies are estimated to be some £10.7 billion a year. As has been said, these are not faceless, victimless crimes; they have an impact on people we know and those who live in our constituencies.

As we have heard, the UK is a fantastic place to do business, and the Government want to maintain that. We want to send out a clear message across the country that we are open for business, but if we are to maintain our position, we must ensure that this is one of the cleanest and safest places to invest. We need to send a message to those who would seek to corrupt legitimate trade.

I am grateful to all right hon. and hon. Members who have contributed to the debate, and I particularly welcome the hon. Member for Ealing Central and Acton (Dr Huq) to her Front-Bench role. I also welcome the hon. Members for Dumfries and Galloway (Richard Arkless) and for Kirkcaldy and Cowdenbeath (Roger Mullin) to their roles. I was pleased to hear that the Minister for Security has had the opportunity to discuss the Bill with the official Opposition and Scottish National party Members prior to the debate—indeed, some of the paperwork was shared some two months ago—and I know that we will continue that conversation during the passage of the Bill.

It is clear that Members on both sides of the House want to contribute to make sure that we end up with a robust, strong system of which this country will be proud. Almost without exception, hon. Members who

[Brandon Lewis]

have spoken have understood the importance of these powers and been supportive of the Bill. Of course, it is right that on such issues as money laundering and terrorist finance, the House should present a united front, as it is doing on the principle behind the Bill. I welcome the fact that in our consultation on the Bill, a diverse group of stakeholders—ranging from the major banks, which have been mentioned today, to law enforcement investigators, prosecutors and civil society groups—have given an overwhelmingly positive response to its provisions.

Mark Field (Cities of London and Westminster) (Con): I apologise that I was not able to contribute to the debate itself. I am afraid that I am a veteran of the consideration of the Bill that became the Proceeds of Crime Act 2002. Although I accept that there is a great deal of unity regarding some of this Bill's provisions, the real issue is how enforceable those provisions are. It is important that the Bill is scrutinised very carefully in Committee because there is a danger that although we will put on to the statute book a lot of new laws, some of which might be regarded as rather draconian, they will not be properly enforced by the police, or will be ruled out by the judiciary when matters come to court. That is the one caveat I would set out, although it is right to say that these powers are important, especially the new ones in relation to counter-terrorism, which were not envisaged at the time of the 2002 Act.

Brandon Lewis: My right hon. Friend makes an important point, particularly by outlining the importance of the Bill's Committee stage to ensure that Members have a chance to have an input into the debate, as indeed they have had this afternoon. He should have great faith in my hon. Friend the Minister for Security, who is determined to work with colleagues to ensure that the Bill is robust. The Bill gives a clear message to those who want to try to usurp our system that that will not continue—we will not allow it. Although we are a country that is open for business, we are also a country that believes in fairness and that will ensure that fairness prevails.

A couple of core issues have been raised by a number of Members, particularly about the overseas territories. We heard speeches from the right hon. Member for Barking (Dame Margaret Hodge), and the former Chair of the Home Affairs Committee, the right hon. Member for Leicester East (Keith Vaz). We have agreed that UK law enforcement and tax authorities will have, in real time, unrestricted and secure access to things such as the beneficial ownership initiative, and information about corporate and legal entities incorporated in the overseas territories and the Crown dependencies.

The right hon. Lady outlined the excellent work of David Cameron and the strong message that he gave when he was Prime Minister. This is something that the current Prime Minister is determined to continue. We will ensure that there is an end to people usurping the law. It is important that we work closely with our colleagues around the world to ensure that we have a strong and robust system. We have taken a lead on this. Those territories have agreed that they must commit to new global standards in tax transparency so that Her Majesty's Revenue and Customs can investigate any untoward activity. As a result, later this year, HMRC

will have new data on billions of pounds of accounts held in the overseas territories by UK taxpayers. This is a big step forward. I know that we as a Government are determined to ensure that we stamp out that kind of behaviour.

Funding was mentioned by a number of Members, including the right hon. Member for Leicester East. The NCA's funding has increased from £448 million to nearly £478 million over the past year and police budgets have been protected. Funding for HMRC has also increased—up to £3.6 billion, with the £241 million input that was mentioned earlier.

I can be clear that we are determined to ensure that the police and the NCA have the resources that they need to be able to look at all this in the round, including IT issues. The right hon. Gentleman suggested that I use the debate to discuss the police funding formula, but he will have to excuse me for resisting that temptation for now. Over the past few weeks, I have written to all chief constables and police and crime commissioners to ask them to come to talk to me as we seek to deliver our election manifesto commitment of a fair funding formula for police, which we will do.

In response to comments about the overseas territories and Crown dependencies, I am pleased to announce that the British Virgin Islands and the Turks and Caicos Islands have just—conveniently, as I am here at the Dispatch Box this afternoon—committed themselves to the initiative on beneficial ownership, which many hon. Members have spoken about today. All the overseas territories have now agreed to have central registries, which will be accessible to law enforcement authorities. We will continue to push for all countries to introduce public registers. This is good news, and we will continue to work on it.

Richard Arkless: Clearly, I am delighted to hear the good news that the Minister has just given. Can he confirm whether his announcement confirms that those registers will be published?

Brandon Lewis: As I said just before the hon. Gentleman intervened, we will continue to push for all countries to introduce public registers. This is a step in the right direction. I welcome it, and we acknowledge that we want to continue to work on this. Another issue raised by his good self, as well as the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) and others, was about Scottish limited partnerships. I hope that they will take into account the fact that my hon. Friend the Minister for Security intervened to say that we want to work on that with colleagues across Parliament. We have very much taken those points on board.

My right hon. and learned Friend the Member for Harborough (Sir Edward Garnier) and my hon. Friends the Members for Kingston and Surbiton (James Berry) and for Wealden (Nusrat Ghani) spoke passionately and made incisive contributions. In particular, my hon. Friend the Member for Wealden outlined the Bill's importance given the part that it will play in ensuring that we fight the funding of extremism. We have discussed the Bill's vital importance in protecting the UK's position and status as a global financial centre and in ensuring that criminals cannot benefit from the proceeds of their crimes. I expect and hope that right hon. and hon. Members will want to give in-depth scrutiny to the Bill,

as they have suggested this afternoon, as we move on to clause-by-clause examination in Committee, and I look forward to a lively debate on its provisions.

I am proud that, by comparison to most European countries, we are positioned high in the league table for having a strong and independent judiciary, as well as a determined law enforcement environment. If we are to maintain our record and position, we always need to stay one step ahead of those who seek to undermine our attempts, especially in such a fast-moving global environment. That is why the Bill is so important, why it is reassuring that it has received principled, cross-party support in the House, as that sends a clear message, and why we must ensure that law enforcement agencies have the powers they need to combat the ability of criminals to launder the proceeds of their crimes, as well as to tackle terrorism financing and to bring more offenders to justice. I hope that the House will agree that that is in the public interest and that the Bill should be passed at the earliest opportunity with clear, continued cross-party support. On that basis, I commend the Bill to the House.

Question put and agreed to.

Bill accordingly read a Second time.

CRIMINAL FINANCES BILL (PROGRAMME)

Motion made, and Question put forthwith (Standing Order No. 83A(7)),

That the following provisions shall apply to the Criminal Finances Bill:

Committal

(1) The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

(2) Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Thursday 24 November 2016.

(3) The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Proceedings on Consideration and up to and including Third Reading

(4) Proceedings on Consideration and any proceedings in legislative grand committee shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which proceedings on Consideration are commenced.

(5) Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

(6) Standing Order No. 83B (Programming committees) shall not apply to proceedings on Consideration and up to and including Third Reading.

Other proceedings

(7) Any other proceedings on the Bill (including any proceedings on consideration of Lords Amendments or on any further messages from the Lords) may be programmed.—(*Andrew Griffiths.*)

Question agreed to.

CRIMINAL FINANCES BILL (MONEY)

Queen's recommendation signified.

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Criminal Finances Bill, it is expedient to authorise—

(1) the payment out of money provided by Parliament of—

(a) any expenditure incurred under or by virtue of the Act by a Minister of the Crown or a government department; and

(b) any increase attributable to the Act in the sums payable under any other Act out of money so provided; and

(2) the payment of sums into the Consolidated Fund.—(*Mel Stride.*)

Question agreed to.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

ELECTRICITY

That the draft Contracts for Difference (Allocation) (Amendment) Regulations 2016, which were laid before this House on 6 September, be approved.—(*Mel Stride.*)

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

BANKS AND BANKING

That the draft Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2016, which was laid before this House on 21 July, be approved.—(*Mel Stride.*)

Question agreed to.

PETITION

Implementation of the 1995 and 2011 Pensions Acts

5.58 pm

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I am delighted to have this opportunity to present this petition to the House. It calls for fair transitional arrangements for 1950s-born women who are affected by changes—[*Interruption.*]

Madam Deputy Speaker (Mrs Eleanor Laing): Order. Mr Boswell is speaking and other people should not be making a noise in the Chamber while he is doing so. If Members wish to leave, they should do so swiftly and quietly.

Philip Boswell: Thank you, Madam Deputy Speaker.

Women born in the 1950s who are affected by changes to the state pension age are surely bearing an unfair burden. When the Pensions Act 2011 was debated, Ministers promised transitional arrangements to ease the burden, but those arrangements have not materialised, leaving women in my constituency—Coatbridge, Chryston and Bellshill—and many others facing hardship. I thank all those who have signed the petition and those in similar terms presented by other hon. Members. I also thank the Journal Office for its work in this respect.

The petition states:

The petition of residents of constituency of Coatbridge, Chryston and Bellshill,

Declares that as a result of the way in which the 1995 Pensions Act and the 2011 Pensions Act were implemented, women born in the 1950s (on or after 6 April 1951) have unfairly borne the burden of the increase to the State Pension Age; further that hundreds of thousands of women have had significant changes imposed upon them with little or no personal notice; further that

[Philip Boswell]

implementation took place faster than promised; further that this gave no time to make alternative pension plans; and further that retirement plans have been shattered with devastating consequences.

The petitioners therefore request that the House of Commons urges the Government to make fair transitional arrangements for all women born in the 1950s (on or after 6 April 1951) who have unfairly borne the burden of the increase to the State Pension Age.

And the petitioners remain, etc.

[P001965]

Veterans Care Sector: Government Role

Motion made, and Question proposed, That this House do now adjourn.—(Andrew Griffiths.)

6.1 pm

Johnny Mercer (Plymouth, Moor View) (Con): Thank you very much, Madam Deputy Speaker, for granting me this debate.

I know that this is a persistent cause of mine, and sometimes I feel that I should apologise to the Minister for bringing him to the House to discuss his portfolio. I want to say from the outset how impressed I and many others in this sector are by his personal commitment to this agenda, and my comments are in no way directed at him or any of his staff who work hard to try to tackle the challenge of veterans care within the envelope that he has been given by the Secretary of State for Defence and the Prime Minister.

It is not easy. The political world is chaotic at present and priorities are hard to define, but the truth is that in this sector the challenge of closing the gap between what we say so promisingly at the Dispatch Box and how it feels to the men and women who serve increases in severity the longer we leave it. The landscape is clear, with ever increasing demand—an ongoing cost, as it were—resulting from the recent campaigns that this country has undertaken in Iraq and Afghanistan, set against a declining interest in this agenda, both from the wonderful people of this country who have carried the torch valiantly in recent years, but who are experiencing battle fatigue now that operations have faded from view and, I regret to say, from Government too.

Let me expand my argument. In January last year, I met the previous Prime Minister and presented a report that for the first time had almost universal support across the veterans care sector. It examined a sustainable veterans care model so that the United Kingdom could do its duty by those who serve. I also presented the report to the Secretary of State for Defence and others.

The paper was not my solution but that of many people involved in the arena: serving, retired, and third sector. It was our voice, and I was proud of it. It was greeted with warm words and encouraging lines about duty and responsibility, with a promise of a response, but regrettably, after a while, nothing materialised at all.

Michael Tomlinson (Mid Dorset and North Poole) (Con): I congratulate my hon. Friend on securing this debate, and on all he does in this field. Having looked at the paper, I recommend its proposal on having a single point of contact. May I invite him to read another paper on the armed forces community health and wellbeing team for Dorset by Andy Gritt, and see how it fits with his model?

Johnny Mercer: Absolutely; I should be delighted to have a look at that.

In the current political landscape, I fear that the can of veterans care has received another good punt down the road in the wake of Brexit. I strongly welcome and support the new Prime Minister, who is supremely equipped to tackle a job which, from my position, looks almost impossible—that of managing my party and granulating the United Kingdom's exit from the European Union.

I could not wish her more strength to her arm in these challenges, and I will support her to a fault, as she well knows. I believe that we achieve nothing on our own in politics, and the strength to tackle the challenges ahead is in the team on the Conservative Benches.

However, I must confess myself to be disappointed at first sight on this single issue. In July I challenged the Prime Minister in the leadership campaign, in front of my entire party, about her commitment to this agenda and her willingness to look at a new Government Department—or something similar—to finally match our words with our deeds when it comes to the 2.6 million veterans in this country. Her response was that she was not keen to restructure Government and create any new Departments beyond a Department for Exiting the European Union, which I entirely understood. The House can imagine my concerns over the summer about where veterans care ranked on her agenda, as she subsequently re-ordered Government to face the challenges ahead which, as I mention frequently, I entirely support, but she chose not to include this cause too.

I was further concerned that the veterans care agenda was being diluted when the Under-Secretary of State for Defence, my hon. Friend the Member for Milton Keynes North (Mark Lancaster), had his veterans care duties spread even more thinly with the addition of the reserves brief to his work—an increasingly enormous challenge as the military reconfigures its relationship with the reserves heading into 2020. For me this was a clear movement in the opposite direction to that which we were pursuing, which did not go unnoticed by those who strive to deliver this country's duty to those who serve.

That is the current position—ever-increasing demand, a general and understandable decline in interest in this agenda now that the wounds of war are not visible on those flying back from Iraq or Afghanistan every week, and a Government challenged by unprecedented political demands.

Simon Hoare (North Dorset) (Con): I note what my hon. Friend says about the fading of memory, but when my constituent Robert de Ferry Foster came to see me at an advice surgery the other week, it was clear that the legacy of the injuries he sustained in Iraq are with him every day. He talked about sustainability, which my hon. Friend has spoken about as well, but he also spoke about the need for simplicity—a simple, transparent system for those who have served and sustained potentially life-threatening and very life-impacting injuries. They need a far simpler way of gathering the support and help to which they are legitimately entitled.

Johnny Mercer: I entirely agree, and I will come to the four principles, of which that is one, that should underlie veterans care. It is not a case of veterans being entitled to that care; we owe it to them and we must deliver it.

That is why I seek leave again to challenge the Minister on the Floor of the House and to challenge this Government to fulfil their duty to those who do our bidding from this House. I know that it can be a little tedious watching or listening to me keeping on about this agenda. I am not naive about that, but I cannot stop. I do not do it because I have nothing else to do. I do not do it because there are particularly good career prospects in this line of work, or because there is some

sort of intangible crowd that I am playing to out there. I do it for the one simple thing that drove so many of us in the past decade and a half to conduct unpopular wars on this nation's behalf, miles from home and often from the public eye.

I refer to that one word which I remember compelling the marine at the front of my patrol to do his duty, refusing any relief from those duties—in his case seeking out improvised explosive devices day after day for seven long months. I refer to that thing which makes a young officer calmly accept his fate with the words, “Lads, I’m going down,” rather than lose his composure in the heat of battle as he died in front of his men. I do not seek to lecture my esteemed colleagues in government, but it is my duty to those men to keep up this fight, and the sacrifice I make in doing this is so entirely insignificant compared to theirs that I feel I must keep going until we match what we say as a Government from that Dispatch Box with what it feels like for our men and women who serve.

I applaud the Government's efforts on this agenda, but they are not enough—nowhere near enough. I have no doubt that this Minister and his staff work night and day trying to deliver this agenda, but he can only work with the resource and priorities that he is given by the Secretary of State for Defence and the Prime Minister.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): I congratulate the hon. Gentleman on securing this incredibly important debate. I know that he shares my concerns about the mental health of veterans. Does he also share my specific concern about the availability of specialist mental health services for our veterans, which we know are particularly patchy in some parts of the country, exacerbating many of the challenges that we know our veterans face?

Johnny Mercer: Absolutely—I completely agree. On mental health, we have moved so far away from getting involved, getting our hands dirty and sorting this out that we are now in danger of being in a place where the perception is that everybody who leaves the armed forces has some form of post-traumatic stress disorder, and that is wildly inaccurate. We need to provide these services for those who need them, professionalise the standard, and take far more of an interest than we have done.

Given his current operating envelope, the Minister has achieved some significant things. Let us take, for example, his work in the healthcare arena for service personnel and veterans with complex care needs. The scheme he announced in July, assuming that the pilot is successful, could fundamentally change the way in which care for our most seriously injured is commissioned, easing the pressure on local clinical commissioning groups and retaining the knowledge and expertise within Defence for those who have been injured. This is the future—a first step. I urge the Prime Minister to note the early successes of this scheme and look to roll it out nationwide.

I plead with the Minister and his Department not to take my observations personally. He conducts valuable work, but it is my job to speak truth to power from these Benches, and I would be failing in my job if I were not to do so. What is the truth? I think it is the evidence. The evidence on this is not the endless announcements

[Johnny Mercer]

about what we have put into the sector. These announcements are clearly to be welcomed, although I cannot help but feel that they play somewhat to a home crowd. The evidence is how what we do affects and matters to those whom we are trying to help. I have said for a long time that until we fundamentally change this conversation from talking about what we are endlessly pouring into this sector to how it actually feels to be a veteran in the United Kingdom in 2016, we will never truly understand the scale of the work to be done.

I would say to the Secretary of State for Defence and to the Prime Minister that the evidence is there if we were only to look. For example, a study done by SSAFA just before the summer recess indicated that 85% of veterans feel that the UK Government do not support them well enough, while 84% believed that the much heralded armed forces covenant was not being implemented at all. Almost half the people in the armed forces surveyed in the study—the very people we are trying to help—had not even heard of the armed forces covenant. The gap between how we think this is being implemented as a policy and how it is really being implemented is so great that I hesitate to air it in public. It is a lottery of choice as to where local authorities or others choose to implement it, and that currently dictates whether the military covenant is a reality for our servicemen and women. It has become a catch-all phrase in this place and No. 10 that is becoming—I hesitate to say it—increasingly meaningless to the service community, and that will continue unless we stop this trend. I say this as someone who last week privately met the previous Prime Minister—a good man who genuinely “got” the military in this country—and could tell that he has genuine pride in his achievements with this policy. However, the gap between the top and the reality on the ground is vast.

I reference one study for evidence. In truth, there are many, for in this country we have been blessed for some time by a public and a third sector that has done wonders for our armed forces veterans over the years. Of the thousands who work in the sector—who do so for little reward but in the same vein as that duty of which I spoke earlier—I want to mention one couple who have left the sector in recent months, leaving their indelible mark, and the conversations around veterans care in the United Kingdom forever changed. Bryn Parry and his wife Emma set up Help for Heroes in 2007 as a result of the catastrophic consequences of a criminal dereliction of veterans care by the United Kingdom Government in the aftermath of the early days of Iraq and Afghanistan. The third sector presents its challenges as much as any other sector. It is a congested market, competing for the same funding, with people trying their best to do what they think is right for our armed forces veterans. We will hear good and bad of every organisation, but the truth is that Help for Heroes has completely and fundamentally changed the way in which veterans care happens in this country today.

Like any success story, Help for Heroes has its detractors, and I am not naive about this, but I will never countenance them, I am afraid. I am from that generation who had nowhere else to go in 2005 for veterans care. Help for Heroes grew faster than any similar organisation in

history, but did the thing that so many, I regret to say, neglect—retained its focus on those whom this is all about: the guys and the girls. Bryn and Emma, have now passed their torch to their successors, but their light will never go out. From a generation of soldiers who felt that no one really cared once the battle finished, I want to say thank you from the bottom of our hearts for everything you did. They committed their lives to this pursuit, delivered extraordinary change and services, and I shiver to think where we would be without them.

Amanda Milling (Cannock Chase) (Con): Yesterday, volunteers from Help a Squaddie Find a Home in Rugeley visited Parliament. Will my hon. Friend join me in congratulating them on their hard work, and does he agree that the responsibility to support veterans to integrate back into civilian life and to ensure that they do not find themselves homeless is critical?

Johnny Mercer: I do, and I commend the work of some of the brilliant charities that we have in this country; as I have said, I shiver to think where we would be without them. I think that it is a fundamental duty of Government to ensure that that care is available. We have a duty to these people. I do not think that we should deliver it, but we need to ensure that they are looked after. What is happening is not good enough. The Americans realised that after Vietnam. We need to catch up with the programme and make sure that care is delivered.

Will Quince (Colchester) (Con): My hon. Friend is making an incredibly powerful speech. I am very proud to represent the garrison town of Colchester, and I know too well the fantastic charities that work in this sector. As we withdraw from theatres of operation, we will inevitably have a peace dividend. Does he agree that this is the time that we should invest money to support our veterans?

Johnny Mercer: I thank my hon. Friend for his intervention and absolutely support what he says. We are reaching a point where demand is going up and the mindset of war is declining, and the moneys are in decline as well. If we do not get this right now, it will be far too late to do so in 2020.

Rebecca Pow (Taunton Deane) (Con): My hon. Friend is making a very passionate case, as always. Go Commando, a charity in Taunton Deane, does great work to support not only veterans, but their families, which is so important. Initiatives such as children's centres, holiday vouchers, days out and the provision of emotional and practical help could be very good models for the Government to incorporate into all the things that my hon. Friend is suggesting.

Johnny Mercer: Absolutely. I thank my hon. Friend for her intervention. We are not asking for the moon on a stick; there are some brilliant practices out there—not only in this country, but internationally—that we could learn from quickly. The services are there, but the Government have a job to do to bring everything together.

The third sector remains deeply challenging, and that is the reason for this debate. There are almost 2,500 military charities and funds in the UK today. Okay, many are regimental or sub-unit funds that are not in day-to-day

use, but that figure gives a picture of the chaos. I would not have called this debate if I thought that every single one of those charities was doing good. This is an awkward conversation, but if we did not have it we would be doing a disservice to those whom we are trying to help.

Some charities struggle with financial management; some are plainly criminal. Some practise evidence-based therapies or treatments; some are a vehicle to further their own unproven treatments, however well-meaning they may be. Some are run professionally, with complaints structures and staff management routines; others are a disaster.

We must now sort out that problem, for as time goes on the Iraq and Afghanistan generation of warriors will fade from memory. We will be on the same pages as the Falklands and the Gulf war, and in the same chapter as the Americans in Vietnam. Moreover, the public will stop giving, and understandably so. The income of some of our major charities is down by a third this financial year. No organisation can sustain that. The LIBOR funding that has sustained us for so long will eventually run out. Yet the duty to our veterans will only increase as the scars of our recent wars reveal themselves in communities up and down this land. Referrals to Combat Stress are up 71%.

Now is the time to have this fight—this dirty fight—of sorting out the third sector. I cannot help feeling that most of the sector would thank us for it. They loathe the criminal charities as much as I do, and they feel as sick as I do when, as they struggle like everyone else, unproven methods or groups attract Government funding. They curse the lack of a common needs assessment, which means that they have to start each case from scratch, causing more trauma to the individual using their services. If we do not have this fight—the Government are the only ones who can do it—it will look like we do not care and do not want to have this conversation because it is too difficult, too dirty, for us to get involved.

I am afraid that this comes back to what I discussed at the beginning, namely duty. This Government have a duty, not to always deliver, for the charities do that better than we ever could, but to ensure the provision of veterans care in this country. That includes ensuring that it is accessible to all, particularly our most vulnerable communities, perhaps through a single point of contact; too many have no idea how to access some of the brilliant services provided by our third sector. It also means ensuring that the care is of a standard and safety applicable to those who have served—and, indeed, to any other UK citizen—and that it is evidence based and correctly staffed by qualified personnel. We also need to ensure that cases are managed and individuals guided through the enormously complex treatment pathways, and that the great British public, who have carried this torch for so long, do not get ripped off by individuals raising money for a cause to which they will never stop giving.

Mrs Flick Drummond (Portsmouth South) (Con): My hon. Friend is making a powerful speech. Does he agree that it is vital that services are set up before veterans leave the forces? In particular, it is not good enough to have veterans scrambling for social housing in the days just after they have left the forces, as has happened in some of the cases I have come across.

Johnny Mercer: I agree. Some sort of education before people leave would be helpful, and I understand that some work has been done. I agree that any sort of direction through this pathway is strongly to be welcomed.

Why do we have to do this? I ask you, Madam Deputy Speaker, to put yourself in the shoes of the average user—a corporal who is two or three years out. He gave the best years of his life to the service of this country, willingly. Now, in a civilian job, he starts to find his past a challenge to deal with. We have all seen someone like him in our constituencies, up and down this land. He does not want sympathy; when the bell came, he was proud to serve this nation of ours. He just wants to know where to go. He does not want to have to re-tell his story all the time. His wife wants to know that the course he is doing is safe, that he will be looked after and that his treatment has a fair chance of working. She wants to know that someone will be managing his case, taking an interest and encouraging him through the process. Crucially, she wants to know that he will get that help in a timely manner before his condition deteriorates and becomes so much harder and so much more costly to treat.

Ruth Smeeth (Stoke-on-Trent North) (Lab): I congratulate the hon. Gentleman on securing such an important debate. Does he agree that we should use the armed forces covenant as an opportunity, and that it should be more than just talk? In places such as Staffordshire, with the relocation of regiments from Germany to Stafford, that would allow us to think about how we can help veterans over the next 10, 20 or 30 years—both now and when they retire—so that they can build families and homes without having to worry about some of the issues that he is raising.

Johnny Mercer: My view on the armed forces covenant is that it is a great policy and, if implemented, it could work. The trouble is that, as I alluded to earlier, it is a complete lottery. I have seen it done well and I have seen it done appallingly, and there is no accountability at all. I hate to talk about it becoming meaningless but, ultimately, unless it means something, it is just another phrase. It can be a bit of a “get out of jail free” card for those who talk about the matter from the Dispatch Box, and that is what I want to change.

Jack Lopresti (Filton and Bradley Stoke) (Con): I pay tribute to my hon. Friend for his work on the veterans sector and for making a brilliant speech. Does he accept that the military covenant has made a huge difference to veterans' lives since its inception and since it was enshrined in law? I agree that there has to be a better way of co-ordinating charities, and perhaps a centralised access point and standards across the board, but I would not dismiss what the military covenant has achieved thus far, even though there is always work to do.

Johnny Mercer: I agree with my hon. Friend, but I refer him to the evidence that I presented earlier: 85%—quite a significant proportion—of veterans do not believe that that is the case at the moment.

In looking at all this, I really struggle to put my finger on why any of it is so desperately hard for the Government to achieve. Nobody else is going to do it. The third

[Johnny Mercer]

sector cannot compel faux charities to cease. It cannot compel others to agree to a single point of contact or a common needs assessment. The issue needs leadership. It needs a small but strong Department with a Cabinet Minister whose single duty and career stands and falls on veterans care. It needs the Government to make the shift from talking a very good game on this agenda to actually delivering it. It needs a game-changing event such as Help for Heroes provided in 2007. It is in the Prime Minister's gift to do this, and I again plead with her to listen this evening. There are always reasons not to do this, and I have heard them all, but they do not wash. Every other ally we fight alongside has tried different ways but has settled on creating a Department for veterans affairs, and we should do the same.

Bob Stewart (Beckenham) (Con): I rise simply to say that we must not give the impression that Help for Heroes suddenly burst on to the scene and that no one else has helped veterans. The Soldiers Charity, the Army Benevolent Fund, the Royal Air Force Benevolent Fund—all those charities have helped for a very long time, and they will continue to support our soldiers. We must not give such an impression about the people who have helped my soldiers from 35 years ago—they are still suffering—unlike Help for Heroes, which at least to start with did nothing for my men. I just want to ask hon. Members not to say that Help for Heroes was suddenly wonderful and that everyone else had not really got on with the job. They did: they cared, and they looked after our men and women for a very long time before 2007.

Johnny Mercer: I have persistently said that in the House. I use the Help for Heroes example because I want to pay tribute to Bryn and Emma, who have recently left it, as I believe that they changed the market when it comes to veterans care. Of course those in the charity sector have carried this burden for years and years, and people such as I and my hon. Friend will be enormously grateful to them for years to come.

In closing—I will close now, because I want to give the Minister more than the four minutes I left him to respond last time—this duty is not going to go away. I am afraid my voice will not grow weaker on this matter. I apologise to my many right hon. and hon. colleagues in this place for my persistence, which must appear tedious at times, but I ask them to bear with me, for they could not have had the experiences I have had—having seen and felt the sacrifice of our armed forces day after day, far from the public gaze—and give up this torch now.

I am privileged beyond anything I could have envisaged in those days when I fought alongside members of our armed forces, and I will use and abuse that privilege until the situation changes because they deserve it. Some lost everything as the Helmand sky faded from view and their name was added to the wall at the National Memorial Arboretum. Some lost body parts they would never recover. Too many lost their minds in a process that is ongoing today. They deserve a country and a Government who care. In a world that I sometimes find so incredibly selfish and cruel, they sacrificed themselves for the greater cause in the furtherance of this great nation of ours. I have not mentioned their families: the

mother who wakes without her son, and the wife who wakes without her husband. I said this on my first day in the Chamber, and it will forever remain true:

“Theirs is the greatest sacrifice on the altar of this nation's continuing freedom”.—[*Official Report*, 1 June 2015; Vol. 596, c. 375.]

We must never tire in our duty to them.

Thank you for allowing this debate tonight, Madam Deputy Speaker. I hope I will not have to repeat the exercise too many more times.

6.27 pm

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): I congratulate my hon. Friend the Member for Plymouth, Moor View (Johnny Mercer) on securing this debate. His sterling work and passion in ensuring that our veterans have the necessary support and welfare they deserve are highly commendable. As a veteran himself, he is well placed to speak in the House on their behalf. Since arriving in the Commons in 2015, he has made it his mission to campaign on this area. Although I cannot claim to be a veteran quite yet—I was described by a senior general at the Army Board last week as a “seasoned oak”, so clearly it cannot be long before I can—I do, through my rather more modest service, absolutely recognise the importance of this subject.

Equally, I am grateful to my hon. Friend for his concern about my ever-expanding portfolio, to which the reserves have been added. As a Royal Engineer, I have now been a serving member of the Army Reserve for some 28 years. I confess that I used to say that I looked far too young to have been one for so many years, but I fear that I nowadays do not look far too young. However, I do at least have some basic understanding of that brief, and I have not had to do too much background reading.

Comments have been made about the armed forces covenant—the recognition that the nation, as well as the Government, have a responsibility to ensure that our veterans suffer no disadvantage as a result of their service. There is an implication in those comments that the covenant has not been applied consistently across the United Kingdom. I have had such a concern for some time. That is why I commissioned the Forces in Mind Trust to do a review of the covenant across the United Kingdom earlier this year, and it has recently published a very extensive report that aims to share best practice.

I encourage colleagues in the House tonight to read that report and, crucially, pull out that best practice and encourage their own local authorities to follow it. There are some fantastic things happening across the UK. It will come as no surprise that the local authorities that seem to do things best are those with the greatest proportion of members of the armed forces. I take the opportunity of this debate to send the message: please spread that report far and wide, as it is the means by which we can begin to improve the level of understanding of the armed forces covenant.

The service charities have a crucial role to play. We have been supporting organisations such as Cobseo—the Confederation of Services Charities—which is an umbrella organisation for 250 charities, in its critical cluster work. I will talk about that in greater detail throughout the course of the debate.

My hon. Friend and I agree on many things, but I fear there is one on which we do not. I once again note his request for a separate Department for veterans. I can only repeat what I said in the debate in March this year, that on balance I do not believe that to be the best approach; if it meant I ended up in the Cabinet he might be able to persuade me to change my mind, but I fear it would not be me in the Cabinet. The needs of veterans straddle Whitehall boundaries and national borders because first and foremost our veterans are civilians. As I said previously, although we agree on the end, we do not necessarily agree on the means.

I fear a veterans Ministry would duplicate work that already exists through the Department of Health, the Department for Work and Pensions, the Department for Communities and Local Government and many organisations and Government agencies. I believe that the work of Defence Business Services Veterans UK provides a valuable service bringing together pensions, compensation and welfare support.

Mr James Gray (North Wiltshire) (Con): My hon. Friend is making an important point about whether a Department for veterans' affairs would be better for veterans or in fact worse. Does he agree that should there be such a Department that would demotivate some of the very good civil servants in the Department of Health, the Department for Work and Pensions and elsewhere who are currently thoroughly committed to the issue of veterans, as if there were to be a separate Department for veterans they might well say, "That is nothing to do with me—give that to them"?

Mark Lancaster: To a degree, this goes back to the principle of the armed forces covenant, which is really an agreement between the nation as a whole and our veterans. I would hate to think that we had moved to a position where we were in effect delegating this responsibility to a single Department and allowing others to feel that it somehow was not their responsibility to play a role in supporting our veterans.

The current system, whereby responsibility for veterans is cross-government, is positive. Yes, more should be done to ensure that all are playing their part, but on balance I agree with my hon. Friend that a dedicated veterans Department would be a retrograde step. We need not look too far, when looking at things across the Atlantic, to see some of the problems there. They are not simply financial; the very complex way in which care is given to veterans can be diluted. We also have the advantage of the national health service, which is a very comprehensive health service. That is a very good medium for supporting our veterans.

Bob Stewart: I am listening very carefully to the Minister. I also have great respect for the view of my hon. Friend the Member for Plymouth, Moor View (Johnny Mercer). I ask this question. You are the veterans Minister—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. He is the veterans Minister.

Bob Stewart: Forgive me. I am getting carried away. My hon. Friend is the veterans Minister. As the veterans Minister, I take it that you actually have fingers in other

Ministries, such as Health and Work and Pensions, and you make sure from your own efforts that veterans are well served, and you are the focus—

Madam Deputy Speaker: Order. He is.

Bob Stewart: Forgive me—the Minister is the focus. I am getting seriously carried away—it is the fault of my hon. Friend the Member for Plymouth, Moor View. Thank you, Madam Deputy Speaker.

Mark Lancaster: I am certainly the only Minister with the word "veterans" in his title and I am certainly prepared to say that I take the lead on veterans matters. I would argue, however, that all Ministers in government should have our veterans on their mind and do what they can to support them. So, yes I am happy to take the lead, yes I am happy to have the title in my portfolio, and yes I am happy to try to ensure that all my ministerial colleagues also show the same interest. However, I would not want to be Minister with sole responsibility for veterans, for the reasons I gave when I answered my hon. Friend the Member for North Wiltshire (Mr Gray).

I recognise that the Ministry of Defence has a responsibility to ensure that the transition from service to civilian life is as smooth as possible, allowing service personnel process to draw upon the vast array of transferable skills they have obtained in service, but I am not for one second saying that there is not more that could and should be done. I believe firmly that effective transition to civilian life is a major factor in ensuring effective care. I must emphasise that most service leavers transition well to civilian life through our robust and effective resettlement system known as the career transition partnership, which in 2014-15 helped 85% of service leavers to find sustainable employment within six months.

Despite that, I recognise that there is a small percentage of service leavers who do not make a smooth transition. These are the people we must work hard to identify and support. This is also why I am keen to include a question on veterans in the national census. That will help us to identify the veteran community. I assure my hon. Friend the Member for Plymouth, Moor View that I will continue to pursue this energetically with the Office for National Statistics and the chief statistician.

Mrs Anne-Marie Trevelyan (Berwick-upon-Tweed) (Con): On that note, will the Minister ensure that his Cabinet Office colleagues are fully briefed? At the end of the day, the ONS will not make the final decision—the Cabinet Office will determine that. It would be a vital marker for the future.

Mark Lancaster: We have a perfect example of why it is so important that the responsibility for veterans runs across the piece in government. As was so rightly pointed out, it is not in my power, as veterans Minister, to force the chief statistician to include this in his survey. If my hon. Friend is right, the Cabinet Office has the right to do that.

Transition is seen as a through-career management process. We are looking at different ways to ensure that from the point that people join the armed forces, they can see that they not only have the possibility of a fulfilling career but are aware that one day they will

[Mark Lancaster]

become a civilian and need to prepare for that. Career transition should start on day one of service and we must communicate this message on the very first day an individual joins. However, where there are veterans who have difficulties in transition, the Government, local authorities and the charitable sector must step in to ensure that they are afforded appropriate support. Alongside the Government, some 2,500 service charities also play a role. Cobseo, the Confederation of Service Charities, of which many charities are a member, has also created various cluster groups to discuss important issues, such as mental health and housing, where they encourage collective working and provide a forum to raise issues and ideas to implement solutions.

To reiterate some of the points made during the debate in March on the role of charities in the veterans care sector, we value our partnership with the charitable and community sectors. They provide and address wider welfare requirements, particularly for the more vulnerable individuals in the armed forces community. Only last week at the MOD, I chaired the ministerial service charities partnership board, a meeting attended by relevant Government officials and Cobseo charities such as SSAFA, Help for Heroes and the Royal British Legion. In recognition of some of the concerns my hon. Friend raises, I reset its role with a focus on co-operation and a strategic approach to discussions, where actions are taken on current and important issues arising in the veterans sector, with a view to ensuring that the MOD, charities and other Government Departments can be held to account. I believe that accountability is important. Frankly, as the Minister with responsibility for veterans, I walk a tightrope when it comes to dealing with charities. Ultimately, I have no power to direct a charity to do anything. Charities are not responsible to Government—they are responsible to their trustees—but I believe that the Government have a role in providing leadership to try to unite the various sectors in supporting veterans. This is a role that I try to fulfil.

On the point about Help for Heroes, it was a charity that started up in 2007. The armed forces had recently re-engaged in Afghanistan and stayed for a further seven years. The support, welfare and treatment initially provided by Help for Heroes bore fruit from the horrendous injuries that our brave service personnel suffered in that conflict. Throughout those seven years and beyond, along with improvements to equipment, we have made great strides in ensuring that the best medical support is available from the MOD, charities and the NHS. I would like to take the opportunity to pay tribute to both Bryn and Emma Parry, whom I have got to know very well over the last couple of years, and thank them for all their service in leadership of this charity. I wish them well for the future.

Jim Shannon (Strangford) (DUP): I had a meeting with a Department for Environment, Food and Rural Affairs Minister, which is why I could not attend this Adjournment debate any sooner.

In Northern Ireland, about 100 veterans have tried to commit suicide over the last year and a half, mainly those who served in Afghanistan. Those veterans are not with any charity or regimental association—they are under the radar. What can be done to reach those

people that nobody knows about, but who have been affected very greatly by what they saw during their service in Afghanistan?

Mark Lancaster: I intend to visit Northern Ireland shortly. For obvious reasons, I appreciate that there is a unique set of circumstances over there, and I am determined to do my bit to address them. Of course, communication is the key. I shall explain in a few moments how I believe we can help, but the key is making sure that support services are available and communicated. All too often, help is out there, but it is not clear how our veterans access it. I intend to say a few words about that if the hon. Gentleman will bear with me.

I informed the House earlier this year of a plan to improve the care received by the most seriously injured and highly dependent service personnel and veterans. Currently, this support is funded and delivered by a number of separate agencies, including the MOD, the NHS, local authorities and charitable organisations. As such, we have a pilot, which is ongoing, that sees care of this kind co-ordinated and delivered by a new integrated high-dependency care system—I think we need a better name. It produces a joined-up and improved system of care for the individual, reducing strain on local care commissioning groups. The early signs are that this is going well. I am happy, once it is established, to see how to extend it to a wider cohort of veterans.

Michael Tomlinson: On that very point, I invite the Minister to look at the Dorset model—I mentioned a few moments ago the work that Andy Gritt is doing in this area—to see whether it can feed into the model that the Minister has just mentioned.

Mark Lancaster: I would be delighted to look at that model and see whether we can learn any lessons from it.

The aim is that this system will provide confidence for a small number of individuals and their families that their clinical, health and social support needs will continue to be met when they leave the armed forces and for the rest of their lives.

On the point about a single point of contact for veterans, I have good news for my hon. Friend the Member for Plymouth, Moor View. The armed forces covenant fund has £10 million each year to support the covenant by funding projects that address specific priorities, one of those being the creation of a veterans gateway. The aim of this initiative is to provide a single point of contact via a fully transactional website and one telephone number, together providing an information clearing house that takes into account the needs of all veterans, wherever they may be located. An announcement will be made very shortly on the preferred bidder for this contract, with this facility being launched during 2017. Further to that, there is the armed forces covenant website itself, which both serving and former serving personnel may access.

I am the first to recognise that the support of our veterans and the services that are provided for their welfare are not perfect. Nothing is, but I, like my hon. Friend, and indeed all hon. Members here tonight—it is a very good showing for an end-of-day Adjournment debate—am determined to do more. For example, the Department for Communities and Local Government is doing important work on supported housing, ensuring

that local authorities have afforded priority where it is due. The DCLG has also introduced various measures to improve access to social housing for members of the service community, including veterans. That includes changing the law to ensure that local authorities always give seriously injured service personnel and veterans with urgent housing needs high priority in the provision of social housing. As for health, NHS England is introducing new initiatives in mental health services for veterans, the details of which contain expert input from MOD officials. Those are just a few examples of the collaborative work that we are undertaking throughout the Government.

Maria Caulfield (Lewes) (Con): May I make a plea on behalf of NHS workers? Veterans care is a very specialised area, and doctors, nurses and other staff need training and support if they are to care for veterans adequately. We have a great deal to learn from veterans. For example, the McIndoe Centre in East Grinstead was established because of the need to look after veterans who were returning from warfare, and that has benefited the country as a whole.

Mark Lancaster: I entirely agree with my hon. Friend. The issue of veterans healthcare is crucial, and I have been looking into the issue of veterans mental health care in particular. I am delighted to see that my hon. Friend the Member for South West Wiltshire (Dr Murrison) has just entered the Chamber. His report “Fighting Fit” involved a great deal of work, and I am pleased to say that we have implemented nearly all his recommendations. Vital work is now being done to enable the medical records of service personnel to be transferred to the civilian national health service so that we can effectively track our veterans.

We must ensure, from the day people join the services until the day they leave, that they are ready for the transition to the civilian world, and collaboration and co-operation are key elements of that. We must continue to work with other Departments, with local authorities and with the charitable sector to build on what we have achieved thus far.

Once again, I thank my hon. Friend the Member for Plymouth, Moor View for raising this important issue.

Johnny Mercer: I sense that my hon. Friend is beginning to wind up his speech. Before he does so, let me thank him for his response, and also point out that it is

imperative, as far as Conservative Members are concerned, that we do everything on the basis of the evidence that is presented to us. We can talk persistently about the fact that the armed forces covenant is working or about veterans care, but it is clear from the strength of the attendance in the Chamber this evening and from the stories that emerge each week that the current system is not working as well as it should.

I understand why my hon. Friend dismissed my proposal for a Department for Veterans Affairs, but such Departments work elsewhere. My proposal is not based on the United States model; it is completely different. I ask him not to close his mind to the concept, because I think that until we do something like that and fundamentally change the present position, we will not stop the haemorrhage of bad veterans care in this country.

Mark Lancaster: Let me say two things to my hon. Friend. First, I do not think that it is just Conservatives who care passionately about this issue; I am confident that Members on both sides of the House care passionately about it, and I have been greatly encouraged by the positive co-operation and constructive support for progress that I have observed on the part of Her Majesty’s loyal Opposition. I hope that that continues, and I am sure that it will. Secondly, I do not have a closed mind about anything. I would like to think that during my tenure as veterans Minister to date—given that I have just praised Her Majesty’s loyal Opposition, it may well come to an end quite shortly—I have demonstrably tried to take a fresh approach to a number of issues, including mesothelioma. I have looked at issues again, and I am currently looking at a couple of issues that are in my inbox.

I do not have a closed mind. All I am saying is that at the moment, on balance, I do not believe that my hon. Friend’s suggestion constitutes the right approach. We have heard this evening about how other areas of government can contribute effectively to the care of our veterans. I also feel—this point was made by my hon. Friend the Member for North Wiltshire—that we should not allow the other areas of government, and society, to feel that responsibility for our veterans has somehow been delegated to a small part of government. I believe—at the moment, on balance—that that would be a mistake.

Question put and agreed to.

6.49 pm

House adjourned.

Westminster Hall

Tuesday 25 October 2016

[MR ADRIAN BAILEY *in the Chair*]

Leaving the EU: Wales

9.30 am

Stephen Kinnock (Aberavon) (Lab): I beg to move,

That this House has considered the effect on funding for Wales of the UK leaving the EU.

It is a pleasure to serve under your chairmanship, Mr Bailey. The debate is technically about budget decisions but, as we all know, making such decisions is not simply about working out how one reallocates figures. At its fundamental essence, the debate is about the people and the constituencies we represent, and their future, and that is where I would like to begin.

At the core of my constituency is the town of Port Talbot, which is home to more than 37,000 people. Since 1902, the beating heart of Port Talbot has been its steelworks—the largest and, I confidently say, the best in the UK, producing a third of the UK's steel. Many people do not give a second thought to steel, but when they are driving their cars, having a can of baked beans or putting in a load of washing there is a decent chance they are using a piece of steel produced in Port Talbot. Everyone here today knows that the future existence of the works, as we call them, currently hangs in the balance.

The story of Port Talbot over the past 50 years is the reason for the debate. It is a story shared by many towns and cities across the country, from Stoke-on-Trent and its potteries to Dagenham and its Ford factory or Merthyr and its coal mines. Like them, Port Talbot was truly built, and grew, on the foundation of one industry and one company. Half a century ago, the works employed nearly 20,000 people out of a population of 50,000. Every other shop and business in the town depended on the custom of those workers and did a thriving trade, especially on Thursdays, which was payday. Times were good; the town centre was bustling and huge crowds would enjoy their summer weekends on the sandy beaches of Aberavon. As the plant churned out steel faster and better than anywhere else, we also produced extraordinary talent, such as Richard Burton and Sir Anthony Hopkins and, more recently, Rob Brydon and Michael Sheen.

The decline of the steel industry in the UK over the past 50 years can be seen in the standard of living in Port Talbot. The enormous lay-off of 6,000 people in 1980 led to huge numbers signing on to benefits. Today, the works employs just 4,000 people. They are in highly coveted jobs that still provide a decent wage, but nothing has replaced the jobs that were lost or the energy and pride that the industry gave Port Talbot. Icons of our community, such as the Plaza cinema, are boarded up, and smaller shops that depended heavily on steelworkers struggle on. Unemployment is 10% higher than in the rest of the UK, with one in four people relying on benefits to make ends meet. The level of education in our community is proportionally much lower than in the rest of the country. The people of Port Talbot are as

warm, tough, hard-working and talented as anyone we could ever wish to meet, but many are losing hope that their lives will give them the kind of security that we all want. They simply do not see that there are opportunities for them. They know that we cannot recreate the jobs and economy of half a century ago, but they are frustrated that there are not the jobs and the economy for the next half century in which they can play a role.

I have told the story of Port Talbot today because it is a town that, despite recent improvements, is in long-term crisis. The future of my constituents hangs in the balance, and unless we take concerted action their prospects will continue rapidly to decline. That is why the debate is so important. As much as iron needs oxygen to be transformed into steel, our area, and the whole of Wales, needs investment to transform its future into one where people have security and opportunity.

And we now come to the crux of the matter. For years, the EU, in various guises, has contributed an enormous amount of investment in Wales, working closely with the Labour Welsh Government. Due to the consequences of the history I have described, south Wales qualified for the highest level of European structural and regeneration funding. All in all, EU structural funds and the common agricultural policy deliver well over half a billion pounds a year, in addition to money from other key funding areas such as higher education, culture and urban development. Working with Government, charities and businesses, the investment has made an enormous difference.

Albert Owen (Ynys Môn) (Lab): European funding also provides leverage for getting matching funds from the UK and Welsh Governments, which makes it very valuable to our communities.

Stephen Kinnock: My hon. Friend makes a valid point. There is a clear multiplier effect with EU funding, because it provides the confidence that opens the door to all sorts of other sources and channels of investment. Although we are giving the raw data here, the multiplier effect is absolutely enormous.

Infrastructure built with EU funding is creating jobs and easier access for people and business, including through the Harbour Way road network, the new Port Talbot Parkway station and our town centre. That investment has helped to develop skills, funding 4,885 apprenticeships and 1,360 traineeships for young people, as well as programmes that have led to local people gaining 14,860 qualifications, which has prepared them for work. It has also been a catalyst for business, funding the Baglan energy park, upgrading our commercial centres and being a major investor in the SPECIFIC innovation centre. It has backed world-class industrial excellence in south Wales by being a principal backer of Swansea University's bay campus, and has contributed to programmes—from historic gardens and activity centres to toddler play areas and community sports facilities—that have improved our family and community life, ensuring that one day Wales will once again dominate the Six Nations.

Christina Rees (Neath) (Lab/Co-op): Does my hon. Friend agree that 16,000 farmers across Wales gain direct subsidies from the CAP? Without that funding,

[Christina Rees]

more than 90% of them would go bust. Will he join me in calling on the UK Government to commit to ensuring that the subsidies continue for all farmers?

Stephen Kinnock: I agree absolutely that the role the CAP has played in the agricultural industry in Wales and the UK, and indeed across the entire European Union, has been critical and has supported thousands of farmers and their livelihoods. I will talk a little later about how we need to see a clear commitment to long-term funding to replace every aspect of the European funding on a like-for-like basis, including the CAP.

Jim Shannon (Strangford) (DUP): I congratulate the hon. Gentleman on bringing this important debate to Westminster Hall. Does he agree that European funding has been used to great advantage, including in Northern Ireland, but that Brexit signals not an end to the funding of worthy schemes but rather a new way of distribution and the opportunity to ensure that the schemes that are funded are necessary and helpful to local communities? With that in mind, the Government have committed to helping to ensure that the farming grants and community schemes are retained within this Parliament, until 2020. Does the hon. Gentleman not accept that with Brexit, we have a new way of doing things?

Stephen Kinnock: There is an old phrase, “Never let a crisis go to waste”. Brexit has caused a crisis, and that opens up massive questions about where we go now as a country. A major part of that, of course, is what will happen in Northern Ireland. The Government have made commitments up to 2020, but 2020 is within the blink of an eye. We need a far more long-term plan and a strategy that goes way beyond that.

David Simpson (Upper Bann) (DUP): I congratulate the hon. Gentleman on obtaining the debate. Is it not the case that Welsh steel and other industries will benefit from Brexit with respect to the procurement rules? Indigenous businesses in the construction industry and so on may prosper.

Stephen Kinnock: The way in which the Government have interpreted EU procurement rules has been completely wrong-headed for many years. There are ways to build in local content clauses in procurement, to ensure that the use of British steel in British projects is maximised. Unfortunately, the Government, because of their laissez-faire attitude, have hidden behind EU state aid rules. As a result, they have failed to use those rules in a way that could have benefited the steel industry, which is one of the industry’s five major asks. We have seen some improvements, but we need a proper industrial strategy in this country that clearly sets out how procurement can be used to promote British industry.

Nick Thomas-Symonds (Torfaen) (Lab) *rose—*

Geraint Davies (Swansea West) (Lab/Co-op) *rose—*

Stephen Kinnock: I will give way once more, to my hon. Friend the Member for Torfaen (Nick Thomas-Symonds), but then I must make some progress.

Nick Thomas-Symonds: Does my hon. Friend agree that the real worry for steel outside the European Union is that the Government will simply put no trade defence mechanism in place?

Stephen Kinnock: That is a major concern. The British Government have been the ringleader of a set of countries trying to roll out the red carpet for China, to allow it to dump untold amounts of its unfairly subsidised steel on the EU and British markets. As we know, the Secretary of State for International Trade has said that he has no plans to support the steel industry with trade defence instruments. When combined with all the other uncertainty that Brexit has caused, that is a major concern for our industry.

Workways+ is a project that helps long-term unemployed people and people with complex needs to develop the skills and qualifications that will help them into paid positions. The Cynnydd Project works to help young people avoid the unemployment trap. BEACON is helping Swansea University to work with industry to pioneer renewable chemicals, fuels and other materials, bringing another key future industry to the area. Those are just three EU-funded projects already under way, and many others are in the pipeline. Each one makes the lives of our constituents better.

In reality, the situation in Port Talbot, Aberavon and across Wales calls for far more investment to accelerate our recovery from decades of under-investment in the face of the impact of globalisation and deindustrialisation. Yet all that funding and all that progress is at risk after the referendum vote to leave the European Union. While the leave campaign made promises that all EU funding would continue to flow to Wales at the same levels, I think we know that those promises are about as valid as what could be printed on the side of a bus.

Wayne David (Caerphilly) (Lab): My hon. Friend will be aware that the Chancellor of the Exchequer has made that promise, but he has also said that he wants to guarantee funding for projects that meet UK priorities. Does that not imply that the Government intend to use this opportunity to insist that money is spent on their priorities, rather than those agreed with partners and the European Union?

Stephen Kinnock: I thank my hon. Friend. One of the huge risks to Wales of Brexit is that we will see a power grab by the Westminster Government. We will start to see the Westminster Government using the opportunity to claw back funding. We know that the £350 million was a lie. The figure was far more like £190 million, but where will that money go? Will it just disappear into the black hole of the Treasury in Westminster, never to be seen again in Wales? That is a huge risk for Wales in light of Brexit.

Now that all the bluff and bluster of the referendum campaign is behind us, it is all about what the Prime Minister’s Government actually do. So far on that score, the signs have not been positive. Despite repeated requests from the First Minister for a commitment to full continued funding, so far the Government have pledged only to continue funding agreed EU-funded projects until 2020.

That is not as powerful a pledge as it may first seem, for a number of reasons. First, it is for only one additional year after we are scheduled to leave the European

Union in March 2019. The Government have made zero assurances that funding will be retained after 2020. Secondly, the Chancellor made clear in his statement on 13 August that the pledge applied only to projects signed before this year's autumn statement. Apparently, any projects signed after that will be assessed by a method that is yet to be revealed to us—a mystery method. Funding is therefore not guaranteed for multi-year projects signed after next month, even if they are in the current EU 2014 to 2020 funding round.

Carolyn Harris (Swansea East) (Lab): I congratulate my hon. Friend on securing this debate. He is making an excellent case. Does he agree that uncertainty is the enemy of business? The Government have made no commitment on funding post-2020, and that could have devastating consequences for attracting investment to Wales.

Stephen Kinnock: I absolutely agree. We have seen in all the feedback since the Brexit vote that businesses are in a holding pattern. Many companies, both outside and within the UK and the EU, are waiting to see how things develop in the wake of Brexit. We have no idea what the Government's top-level negotiating position will be in terms of hard or soft Brexit, and we have no idea what the plan is on the budgetary side in terms of replacing EU funding. That double whammy causes massive uncertainty for business. It relates back to the point on the multiplier effect. EU funding opens the door for other businesses coming in, and that uncertainty is the enemy of business, as my hon. Friend says.

Craig Williams (Cardiff North) (Con) *rose—*

Mr Adrian Bailey (in the Chair): I call Byron Davies.

Craig Williams: Almost, Mr Bailey. [*Laughter.*]

I thank the hon. Gentleman for securing this debate. On the multiplier effect—I know why he has not touched on this today—the Wales Audit Office produced the Wales transport projects report in 2010-11 about how the Welsh Government had spent EU funds. He mentioned half a billion pounds, but there was a huge concern that there had been wasted opportunity to the tune of £1 billion.

Mr Adrian Bailey (in the Chair): I call Stephen Kinnock. He is definitely Stephen Kinnock.

Stephen Kinnock: I am, Mr Bailey.

I thank the hon. Gentleman for his intervention. My sense is that we are moving firmly off topic with that intervention, but delivering value for taxpayers' money is a top priority for all Governments, including the Welsh Assembly Government. In light of the unemployment figures coming out of Wales at the moment, which are certainly going in the right direction, along with a range of other economic indicators, I would argue that the Welsh Assembly Government are definitely providing value for money for Welsh taxpayers.

Geraint Davies: Does my hon. Friend agree that Wales faces a triple whammy? First, we start from a position of generating only 70% of average UK GDP per head. That is why, secondly, we get multimillion-pound investment

that we are about to lose. Thirdly, given the advent of tariffs that we are so dependent on and the inward investment that has just been attracted, we will end up in a situation where we lose trade and grants and start from a weak position that will be catastrophic for the people of Wales.

Stephen Kinnock: I agree absolutely with my hon. Friend. In many ways, this debate is about resilience. The resilience of the Welsh economy in relative terms is weaker compared with that of many other parts of the United Kingdom. With the impact of Brexit, the loss of funding and inflation—the weakening of the pound will send inflation up, and we know that the poorest are always hardest hit by inflation—his reference to the triple whammy is an apt and correct way of describing what is happening.

The third reason why the pledge is not as powerful as it appears is that the Government have not yet agreed with other EU Governments that UK-based applications for EU funding will be in any way affected. The EU funding programmes for 2014 to 2020 are well under way—they have either already been launched or are in the advanced stage of planning. I fear that the Government's antagonistic behaviour towards the EU and their lack of clarity over future funding will harm the prospects of Welsh applications.

Fourthly, the Government appear to have no plan for how the underwriting of funding will work at a small business or charity level, which is so important. Fifthly, even if Westminster does replace EU funding, there are serious considerations as to how that will be done and calculated. The Government will likely be tempted simply to increase the funds available on the basis of the Barnett formula. However, as the Welsh Labour Government have made abundantly clear, the Barnett formula has disadvantaged Wales for years, and we simply cannot afford or accept such chronic underinvestment any longer.

At a minimum, the chosen approach to replacing EU funds must be ring-fenced—it must be in addition to the block grant. Beyond that, a revision of the Barnett formula is long overdue. In short, there is no clarity and no confidence for the people of Wales. The Government must urgently make it clear that they will underwrite all project funds agreed in the 2014 to 2020 mechanism. They must make it clear that they will maintain EU levels of annual funding to Wales for at least a decade post-Brexit, and they must set out how the replacement of funds will work in practice for the Welsh Government and local organisations in the spectrum of Brexit scenarios.

Also, the Government must commit to including Welsh voices in the negotiations, especially with regard to other themed EU funding programmes such as the Erasmus student exchange programme or the Horizon 2020 higher education innovation partnership. Of particular concern to south Wales is the future of the UK relationship with the European Investment Bank, whose loans have helped to build the Swansea bay campus; improved the Welsh Water and Severn Trent network in 2015; and upgraded the Great Western mainline. The last loan was worth £430 million. Such institutions matter greatly to us. The head of the bank, Werner Hoyer, has already publicly made it clear that current levels of lending to the UK cannot be maintained after Brexit. Welsh voices must be heard in the negotiations as our future so

[Stephen Kinnock]

critically depends on those relationships with the continent. The Government must make clear whether they will seek associate status to the programmes and institutions. They must bring clarity quickly as the futures of people, communities and organisations across Wales hang in the balance.

Although it looks likely that the entirety of the UK will suffer economically in the coming years as a result of Brexit, it is in many parts of Wales where it will hit hardest, as our economic resilience is relatively low. That does not take into consideration the impact of Brexit on the steel industry, which would be hugely endangered if EU tariffs are imposed on it. If investment in Wales is not maintained, vital projects will go under, followed by businesses. People will lose jobs, and unemployment and welfare bills will shoot up. Communities will fracture. Port Talbot and its people have been through enough. That does not have to be our future.

In Port Talbot, Aberavon and across south Wales we are seeing the enormous potential to accelerate what we are doing. There is innovation. One company, SPECIFIC, has developed a steel-based paint that acts as a solar cell to generate power. It could turn every building in the country into a power station—except perhaps for Boris's Foreign Office. The Swansea bay tidal lagoon is a world-leading project to capture wave energy. The Swansea bay city region proposal, Internet Coast, could transform south Wales into one of the best digitally connected places in the world. All that is being done without any sign of a proper industrial strategy. Imagine if we actually had one.

Alongside the Government's Brexit negotiations, they must also present a modern industrial strategy, backing skill development, innovation, modern manufacturing, sustainability and the digital revolution. The strategy must focus on regions such as south Wales, where we have so much underdeveloped talent. When the Welsh Secretary declares that we should not simply replace EU money with Westminster money because we have to address underlying issues, we have to laugh. First, of course we need to address the underlying issues. Unlike him, I am unwilling to settle for basic skills. I am ambitious to ensure my constituents have the high skills needed for new industry to flourish in south Wales. Secondly, it seems blindingly obvious that financial support is a precondition for building such industries and developing skills. Finally, it was very nice of the Welsh Secretary to say that publicly, but it is his Government's responsibility to come up with the solution, so he may wish to get on with it.

The Government must recognise with humility and sobriety rather than the gung-ho hubris they have shown so far that, if Wales does not continue to receive funding for crucial programmes, communities will be devastated for generations, with everything that that means for people's lives. It will result in a lack of security, a lack of dignity and a lack of hope. I therefore hope that the Government will reassure the people of Wales quickly that they will ensure the floor is not ripped out from underneath them.

Ian C. Lucas (Wrexham) (Lab): Parallel to the UK's membership of the EU has been the rise of one of the most successful businesses in the world: Airbus. One of

the real threats to business is the arrangement concerning communication between the multinational aspects of that business. It is essential that the Government work closely with business to preserve a premier economic powerhouse such as Airbus.

Stephen Kinnock: I agree absolutely with my hon. Friend. There is no better example than Airbus, which is an exemplar of a cross-country, cross-industry collaboration. Airbus has worked as a consortium that has developed through its supply chains a world market-leading capability. When people say the European Union is a sclerotic project that does not work anymore, there is one answer to that question: Airbus. It is a fantastic example, as my hon. Friend has described. We must now see a commitment from the Government to continue to support such projects moving forward. It will be more difficult in the wake of Brexit, but it is still possible. It is up to the Government to show leadership to ensure that that happens.

We need a comprehensive funding and industrial strategy that does not say our best days were in the coal and steel boom years of the 1960s. We need a strategy that says our best days are still ahead of us.

Several hon. Members rose—

9.57 am

Mr Adrian Bailey (in the Chair): Order. There is great pressure on time. Nine Members indicated in advance that they wished to speak in this debate and I have had another three since. I want to call the Front-Bench speakers at around 10.30 am, so we will start with a time limit of four minutes, which I might reduce as time goes on. I also ask that Members recognise it will be necessary for speakers to take no interventions. If Members persist in intervening, they may lose their priority on the speakers list.

Also, the clock controlling the time limits is working here at the desk, but not up there on the wall, so the Clerk will hit the bell one minute prior to the end of the time limit. The bell is not a fire alarm; you do not need to vacate the building. It is simply an indication to the speaker.

9.58 am

Byron Davies (Gower) (Con): I am delighted, as the real Byron Davies, to have the opportunity to contribute to this debate, Mr Bailey. I congratulate the hon. Member for Aberavon (Stephen Kinnock) on securing this debate. I am pleased that we are all here contributing to what should be a wider and national conversation about what happens to Wales post-Brexit. I am sure that we here today recognise the importance of ensuring Wales gets the best possible deal from Brexit. The UK Treasury has of course guaranteed European structural and investment funds in Wales for projects signed before the UK leaves the EU. The Treasury has also guaranteed funding received directly from the European Commission: for example, the universities participating in Horizon 2020. The guarantee also includes pillar 1 of the common agricultural policy, so the agricultural sector in Wales will receive the same level of funding it was expecting under the 2014-2020 programme. The access of the UK, and consequently Wales, to the EU funding programmes

will be subject to negotiations during the withdrawal process. Even once outside the EU, it is possible that the UK will receive funding from it.

Although it is essential that we support the Secretary of State for Wales and the Minister, who are ensuring we have funds for important infrastructure projects, as part of this process we must scrutinise how the money is spent. I must admit that I was shocked that Carwyn Jones did not have a plan for Wales after Brexit and failed to lobby the British Government prior to the referendum. Apparently, it was too political. That means he did not obtain any guarantees about having funding matched. That is staggering, given the importance of the current funding to Wales. The fact that the First Minister, of all people, did not think of that or secure it is beyond me. It could be argued, however, that it is part of a deeper undercurrent of thoughtlessness and evidence of the Welsh Government's blasé attitude to the spending of public money. Unfortunately, Wales' lack of scrutiny is part of the problem. It is due to myriad factors, including a lack of a competitive national media, which leaves the public with an information deficit, and the processes in the Assembly, which mean that many parts of Welsh policy and spending decisions have received a woeful lack of scrutiny. It is no longer good enough to say that the Assembly will get there or that things will change. It has been two decades, and in this place and the Assembly we must seriously start to look at and tackle the problems that the Assembly and Wales face post Brexit.

Wales has received three rounds of EU funding worth almost £4 billion in less than two decades. In the heady early days of devolution, the then First Minister, Rhodri Morgan, said that the first round of funding was a once-in-a-lifetime opportunity to shape a new Wales, shake off the shackles and take advantage of the myriad opportunities and the booming years of the early 2000s to create a hi-tech, trading nation that is proud of its industrial past. We were told that it would grow to become a confident, outward-looking nation once again. Two decades on, we are on our third round of funding.

The Welsh Government's wasted spending includes a £7.5 million Government procurement card for luxury hotels, iTunes, Victoria's Secret underwear, yacht wear and other vital uses of taxpayers' funds for Welsh Government officials. Some £1.6 million was spent on a martial arts centre that never opened in north Wales. Tens of millions of pounds in business loans went from the former economy Minister to firms that went bankrupt, despite warnings about their viability. Some £1.8 million was spent on chauffeur-driven cars; £20 million was spent on properties on the M4 relief road, without a spade in the ground; £3.4 million was spent on a heritage centre that closed within three years; and hundreds of millions of pounds have been spent on major road projects that a 2010 Wales Audit Office report said cost 61% more than estimated and hampered wider transport objectives. My point is that, although it is of fundamental importance that we debate and discuss the future of funding for Wales and support the Wales Office in achieving that—

Mr Adrian Bailey (in the Chair): Order. I call Jonathan Edwards.

10.2 pm

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): It is a pleasure to serve under your chairmanship, Mr Bailey. I congratulate the hon. Member for Aberavon (Stephen Kinnock) on securing this debate. I agree with much of what he said in his excellent introduction.

As a democrat, I fully accept the referendum result, but that does not mean that the ideological Brexiteers in charge of Government policy at the moment can act with impunity. There is an ongoing fight for the type of Brexit we will have, and my priority is to campaign for the least damaging option for the Welsh economy and for Welsh funding and finances. That is why Plaid Cymru and I have been united in our campaign to maintain membership of the single market and the customs union from the very beginning. That would be by far the least damaging option for the Welsh economy, first, because there are wide-reaching benefits to being a single market and customs union member for trade in Wales; and, secondly, because it will enable Wales to qualify for certain cross-border and transnational programmes for research and innovation funding, which the hon. Gentleman mentioned in his opening remarks.

Wales is more exposed to a hard Brexit because we are an exporting economy. We have a trade surplus of £5 billion per annum, whereas the UK has a massive trade deficit. Wales' great trade figures are aided by our membership of the single market—the world's largest trading bloc—and the 53 international trade deals that we have by being a part of the customs union. The Centre for Economics and Business Research found that more than 4 million jobs directly and indirectly depend on exports to the EU. That is approximately 200,000 jobs in Wales—about 14% of our workforce. That should make our eyes water.

The hon. Gentleman talked in great detail about many of the different types of funding streams that we qualify for due to our membership of the European Union. The UK is the most unequal member of the European Union, in terms of the geographical gap in wealth. The richest region in northern Europe is London and the south-east. Nine of the poorest regions in northern Europe are also in the UK. Tragically, they include the communities that I and many colleagues here serve.

In contrast, the UK has no regional policy for moving wealth from richer to poorer parts of the state. The EU has a very successful regional strategy, and Wales has qualified for three rounds of the highest form of structural funding. Of all the funding streams that we receive from the European Union, the loss of that structural funding—we probably qualify for a fourth round, given the state of the Welsh economy at the moment—would be the biggest hit for us. We could also lose very cheap finance from the European Investment Bank, which has helped to deliver the excellent new campus at Swansea University, which the hon. Gentleman mentioned.

Wales has benefited from many other EU funding opportunities, including for agriculture, fishing and rural areas, education, training, and research and innovation. The education, training and research schemes will still be available to us if we remain a member of the single market and the customs union, but the huge support our rural economy receives in common agricultural policy payments will not. I believe that we received

[Jonathan Edwards]

about €3 billion to support our rural economy between 2007 and 2013. Our economy depends on those streams. Even under my preferred deal, we would not qualify for CAP payments. Norway gets around that by paying the CAP payments and tariffs that it would receive if it were in receipt of CAP. Unless we have those guarantees from the UK Government, I fear dark days lie ahead for the rural economy and the Welsh economy as a whole. *Diolch yn fawr iawn.*

10.7 am

Geraint Davies (Swansea West) (Lab/Co-op): Britain has been terrorised by clowns, and we now know that their ringleader is a peroxide blonde with a German name and a red nose masquerading as the Foreign Secretary. He promised a mixture of lower costs, market access and lower migration, but we are obviously going to get higher costs, which is why the deficit reduction plan has been torn up, no market access—it sounds like it will be a hard Brexit—and increasing migration, as ever. Boris said that we could have our EU cake and eat it, but Donald Tusk has said that all we will get is salt and vinegar.

The referendum took place immediately after the Welsh Assembly elections, so the Welsh people did not have time to contemplate all the ramifications of Brexit on their grants, and 16-year-olds and people living abroad were not allowed to vote. It is now coming home to us that we face the triple whammy that I mentioned earlier. Wales starts from a position of having something like 70% of UK GDP per head. As the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) said, 200,000 people who rely on EU trade—25,000 of them are in Swansea bay—face tariffs.

There is enormous uncertainty. We hear today that the promised electrification to Swansea may not proceed, and we do not know what is happening about the lagoon or the Swansea city deal. Tariffs are going up, and companies such as Nissan want compensation. It is like someone going to a shop and buying a mobile phone that they are told has a colour picture, but when they get home they find it is black and white. In other words, if the promises that were made were not a reasonable representation of the future—the falling pound, the loss of investment and the loss of jobs—the British and Welsh people deserve a referendum on the exit package before we trigger article 50. Article 50 should not be triggered until something like next October.

David T. C. Davies (Monmouth) (Con): Does the hon. Gentleman agree that the fall in the pound has been excellent for exporters?

Geraint Davies: I assume that the fall in the pound to a 30-year low was designed to make Polish workers better off when moving abroad. The weak pound is a nightmare that will generate huge inflation in Britain. People will not be able to go on holiday, except on the £14 visa. If the hon. Gentleman thinks that, he should have said before the referendum, “We are fighting for a lower pound and less investment, and we are ripping up our deficit strategy.” In fact, the hon. Member for Cardiff North (Craig Williams), who has now left the Chamber, seems to think that we should have £1 billion

less, because we are wasting our money—so much for representing Wales. Last week when I asked the Minister in Question Time about the “body blow” of Brexit, he said simply that Swansea had voted for it, as if to say, “Well, it’s their own fault—like it or lump it.”

In reality, we need support where it is most necessary, and we need promises from the Minister to ensure that funding is sustained and that we still have the city deal, the lagoon and the electrification. We need a helping hand to succeed in difficult days. If possible, we should also have another crack at this with an exit package referendum, so that people can have a say on what they get and whether they want to go ahead. They have said that they want to go ahead in principle, but in practice is a hard Brexit what they wanted? No.

10.10 am

Nick Thomas-Symonds (Torfaen) (Lab): It is a pleasure to serve under your chairmanship, Mr Bailey, and I congratulate my hon. Friend the Member for Aberavon (Stephen Kinnock) on securing this important debate.

In my home town of Blaenavon, in the northernmost part of my constituency, are the Blaenavon ironworks, with their iconic balance arch, which are a very good example of a successful regeneration project. The houses in the ironworks, including No. 2 Stack Square, where my father was born, are each set out in the style of a different era, giving a flavour of the industrial heritage of the Eastern valley. The project has been a great success and my local authority, Torfaen, deserves great credit for it, but if someone walks out of the Blaenavon ironworks they will see outside the European flag, indicating the European structural funding drawn upon by such regeneration projects.

I totally respect the result of the referendum of 23 June, but it does not mean that the leave campaign can escape from the promises that were made in the weeks and months leading up to it. What promises were made? I have with me the letter written on 14 June, released under the headline, “Leave Ministers commit to maintain EU funding”. What did they say exactly? The letter states:

“After protecting those now in receipt of EU funding, we will still have billions more to spend on our priorities. We propose that at least £5.5 billion of that be spent on the NHS by 2020, giving it a much-needed £100 million per week cash transfusion, and to use £1.7 billion to abolish VAT on household energy bills.”

That was a specific pledge made nine days before the referendum, not for some slipping date in the future, but by a specific date—precise figures, specific pledges.

Furthermore, there is no point in the Prime Minister trying to distance herself from the promises made. I know she virtually went into hibernation for the course of the referendum campaign, but none the less, of the signatories to that letter, one is now the International Development Secretary, another is the Transport Secretary and a third is the Foreign Secretary. They are now in government, and they should honour the pledges that they made. Unfortunately, however, as my hon. Friend the Member for Caerphilly (Wayne David) alluded to in his intervention, it already looks as if those promises are slipping.

We know about the pledge on projects started before the autumn statement, but we have no idea about what will happen after that, as my hon. Friend the Member

for Aberavon said. Even worse, the Secretary of State for Exiting the European Union said at Question Time last Thursday—I listened very carefully:

“Most EU funds will be guaranteed post-departure by the Treasury, as we said in August.”—[*Official Report*, 20 October 2016; Vol. 615, c. 950.]

“Most” is simply not good enough—the pledge made on 14 June should be honoured. My constituents deserve not only a continuation of EU funding, but the extra funds promised as well. Any failure to deliver will be a gross betrayal.

10.14 am

Mr Mark Williams (Ceredigion) (LD): Thank you, Mr Bailey, for the opportunity to say a few words in this important debate. I thank the hon. Member for Aberavon (Stephen Kinnock) for speaking for the heart of industrial south Wales on this important issue. If I can do half the job speaking for rural Wales that he did for that area, I will be doing a good thing, because it was an excellent speech.

Farming is crucial to our economy, directly employing 58,000 people and with an output of produce worth about £1.5 billion. Some 80% of Wales's land area is farmed, so there is no doubt that farming contributes substantially to the landscape, which is a vital element of our tourism, and—this is key—to producing and selling food tariff-free in the EU. Any possible funding loss to our farmers, therefore, will inevitably have a wider impact on Wales's economy. A survey taken before the vote on 23 June revealed that two out of five businesses in the countryside depend on farms, and each of those farms contributes £100,000 to the local rural economy.

We note that funding under pillar one of the common agricultural policy will be upheld until 2020 as part of a transitional arrangement, and there was thanks from the farming community for that, but we need further clarification on the situation post-2020. We need clarification on structural and investment fund projects and agri-environmental schemes, and we need more detail on environmental stewardship policies. Despite the red tape and many criticisms over the years, the CAP did and does ensure that family farms survive. Post-Brexit, there is a huge challenge that is fundamental to the whole rural economy, and the Department for Environment, Food and Rural Affairs, working with the Assembly Government, needs to have a holistic rural strategy that combines food, farming and biodiversity. To date, such a strategy has been lacking. We need an early and clear communication, post-Brexit vote, on the subsidy regime and the position of seasonal foreign labour.

The maintenance of a subsidy regime to 2020 was welcomed, but the sector has been encouraged to diversify and invest for its survival. Investment, however, not least in negotiation with banks, requires certainty over cash flows and a baseline on which to continue operations. In that context, a three-year window until 2020 for the farmers whom I represent is completely inadequate. Between 2014 and 2016, net farm incomes in Wales declined by about 25% to some £13,000 a year. There is also the impact on secondary businesses in the rural economy. EU support amounted to £250 million a year, together with an investment programme of some £500 million for 2014 to 2020. Such funding is vital.

The UK Government have been giving conflicting messages. The Secretary of State for Environment, Food and Rural Affairs has implied that funding will continue, but her junior Minister, the hon. Member for Camborne and Redruth (George Eustice), said at the Royal Welsh show this year that the Government cannot guarantee that future agricultural support will be as generous as the current subsidy regime. That is completely unacceptable to the rural community that I represent and would have a dreadful effect on the capacity of family farms to function in the future. The farmers and businesses of rural Wales need clarity and answers from the Government, which so far have been woefully lacking.

10.17 am

Chris Elmore (Ogmore) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Bailey. I congratulate my hon. Friend the Member for Aberavon (Stephen Kinnock) on securing the debate.

As matters stand, the implications of the UK leaving the EU will be seen in each town, city and village in Wales. Although we can be blasé about EU funding, and it is often not obvious, it has contributed enormously to each of our communities. In my constituency, agricultural funds have had a tremendously positive impact on all the farms. The common agricultural policy provides funds for more than 16,000 farms in Wales, and the European structural fund has also made a considerable contribution to various projects throughout Ogmore. Farmers throughout Wales benefit hugely from such funds, and in the same way, people in other industries have benefited from other such projects and funding, as my hon. Friend said so eloquently.

According to the Welsh Government, EU funding and projects have supported more than 200,000 people to gain qualifications, helped more than 70,000 people into work and created close to 40,000 jobs. The effect on funding for Wales of the UK leaving the EU should not be understated, and unless we plan accordingly, that funding will be sorely missed.

Uncertainty clouds the future of every aspect of EU funding in Wales. As I mentioned, the EU makes a fantastic contribution to our farming industry, but although the CAP pillar one scheme will be upheld until 2020, we do not know any detail of the arrangements with which the UK will replace it. Our farmers are therefore left in the dark and cannot feasibly plan for the future—they have no idea what funding they will receive in only four years' time.

Those set to benefit from the proposed south Wales metro have also been left in the dark, as that project was almost certainly going to receive EU funding, without which it has become far more ambitious and possibly harder to achieve.

In August, the Chancellor offered what he referred to as a funding guarantee, which in truth is nothing of the sort. According to First Minister Carwyn Jones, the funding that the Chancellor referred to covers only about half of Wales's regional funding. The Treasury's guarantee to back EU-funded projects signed before this year's autumn statement should be applauded, but there remains uncertainty for many other projects. Uncertainty benefits no one, and I hope that the Government will recognise that and clarify their position.

[Chris Elmore]

The Welsh Government have worked well to ensure that Wales is on the way up, and I am sure that we all hope things will stay that way.

The future of Wales is in the hands of those who are managing our departure from the EU, and I fear that they do not understand the scale of the EU's contribution to Wales. If agriculture funding is not replaced pound for pound, farms will close and jobs will be lost. If the Government do not replace the funding that would have come from the European social fund, there will be a skills shortage. I am sure all Members can agree about the success of the Jobs Growth Wales scheme, which is partly funded by the EU and has been led by the Welsh Government for several years. Likewise, if funding from the European maritime and fisheries fund is not replaced, those industries will suffer. The effect of the UK leaving the EU on funding for Wales could spell the end of some of the greatest projects in Wales and Welsh prosperity, and I hope that the Government will work to ensure that that is not the case.

10.21 am

Albert Owen (Ynys Môn) (Lab): It is a pleasure to serve under your chairmanship, Mr Bailey. Like the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) and my hon. Friend the Member for Torfaen (Nick Thomas-Symonds), I am a democrat and accept the result of the referendum. Indeed, my constituency and Wales mirror the United Kingdom in that roughly 52% voted to leave and 48% voted to remain. We are talking about the future, and although the Prime Minister has said that she has a mandate from the 52%, we must talk for 100% of the residents of Wales and 100% of our constituents. It is important to put that on the record.

I was shocked, as many people were, that the previous Prime Minister, David Cameron, did not have a contingency plan. There was a simple question—leave or remain—and I could not believe that the Government did not cover both those bases, and particularly a leave outcome. We are in a difficult position. The captain—the then Prime Minister—has abandoned ship and left us rudderless and clueless about how to move forward.

I am a strong advocate of the European Union. Indeed, I am a strong advocate of unions—the EU and the Union of Wales, Scotland, England and Northern Ireland. I do not like the word “Brexit”, because it excludes Northern Ireland. We must have a better, more positive word about the United Kingdom's future outside the European Union.

I worked with the Minister on structural fund projects before he came to this place. He knows how important structural funds have been to the development of Ynys Môn and north-west Wales. It is wrong of Conservative Members to say that that was a waste of money. The social cohesion that those funds have brought to my area after decades of under-investment is a testament to the European vision and the vision of the Welsh Government, which worked with the UK Government and the European Union to develop those areas.

My constituency is the gateway to Wales. It contains the major port of Holyhead, which links Wales to the Irish Republic. The Dublin to Holyhead route has been

called the new Dover to Calais route, yet because of our exit from the European Union, that link is now uncertain. We need to look at that, because it will impact hundreds of jobs in my constituency. I remember working with our then MEP—it just happens to be Glenys Kinnock, the mother of my hon. Friend the Member for Aberavon (Stephen Kinnock), who moved the motion—the Welsh Government Minister and the UK Government to get extra resources for that port. They understood the importance of linking Wales and the UK with the rest of Europe.

It is important that we have a vision for the future. Guaranteeing structural funds until 2020, as has already been committed to, is not good enough. We want a clear vision and a clear plan for the future. I want devolved Administrations, the farming unions and rural Wales to be part of that—I want them not on the fringes, but at the centre making decisions. Many of the issues that we are talking about are already devolved. I do not want them to be centralised here in the UK Parliament. I want devolved Administrations to have a direct voice in the future of Wales and the future of the United Kingdom.

10.25 am

Chris Evans (Islwyn) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Bailey. I congratulate my hon. Friend the Member for Aberavon (Stephen Kinnock), who spoke movingly about his constituency and his fears about our impending exit from the European Union.

I take issue with the hon. Member for Gower (Byron Davies), who said that Carwyn Jones did not have a contingency plan. I ask the hon. Gentleman to look at the Treasury's recent evidence to the Public Accounts Committee, in which it said that it had no contingency plan because the referendum was not a general election and the Government's official policy was to stay in the European Union. It therefore made no plans. How naive can it be?

Wales receives more EU funding than any other part of the UK. The Wales Governance Centre estimated in 2016 that Wales received a net £245 million from the European budget in 2014. That equates to £79 per person, yet Wales voted out, with 52.5% opting to leave. Like many others, I am at a loss to understand why the nation voted against the public interest. However, as a democrat, I accept the result. Unlike Members of some other parties in the House, I believe that we cannot continually have referendums until we get the answer we want from the people.

There is no future in debating our past; we should debate where we go from here. Let us begin by trusting the people of Wales. President Abraham Lincoln said:

“I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts”.

He went on to say “and beer.” As we know, we like some of that in Wales too. The UK Government here in London and the Welsh Assembly both have a role in ensuring that Wales continues to prosper even after exit from the European Union.

We must demand from the UK Government a new funding settlement for Wales. EU funding is critical to Wales's development. We have heard from many hon. Members about the projects in their constituencies.

Those must be funded beyond 2020. I find it embarrassing, frankly, when companies that are wondering what exit from the European Union will mean for them come to see me and want to be briefed. At the moment, I have no answers. I was extremely disappointed that when the leaders of the nations of this country met the Prime Minister yesterday, they too were told that the Government had no answers. It is no good for the Prime Minister to go on saying, "We're not giving a running commentary on the exit from the European Union." She needs to give facts, a rationale and a road map right now. *[Interruption.]* I have started, so I will finish.

However, Brexit must be seen as an opportunity. Wales cannot rely solely on EU funding or the public sector. Wales is an innovative country. In my constituency, General Dynamics UK in Oakdale and Axiom in Newbridge both stand up to that. The Welsh Assembly must create an entrepreneurial spirit. Wales is a trading nation. Our exports to EU countries in the year to the end of the second quarter of 2016 were worth £4.7 billion but, as a trading nation, Wales must have a dedicated trade ambassador who reaches out across the world and ensures that Wales is the place to do business. I have attempted to do that in Islwyn by encouraging businesses that I meet to come to Wales. It is time for the Welsh Assembly Government and the Government in London to step up to the plate. We need a trade deal. We need a strategy for Wales to prosper. Even though we are disappointed, exiting the EU provides a real opportunity for Wales.

Mr Adrian Bailey (in the Chair): Order. I now intend to call the Opposition spokespersons. It would be helpful if you could keep your remarks within 10 minutes to leave adequate time for the Minister to respond and Stephen Kinnock to summarise at the end.

10.29 am

Kirsty Blackman (Aberdeen North) (SNP): Thank you, Mr Bailey. It is a pleasure to serve under your chairmanship. I will be well within 10 minutes. I thank the hon. Member for Aberavon (Stephen Kinnock) for bringing the debate before us.

As was said by numerous Members, for a number of reasons, Wales stands to lose a huge amount—more than many other areas in the United Kingdom—from the UK's exit from the EU. The hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) talked about Wales's trade surplus. Wales is a trading nation with a massive trading surplus, so it stands to lose out from the massive changes proposed to the way in which trade works.

The hon. Member for Ceredigion (Mr Williams) talked about the rural community and the common agricultural policy in particular. The Government have given certainty on that up until 2020, but farmers need certainty way longer out than that. They are planning 10 or 20 years ahead and thinking about how their land will be used well into the future. As he mentioned, 80% of Wales's landmass is used for farming, so it is really important that the Government give certainty. That is a major area in which Wales stands to lose out.

The hon. Member for Aberavon talked about Wales's industries and its post-industrial areas. One problem that Scotland and Wales have in addition to a democratic

deficit—our voices are rarely heard because the UK Government is never made up from a majority of Scots—is that the UK Government often poorly understand some of the industries and things that are most prominent and prevalent in our local communities. The UK Government, made up mostly from the south-east and less from the north of England and from Wales, poorly understand what it is like to live in a post-industrial place. They poorly understand what it is like to live in a heavily industrialised area and how communities rely on those industries. As a result, when the UK Government negotiate with the EU, those areas will be forgotten. Those things are not high enough on the priority list.

We keep hearing about how the City will receive special deals, but what about industry? What about areas in Wales and Scotland that actually need that support and have received, for example, EU structural funding? They are really important. It is vital that the devolved Administrations have a major voice in the exit negotiations so that we can explain to the UK Government how the industries work and how our communities live so that they can ensure that they prioritise them and not just the views of the City of London.

In a huge number of cases, people voted in protest against Tory austerity. It would be shocking if the UK Government used that as an excuse to centralise power in Whitehall, as a Labour colleague said. In the exit negotiations there is a real risk to Wales, Scotland and the north of England that our voice will be too small, too quiet and not heard enough. Leanne Wood, the leader of Plaid Cymru, said:

"The Prime Minister's commitment to "a country that works for all" will ring hollow if Brexit leaves Wales in a weaker position than before."

The UK Government need to reflect on that.

10.34 am

Gerald Jones (Merthyr Tydfil and Rhymney) (Lab): It is a pleasure to serve under your chairmanship, Mr Bailey. I congratulate my hon. Friend the Member for Aberavon (Stephen Kinnock) on securing this important debate and on the powerful case he made. We have heard from an array of hon. Members from across Wales who have a variety of views on what leaving the EU will mean for their constituencies, for Wales and for the people of Wales. The one theme that has come through is that the next few years will be an uncertain period for all, and for our communities and businesses in particular, as highlighted by my hon. Friend the Member for Swansea East (Carolyn Harris).

The Government have a clear and pressing duty to reduce that uncertainty. We have all heard of investment decisions that have been delayed and of businesses that are genuinely worried for their futures. People voted to leave, but they did not vote to damage our economy, so the Government need to step up and set out their plans more clearly to deliver the clarity and business confidence we so badly need.

As my hon. Friend the Member for Islwyn (Chris Evans) highlighted, Wales currently receives a significant net gain from the European budget because west Wales and the valleys qualify for the highest level of EU regional development funding. The Welsh European Funding Office estimates that projects in the 2007-13 round of funding created 11,925 enterprises, supported

[Gerald Jones]

nearly 40,000 jobs and helped more than 72,000 people into work and 56,000 people into further learning. As my hon. Friend the Member for Neath (Christina Rees) said, 16,000 farmers in Wales get direct subsidies from the common agricultural policy, without which 90% would be in financial difficulty. My hon. Friend the Member for Ogmore (Chris Elmore) highlighted the positive impact that that funding has on farmers and the risk posed by leaving the EU.

Wales is set to receive £2.7 billion in structural funds up to 2020. We have heard examples of local regeneration already delivered across Wales. Many communities have been transformed with the support of EU funding, including many in my constituency. We heard my hon. Friend the Member for Aberavon outline the iconic Swansea University campus and the Workways+ and BEACON schemes, which have been supported through the EU.

My hon. Friend the Member for Ynys Môn (Albert Owen) highlighted the important point of matched funding and what that means in supporting EU funding to go even further in regenerating Wales. My hon. Friend the Member for Swansea West (Geraint Davies) highlighted the regeneration projects in his area and the lack of reassurance coming from the Government.

Despite that, Wales voted in line with England to leave the European Union, and we respect that decision. However, Wales did not vote to become poorer or to damage its public services. That is why, as we begin the process of leaving the EU, we need to work together to ensure that Wales, its economy and its communities get the best deal.

Albert Owen: Does my hon. Friend understand that many people who voted to leave were under the impression that some £350 million saved from Europe was going to be spent on the health service in the UK? Five percent under Barnett would give Wales about £17 million. Does he think that should be honoured by the Government, or at least debated?

Gerald Jones: My hon. Friend makes a correct point. During the referendum campaign lots of lies were told and comments made, and the people of Wales and the rest of the UK voted for a specific set of circumstances. They did not vote to make our services poorer. Indeed, the investment promised by the Brexiteers—as highlighted by my hon. Friend the Member for Torfaen (Nick Thomas-Symonds)—in the pledge signed on 14 June should be honoured.

Geraint Davies: Further to that, will my hon. Friend accept that the people of Wales and Britain voted in good faith in principle to leave and that that was subject to the exit package set out? There is a strong case for another vote not on the principle of whether to leave but on the exit package and whether it represents the reasonable expectations of voters, because already something like 7% of the people who voted to leave now say they do not want to leave. As this is a once-in-a-lifetime choice, surely they should look at the exit package in a referendum.

Gerald Jones: As I mentioned earlier, it is important that we respect the result, but it is also important that we ensure we get the best deal for Wales and for the UK

in the coming negotiations. Despite the many challenges ahead, we must ensure that Wales has a positive voice throughout the negotiations to secure the best possible outcome. It is essential that the UK Government work closely with the Welsh Government and other devolved Administrations to ensure that their negotiating strategy works for the whole of the UK, not just for England.

The Joint Ministerial Committee met yesterday, although clarity was lacking on the current position and on what future discussions will look like. As we begin the process of exiting the EU, Wales has several priorities. We must prioritise the protection of jobs and ensure business confidence in the aftermath of the referendum. Full and unfettered access to the EU single market is crucial for Wales. Welsh businesses currently benefit from our trading relationship with the EU. If we were to leave the single market, and if tariffs were to be imposed on Welsh goods, that could have a crushing impact on our manufacturing and agricultural sectors. We need certainty about funding for current and future EU programmes.

The First Minister of Wales sought an urgent guarantee, immediately following the referendum, that Wales would not lose a single penny of EU funding up to the end of the EU financial perspective, running until 2020. This month the Treasury pledged to extend the guaranteed funding for all projects agreed before the UK leaves the EU. However, it has not given any commitment to replace the funding, further into the future, that we would reasonably have expected to receive if the UK were to remain in the EU. That is vital to our universities and agricultural businesses. Wales currently receives £650 million in EU funding, in particular through the common agricultural policy and structural funding. Campaigners for leave said that Wales would not lose a single penny in European funding, and we will hold them to that promise.

As my hon. Friend the Member for Aberavon outlined, the case for revision of the Barnett formula arrangements for Wales is now even stronger, to ensure fair funding for Wales during and after the current EU programmes. The Wales Bill provides an important opportunity to consider future funding arrangements for Wales. I urge the Government to reconsider their opposition to delivering a much needed fiscal framework to Wales as part of the Bill, and perhaps the Minister will comment on that.

It is my view, and the view of my party, that EU citizens working and living in Wales now should be able to remain here after the UK's exit from the EU. EU citizens should not be used as bargaining chips in the negotiations, and we must stamp out the unacceptable abuse that has, sadly, risen since the referendum result.

Christina Rees: Since the referendum the UK Government have said little more than “Brexit means Brexit,” but Ministers have alluded to a hard Brexit. Will my hon. Friend agree with the Welsh Labour MEP Derek Vaughan who has said that as a result of that stance the EU has withdrawn behind its lines, and we will end up with a hard Brexit?

Gerald Jones: I do indeed agree. As I said in my speech, the people of Wales and the UK voted to leave but not to reduce public services. They certainly did not vote for a hard Brexit. It is important to have the clarity that we need as we go forward. It is essential that we remain outward looking, internationalist and pro-business.

We require that we remain committed to fairness and opportunity for all, and I look forward to some reassurances, perhaps, from the Minister this morning.

10.42 am

The Parliamentary Under-Secretary of State for Wales (Guto Bebb): It is a pleasure to serve under your chairmanship this morning, Mr Bailey. I congratulate the hon. Member for Aberavon (Stephen Kinnock) on securing the debate, and the hon. Member for Merthyr Tydfil and Rhymney (Gerald Jones), who I think is appearing in Westminster Hall in his new capacity for the first time. I also congratulate him on being the only Member from the Opposition ranks who has understood the commitment given by the Treasury on EU funding in Wales. A number of Opposition Members have raised questions in relation to its running out at the autumn statement; but that is not the case. A further letter has been delivered to the Welsh Government, highlighting the fact that the Treasury would be willing to underwrite EU programmes in Wales up to the point of exit. That is a crucial and important Government commitment.

Nick Thomas-Symonds: I respect what the Minister says about what the Treasury has said; but what about the letter of 14 June that I read? Is it now Government policy simply to ignore that?

Guto Bebb: The hon. Gentleman must understand that initially, in the immediate aftermath of the referendum, the Government gave a commitment to support EU funding up to the autumn statement; but a further Treasury commitment has been made since then. Those letters have been delivered to the Welsh Government. Indeed, I assure the hon. Gentleman that the First Minister of Wales has given a genuine welcome to the Treasury's commitment to trying to ensure that there is a commitment to the 2020 programmes in a Welsh context. Opposition Members should be aware that in claiming, in contrast with the Labour spokesman, that there is no commitment up to the exit from the EU, they are doing the people of Wales and their constituents a disservice.

Wayne David: The Chancellor of the Exchequer said that there will be a guarantee, but only for those projects that "meet UK priorities". That is a qualification, surely.

Guto Bebb: It is a terrible thing for hon. Members to speak from a position of lack of knowledge. The commitment that has been given is very clear. Where a project is considered to be a Welsh Government priority it will be accepted by the Treasury as a priority for the UK Government as well. I recommend that Opposition Members read the comments by the Treasury. Some of them have raised the issue of a south Wales metro, and I recommend that they read the comments about that made by the Under-Secretary of State for Transport, my hon. Friend the Member for Blackpool North and Cleveleys (Paul Maynard), to the Select Committee on Welsh Affairs yesterday. It will be well worth their while. The Welsh Government need to get on with that project, because if the scheme is in place in good time the money will be forthcoming from the EU. If it is signed off before our exit from the EU, again, the Treasury will give a commitment. Opposition Members peddle scare stories about the commitments we have given. It is important for them to get their facts right.

Nick Thomas-Symonds: It is not a scare story. I quoted precisely from the letter of 14 June, not just about guaranteeing EU funding but about additional funding for the NHS and a pledge on VAT, both by 2020. Is that the Government policy now or not?

Guto Bebb: I am unsure which letter of 14 June the hon. Gentleman is referring to. I am referring to the Treasury commitment of October this year. I think that a commitment made this October trumps a letter of 14 June. The hon. Gentleman has also raised a number of issues about promises made in the referendum campaign that imply a lack of understanding of how a referendum campaign works. It is not about electing a Government. In the referendum campaign there were members of the Labour party on either side of the argument, and the same was true of the Government. To claim that promises made by the referendum campaign are binding on the Government is nonsense, and I think that the hon. Gentleman knows it.

Albert Owen: A few years ago the Minister would have been agreeing with us. It is the first time I have ever been accused of scaremongering for quoting the Chancellor of the Exchequer and Finance Ministers. As to the referendum campaign, we are not talking just about individuals making commitments. We are talking about the Foreign Secretary, the Secretary of State for International Trade and the Secretary of State for Exiting the EU. Those are three leading individuals. Will the Minister hold them to account, on behalf of the people of north Wales?

Guto Bebb: Again, I highlight the fact that comments made about the letter of 14 June do not reflect the Treasury's position as it has developed. *[Interruption.]* Also, it is important to understand that those individuals from the leave campaign who joined the Government have done so with the intention—*[Interruption.]*

Mr Adrian Bailey (in the Chair): Order. Members have had the opportunity to intervene. They must not continue to harass the Minister from a sedentary position when he is trying to respond.

Guto Bebb: I thank you, Mr Bailey. I assure you I was not feeling harassed.

It is important to point out that the individuals from the leave campaign who joined the Government will serve in relation to the Government's agenda, which, to a large extent, is still based on the manifesto commitment of the last election.

I need to move on to reflect on some of the comments of the hon. Member for Aberavon. He began with an important comment about the way a single-industry town is affected by the fact that that single industry has contracted. He highlighted the changes that have happened over a period of years. However, the debate is about European funding in Wales. That funding has been important, but there is no denying that we have qualified for three rounds of such intervention. I do not believe that there is fault with Brussels in the fact that we still qualify for the highest percentage of support from the European Union, but Opposition Members should reflect on the fact that time after time we have ended up still qualifying for the highest level of intervention.

[Guto Bebb]

As my hon. Friend the Member for Gower (Byron Davies) stated, when we qualified for the first round of intervention the expectation was that it would be a one-off opportunity, because eastern European countries were joining the European Union whose standard of living was significantly lower than that enjoyed in Wales at that time. However, we have qualified again and again, and it appears that Opposition Members here expect Wales to qualify again in 2020. That is an indication of the failure of the Welsh Government in Cardiff to make the best of the funding available.

I fully accept that some European schemes across Wales have been successful and have made a difference, but no Member can deny that other schemes in Wales have been wasteful and inefficient. The real issue Opposition Members should face is that Welsh GDP per head is continually falling, despite the intervention that has been described by Opposition Members as absolutely crucial to the future of Wales. I believe we need a funding stream in place to support Wales, and I will fight for that as part of the Wales Office, but the crucial point is that to claim the status quo is the way forward is to ignore the realities on the ground in Wales, which were reflected in the referendum. The only two parts of the west Wales and valleys region, which receives the highest level of European intervention, that voted to remain were Gwynedd and Ceredigion. Opposition Members should reflect on that.

Geraint Davies: If the Minister expects GDP per head to go up in Wales, does he accept that the Government should stick by the cast-iron promise from the previous Prime Minister to electrify the railway to Swansea? The Government could make Swansea bay part of the wider electrified European network and give us the tools to export, rather than cutting us off at the knees and laughing as they are now.

Guto Bebb: The hon. Gentleman has used intemperate language throughout the debate. It is important to point out that he argued that nothing is happening in relation to the Swansea city region, but we are expecting the proposals for the Swansea city region deal.

Geraint Davies: Where is the money?

Guto Bebb: The hon. Gentleman asks where the money is from a sedentary position. It would be a very irresponsible Government—perhaps like the one down the M4 in Cardiff—who would commit funding to a project without even having the costings. The hon. Gentleman should also be aware that we have a commitment to look carefully at the Swansea tidal lagoon. The Wales Office is working hard to ensure that that project has an opportunity to succeed, but it has to work for both the taxpayers and the people of south Wales.

I will take no lessons from the hon. Gentleman. He claims to be a democrat, but on several occasions in the debate he has called for another referendum. I think what we are seeing is an individual who perhaps did not fight as hard for his beliefs as he should have during the referendum and is now asking for a second chance. On the electrification of the south Wales main line, I will take no lessons from the Labour party, which did nothing

to electrify the south Wales mainline, when the Government have just delivered improvements to the Severn tunnel and a new service from Swansea that started yesterday, and we will see fast trains getting to Cardiff and Swansea in due course. I expect the hon. Gentleman to welcome that. [Interruption.] The excitement of Opposition Members indicates to me that they are aware that some truths are being told.

Chris Elmore: I am not getting anywhere near as animated as the Minister suggests. Specifically on electrification, the chair of Network Rail yesterday said there is no money beyond 2019 to fund electrification to Swansea, which affects my constituency and affects the electrification of the valley lines. Will the Minister confirm whether the Swansea electrification will be completed by 2024, as previously committed to by the Welsh Secretary, the Transport Secretary and, I believe, the previous Prime Minister?

Guto Bebb: Electrification improvements on the south Wales main line will continue, and we look forward to delivering the promises that were made. We are looking at ensuring that the fast trains we need in south Wales will be delivered.

Albert Owen: I assure the Minister that none of us in objective 1 structural fund areas wear it as a badge of pride. He and I were on the same side in the 1980s and 1990s fighting for such funds; the then Conservative Government refused even to apply for them, which is why we are now in a dire situation. Will he commit, post-Brexit, to fight for the assisted areas scheme in Wales, to help the areas that need the greatest help?

Guto Bebb: The hon. Gentleman makes a constructive point, which I welcome. We are discussing EU funding in Wales post-2020, which will not happen because the people of Wales, along with the people of the rest of the UK, made a decision to leave the European Union.

It is imperative that we highlight the need to continually support Wales, which is clear from the Government's commitments to Wales that have been highlighted: we are increasing revenue funding to the Welsh Government to £370 million; we have provided a funding floor to the Welsh Government, which has never been provided previously by the Labour party; over £900 million in new capital funding has been made available to Wales; there is a commitment of £500 million for the south Wales metro; we are waiting for proposals on the Swansea city deal; and we are in the process of encouraging a growth deal for north Wales. It is clear that the Government are delivering on our commitment to a regional policy that works for the whole of the UK.

I think the hon. Member for Ynys Môn (Albert Owen), who is making signs from a sedentary position that are unworthy of him, if I may say so, should be aware that the failure of EU funds in Wales to help our GDP position was not the fault of the EU funding. There is no denying that the way in which that funding has been utilised on three successive opportunities is a reflection on the Labour Government in Cardiff.

I am glad to say that the relationship between the Wales Office and the Welsh Government is extremely good, and I am glad to say that we have an understanding of the historical failures of EU funding streams. We

are getting a constructive approach from the Welsh Government—unlike their colleagues in Westminster—who want to see a way forward in giving stability in the short term so that people who are committed to European projects know that those funds will be in place until 2020, which is precisely what we are offering.

Beyond 2020, it is important that we develop a strategy for the whole of the UK, which is exactly what we will do, working hand in hand with colleagues in the Welsh Government. Opposition Members should not take to their high horses and claim that they have no responsibility for the situation we face in Wales; they do, and they should acknowledge that. The people who vote for them highlighted their concerns in the referendum, which was a reflection, in my view, on the mismanagement of Wales by the Welsh Government for a very long time.

Kirsty Blackman: I have not been in Westminster Hall for quite a while, but I did not expect that Opposition Members would ask important, constructive questions and that the Minister would stand up and throw out political points. Will he commit to actually replying to the wide range of issues raised by Members on this side of the House and to providing a comprehensive response?

Guto Bebb: To be frank, I am astounded to be accused of making political points by a Member from the Scottish National party; there are always firsts in life. In relation to the crucial question that was asked, which has been misunderstood by Opposition Members and which is the point I want to make sure that people in Wales hear, there is a commitment to EU funding in Wales up until the point that we exit the European Union. That was the misunderstanding that was highlighted in the speech of the hon. Member for Aberavon who secured the debate, and is the point that was misunderstood by many Opposition Members, although it was properly understood by the hon. Member for Merthyr Tydfil and Rhymney. It is important to highlight that.

I will finish on agriculture. Concerns have been expressed about the future of the agricultural sector. As with general EU funding for Wales, there is a commitment to agricultural funding up to the point of exit from the European Union. The hon. Member for Ceredigion

(Mr Williams), who represents a rural constituency, will be as aware as any other hon. Member that there are complexities involved in ensuring that we develop a support structure for the agricultural sector moving forward. That work is in hand and information will be provided in due course. The hon. Gentleman will understand that the complexity in the change we are facing is something that will take time to resolve, but I assure him that the Government are committed to ensure that that issue is also reflected in our work.

10.58 am

Stephen Kinnock: I thank all of my hon. Friends and other hon. Members for making powerful and passionate speeches. We have seen how high passions are running on these vital issues, which is because the future of our communities is at stake. We will defend the fact that we need funding and resourcing until our dying day. The Government are teetering on the brink of a gross betrayal of our communities. The Minister made the point that, although we have had all those years of funding from the EU, the west Wales and valleys, for example, still qualifies for it as it is below 75% of EU GDP. That is not something we would ever wish to celebrate, but can we really argue that EU funding has been the cause of that difficulty? Surely to address that issue we need to continue the funding and support?

There are three questions. First, what happens after 2020? Secondly, what about the projects signed after the autumn statement and what is that secret method? Thirdly, what about Welsh applications that are suffering because of the antagonistic behaviour of the UK Government towards the rest of the EU? Those are the three questions that I asked in my opening remarks and that my hon. Friends have continued to ask. Unfortunately, we have not received answers today, but I assure the Minister and his colleagues that we will continue to press for those answers.

Question put and agreed to.

Resolved,

That this House has considered the effect on funding for Wales of the UK leaving the EU.

Plumbers' Pensions

11 am

Pete Wishart (Perth and North Perthshire) (SNP): I beg to move,

That this House has considered the future of plumbers' pensions.

It is a pleasure to serve under your chairmanship, Mr Bailey, for what will be a short but hopefully considered debate about the future of plumbers' pensions. I want to bring the issue to the attention of the House to ensure that we acknowledge the complicated concerns that plumbers have right across the country. I plead with the Government and everybody involved that we all work together to try to resolve the difficult and technical issues that are having a quite grievous impact on plumbers not just in my constituency but throughout the whole of the United Kingdom.

I first became aware of the difficulties with plumbers' pensions when I was invited to attend a meeting of Perthshire plumbers by a Conservative councillor colleague who was associated with the trade, so that I could listen to some of the concerns that were starting to emerge from plumbers right across Scotland. I was totally shocked when I heard the scale of the difficulties, the sheer numbers involved and the concerns and anxieties presented to me by plumbers that evening. Theirs are businesses that have been serving communities such as mine, the Minister's and yours, Mr Bailey, for decades. They are family businesses, run by people we all know and are familiar with, that do a fantastic service on behalf of the people they look after.

Plumbers have been blissfully unaware of the ticking time bomb that has been waiting for them at the end of their careers and working lives, because they have been busy getting on with their work, developing their businesses and ensuring that our pipes are fixed and our washing machines are repaired. Now they find, at the end of their careers, that life savings and family homes are at risk. These people have done absolutely nothing wrong. They have conscientiously contributed to their pension pot and ensured they have done the right thing for all the people they have employed throughout the years.

This is a technical issue, so if Members will bear with me, I will try to explain and define it as simply as I can. It seems that many plumbers are caught up in a living nightmare of huge liabilities and potential debts upon retirement because of unintended consequences associated with section 75 of the Pensions Act 1995. I have had a good look at the Pensions Act and the provisions associated with section 75. It seems to me, on paper, a perfectly legitimate and reasonable inclusion in the Act, to ensure that pension scheme integrity is retained and pension benefits are protected. It is, though, that measure that has had unintended consequences for plumbers' pension schemes.

The simple fact is that pension schemes for small, non-associated multi-employer businesses such as those designed by plumbers are a potential disaster, with huge consequences for plumbers simply wanting to retire or wind up their businesses. That is because under section 75, employers can become liable for what is known as a section 75 employer debt, which is triggered when plumbers seek to retire or wind up their business or if their business becomes insolvent. Section 75 employer debt is calculated on the departing employer's share of the

shortfall in the scheme on a buy-out basis, based on the hypothetical situation that the whole scheme is wound up and annuities are to be paid to all existing members.

That debt is also calculated on securing the scheme's benefits with an insurance company, which will inevitably lead to a greater figure than if the scheme deficit was determined on the ongoing basis that would normally apply in such situations. The calculation produces a significantly higher scheme deficit than if it was calculated on an ongoing or technical provisions basis. It also ignores the fact that a scheme had no deficit on a technical provisions basis at its last actuarial valuation. That has led to some plumbers facing potential liabilities of millions of pounds.

The scheme that most Scottish plumbers buy into is run and administered by the Scottish and Northern Ireland Plumbing Employers Federation—SNIPEF. It is a fantastic scheme that plumbers have enjoyed, and it is actually more than fully funded. The last actuarial valuation was carried out in 2014, and the actuary found that the assets were enough to cover 101% of the scheme's liability. That calculation was assumed on the ongoing basis, which assumes that the scheme would continue to pay out to members.

Probably the most invidious part of the calculation is the inclusion of what is called orphan liabilities—liabilities that cannot be identified from people who have already left the scheme. Those account for something like 60% of the liabilities included in the whole scheme, and a shortfall of £453 million. It is totally unfair and almost absurd that plumbers who have conscientiously paid into the scheme are exposed to such huge liabilities.

Alison Thewliss (Glasgow Central) (SNP): Eric Cuthill, who runs Hugh Stirling Ltd in my constituency, has raised concerns about this issue. He has been paying in for his employees for 34 years, meaning that his employer debt liability could run into the tens of thousands. Does my hon. Friend agree that that kind of liability is quite unfair when small businesses such as my constituent's have done so much to support their employees through occupational schemes?

Pete Wishart: Absolutely. These people are not city spivs. They have not malevolently tried to get out of paying their contributions. They are people like my hon. Friend's constituent, who have conscientiously paid into schemes and never knew they would face a potential issue at the end of their working careers. It is so unfair that they are being exposed to issues such as this. These are the people who fix our central heating, get the washing machine working again, fix our broken pipes and repair the boiler.

Alan Brown (Kilmarnock and Loudoun) (SNP): Is it not strange that last year in the Budget, the Government found £6 billion to make cuts in inheritance tax and capital gains tax? This issue is actually about inheritance. I have a constituent who is unwilling or unable to pass on his business to his son, because of its liabilities. My hon. Friend has touched on a very simple solution, which is a change in the method of valuation of the pension liabilities.

Pete Wishart: I want to come up with a few suggestions for the Government about how they can resolve some of these real and difficult situations. My hon. Friend is right; it is incumbent upon the Government to work

with us. This is not about having a go at the Government. We were all unaware of these unintended consequences. My plea today is that the Government do two things: first, acknowledge that there is a serious difficulty here, and secondly, work with us and the sector to resolve it.

I want to give a couple of examples that show how invidious the situation is for many of our constituents right across the country. One is a guy called Mike. Mike's business was established in 1985 by his father. He joined the business a few years later as an apprentice plumber. Mike and his dad built a business like so many family plumber businesses that we are familiar with, which provided a professional service to customers and tried to ensure that its employees were looked after. Their business grew, and by 1990 they had a pension scheme for their employees and were paying sick pay and holiday pay through a scheme operated by SNIPEF. Over the years they have had many apprentices, and they currently employ 14 staff. Their employees have all been trained to the highest possible standard.

Over the past 26 years, Mike has paid something approaching £400,000 in employer pension contributions to the scheme. Mike's father is now retired and seriously ill, and Mike cannot bear to share his worries about the business with him, despite the fact that they have worked so closely together over the years. Mike, like so many employers including the plumbers I met in my constituency, has only just been able fully to understand the magnitude and significance of section 75 and cannot believe its implications for responsible employers. Mike's business is unincorporated and he now realises that by triggering the debt he will lose his home, his life savings and other assets that he has spent all his working life securing. In his words, he is faced with continuing to work and accruing a section 75 debt until he dies, because he fears the effect of triggering the debt.

I have loads of example, which I might send to the Minister for his reflection and views, but I will give one more. Kyle's business—another family business—was started by his father in 1982. Until recently he was a 50% shareholder, but in 2015 he bought out his partner for more than £100,000 and, at 52, he now owns 100% of the business. He currently has one plumber in the scheme and has contributed £242,000 to it over the past 37 years. Kyle has a young family and is worried sick about his potential liability. He has made all but one of his employees redundant and is now working for another company. He would like to close his business completely and sell off his business property, but he knows that doing so would trigger a huge debt. His time is now split between running his own company and working as an employee for another.

Kyle has contacted SNIPEF and has been told that his liability is an incredible £1.7 million. He is worried beyond belief, he cannot sleep at night and he feels totally destroyed and depressed. He says he just wants to curl up in a ball and die. Plumbers in our constituencies have done nothing wrong, but they are left in that condition. I have given real-life examples that we must address. I have many other examples, and I will pass them on to the Minister.

I want the Government to do a couple of things. I know the matter is difficult and technical—I have looked at it and understand the Minister's difficulty in resolving it, but resolve it he must. First, let us agree today that the issue is huge and acknowledge that something must

be done to resolve it. The Minister could make a start by considering the problem of the debt being triggered by the departure of the last active scheme member working in a business. The Pension and Lifetime Savings Association has said that employers are artificially retaining a single active member so as not to trigger the scheme.

The Government could also look at how the debt is calculated. It is based on an insurance assessment of the scheme's value, which will obviously inflate its value. Surely it could be calculated by technical measures looking at the way the scheme operates and the actual membership. The phantom liabilities, or orphan liabilities, must be dealt with, because they inflate the scheme's value. No one knows where the people to whom those liabilities relate are, and they no longer participate in the scheme, yet the valuation is kept artificially high. To enable us to move forward, there should be exceptions for small and micro non-associated family businesses. The Minister has an army of civil servants available to try to resolve the matter, and a pensions Bill is going to be introduced, which will allow him to look at it. I hope very much that he will do that.

I want to allow my hon. Friend the Member for Edinburgh North and Leith (Deidre Brock) a few minutes to speak, as she has been looking at the matter and SNIPEF is based in her constituency, but I have a plea for the Minister. We know that something is going on, and he has acknowledged that—I have seen some of his helpful responses to hon. Members who have raised these concerns. Will he please work with us? These people have done absolutely nothing wrong. They are the cornerstone of our community and provide a service to it. My appeal is that MPs, the Government and the sector work together to resolve some of these issues.

11.14 am

Deidre Brock (Edinburgh North and Leith) (SNP): It is a pleasure to serve under your chairship, Mr Bailey. I congratulate my hon. Friend the Member for Perth and North Perthshire (Pete Wishart) on securing this extremely important debate. I should say at the outset that both the plumbing employers federation, SNIPEF, and the pension scheme for plumbers are headquartered in my constituency, and that both have made representations to me.

The essence of this debate is the treatment of small companies: the person round the corner who runs a business out of the back of a van and employs one or two people. Carrying the orphan liabilities of the pension scheme is utterly debilitating for such small businesses. It can leave them with unsustainable debts and therefore make their businesses unsustainable too.

As my hon. Friend outlined, orphan liabilities include liabilities incurred by companies that left the scheme before the legislation changed, so current employers who get to the end of their time in the scheme can be picking up the tab for employers who ceased to be scheme members years ago. Those former employers may have retired and have no interest in the industry now, but their business life continues to have an impact on people still working in the industry, and especially on people who are approaching retirement. If the current circumstances continue, those people will face the loss of their savings, their houses and their retirement. Having spent their working life in hard physical labour, they now face spending their retirement in penury. That

[Deidre Brock]

simply cannot be right, especially when the cause of it is their desire to do right by their employees by ensuring a decent retirement for them.

I will be interested to hear what the Minister says on another point that we should have regard to: the effect on younger plumbers who may be sole traders at the moment, but who are thinking about taking on another member of staff. If they are discouraged from providing a workplace pension by seeing what it has done to previous generations of plumbing employers, will that not run counter to the current efforts to have everyone signed up to a pension? We must find a way to amend the section 75 regulations—my hon. Friend gave a couple of good examples of how that might be possible—and give employers a break. Certainly the pension scheme must be sure that it can meet its liabilities, but that must not be at the cost of people's savings and investments being destroyed through no fault of their own.

11.16 am

The Parliamentary Under-Secretary of State for Pensions (Richard Harrington): It is a huge pleasure to serve under your chairmanship, Mr Bailey. I thank and commend the hon. Member for Perth and North Perthshire (Pete Wishart) for securing this debate. I am delighted that I can pronounce his constituency name without assistance. I also thank other hon. Members for their contributions.

This is a serious matter and not one the Government take lightly. I am quite new to this job, but it seems to me that the real lobbying from constituents through their Members of Parliament to the Government is an example of how things should work instead of teams of lobbyists coming to formal meetings. I commend hon. Members who are representing their constituents. They are not facing a heartless Government who treat the matter as a minor detail. The examples the hon. Gentleman gave of Mike and Kyle are typical and I would be pleased if he would send me details because I have seen similar examples and the question is how we deal with them.

I have listened carefully to what has been said about this worrying situation faced by small employers. As the hon. Gentleman said, they are fantastic people who have been going about their business for many years. The Government have received and listened to representations asserting that there is a simple solution. There is not. The issue is complex and, unfortunately because of the way government works, we cannot react quickly because the unintended consequences that have happened can lead to others. I hope hon. Members will not think this is just Government waffle.

Before I came into the Government I thought things were much simpler than they are and that is part of our democratic system, but it does not mean that we treat them lightly. I am well aware of the difficulties facing small employers in these schemes when managing their own pension commitments in the current economic climate and their responsibility for other people in the scheme.

Alan Brown: I appreciate what the Minister is saying about the matter being complicated for technical reasons and that the Government are sympathetic, but we need to know about the timescale. Some of these plumbers

have already triggered section 75, so there is debt coming at them at a rate of knots. Timescales and assurances are required.

Richard Harrington: The hon. Gentleman has made a very reasonable point, which I hope to come to. By the way, my door is open to hon. Members and, if they feel it necessary, their constituents or representatives. This is not something that we are avoiding. I had better make progress now if the hon. Member for Kilmarnock and Loudoun will excuse me.

We have been talking to a lot of stakeholders about aspects of the operation of employer debt for some time. I have read the files. The hon. Gentleman asked for urgency, and he is right, but the matter is in hand. Last year, there was a call for evidence, which is an official mechanism for seeking views, on the operation of the current regime, the effectiveness of the current easements and the impacts of proposed changes. My officials are reviewing the responses that we received and exploring what further flexibility we could introduce to help employers to manage precisely the kind of debt that has been referred to, but as many respondents to the call for evidence highlighted, there is no easy or quick solution. Quite a few different ones have been mentioned.

My original thought was, as I said, that the issue was much simpler and that a change to the system of valuation could deal with it—the hon. Member for Perth and North Perthshire made a point about that in his opening speech. However, all of this has consequences. The reason why these laws were in existence in the first place was to protect the very people who otherwise could have found themselves retiring with no pension because of all the surrounding circumstances, but we are not saying that this is something that will just go on for years and years; we hope to do a formal consultation very soon.

I should like to state again on the record that the current employer debt legislation is there for a very good reason: to protect members of occupational pension schemes and ensure that, when they retire, they receive the pension that they have been promised. We cannot let that aim disappear. We have to find a way to ensure that the injustices mentioned by hon. Members contributing to the debate are dealt with, but at the same time we must not do anything to threaten the pensions of the other people.

The Government have made a significant number of changes to the legislation in response to representations made by employers. A number of mechanisms are in place whereby only part of the debt, or no debt at all, may be payable. The hon. Member for Perth and North Perthshire may be aware that there are currently eight such mechanisms in legislation, which reflects the wide variety of circumstances that can arise with diverse scheme structures and the equally diverse range of employer types. For example, the existing scheme and flexible apportionment arrangements permit an employer debt attributable to the departing employer to be shared among the remaining employers or taken over by them, so reducing the debt to nil or a nominal amount. Those can be useful provisions in cases in which an employer ceases to employ members or undertakes corporate restructuring.

For small employers, which we are talking about today, that are participating in a large non-associated multi-employer scheme such as the plumbers scheme, a

period-of-grace arrangement provides for the situation in which an employer temporarily ceases to employ active members but intends to do so again in the future. The regulations provide for a period of grace of up to 36 months when no debt triggers, giving time for new employees to be recruited.

The high proportion of orphan members has been mentioned. The scheme would like the liabilities that relate to such members, whose employers no longer participate in the scheme, to be passed elsewhere rather than be shared among remaining employers. The requirement to meet a share of orphan liabilities is common to all schemes and an important part of member protection. Although it would be very difficult to make a special case for a particular scheme, we are looking more widely at the challenges faced by defined-benefit schemes and want to encourage a wide debate about the challenges facing those schemes and what the solutions might be, including that one. We are well aware that some parts of the pension sector are stressed, but the situation is very mixed and the problems are far from universal. We are trying to build a better understanding of those, using the call for evidence and all the meetings with stakeholders, to form an opinion on what the Government intervention should be.

Alan Brown: I thank the Minister for giving way again. The topics that he is covering involve wider pension issues. Does that not underline yet again the fact that there should be an independent pensions regulator to help to address these matters?

Richard Harrington: That is a whole different argument, as the hon. Gentleman knows. I would be very happy if we could have another debate on that and I am happy to check with him informally about it because it is something that has been proposed, particularly by his party. Respectfully, however, as far as this issue is concerned, that is irrelevant. I am not saying that the argument has merits or does not, but as far as this issue is concerned, we do not have a standing commission. The Government are here to try to deal with the issue and it is our intention to do so. We will produce a Green Paper very

soon. We have said that that will be in the winter, which will certainly be before the leaves reappear, even in Scotland. We will do it as quickly as we possibly can.

Pete Wishart: The Minister is very reassuring today, and I am grateful for the very generous responses given to the concerns. I get the sense that we are trying to resolve this, and the Green Paper is a great opportunity to do that. May I just make this plea to the Minister and seek clarity from him? Will there be retrospection to ensure that any plumber or anyone who is caught up in this situation before the change is enacted is not left out and left high and dry with the huge debts that may have accrued?

Richard Harrington: I cannot give the hon. Gentleman that undertaking, precisely because it is exactly the sort of thing that we will be discussing in the Green Paper, but I would like to state that there is not a plan to ensure that these people do not get what is very logical and right. I am very conscious of the fact that we are not dealing with some offshore hedge fund, but with people who did not really want to be in the pensions business and did not want the liability—they just wanted themselves or their employees to have an ordinary pension. There is a difference, and it is right that Members of Parliament represent their constituents in this way, although I will just say that as far as the pensions industry is concerned, some of the bodies, such as the Pensions and Lifetime Savings Association and others, are also very knowledgeable on these subjects.

My door is open. We want to get this right. I ask the hon. Member for Perth and North Perthshire and his colleagues, who have made such passionate and decent contributions, to be a little more patient, but I would be very happy to be summoned back here or to the Floor of the House if they feel progress is too slow.

Question put and agreed to.

11.27 am

Sitting suspended.

British Indian Ocean Territory and the Chagos Islands

[MR CLIVE BETTS *in the Chair*]

2.30 pm

Andrew Rosindell (Romford) (Con): I beg to move,

That this House has considered Government policy on the British Indian Ocean Territory and Chagos Islands.

It is a pleasure to serve under your chairmanship, Mr Betts. I rise to address the House as chairman of the Chagos Islands British Indian Ocean Territory all-party parliamentary group, a role I gladly accepted exactly one year ago when I took over from my predecessor, the right hon. Member for Islington North (Jeremy Corbyn), when he became Leader of Her Majesty's Opposition. He founded the group back in 2008, having championed the cause of justice for the Chagossian people since his election to Parliament in 1983. Today I am proud to follow his good work at such a crucial point, with a decision being made on resettlement, so we understand, in the very near future.

I say to the Minister and to the whole House that, before the end of 2016, the United Kingdom has a duty to put right this great wrong. It is a wrong that has failed to be resolved by every UK Government for more than half a century. Now is the moment to end the years of shame and bring justice and dignity, which the Chagossian people so rightly deserve. Today, the Chagos BIOT all-party parliamentary group includes 47 Members representing all 10 political parties in Westminster, as well as House of Lords Cross Benchers. I speak on behalf of the broadest possible spectrum of politicians as well as many in the general public, media and international community, all of whom seek justice for the Chagossian people.

BIOT and Chagos islands policy has been debated in both Houses since the 1970s. The most recent debate was a year ago in this very Chamber, led by the hon. Member for Caithness, Sutherland and Easter Ross (Dr Monaghan), and there has been a steady flow of interventions and parliamentary questions from Members on both sides of the House. Fifty-one years after the creation of the British Indian Ocean Territory and 49 years since the expulsion of the Chagossians began, this must surely be one of the longest periods of exile in the history of the world.

Sir Henry Bellingham (North West Norfolk) (Con): I am grateful to my hon. Friend for giving way, and congratulate him on this important debate. He mentioned that it is a pivotal time in this saga. He may well come to this point, but does he agree that the Anglo-US agreement gives a big opportunity to secure some additional rights for the Chagossians—for example, perhaps more Chagossians can be employed on the US air base at Diego Garcia?

Andrew Rosindell: I thank my hon. Friend for his intervention, which was absolutely to the point. As a former Minister for the British overseas territories, my hon. Friend knows only too well that those possibilities exist. As he rightly said, I will come to those points later, but I thank him for his support over many years for the Chagossian cause.

Sir Peter Bottomley (Worthing West) (Con): The whole House will be grateful to my hon. Friend for raising this issue, and he has rightly pointed out the all-party support that there is. Given the enormous amount of money—millions of pounds—spent by the Government in resisting resettlement initiatives, does he agree that the only serious issues now are conservation and resettlement, where there does not seem to be a major problem, the Americans, where there does not seem to be a major problem, and economic existence? If some of the money spent on resisting their claims had been spent on resettlement, we would have had the pilot resettlement and would know how much further we can go.

Andrew Rosindell: My hon. Friend makes a superb point. He is completely right: had previous Governments addressed that long ago, we would not be in this very unfortunate position today. It only takes common sense to realise that this could have been resolved a long time ago, and that the money spent has been a huge waste. The appalling record that we have left in not dealing with this when it should have been dealt with has left many of us feeling very sad. That is why we hope that, today, we will get some indication of whether the Government will now resolve the matter once and for all.

Hope for a resolution came in November 2000 following the High Court judgment and the decision of the then Foreign Secretary, the late Robin Cook, who restored the right to return to the outer islands. That remained the case until that right was withdrawn in June 2004 by Order in Council—thus overturning the High Court and bypassing Parliament. Then, nearly four years ago, as Foreign Secretary, William Hague announced a review of the policy, the results of which are still awaited. The Government now state that they intend to make a decision on resettlement before the Christmas recess this year, so today I will focus on why the decision should be in favour of resettlement and on the consequences of not doing so.

The expulsion of the Chagossian people from their homeland remains a blot on the UK's human rights record, and a breach of international human rights law and, many would argue, of Magna Carta itself, the very basis of our cherished liberties. As long as this situation prevails, I believe the United Kingdom remains guilty of double standards. How can Her Majesty's Government argue that the people of the British overseas territories of Gibraltar or the Falkland Islands should have the right to remain living peacefully in their homelands and their right of self-determination, and be prepared to use the British armed forces to defend their rights, yet at the same time refuse to accept that the exact same principle applies to the Chagossian people of the British Indian Ocean Territory who, despite their forced removal from their island home, have remained loyal subjects of the Crown throughout and cherish the fact that they are British subjects?

If the UK refuses to allow the Chagossians the right of return to live in their homeland if they choose, will the Minister explain how that fits with Britain's desire to be re-elected to the United Nations Human Rights Council next year? A decision to grant the right of return would surely demonstrate that, under the leadership

of my right hon. Friend the Prime Minister, the United Kingdom is now taking its human rights responsibilities very seriously indeed.

Bob Stewart (Beckenham) (Con): I am sorry, Mr Betts, that I was a few seconds late. I ask my hon. Friend whether the right to return should also imply a right to a job. I really am concerned that when the Chagossians get home, there will not be a decent economy for them to function in, apart, perhaps, from working for Americans. We should try to build up some kind of support society, as it were.

Andrew Rosindell: My hon. Friend makes a valid point. We are talking about a community that has not lived there for more than 50 years, and just giving the right of return on its own is not good enough. We will need to ensure that there are adequate facilities for the people to live in an appropriate way and to work. There are many options, including working for the Americans on the base on Diego Garcia and possibly working in conservation in the marine protected area—I will come to those matters later. He is absolutely right: we cannot just say, “Go home if you wish”, but do nothing to support the community. It was our British Government who forcibly removed them in the first place, so if they go back, we have a duty to ensure that they have adequate resources to have a sustainable community.

This is surely an appropriate time for our new Prime Minister to end this shameful episode once and for all, and to make a right decision after so many years of procrastination by her predecessors. The recent report by the UN Committee on the Elimination of Racial Discrimination urged the UK to

“hold full and meaningful consultations with the Chagossians...to facilitate their return to their islands and to provide them with an effective remedy, including compensation.”

To argue, as sadly Her Majesty’s Government seem to, that the convention does not apply because the British Indian Ocean Territory has no population when the UK expelled those people in the first place must rank as the height of cynicism. The UN Human Rights Committee, which monitors observance of the UN human rights covenants, has on two occasions urged Her Majesty’s Government to rectify the situation and report on the measures they have taken to comply with the international covenant on civil and political rights. The committee’s last report said:

“The State party should ensure that the Chagos islanders can exercise their right to return to their territory and should indicate what measures have been taken in this regard. It should consider compensation for the denial of this right over an extended period. It should also include the Territory in its next periodic report.”

In June, the UK Supreme Court concluded that, in the light of the 2014 KPMG feasibility study that found no obstacle to settlement, maintaining the ban on a Chagossian return may no longer be lawful. The judgment noted that if the Government failed to restore the rights of abode, it would be open to Chagossians to mount a new challenge by way of judicial review on the grounds of irrationality, unreasonableness or disproportionality. After 17 years of litigation, is it not high time that our Government stopped incurring litigation costs that must now amount to several million pounds? Although there is one outstanding case relating to the marine protected area, which the Supreme Court will hear next year, surely the Minister must agree that the resumption of further litigation cannot be in our national interest.

The extension on 30 December this year of the 1966 UK-US agreement for the use of the island of Diego Garcia for a further 20 years provides an ideal peg for agreeing to resettlement. It is the unanimous view of the all-party parliamentary group that the extension should be conditional on both parties agreeing to support and facilitate resettlement. If the UK does not make the extension conditional, there is a danger of losing important leverage with the United States. A decision in favour of resettlement might then be postponed for many years to come. We simply cannot allow that to happen.

Kate Hoey (Vauxhall) (Lab): I am sorry for being a couple of minutes late to the debate. After the debate last year, I received a letter from one of my constituents who had watched, having previously known nothing about the situation. He said to me, “What is behind this? After all these years, what would make Her Majesty’s Government decide not to allow resettlement?” Can the hon. Gentleman tell us, from his long experience, what is behind the fact that the Government might not agree to what seems to be an absolutely just case for allowing the Chagossians to go back home?

Andrew Rosindell: As always, the hon. Lady makes an excellent point and gets to the heart of the issue. I only wish that I could give her an answer. Perhaps the Minister can. I certainly know that it is not down to the United States of America because, as a member of the Select Committee on Foreign Affairs, I have raised the matter every time I have been to Washington. When I ask why it is not possible for the Chagossian people to go back and why Washington blocks it, the Americans say, “We’re not blocking anything.”

I find it astonishing that the situation has gone on for 50 years—half a century—and that no one has got to the bottom of it. Of course there are financial implications. Any responsible Government cannot just agree to something without working out how things will be funded, but we have a moral responsibility. This has gone on for so long and it has been handled totally differently from all our other overseas territories, where self-determination has been paramount.

James Duddridge (Rochford and Southend East) (Con): I hope to catch Mr Betts’ eye later and make a contribution, but I have visited the islands with the Americans. They were very clear when we were on the island and in subsequent discussions with me when I was a Minister and with the Government more generally that they unequivocally oppose resettlement. I am not sure exactly who my hon. Friend has spoken to but, as far as I am concerned, the Americans have always opposed resettlement.

Andrew Rosindell: I thank my hon. Friend, a former Minister, for his helpful intervention, but that is not what I have discovered when I have directly confronted the Americans. I would love to know which particular American said that they oppose resettlement because when I speak to senior level Americans in Washington, they are baffled and do not really understand.

The Leader of the Opposition has raised the matter with President Obama, and I understand that even he had no understanding of what objections there could possibly be. It is completely contrary to the attitude

[*Andrew Rosindell*]

when Americans have air bases elsewhere, where the local community work on the bases. There is no sense and there is no moral justification.

Chris Bryant (Rhondda) (Lab): We might as well have the full list of the former Ministers with responsibility for the matter. It may be that President Obama is not very well sighted on the precise situation of the Chagossians, but it is certainly true that every single American official that I had formal dealings with in relation to the British Indian Ocean Territory was absolutely clear that they wholeheartedly opposed any resettlement. That should not be the defining point for a British Government, but it is an important factor to bear in mind.

Andrew Rosindell: We will move on from this point because, even if it is correct—I do not believe it is—this line has been carried forward by every generation without anyone questioning its original purpose. The duty of Her Majesty's Government is to defend the rights and freedoms of Her Majesty's subjects. These people are Chagossians. They are British. They are of equal status to the people of the Falkland Islands or Gibraltar, and there is no way on this planet that we can justify treating them in an inferior way. Sadly, that is what successive Governments have done but, in this very year, we have a chance to rectify it. In my view, it has been clear for many years that there is no fundamental objection from the United States to resettlement, even if it is of the outer islands, rather than Diego Garcia.

Sir Peter Bottomley: My hon. Friend has come to an important point. I hope he will forgive me for not being able to stay for the rest of the debate. When I was a Minister, I put forward a good suggestion, and the officials said, "That's against ministerial policy." I asked the Secretary of State, "Is it against your policy?", and he said, "No, it's not against mine." That is an example of the historical negative: one cannot do something in a new way because it has not been done that way before.

The Americans ought to be big enough to say which island they want protected and what will happen with all the rest. We are not talking about something as small as the Isle of Wight, close to the mainland. We are talking about the Indian Ocean Territory. There are plenty of opportunities. Any sensible American could say, "Yes, there's no problem. Let's argue about some margin, but there is no particular problem, and there is no particular reason for total exclusion."

Andrew Rosindell: My hon. Friend is correct. We must fully accept the need to secure the base and its operations, but I believe that a resettlement, even on Diego Garcia, can be made compatible with that requirement, as is the case with other US bases around the world. Indeed, the US may find that a neighbouring community of Chagossians could provide a convenient source of workers and security personnel when they are trained for work on the base.

The all-party parliamentary group had expected the Government to make a decision on resettlement following the KPMG report in February last year. We were not convinced of the need for yet another consultation with Chagossians, this time on likely costs and the demand

for resettlement. Although it is impossible to remove all uncertainty, the Foreign and Commonwealth Office consultation showed 98%—or 825 Chagossians—in favour of resettlement. In reality, fewer will take up that offer, but there will certainly be enough to make resettlement viable. Of course, all Chagossians rightly want the restoration of their basic right to visit their homeland at any time of their choosing.

Our all-party group believes that a pilot resettlement for 50 to 100 people on Diego Garcia is the best starting point, but we should consider the outer islands if the Americans have genuine security concerns. That would cost more and would not please some conservationists, although many think that conservation and resettlement can be compatible and are necessary for an effective marine protected area. Chagossians could fill a much-needed conservation protection role. Travel would then be via the Maldives. The APPG would not support any alternative options to resettlement unless they were the collective wish of the Chagossian groups in Mauritius, the Seychelles and here in the United Kingdom. We see the restoration of the right of return and abode, which was denied by Orders in Council in June 2004, as a basic requirement.

As the United States was complicit in the removal of the Chagossians from their homeland, it is perfectly reasonable to expect the US to contribute in kind and money to the resettlement. Also, we would expect the Department for International Development, which already finds it hard to spend its budget, to contribute as the British overseas territories are, I believe, supposed to have a first call on the aid budget. With further support from non-governmental organisations and private sector funding, the costs of resettlement need not be much of a burden on the UK taxpayer.

The Times published a letter from the APPG on 7 November 2015, which said:

"Discussions with the US, for the renewal next year of the 1966 agreement on the use of the Territory, provide a unique opportunity to resolve the future of the Chagossians and of the Chagos Islands. Fifty years on Britain should dispose of this albatross and rectify the injustices and human rights violations of the past."

The continuing damage to the UK's reputation for promoting human rights far outweighs the costs, liabilities and risks of trying out resettlement. There would be all-party support for resettlement, not least from the leader of the Labour party, who is now the honorary president of our APPG. There would be negative international repercussions if we did not restore the rights of return and abode to the Chagossian people. There would be damage to the UK's reputation in Africa and wider afield, playing to those who accuse us of ongoing colonialism, with a knock-on effect for the Falkland Islands and Gibraltar and for the ongoing actions in the United Nations General Assembly, the United Nations Human Rights Council, the African Union and the Commonwealth.

Hopes having been raised more than four years ago, the Chagossian and Mauritian reactions will, inevitably, be greater than ever before. The national and international campaign is certain to continue, with ever more negative publicity for the United Kingdom Government. As a Government-supporting MP, that is something that I do not wish to see. It cannot be in the UK's interests for that situation to continue for a further 20 years. Allowing

resettlement will be welcomed by the United Nations, by Parliament, by the media and, I believe, by the vast majority of the British people.

There could be no better time than now to make this decision. As the all-party group said in its letter to *The Times* on 4 July 2016:

“It is time for a political decision which restores the rights of the Chagossians to return to Chagos and to put this shameful episode behind us.”

Several hon. Members *rose*—

Mr Clive Betts (in the Chair): Order. The Minister asked at the beginning of the debate whether it would be appropriate for him to take off his jacket. In view of the temperature in the room, which seems to be trying to replicate the temperature of the area we are talking about, it is fine if anyone wants to follow suit and remove their jacket.

2.54 pm

Alan Brown (Kilmarnock and Loudoun) (SNP): It is a pleasure to serve under your chairmanship again, Mr Betts. I congratulate the hon. Member for Romford (Andrew Rosindell), the chair of the all-party parliamentary group on the Chagos islands, on securing this timely debate.

As the hon. Gentleman said, we have had 50 years of denial, cover-up, obstruction and plotting against the rights of the Chagos islanders. This is a truly shameful episode that reflects a lot of what is wrong with UK foreign policy—it is truly a hangover of colonial thinking. Imagine if Vladimir Putin and his officials were discussing moving on some “Man Fridays” or “Tarzans” to clear room for a military base, and imagine if they then forcibly evicted those people, allowing them to take only a suitcase, before dumping them at docklands or holding them intermediately in police cells. We would be incandescent with rage, and we would say it is typical of such an authoritarian leader, yet that is what has happened in the UK’s name within the lifetime of many of us in this room.

Worse, as part of that operation, these people were used as bargaining chips for the Polaris nuclear missiles. Imagine the detachment and the uncaring attitude that saw the islanders cleared for a US naval base and an £11 million discount on the Polaris system. That trading of people’s homes, livelihoods and heritage has an equivalent value of £200 million today, which would more than pay for the return of the Chagos islanders.

Even since the true picture emerged after initial denials and cover-ups, the UK Government have spent approximately £3 million defending the indefensible in court. That sum was revealed to me yesterday in a written answer, and I am sure it will be a quantifiable lawyer cost that excludes civil servant and ministerial costs over a 17-year period. Will the Minister confirm that the true costs are greater than the £2.6 million mentioned in the written answer?

The costs become more pertinent when we consider that the Supreme Court judgment in June concluded that, in light of the KPMG study, maintaining the ban on Chagossians returning may no longer be lawful. It is also interesting that the Supreme Court castigated the Foreign and Commonwealth Office, noting that its conduct

in withholding important documents has been “highly regrettable”. That sums up the denials and cover-ups over this 50-year period.

There have been plenty of other wrongs, too. One was the creation of the marine protected area, which has been deemed to breach international law and has been confirmed by WikiLeaks to be a ruse to prevent people from returning to the islands.

Chris Bryant: As the Minister who introduced the marine protected area, I should respond to that specific point, which has been raised several times in the press. When my hon. Friend the Member for Vauxhall (Kate Hoey) asked in the House of Commons whether the marine protected area was being advanced merely to prevent people from returning to the Chagos islands, I made it absolutely clear that that was not the case and that these were two completely separate matters. For that matter, the then Member for Crawley pointed out that the Chagossians in Crawley, who had been asked whether they were in favour of the zone, supported it by 90%. These two matters are completely separate.

Alan Brown: I thank the ex-Minister for his intervention. It is clearly difficult for me to argue against him on one level, but a view has been taken that the zone breaches international law, so I stand by the spirit of my comments.

The Immigration Act 2016 denies British citizenship to Chagos islanders’ descendants, which creates an absurd position whereby the UK is refusing to cede sovereignty over the islands yet is denying British citizenship to descendants. That is a complete contradiction.

Another wrong that I would like the Minister to address is that Diego Garcia has reputedly been used for rendition flights. Will the UK ever give us the true picture on that? As the hon. Member for Romford said, another ongoing deception appears to be that the original clearance and the subsequent non-return is a security matter, yet we know that yachts continue to visit the Chagos islands, and people live near US bases all over the world. A base in itself should not be a barrier to return, especially in the outer islands. I have listened to interventions from two ex-Ministers, who said that the Americans oppose return. It is therefore incumbent on the Minister to make the true position clear. How much consultation have the Government really had on the return of Chagos islanders? Is that factored into the potential renewal of the agreement, which is due at the end of this year? What is the true American attitude?

I believe that the exorbitant costs quoted in the KPMG report are also being used as a potential barrier to return to the islands. We must remember that, again, the UK benefited from an initial cash discount worth £200 million in today’s money and that, as the hon. Member for Romford said, the international development fund can easily accommodate those costs. I also remind the Minister that if the Government released some of the military spending that is double-counted as international aid, it could be put to much better use to support the return of the Chagos islanders. There is also the clear moral argument that the islanders should have the right to return, and that 98% of Chagossians surveyed want to return. I remind the Minister that time is running out for some of the original inhabitants who were cleared off 50 years ago.

[Alan Brown]

This issue has been debated in both Houses for more than 50 years. As has been pointed out, members from all parties in the UK Parliament have joined the all-party group, which shows the will of the House of Commons. I also note that the Scottish National party passed a conference resolution calling for right of return for the Chagos islanders. Once again, I plead with the Government, after 50 years, to do the right thing.

Several hon. Members *rose*—

Mr Clive Betts (in the Chair): Order. Three hon. Members want to speak. We have until half-past 4, so that gives Members no more than eight minutes each.

3.1 pm

Henry Smith (Crawley) (Con): It is a pleasure to serve once again under your chairmanship, Mr Betts. As a vice-chair of the all-party parliamentary group on the Chagos islands, I thank and congratulate my hon. Friend the Member for Romford (Andrew Rosindell) on securing this important debate.

About three decades ago, I remember reading a book that outlined, chapter by chapter, all the remaining British overseas territories, many and varied as they were. When I came to the chapter on the Chagos islands, I could barely believe what I was reading. As recently as the late 1960s, through Orders in Council, the then Wilson Administration forcibly evicted the people of the Chagos islands from their homeland, and they were dispersed, mainly to Mauritius, but also to the Seychelles and other parts of the world. It was a story that I would have expected to have read from 150 or 200 years ago, a colonial account, but it was just within my lifetime.

Little did I think that 20 years later, I would be personally involved in the situation. I was leader of West Sussex County Council, an area that contained Gatwick airport, the main route from Port Louis in Mauritius, when many Chagos islanders who had been exiled to that country started arriving at Gatwick, and we needed to house them and support those British citizens coming to the UK mainland. Since then, I have had the privilege of representing, in my constituency of Crawley, the largest Chagos islander community in the UK, and possibly one of the largest populations anywhere in the world. There are many more Chagos islanders in Crawley than there are, sadly, on the Chagos islands themselves; I do not think that any indigenous islanders are permitted on the islands.

Over the years, we have heard excuse after excuse for why Chagos islanders cannot have right of return to the British Indian Ocean Territory. We have heard arguments that the US objects on military grounds to the islanders' presence, yet there are US air bases in this country and around the world where civilians live in close proximity, and indeed, as we have heard, work there. Why should it be any different for the British Indian Ocean Territory?

Sir Henry Bellingham: Is the hon. Gentleman aware of any examples from his constituency of Chagossians who have applied for jobs on Diego Garcia, or any opportunities that the Americans have publicised and

made available? Is there any appetite among the Chagossians in his constituency and elsewhere to secure some of those jobs?

Henry Smith: I thank the former Minister for overseas territories for the attention that he has always given the issue. I can answer the last part first by saying that yes, the Chagos islanders would very much like to live and work in their homeland, but I am not aware of any employment opportunities being offered by the US authorities or the British authorities, who are also present on the island.

Other excuses have been used over the years, including environmental reasons such as sea level rise. There is some evidence to suggest that due to the uniqueness of the ocean topography there, in a rare exception, sea levels are falling slightly around the Chagos islands. During the devastating Indian ocean tsunami on Boxing day more than 10 years ago, the Chagos islands were not affected by the tsunami risk. Then, as we rehearsed a few moments ago, there are the arguments involving the marine protected area, but it does not extend right up to the shore—there is a limit, three miles out, I believe—and subsistence fishing is allowed, so it is not really a reason either.

Chris Bryant: I still want to nail down this particular issue. I have never thought that the marine protection zone played any role in whether people could or could not be resettled in the Chagos islands. The overwhelming view that I heard from Chagossians was that they wanted the marine protection zone to be put in place, for the protection of their own future livelihood.

Henry Smith: I think that the marine protection zone is a distraction, and another reason why there should not be a bar to resettlement.

As my hon. Friend the Member for Romford mentioned in his opening remarks, we are now coming up to a break clause in what is essentially an agreement between the United Kingdom and the United States about the future use of Diego Garcia, which occupies a strategic location. It was strategic during the cold war and the various Iraq and Afghanistan conflicts, and given the ongoing turmoil in the middle east, it remains so. It is in Washington's interest to continue to have an air base there. We have only until the end of the year, just over two months, to sort out the issue, which is why this debate is so important. We are in a strong position to set conditions for the United States. If it wants to renew its military presence on Diego Garcia for a further 20 years, the US should help us facilitate a right of return for the Chagos islanders.

Bob Stewart: How many people are we talking about when we talk about those who wish to return to the Chagos archipelago? How many people are there already—I think it is about 3,000 maximum, and they are transitory—and how many people from there want to go back?

Henry Smith: I am grateful for the interest that my hon. Friend is showing in this debate. I have yet to meet a Chagos islander or somebody of Chagos descent who does not want the right of return. I think hundreds of people, or possibly a few thousand, want to return. However, the important thing is the principle of being

allowed to return. As for the makeup of the current population on Diego Garcia, it is of course US and British military personnel, as well as a lot of Filipinos who work on the base in a service capacity.

Andrew Rosindell: Perhaps my hon. Friend can enlighten me because I am puzzled by this. The former Minister said the Americans absolutely object to Chagossians going there, but Filipinos go there. How can that be right? I do not understand what the problem is. As it is their homeland, the Chagossians are surely the right people to help on the airbase. This puzzles me.

Henry Smith: I am as perplexed as my hon. Friend. It is one of those appalling ironies that appear time and again when we debate this sorry matter in British history. I am a patriotic person, but on this issue the British Governments of many persuasions over many decades should be ashamed.

I do congratulate the Government on convening an independent commission on the right of return, which has concluded that return is possible. Mention has been made of the international aid budget. The costs of return have been estimated at well below £100 million, which is a small fraction of the overseas aid budget. As my hon. Friend the Member for Romford says, the British overseas territories have first call on that budget.

In conclusion, there is no reason why Chagos islanders should not have the right of return. We cannot turn back time and we cannot undo the past four and a half decades, but we can put things right now. Time is running out with regard to the leverage that we have with the United States and their lease renewal, so I therefore implore the British Government to do the honourable, decent, British thing and allow these British citizens to return to the British Indian Ocean Territory.

Several hon. Members *rose*—

3.12 pm

Mr Clive Betts (in the Chair): Order. Will hon. Members who wish to speak please stand? There are people now standing who had not stood before. If each Member takes six minutes, we will get everybody in.

James Duddridge (Rochford and Southend East) (Con): I had the privilege of travelling to the islands last November during a two-year stint as a Minister for various parts of the world, including the overseas territories. My views are personal and not those of Her Majesty's Government, but they are based on two years of looking into the matter. I certainly read every word of the KPMG report and every piece of consultation that came across my desk very fully, and I have spoken to all the key people involved.

We cannot undo an historic wrong, but we can mitigate it. In all candour I must say to hon. Members that I do not believe it is right to repopulate the islands as part of that mitigation, but there are things we can do. I want to explain why. I visited Diego Garcia, the military base that formed a part of the main island, and I visited the part of the island that does not have a military base and the outer islands. During my five-day visit I slept in a bed for 15 minutes; the rest of the time I spent travelling. The time that I got to actually do any visiting was quite small.

I mention this because it was a very expensive trip to get there. This is the line of route that everyone will have to take, as will every block of cement, every video recorder or TV, or—in many cases—the foodstuffs we will have to take. I travelled via Singapore and Bahrain on a military flight. I then travelled on a rough fishing vessel for nearly 20 hours to get to the outer islands, where I got on to a military RIB that was able to conduct assaults on islands. We were unable to get on to the island and we had to jump into the water to wade to the outer islands that had coconut palms right up to the beach and there was foliage hanging off the beach area into the water. I am not saying one could not populate the islands, but the concept that the outer islands are an idyllic possibility is for the birds. They were difficult, overgrown, humid areas that were accessible only where the Marines had gone in and chopped down foliage.

I asked to look at a memorial that was put there and I asked whether we could cut through to the cemetery, which was a depressing place with lots of small graves of children and babies. When the outer islands were depopulated, they were very difficult places to live. Had it not been for the British Government depopulating those islands, I am not sure how viable they would have been within five years, given the only revenue stream was coconut oil, which was already declining. It was difficult to support life even at that time.

Patrick Grady (Glasgow North) (SNP) *rose*—

James Duddridge: I will try to give way in a second if I can.

On the main island, the military element of the island is not just a runway. There is space for tens of thousands of troops to be potentially deployed on hard standing. In the conservation area going up into the old town, the houses are falling apart. There is no real infrastructure there at all. I met British and American military there. During the whole of my trip I was with Americans and Brits. I am unequivocal as to the American position on a political and diplomatic level.

Dr Matthew Offord (Hendon) (Con): The former Minister is painting a wonderful picture for someone like me who would love to undertake such a journey. When he was a minister, a consultation was undertaken with members of the Chagossian community. The then Minister said on 12 April:

"I recognise that Chagossians have urged us to announce a decision soon, and we very much hope to do so."—[*Official Report*, 12 April 2016; Vol. 608, c. 171.]

Can he give us his recollection of that time and when he thought a decision would be made by the Foreign Office?

James Duddridge: I think the hon. Gentleman is citing a debate in this room. It was certainly not my intention that things would be left quite so far. We have had a change of Prime Minister and the focus has been elsewhere, but at that time we were waiting for the full consultation to complete. I also met other hon. Members, so I extended the consultation. There is a broader process; it is not simply one Minister making a decision.

The islands have a great use for prepositioned ships. I went on board one of the five prepositioned ships. They have five or six storeys—like multi-storey car parks—with

[James Duddridge]

the smallest vehicles being almost the width of this room. Two Afghanistan and Iraq style wars could be conducted for a month using those ships. They are absolutely essential to American, British and global security. Many other nations use that area.

I also met the Filipinos who worked there. They lived in not great accommodation, in what I would describe as a prefabricated hut with rooms on either side and a shared bathroom in the middle. Those cost contractors about £1 million to put in place for accommodation for two, because of the costs of getting all the equipment on to the island. I do not think we can underestimate the costs.

I also visited a hospital that was used by the Americans, the Brits and the Filipinos. Provision was basic, so anyone giving birth or experiencing complications needed to be flown off the island, and it was very difficult to move around the island.

Andrew Rosindell: Is the former Minister suggesting that we go round the world and perhaps depopulate lots of other British overseas territories, such as Pitcairn, St Helena and Tristan da Cunha? Shall we just depopulate? Is that the right thing to do?

James Duddridge: Certainly, if Tristan da Cunha or Pitcairn were unpopulated, I think it would be wrong to repopulate those islands. If the Americans were not on the island I am not sure it would be the right thing to repopulate Diego Garcia. We cannot provide the level of services that people demand. In the United Kingdom we are already providing benefit to people in Diego Garcia as members of the British public. After I stopped being a Minister, I visited Mauritius, where I saw the community—[*Interruption.*]

I apologise for taking longer than I might have over my speech and for not taking more interventions. I am happy to attend the all-party group—and, indeed, to join the group, if I would be accepted as a dissenting member—and to discuss my visit and experiences with parliamentarians in a bit more detail.

Several hon. Members *rose—*

Mr Clive Betts (in the Chair): Order. Members now have only four minutes for speeches, because we must start the winding-up speeches at half-past.

3.20 pm

Jim Shannon (Strangford) (DUP): I will make my comments very quick, but perhaps by saying less rather than speaking quickly.

I congratulate the hon. Member for Romford (Andrew Rosindell) on making, as always, a cohesive speech to set the scene. The issue is full of uncertainty. The three issues of resettlement, the marine protected area and sovereignty are weighty, and much thought needs to go into them. That is why it has taken so long to come to firm conclusions and why I join the all-party group in asking for the right decision to be made.

We all know the history of the islands and the reason why the British Government took the steps they did to secure defence for us and our allies. What was done was

necessary at the time. The human aspect is that more than 1,000 islanders had to move from their home. My heart goes out to the people who had to settle elsewhere. We cannot ignore that, but we need to think about it in the context of that time in our history, when defence was at a premium. We are not at the same point, internationally, as we were. Perhaps we no longer need the use of the islands, but that decision cannot be taken without regard to the pressures put on us by the UN tribunal judgment. We cannot ignore it. Clearly, decisions were made by Britain as a colonial power and we still have the right to make those decisions.

I know that we do not have—indeed, we may not even want—the reputation of a colonial power, but we do have responsibilities that must be addressed, such as the legacy of colonial nations. Despite the legal steps that Mauritius has taken recently, it should be hoped that we can work together to determine what is best for all involved. We are the closest of allies with another former colony, although after Brexit I do not know if that is still the case, considering President Obama’s “back of the queue” remarks. It is to be hoped that relations with Mauritius can be rebuilt. I am certainly of the belief that those who were resettled must have the option to return home, and must be aided in doing so, should it be decided that the issues have progressed enough for our security in the area to be solid without having the territory.

We asked the islanders to leave, and we must be of a mind to help them to go back if that is what is needed. However, we should not bear the responsibility alone. Our American allies were instrumental in the decision-making process in the 1960s and they should now facilitate the resettlement of islanders as a matter of urgency. The American military base in Diego Garcia plays a large part in considerations, and there are certainly responsibilities on the part of the Americans. Will the Minister explain what discussions have taken place with our allies to see what role they will play in resettlement in the near future?

The marine protected area was legally established—that has been a big issue in the debate—and is a further decision for the Government. I would again urge caution. The fact is that we had the right to take the steps that were taken. Now is the time to reconsider what is needed and how we can help facilitate the return of those who want it. However, the issue is not one for emotions alone. It requires in-depth thought, and consideration of our global defence and security strategy. We cannot ignore the human aspect, but we must understand that there is a larger picture to be considered.

3.24 pm

Bob Stewart (Beckenham) (Con): I will be quick, Mr Betts. Let us be quite clear. Diego Garcia is the largest US base outside continental America. Its strategic position is vital for the western world. It is clear that it has got to stay, because, in these troubled times, we should not give up such a positioning. Diego Garcia has a huge air base. It also has facilities for military ships and, clearly, it is a forward mounting base for a large number of troops—allied troops, not just Americans—if necessary.

We all understand the importance of the base’s strategic position in the middle of the Indian ocean. We understand

why it was built there. We also probably understand why Chagossians were evicted between 1967 and 1973. I understand it, but it is wrong. It was wrong then and it is wrong now. A solution is required to this problem and compromise is necessary. The British Government—our Government—say they want to try to get people back. That is great, but it is clear that the base is going to have to stay there. It must stay there. It is too good a strategic military facility for us to give it up lightly. Well, I do not think we are going to give it up. It is not ours. It is America's, but actually we own the territory—or do we? Actually the Chagossians own it. I am very much in favour of getting Chagossians back to their homeland.

My hon. Friend the Member for Romford (Andrew Rosindell) has suggested a way for that to happen. If there are about 3,000 Filipino people working there, and about 3,000 Chagossians want to return, how about slowly changing the mix, so that Chagossians can go back and have a job there if they wish? It is mad that Chagossians cannot work there but Filipinos can.

3.26 pm

Sir Henry Bellingham (North West Norfolk) (Con): I will be very brief. I just wanted to comment on the remarks of my hon. Friend the Member for Beckenham (Bob Stewart). I do not think there is any question of the base being given up in our lifetimes because it is obviously of key strategic importance. We should follow the advice of my hon. Friend the Member for Romford (Andrew Rosindell), whose speech introducing the debate revealed great wisdom and huge experience on everything to do with the overseas territories. We need to draw a distinction between the different arguments.

The argument about resettlement is incredibly important. We have had a report and heard many speeches. I personally feel that there is a powerful case. I take on board entirely some of the obvious practical objections and difficulties. My hon. Friend the Member for Rochford and Southend East (James Duddridge), who was my successor as Minister with responsibility for Africa and the overseas territories, went to the British Indian Ocean Territory and the Chagos islands—I was removed from office before I had the chance to do so, unfortunately. The House appreciated his words of wisdom this afternoon. There are many practical difficulties, but with the help of DFID and with a great deal of imagination and innovation, the arguments are quite strong.

We need to separate that issue from jobs on the base. We need to be clear about the fact that the distances involved are huge. Diego Garcia is many miles from the outer islands. We are talking, therefore, on the one hand, about possible resettlement not on Diego Garcia as such but in the old villages and towns on the outer islands, and on the other about jobs on the base. We need to draw a distinction. There are a lot of jobs, provided mainly by the United States Air Force and the American military, but also by the smaller UK team there. It is a great pity that the old town is in a dreadful state, and that American corporate social responsibility has not put money into building up the old town and repairing some of the buildings and putting some of the Filipinos and other workers into them rather than Nissen huts or containers.

The logic behind my questioning of my hon. Friend the Member for Romford and my hon. Friend the

Member for Crawley (Henry Smith) about what effort the Americans are making to employ more Chagossians in Diego Garcia is that there are many jobs available. I would like there to be some sort of outreach programme in Mauritius and the Seychelles, and in Crawley, to find out what the demand would be. That could be an important next step—it is absolutely doable and achievable now—and a key part in the negotiations about renewal of the agreement. There is a great opportunity to do that but, as my hon. Friend the Member for Romford pointed out, time is running out. The Foreign Office really needs to put a great deal of effort into seeing whether some form of scheme can be put in place immediately. I hope the Minister takes that on board.

3.30 pm

Patrick Grady (Glasgow North) (SNP): It is a pleasure to serve under your chairmanship, Mr Betts, and to speak on this matter in Westminster Hall for the second time. The first was exactly a year ago, in the debate secured by my hon. Friend the Member for Caithness, Sutherland and Easter Ross (Dr Monaghan), who sends his apologies that he cannot be here today. I congratulate the hon. Member for Romford (Andrew Rosindell) on securing the debate, on giving us a comprehensive introduction to the current situation and on replacing the right hon. Member for Islington North (Jeremy Corbyn)—I am sure some Labour Back Benchers wish that that was as easy in all circumstances as he appears to have found it.

This has been a comprehensive debate. To leave plenty of time for the Minister to respond, I will dwell briefly on just a few points: resettlement of the Chagos islanders as a human rights issue; the weakness of the various arguments that we have heard against resettlement; and a couple of broader questions about the sovereignty of the islands and their use as a US base.

As my hon. Friend the Member for Kilmarnock and Loudoun (Alan Brown) said, the Scottish National party clearly stands for the principle of self-determination. It is great to hear so many Conservative Members standing up for that principle today, and I hope they will want to endorse it again if the Scottish Parliament considers another referendum Bill. We have stood in solidarity with the Chagossians for a long time; indeed, in 2004 my right hon. Friend the Member for Gordon (Alex Salmond) said in this Chamber:

“The more we discover about the matter, the more disgraceful, underhand and thoroughly disreputable the long-term treatment of those few thousand people is shown to have been.”—[*Official Report*, 7 July 2004; Vol. 423, c. 277WH.]

That disgraceful treatment continues to this day, at the cost of the United Kingdom's reputation as a defender of fundamental human rights. We remain guilty of double standards and hypocrisy; as was said earlier, if the eviction took place today, it would be considered a breach of fundamental human rights under international law.

In 2009, the right hon. Member for Broadland (Mr Simpson), who was then a shadow Foreign Office Minister, said in this Chamber:

“There is no doubt that there is a moral imperative.”

He mentioned

“what I suspect is the all-party view that the rights of the Chagossian people should be recognised, and that there should at

[Patrick Grady]

the very least be a timetable for the return of those people at least to the outer islands”—[*Official Report*, 23 April 2009; Vol. 491, c. 176WH.]

That was the Conservative position in 2009; it would be interesting to hear whether it still is, now that the Conservative party is in actually a position to do something about it.

We have heard a number of objections about the feasibility of resettlement, not least from the former Minister, the hon. Member for Rochford and Southend East (James Duddridge). I say to him with the greatest respect that there may well be logistical challenges to resettling people on the islands, but—as the hon. Member for Crawley (Henry Smith) said—this is about their right to return almost as much as it is about whether they do return. As for logistics, there is a US naval base, which I presume has electricity and running water, on the island. If it is possible for the United States Government to build such a sophisticated base of operations in such a remote location, surely it is possible for people to choose to make their own lives on the island in the way that their ancestors did for generations.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): I apologise for the fact that I could not be here for the start of the debate. Hon. Members will recall my position on the matter as the shadow Foreign Office Minister in the last debate: I am a strong supporter of righting this historical injustice. With respect to logistics, we have been able to move ahead with building an airport in St Helena, and we have done many other things in the overseas territories that have cost an awful lot and have been logistically difficult.

Patrick Grady: Absolutely. I do not think any of this is beyond the wit of man. The point has been made several times that if the Government diverted some of the money they spend on litigating the issue towards helping the people they forcibly removed to resettle in their own homes in their ancestral territory, the infrastructure issues could be overcome.

I am excited to hear what the Minister has to say about the US position, given the differing views we have heard on what that might be, but perhaps we should flip our perspective. Perhaps we should think about not whether resettlement is a barrier to US activity, but whether US activity has to get in the way of resettlement. Those things ought to be able to co-exist, although perhaps there are questions about the US use of the area as well. The former Assistant Secretary of Defence under Ronald Reagan, Lawrence Korb, has said that there is “no good...reason” to oppose the Chagossians’ return. As my hon. Friend the Member for Kilmarnock and Loudoun said, yachtists seem to visit the island pretty frequently, so there does not seem to be much of a security concern there.

Nor should conservation and the right to return be mutually exclusive. I imagine that people who want to live on remote islands want to live in harmony with nature, ensure that their lifestyles are as sustainable as possible and respect the sustainability of the environment, even if the marine protected area is on questionable legal ground—or in questionable waters.

There are general questions about the sovereignty of the islands. It is not just a question of the right to return. We are in a critical phase, with the roll-over of the 1966 agreement about to take place. I would be interested to hear whether the Minister believes that part 2 of the Constitutional Reform and Governance Act 2010 applies. That Act places treaty ratification into statute and requires parliamentary scrutiny of it. We may be faced with the roll-over of a treaty, but surely the particular circumstances of the 20-year extension mean that it should be subject to the affirmative procedure in Parliament, and surely the Government have nothing to hide or to be concerned about. If the Minister cannot answer that question today, I hope he will do so in the not-too-distant future. In any event, not only Parliament but the Government of Mauritius must be included in any future dialogue.

Finally, there are issues relating to the use of the naval base, as my hon. Friend the Member for Kilmarnock and Loudoun alluded to. It is important that we get assurances that the British Indian Ocean Territory has not been used for the illegal rendition or torture of detainees during the so-called war on terror. If it has, people should be brought to justice. We call on the Government to recognise that Diego Garcia is part of the internationally recognised African nuclear weapon-free zone and to give assurances that no nuclear weapons or other weapons of mass destruction have ever been placed there. They must also give assurances that military installations on Diego Garcia have not been used to store cluster bombs, in violation of their treaty obligations under the convention on cluster munitions.

The SNP stands fully behind the right of the Chagos islanders to return home. As recently as 16 September, we heard that the Government want to keep the matter under review, but we need an answer at long last. As several hon. Members have noted, it is not clear what makes the Chagos situation so unique. Why are the Government so insistent on standing in the way of the right of return? Is it cost, is it security, or do they simply not want to admit that successive Governments have got it wrong? Britannia has not ruled the waves for some considerable time; the sooner the UK Government realise that, the better.

3.37 pm

Catherine West (Hornsey and Wood Green) (Lab): It is an honour to serve under your chairmanship, Mr Betts. I congratulate the hon. Member for Romford (Andrew Rosindell) on securing this important debate and on the work of his all-party group, which has relentlessly promoted the issue in Parliament.

The Chagos islands attract cross-party consensus on the right thing to do. Today is the day to break through the institutional inertia, the sense of paralysis and the 17 years of expensive litigation that has amounted to millions of pounds of public funds wasted. This could all have been sorted if it had been looked at from the beginning as a fundamental human rights issue.

Many Members have made excellent contributions today. The hon. Member for Crawley (Henry Smith) described the appalling irony that Filipinos who work on the base in Diego Garcia are permitted to live there, but indigenous islanders cannot—a very important point. Mr Bryant, the Member for Rhondda, observed that

while the US position should definitely be taken into consideration, it should not be the defining principle for this Parliament. Mr Duddridge described—

Mr Clive Betts (in the Chair): Order. It is not appropriate to address hon. Members by name; please refer to them by constituency.

Catherine West: Thank you for that timely reminder, Chair—Mr Betts. [*Laughter.*]

The hon. Member for Rochford and Southend East (James Duddridge) described vividly his journey to the British Indian Ocean Territory islands. He also described some of the difficulties of any resettlement package, which are of course understandable after 50 years. However, there remains a question simply of justice. It is some 51 years since the creation of the British Indian Ocean Territory and 49 years since the expulsions began—that must be one of the longest exiles in world history.

Nearly four years ago, on 20 December 2012, the then Foreign Secretary Lord Hague announced a review of policy, and in 2013 he commissioned the much mentioned KPMG study into the feasibility of a return for the islanders. That study was concluded in 2014 and published in February 2015. It found no insuperable obstacles to resettlement. In a further consultation with the Chagossians, the Foreign and Commonwealth Office found that 98% of the 825 who responded were in favour of resettlement.

With the extension of the 1966 UK-US agreement on the use of the British Indian Ocean Territory due by 30 December this year, now is the ideal time to allow Chagossians who want to do so to return to their homeland and rebuild their lives. In any case, all Chagossians want to be able to visit their islands at will. The all-party group believes that the extension should be conditional on both parties agreeing to support and facilitate resettlement, and that that should be reflected in a new side agreement.

It has been clear for some time from various discussions, including those between my right hon. Friend the Member for Islington North (Jeremy Corbyn) and President Obama last autumn, that although there are concerns that need to be addressed, the US has no strong objections to resettlement; otherwise, I am sure they would have come up at that meeting. We need to look carefully at the conservation issues, but we know that there are several miles around the islands in which fishing can be undertaken as a subsistence occupation.

The cost of resettlement could be reduced by simple infrastructure and the supply of goods and services from elsewhere in the region, such as Mauritius. We should look to the US, the European development fund and the DFID budget for that—after all, the Secretary of State for International Development said this morning that she was looking for some new projects to fund. I am sure that there are British companies that would be interested in infrastructure projects on the islands. Resettlement need not be much of a burden on the taxpayer, particularly compared with how much has so far been spent on expensive legal fees.

The continuing damage to the UK's reputation for the promotion of human rights far outweighs the cost, liabilities and risks of trying out a resettlement. The UK's reputation is tarnished by the ongoing violation

of fundamental human rights. It is clear that this is not a one-party issue; it is cross-party, and we agree about it. As the hon. Member for Beckenham (Bob Stewart) said, it was wrong then and it is wrong now.

In June, the Supreme Court concluded that in the light of the KPMG study, maintaining the ban on the Chagossians' return may no longer be lawful. The court noted that if the Government failed to restore the right of abode, it would be open to Chagossians to mount a new challenge by way of judicial review on grounds of irrationality, unreasonableness and disproportionality. The court castigated the FCO, noting that, in withholding important documents, its conduct had been "highly regrettable". Surely, after all these years of expensive litigation, costing several million pounds, this should be the day on which we proclaim that we will do the right thing. If we do not rectify the situation, it will be for ever on our consciences. I note the presence of several former Ministers; I think that is because this issue must be resolved.

In 23 April 2009 the right hon. Member for Broadland (Mr Simpson), then a shadow Foreign Office Minister, said in this Chamber on behalf of the Conservatives something that the hon. Member for Glasgow North (Patrick Grady) quoted earlier. It is worth repeating:

"There is no doubt that there is a moral imperative...I suspect...the all-party view"

is

"that the rights of the Chagossian people should be recognised, and that there should at the very least be a timetable for the return of those people at least to the outer islands...The Foreign Office should recognise that the House of Commons feels very strongly on that."—[*Official Report*, 23 April 2009; Vol. 491, c. 176WH.]

More than seven years later, can we now expect the Government to fulfil that commitment?

Mr Clive Betts (in the Chair): If the Minister could leave a couple of minutes at the end for the mover of the motion to wind up the debate, that would be appreciated.

3.44 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): It is a pleasure and an honour to respond to this very important debate, in which Members have eloquently summed up the wrongs and challenges facing the Chagossians, as well as the length of time it has taken for us to work towards a solution. Like the shadow Minister, the hon. Member for Hornsey and Wood Green (Catherine West), I am conscious that there are present many previous Ministers who covered the portfolio. At one point I thought I could just stand back and allow them to answer all the questions, such is their detailed knowledge, which I shall draw on as I develop my points.

I begin as others have by congratulating my hon. Friend the Member for Romford (Andrew Rosindell) not only on securing the debate and raising the issues, but on his work throughout the Commonwealth. He gives a sterling effort in ensuring that the voices from the British overseas territories are heard and that these matters are debated. The whole House pays tribute to him for that. I also congratulate him on his election to chair of the all-party group, which is important in promoting these debates and in ensuring that these matters are considered.

[Mr Tobias Ellwood]

I apologise on behalf of my right hon. Friend the Minister for Europe and the Americas. Normally he would respond to the debate, but is currently travelling. We have been keeping notes on all the questions that were raised, and I will ensure that they are in his in-tray when he returns from his overseas visit.

I shall be up-front straightaway and, like successive Governments before this one, make it clear that we need to express our sincere regret about the manner in which the Chagossians were removed from the British Indian Ocean Territory in the late 1960s and early 1970s. We can all agree that what happened was wrong. That has been summed up by many of the voices we have heard during the debate, but most powerfully by my hon. Friend the Member for Crawley (Henry Smith), who made the case very clearly indeed. What happened in the '60s and '70s was unforgivable.

We are aware of the Chagossian community's strong attachment to the islands and their long-stated wish to resettle. It is the job of the Government to examine the issue dispassionately. We must consider the interests of the Chagossian community as well as the wider UK interests, including our security and the interest of UK taxpayers, and we must be honest and realistic about the lifestyle that a resettled population might expect. That is why, as we have heard, in 2012 the Government launched a review of the resettlement policy to understand the demand, viability and cost. We have taken great care over that work, commissioning an independent feasibility study, consulting widely, including with our US allies, and visiting and listening to all those with expertise and interests.

I must be clear that, as has already been articulated, establishing a small and remote community on the territory would not be straightforward. The independent feasibility study published in 2015 found that resettlement could be viable, but also highlighted significant practical challenges, including the difficulty of establishing modern public services, healthcare, education and economic opportunities, particularly job prospects. The challenge that we face, even if we want to pursue this ambition, was best and vividly described by the former Minister, my hon. Friend the Member for Rochford and Southend East (James Duddridge)—he described the challenges we face on some of the outer islands that might be considered for resettlement. It would be a very difficult task indeed.

When the House last debated this issue almost a year ago, a 12-week public consultation had just concluded. The results of that consultation were published in January 2016. It found that, although resettlement was a key issue for the 832 Chagossians who responded, there were more nuanced views about the resettlement scenarios. Only a quarter of those who were in favour of resettlement were also content with the realistic scenarios of how it might work in practice. Our consultations highlighted that further work was needed to refine those policy options—what actually works in practice? That work is under way and when it is complete, the final policy decision will be taken and announced to Parliament and the public. As yet, there is no fixed date for that announcement, but I assure hon. Members that we expect it to be before the end of this year.

Alan Brown: Will the Minister elaborate more fully on what exactly that additional work, which he says is ongoing, is in terms of policy, lifestyle and presumably the viability of a settlement?

Mr Ellwood: As I touched on, the work is on some of the economic opportunities that exist, lifestyles and the ability to provide the necessary support. We need further work to ensure that the proposal is viable. I think that it was mentioned in one of the earlier contributions that it is simply not enough just to find a solution to return those who want to go back; there needs to be a viable and sustainable community. The options need to be examined in more detail.

Dr Offord: I am very grateful to the Minister for setting out a time frame—he said he hoped to make an announcement by the end of the year. He will correct me if I am wrong, but did I understand that he just said that a quarter of the respondents to the consultation said that they did not want to go back? I ask because the House of Commons Library is under the impression that 89% of the 895 Chagossian respondents supported resettlement.

Mr Ellwood: If I may, I will get a more detailed report on the analysis that came back from the consultation and write to my hon. Friend so that he is fully apprised of the response to the consultation. However, the bottom line is that the details about how a resettlement would work in practice need to be pursued. We hope to make sure that that happens, but I will articulate to the Minister responsible that we want an answer and a report back to Parliament within the year.

Many hon. Members have stressed the strategic importance of the military location. Anybody with a military background is soon made aware of the significance of Diego Garcia and its role internationally for our allies, for NATO, for the United States and for Britain. The joint UK and US military facility on Diego Garcia contributes significantly towards global security—I cannot stress it any more than that. It is central to our operations, and to those of the United States and our international partners, to counter threats in the region, including terrorism and piracy. The continuing operation of the base is a key factor that we must take into account in our considerations.

One hon. Member asked about dual accounting in official development assistance and defence spending. I will make it very clear that there are occasions when military activity comes under the Ministry of Defence budget and qualifies for ODA activity. I complained about that when I visited Afghanistan and found that Britain was doing work in military training, mine clearance and so on, which is “ODA-able” but we were not charging for it. We were doing things that did not go towards that figure. It is very important to put into context that this is not a competition as such. Those who make the ODA rules—it is not us—recognise that certain minimal activities to do with stabilisation, reconstruction and peacekeeping can be paid for by military personnel. There are not many activities, but there are some.

Bob Stewart: On that very point, would it be possible to use the Royal Air Force's Voyager aircraft—the big ones—to take Chagossians back for a visit, and then bring them out again?

Mr Ellwood: That is another point I will pass on to my right hon. Friend the Minister for Europe and the Americas to consider when he gets back.

The British Indian Ocean Territory marine protected area in the north, which the UK declared in 2010, is highly valued by scientists from many countries. They consider it to be a global reference site for marine conservation in an ocean that is heavily overfished. We are aware that some concerns have been raised about the motives for the creation of the MPA, but those concerns are unfounded and I was pleased that previous Ministers were able to clarify exactly how the MPA came about.

The UN convention on the law of the sea arbitral tribunal found no evidence of improper purpose in the creation of the MPA. This issue has been scrutinised by UK courts, which have consistently found, including as recently as May 2014, that there is no substance whatever to the allegations of improper use. The arbitral tribunal found that we should have consulted Mauritius about the establishment of the MPA, so as to give due regard to its rights, and we have started a series of bilateral meetings to implement the tribunal award. The most recent of those meetings took place in August.

I reassure the House that the Government are very aware of the views and concerns of the Chagossian people, and of all those who support them. Those views have been fully and passionately represented by hon. Members today. We want to make the right decision, based on all relevant factors, including what we have heard during the course of our consultations with Chagossians living here in the UK, and with Chagossians in Mauritius and the Seychelles. We have to balance the Chagossians' views against the practical difficulties that our feasibility study has highlighted, the very real concerns about costs, and our need to operate a military facility that is vital to our security.

I thank my hon. Friend the Member for Romford for securing this important debate, and all hon. Members for their contributions. The Minister for the Commonwealth and the United Nations, Baroness Anelay of St Johns, is looking forward to meeting the all-party group in due course.

3.56 pm

Andrew Rosindell: I thank hon. Members from all political parties who have contributed to this important debate today. However, we still do not know what will happen. We are still waiting anxiously to find out what Her Majesty's Government's decision will be. It is not

only those of us here in Westminster Hall today who are waiting but the people of the Chagos islands, whose spirit has been broken these last 50 years.

We in this House have a duty, first and foremost, to stand up for the interests of the British people, and the Chagossians are British. They are as entitled to their human rights, their dignity and their right of self-determination just as much as we are in this Chamber and just as much as our constituents are. We defend our overseas territories and their rights to remain British and to self-determination, and yet we single out one of them and say, "Your rights are not at the same level as the others." There is no moral justification for that.

I say to the Minister that my right hon. Friend the Member for Broadland (Mr Simpson) made it clear when he was shadow Foreign Minister that this issue had to be addressed when we were in government. Why after six years have we failed to do so?

I do not buy for one moment the idea that the islands cannot be inhabited. That is propaganda. Other remote islands around the world—the Maldives are not that far away from the Chagos islands—are fantastic tourist destinations. If they can be inhabited and used, whether for marine conservation or as a military base—we defend the importance of the military base on Diego Garcia—there is absolutely no reason why we cannot come up with a plan to put right this situation, which has gone on for far too long.

I know the Minister is a defender of the rights of British subjects to self-determination in the rest of the overseas territories. I ask him please to take this back to the Foreign Secretary and the Prime Minister. Please say to them that this is the last chance—the very last chance—that we are going to get, prior to the potential renewal of the agreement between the US and the UK, finally to resolve this injustice and to give the Chagossian people the same rights that we would always defend for our own constituents.

The British way is to stand up for human rights and self-determination, and to give people the right to determine their own destiny. As my hon. Friend the Member for Crawley (Henry Smith) said, let us do the British thing and give the people of the Chagos islands the right to continue to be British in their own homeland.

Question put and agreed to.

Resolved,

That this House has considered Government policy on the British Indian Ocean Territory and Chagos islands.

Child Sexual Exploitation: Telford

[MR PHILIP HOLLOBONE *in the Chair*]

4 pm

Lucy Allan (Telford) (Con): I beg to move,

That this House has considered child sexual exploitation in Telford.

It is a great pleasure to serve under your chairmanship for the first time, Mr Hollobone. I take this opportunity to congratulate the Minister on her appointment. I know that she will be a great champion of the vulnerable.

Child sexual exploitation is a sensitive and difficult subject, and I am grateful for the opportunity to speak for the victims in my constituency. Telford has the highest recorded rate of child sex offences in the country, a rate that has continued to increase. House of Commons Library documentation shows that child sex offences in Telford are now at a rate of 18.4 per 10,000 heads of population. That rate is greater than in higher-profile places such as Rotherham, Rochdale and Middlesbrough, and compares with a national average of 7.9 cases per 10,000 heads of population. We know that the crime has gone on in Telford for more than 20 years and is still going on. I raise the matter today so that we can better understand the causes and break the silence that surrounds the issue, giving victims the chance to be heard. We need to find out what went wrong and what could have been done to prevent the exploitation, and ensure that we learn the lessons of the past.

In recent weeks, I have met with bright, articulate, young women who have come to tell me about their experiences, in some cases stretching back over many years. What has come across powerfully for me is that victims want to be reassured that they will not be brushed aside. They want recognition, and they want acceptance that something went wrong. We all want to have confidence in the authorities in Telford, which are tasked with the difficult responsibility of protecting our young people, and that is why I have asked for an independent review. We need to be sure that we have put mistakes right and that the culture has changed. It is not about blame, but about acknowledgement that victims were failed. Pretending otherwise intensifies the sense some victims and their families have that what happened to them was somehow their fault.

There needs to be a much better understanding of social and cultural attitudes towards women, because it was, in part, the attitudes to the victims that led to the crime being unidentified or unaddressed for so long. We must move away from victim blaming and shaming and recognise that these were children who were victims of a crime. We must change our perception of the victims. Too often, assumptions were made that the young girls were making choices to have regular underage sex. We see, for example, GPs handing out morning-after pills to the same young girls week after week, without asking questions, simply assuming that it is a choice the girls are making. It is wrong to blame children as young as 12 for “indulging in risky behaviour” or label them as sexually promiscuous. That is completely wrong.

In Telford we have seen the recent phenomenon of shaming videos, in which derogatory terms are used to describe young girls. The girls are “outed” for allegedly promiscuous behaviour. That attitude to women and

girls promotes a culture in which it ultimately ends up being acceptable to trade women like commodities and then blame the women themselves. There has been an emphasis on educating girls and their families about the risks of grooming, but it is equally important that our boys are educated so they do not think it is normal to treat young girls in that way.

One particularly poignant aspect of child sexual exploitation is that the young victims often believe themselves to be in relationships with the men who groom them. I have had victims tell of their conflicting emotions of loyalty and attachment to men who befriended them and gained their trust but then went on to trade them for sex with other men and trap them in fear of being exposed or shamed, or of their friends and families finding out. It is essential, therefore, to do more to encourage victims and their families to come forward, and to ensure that they are properly supported and helped to overcome their experience. Too many of them fear being stigmatised and blamed, and for that reason keep quiet. In many cases, young women who are now adults are only just starting to make sense of what happened to them when they were as young as 12, and they may have parents, partners and children who know nothing about it. Shaming leads to a culture of silence around the issue, and we should therefore speak out so that victims feel more confident about telling their own stories themselves.

We have to be honest: this is a crime in which 95% of perpetrators are men and most victims are young girls. We do no one any favours to ignore that fact or to avoid the conclusion that historical child sexual exploitation, like many sex crimes, is a consequence of social and cultural attitudes towards women and negative gender stereotyping.

I commend the Government’s commitment to dealing with child sexual abuse. Their setting up of the independent inquiry led by Professor Jay is a testament to that commitment. Authorities in Telford have said that no independent review of what happened there is necessary, because the overarching national investigation into child sexual abuse will look at that. The Jay inquiry is tasked with investigating child sexual abuse in institutions, and in cases where abuse was reported but no action was taken, but for victims in Telford the abuse happened in cars, in the streets, in betting shops, in takeaways and in taxis, and we know that many of the victims not only did not report it but to this day remain afraid to tell anyone what happened. I have looked at the terms of the truth project, which is how the Jay inquiry will take evidence, and they clearly set out three different scenarios in which evidence will be taken from young people. They all relate to institutional settings or to institutions failing to act on reports of abuse.

On the face of it, it therefore appears that the Jay inquiry does not cover child exploitation, and I should be very grateful if the Minister could clarify that, either in her response today or after the debate. Can a victim of grooming and child sexual exploitation in Telford come forward and tell their story to the Jay inquiry, and have their experience inform the inquiry and its findings? Even if the Jay inquiry is to cover child sexual exploitation in Telford, we do not expect the report to be finalised until 2020, given the many competing strands and areas of investigation. How likely is it that we will get to understand fully the causes of what happened in Telford if we can rely only on the Jay investigation?

A Select Committee on Communities and Local Government report on lessons learned from Rotherham, produced in the 2014-15 parliamentary session, stated:

“We would be seriously concerned if other local authorities...were to hold off...investigations”

pending the outcome of the Jay inquiry. It also noted that “the stimulus for action” in getting the Rotherham inquiry to take place was the press and not any council processes or external inspections. It is important to challenge those in authority so as to avoid any complacency creeping in, and we should all, as Members of Parliament, challenge attitudes towards the powerless and the voiceless.

I know that good work is going on in Telford and that progress is being made. However, even if we accept that everything is as it should be—and that very well might be the case—there still needs to be recognition that this happened. There are those who would rather we did not talk about the issue. I understand that it is difficult, but we should not shy away from it just because it is difficult. If we brush it off and say, “It’s all okay now”, that is not much comfort to victims.

I invite those who would rather we did not speak about the issue to think about how that makes victims feel. I urge them to realise what a sensitive, complex issue it is. Not talking about it does not make it go away; it diminishes the experiences of victims. It is almost to dismiss the experience as though it never happened. When people in authority say, “Well, it’s all okay now”, it feels like no one is listening. We do not want any young woman feeling that there is no point in saying anything because nothing will be done or that she will be blamed, shamed or in some way made to feel culpable. In any event, there is a natural reluctance to go to social workers or the police, and we should do all we can to give the victims the confidence to come forward.

I want to say to those girls in Telford who have not yet spoken out that they are not to blame. This was a crime. It was something that happened to them that should never have happened. It takes huge courage for them to see their MP and talk about it, and I pay tribute to all the bright and articulate young women who have told me their stories.

I also want to touch on the distress caused to parents. There is a sense of self-blame, with parents asking, “Did I fail my child? I do not know how to make it better. How could I not have known this was happening?” Support for families is a vital part of the healing.

I pay tribute to the street pastors in Telford for their fantastic work. I have been out with them at night and seen the work they do with young people leaving clubs, sometimes the worse for wear. People in Telford feel a huge sense of trust and warmth towards them, and they must be congratulated for being such an important part of our community.

In conclusion, there needs to be more work on challenging cultural and social attitudes towards women and girls, or this crime will keep on happening. We need to recognise the social and cultural prejudice—albeit unconscious—that exists. Much can be done to focus on the perpetrators: the men who buy and sell young girls for sex. We should also be mindful of those who turn a blind eye or who see these girls through a negative gender stereotype. It is not the victims who are to blame.

I take this opportunity to thank the Home Secretary for a very full and thorough response to my recent correspondence on the issue. I am most grateful to her for taking these concerns so seriously and for making the issue a priority. I am pleased to learn that she is sending her officials to Telford to discuss the issue with the authorities. I know that the authorities in Telford are committed to getting it right. I know they want to build the confidence of the people they are there to protect and the public. An independent review will find out why this crime happened and will give reassurance to victims that they will be heard and will not be ignored, and it will ensure that all is being done to stop it happening in the future. I have been a councillor, and I know how difficult it is for even the best councils to find fault with themselves and to cast a critical eye. It is easy to drift into complacency or close down challenge by seeing complainants as a nuisance or those who speak out as somehow vexatious. Respectful challenge is to be encouraged and is part of a healthy transparent process that enables victims to come forward and get the help and support they need.

Finally, I pay a special tribute to one young woman who motivated me to ask for the review and this debate, and who is here today. She has been incredibly courageous and has fought hard to make things better for others. She has been willing to challenge the system, question authority and put forward solutions to ensure that this crime is tackled. She has already made a huge difference to the debate on this issue, and I thank her for that. She can be assured that as her MP, I will continue to speak for her and for others who have suffered, to ensure that their voices are always heard.

4.14 pm

The Parliamentary Under-Secretary of State for the Home Department (Sarah Newton): I warmly congratulate my hon. Friend the Member for Telford (Lucy Allan) on securing this vital debate, which is of huge importance to her constituents. She has shown herself to be a doughty champion of them. I am grateful to her constituent for being so brave. It could not have been easy for her to speak her MP, even though my hon. Friend is so lovely and so nice. Her constituent would not have known that. She had the courage to speak to a Member of Parliament and share intimate, personal and difficult issues in her life. She was so brave, and she motivated my hon. Friend to take up this cause. Whoever she is, I pay great tribute to her for doing that. I can absolutely assure her that her voice has been heard today, and I have no doubt that her Member of Parliament will continue to champion such causes to make things much better for everyone in Telford.

Rightly, we all understand that child sexual abuse and exploitation is a despicable crime, and we must do everything in our power to prevent it from happening. I am clear that where abuse has occurred, it must be thoroughly and properly investigated and those responsible brought to justice. Anyone who has suffered child sexual abuse, however long ago, should feel confident to report what has happened to them to the police in the knowledge that they will be supported and their abusers will be brought to justice. Abuse should be reported to the local police force, but if victims feel more comfortable telling someone they trust who can then support them to make the disclosure to the police when they are ready, that is also welcomed.

[Sarah Newton]

As a result of a lot of training, police attitudes have improved. My hon. Friend may have constituents who were frightened to go to the police, but they should have the confidence to go to the police now. Wherever and however long ago the incidents happened, they will be listened to carefully. I am sure they will find it is a different experience today than it perhaps was in the past. The police will gather evidence so that they can press charges and secure a conviction through the Crown Prosecution Service. If there are any remaining concerns that allegations are not being investigated thoroughly, that can be escalated, first through a complaint to the local force. Any complaint against the local police force on allegations of child sexual exploitation is automatically referred to the Independent Police Complaints Commission. There is a more rapid and serious escalation of those concerns.

As my hon. Friend mentioned, the Government are undertaking an ambitious programme of work to tackle child sexual abuse nationally, as we clearly set out in the “Tackling Child Sexual Exploitation” report. That report includes a lot of the issues that she raised, including education and challenging stereotypes about women, as well as looking at working with perpetrators and the attitudes of young people. We have urgently tackled the culture of denial within professions about the scale and nature of this crime, and we have strengthened local accountability. More victims and survivors of abuse are now being identified and are getting the protection and support they need.

The issues that my hon. Friend raised relating to historical failings in Telford are of great concern to me and to the Secretary of State. That is why we asked officials, ahead of this debate and their visit, to speak with us. We spoke to police leaders, the director of children’s services and the Local Government Association. Likewise, council leaders have written to the Home Secretary to provide reassurances that they are taking action to address past failures and are better able to protect children from abuse. Service leaders have separately told my officials that they acknowledge the scale of the problem and the past failures in Telford, as well as the remaining problems. They are prioritising tackling child sexual exploitation and are working together to address the issues.

I know that my hon. Friend recognises that steps have been taken in this area. Although overall children’s services were judged still to require improvement in Ofsted’s July report, it found that:

“Work with children and young people at risk of sexual exploitation is very strong. The local authority has been a champion for tackling this issue. It provides leadership to partner agencies, with who this work is well-coordinated.”

Her Majesty’s inspectorate of constabulary’s 2015 vulnerability inspection said that the police are

“demonstrating a strong desire to improve outcomes for children who are at risk of harm.”

The council and others must now focus on implementing the recommendations made by Ofsted, the council’s scrutiny committee and HMIC, so they can continue to improve their response to young people in Telford. A wide range of support is available to services in Telford and elsewhere through both the Local Government Association and the recently launched child sexual

exploitation response unit, which is backed by £1.24 million of Government funding. The unit operates independently of the Government and will ensure specialist support is made available to people working in children’s safeguarding across the country, enabling them to develop and deliver a strong and robust first response to children and families who are the victims of child sexual exploitation.

It is for the authorities in Telford to decide whether they want to access that additional support, and whether they think an independent inquiry would help them make the further improvements they clearly need. I suggest that, if my hon. Friend has not already done so, she should encourage them to take up those offers of help, to look at the resources available in the child sexual exploitation response unit and to ensure they are doing absolutely everything to address her constituents’ legitimate concerns and to give the whole community of Telford the confidence and assurances that she seeks. She is absolutely right that the victims in Telford, to whom dreadful things have happened, must feel, first, that they have been listened to and, secondly, that those in power and with responsibility have learned lessons from the past. I hope she and the council can agree on the mechanisms by which that can be addressed locally.

My hon. Friend rightly commented on the national Independent Inquiry into Child Sexual Abuse, which has announced 13 strands of work. It is possible for her constituents to share their experiences with the inquiry. One of the strands of work allows people who have been affected to come to the inquiry independently and have their concerns listened to—they do not have to do so via an institution. Part of the inquiry’s work is to look at what more the BBC and other institutions could have done, but individuals can come forward with their experiences to shape our understanding and lead to better services in the future. I assure my hon. Friend that we are not waiting for the end of the inquiry. It is a huge inquiry, and it will take many years to hear all the evidence. It will report at least annually on lessons it has learned so people in the Home Office, the health service, local government and the police—the whole of society—can take on board that learning and start to change their actions. Again, I encourage her constituents to talk to the inquiry.

Ultimately, if my hon. Friend is not satisfied that the council and its leadership are really listening to the victims and the community at large, she has the opportunity to give evidence to the Secretary of State for Communities and Local Government. If there is good evidence that the council is failing, section 15 of the Local Government Act 1999 enables the Secretary of States to intervene directly but, as I am sure my hon. Friend understands, that is very much an action of last resort. We respect local government, but we expect them to conduct themselves in an open, transparent and good way, and they should be wholly accountable to the local people they represent. We will intervene, but it has to be based on a lot of hard evidence. From the independent inspections of Ofsted and the constabulary, we have not seen enough evidence to warrant intervention, but if my hon. Friend or councillors have evidence of a systematic failure of leadership, and if they feel they are not making progress, they should share that information with me and we will take it up.

I hope I have reassured my hon. Friend, her constituents who are here today and the wider community that we take this issue extremely seriously. My hon. Friend has

done a very good job in raising those concerns. She should use some of the tools I highlighted, and she should not hesitate to meet with me and officials if she feels there is anything more we can do collectively or individually. We want to leave no stone unturned in stamping out the vile and despicable crime of child sexual exploitation.

Question put and agreed to.

Leaving the EU: North-East Exports

4.26 pm

Phil Wilson (Sedgefield) (Lab): I beg to move,

That this House has considered the effect on exports from the North East of the UK leaving the EU.

It is a pleasure to serve under your chairmanship, Mr Hollobone.

We all agree that the British people's decision on 23 June to leave the EU was the most profound decision to affect this country since the second world war. I, like many in the House, very much wanted the UK to stay part of the EU, but the country, including the north-east of England, voted otherwise. That decision must be implemented, but as my hon. and learned Friend the Member for Holborn and St Pancras (Keir Starmer) has pointed out, the country voted on the principle of leaving, not on the terms. The detail is therefore important.

The referendum result has created much uncertainty about the UK economy's long-term prospects, not just internationally but in many boardrooms around the country. I wonder how soon it will be before that uncertainty is felt in households in communities from south-east England to Scotland, from County Durham to Northern Ireland, and from Wales to East Anglia, and how soon it will be before that uncertainty spreads from the boardroom to the shop floor.

I want to use this debate to explain the importance of the European single market to the north-east of England, to raise several issues and to probe the Minister on what he and the Government think is the best option for the north-east of England in a post-Brexit Britain. I know the Minister shares the view that remain was the best option for the British people, but in our own ways we have both taken on responsibility for delivering the best deal for the UK under the circumstances, unlike the former—or perhaps the current—leader of the UK Independence party, Nigel Farage, who abandoned the field of play once he got the referendum outcome he wanted. Like all populists, he was ready to pick up the megaphone to let us know what he thought to be wrong, but when the argument went in his favour he was not prepared to hang around and take responsibility for putting right those perceived wrongs.

The Minister has the unenviable task of securing the best deal for Britain. Since he wanted to remain in the EU and the single market, how is he going to convince his colleagues that maintaining access to the single market is the best option? Furthermore, how are the Government going to implement all the promises made by the leave campaign, of which he now has ownership?

“Let's give our NHS the £350 million the EU takes every week”—

so said Vote Leave's website. That slogan was emblazoned on the side of the campaign's battle bus. Vote Leave committed to “hundreds of new schools” in a campaign video on YouTube, and to the abolition of prescription charges. According to a Vote Leave press release from 14 June:

“There is more than enough money to ensure that those who now get funding from the EU...will continue to do so”.

There was a promise of new roads and the expansion of regional airports, and the right hon. Member for Surrey Heath (Michael Gove) even said in a Vote Leave press

[Phil Wilson]

release from 19 April that there would be enough money for 14 Astute-class submarines. There was to be money for pothole repairs and tax cuts, and wages would be higher and fuel bills cheaper—no doubt, Brexit would be a land of milk and honey, where the sun shines and everyone lives happily ever after. The Minister is on record, in his blog, as saying:

“There was no manifesto for ‘out’”—

but yes, there was, and the people voted for it.

For the people of north-east England, we must get Brexit right, because although my constituents may have voted to leave the EU, I do not believe that they voted to be poorer, to put their jobs at risk or to see their region fall further behind. If I were them, I can imagine how disappointed and betrayed I would feel if, on top of all the uncertainty, which was not there before, all the promises made by those who supported the leave campaign were not met. That disappointment would be deepened by the fact that so many of those who made the pledges not only now sit on the Front Bench, but will sit around the negotiating table to negotiate our exit. The Minister and the Government have a duty to inform the British people of how those promises are to be fulfilled—the Minister might make a start today. If they cannot be fulfilled, perhaps the Minister will be straight with the British people and say so.

The EU single market is essential to the north-east of England: 58% of the region's trade is with the EU, which is a full 10% higher than the national average; it is the only region that exports more than it imports; more than 100,000 jobs in the region rely on trade with the continent; and, over the past five years, almost 90 European investment projects have created or safeguarded more than 6,000 jobs, and £1.1 billion in inward foreign investment has come to the north-east from EU members.

According to the North East England chamber of commerce and a report by Ernst and Young, the north-east has seen the second highest increase in foreign direct investment—sitting just behind the north-west—with a substantial 83% increase on last year in FDI projects. An EY survey of investors about the link between the EU referendum and FDI asked how important access to the single market was, and 79% of investors cited access to the single market as a key feature of the UK's attractiveness, a higher figure than last year's. The same survey found that 52% of investors thought that a “slight change” in access to the single market would affect the attractiveness of the UK as a destination for business; in the event of a “significantly less favourable” change, the figure rose to 55%.

The North East England chamber of commerce has major concerns about future trade deals. Membership of the single market has brought significant benefits to the north-east of England, attracting business and creating jobs. The chamber stated in its EU referendum briefing paper of July 2016:

“There are also major implications for relationships with overseas markets where existing trade deals have been negotiated by the EU and for the future of trade documentation needed by businesses. Due to the complexities of these issues, there is significant concern among businesses about the UK Government's capacity to address these issues in the required timescale before Britain exits the EU.

Many of our members are also concerned about the effective flow of information so businesses are aware of any changes they need to make to their practices. Assurances about this are vital.”

What assurances about that will the Minister give to companies in the north-east?

In the same briefing paper, the chamber also stated:

“There is also....the hope and expectation that the anticipated benefits of Brexit in being able to conclude trade deals more quickly around the world will be realised. The new department headed by the International Trade Secretary...should aim to quickly set out its plans in this regard so businesses can see that Government is seeking to get beyond a damage limitation exercise to exploit new opportunities.”

I offer this opportunity to the Minister to lay out those plans. Business needs certainty, and that would seem to be the one thing in short supply at present.

As I am sure the Minister is aware, Japanese investment is key to the north-east of England. There are about 50 Japanese companies in the region, including Hitachi in my constituency. It provides almost 1,000 direct jobs, with many more in a growing supply chain. Nissan provides 7,000 direct jobs and 30,000 in the supply chain. With 300 automotive companies in the region, the car industry in the north-east produces £11 billion in sales and is responsible for more than £5 billion in exports.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Nissan is the UK steel industry's largest customer in the automotive trade, purchasing most of its steel from Tata in the UK, largely from Port Talbot and the strip-producing sites. What does my hon. Friend think about the potential barriers to trade if energy imported from the European Union via interconnectors were to carry a World Trade Organisation tariff for the United Kingdom in future? What will happen to large manufacturing plants and energy-intensive industries when they face larger tariffs on energy imports?

Phil Wilson: My hon. Friend makes an important point. So much of Brexit has to be sorted out, and I do not know the answers, but I hope that the Minister will enlighten us. There will, however, be major consequences for industry in this country, but especially in the north-east, where a lot of our manufacturing industry is. It employs a lot of people there and provides skills that we need to revitalise the economy in the region.

Throughout the referendum campaign, I was clear about saying that if Britain voted to leave, companies such as Hitachi and Nissan would not immediately cease production, close their factory doors and ship out to the EU. I still believe, though, that if we are not part of the EU single market, the potential for long-term growth must be called into question. Furthermore, what growth there might be could come at a cost to the Exchequer.

Following Britain's decision to withdraw from the EU, Nissan's chief executive, Carlos Ghosn, indicated that the company might halt further investment in its Sunderland plant unless the Government agreed to compensate it for any adverse financial impact of Brexit. At the Paris motor show in August, Ghosn warned that

“important investment decisions will not be made in the dark...If I need to make an investment in the next few months and I can't wait until the end of Brexit, then I have to make a deal with the UK Government”,

and he suggested:

“You can have commitments of compensation in case you have something negative. If there are tax barriers being established on cars, you have to have a commitment for car-makers who export to Europe that there is some kind of compensation.”

Earlier this month, the Prime Minister met with Mr Ghosn to explore what assurances Nissan was seeking. The *Financial Times* reported that the meeting came ahead of Nissan’s decision on whether to build its new Qashqai SUV in Sunderland, a decision that might be taken as early as November. After the meeting, Mr Ghosn said:

“Since Mrs May’s appointment, we have maintained a clear dialogue with the UK Government during this challenging time”, and he stressed:

“We want to ensure that this high-performing, high-employment factory remains competitive globally and continues to deliver for our business and for Britain.”

He added:

“Following our productive meeting, I am confident the government will continue to ensure the UK remains a competitive place to do business. I look forward to continued positive collaboration between Nissan and the UK Government.”

On the face of it, those are nothing more than warm words, but last weekend *The Sun* newspaper reported that Nissan is to announce that it will build the Qashqai SUV at its Sunderland plant—I hope so—and that an announcement is imminent. If the new Qashqai model is to be built in the north-east, however, what kind of compensation is Mr Ghosn anticipating? To keep Nissan in Sunderland, what price will Britain need to pay that we did not need to pay before? Don’t get me wrong, I want Nissan to stay, but I believe that it is incumbent on the Government to tell us what the cost is. It seems to me that the much vaunted windfall to the Exchequer from not being in the EU will not be available to spend on the NHS—if ever it was—because it will be needed to subsidise industry in a way we have not needed to before.

The Japanese Government are so concerned about Brexit that they published a 15-page document at the time of the G20 summit in China, pointing out:

“In light of the fact that a number of Japanese businesses, invited by the Government in some cases, have invested actively to the UK, which was seen to be a gateway to Europe, and have established value-chains across Europe, we strongly request that the UK will consider this fact seriously and respond in a responsible manner to minimise any harmful effects on these businesses.”

The document also laid out several requests, such as maintenance of

“the current tariff rates and customs clearance procedures”

and the introduction of

“provisions for cumulative rules of origin”.

The Japanese Government gave those two key reasons, and others, for the UK remaining part of the single market and the customs union. I fear the consequences of all this uncertainty for the continued growth of existing foreign direct investment in the north-east of England and the region’s ability to attract FDI in the future. The Japanese, like many businesses in the north-east, have asked for transparency in the Brexit negotiations. It is not only Westminster politicians who are asking for transparency; business and the wider world are too.

The Minister wrote in a blog post on his website on 25 October 2011:

“A vote to come out of the EU would be to try to reverse nearly four decades of economic development...I am convinced that the advantages of membership outweigh the disadvantages.”

I agree. He said to the BBC just last month that

“we must...try to achieve...zero-tariff access to this market of 500 million people in the EU”.

Again, I agree, but it seems to me that in so doing, the Government are setting out in a direction that the Conservative party accused the Labour Government of taking back in the 1970s and upon which it frowned at the time.

The Prime Minister said in her closing speech at the Conservative party conference:

“It’s not about picking winners, propping up failing industries, or bringing old companies back from the dead. It’s about identifying the industries that are of strategic value to our economy and supporting and promoting them”.

That sounds very much like picking winners to me. We should support our industry and develop an innovative industrial strategy, but don’t let’s write off whole industries. Millions of people may have voted for Brexit, but let us not forget the millions who did not. I am of the view that the Brexit negotiations will be complicated and uncertainty will reign for some time to come.

We know that the Minister’s preferred option is access to the single market—if not membership—but in what form? The existing model? The Swiss model? Will we stay part of the customs union? Does he agree with the report by his own Government that said that leaving the customs union could cause a 4.5% fall in British GDP and a reduction in foreign direct investment of as much as £9 billion, with trading falling by as much as 15.6%?

Brexit is the defining issue of our time, and it is more than apparent that the Government did not have any contingency planning in place to deal with the immensity of the task ahead, so I doubt very much that this will be the last Westminster Hall debate on how the issue affects the north-east of England, let alone the rest of the country. The future prosperity of the north-east of England, and indeed our nation, depends on getting this right. In answering the questions that I have asked today, the Minister will have the opportunity to start to allay fears, provide certainty, promote confidence and offer optimism, and to show vision and belief in our country. We must have the right to stand tall in the world while acknowledging our responsibility to others. I look forward to his response.

Several hon. Members rose—

Mr Philip Hollobone (in the Chair): Order. The debate runs until 5.30 pm. The guidelines for speeches by Front Benchers are five minutes for the Scottish National party spokesman, five minutes for Her Majesty’s Opposition’s spokesman and 10 minutes for the Minister. There will then be three minutes at the end for Phil Wilson to sum up. I therefore need to start calling the Front Benchers no later than 5.07 pm. Between now and then, the debate is open to Back Benchers. Three Members have stood to catch my eye. There is a galaxy of parliamentary talent before me, and it will be led by Hannah Bardell.

4.43 pm

Hannah Bardell (Livingston) (SNP): I am delighted to head up that galaxy of parliamentary talent, as you so eloquently put it, Mr Hollobone. I congratulate the hon. Member for Sedgefield (Phil Wilson) on securing the debate. As he says, I am sure there will be many more such debates and opportunities to drill down and have an ongoing conversation. If the Government are not going to have an ongoing commentary on the EU, we Back Benchers certainly will.

As the hon. Gentleman said, the UK's relationship with the EU is significant for the north-east, which in 2015 exported £7 billion of goods to the EU—58% of its total, which is well above the UK average of 48%. This debate is about the north-east, but I hope he and you, Mr Hollobone, will indulge me if I touch a little on the impact on Scotland and the rest of the UK.

The value of the pound has dropped significantly since the announcement of the referendum result. Although that offers a short-term gain for some, such as those looking to buy property in the UK, increasingly expensive imports and exports will hurt the UK and all the countries in it in the long term. I noted with interest the *Financial Times* article yesterday that stated that the percentage of foreign buyers in London's property market had increased from 23% to 29%. It seems obvious to me that that creates further problems for local people, who were already struggling to get on the property ladder. Not only are their savings being devalued by the falling pound, but they will be up against an increasing number of foreign buyers and investors. The weakening of the pound since the Brexit vote has helped Tata Steel's profits, but as we well know, such companies rely on imported iron ore and coking coal, so they will be negatively affected if tariffs increase in the longer term.

The hon. Gentleman mentioned the impact on Nissan's Sunderland factory, which ships nearly 75% of its cars to the EU and relies on parts from outside the UK. The north-east economy cannot flourish without the automotive industry, or even with a damaged one. Failing to negotiate trade deals quickly will cause repercussions years down the line. I suggest that the Tory Government's much-vaunted northern powerhouse is fast becoming more of a northern power cut.

Scotland will feel the impact of the UK leaving the customs union just as the north-east will. In 2014, 42% of Scotland's international exports were to the EU, and 58% of Scottish exports to the EU are in the food, tobacco and beverage manufacturing industries. I have spoken to several companies in those industries and will address some of their concerns shortly. Last year in Scotland alone, there were more than 2,300 foreign owned companies, employing nearly 314,000 people and turning over £90 billion. When the Government create uncertainty for those companies—I know there will be others in the north-east—hundreds of thousands of workers are uncertain about their futures.

With such uncertainty, it is not unreasonable to ask for a clear plan and an open debate. At the moment, we are expected simply to have faith in the Government—a Government who promised to double exports to £1 trillion by the end of the decade but saw them fall to £511 billion just last year. If those numbers are moving in the wrong direction, how are we to believe that the EU trade

negotiations will move in the right direction for the UK economy and its workers, especially given that at a recent European Council meeting, the Prime Minister was given just five minutes—at 1 am, after the dinner plates had been cleared—to set out her view on Britain's exit from the EU?

We had a debate on the Government's industrial strategy just last week. The conclusions could not have been clearer. It is nearly impossible to debate industry, trade and the economy when the Government have neither the outline nor an inkling of a plan. There is a lot that we need to debate about the impact on the north-east and Scotland, and I hope we will have many more such debates and the opportunity properly to scrutinise the plans when they come forward.

Let us take the UK's membership of the EU customs union and common tariff. Beyond the party political and theoretical points are some gritty IT issues that need to be looked at more closely—we know about the UK Government's track record on IT. If Britain leaves the EU customs union, it will have to go through its own system of customs declarations and security checks whenever trading with the EU. After the Brexit vote, the EU began looking at increasing its capacity for customs declarations from 50 million to 350 million a year to account for future customs forms from the UK. Changing that system will take time, and before it is finalised we will not know how delays will be managed. I recently met the Scotch Whisky Association, which emphasised the importance of the excise movement and control system, a trading system by which all exports are tracked and managed. Staying part of that is key, but we have had no answers about it. Perhaps the Minister can enlighten us.

On the other side, the UK's current system for importing and exporting non-EU products, which following Brexit will have to be used for all products, is about 25 years old and due to be replaced. However, its replacement, the customs declaration services system, is expected to be functioning by December 2018, just before the UK is expected officially to leave the EU. The CDS system is designed for managing about 100 million declarations a year, rather than the now expected 350 million that will be required once the UK leaves the European Union. That puts us two years behind already.

Desmond Hiscock, who runs the UK Association for International Trade, said that the system

“will not be able to cope and there is not much confidence that the untested and still incomplete replacement...will fare much better.”

Mr Philip Hollobone (in the Chair): Order. I am listening to the hon. Lady's remarks with great interest. She will be aware that two Members of the House who represent constituencies in the north-east also want to contribute and that, within 30 seconds, she is coming up to having used a third of the allocated Back-Bench time. She might, out of politeness, want to think about drawing her remarks to a close.

Hannah Bardell: Thank you, Mr Hollobone. I will wrap up my comments, because of course I want to let colleagues in. If the Prime Minister truly wants to find the best trade deal for the north-east and for the rest of the UK, she would do well to engage actively across all parties and all countries within the UK.

4.50 pm

Julie Elliott (Sunderland Central) (Lab): I thank my hon. Friend the Member for Sedgefield (Phil Wilson) for gaining this important, if not crucial, debate for the region of the country that I come from. I was a passionate supporter of the remain campaign—I thought it was in the best interests of my city, my region and my country to remain a member of the EU—but I absolutely respect the decision taken and totally accept that we are leaving the EU. It is important to put that on the record.

There has been much mention in the debate of the automotive sector and the fantastic Nissan plant—it is not in my constituency but in the city where I live. The issues surrounding that plant bring together all the problems faced by the wider manufacturing industry in the north-east in one place. I welcomed the Prime Minister's statement after she met Mr Ghosn a week ago in which she said she was committed to

“supporting the right conditions for the automotive industry to go from strength to strength in the UK, now and into the future”.

That was important. However, the automotive industry is not the sum total of the problem we face in the north-east from Brexit. In fact, it is a very small part of it.

Even if some sort of agreement is made for the automotive industry, it would not necessarily include all the companies in Nissan's supply chain. Those companies produce many parts for cars built in Sunderland and in other parts of the country but, because they also produce parts for other companies' manufacturing, they may not be entirely protected by a special arrangement for the automotive industry. We have to bear that in mind when we look at the Prime Minister's comments. I wrote to her a few weeks ago asking her to address the problems facing Nissan and the wider automotive industry and manufacturing quickly. I have not yet received a response, but I am sure I will in due course.

I want to talk about wider manufacturing not just because it does an amazing job in trade for our region—we have a positive balance of trade and there are fantastic examples of business doing well—but because of the impact down the line on our skills shortage. Those big manufacturing companies in the north-east train lots of high-skilled, high-end apprentices not on two-year courses but on four or five-year apprenticeships. The best go on to do degree-level qualifications. There would be a major impact on that if any of those companies started downscaling—goodness only knows what would happen if they disappeared.

We have to think about the long term, training and the future skills supply. We know that, in engineering, a bubble is coming when there will be a shortage of good, trained young people to replace the people heading towards retirement, but in the short time I have I want to talk about the tariffs problem. The investment uncertainty that the debacle since the referendum is causing is enormous. We know of examples of investment on hold for the north-east and of examples where investment has stopped. Those are the soft things. Let us think of the tariff situation not necessarily for the car industry but for wider manufacturing. Many of the companies involved in manufacturing in the north-east import parts and raw supplies for the things they make, so they will be hit by tariffs. They export right around the world, but in the main they export to the EU.

We also have major international companies in the north-east—names we all know—whose cost centres are in central Europe, which creates a knock-on effect. A rejigging of their business models is going on. I do not want to highlight any one in particular because they are general problems that all manufacturers say they are facing, with an impact across the piece. All the parent companies and boards and most of the manufacturing companies in the north-east are not British businesses dealing with British supply chains that provide all the supplies they need to produce products from the UK, and they are certainly not selling everything into the UK. For them, tariffs are crucial.

If we do not get the situation resolved—at this stage we are talking not about the detail but about the broad parameters of where the Government are going to stop the uncertainty and create certainty in the marketplace—the potential threat down the line is that British manufacturing will become more and more uncompetitive, which means we will lose jobs, the training I talked about, and revenues from taxes. There will be a massive impact on the economy of the north-east and the UK in general.

My preference would be to remain part of the single market. The Prime Minister needs to look at that as a matter of urgency and make a decision. If that is not what she and her Government are going to do, we need to know what is on the agenda. We need to be working on a cross-party basis to get the best deal for businesses in my constituency, the wider north-east and the country as a whole.

4.56 pm

Bridget Phillipson (Houghton and Sunderland South) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I am grateful to my hon. Friend the Member for Sedgefield (Phil Wilson) for securing this important debate about the future of our region.

Like many here, I made no secret of my preference for the UK to remain a member of the European Union, but a majority of people in my city and in the region voted a different way. Many people who voted to leave did so in the belief that a brighter economic future lay ahead for the UK and for the north-east. If their optimism is to be fulfilled, it is vital that exports from the north-east to the European Union are protected.

Export trade with the EU is critical to the north-east's economy. The region is unique in England in being the only one to consistently maintain a balance of trade surplus. Last year, more than half our goods exports were to the EU, and the most recent figures from Her Majesty's Revenue and Customs indicate that four of the five top export partners for the region are EU countries. Given that the proportion of exports destined for the single market from the north-east is relatively high compared with other regions of the country, those of us who represent north-east constituencies have a particular responsibility to raise concerns about the impact Brexit will have on the region's economic interests, especially if the Government decide to take the UK out of the single market as well as the European Union.

As has been said, the automotive sector is central to Sunderland's and the region's economy and to the future success that lies ahead. A recent report by IPPR North found that the export of road vehicles, parts and accessories accounts for more than 40% of north-east goods exports to the EU and that the value of those exports grew by

[Bridget Phillipson]

118% in the past decade. Much of that trade depends on the continued success of Nissan in Sunderland and it is clear that future investment decisions by Nissan will play a major role in driving long-term economic growth in the north-east. Let us not forget that membership of the single market has been central to that success. The renaissance in car building in this country also demonstrates what can be achieved when Government pursues a focused, sector-led industrial strategy.

I sincerely hope that the decision on where to build the next Qashqai is a positive one for Sunderland. I will welcome any steps Ministers can take to assuage the company's fears. What will require greater clarity from Ministers is the degree to which small and medium-sized businesses in my constituency and in the supply chain will be protected. Those businesses are already suffering from the collapse of sterling and the uncertainty that has dogged the economy since June. If Ministers intend to offer the automotive sector special protection from the impact of Brexit, presumably on the basis that they intend to take our country out of the single market, it must have wider coverage and not ignore SMEs in the north-east and beyond.

How do Ministers intend to act to safeguard the interests of the rest of the manufacturing sector in the north-east? What of the growing and thriving tech and software start-ups in my constituency, in Rainton Bridge and elsewhere? The region's current strong track record on exports is a source of pride, but we still face the highest level of unemployment in the UK and a skills gap that holds back our young people as well as our economy. We can ill afford to see a decline in jobs, wages and living standards. As the North East local enterprise partnership has pointed out, we are a region that needs EU funding more than most—and we have a track record of investing it well. I note the guarantee offered by the Chancellor, but the north-east was originally allocated £437 million in EU structural funds up to 2020. Of that central pot, at present more than £198 million remains unallocated. There is clearly room for improvement.

In the north-east we have long needed Ministers to add some substance to the so-called northern powerhouse—a concept that appears to have fallen out of favour with the new Government. Now more than ever we need the Government to use all of the powers and levers available to them to support our region and its people to fulfil our economic potential in these difficult times.

5.1 pm

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): It is a pleasure to serve under your chairmanship, Mr Hollobone. I congratulate the hon. Member for Sedgefield (Phil Wilson) on securing the debate. We have heard from the Secretary of State for Exiting the European Union on the Floor of the House on many an occasion, given how much he is before the House to answer questions. We continue to have these debates because, unfortunately, no answers are forthcoming. In fact, the most interesting piece of information we have heard today is the determination that Brexit is in the masculine form—"le Brexit"—unless, of course, spoken in Italian. That is the latest up-to-date revelation in relation to the debate.

The hon. Member for Sedgefield correctly spoke about the uncertainty that surrounds the Brexit debate and the importance of the European single market, and said that people did not vote to be poorer or for jobs to be put at risk, so assurances are absolutely essential. That was followed up by my hon. Friend the Member for Livingston (Hannah Bardell), who also correctly said that even if the Government will not have debates in Government time—although I should say that the Prime Minister said at the Dispatch Box yesterday that there will be debates in Government time, which is very welcome—Back Benchers will continue to discuss matters that are hugely important to our constituents and businesses in our constituencies.

Hundreds of thousands of workers are concerned about what Brexit means for their future. As my hon. Friend said, if the Prime Minister wants the best trade deal she should interact with all parties and all nations across the whole of the UK. The hon. Member for Sunderland Central (Julie Elliott) spoke of respecting the decision of the referendum, but also of concerns that most major manufacturing companies in her constituency—which also have bases in the EU—have about what it will mean for them. That is an important matter and needs to be addressed. Finally, we heard from the hon. Member for Houghton and Sunderland South (Bridget Phillipson), who spoke of the responsibility to raise concerns about how Brexit will affect constituencies and wider regions.

I know the debate is about the north-east, but it would be remiss not to mention that the people of Scotland have been subjected to a Tory Government they did not vote for, a referendum they did not want and a result they did not vote for. Some 62% of the people of Scotland voted to remain in the European Union, and with that in mind, and in relation to the north-east, we want to work with all parts of the UK that want to retain single market status. To be clear, the Prime Minister and her Conservative Government stood on a manifesto that said:

"yes to the Single Market".

That is the one definitive piece of information upon which we should be able to rely to hold the Government to account. The Scottish National party intends to take all possible steps to explore all options to give effect to how the people of Scotland voted, and indeed for other parts of the United Kingdom that voted in a similar manner.

Key industries in the north-east could be seriously compromised as a result of the uncertainty of a post-Brexit economy. As we have heard so eloquently from all of the speakers in the debate, the UK Government must provide a clear and comprehensive economic strategy that will allow investment to flourish and jobs to be created, and will attract skilled labour. Prior to Brexit, the UK Government were already failing on key economic indicators and have missed the targets they set for themselves as a result of the failing austerity agenda.

The Prime Minister's inability to answer the simple question of whether she supports continued membership of the EU single market is damaging business prospects and job certainty throughout the UK. Businesses need to know what is happening next for them. We have heard in the course of debates from many Secretaries of State, not least the Secretary of State for International Trade, whose comments have had to be clarified or amended. I wonder if the Minister can demonstrate

that he has achieved “head boy” status and will not get into trouble for giving us the facts for which we have been asking for so long.

5.5 pm

Barry Gardiner (Brent North) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I congratulate my hon. Friend the Member for Sedgefield (Phil Wilson) on securing this vital debate. Had he not, I know that my formidable colleagues, my hon. Friends the Members for Sunderland Central (Julie Elliott) and for Houghton and Sunderland South (Bridget Phillipson), who both spoke with such clarity, would certainly have initiated the debate otherwise. It is good to see a strong contingent from the north-east here in defence of their region.

The north-east is the major goods-exporting region of this country, with more than £12 billion of goods exported last year. It is therefore a powerful indicator to the rest of the country about the impact that the Government’s approach to Brexit will have. Let us be clear: 58% of voters in the region voted to leave, and all of us who have spoken from the Labour benches have said that we respect that—and we do. We must now all rise to the challenge of delivering that departure from the EU, but that departure must not undercut our industry, our labour rights or our prosperity. That is our clear message to the Government today. We have heard from several hon. Members about the destabilising effect on industry in the north-east of a divided Cabinet and a Secretary of State for International Trade who is pushing his own ideological agenda that will disrupt investment and threaten jobs in the north-east.

Of the £12 billion-worth of goods exported last year from the north-east, £7 billion were exported to the EU. That is 50% of the region’s total exports, making the region one of the most highly exposed to the uncertainty arising from the Government’s refusal to set out a clear plan and approach to the negotiations with the EU Parliament, or indeed to make that clear to the public. The value of north-east exports to the EU grew 30% from 2005 to 2015, yet in July, after the vote to leave, companies across the north-east suffered the sharpest rate of decline in business activity in four years, leading to scaled-down activity and jobs being laid off. Lloyds bank attributed that downturn to

“post-referendum vote market uncertainty”,

which caused the number of new incoming orders to the region to fall at the fastest pace in almost seven and a half years.

We know the Government will not provide a running commentary, and we do not ask for that, but perhaps they will provide some much-needed clarity to business about their futures. That is what I think all Members here are really asking of the Minister. What guarantees will the Government provide to businesses in the north-east about access to those markets in the future, and how similar will those terms be to the current ones? James Ramsbotham, chief executive of the North East England chamber of commerce, said:

“With the automotive sector being such a major part of the business community in the North East the future of the car-making is of crucial importance to our economy and employment prospects.”

What assurances will the Minister provide to car manufacturers about continued access to import parts from the EU to their supply chains, and to export cars, tariff-free, into mainland Europe?

My hon. Friend the Member for Sunderland Central raised that issue, but there is also a need for the Minister to answer the question about non-tariff barriers. Country of origin rules may well mean that, in the future, if we are outside the EU we cannot provide goods from this country—indeed, from many of the smaller companies in the north-east that my hon. Friend spoke of—that feed into supply chains in Europe for products that are then sold into third countries. They will not be admitted into the supply chain in the first place. The Minister knows that those supply chains are 18 months’ long, which means that decisions will be taken in Europe within the next six months on whether to source items for the supply chain from the UK. This is of vital and urgent importance, and it is critical that the Minister provides some answers on it for business.

What assessment have the Government made of the contribution that skilled workers coming into the UK make to the north-east export industries? Skilled workers in these industries are vital. Have the Government conducted a survey to find out what the skills base is in the north-east and to determine how they will continue to ensure that skills supply in the future?

While the weakened pound has given a short-term boost to certain exports, the steel industry is not benefiting from a low pound. The deal to buy the Tata pipe mill in Hartlepool is clouded with uncertainty, and the suggestion is that it would have been completed by now if it were not for the referendum result. That puts hundreds of jobs at risk. We have heard from my hon. Friends about the household brands that are facing difficulties, but we must not forget the small and medium-sized enterprises and the family businesses that are finding it impossible to invest in their own future in the region until the Government provide a clear plan. Ministers continue to drop heavy hints about their preferred—often contradictory—directions of travel. That is causing these businesses absolute turmoil with their investment profiles.

The priorities of manufacturing bodies are clear. The Society of Motor Manufacturers and Traders, EEF, the Chemical Industries Association, the British Ceramic Confederation and the UK Petroleum Industry Association—all representing phenomenal industries based in the north-east—are demanding guaranteed access to the single market to continue exporting without the extra costs that will make it harder to keep doing business there. Almost two thirds of the north-east’s exports to the EU are reliant on road vehicles, medical and pharmaceutical products and organic chemicals.

It is not just the goods exporters calling for this. A fast-growing marketing and PR agency based in Newcastle told my colleague, the MEP for the region, Jude Kirton-Darling,

“Creative and digital service industries like ours don’t export in the traditional way that goods companies do—but we benefit just as much from...membership and could be impacted badly by exit”

from the single market. Service industries are asking the same questions of Government. What analysis has the Department conducted of the impact on the trading balance in the north-east of different post-Brexit trading arrangements with the EU? Have the Government quantified the impact of losing access to the single market on the north-east economy? Will they do so before making a firm decision on their negotiating priorities? If we default to WTO tariffs post-Brexit, what impact will that have on exporters in the north-east?

[Barry Gardiner]

Bearing in mind the strong dependence on the single market of north-east exports and the regional trade surplus, what special measures will the Government consider to diversify export options for the region and avoid negative employment impacts that might arise?

The Government must clarify what will happen to the UK's European Investment Bank status. Will we continue to be a shareholder and have unrestricted access to funding, or will we be considered a third country and thus only be eligible for the 10% of the fund made available for third countries? The Government's webpage entitled "UKTI North East: helping companies export and grow overseas" was last updated in May this year. It reads:

"We've helped...create 346.5 new jobs through the European Regional Development Fund (ERDF) project"

and

"secure a further 1,014 jobs with our trade support activities for the ERDF project".

That fund was actually proposed by the United Kingdom in 1972, but it is available only to European member states. We need to know what access we will have to those funds in future, because they are vital for industries in the north-east.

The Government might want to update their website, but it might also help if they provided their new strategy. The Government's strategy has relied on EU funds to boost exports to BRICs markets and create jobs in the north-east. They must now provide answers about how they will ensure jobs and exports are maintained in the future through support for new projects once we have left the EU. The Chancellor's guarantee of funding while we remain a member state, and for projects agreed before this year's autumn statement, does not go far enough in giving answers to families, businesses and investors in the north-east. Can the Government commit to continued investment in trade promotion measures for the region post-2020?

Mr Philip Hollobone (in the Chair): Order. I am enjoying the hon. Gentleman's speech hugely, but he is almost twice over the guideline limit. If he carries on much longer, he will speak for longer than the Minister. He may, out of politeness, want to draw his remarks to a close.

Barry Gardiner: I would not wish to leave the Minister too little time to answer all the questions that my hon. Friends and I have asked this afternoon.

I will simply conclude by saying this. The danger is that the favoured trade model will not give control back to voters who told us that that was what they wanted. If the Government wanted to make the UK a great trading nation, they would not be putting forward options that would decisively cut ties with the world's largest free trade area. The Government are not pursuing a free trade agenda. It would appear that they are using the vote to leave to embark on a ruthless deregulatory agenda, which will threaten jobs, public services, labour standards and environmental protections in the north-east and the rest of this country. The Minister must provide answers and clarity for business and the public.

Mr Philip Hollobone (in the Chair): If the Minister could conclude his remarks at no later than 5.27 pm, Phil Wilson will have time to sum up.

5.15 pm

The Parliamentary Under-Secretary of State for International Trade (Mark Garnier): Thank you, Mr Hollobone. May I start by congratulating the hon. Member for Sedgefield (Phil Wilson) on securing the debate? He has worked extraordinarily hard for his constituency. He did not mention in his speech that he was instrumental in securing the investment from Hitachi in his constituency, which we should all recognise.

It is interesting to speak in a debate such as this. I have to say that I agree with many of the points raised about the debate we had several months ago in the lead-up to the referendum. I think that everybody in this room—with the possible exception of you, Mr Hollobone—was on the same side of the debate on how we should vote in the referendum. It was 58% to leave in the north-east. In my constituency of Wyre Forest, it was 63%, so I sadly failed even more than Opposition Members to secure a remain vote.

I think we are all in agreement that the success of the north-east is entirely relevant to the success of the whole of the UK. We need to work extraordinarily hard to ensure that we get through this process over the next few years and that we are a resilient and strong economic nation afterwards. I will endeavour to address the points raised by hon. Members throughout the course of my speech, but I would like to open by saying a little about the Department for International Trade, in which I am now a Minister, and how we are trying to work with the whole of the UK.

This debate focuses on just one region, but we are representing the whole of the UK, which also involves the devolved Assemblies, so we represent Scotland, Northern Ireland and Wales as well. Irrespective of local votes, we are all Brexiteers together. Our aim is for the UK to be a beacon of open trade for the entire world, with the benefits of that trade to be felt from Bournemouth to Belfast and from Aberystwyth to Aberdeen. That means working with our dedicated regional teams, the devolved Administrations, devolution partners, regional chambers of commerce and local enterprise partnerships to ensure that together we build a strong and resilient economy from the bottom up.

It has been mentioned on a couple of occasions that the Secretary of State was an enthusiastic leaver, but it is worth bearing in mind not only that we are all leavers now, but that Ministers in the Department are balanced. The four Ministers—three in the House of Commons and one in the House of Lords—were on both sides of the debate, and all of us bring a lot of experience and views, giving a balanced view. That is important to remember.

Mr Iain Wright (Hartlepool) (Lab): Given the establishment of the Department for International Trade and the importance of our region to trade performance, what additional capacity will the Minister put into the north-east to ensure that we can boost exports further?

Mark Garnier: I hope to be able to answer the hon. Gentleman in the course of my speech, but he can by all means intervene again if I miss his point.

The performance of the north-east is nothing short of exceptional. It is worth bearing in mind that 30 years ago last month, Margaret Thatcher persuaded Nissan

that it should come along and assemble the Bluebird kits. That started off as a relatively small investment and has now turned into a phenomenal manufacturing plant. It is one of the premier auto factories not just in the UK but in the world. The region exported approximately £12 billion-worth of goods in the past year, racking up a positive goods trade balance of nearly £3 billion. That is incredibly important for our current account deficit. The region sold more than £1 billion-worth of cars between April and June alone, as well as nearly half a billion pounds of pharmaceutical and medical goods over the same period. Trade with the EU is important for the north-east—no one is questioning that. The single market is a destination for more than 61% of the region's exports.

We have heard a lot about Nissan in particular. The Secretary of State for Business, Energy and Industrial Strategy has met Nissan and will be meeting Hitachi to try to make sure that the investment that the hon. Member for Sedgefield secured remains in the UK. We are having ongoing dialogue with those large automotive manufacturers. I have met Nissan twice, and my colleagues in BEIS have also met it. We are continuing to make sure we offer it as much assurance about the future as possible.

Anna Turley (Redcar) (Lab/Co-op): The Minister is being generous with his time. One of the crucial points in my hon. Friends' speeches was the emphasis on small and medium-sized business and their supply chains. What efforts is his Department making to engage with them?

Mark Garnier: We are certainly engaging with them through the local delivery networks of the Department for International Trade, formerly known as UKTI, and through the local chambers of commerce. That is an ongoing process that will continue. The economy of the north-east is so dominated by big manufacturers that if we get that part right, that should encourage a huge number of small manufacturers.

The hon. Lady raises the right point, which is that we cannot simply look at the big manufacturers. We have a very diverse economy and there are around 5 million businesses in the UK, the vast majority of which employ fewer than 10 members of staff, so we do not forget SMEs.

Mr Iain Wright: The automotive industry and the train manufacturing sector are crucial to the north-east's economy, but what other sectors has the Minister identified that really make a difference? I am thinking particularly of the steel, chemical and processing industries, but what other sectors has he identified that should be prioritised?

Mark Garnier: The steel industry is in a special position at the moment, as we have discussed in the House over the past few months, for obvious and tragic reasons with the closing down of plants. All sectors are important to the UK economy. We need a diverse economy manufacturing a wide range of products—not just steel but graphene and carbon fibre. Those specialist material industries are also very important.

It is important that over the past 12 months the north-east has sold £4.5 billion of goods to non-EU countries, so it is a region that takes opportunities from

the rest of the world. America is behind the Netherlands as the region's second biggest export destination, not to mention continued significant sales to China and Turkey. There are fantastic local examples of north-east companies finding success beyond the EU. Small companies such as Annie Barr International are delivering vital training courses in China and Hong Kong. Newcastle-based mobile app developers Hedgehog Lab celebrated an amazing 2015, achieving \$500,000 of sales in the USA. Those are examples of small businesses that are doing very well.

Our future trading relationship with the EU has yet to be determined, as hon. Members have said, but I will be as clear as possible. When the formal process of exiting the EU has been completed, the sky will not fall on our head. We will continue to trade with the EU. It is our friend, our ally and our trading partner. That will not change. We want to build the strongest possible trading links with our partners on the mainland, which throughout history have brought prosperity to Europe and raised living standards for all Europeans. Trade has always brought us closer together as a continent, fostering a common identity that will never diminish, regardless of whether the UK is in or out of the EU. We want the EU to succeed. It is really important to our country that our nearest neighbours are a success story.

A UK outside the EU can now reset and enhance its trading ties with the rest of the world, which already recognises that products made on these shores are synonymous with heritage, quality and innovation. DIT Ministers are travelling the world, and the extraordinary demand for British brands in places like the far east and America, and across the whole world, is truly remarkable. Let us take the example of cars. Today, a car manufactured in the UK and sold to India would face tariffs of up to 100%. The tariff for selling the same car to Brazil is less at 35% and for China it is 25%. We can do deals with those markets and find opportunities for cheaper tariffs there. A UK in full control of its trading arrangements can start to address the barriers that exist. There is untapped potential in the global economy that the UK is primed to take advantage of.

One or two points were made about delivering a manifesto for leaving. The hon. Member for Sedgefield said that there had been a promise of £350 million a week. He and I remember that that was checked by the UK statistical authority and there were questions about it ever being delivered. Dare I say, Mr Hollobone—I would not want to upset your sensibilities—there was a lot of hype that might be difficult to deliver on, but the Government must deliver the right outcome.

The shadow Minister talked about tariff and non-tariff barriers. Tariffs are probably relatively easy and straightforward to negotiate, because the outcome is numerical. We must be careful about non-tariff barriers, but we are all working extraordinarily carefully in trying to get to the right answer.

We talk about what sort of model we want. One of our problems in this debate is that people try to force the argument into a pre-determined shape: will it be a Swiss model, a Norwegian model or a Turkish model? The answer is that we will try to achieve a British model, which will achieve the best possible outcome that we can imagine. We will not try to do a deal that looks like someone else's, because we can do our own deal. That is our starting point.

[Mark Garnier]

When it comes to the issue of a running commentary, I take a slightly different view. We are all aware of the argument that no one lays all their cards on the table when playing poker—why would they do that? The important point is that we must be extraordinarily careful. We have heard from many people about the importance of businesses not misunderstanding what is going on. They want clarity, but I think it would be more dangerous were we to give the wrong idea about what is happening than no idea. If businesses start chasing false hares, they could head off in the wrong direction, and that would be dangerous, so we must be very careful.

I want to reassure businesses in the north-east and investors around the world that in our future trade negotiations, we will fight to ensure that the UK's sector strengths, be they automotive, aerospace, professional or financial services, remain as competitive as possible. We will achieve the best deal for the UK. I and my colleagues will continue to speak to businesses and investors, and the Secretary of State will meet big investors in the UK on more occasions.

A thriving north-east is vital to the long-term economic health of the whole country. It is a timely reminder that Britain still makes things the world wants to buy. The British people's decision to leave the EU does not mean that we will abandon or neglect our manufacturing prowess. We have opportunities. I was on the wrong side of the argument a few months ago, as was everyone else in the Chamber with the exception of you, Mr Hollobone, but that does not stop me being optimistic about the future for Britain. We are a great nation, and we are very enterprising and innovative. A big, economically disruptive event is happening, but I

believe that with the Government's help, when we can provide it, businesses will take advantage of the opportunities.

5.27 pm

Phil Wilson: I thank all hon. Members who have contributed to the debate, especially my colleagues from the north-east of England. I want to make one or two points. The Office for National Statistics may have said the £350 million figure was wrong, but people believed it. They did not consult the ONS's website to see whether it was accurate, they just accepted it.

I picked Nissan as an example of the issues that will arise. As my hon. Friend the Member for Hartlepool (Mr Wright) said, the north-east is about the automotive sector, steel, chemicals, pharmaceuticals, and research and development. It is on the coast, and we have two ports facing Europe. Europe is important, because 80% of the raw materials and parts we need for industry comes from there. Brexit is a big issue, and I worked tirelessly to try to ensure that we stayed in Europe. This is bigger than party—it is about more than just the Conservative party and the Labour party. It is about the future of the country.

My hon. Friend the Member for Sunderland Central (Julie Elliott) said that the issue is partly a cross-party one. We must hold the Government to account, but we must also work together when necessary, because this issue is for all people whether they voted to remain or to leave.

Question put and agreed to.

Resolved,

That this House has considered the effect on exports from the North East of the UK leaving the EU.

5.29 pm

Sitting adjourned.

Written Statements

Tuesday 25 October 2016

TREASURY

Hinkley Point C: UK Guarantee

The Chief Secretary to the Treasury (Mr David Gauke): The UK Guarantees scheme was announced in July 2012 with spending cover provided through the Infrastructure (Financial Assistance) Act 2012, receiving Royal Assent on 31 October 2012. The scheme provides a sovereign-backed guarantee to help infrastructure projects raise debt finance. Guarantees for up to £40 billion in aggregate can be offered under the initiative.

As part of the Hinkley Point C negotiations, EDF sought a Government guarantee to assist in bringing forward investment. The Government are confirming that they have approved the provision of a guarantee for up to £2 billion to the project for the construction of its new EPR nuclear plant in Somerset, backed by commitments from the shareholders. The guarantee will be available from 2018 to 2020 if necessary conditions are met and is at Government's discretion. Even if made available, and EDF have indicated to the Secretary of State for Business, Energy and Industrial Strategy that it is not their current intention to take up the guarantee, I judge the likelihood of any call under the guarantee to be very low.

The Government will report to Parliament on the financial assistance given in line with the requirements set out in the Infrastructure (Financial Assistance) Act 2012.

[HCWS216]

EDUCATION

Supporting Apprenticeships

The Secretary of State for Education (Justine Greening): Apprenticeships transform lives and are vital in making this a country that works for everyone. As well as giving young people the chance to build a better future by taking their first step on the employment ladder, they give those already in work the opportunity to progress further. And for those just about managing, they can unlock a brighter future. That is why we are committed to 3 million new apprenticeships by 2020, spending £2.5 billion to transform this country's investment in skills, in our people.

For employers, apprenticeships bring great benefits too, by boosting the skills of the workforce and helping to increase economic productivity. Yet for too long far too many employers have under-invested in the skills of their employees compared to other countries. It is time to change that and ensure all employers play their part in improving productivity and social mobility. So we are working in partnership with employers to implement major reforms.

The new apprenticeship levy, which we are introducing in April 2017, will put the funding of apprenticeships on a sustainable long-term footing so we can support opportunities for all. The levy will be set at 0.5% of pay bill and only employers with a pay bill of more than £3 million will have to pay the levy. Employers that are

not eligible to pay the levy will continue to receive Government support towards the costs of apprenticeship training and assessment.

The levy applies to all UK employers but apprenticeship funding policy is devolved. It is for the devolved administrations to decide how they use their levy income. This statement sets out how we will fund apprenticeships in England to help build an economy that works for everyone.

To do that we are not only introducing the levy but also reforming the way we fund apprenticeships, introducing a dedicated register of approved apprenticeship training providers and launching the employer-led institute for apprenticeships. These changes will ensure apprenticeships are high quality, meet the needs of employers and provide opportunities for millions more people.

After extensive discussions with employers and training providers we are today publishing the final funding policy for May 2017 onwards and details of the new register of apprenticeship training providers. The adjustments we have made to the funding policy since our proposals in August will help ensure that the reforms benefit more employers, providers and apprentices.

Today we are confirming the final funding policy. Key features are:

- Higher funding for STEM apprenticeship frameworks and higher pricing of apprenticeship standards to support improved quality, and greater flexibility to train those with prior qualifications;

- Longer period of time for employers to spend funds in their digital account, now with 24 months before they expire, an increase from our original proposal of just 18 months;

- A commitment to introducing the ability for employers to transfer digital funds to other employers in their supply chains, sector or to apprenticeship training agencies in 2018, with a new employer group including the Confederation of British Industry, Federation of Small Businesses, British Chambers of Commerce, Charity Finance Group and EEF—the Manufacturers' Organisation—to help Government develop this system so that it works for employers.

- 90% contribution from Government to the cost of training for employers that will not pay the levy;

- 100% contribution from Government to the cost of training for small employers that will not pay the levy and who take on apprentices who are 16 to 18 years old, 19 to 24 year old care leavers or 19 to 24 year olds with an Education and Health Care Plan;

- £1,000 each from Government to employers and training providers when they take on 16 to 18 year olds, 19 to 24 year olds who were in care or who have an Education and Health Care Plan;

- Help for training providers to adapt to the new, simpler funding model through an additional cash payment equal to 20% of the funding band maximum where they train 16 to 18 year olds on frameworks; and

- A simplified version of the current system of support for people from disadvantaged areas to ensure the opportunity to undertake an apprenticeship is open to everyone, no matter where in England they live, their background or family circumstances.

We will continue to work in close partnership with employers and providers in the implementation of these reforms. We know they are major changes and we want to work together to ensure we transform our country's skills for the benefit of all.

[HCWS214]

FOREIGN AND COMMONWEALTH OFFICE

Foreign Affairs Council

The Minister for Europe and the Americas (Sir Alan Duncan): My right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs attended the Foreign Affairs Council on 17 October. The Foreign Affairs Council was chaired by the High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini. The meeting was held in Luxembourg.

Foreign Affairs Council

A provisional report of the meeting and conclusions adopted can be found at:

<http://www.consilium.europa.eu/en/meetings/fac/2016/10/17/>.

European Union global strategy

The Council discussed the follow up the EU global strategy on foreign and security policy and adopted Council conclusions. The Foreign Secretary made clear that the UK would continue to support European security after Brexit. He encouraged other European countries to spend more on defence and exploit the EU's soft power.

Tunisia

The Council discussed Tunisia and adopted conclusions on the joint communication "Strengthening EU support for Tunisia", which was presented by Member states Mogherini and Commissioner Hahn. Member states welcomed the EU stepping up its support but underlined that Tunisia needed to deliver reform for real progress to be made.

Syria

Foreign Ministers discussed the situation in Syria, in light of recent developments on the ground and the escalation of violence, including in Aleppo. The Foreign Secretary briefed Ministers on the 16 October London meeting that he had hosted. Ms Mogherini concluded that the EU should work closely with the UN both on the humanitarian track and on preparing for the post-conflict phase.

Migration

Foreign Ministers took stock of recent developments related to the external aspects of migration. Ms Mogherini briefly updated the Council on migration partnership frameworks, underlining to Ministers her view that they had created a positive change in attitude within partner countries.

Ministers agreed without discussion a number of measures:

Council conclusions on the Democratic Republic of Congo

The Council adopted decisions on partnerships priorities and compacts with Jordan for the period 2016-18 and with Lebanon for the period 2016-20.

The Council renewed the EU restrictive measures in view of the situation in the Republic of Guinea until 27 October 2017.

The Council approved the state of preparations of the first inter-summit meeting of the Ministers of Foreign Affairs of the Community of Latin American and Caribbean States (CELAC) and of the European Union, which will take place on 25 and 26 October 2016 in Santo Domingo.

The Council adopted the provisional agenda of the second EU-Iraq Co-operation Council, which will take place on 18 October 2016 in Brussels.

The Council adopted the common foreign and security policy report "Our priorities in 2016".

The Council authorised the signature of an acquisition and cross-servicing agreement between the EU and the United States of America.

The Council approved the High Representative's report on the 24th Operation Althea six-monthly review.

[HCWS217]

INTERNATIONAL DEVELOPMENT

IBRD Loan to the Government of Iraq

The Secretary of State for International Development

(Priti Patel): I have today laid a departmental minute outlining details of a contingent liability of the US dollar equivalent of £360 million which DFID has undertaken, in respect of the World Bank Group.

The twin shocks of the Daesh insurgency and the 40% decline in Government revenue following the fall in oil prices since 2014 have threatened Iraq's stability. At the G7 in May, the IMF, World Bank and G7 partners pledged to provide a \$12 billion package of assistance to the Government of Iraq. The World Bank's share of the package comprises three \$1 billion development policy loans from the International Bank for Reconstruction and Development (IBRD) arm of the World Bank, with the first to be disbursed this year. Provision of the IBRD loans will be conditional on Iraq committing to, and implementing, reforms in the areas of public expenditure, energy efficiency, and transparency of state-owned enterprises. These reforms complement the package of reforms already agreed between the Government of Iraq and the IMF in July of this year, and will support Iraq's economic development.

The IBRD's internal rules on loan exposure to any one country constrain the extent to which it can increase its lending to Iraq. This proposed UK guarantee will allow the IBRD to increase the size of its 2016 loan by the US dollar equivalent of £300 million. This will support fiscal stability in Iraq, and will underline the UK's commitment to supporting a key ally in the fight against Daesh.

DFID's contingent liability under this agreement is expected to be the US dollar equivalent of £360 million, covering the equivalent of £300 million of loan principal, plus the equivalent of around £60 million of interest payments. The agreement would be in place for the expected 15 year life of the IBRD loan. France and Canada are also currently considering using the same guarantee instrument to guarantee further additional IBRD lending to Iraq.

For the guarantee to be triggered, the Government of Iraq would have to be in arrears with the IBRD for over 180 days. The risk of Iraq defaulting, and the UK guarantee being called upon, is the same as the risk of Iraq defaulting on other IBRD lending. There is a strong incentive for Iraq avoiding a default, as this would prevent the IBRD from providing any further funding to Iraq. But in the event that the Government

of Iraq do default on a loan repayment to the IBRD, and the liability is called, the UK will provide a payment to the World Bank, in proportion to the UK's guaranteed share of the overall IBRD loan. The payment will prevent the loss on the loan from impacting on the World Bank's other lending activities. If the liability is called, provision for any payment will be sought through the normal Supply procedure.

If the Government of Iraq subsequently provide a payment to reduce its arrears, the World Bank will transfer the UK's share of the payment into a UK-controlled trust fund held at the Bank, to be used towards other World Bank activity as the UK sees fit.

[HCWS218]

TRANSPORT

European Maritime Safety Agency

The Minister of State, Department for Transport (Mr John Hayes): The Government welcome the efforts of the Commission to address the ongoing migration crisis, but have decided not to opt in to the JHA content in the proposal for a regulation of the European Parliament and of the Council amending regulation (EC) No. 1406/2002 establishing a European Maritime Safety Agency (EMSA).

The proposal—which has now been adopted—forms part of a wider package of measures by the Commission to ensure the protection of the EU's external borders.

The Commission has taken the view that the challenges which have arisen from the recent migratory crisis cannot be adequately dealt with by member states acting in an uncoordinated manner and that integrated border management should be a shared responsibility of a new European Border and Coast Guard into which national authorities with coastguard and border control responsibilities, the European Maritime Safety Agency (EMSA) and European Fisheries Control Agency (EFCA) can provide additional resources and contribute to better, more effective co-ordination and co-operation.

The core tasks of EMSA currently deliver a high, uniform and effective level of maritime safety and prevention of pollution within the EU, achieved by ensuring a consistent application of EU maritime law.

The amendments to the EMSA founding regulation will have the effect of immediately expanding EMSA's role and responsibilities beyond its current core tasks of managing maritime pollution and safety. It will formally establish co-operation for the prevention, detection and investigation of criminal offences by enabling EMSA to make available information with other national authorities with coastguard and border control responsibilities, the European Fisheries Control Agency (EFCA) and the European Border and Coast Guard Agency, which is currently accessible through ship reporting and other information exchange systems.

Such co-operation is indirect—EMSA itself will have no role to play in the exchange or analysis of such information between the agencies—and there is little practical or operational benefit for the UK from this measure. The Government maintain that the effect of

the measure amounts to an obligation that falls within the scope of the JHA section of the treaties and is, therefore, subject to the UK's JHA opt-in. It is on that basis that the Government have decided not to opt in.

[HCWS215]

WORK AND PENSIONS

Ministerial Correction

The Parliamentary Under-Secretary of State for Pensions (Richard Harrington): An error has been identified in a reply to a written question given to the hon. Member for North Thanet, *Official Report*, 9 September 2013: Column 612W.

The reply given was:

Sir Roger Gale: To ask the Secretary of State for Work and Pensions which French tropical overseas territories were included in his Department's average temperature calculations in respect of winter fuel payments to expatriate UK citizens living in the EU member states. [167864]

Steve Webb: From 2015-16 winter fuel payments will no longer be payable to individuals in countries where the average winter temperature is warmer than the warmest region of the UK (South-West England). The Government have worked with the Met Office to analyse comparable winter temperature data across all EEA countries. The Met Office used recognised administrative regions for each country. For France this was the 27 regions, including French Guyana, Guadeloupe, La Reunion, Martinique and Mayotte. It does not include the French overseas territories, which are not part of the EEA.

It should have said:

From 2015-16 winter fuel payments will no longer be payable to individuals in countries where the average winter temperature is warmer than the warmest region of the UK (South-West England). The Government have worked with the Met Office to analyse comparable winter temperature data across all EEA countries. The Met Office used recognised administrative regions for each country. For France this was the 27 regions, including French Guiana, Guadeloupe, La Reunion and Martinique. It does not include the French overseas territories, which are not part of the EEA.

[HCWS213]

Employment, Social Policy, Health and Consumer Affairs Council

The Minister for Employment (Damian Hinds): The Employment, Social Policy, Health and Consumer Affairs Council met on 13 October 2016 in Luxembourg. Damian Hinds MP, Minister of State for Employment at the Department for Work and Pensions, represented the UK.

The Council reached a general approach on the proposal to amend the carcinogens and mutagens directive, which protects workers from the risk of exposure to carcinogens and mutagens in the work place. The UK, along with all member states and the Commission, supported the proposal.

The Council also reached political agreement on the directive to implement the social partner agreement on the ILO Work in Fishing Convention. The UK supported

the proposal but also submitted a minute statement which outlined reservations on its application to the self-employed and competence.

There was a policy debate on the Commission's New Skills agenda proposal and an endorsement of the Employment Committee (EMCO) opinion on it. The UK intervention set out the UK's skills plan and apprenticeship reforms, emphasising the importance of putting employers at the heart of the system. The UK welcomed the EMCO opinion, including recognition that many of these issues were member state competence.

The Council endorsed the Social Protection Committee (SPC) and the EMCO reports on the European semester. The Commission noted and endorsed the streamlining of the European semester process.

There was an exchange of views, followed by a lunch time discussion, on youth employment. The Commission highlighted the tools and funding the Commission has made available to fight youth unemployment. There was then an exchange of views on long-term unemployment.

The presidency outlined the agenda for the Tripartite Social summit on 19 October.

The Council adopted Council conclusions on the Court of Auditors report on Roma integration. Introducing the item, the presidency noted that 6 million Roma living in the EU still faced discrimination and disadvantage. It would bring a second, broader, set of conclusions to Council in December.

The Council generally endorsed the joint EMCO/SPC opinion on the social pillar. The presidency and the Commission confirmed this would not pre-empt member state Government responses to the on-going Commission consultation.

Under any other business, the presidency provided information on the revision of the Blue Card directive, the action plan on integration of third country nationals, and the collaborative economy. The Greek delegation provided an update on labour market reforms in Greece.

[HCWS212]

ORAL ANSWERS

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