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10 July 2018**

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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Tuesday 10 July 2018

House of Commons

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The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

BUSINESS BEFORE QUESTIONS

UNIVERSITY OF LONDON BILL [*LORDS*]

Second Reading opposed and deferred until Tuesday 17 July (Standing Order No. 20).

Oral Answers to Questions

JUSTICE

The Secretary of State was asked—

Offenders' Access to Education and Employment

1. **Jeremy Quin** (Horsham) (Con): What steps the Government is taking to improve offenders' access to education and employment. [906347]

3. **Jim Shannon** (Strangford) (DUP): What steps the Government is taking to improve offenders' access to education and employment. [906349]

10. **Alex Chalk** (Cheltenham) (Con): What steps the Government is taking to improve offenders' access to education and employment. [906356]

The Lord Chancellor and Secretary of State for Justice (Mr David Gauke): Reoffending costs society around £15 billion a year. We must support people's rehabilitation through education and employment opportunities, both when serving their sentence and after. We launched the education and employment strategy in May, and our reforms will empower governors to commission bespoke, innovative education provision that meets the needs of their prisoners and links to employment opportunities on release. Our reforms will also engage and persuade employers to take on ex-prisoners via the New Futures Network. We have consulted governors and employers on proposals to increase the use of release on temporary licence to enhance employment opportunities.

Jeremy Quin: May I press the Secretary of State on the release on temporary licence scheme? What are the measures of success? How useful has it been in getting prisoners out of prison and into full-time employment on an ongoing basis?

Mr Gauke: It is useful, but I want us to do more of it. The education and employment strategy seeks to expand the use of workplace release on temporary licence—

ROTL—to get prisoners who have earned it and who have been properly risk assessed out of their cells and into real workplaces. That will enable prisoners to build trust and prove themselves with an employer. If people do ROTL, they are more likely to be employed, and if they are employed, they are less likely to reoffend.

Jim Shannon: I thank the Secretary of State for his response. Of the 4,221 prisoners who reoffended in Northern Ireland, over two fifths, 43.6%, reoffended within the first three months. Will the Minister outline whether any initiatives are specifically aimed at providing guidance in those all-important first three months?

Mr Gauke: The hon. Gentleman raises an important point. Whether through the probation service, through charities or in prisons, we need to ensure that offenders get support when they are released. A lot of that work can be done within prison, which is why the education and employment strategy is so important. We want people to be geared up to go into employment when they are released, because if they are employed, they are less likely to offend.

Alex Chalk: I warmly welcome attempts to improve the employability of those in custody, but that will work only if the training relates to jobs that individuals want and for which there is a need in society. What steps are being taken to ensure that the resources are properly targeted at what will work best?

Mr Gauke: My hon. Friend is right. Returning again to the education and employment strategy, our emphasis is on ensuring that training is focused on what will help people into work, and we are giving governors greater control and discretion to ensure that they are well placed to do that.

23. [906370] **Bridget Phillipson** (Houghton and Sunderland South) (Lab): Female offenders often have complex needs and getting the right support in place can be vital in helping them to turn their lives around, so why have members of the Government's advisory board said that recent announcements from the Secretary of State represent a missed opportunity and are simply not sufficient to achieve his ambitions?

Mr Gauke: The female offender strategy, which I outlined a couple of weeks ago, has by and large had a positive response, and our focus on residential centres has been warmly welcomed. Of course, there are those who are calling for us to go further, and we will continue to listen and engage, but the direction in which we are going has widespread support and fully recognises the hon. Lady's important point that we need to address complex needs.

Rebecca Pow (Taunton Deane) (Con): Data has highlighted that two thirds of young offenders have speech, language and communication problems. Does my right hon. Friend agree that, with joint working across the Department for Education, the Department of Health and Social Care and the justice system to bring forward programmes that will tackle the issue from birth, such as parental training, more health visitors and better advice, we could actually prevent many young people from ever getting into the criminal justice system?

Mr Gauke: My hon. Friend raises several important points, and I will try to address one or two of them. On the need for us to work across Government, many issues are not just for the Ministry of Justice, but for the likes of the Department of Health and Social Care and the Department for Education. It is also the case that we want to work upstream, because if we can address the complex problems that exist, we can stop people committing crimes in the first place.

David Hanson (Delyn) (Lab): Effective employment via the Through the Gate programme depends on effective community rehabilitation companies, which the Select Committee on Justice recently described as “wholly inadequate.” What plans does the Secretary of State have to fix community rehabilitation companies in Through the Gate?

Mr Gauke: The right hon. Gentleman is correct to say that the Through the Gate service needs to improve, and we are engaging with CRCs on that issue. We recognise it does not meet the standards we require, and it is important that we engage. We have been clear with the CRCs that they need to improve their performance, and we are in commercial negotiation with providers to secure the quality of services, including Through the Gate services, that we need.

Youth Justice System

2. **Dr Caroline Johnson (Sleaford and North Hykeham) (Con):** What steps the Government are taking to reform the youth justice system. [906348]

11. **Maggie Throup (Erewash) (Con):** What steps the Government are taking to reform the youth justice system. [906357]

The Parliamentary Under-Secretary of State for Justice (Edward Argar): Since the creation of our youth justice reform programme in 2017, reports by Her Majesty’s inspectorate of prisons have highlighted improvements in the youth secure estate. It is encouraging to see that our reforms are starting to have an impact on the ground, but there is more to do, which is why we are continuing to invest in system-wide reform further to improve safety and outcomes, and why we are expanding frontline public sector staff capacity at young offender institutions. That is why this is a priority for me and for the Secretary of State.

Dr Johnson: I congratulate my hon. Friend on his promotion to a ministerial role. Many children and young people in custody have poor educational attainment. What is he doing to ensure that children in custody have access to good education?

Edward Argar: I thank my hon. Friend for her comments. Her work with young people, on both their health and welfare, is well known.

Education should be at the heart of youth custody and must meet the needs of young people. It is there to prepare them for employment, an apprenticeship or continued education when they are resettled back into their communities. We are building more flexibility into the core day, which is designed to ensure that all children receive an individualised education programme tailored

to their needs. We are working with each YOI on plans for improving delivery of education to those young people who are unwilling or unable to participate in the mainstream regime.

Maggie Throup: I also welcome my hon. Friend to his new role. Does he agree that, although these reforms are welcome, they form only part of the solution? Can he outline what work his Department is doing to support community-based projects, which can play a crucial part in preventing more young people from entering the youth justice system in the first place?

Edward Argar: My hon. Friend makes an important point, and I agree that support in the community plays a vital role in our efforts to reduce the number of those entering youth custody. I am clear that custodial sentences should be handed down only when absolutely necessary, which is why we have provided £72 million to the Youth Justice Board for the youth offending teams that deliver youth justice services and for community-based interventions.

19. [906365] **Mr Jim Cunningham (Coventry South) (Lab):** What is the Minister doing on the mental wellbeing of first-time offenders? Has he spoken to the Secretary of State for Health and Social Care about that?

Edward Argar: The hon. Gentleman highlights an extremely important point, because we know the evidence shows that first-time offenders, particularly youth offenders, often display a multitude of challenges in their background, including in their mental health. I have already had informal discussions with the Under-Secretary of State for Health and Social Care, my hon. Friend the Member for Thurrock (Jackie Doyle-Price). She and I have regular bilaterals scheduled to discuss exactly this sort of issue.

Ellie Reeves (Lewisham West and Penge) (Lab): Howard League research shows that children aged 16 and 17 who are living in children’s homes are at least 15 times more likely than other children of the same age to be criminalised. What discussions have Ministers had with other Departments about reducing the number of care leavers in our justice system?

Edward Argar: I hope that the hon. Lady will allow me to point to my future intentions. Having been in post for just shy of three weeks, I have not yet had any formal discussions; I have had the informal discussions I mentioned. I intend that bilateral meetings with colleagues in the Department of Health and Social Care and the Ministry of Housing, Communities and Local Government will be part of my regular meetings programme.

Michael Tomlinson (Mid Dorset and North Poole) (Con): I, too, warmly congratulate my hon. Friend on his appointment. With nearly 80% of young offenders who are sentenced to a short term of imprisonment going on to reoffend, prison is not working. It is not working for them, or for the victims of crime, which means there are more victims of crime. Will he consider a presumption against short-term sentences and instead consider a rigorous community system with a focus on rehabilitation?

Edward Argar: Although it is right that sentencing decisions should always rest with the judiciary and a custodial sentence should always be an option where the nature of the offence absolutely merits it, given the persuasive evidence that short custodial sentences are not the most effective way to secure rehabilitation and reduce reoffending, we will be looking at what more we can do to provide alternatives and to highlight that short custodial sentences should be used only as a last resort.

Mr David Lammy (Tottenham) (Lab): I, too, welcome the new Minister to his position. May I recommend to him the Lammy review? In it he will see that there is tremendous concern that the youth prison population now is 43% from a black or ethnic minority background. Will he look closely at its recommendations and can I meet him soon?

Edward Argar: First, I commend the right hon. Gentleman for his work on that review, which is well known to this House and beyond. It is an excellent review, with an excellent report, which was one of the first documents I read upon my appointment. I considered all its 35 recommendations carefully and I am absolutely delighted to agree to meet him.

Richard Burgon (Leeds East) (Lab): The last inspection report on Oakhill said that there is no evidence that the 80 children held there are adequately cared for. Oakhill is managed by G4S. I have been asking parliamentary questions about whether G4S is meeting its contractual obligations there and the answers are revealing:

“The Contract for Oakhill STC is between the Secretary of State for Justice and STC Milton Keynes Ltd (the Contractor), of which G4S is their Operating Sub-Contractor. We therefore do not have information on the proportion of contractual obligations that G4S has met.”

Does the Minister agree that that is yet more proof that outsourcing and privatisation should be ended in our prison system?

Edward Argar: It is a pleasure to answer the shadow Secretary of State from the Dispatch Box. He highlights an extremely important issue. I believe there is a role for the public, private, and voluntary and philanthropic sectors in our justice system. He highlights the issues at Oakhill. Ofsted’s findings in the inspection report on Oakhill at the end of last year are unacceptable, and we took urgent action to address the concerns raised. We are robustly monitoring performance against the contract, and I am clear that all options remain on the table.

MOJ Staff on Low Pay: Wages and Conditions

4. **Catherine West (Hornsey and Wood Green) (Lab):** What steps he is taking to improve wages and conditions for staff of his Department who are on low pay. [906350]

The Parliamentary Under-Secretary of State for Justice (Lucy Frazer): I would like to take this opportunity to congratulate the staff of the MOJ on, and thank them for, all the important work they do across a number of spheres. The MOJ continues to pay the statutory national living wage or above to all its staff.

Catherine West: I thank the Minister for her answer, but will she explain why the same workers are paid the London living wage in the Department for International Development? Does she believe that a cleaner in DFID is worth more than a cleaner in her Department?

Lucy Frazer: Obviously, I cannot comment on DFID, but I can comment on the MOJ. We pay a significant number of our employees the real living wage. As at 1 December last year, only 1,791 of more than 22,000 employees within the MOJ and its agencies, excluding Her Majesty’s Prison and Probation Service, were paid below the real living wage. In HMPPS, only 540 out of more than 47,000 direct employees were paid below the real living wage.

Andrew Selous (South West Bedfordshire) (Con): No one has to be a public servant, and it is really important that prison officers get up in the morning and enjoy going to work. There were some worrying figures recently showing an increase in the number of prison officers leaving the profession. What more can we do on induction and supervision to keep our excellent prison officers in post, where they are desperately needed?

Lucy Frazer: My hon. Friend makes an important point. We are of course recruiting more prison officers. Enjoying one’s work is not just about pay, and the reward strategy in prisons is about officers working closely with their prison governors to ensure that they have an opportunity to develop in work and get the most out of their work.

Richard Burgon (Leeds East) (Lab): I regularly ask parliamentary questions about staffing levels and conditions at the private probation companies. The answers from the Department are shocking. None of the community rehabilitation company contracts specifies that CRCs must maintain staffing numbers at a particular level. When Ministers bailed out the private probation companies last year with another £342 million, they did not bother to make staffing levels a contractual obligation. Why not? Does the Department not care about accountability? Or is it because, in the Secretary of State’s privatised probation service, profits always come first?

Lucy Frazer: We believe it is important that systems work and that outcomes are effective. The contracts focus on ensuring that the right outcomes are achieved, not on the number of people who work under them.

Leaving the EU: UK Legal System

5. **Mary Robinson (Cheadle) (Con):** What steps the Government plan to take to ensure that the UK legal system operates effectively after the UK leaves the EU. [906351]

The Parliamentary Under-Secretary of State for Justice (Lucy Frazer): With the European Union (Withdrawal) Act having now received Royal Assent, we are ensuring that this country’s statute book will operate effectively after we leave the EU.

Mary Robinson: The application of new technology has the potential to make our justice system even fairer and more effective. Measures such as the adoption of

the use of video technology in court by the Courts and Tribunals Service could aid speed and accessibility. Will the Minister tell me how the Government aim to encourage much-needed innovation in the justice and legal system?

Lucy Frazer: The Ministry of Justice is doing a number of things to improve innovation. In the courts themselves, we have a £1 billion programme that is digitalising our court services and bringing them up to date. We are also ensuring that our legal services sector continues to thrive and prosper globally. Only yesterday, we had the first meeting of the law tech panel, which is supported by Government but led by the industry to support innovation and technology for our legal services sector.

Joanna Cherry (Edinburgh South West) (SNP): Last month, the Scottish Government produced the latest in their series of “Scotland’s Place in Europe” policy papers. The paper emphasises the importance of co-operation with the European Union on criminal justice and law enforcement for Scotland’s legal system, which is of course separate from the legal system for the rest of the UK. Will the Minister tell us what discussions she has had with her Scottish counterparts about that policy paper?

Lucy Frazer: The hon. and learned Lady makes an important point, because we have distinct legal systems in Scotland and in England and Wales, and we must recognise that. Last month, I had the pleasure of meeting Michael Clancy from the Law Society of Scotland to discuss a number of issues relating to Scotland. My officials meet regularly with their counterparts in Scotland.

Joanna Cherry: We know from the Chequers agreement that the Prime Minister is relaxing her red lines on the European Court of Justice. The Scottish Government stated in the paper that I mentioned that they would welcome ECJ jurisdiction on data protection matters to maintain data sharing for justice and law enforcement purposes. Just last week, the Exiting the European Union Committee recommended that the ECJ should continue to have jurisdiction over aspects of data protection after we exit the EU. Does the Minister agree with the Scottish Government and the Select Committee that that would be a good thing?

Lucy Frazer: The Prime Minister has made it clear that the ECJ will no longer have direct jurisdiction in this country. Where we continue to operate common rules, it will of course be appropriate that this country can look to the ECJ jurisprudence to decide the way forward.

Offenders: Help to Find Employment

6. **David T. C. Davies** (Monmouth) (Con): What steps his Department is taking to help offenders find employment upon leaving prison. [906352]

The Lord Chancellor and Secretary of State for Justice (Mr David Gauke): The education and employment strategy will set each prisoner on a path to employment from the outset. Through work, people can turn their backs on crime. Good behaviour and hard work will be rewarded with opportunity. Since the strategy’s publication,

more than 30 new organisations have registered an interest in working with offenders. Nine Government Departments are signed up to the Going Forward into Employment pilot to hire ex-offenders in the civil service, and the first cohort of offenders is already in post.

David T. C. Davies: I thank my right hon. Friend’s Department for the interest it has already shown in a project to enable serving prisoners to undertake the theoretical exams required for a career in the haulage industry, which is currently very short of workers. As a result of the meetings I have had with the Department, a pilot project is taking place in south Wales. I thank Ministers for that and ask that they continue to show interest in the project.

Mr Gauke: I thank my hon. Friend for his point. It is an example of where I hope that my Department and Her Majesty’s Prison and Probation Service can work with employers to ensure that we help get more people into work, which is good for the individual offenders, good for the employers and society benefits as a whole because it contributes to reducing reoffending.

Chris Elmore (Ogmore) (Lab): The Justice Secretary will know that there is no women’s prison in Wales and I am not advocating that there should be one. However, that will mean that there are considerable issues of geography for some women who do commit offences, so can he set out how he is able to support women who do offend, who live in Wales and who wish to relocate there in order to find employment in communities that they know and in which they have often grown up?

Mr Gauke: I thank the hon. Gentleman for his question. I point him in the direction of the female offender strategy, which we published a couple of weeks ago. One point that we argue in that is that, in many cases, custodial sentences are not the right approach, particularly for female offenders who, disproportionately, are sentenced to short sentences that disrupt their lives and do little to help them rehabilitate. If we can do more about helping in the community and, for example, making use of residential centres, we can help ensure that more female offenders get into work.

Tim Farron (Westmorland and Lonsdale) (LD): Eighteen months ago, a constituent of mine who had left prison just before Christmas and been through perfunctory training and employment introductions found himself out of prison and living on the street within 36 hours. Before the new year came round, he had committed another offence and been given another 12 months in prison. Will the Secretary of State commit to making sure that packages that are aimed at getting prisoners into work after prison actually work and are not perfunctory and that, from the day a person enters the criminal justice system, they are trained to live a fruitful life once they leave it?

Mr Gauke: I agree entirely with the right hon. Gentleman’s point. He highlights an example—a sad example, but not, I accept, the only one—where people, too quickly, go out of prison and commit a crime and are then set in a cycle of offending and reoffending. The system is not working for them or for society. The

purpose of the education and employment strategy, which is implicit in his question, is an important point, and we must ensure that we implement it successfully. The purpose of that is to address this very issue.

Sir Mike Penning (Hemel Hempstead) (Con): Some of the people who are disproportionately represented inside the prison system are ex-servicemen. What plans does the Secretary of State have to bring charities such as Care after Combat into the prisons to help to ensure that reoffending does not take place and that these people who are heroes one day are not villains the next?

Mr Gauke: My right hon. Friend raises an important point. It is important for all offenders that we address this issue, but there is a particular point about ex-service people. He is right to highlight the very strong charitable sector in this area. I am determined to ensure that we continue to engage with those charities to provide people with the support they need, making sure in particular, in the context of his question, that those who have served this country are not disadvantaged.

Mr Gregory Campbell (East Londonderry) (DUP): Reducing reoffending rates is crucial. What information are the Minister and the Government providing in wider society to point out the benefits of a reduction in reoffending rates not just for prisoners, but for the wider society?

Mr Gauke: The hon. Gentleman is absolutely right. I have just delivered a speech making that very point, so I am doing my little bit that way. That is a message that we need to be getting across. How do we reduce reoffending? We must rehabilitate and we must help people into employment.

Drones over Prisons

7. **Johnny Mercer** (Plymouth, Moor View) (Con): What steps the Government is taking to tackle the use of drones over prisons. [906353]

18. **Sir Henry Bellingham** (North West Norfolk) (Con): What steps the Government are taking to tackle the use of drones over prisons. [906364]

The Minister of State, Ministry of Justice (Rory Stewart): Reducing the use of drones in prisons means four things: we must tackle the criminal gangs that organise the drones; we must tackle the people who fly them over the wall; we must ensure that we have electronic jamming equipment in place; and we need physical security in the forms of nets and grilles to prevent the prisoners from accessing those drones.

Johnny Mercer: I know that my hon. Friend likes nothing more than donning his budgie smugglers and sitting in the back garden on a Sunday afternoon. Drones can be a menace in that regard. Will he confirm exactly what he is doing in some of the measures that he is putting in place to combat drones in prison?

Mr Speaker: That sounds a very rum business to me.

Rory Stewart: You are right, Mr Speaker; it does sound a pretty rum business. The serious point about drones is that, rather than flying over my back garden in Penrith and The Border, they are bringing illicit substances into prisons. Of the four methods I emphasised, the key

way of dealing with that—the one that is the most important of all—is physical security. If we have the right nets and grilles, it is simply impossible for the prisoner to put their hand out of the window and take the drugs off the drones. Of the four methods, perimeter security is probably the most important.

Sir Henry Bellingham: I thank the Minister for taking the issue suitably seriously. Is he aware of a particular issue in a number of prisons, including Wayland prison in Norfolk, where the drone flyers have been acting with impunity and have become ever more brazen in their conduct? Will the Minister tell the House how far he has got in implementing the measures he has mentioned? Is there not now an argument for a specific new offence of flying drones in that way?

Rory Stewart: We have made a lot of progress on the issue. In prisons such as Liverpool, where the new grilles are coming in, and Chelmsford, where we have the new protective equipment in place, we can see that it is more and more difficult to get a drone into a prison. When the nets are working and the grilles are up, it is difficult to do. There are other things we can do, too. One central thing is intelligence operations to identify organised criminal gangs. We are introducing sentences—in a recent case someone who flew a drone into a prison received a seven-year sentence.

Dr Paul Williams (Stockton South) (Lab): It is estimated that more than 200 kg of drugs were smuggled into prisons in England and Wales in 2016. What proportion of that 200 kg does the Minister estimate was delivered by drones? What else is happening to stop the use of other methods of delivering drugs into prisons?

Rory Stewart: The payload of a drone is relatively limited. The amount of weight that it can carry tends to be 1 kg or 2 kg at the maximum. Therefore the majority of drugs that come into prison are almost certainly going over the wall by other means—thrown over or posted over impregnated in paper—or carried in by people coming into the prison. That is why we are investing much more now in different types of scanners to pick up any human bringing drugs into prison and are also ensuring that we have the perimeter security in place for the throwovers.

Mobile Phones: Smuggling into Prisons

8. **Scott Mann** (North Cornwall) (Con): What steps he is taking to prevent the smuggling of mobile phones into prisons. [906354]

The Minister of State, Ministry of Justice (Rory Stewart): It is central that we also tackle mobile telephones. The reason is that if we do not, crimes can be committed by people within prison reaching outside the prison walls, both bringing illicit substances into the prison and terrorising their victims outside.

I take this opportunity to pay tribute to my hon. Friend the Member for Lewes (Maria Caulfield) for the private Member's Bill that she effectively took through on Friday. That is going to make it much more difficult for people to use mobile phones in prisons, by working with the mobile telephone companies.

Scott Mann: I was in the Chamber to see the progress of my hon. Friend's Bill on Friday. It is an exceptionally well put together Bill. What discussions has the Minister had with the Department for Digital, Culture, Media and Sport about the implementation? When are we likely to see some progress?

Rory Stewart: I have met the Department for Digital, Culture, Media and Sport and we have looked at two areas. We have looked at devices that can be used within the prison walls. As my hon. Friend the Member for North Cornwall (Scott Mann) pointed out in his speech on Friday, and in his question today, there is much more that we can now do by working with the mobile telephone companies to identify the exact frequencies and strengths of transmissions, to locate the mobile phones, prevent their use and analyse the traffic data.

24. [906371] **Liz Saville Roberts** (Dwyfor Meirionnydd) (PC): Diolch yn fawr iawn. I rise as co-chair of the justice unions parliamentary group. Management at HMP Berwyn has made much of the use of digital technology as part of its innovative regime, but in recent days, prison officers there have lost teeth through being head-butted, have been injured, pushed down stairs and had excrement and urine thrown over them. I am told that violence against staff goes effectively unpunished, with prisoners spending only a few hours in segregation. Senior management lost a vote of confidence by prison officers last week. Given the Secretary of State's announcement today, what will the Minister do to safeguard prison officers at Wrexham?

Rory Stewart: This is a very serious point and a very serious challenge. I will be following up this allegation with the governor. The governor has generally done a very good job in Berwyn, and the report that the hon. Lady raises is very disturbing. We must be clear that we have to support our prison officers. We are doing that through supporting a private Member's Bill to double the sentence for assaults, and investing in body-worn cameras and trials of PAVA spray. But unless we have decent safety regimes, it is almost impossible to do other forms of rehabilitation. We need to learn from the prisons that are doing best in reducing violence. I pay tribute, for example, to Wandsworth, which has made a lot of progress over the past 12 months.

Female Offenders

9. **Helen Whately** (Faversham and Mid Kent) (Con): What steps the Government is taking to improve the management of female offenders in the criminal justice system. [906355]

The Parliamentary Under-Secretary of State for Justice (Edward Argar): I am pleased that, as my right hon. Friend the Secretary of State has set out, on 27 June we published our new strategy for female offenders. This set out our vision and plans to improve outcomes for women in the community and in custody, but, most importantly in doing so, to help reduce reoffending and see fewer victims of crime. A key theme of the strategy is the need for a joined-up approach to addressing the often complex needs of female offenders, including through new women's residential centres, which give judges an alternative to short custodial sentences.

Helen Whately: I congratulate my hon. Friend on his new role. East Sutton Park prison in my constituency has a fabulous reputation for preparing women offenders for life back in the real world. For instance, 90% of its inmates do not reoffend within two years, which, as he will know, is much better than the general national statistics. While I welcome the plans to reduce custodial sentences for women, may I ask for his support for this model prison in my constituency and invite him to come and see it for himself?

Edward Argar: As I highlighted in my response to my hon. Friend the Member for Mid Dorset and North Poole (Michael Tomlinson), while a custodial sentence should always be an option, there is strong evidence that short custodial sentences do not achieve the best rehabilitation and reduction of reoffending outcomes. I recognise that women's prisons, including East Sutton Park, of which my hon. Friend is a strong champion in this Chamber, are among our best. We will continue to work with it and I would be delighted to visit.

Ruth Cadbury (Brentford and Isleworth) (Lab): Given that Baroness Corston's seminal 2007 review of women in prison set out a clear case for the benefit of women's centres and said that they should be at the centre of a successful strategy on female offending, why are the Government insisting on piloting this when we already know that it works? Is it because of lack of funding?

Edward Argar: I pay tribute to the work of Baroness Corston in her ground-breaking 2007 report, and indeed to the work of the right hon. Member for Delyn (David Hanson), who took some of this forward in his time as a Minister. The landscape of the evidence base on reoffending has continued to evolve and change. We continue to work with that model. We believe that the steps we have set out for five residential women's centres as a pilot is the right way to approach this, but it remains only a first step on a journey.

Victoria Prentis (Banbury) (Con): I welcome the Government's new women's strategy. May I encourage the Minister, who I welcome to his place, shortly to meet the all-party parliamentary group on women in the penal system, and to work with me and Baroness Corston to ensure that we can deliver these reforms at pace?

Edward Argar: I pay tribute to Baroness Corston for her work. My hon. Friend is far too modest to highlight her own significant contribution in this area and her significant work with Baroness Corston. I have already written to the APPG that she chairs and would be absolutely delighted to come and meet it.

Mr Speaker: Well, it runs in the family, because the hon. Lady's dad, as many will remember, was a very modest man, with nothing to be modest about.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): New Hall, one of the largest women's prisons, is close to my constituency. The message that I am getting from it recently is, first, about the evaluation of whether new prisoners are literate or numerate, and whether they

have problems with autism. Secondly, it demands that all women prisoners should be safe and secure from sexual depredation when they are serving their sentence.

Edward Argar: The hon. Gentleman is right to highlight that safety should be at the heart of everything we do in our custodial estate, be that for female prisoners, male prisoners or young offenders. That is safety for the prisoners, safety for their fellow prisoners and safety for the prison officers who are looking after them. It remains a priority for me.

Imran Hussain (Bradford East) (Lab): The Government's Advisory Board for Female Offenders identified £50 million that had been earmarked for building women's prisons. Can the Minister guarantee today that all of that £50 million will be reinvested in the female offender strategy, or is this just another example of the Government's refusal to properly fund that strategy?

Edward Argar: First, I pay tribute to the work of that panel and those on it. Although I have not yet had the opportunity to formally chair a meeting of the panel, I met a number of panel members at an informal meeting. The Ministry and this Government have never put a figure on the prison building programme. That is not a figure that I recognise. We have been very clear that our priority is investing in the strategy that the Secretary of State launched. We have already set out £5 million for that and made it clear that it is only the first step.

Prisoners: Access to Healthcare

12. **Sarah Jones** (Croydon Central) (Lab): What plans the Government have made to improve access to healthcare for prisoners. [906358]

The Parliamentary Under-Secretary of State for Justice (Edward Argar): Offender health is a key part of delivering a secure and safe environment for those in our custody. I will appear before the Select Committee on Health this afternoon to address questions on exactly that topic, and we continue to see investment in progress in this area.

Sarah Jones: My constituent has multiple sclerosis. He went to prison nine months ago, newly diagnosed and relatively healthy. Now he has two hearing aids, is partially sighted and has to use a wheelchair. Despite that extreme deterioration, he was only taken to see a neurologist seven months after his arrival in prison. As a vulnerable inmate, is he not owed a duty of care by the prison? At the very least, should he not be moved to a category D prison closer to home?

Edward Argar: I am grateful for the hon. Lady's question. While it is not for me to talk about the categorisation of a particular prisoner, and I cannot go into the specific details of that case on the Floor of the House, I will say, as I said in answer to her initial question, that the care, health and wellbeing of prisoners is all of our concern. If she feels it would be helpful to discuss the specific case she mentions, I am happy to meet her.

Probation Service: Recruitment and Retention in Oxfordshire

13. **Layla Moran** (Oxford West and Abingdon) (LD): What recent assessment his Department has made of trends in recruitment and retention rates for the probation service in Oxfordshire. [906359]

The Minister of State, Ministry of Justice (Rory Stewart): We have a series of challenges in relation to retention in Oxfordshire, some of which will be familiar to the hon. Lady. They are partly about the fact that people can get jobs in London, with London weighting, and they are partly to do with general problems around employment. We are, however, addressing them through a new recruitment campaign that is much more locally targeted, and I am pleased to say that we have managed to increase the number of applications from 500 to 5,000.

Layla Moran: I thank the Minister for his well-prepared answer, but the fact is that the probation service in Oxfordshire is at breaking point. That is also to do with sky-rocketing workloads, the high cost of living and paltry pay rises since 2009. One officer told me that they are being forced to cut corners and feel they "can no longer actively reduce reoffending or keep the public safe."

How can we guarantee that these measures will actually work? Is it not time to consider a housing allowance?

Rory Stewart: We have been in discussion with the Treasury, and we got clearance this week to begin discussions with the unions on the question of pay. Of course pay matters, but we have also learned real lessons about recruitment. As I say, ensuring that we are not simply doing national recruitment campaigns but are specifically targeting Oxford markets and working in the relevant universities is really beginning to get results. We are filling places much more rapidly, and by the spring of next year, we should be fully staffed.

Marsha De Cordova (Battersea) (Lab) *rose*—

Mr Speaker: The hon. Member for Battersea (Marsha De Cordova) should worry not, because I am very much hoping to get to her question. She is not in isolation—she is the leader of a group—so I am not going to muck up the group by calling her now, but I am beavering away to get to Question 17.

Criminal Justice System: Contribution of Sport

14. **Mark Pawsey** (Rugby) (Con): What assessment his Department has made of the contribution of sport to effective outcomes in the criminal justice system. [906360]

The Parliamentary Under-Secretary of State for Justice (Edward Argar): There is good evidence that sport and physical activity have considerable benefits for the physical, mental and social wellbeing and motivation of prisoners while they are in custody and can improve their prospects for successful resettlement in the community. To understand the fuller picture, Professor Rosie Meek of Royal Holloway, University of London was commissioned to undertake

an independent review of the role of sport in youth justice. Her report will be published shortly, and we will respond to it.

Mark Pawsey: Programmes run by professional rugby clubs—such as the England-wide Hitz programme, which is run in my nearest premiership club, Wasps, and Saracens' Get Onside in London—build up career aspirations for young offenders and those excluded from school. We have already heard that rates of reoffending are too high, but the Get Onside programme prevents 92% of the young offenders involved from returning to crime. Does the Minister recognise the benefit of these sports-based programmes?

Edward Argar: I am absolutely delighted to join my hon. Friend in highlighting the important and successful programmes of this sort that are run by clubs such as Saracens. They are already using sport and team sports such as rugby to improve outcomes in prison effectively, but also, importantly, to reduce reoffending on release. He is absolutely right to praise them.

Nick Smith (Blaenau Gwent) (Lab): One of my constituents is concerned that her son has put on significant weight in prison. What are the Government doing to provide health education, sport and a better diet to help offenders?

Edward Argar: The hon. Gentleman is absolutely right to highlight that all three of those factors play a part in whether a prison is a safe place and whether it looks after the welfare of those in it. As I have highlighted, we continue to focus on sport, and we have commissioned a review, and we continue, as does Her Majesty's inspectorate of prisons in holding us to account, to deliver a healthy regime in prisons.

Prison Officers: Protection from Violence

15. **Tom Pursglove** (Corby) (Con): What steps the Government are taking to protect prison officers from violent behaviour. [906361]

The Minister of State, Ministry of Justice (Rory Stewart): Reducing violent behaviour in prison is absolutely vital, particularly for our prison officers, who are doing unbelievably difficult and challenging jobs and turning around people's lives. We are addressing this through body-worn cameras and better use of CCTV, and we are ensuring—in supporting the private Member's Bill introduced by the hon. Member for Rhondda (Chris Bryant)—that we are doubling the minimum sentences for assaults against prison officers.

Tom Pursglove: When the new prison in neighbouring Wellingborough is open, it may create many new jobs for my constituents in Corby and east Northamptonshire. To encourage more people to apply for and then stay in prison officer roles, what thought are the Government giving to further deterrents and sanctions for violent prisoners?

Rory Stewart: My right hon. Friend the Lord Chancellor laid out in a speech this morning the incentives and earned privileges schemes that he will be pushing for, which are exactly intended to incentivise good behaviour

and make sure we turn around people's lives. On the subject of my hon. Friend's constituents, and indeed those of any Member, I want to re-emphasise that being a prison officer is one of the most honourable roles in public service and does an extraordinary amount for public safety. It is a challenging, fulfilling and tough job, and we would encourage more people to apply for that role.

Non-road Traffic Accident-related Personal Injury Claims

16. **Dan Carden** (Liverpool, Walton) (Lab): What assessment he has made of the effect on access to justice for people injured at work of his Department's plans to raise the limit for non-road traffic accident-related personal injury claims on the small claims track. [906362]

The Minister of State, Ministry of Justice (Rory Stewart): On non-road traffic accident-related personal injuries, the decision has been made to increase the small claims limit from £1,000, where it was set in 1991, to £2,000 in line with retail prices index inflation. This is in line with what happens in many other European countries—in Norway, for example—in taking lawyers out of the smallest claims.

Dan Carden: In the light of the Supreme Court ruling on the Unison employment tribunal case, will the Minister think again? Increasing the small claims limit would remove the ability of many people injured in the workplace to pursue claims against their employees. The Minister will know from the Justice Committee's report that litigation is the main driver for maintaining health and safety in the workplace.

Rory Stewart: The important thing to understand about the small claims process is that the shift from £1,000 to £2,000 is simply to ensure that the original 1991 legislation keeps up with inflation—the RPI increase—in line with the Judicial College guidelines. This is not about people with catastrophic, life-changing injuries, but about people with injuries below the £2,000 level. We are making sure that the small claims process is fair, transparent and easy for the public to access without expensive lawyers.

Gloria De Piero (Ashfield) (Lab): In its report on the small claims limit increases, the Justice Committee noted the

“compelling evidence of the obstacles that would be faced”,

and concluded that the changes would

“represent an unacceptable barrier to access to justice.”

Will the Minister listen and think again before pursuing another attack on workers?

Rory Stewart: I am always prepared to meet the hon. Lady and to listen. I emphasise again that this is simply a change in line with RPI. The small claims limit was set at £1,000 in 1991. The proposal is now to move it to £2,000, which is simply in line with the retail prices index, so that we have the same fair policy today that we had in 1991.

Probation Services

17. **Marsha De Cordova** (Battersea) (Lab): Whether he has plans to change the contracts of private sector probation companies; and if he will make a statement. [906363]

21. **John Spellar** (Warley) (Lab): Whether he plans to review the future provision of probation services; and if he will make a statement. [906367]

22. **Kelvin Hopkins** (Luton North) (Ind): Whether he plans to review the future provision of probation services; and if he will make a statement. [906369]

The Lord Chancellor and Secretary of State for Justice (Mr David Gauke): We are currently in commercial negotiations with community rehabilitation companies, with the aim of amending contracts and improving operational performance. Once we have concluded those negotiations, we will be in a position to provide further detail about the changes that we intend to make.

Marsha De Cordova: Last year, the Ministry of Justice bailed out privatised probation companies to the tune of £342 million, leaving the public to foot the bill for their inadequate work, which the chief inspector of probation found to make a negligible difference. Will the Minister commit today that there will be no more bail-outs for those privatised probation companies?

Mr Gauke: We should be clear about what happened. Last year, we amended contracts to ensure that payments made to community rehabilitation companies were more in line with the costs that they incur to deliver core services. We are paying CRCs less than we originally intended when the contracts were let: they are receiving less than their costs, a consequence of over-optimistic bidding on their part. When we talk about bail-outs, we should be clear that those companies are receiving income that is less than it costs them to provide the services.

John Spellar: Why will the Secretary of State not accept the conclusion of the Conservative-led Justice Committee that this is, in its words, “a mess” and may never work? Why does he not stop throwing good money after bad, cut his losses, blame his predecessor and be applauded for bringing this vital service back in-house?

Mr Gauke: As I said in my earlier answer, we are engaging with the CRCs, which do need to improve their service. The model that we have has opened up the delivery of probation services to a range of new providers. It has extended support and supervision to an additional 40,000 offenders leaving prison. First-generation contracts can be difficult to get right—I acknowledge that—but we are taking all necessary steps to get the performance that we require.

Kelvin Hopkins: Given the constant underperformance, high cost and deeply abject failure of private probation companies, is it not time to re-establish a professional, coherent and comprehensively public probation service?

Mr Gauke: I am not sure that the complaint about high cost holds together: the services are being delivered for less than we had expected, although we acknowledge that there are problems. The one thing we hear from the Opposition about justice is that the private sector should be kept out at all costs. I do not think that ideological approach is sensible. It is important that there should be a mixed market.

Yasmin Qureshi (Bolton South East) (Lab): Last year, as we have heard, the privatised probation services got a £342 million bail-out despite underperforming. There are press rumours that the contract will be changed again. Will the Minister give a commitment today that the privatised probation services will not get a penny more until the Government have held a review into the botched privatisation of probation services?

Mr Gauke: I come back to my previous points. The CRCs have been receiving less income than it costs them to deliver the services. Because of the reforms undertaken a few years ago, 40,000 offenders get support who would have got nothing previously. The contracts can be challenging; it is right that we look at that and deliver good value for money for the taxpayer and good-quality services. That is what we are determined to deliver.

Topical Questions

T1. [906372] **Mr Virendra Sharma** (Ealing, Southall) (Lab): If he will make a statement on his departmental responsibilities.

The Lord Chancellor and Secretary of State for Justice (Mr David Gauke): Today, I have announced an additional £30 million investment in our prison estate, including £16 million to improve facilities at 11 of our most pressed prisons. Some £6 million will enhance security and tackle those co-ordinating drug dealing from inside through scanners, better searching and phone-blocking technology. Since February, 12 such serious criminals have been targeted for disruption, with nine already having been transferred to other parts of the estate, including more secure prisons.

Mr Sharma: The Government are conducting a review of the impact of the swingeing cuts to legal aid since 2012, but they have so far refused to say whether more funding will be made available for legal aid. Will the Secretary of State confirm that additional funding will be made available if it is found to be required, or is the review simply an exercise in moving legal aid funding from one cause to another?

Mr Gauke: The purpose of the review is to assess what we need to do. That is the correct way to go about it. Obviously, we will need to engage with the Treasury in terms of future spending reviews, but we have a serious piece of work, with very substantial engagement with stakeholders, on which to make an assessment of how the legal aid system is working.

T4. [906375] **Scott Mann** (North Cornwall) (Con): Will the Minister give an update on how restorative justice programmes are being rolled out and how they are being used for public good and environmental measures?

The Parliamentary Under-Secretary of State for Justice (Edward Argar): My hon. Friend is right to highlight the important role of restorative justice. The Ministry of Justice supports the provision of victim-focused restorative justice as one of a range of measures to help victims to cope with and recover from crime. A recent evaluation showed that 85% of victims who participated in restorative justice said they were satisfied with the experience, which can, of course, bring benefits to the community as well.

Richard Burgon (Leeds East) (Lab): In my first two questions today, I focused on the widespread failings of privatisation in our justice system. I have written to the Secretary of State about the close relationship that his Department has with outsourcing giant Serco, a relationship that is ever closer given that his new Minister was once its spin doctor-in-chief. Will the Secretary of State confirm to the House today that he has reorganised responsibilities in his Department, so that his new Minister in charge of youth justice will not be involved in any way in any of the young offender institutions that Serco manages?

Mr Gauke: There has been no reorganisation of responsibilities. There is no conflict of interest here at all. The suggestion that because somebody has worked in the private sector for such a company, there is a conflict of interest is not accurate. The hon. Gentleman's hostility to the private sector, in this sector and across the piece, is symptomatic of why the Labour party should be kept as far away from the Government Benches as possible.

T6. [906377] **Julian Sturdy (York Outer) (Con):** Although the Guardianship (Missing Persons) Act 2017 has received Royal Assent, families of missing people are still unable to make applications to become guardians of their loved ones' affairs. Will they be able to do so before the end of this calendar year?

Edward Argar: My hon. Friend is right to highlight this important issue, and I pay tribute to my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) for successfully piloting the 2017 Act on to the statute book. Department officials are currently drafting rules of court regulations and a code of practice, so that those drafts can be finalised and consulted on. I am keen that we make as rapid progress as possible.

T2. [906373] **Liz Twist (Blaydon) (Lab):** An increasing number of cases have been reported in the press where victims of serious crime, including a man who was deliberately infected with HIV, are not getting the compensation they are entitled to because of minor unspent convictions. Will the Minister commit today to reviewing the rules governing the Criminal Injuries Compensation Authority to ensure that victims are not denied compensation for having minor unspent convictions?

Edward Argar: The hon. Lady highlights an important issue. As she will be aware, the rules that govern how the Criminal Injuries Compensation Authority operates are set by this House, but it operates entirely independently of Ministers in its awards and in its application of those rules. She highlights an important issue, which I know the Secretary of State will have heard very clearly.

T9. [906380] **Charlie Elphicke (Dover) (Ind):** Do Ministers agree that the Sentencing Council has shown great leadership in acting swiftly to address the growing threat of fentanyl and other synthetic opioid drugs by issuing guidance last month? Will the Minister continue to work with me to raise awareness of this deadly drug?

The Minister of State, Ministry of Justice (Rory Stewart): I pay tribute to my hon. Friend for his campaigning on this issue. As right hon. and hon. Members are aware, fentanyl is an incredibly dangerous drug, because even in minuscule quantities, it can do more damage than heroin and cocaine. We have had nearly 240 deaths in Britain and the United States has had up to 20,000 deaths in a year from fentanyl, so the recent actions from the Sentencing Council and the Crown Prosecution Service to clarify how noxious this substance is are welcomed, and I repeat my tribute to the hon. Gentleman for raising this issue.

T3. [906374] **Tom Brake (Carshalton and Wallington) (LD):** While I understand why the Government are spending £7 million on installing in-cell telephones in prisons as part of a drive to improve rehabilitation, will the Government also look at whether there should perhaps be additional funding for the healthcare system within the court system? Ministers will be aware that Tony Fitzsimons, the chair of the Lay Observers National Council, has highlighted concerns that people are not getting the care that they need in courts. I am happy to write to the Minister about this issue.

The Parliamentary Under-Secretary of State for Justice (Lucy Frazer): I would be very grateful if the right hon. Gentleman could write to us. We are in the middle of a £1 billion court programme, which includes a number of things, such as technology and improving other services such as family rooms, where people can spend time with their families. We are looking at a number of things that I am very happy to talk to him about.

Mr William Wragg (Hazel Grove) (Con): Following the Chequers statement, will my right hon. Friend the Lord Chancellor lay before the House details of what active provisions his Department is making for a deal not being secured with the European Union?

Lucy Frazer: At the Ministry of Justice, we are very much working to ensure that we get the best, and the right, deal for our country, but like all competent Departments, we are also working to ensure that if there is no deal, we are ready for it. We have £17.3 million extra from the Treasury to look into this and ensure that we have the right Brexit scenario.

T5. [906376] **Karen Lee (Lincoln) (Lab):** Research by the Howard League shows that Her Majesty's Prison Lincoln's population is currently 138% more than its certified normal accommodation capacity. I hear about this at first hand because a close relative of mine is a senior prison officer. What measures does the Minister have in place to address prison overcrowding and the dangerous conditions that it creates both for prisoners and staff?

Rory Stewart: First, my right hon. Friend the Lord Chancellor announced this morning an additional £16 million to invest in decency—that is, bringing cells back into operation that have been taken out and

making sure that the basic fabric is repaired. However, the most important thing is the building of 10,000 new prison places, beginning with Wellingborough and Glen Parva and moving on, to provide exactly the decent conditions that the hon. Lady raises in her question.

Alex Burghart (Brentwood and Ongar) (Con): On Friday, we had an important debate in this House about telephony in prisons. On the back of that debate, will the Minister set out what more we are doing to tackle drugs in prisons?

Rory Stewart: Tackling drugs in prisons involves dealing with how the drugs get into the prison—either over the wall or on a person—the demand in the prison and the way that we search people within the walls. All these things need to be done simultaneously—supply, demand and searching—and the key to this is training, training, training.

T7. [906378] **Preet Kaur Gill** (Birmingham, Edgbaston) (Lab/Co-op): Following the question from the hon. Member for York Outer (Julian Sturdy), campaigners supporting missing people and their families are concerned, despite assurances that a timetable for implementation of the Guardianship (Missing Persons) Act 2017 would be set out before the summer. Will the Minister give the families the assurance of a specific timetable for the implementation of this vital Act and clarify when the rules of court will be published?

Edward Argar: I entirely understand the concern of the hon. Lady, many hon. Members and many members of the public about this issue and their determination to see this delivered. I share that determination, but it is important that, while we work at pace, we ensure that the rules of court are correct. I am determined to make sure that we do everything we can to speed it up.

Andrew Selous (South West Bedfordshire) (Con): What analysis has the Ministry of Justice done on how well the public sector is doing in taking on ex-offenders in employment? Does the Minister agree that we cannot just exhort the private sector to step up to the plate in this area if the public sector is not leading by example?

Mr Gauke: My hon. Friend is absolutely right to highlight this point. Indeed, many parts of the public sector are stepping up and doing that—the Prison Service itself takes people on. We have a pilot programme in north-west England that is focused on this. My hon. Friend is tireless in campaigning for employers to take on ex-offenders, and I commend him on his activity.

T8. [906379] **Gerald Jones** (Merthyr Tydfil and Rhymney) (Lab): Family drug and alcohol courts have widespread support among lawyers, judges and policy makers, and they deliver far better outcomes for children and families than other options do. Despite that, the service faces closure because of funding cuts. Can the Secretary of State guarantee funding today to safeguard this vital service?

Lucy Frazer: The hon. Gentleman is absolutely right that the family drug and alcohol courts do great work. The fact that the Tavistock and Portman Trust is not going forward with the programme will not affect any

of the existing courts. It is disappointing that the trust has chosen not to continue with the programme, and we will continue to look at the provision of this important service.

Sir Mike Penning (Hemel Hempstead) (Con): On behalf of the Government, I stood at the Dispatch Box beside the Treasury Bench and promised the country that we would have a victims law. May I ask the Minister where that victims law is?

Edward Argar: I am grateful to my right hon. Friend for that question, and I know that the House is grateful to him for his work and his tireless campaigning in this area. We have made it clear that we are committed to bringing forward a victim strategy this summer, which will look at both legislative and non-legislative options for delivering what he mentions. I would be delighted to meet him to discuss it further.

T10. [906381] **Mr Jim Cunningham** (Coventry South) (Lab): In the light of the tragic hit-and-run accident in Coventry some time ago, in which two children were killed and a family devastated, are there any plans to review the law and sentencing in that area?

Rory Stewart: Absolutely. We remain very committed to this. We have undertaken extensive consultation on extending the maximum sentences for causing death by dangerous driving, and we are looking at those for causing death by careless driving. We intend to introduce legislation as soon as parliamentary time allows.

Several hon. Members *rose*—

Mr Speaker: I think single-sentence questions are now required.

Liz McInnes (Heywood and Middleton) (Lab): In the light of the question asked by my hon. Friend the Member for Coventry South (Mr Cunningham), when is the Secretary of State going to reply to my letter asking when longer sentences for causing death by dangerous driving will be introduced into legislation, as was promised in October last year?

Rory Stewart: I refer to my previous answer. This is a priority for the Government, but we need to find the right legislative instrument for doing it. Be in no doubt—it will happen.

Ruth George (High Peak) (Lab): Pursuant to the Minister's response about the issue, raising the small claims limit for employers' liability will affect about 40% of claimants, many of whose employers claim that those individuals contributed to their own accidents through negligence. How are they supposed to stand up, unrepresented, to their employer and their insurance company?

Rory Stewart: The entire purpose of the small claims court is to make sure that minor injuries—in this case, the claims limit was set in 1991 at less than £1,000 and will rise to £2,000—are dealt with without lawyers. The same thing happens in most of our European partner countries. Norway is a very good example of a model in

which exactly such cases are taken through without lawyers, up to a much higher value than would be the case here.

Daniel Zeichner (Cambridge) (Lab): The Under-Secretary of State for Justice, the hon. and learned Member for South East Cambridgeshire (Lucy Frazer), wants to close the magistrates court in Cambridge. What assessment has she made of suggested ways to keep a magistrates court in Cambridge, and when will she make a decision?

Mr Gauke: The decision about the magistrates court in Cambridge will be for me to make. I want to look at all the evidence and the representations that have been made, and I will make a decision in due course.

Mary Glendon (North Tyneside) (Lab): According to the Public and Commercial Services Union, there are almost 1,200 staff at the Ministry of Justice on poverty pay. Will the Minister support the union's 5% pay claim for all public sector workers?

Lucy Frazer: I have already set out the figures in relation to pay, and I think the hon. Lady will find that they are not at 5%.

Sarah Jones (Croydon Central) (Lab): Jerome Rogers from New Addington in Croydon committed suicide when he was 20 years old, after being hounded by

bailiffs who broke regulation after regulation in their horrific handling of his initial—very small—traffic fines. Jerome's family will be in Parliament next week for a meeting of the all-party group on debt and personal finance, and there is a programme about his life, "Killed By My Debt", on BBC 1 next week. Will the Minister please meet Jerome's family?

Lucy Frazer: The hon. Lady makes an important point, and she will be aware that we are looking at the question of the small number of bailiffs who are not acting appropriately. I would be very happy to meet her and the family.

Mr Speaker: Finally—in a sentence, I am sure—Mr Barry Sheerman.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Will the Secretary of State do something about the way in which we treat miscarriages of justice in this country, and will he meet the all-party parliamentary group on miscarriages of justice to discuss it?

Mr Gauke: The hon. Gentleman will be aware of the case that was before the Supreme Court recently. We shall see where that leads, but I am sure that a member of the ministerial team would be delighted to meet the all-party parliamentary group.

Points of Order

12.40 pm

Richard Burden (Birmingham, Northfield) (Lab): On a point of order, Mr Speaker.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): On a point of order, Mr Speaker.

Mr Speaker: I am saving up the hon. Member for Birmingham, Northfield (Richard Burden). I call Mr Barry Sheerman.

Mr Sheerman: This is a very busy time for Parliament, Mr Speaker. I do not know whether you have been able to see the queues that are gathering around the Palace, especially now, when so many schoolchildren are taking their last opportunity to visit. Is it right that the queues are so long, that security is so slow, and that most of the entrances to this great royal Palace are filthy, with the smell of urine, with vomit and dirt, and—well, I do not want to go into the details of what you can see at those entrances. Is it not about time that someone did something about this royal Palace and the access to it?

Mr Speaker: I am extremely grateful to the hon. Gentleman for his point of order. I am concerned when from time to time there are lengthy queues that inhibit people from getting into the building. It is true that last night someone who was due to be present at—and eventually came to—the function taking place in Speaker's House was delayed as a result of a queue. I think it important to be clear that sometimes it is perhaps our fault, and sometimes people perhaps do not allow sufficient time for the fact of the security process that they have necessarily to undergo.

As for the hon. Gentleman's concern about what might be called malodorous matters, I am not unconscious of that phenomenon, although whether it is quite as pervasive as the hon. Gentleman suggests is, I think, a matter of some uncertainty. As the hon. Gentleman knows, however, I have always taken him immensely seriously, the more so now that he is in his 40th successive year as a Member of this House, and although I will probably regret saying this, I would exhort him, if he wishes to pursue the matter further, to write to me—although, as I say, I may very well regret tendering him that advice, for he normally requires no encouragement.

Mr Sheerman: Further to that point of order, Mr Speaker. I know that you are a very busy man, but may I invite you to join me on a walk around the Palace so that we can see it in person?

Mr Speaker: I can imagine few things in this life more pleasurable than undertaking a leisurely excursion anywhere, including the Palace of Westminster, with the hon. Gentleman. After all, I have visited the hon. Gentleman's Huddersfield constituency, and I have visited and spoken at his local university, praising him to the skies in the process, so it seems only fitting that the other end of the equation should be met. I dare say we will have a little toddle round the Place of Westminster together when the hon. Gentleman has got in touch with my office to arrange it, which I fancy he will require no further encouragement to do.

Richard Burden: On a point of order, Mr Speaker. I should be grateful if I could correct the record.

Last Wednesday, when I rose to ask the urgent question on Khan al-Ahmar that you had kindly granted me, I had just heard that bulldozers had arrived at the village, and that demolition had started. I reflected that in what I said.

Although demolition had indeed started at the nearby village of Abu Nuwar that morning, what I did not know was that the bulldozers had paused before commencing the demolition of Khan al-Ahmar. Whether that was because of the number of people who were there to protest—a number of whom were injured that day—or the presence of foreign diplomats, including those from the United Kingdom, I do not know. What I do know is that a court injunction has since been secured prohibiting the demolition until at least tomorrow. That makes the form of words that I used last week inaccurate, and I want to take this opportunity to correct the record.

In doing so, I thank Members in all parts of the House for raising their voices in opposition to the breach of international law at Khan al-Ahmar, which I am sure has helped to change the course of events in the past week. As the injunction is only temporary, however, pressure is still needed to keep the villagers of Khan al-Ahmar safe in the long term.

I am grateful for this opportunity to update the House, and to correct the record of last Wednesday's exchanges.

Mr Speaker: I am moved to observe that the hon. Gentleman, who is a very dextrous and dedicated parliamentarian, stretched the elastic almost, but perhaps not quite, to snapping point in getting across a particular line of argument or set of observations that he wished to be recorded in the *Official Report*. However, I want to say two things in response to him. First, I thank him for his typical courtesy in giving me notice that he wished to raise this matter, and indeed for his promptness in correcting the record at the earliest opportunity. Secondly, of course I would accept his correction in any case, and I am sure that the House will, but I speak with some experience of the hon. Gentleman, because for nearly five years we served together on the Select Committee on International Development, and I know both the extent of his knowledge of the matters he has just raised and the absolutely undeniable sincerity with which he pursues what are not merely his concerns, but the concerns of a great many people. So I thank him.

Sir Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr Speaker. I am sure you are aware that many Members of this House, and just as importantly the staff of this House, use the underground car park at Members' entrance. I reported to the Deputy Speaker over a month ago that the emergency exits from the underground car park had been sealed off because of water ingress. This is very dangerous and, as a former firefighter, I thought it important now that I address the fact that yet again when I parked in the car park yesterday morning the underground emergency car park exit was sealed off on all floors, yet the signs saying it was an emergency exit were still illuminated. People

[Sir Mike Penning]

would go to that should there be an incident, and they would not be able to get out. That is fundamentally wrong and dangerous.

Mr Speaker: If the right hon. Gentleman wishes to write to the director general of the House of Commons, who has overall managerial responsibility for the parliamentary estate and services delivered thereon, it is open to him to do so. I take very seriously what the right hon. Gentleman has said, but I know he would not expect me to furnish him with a detailed reply now.

Sir Mike Penning *rose*—

Mr Speaker: No further point of order is required. The matter will be looked into and the right hon. Gentleman will receive an answer. Whether it will satisfy his palate is another matter, but we will do our best.

Sir Mike Penning: Further to that point of order, Mr Speaker.

Mr Speaker: Very well.

Sir Mike Penning: When you are having a toddle around the Palace looking at entrances and other things, Mr Speaker, perhaps you could toddle down to the underground car park with me and see this for yourself?

Mr Speaker: I am not sure that we wish to conduct a procession on this matter, but I can certainly suggest to the hon. Member for Huddersfield (Mr Sheerman) that, if it suits him and he has no violent objection to the idea, our little toddle will include a search of that area. The right hon. Gentleman will know that I myself do not now use that area as my vehicle is parked elsewhere, and therefore I do not have reason, I must readily acknowledge, to go there with any frequency at all, but it would do no harm to do so, and if also—this is a bold expression of hope—it would bring a smile to the face of the right hon. Gentleman to know that his request had been complied with, I require no further incentive.

Bathing Waters

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

12.48 pm

Scott Mann (North Cornwall) (Con): I beg to move,

That leave be given to bring in a Bill to give the Environment Agency additional powers to control and reduce discharge from combined sewer overflows; to make other provision about bathing water quality and clean beach initiatives; and for connected purposes.

I rise to present this Bill in my name and those of my hon. Friends. The environment is very important to my constituents. I spend a lot of time taking questions in primary and secondary schools in North Cornwall and one question always comes up: “What are you doing about the environment?” Bathing waters are one of the most important reasons why people visit North Cornwall. I have some of the most beautiful blue flag beaches in the whole of the UK, and some of the most spectacular surfing and waves around the country. However, we have a significant problem.

My constituency has an antiquated Victorian sewerage system, as do many areas around the UK. The system is completely incapable of dealing with the torrential rain events that we have seen in recent years. Furthermore, when Governments invest in infrastructure, they tend to like people to be able to see that investment, and to be frank, sewers are not really that sexy. However, they serve a valuable purpose in taking away our surface water, general waste water and sewage to process. Most of the country relies on the combined sewer network in which surface water and toilet water are combined and treated together. When we have these big downpours and rain events, the system simply cannot cope and water companies have to flush excess surface water and sewage into the sea. These incidents are described as combined sewer overflows, and they happen more regularly than many people think. When one of these events happens, my inbox is filled with surfers and swimmers asking me to do something. The purpose of the Bill is to do just that.

The Environment Agency publishes extensive data on individual bathing waters on its website, showing pressures on water quality on specific beaches and up-to-date sampling information. Real-time monitoring information websites are helpful to my constituents, but at present this is just information provided for the sake of it, and recent statistics from the World Wide Fund for Nature show that 77% of events do not result in a follow-up. I welcome and praise the work being done by South West Water in the west country and by other water companies around the UK, but we could and should go much further. Our environment deserves better than letting sewage spill into our oceans.

I know that many hon. Members feel that water companies have large payrolls and big corporate bonuses, and that more of their profits should be reinvested into the system. In fact the Secretary of State for Environment, Food and Rural Affairs recently challenged the water companies to improve their financial and corporate behaviours in order to restore public trust in the sector. It is true to say that some water companies’ financial and corporate behaviours have eroded the public’s trust in the sector, and they must improve their financial and

corporate behaviours and practices, increase investment and offer fair prices to customers in order to restore that trust.

However, I think it would be unfair to ask the water companies to update the antiquated sewerage systems, so we have come up with a different way of approaching the issue. The reason that the system cannot cope is that the surface water run-off is too heavy during heavy rainfall events. The Bill will give the Environment Agency powers to fine water companies that allow sewage spills into the sea, and to reinvest that money in three different ways. First, it would provide farmers with funds to store water in attenuation ponds to slow down the water flow. Secondly, we should create more lakes and reservoirs—a proposal that is supported by the Angling Trust. Thirdly, in the areas with the most severe problems, the water companies should provide funding for free water butts and the fitting of those water butts in residential properties. Managing surface water would stop the sewage spills and allow the water companies to manage our waste water better.

The monitoring of the spills is also quite inadequate, and the Bill would ask the Environment Agency to monitor them all year round instead of doing so only in the summer months, as it does at the moment. There are many hardy souls who brave the waves in Cornwall in the middle of winter, and they want the same protections that are afforded the swimmers and surfers on the beaches in the summer months. I was able to glean the following information on the beaches in North Cornwall in preparation for today. The beaches that have had no spills in the past five years are Trevone, Harlyn bay, Trebarwith Strand, Crackington Haven and Crooklets in Bude. There is absolutely no information on Porthcothan, Treyarnon bay, Constantine bay, Mother Ivey's bay, Daymer bay, Northcott Mouth and Sandymouth. Even Booby's Bay had no information. So we can see that we need better monitoring of these processes. Polzeath had no spills last year but four the year before. Widemouth bay had three spills this year and five last year. Summerleaze

in Bude in my constituency had four this year and 15 last year. Those are the figures just for North Cornwall, but I know that these issues affect many coastal areas and I would expect to see similar data from many other areas around the country.

I have received a number of endorsements for the Bill. I had a phone call from Surfers Against Sewage yesterday, and they are very supportive of it. The Angling Trust says that although sewage spills along the coastline regularly hit the headlines, 89% of combined sewage overflows actually discharge into the rivers. The trust is very supportive of the Bill and its contents. Locally, I have the support of the fabulous Bude Cleaner Seas project, which has campaigned for so long on environmental protection around our coast. I also have the support of the Polzeath Marine Conservation Group.

The European waters directives have been good for protecting our bathing waters, but I believe that we can go further. My list of supporters for the Bill extends past the 11 names that I am allowed to read out today, and I apologise to those who have given me their support but who I am unable to name at this time. I believe that the measures in the Bill will address a problem that has existed for a long time in North Cornwall and around the country, and I hope that elements of the Bill or indeed the Bill itself can make progress through the House so that all my constituents will be able to feel that we are leaving this environment in a better state than we found it in.

Question put and agreed to.

Ordered,

That Scott Mann, Richard Benyon, Mr Ben Bradshaw, Robert Courts, Steve Double, James Heappey, Craig Mackinlay, Dame Cheryl Gillan, Mrs Sheryll Murray, Justine Greening, Tim Loughton and David Morris present the Bill.

Scott Mann accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 23 November, and to be printed (Bill 248).

Non-Domestic Rating (Nursery Grounds) Bill

Considered in Committee

DAME ROSIE WINTERTON *in the Chair*

Clause 1

EXEMPTION FOR BUILDINGS USED AS NURSERY GROUNDS

Question proposed, That the clause stand part of the Bill.

12.57 pm

The Parliamentary Under-Secretary of State for Housing, Communities and Local Government (Rishi Sunak): It is a pleasure to serve under your chairmanship today, Dame Rosie. I should like to start by reiterating this Government's commitment to supporting the sustainable growth of farming and horticultural businesses. We firmly believe that the agricultural exemption from business rates plays an important role in supporting this aim and boosting agricultural productivity. This measure will therefore help to drive our ambitions for a more dynamic and self-reliant agricultural industry. Until a Court of Appeal ruling in 2015, the long-standing practice of the Valuation Office Agency had been to apply the agricultural exemption to all plant nurseries. However, the ruling clarified that the exemption did not apply to plant nurseries in buildings that were not occupied together with agricultural land, and used solely in connection with agricultural operations on that or other agricultural land. This does not reflect Government policy, and neither does it reflect our commitment to growth in the rural economy. The Bill will therefore amend the Local Government Finance Act 1988 and enable the Valuation Office Agency to return to its former practice of exempting all plant nurseries solely consisting of buildings. It will also enable the VOA to exempt those plant nurseries that have been assessed since the ruling.

The Government have been consistently clear that they would take action on this matter. In March 2017, we set out our intention to legislate in a written ministerial statement. A further written ministerial statement was made in 2018, restating our intention to legislate and for the first time confirming that the measure would have retrospective effect in England from 1 April 2015. In Wales, the measure will have effect from 1 April 2017. The Bill delivers on that commitment and, once enacted, it will restore the previous practice and enable refunds to be provided to the handful of plant nurseries that have already been assessed for business rates as a consequence of the Court of Appeal ruling. While the Bill will restore the practice of exempting plant nurseries and buildings, it will not otherwise disturb the existing boundary of the agricultural exemption. The Bill amends schedule 5 to the Local Government Finance Act 1988, which determines the extent to which certain hereditaments are exempt from business rates.

Turning specifically to clause 1, it amends paragraph 3 of schedule 5 to the 1988 Act, providing that a building that

“is or forms part of a nursery ground and is used solely in connection with agricultural operations at the nursery ground”

will, subject to the passage of this Bill, be exempt from business rates. Clause 1 also contains a provision that the measure will have effect from 1 April 2015 in England and from 1 April 2017 in Wales, as requested by the Welsh Government. That will ensure that the measure has the intended retrospective effect and that refunds can be provided as necessary.

Jim McMahon (Oldham West and Royton) (Lab/Co-op): Dame Rosie, you will be pleased to hear that the Bill is non-contentious. It simply fixes the position as it was before the 2015 Court of Appeal ruling and, on that basis, the Opposition are happy to allow the Government to go ahead without objection.

It was said both in the press and when the Local Government Finance Bill was in Committee before the election that the Government were pledging to right the wrong of the Court of Appeal's hearing after listening to businesses' concerns, but several other similar representations have been made. For example, in towns where the banks have closed and there is no post office, a convenience store might step in to install a cash machine, but it would straight away be taxed on the turnover of the cash machine, which could take the store over the threshold for small business rate relief. There have been calls for that issue to be examined, but we are yet to see any progress.

Another big issue affecting many high streets and town and city centres is the impact of business rates on the viability of retail. We see companies go under on an almost weekly basis because they cannot afford to meet the high running costs of operating in primary locations. Communities resent seeing their local high streets and town centres go downhill, and businesses and representatives of other organisations have made the same point, but the Government have offered nothing comprehensive in response, because there would be a big bill.

However, the truth is that if we want to save our town centres and high streets, we must be bold and fully examine how such premises are taxed if they are to have any future. This goes beyond business; this is about communities. When people talk about how well or badly their communities are doing, they will often point to their town centres and high streets as a barometer. When people see the roller shutters pulled down or boards over windows, that has a material effect on how they feel about their community, and the Government ought to take note of that.

When the Local Government Finance Bill was in Committee, the Opposition made the offer that where there were non-contentious issues on which local government was seeking progress, we were happy to sit down and go through a plan for the legislation that ought to be brought forward. That would be done away from partisan interests because it is the right thing to do for our communities, and I look forward to the Minister arranging such a meeting.

Steve Double (St Austell and Newquay) (Con): I am delighted to speak in support of a Bill that rights a wrong that was clearly never intended in the first place, and I have the honour of being the Member who first raised this issue when the Local Government Finance Bill was in Committee last year. Unfortunately, however, the Conservative party's majority was not the only victim of last year's general election, because that Bill

fell at that point and the amendment that was likely to be made to it could not be passed, hence the need for this new Bill.

Plant nurseries play a vital role in this country's food production supply chain. At a time when we want to increase domestic food supply and become less reliant on imported food, it is right to do all we can to support an important industry and ensure that we do not impose a further tax on producers that would see them struggle with the additional costs. Many of them would face the possibility of going out of business, with the loss of jobs that that would entail. The Bill sets out to put in place what the Local Government Finance Act 1988 always intended and to ensure that the exemption for nurseries continues. It will support our rural economy, ensuring that we support food production and that jobs are retained in the industry. I am therefore pleased to support the Bill to ensure that it becomes an Act as soon as possible.

Mr Simon Clarke (Middlesbrough South and East Cleveland) (Con): Does my hon. Friend agree that this is a crucial Bill, because it gives hope to so many businesses that underpin life in rural constituencies such as his and mine?

Steve Double: I agree that it is vital to support those important businesses in our rural communities. If the jobs that they provide were lost, it would be difficult to replace them.

Sir Geoffrey Clifton-Brown (The Cotswolds) (Con): Does my hon. Friend agree that the Bill is important for farmers wanting to intensify their businesses, because it will put it beyond doubt that any nursery operation will come under the scope of the exemption?

Steve Double: I am grateful to my hon. Friend for that good point. We should do all that we can to support our farmers who want to diversify and expand their operations to include growing plants in greenhouses and so on, and they should be able to do so with confidence and in the knowledge that they will not suddenly incur a business rates bill. It is therefore correct that we introduce clarity and put right the wrong that the court case created. As I said, I do not believe that that wrong was ever the intention of Parliament or the Government, and we should provide the sector with confidence that horticultural buildings and nurseries will continue to attract the agricultural exemption that they should rightly have.

I acknowledge the role played by the National Farmers Union in bringing the matter to my attention and lobbying on this issue. It has spoken up for its members, ensuring that their voices have been heard. I thank the Minister and the former Local Government Minister, my hon. Friend the Member for Nuneaton (Mr Jones), for listening carefully to the arguments, agreeing to take this measure and ensuring that the matter is corrected. I welcome the Bill and trust that it will pass unopposed with wholehearted support from across the House so that it can reach the statute book as quickly as possible to support this sector.

Mr Marcus Jones (Nuneaton) (Con): I rise to support clause 1. As ever, it is a pleasure to follow my hon. Friend the Member for St Austell and Newquay (Steve

Double), although he has just reminded me of the Local Government Finance Bill and the many interesting and fun hours that we spent on it, particularly in Committee. Unfortunately, however, those hours were subsequently lost when the Bill fell, so it is good to see this measure coming to the House, as have several other provisions that were in the previous Bill.

The agricultural exemption for nursery grounds has been in place for a significant period, dating back to 1929. Indeed, this issue was raised during the passage of the Local Government Finance Act 1988, when Ministers gave a steer that there was a clear intention that nursery grounds should be subject to the same sort of exemption as other agricultural uses. The Court of Appeal case—the Tunnel Tech case—seems to have driven a coach and horses through the custom and practice since 1929 and the intimation given by the then Government during the passage of the 1988 Act that the status quo would prevail. To put it mildly, suddenly receiving a significant rates bill as the result of a Valuation Office Agency investigation and the subsequent Court of Appeal case has challenged a number of growers in the running of their businesses.

I am pleased in many ways to have played a small part in the Bill. My hon. Friend the Member for St Austell and Newquay apprehended me in the Division Lobby one evening to explain the challenge he was seeing in his area as a result of this Court of Appeal ruling and the problems it was likely to cause growers. We subsequently had meetings with the National Farmers Union, which put a coherent and collegiate case for restoring the status quo.

I am glad that, when I approached the then Secretary of State for Communities and Local Government and the matter was put before Ministers—we do not always receive this type of response—the unanimous verdict was that the Court of Appeal decision was not the right thing for growers and other such businesses and was not consistent with the Government's intention. I was delighted to publish a written ministerial statement confirming the Government's intention to restore the position as it was before the Court of Appeal ruling and to allow the agricultural exemption in this regard, as was clearly intended.

Ben Bradley (Mansfield) (Con): My hon. Friend mentions the NFU's contribution. Will he join me in showing appreciation for its work in representing our farming and agricultural industries, particularly when we are deciding on the future of those industries? Does he agree it is important that the Department for Environment, Food and Rural Affairs, in particular, continues working with the NFU to make sure we get the policy right?

Mr Jones: My hon. Friend makes an extremely important and pertinent point. The agricultural industry is very different from many other industries in this country. This country needs to be as self-sufficient as possible in food production, and we also need to consider that it is often difficult for producers in the industry to recover their costs. For example, there has been a perennial challenge for milk producers, which have not been able to realise even the cost of production. That is why organisations such as the NFU are extremely important in bringing such issues to the fore so that we maintain our food security.

Sir Geoffrey Clifton-Brown: Does my hon. Friend agree that, with Brexit, it will be ever more important that this type of horticultural industry is as competitive as possible? Countries such as Holland and Italy are increasingly competing with our industry, and it is much better to grow food here for phytosanitary, employment and all sorts of other reasons.

1.15 pm

Mr Jones: I completely agree with my hon. Friend. Again he is absolutely right that, wherever we can, we should be producing food in this country for those reasons.

Importantly, clause 1 is a retrospective measure. Such measures are often not retrospective, but it is important that the Bill is being implemented retrospectively, because a number of growers have already been caught by the provisions of the Court of Appeal decision and, as a consequence, have seen their business costs rise significantly. I have mentioned the challenges that agricultural producers often face, and those challenges are compounded when growers are retrospectively asked for an amount of money that they did not anticipate they would need to build into their business costs.

In this case, a number of growers will have already sold their produce and therefore will not have factored this into their price, if they were able to do so. The decision will put a significant strain on the businesses in question, so I am pleased the Bill is being applied retrospectively and that businesses that have already been caught by the Court of Appeal decision will be refunded any business rates they have paid.

Steve Double: Does my hon. Friend share my view that another reason why we need to keep costs down is to allow the industry to invest as much as possible in emerging new techniques and technologies for developing and growing food and increasing yield? An additional tax burden would reduce the amount of money the industry can invest for the future.

Mr Jones: My hon. Friend is right. There is huge potential for such industries to grow—pardon the pun—but investment in technology is needed for them to do that. If the Government or, in this case, the Court of Appeal decide to levy an additional cost on such businesses, bearing in mind many of them are small and medium-sized businesses, the chances of their being able to continue investment will be diminished. The Bill will therefore help us to facilitate businesses in taking advantage of new technological advances. By being more likely to invest than they otherwise would have been, they will be able to further themselves, and hopefully not only will their prospects improve but they will add to UK GDP and add jobs in their local area.

I am grateful to my hon. Friend the Minister, who is now taking the Bill forward. The Bill is a positive step to put right a Court of Appeal decision that most rational people consider to be wrong. I am extremely glad that the Bill is being applied retrospectively. As colleagues have said today, not only will it enable growers to continue growing produce to sell on to other growers, who can then provide the produce we all buy in the shops and subsequently eat, but it will enable growers to invest for the future. The Bill will make sure this country continues to be a leading player in advancing how we grow our food and sustain our population.

Matt Warman (Boston and Skegness) (Con): It is extraordinary that this House has spent so long talking about doing such a simple thing as undoing the errant court judgment, and I suspect we may even continue talking about it for a few minutes yet. However, that is only fitting, because, as has been said by a number of my hon. Friends, including the Minister, and by the Opposition, we are all here concerned about this issue as we understand the profound impact that a single court judgment could have had, not only on businesses up and down the country, but on the food chain and even on the communities and local economies that those businesses support.

I have talked in the previous debate on this matter about the individual constituency business that came to me to discuss the impact this court judgment would have had, not only on its business and bottom line, but, crucially, on the income to the local internal drainage board. This would have meant that in my constituency, which is the most at risk of flooding in the country, according to the Association of British Insurers, not only would businesses and livelihoods have been affected, as others have said, but, even worse, that huge swathes of the area would have been at greater risk of flooding. That would have posed a real threat to the broader economy, the food chain and huge numbers of people who live in areas at or sometimes below sea level and who rely on those internal drainage boards being able to function.

The Bill is therefore a hugely important tweak to the legislation that was inadvertently altered by the court judgment, and it is a fitting tribute to the change that the previous Minister and this Minister are initiating and seeing through respectively that we have devoted a reasonable amount of parliamentary time to it. However, it is worth pointing out that we would hope in future, in legislation generally, not just in this area, to avoid a single court judgment having the kind of ramifications that this one has had here. We would all like not to put our constituents through the genuine trauma of knowing that the business they work for might face real financial difficulties simply because of a single court judgment. Somewhat unusually, these people in my area may also face the risk of their homes and businesses being flooded, which is an additional factor.

Although it is good that the Government are fixing this and the Opposition parties have co-operated so readily in fixing it, we should also bear in mind that it would have been better not to have found ourselves in this situation in the first place. So my plea to the Minister is to see what he can do, working across the Government—I do not pretend that all the problems are in his Department, by any means—to avoid legislation where we have not thought through all the potential consequences of the precise wording. We spend a lot of time in Bill Committees and in Committee of the whole House going through pieces of legislation line by line, paying close and deep attention to every moment in those Committees, but sometimes such things lay themselves open to unintended consequences, so we would all welcome anything that can be done to try to avoid them.

Clearly, the Government have acted as quickly as they can, given the unfortunate situation with the previous Bill, to bring this piece of legislation back individually, notwithstanding the election interrupting the previous

passage of the Local Government Finance Bill. Obviously, that Bill was going to do a number of things far wider than this one and it is clearly the right thing to have adjusted how the legislation has been formatted so that we can do this quickly. It is likely we would have ended up seeing businesses paying large sums and going through significant difficulty only then to be given that money back. Of course it is a good thing that this legislation has been moved on faster than it otherwise might, but I hope that we would all like to avoid this sort of situation in the first place.

I will close simply by saying that I hope the Minister will do all he can to avoid this sort of situation arising again, should he have the opportunity. I re-emphasise how good it is that we have been able to bring this matter to a relatively speedy conclusion and how heartening it is to see so many colleagues discussing a matter that otherwise would have passed with relatively little attention. This is a good example of the Government giving real attention to an important matter and acting quickly to correct a court judgment that was never intended by any previous Government. I welcome the actions that the Minister has taken and, as I said previously, that his predecessor has taken. Perhaps weirdly, I welcome, above all, the co-operation of the Opposition in getting on with this ever so quickly. I hope that the constituents who raised this issue with me see that this is an example of action being taken and are genuinely reassured.

Mr Simon Clarke: It was particularly moving to be in here as we heard the sound of the RAF fly-past a few moments ago to mark 100 years of the RAF. It was 100 years ago this month that my great, great uncle John Headlam was killed while serving in the RAF, so it is nice to be able to pay tribute to his service and sacrifice.

We are a nation of gardeners, and it is important to us all that our nursery sector thrives. It is a particular pleasure to see my hon. Friend the Member for Richmond (Yorks) (Rishi Sunak) on the Front Bench as the Minister today, because my constituency abuts his and it is home to some of the nurseries that I know very well—Cherry Hill and Strikes in Stokesley, which was subject to a recent devastating fire. I know that I speak on behalf of lots of people in my constituency when I say that I hope Strikes is back up and running in its normal place as quickly as possible.

The nursery industry is extremely significant for growing produce for our home market and for ensuring the sustainability of our rural economy. At a time when there is fierce competition from the supermarket and similar sectors, there is no doubt traditional nurseries need all the support they can get that Agricultural land has been exempt from business rates for almost 100 years.

Ben Bradley: I want to pick my hon. Friend up on the point about supporting nurseries and this kind of industry. Does he agree that it would be right for this place to make a plea to our constituents, not just in this area, but across our high streets and in all sorts of other areas, to support independent local businesses such as these nurseries to ensure that they can continue to exist in the future?

Mr Clarke: I thank my hon. Friend for that intervention and he is right in what he says. That is something people

really care about, and people often regard these nurseries as a hub in the local community. They are not just another shop; they are often dearly loved, and this fits with the spirit of the time, when people increasingly want to buy local.

Until recently, the exemption that applied in this case had been assumed to be uncontroversial and would fit with the understanding of both rating valuers and practitioners. That was the situation until the 2015 court judgment in the Tunnel Tech case, which was a great mistake. I am delighted that the Government have taken steps to reverse it, as such judicial activism simply is not appropriate. The Bill will ensure that plant nurseries in buildings will once again benefit from the business rate exemption, which restores the law to the same state in which it existed before the Court of Appeal decision. I am pleased that the Bill will apply retrospectively, so that those nursery grounds in England that have been charged business rates will now be refunded.

The Government should be congratulated on acting so swiftly to rectify this wrong and on demonstrating common sense. This is so clearly the right course of action that there is no controversy anywhere in this House, and the Bill has received full support from the NFU. I pay tribute to the NFU, because I know full well the value of the work it does in supporting farmers in rural East Cleveland. Indeed, I had the pleasure of going on a farm visit with the NFU recently to see Capon Hall farm and Peter Humphrey. That is exactly the kind of work the NFU does day in, day out, and it should be saluted.

The legislation needs to be viewed in the broader context of the Government's commitment and keenness to support our agricultural sector and small businesses, especially those in rural areas. Last week, I spoke out about my deep concerns regarding the future of business rates, but it is worth noting that as a result of measures taken by the Government, more than 600,000 small businesses—occupiers of a third of all properties—now pay no business rates at all. The Government doubled small business rate relief to 100% and raised the threshold from £6,000 to £12,000. At the same time, the Government doubled rural rate relief from 50% to 100% for eligible businesses. Such reliefs are hugely welcome for many small businesses in my constituency.

1.30 pm

I am tempted to point out that the opportunity to use the “green shoots of recovery” line is simply too good to pass up in such a debate. It is with absolutely no hesitation that I support the Bill and the Government's other continuing efforts to ensure that rural small businesses in this country get the best chance to succeed.

Rebecca Pow (Taunton Deane) (Con): I am delighted to speak in support of the Bill. This is a most pertinent time to talk about measures that will aid our worthy horticultural industry—not least because it is the tennis season. In particular, it is the time of that most prestigious of world-class events, Wimbledon. What is even more important about Wimbledon than the tennis, Sir Lindsay? The strawberries. People were wondering how I could get tennis into the debate—

The Chairman of Ways and Means (Sir Lindsay Hoyle): But more so the cream.

Rebecca Pow: I have written down in brackets “and cream”. During the tournament last year, more than 166,000 portions of strawberries were served, with cream. That is 33 tonnes of strawberries. Were I not speaking in this debate, I would be at Wimbledon. That is how important I think it is that we get our business through.

Many strawberry plants, like other plants in the horticultural chain, start life being propagated in nursery grounds, which are often the lifeblood of the horticultural industry. They are the hotbed of germination, propagation and cultivation, and we are discussing them because the Bill exempts from non-domestic rates buildings that are, or form part of, a nursery ground, as several hon. Friends have already said. It gives nursery grounds parity with their agricultural counterparts.

The south-west region, where I come from, is a rural region with a good climate for gardening, growing and horticulture, and it supports so many businesses in the sector, not least in Taunton Deane, which is one reason why I particularly wanted to speak in this debate. I also wanted to speak because in a previous life I worked for the National Farmers Union and got quite involved with the horticultural industry, and I was for many years a horticultural and gardening journalist and broadcaster, so this subject is close to my heart.

I certainly appreciate the hard graft—to use a horticultural term—involved in the industry and the very tight margins, especially for those at the start of the chain. It is difficult for them to pass on their costs: they cannot have huge add-ons because they do not deal with the general public. For this small sector of the industry to discover recently that it was to be penalised by having to pay business rates, when previously it had been exempted, like its agricultural counterparts, was a bitter blow.

Let me give some background. Nursery grounds were exempt from non-domestic rates from 1928 until recently when, through one particular court decision, about which we have heard from colleagues, it was found that the exemption was an incorrect application of the law. This was a bolt from the blue and, as can be imagined, caused a huge amount of angst in the nursery industry, which was already up against the tight margins that I mentioned. The Horticultural Trades Association reported that the change would be detrimental to the industry: if nurseries had to pay business rates that they had not paid previously, that would inevitably drive up costs that would be passed on to the consumers at the end of the chain. As Conservatives—we are the party of business—that did not sit easily with us. The HTA reported that some of its members could face bills to the tune of hundreds of thousands of pounds if the situation was not rectified.

I am delighted to say, though, that through the ripening of this small but perfectly formed Bill, the wrong has been righted. The fruitful outcome that we are witnessing today clarifies once and for all that the situation will again be aligned with the previous practice of exemptions. I am particularly pleased to hear that the funds will be backdated, as specified in the Bill. The Bill demonstrates that, in such an instance, where unfairness has so obviously been demonstrated, the Government, particularly the meticulous and attentive Minister, have listened—and they have not just listened but acted.

The Bill is fully in step with the Government’s commitment to a vision of a productive, competitive and sustainable UK agricultural sector, of which horticulture

and the plant nursery sector are an important part. In fact, I believe there is great scope for the industry to grow and blossom, particularly as we exit the EU. With the right back-up, such as that demonstrated through this Bill, there is an opportunity to grow more of our plant material at home, to fuel our landscaping and ornamental plant industry, thereby avoiding the inherent plant disease and pest threats that are associated with importing plants for this trade. For example, we hear a great deal about the disease xylella, which is wiping out olive trees and many other herbaceous and woody commercial plants in Europe. We do not want that in the UK.

After the granting of Taunton’s new and most welcome garden town status, designated through the Ministry of Housing, Communities and Local Government, I am working to see more trees included in our townscape. Would it not be wonderful if, at the same time as improving the environment and people’s health and wellbeing, along with all the other benefits that we get from trees, those trees were home-grown, so that the economy benefits at the same time?

Let me touch on the idea of growing the whole horticultural industry and why it is important to put in place measures such as the Bill to stimulate the industry. It is thought that there is great scope to grow the industry, perhaps by as much as an incredible £18 billion. In fact, tomorrow the all-party group on gardening and horticulture is holding an inquiry into how we can skill up the industry and what we need to do to make that happen. There is consensus from the Horticultural Trades Association that if the gross value added—that is, the goods and services that emanate from the diverse horticultural and gardening industry—was measured, which it currently is not, it would demonstrate exactly how valuable the sector is to the economy. It would then be easier to make a case for putting in the right measures, including research and development and so on, to grow the sector.

This small but perfectly formed Bill rights an injustice relating to the imposition of business rates on a special sector of the important horticultural industry, one of the very veins of the supply chain. In so doing, it benefits the industry by not saddling it with an unwelcome property tax and thus helps all those who work in the trade and the whole economy, by giving back to the industry one of the benefits that it needs to thrive. It will have particular resonance throughout the south-west, so I fully support the Bill.

Rishi Sunak: It is a pleasure to respond briefly to the various points raised. I thank my opposite number, the hon. Member for Oldham West and Royton (Jim McMahon), for the typically constructive way he has approached this type of legislation; of course, we do not agree on everything, but it is fantastic to be able to move these relatively technical matters through the House speedily.

The hon. Gentleman expressed, as he has before, a specific concern about whether the presence of an automated teller machine in a convenience store could take the rateable value of that small shop above the threshold for small business rate relief. Having looked into the matter, I am delighted to tell him that we do not believe that that should be the case. If an ATM is rateable, it would appear as a separate assessment on

the ratings list and the ratepayer would typically be the financial institution that operates the ATM, not the shop itself. I assure the hon. Gentleman that we are discussing the specific issues with the Association of Convenience Stores to ensure that its concerns are investigated and addressed.

The hon. Gentleman turned to the important topic of high streets. I know that all of us in this House celebrate our local high streets; they are vital parts not just of our communities, but of our economies. I am very pleased to tell him that my hon. Friend the Member for Rossendale and Darwen (Jake Berry) is the Minister for high streets and is fully focused on the issue at hand through the Future High Streets Forum. More excitingly, he has just launched the Great British High Street Awards 2018. I will do a plug and call on all Members to nominate their local high streets. Nominations are open until the end of August. The last iteration of the competition saw almost 1,000 entries from across the country and hundreds of thousands of votes from the public to choose the eventual winner. There is a considerable cash prize on offer for the winner and, indeed, a new rising star category. The winner will also receive expert advice from industry professionals. I hope that the hon. Gentleman knows that we take the issue of high streets very seriously indeed.

Let me touch briefly on some of the other contributions. My hon. Friend the Member for St Austell and Newquay (Steve Double) should take enormous pride in the role that he has played in ensuring that we are discussing this important issue today. Hopefully, this legislation will eventually receive Royal Assent and that will be in no small part owing to his efforts to put this issue on the agenda of Ministers, and he deserves enormous credit for that.

My hon. Friend the Member for Nuneaton (Mr Jones), who had this job before me, put in motion the Bill that we are discussing today and engaged with my hon. Friend the Member for St Austell and Newquay on this important topic, ensuring that when I arrived in the Department this agenda was ready to take forward, and he also deserves credit for that. It is always intimidating to have to respond to him in this Chamber, as I am always reminded that so well did he do this job before I inherited it that the job had to be split between two different people. The Under-Secretary of State for Housing, Communities and Local Government, my hon. Friend the Member for South Derbyshire (Mrs Wheeler), sits beside me on the Bench. The two of us together do our best to replicate what he did before us and we are grateful that he left everything in such good shape for us to pick up.

My hon. Friend the Member for Boston and Skegness (Matt Warman) has been a stalwart in speaking about business rate tweaks. I join him in hoping that there are far fewer of these to come in the immediate future, but thank him for his support of the Bill. He spoke eloquently about defending the rural interests in his constituency, which will benefit from this Bill, as he did when we enabled business rates relief for new fibre installations, a topic that is dear to his heart and which he pushed hard for. He should shortly be seeing the benefits of that policy in action across the country.

My constituency neighbour, my good hon. Friend the Member for Middlesbrough South and East Cleveland (Mr Clarke), has, as I know at first hand, a very mixed

constituency. As ever, he did an excellent and eloquent job in talking about the importance of small businesses across Teesside and the efforts that this Government have put in place to ensure that the tax burden on those small businesses is as low as possible. I welcome his support for the £10 billion-worth of measures to alleviate the burden of business rates on small enterprises across Teesside. I am glad that they are benefiting from that. In the rural part of his constituency in East Cleveland, the agricultural community will, I am sure, welcome his support and lobbying for this measure as it can ensure that its productivity remains high in the months and years to come.

What better place to end than with my hon. Friend the Member for Taunton Deane (Rebecca Pow)? As ever, she gave us a brilliant defence and a brilliant celebration of our rural economy and everything that it contributes to our national life. We are, of course, grateful to her for gracing us with her presence today, when she could have been at Wimbledon enjoying the strawberries, the Pimms, the cream and everything else on offer. I must say that, when it comes to slipping requests, she clearly has a much better relationship with the Whips than I do, as my previous requests for various exemptions for cricket matches and tennis matches were firmly denied, so I have something to take up with the Whips in due course.

I am glad that we have had a very constructive discussion today and that there is widespread support for this particular clause.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2 ordered to stand part of the Bill.

The Deputy Speaker resumed the Chair.

Bill reported, without amendment (Standing Order No. 83D(6)).

Mr Deputy Speaker (Sir Lindsay Hoyle): Order. As indicated on the Order Paper, the Speaker has certified that the Bill relates exclusively to England and Wales on matters within devolved legislative competence. As the Bill has not been amended, there is no change to that certification. Copies of the certificate and the consent motion are available in the Vote Office. Under Standing Order No. 83M, a consent motion is required for the Bill to proceed. Does the Minister intend to move the consent motion?

Rishi Sunak indicated assent.

The House forthwith resolved itself into the Legislative Grand Committee (England and Wales) (Standing Order No. 83M).

[SIR LINDSAY HOYLE *in the Chair*]

David Linden (Glasgow East) (SNP): On a point of order, Mr Deputy Speaker. I beg to move that the Legislative Grand Committee do sit in private.

The Chairman of Ways and Means (Sir Lindsay Hoyle): As we both know, you cannot move that motion at this stage.

David Linden: Further to that point of order, Mr Deputy Speaker. Can you clarify that the reason that I cannot move that motion is because I am a Scottish MP and have been rendered a second-class Member of the House as a result of English votes for English laws?

The Chairman: Mr Linden, you may wish to judge yourself as a second-class Member, but let me reassure you that I will always treat you as a first-class Member. On that basis, you will still not get your way.

I remind the House that only Members representing constituencies in England and Wales may vote on the consent motion. I call the Minister to move the consent motion.

Motion made, and Question proposed,

That the Committee consents to the Non-Domestic Rating (Nursery Grounds) Bill.—(Rishi Sunak.)

David Linden: It is a great honour to serve under your chairmanship, Sir Lindsay, and, indeed, it is a pleasure to serve on this esteemed Legislative Grand Committee of England and Wales. I look forward to making a few observations on the Bill, which has been certified by Mr Speaker as competent for EVEL. It is of course a real pity that, should the Bill divide the Legislative Grand Committee, I and my hon. Friends from Scotland will be excluded from having our vote counted. Indeed, Scottish colleagues have to endure the immense indignity of being ordered by Government Whips to traipse through the Lobby to have their vote discounted in person. It is all incredibly sad. My immense sadness in this regard is founded upon the view that, during the Scottish independence referendum of 2014 and indeed after it, we the people of Scotland were told that Scotland is an equal partner of the United Kingdom. The Secretary of State for Scotland might have strayed off that line a couple of weeks ago, but I am sure that that was a mere oversight on his part.

Today, we have been relegated from legislators to narrators, and so can only speak in the Legislative Grand Committee—and speak I certainly will. Before I continue with my remarks, let me say that I am conscious that I must stick to the strict parameters of this fine Bill. I wish to offer, though, a few thoughts on the English votes for English laws mechanism and, in particular, Standing Order No. 83.

In essence, Scottish Members of this House have become second-class MPs in the House of Commons. EVEL basically excludes MPs from Scotland, and in some cases MPs from nations other than England, from voting on legislation that could have consequential and affect other parts of the UK. There are also financial implications, as decisions taken for England only can lead to changes to Scotland's budget from the UK Government.

I rather suspect that the days of the English votes for English laws are numbered, but, for so long as this legislative apartheid continues, I shall continue to be a diligent participant in the Legislative Grand Committee.

Patrick Grady (Glasgow North) (SNP): I just want to note the fact that my hon. Friend the Member for Perth and North Perthshire (Pete Wishart) is unable to be here, as he is in the Scottish Affairs Committee. Unfortunately, that brings my hon. Friend the Member for Glasgow East (David Linden) closer to beating his record of being the Member who has spoken the most often in the Legislative Grand Committee. The ironic thing is that Members from England and Wales never actually speak in the English Legislative Grand Committee.

David Linden: I am grateful to my hon. Friend for that powerful intervention. Perhaps today we might find that Members from English constituencies will rise to speak, but I would not necessarily hold my breath for that.

When I first looked at the Order Paper last week and saw that we were debating the Non-Domestic Rating (Nursery Grounds) Bill, I excitedly and somewhat naively thought that this was about nurseries in the sense of toddlers and early years. There was I planning to come to the Legislative Grand Committee to talk about the SNP Scottish Government's childcare revolution.

I should declare an interest: my three-year-old son, Isaac, starts nursery next month and is thoroughly looking forward to starting Sgoil Araich Lyoncross. The incredibly good news about that childcare revolution is something that will be welcome from Shettleston to Shetland.

Of course, had the Bill been about nurseries in the early years sense, I could have regaled the House with some wonderful nursery rhymes, such as my favourite, "The Grand Old Duke of York." It rather reminds me of the right hon. and learned Member for Beaconsfield (Mr Grieve), with regard to Brexit, particularly the lines,

"He marched them up to the top of the hill,
And he marched them down again."

Alas, the House will have to wait for another day to hear me pontificate about nurseries and nursery rhymes. Instead today, we have the delight of discussing non-domestic rates for nurseries of a plant variety, and what a treat that is.

The Bill's purpose is to reverse the effect on valuation practice for non-domestic rating of the 2015 case, *Tunnel Tech v. Reeves*. In brief—I shall try to be brief, because I know other Members want to get on to other business soon—the case established that, where a business operates a plant nursery or nursery ground where agricultural operations take place entirely indoors, it cannot benefit from the general business rates exemption for agricultural land and buildings. The Government made a policy commitment to legislate to establish that nursery grounds should be entitled to an agricultural exemption and to apply that exemption retrospectively, back to the 2015-16 financial year.

The Legislative Grand Committee will doubtless be aware that, on 9 July 2015, the Court of Appeal gave judgment in the case of *Tunnel Tech v. Reeves*. I am sure that all members of this esteemed Legislative Grand Committee will have read in full that judgment from the Court of Appeal. The case concerned the rateability of a property occupied by the company Tunnel Tech in Stockbridge, Hampshire. The property was used for growing mushrooms from spores. I myself absolutely abhor mushrooms and feel that they can really ruin a rather good lasagne, but I do not want to digress too much from the subject at hand.

A mixed material was fermented and then used to fertilise "mushroom mycelium grown through sterilised wheat or rye grain produced in laboratory conditions".

After 20 days, mushroom tendrils have grown within the material. It is very interesting that, at that point, Tunnel Tech removed the material and transferred it to specialist mushroom farms. I have never had the pleasure of visiting a mushroom farm myself, but I am only

young. [Interruption.] I am glad to hear that the hon. Member for Ogmore (Chris Elmore) has visited a mushroom farm. Perhaps he might extend an invite to me to visit one in his constituency. I am still relatively young; there is plenty of time left to visit mushroom farms in my life.

The court found that the property in that case was liable for business rates because the mushrooms were produced in order to be sold on to complete the cultivation process elsewhere, not direct to consumers, and because of that, the property did not attract an agricultural exemption. In rating terms, it was a “nursery ground” and not a “market garden”. It is very important that the Legislative Grand Committee takes that seriously.

The Valuation Office Agency rating manual defines a nursery ground as

“land in, or on which, young or immature trees and/or young plants are reared (not necessarily being grown in the actual soil of the nursery) until fit for transplanting or sale: the emphasis on young plants should be noted. Even though plants are raised in containers on the land rather than by rootstock in the soil, such ‘grounds’ should be treated as exempt.”

The rating manual defines a market garden as

“a holding cultivated wholly or mainly for the production of vegetables, fruit and flowers for sale in the course of a trade or business.”

The definitions are used for internal guidance purposes by the VOA and do not have the force of law, but they are based in part on case law discussions of the definitions of those terms.

On Second Reading, the Minister—who I know is playing very close attention to my remarks today—said:

“A nursery ground is where small plants or trees are propagated or sown with a view to their being sold on to someone else for growing on to their mature state, for sale to or use by the end consumer, whereas a market garden”—

this is where there is a differentiation—

“is where fruit, vegetables, flowers or plants are produced to be sold directly or indirectly to members of the public for consumption.”—[*Official Report*, 5 June 2018; Vol. 642, c. 259.]

Agricultural land has been exempt from business rates since 1929. I do not want to test the patience of the Committee too much by going back to 1929. The Committee will be relieved to know that I do not plan to do that. However, areas within an agricultural property that are used for farm diversification such as a farm shop or holiday accommodation on what was previously a farm are liable for business rates. The current legislative authority for that can be found in schedule 5 of the Local Government Finance Act 1988. I am sure that all members of the Legislative Grand Committee have paid close attention to that. Before that, agricultural land had been subject to a 75% discount on rates from 1923, a 50% discount for poor law rates and a 75% discount for sanitary-related rates from 1896, known as partial derating.

I am really only clearing my throat at the moment, but I am conscious that scores of other right hon. and hon. Members, especially for English constituencies, will wish to contribute to the Legislative Grand Committee of England and Wales.

Patrick Grady: Before my hon. Friend comes to a conclusion, I want to reflect on his earlier point about “nurseries” and “nurseries”. It is a good opportunity to pay tribute to the Children’s Wood in my constituency,

an outdoor play facility that hosts a nursery for young children but also has an allotment that in itself is a nursery for vegetables. It shows that the two things can be brought together and serve important educational purposes, and we should pay tribute to that kind of thing.

David Linden: I do not want my hon. Friend to think that I am coming to the end of my remarks too early. I am only a third of the way through. He is right to pay tribute to the organisations in his constituency, and while I have the floor, I pay tribute to Eddie Andrews of Connect Community Trust in the Wellhouse area of my constituency, who does a sterling job of looking after that allotment. There is a long-standing problem that allotments have not been given the focus that they require, especially in Glasgow. We now have an SNP Administration—

The Chairman of Ways and Means (Sir Lindsay Hoyle): Order. Perhaps I can help. If the hon. Gentleman is suggesting that he needs an Adjournment debate, he should apply for one on allotments, because obviously we will not be discussing that as part of today’s debate.

David Linden: I am grateful for your guidance, Sir Lindsay. That is much appreciated. I am conscious that scores of MPs from English constituencies will wish to take part in this important Legislative Grand Committee. Members fought for it for a long time; it was the English Parliament. I expect to see hundreds of MPs rush into the Chamber to get to their feet and make their voice heard. There is still time for that, but I shall return to my own remarks.

Tunnel Tech sought to argue that its use of the property constituted that of a market garden. The term “market garden” has no statutory definition, but using several examples of case law, it argued that a hereditament is a market garden if any part of a process of horticulture is carried on there with a view to ultimate consumption by the public, even though the produce of the hereditament is not itself, when it leaves the hereditament, an article capable of consumption by the public or indeed intended for consumption by the public. For the purposes of time, I will not read out the full 2015 judgment; the Chairman is indicating that he would prefer me not to read it out. The judgment found that Tunnel Tech’s use of the property meant that it constituted a plant nursery and not a market garden. The produce of a market garden is suitable for direct or indirect sale to consumers, whereas the produce of a plant nursery is not. I found that fascinating when I read the briefing note for this.

This distinction was important because Tunnel Tech’s operations took place entirely within the buildings. The provision for the exemption of agricultural buildings is found in paragraph 3 of schedule 5 to the 1988 Act. It says, and it is important that the Committee understands this:

“A building is an agricultural building if it is not a dwelling and—

(a) it is occupied together with agricultural land and is used solely in connection with agricultural operations on the land”

or

(b) it is or forms part of a market garden and is used solely in connection with agricultural operations at the market garden.”

[David Linden]

The 2015 judgment noted that paragraph (b) does not include plant nurseries in the definition of agricultural buildings. It is important that we make that distinction. Therefore, a plant nursery that is located entirely indoors does not constitute an agricultural building and is not exempt from business rates. I am a frequent visitor to garden centres and there is one in the constituency of my hon. Friend the Member for Motherwell and Wishaw (Marion Fellows). We in the SNP Whips Office have been there before to enjoy some tea and cake and I commend the garden centre to anyone visiting central Scotland.

It is worth noting that garden centres, including those calling themselves nurseries—I ran an election campaign from a nursery in 2016 in Barrhead in the constituency of the hon. Member for East Renfrewshire (Paul Masterton), but I will not go into that in great depth—are not considered to be agricultural land or agricultural buildings. They are subject to normal business rate liability and will continue to be so if and when the Bill receives Royal Assent.

I can see that some colleagues are getting a bit impatient at the length of my remarks—[*Interruption.*] The hon. Member for Caithness, Sutherland and Easter Ross (Jamie Stone) says, “Carry on!” I am tempted but I had better not. I know that countless hon. Members from English constituencies will be wishing to take part in this Legislative Grand Committee of England and Wales, so I shall conclude by thanking you for your forbearance, Sir Lindsay, and wishing this Bill a very speedy passage when it goes to their noble lordships.

Question put and agreed to.

The occupant of the Chair left the Chair to report the decision of the Committee (Standing Order No. 83M(6)).

The Deputy Speaker resumed the Chair; decision reported.

Third Reading

2.1 pm

Rishi Sunak: I beg to move, That the Bill be now read the Third time.

I thank all hon. and right hon. Members who have contributed at the various stages of the Bill in supporting the measures involved and highlighting the contribution that it makes towards furthering the Government's ambitions to support agricultural and horticultural productivity. I am grateful to the Clerks of the House and for the work done by the officials both in DEFRA and in my own Department.

I thank the National Farmers Union for its strong support for the Bill. We have worked closely with the NFU to make sure that nurseries benefit from the exemption in the Bill. I am grateful for its invaluable insight and expertise, which has helped to bring these effective measures to the House.

This Bill is just a small part of how the Government are using the business rates system to create opportunity and drive growth across the country. It has wide support, restores a long-standing policy position, and will support a vibrant and sustainable rural economy. I commend it to the House.

Question put and agreed to.

Bill accordingly read the Third time and passed.

Opposition Day

[UN-ALLOTTED HALF DAY]

Leaving the EU: Negotiations

2.2 pm

Sir Vince Cable (Twickenham) (LD): I beg to move,

That this House believes that the Government's negotiations to leave the EU have not progressed to the satisfaction of the people of the UK, with polls indicating that 69 per cent of the people now believe the exit process is going badly; calls on the Government to engage in cross-party discussions with a view to establishing a government of national unity; and further believes that the people of the UK should have the final say on the UK's relationship with the EU through a people's vote on the deal.

It is a pleasure to be able to introduce this Liberal Democrat debate on the Government's handling of the Brexit negotiations, the pleasure being greater because the opportunity is rather infrequent. I am aware that the House has had a pretty unremitting diet of Brexit, Brexit and more Brexit, but we judge that another helping is necessary because of the events that have taken place over the past few days. Yesterday we had an opportunity to question the Prime Minister on the Chequers agreement, but this debate gives Members an opportunity to develop their arguments in rather greater detail.

Of course, all this is being discussed in a Westminster bubble, and we will frequently be reminded that there is such a thing as the popular will. However, the popular will, as manifested in surveys of public opinion, suggests that at present about 70% of the public judge that the Government are handling the Brexit negotiations badly, and that figure has been on an increasing trend for pretty much the past year.

A lot of that disillusionment has to do with the way in which members of the Government have been conducting themselves. Over the past few days, we have had a treasure trove of quotations from senior members of the Government about what they really think about the Government's negotiating position.

Michael Tomlinson (Mid Dorset and North Poole) (Con): It would be seriously disrespectful and utterly counter productive to have another referendum. Talking about quotations, does the right hon. Gentleman agree with himself?

Sir Vince Cable: I am perfectly happy to respect the referendum that we have had, but it is utterly respectful, and quite common practice in many countries, to have a confirmatory referendum when a Government have produced a deal. That is good constitutional practice and good politics, and Liberal Democrat Members argue for it strongly.

Tim Farron (Westmorland and Lonsdale) (LD): My right hon. Friend will of course remember that the right hon. Member for Haltemprice and Howden (Mr Davis) proposed exactly the same course of action whereby one could have an initial referendum and another that confirmed it later on. Does he agree with the right hon. Gentleman?

Sir Vince Cable: Yes. I think that most members of the Government, at various points, have subscribed to that perfectly correct constitutional position.

Sir Desmond Swayne (New Forest West) (Con): How does the right hon. Gentleman believe that the announcement that there was to be a second referendum would influence the negotiating position of our counterparts? Would it incline them to be more forthcoming with the negotiations?

Sir Vince Cable: Since we are being pedantic about numbers, we are actually talking about the third referendum on this subject. The impact on the European negotiators would, I am sure, be absolutely negligible. They are fully aware of the chaotic and disorganised position of the Government and defining their negotiating position on that basis.

I turn to what senior members of the Government felt about the policy that is now being put forward. A couple of days ago, the right hon. Member for Uxbridge and South Ruislip (Boris Johnson), as I suppose we should now learn to call him, spoke to *The Mail on Sunday*, which I know from experience to be a very reliable newspaper, describing the Government's policy as being like "polishing a turd". He was also reported to have met the former Prime Minister—his fellow old Etonian—to discuss the problem a few days ago: the two gentlemen who have probably done more than anything else to precipitate the chaos we now have. Between them, they agreed that the Government had produced "the worst of all worlds".

In the slightly more dignified language of his resignation letter, the right hon. Member for Uxbridge and South Ruislip described Brexit as "dying" and Britain being reduced to the status of a "colony"—less than an overwhelming vote of support for the Prime Minister. The right hon. Member for Haltemprice and Howden (Mr Davis) expressed his argument in somewhat more measured terms, saying that we have reached a point where we will be exiting the European Union in name only. If that is indeed what is happening, why on earth is Brexit proceeding, and can we not find a way out of it?

The striking thing about the comments that resigning members of the Government have made is the way in which they are managing to poison their own well. It is extraordinary the extent to which the word "betrayal" is entering the narrative. We risk getting to a point in a few months' time—if Brexit happens; I think it is an if rather than a when—where the many people who regard Brexit as a disastrous error will be pointing out the many problems that arise from it, while those who have devoted their lives to fighting for Brexit will be arguing that it is a disaster because it is a betrayal. If Brexit day ever happens, it will be a day of mourning, and it is very difficult to see where the positive story is going to come from to help the country to turn over a new leaf.

Rebecca Pow (Taunton Deane) (Con): Talking of betrayal, the previous Member for Sheffield, Hallam campaigned for a "real referendum on Europe" before the 2010 general election. A 2008 leaflet stated:

"It's been over thirty years since the British people last had a vote on Britain's membership of the European Union... Whether you agree with Europe or not, it is vital that you and the British people have your say in a real EU referendum."

We have had that referendum. I put it to the right hon. Gentleman that the people have had their say and we have to abide by it.

Sir Vince Cable: My party has never had any problem with the idea of having referendums on the European question. We have always argued that on questions of major constitutional change—for example, entry into the monetary union or signing the Lisbon treaty, which has already happened—it is appropriate to have a referendum. It is common practice in many EU countries to proceed in that way, and we have no objection to it. We argue that there must be a proper process, which involves consulting the public on the general principle—that has happened, and there was a narrow majority one way—and then having a confirmatory referendum at the end to decide whether it is a satisfactory way to proceed.

Steve Double (St Austell and Newquay) (Con): I understand that the reason many people voted leave in the referendum was that they were fed up with the establishment telling them all the time that it knew better and that their voice and opinion did not matter. Does the right hon. Gentleman not understand that by making this proposition, the Liberal Democrats are just confirming to those people that they were absolutely right—the Lib Dems think they know better than the people—and that the people's voice no longer matters to them?

Sir Vince Cable: If people do in fact feel that way, they will presumably vote the same way again. We take the risk that we lose. That is the democratic spirit.

Graham Stringer (Blackley and Broughton) (Lab): Why did the right hon. Gentleman not take the opportunity to vote for a referendum on the Lisbon treaty?

Sir Vince Cable: We did press for a referendum on the Lisbon treaty, as it happens. That was not the view of a majority in the House at the time, but we had no problem with the concept.

Let me try to be a bit more positive about what the Government are trying to do. The first remark I want to make is about the conduct of the Prime Minister. I was going around the radio and television studios yesterday following Conservative MPs and commentators, none of whom had a good word to say about her. It is important to put on the record that she has pursued her course of action, however misjudged it may be, with a grim determination that is rather heroic. I have some admiration for the way in which she is going about her job. She may be wrong, but she is pursuing it in a rather steadfast way.

The second point I will make is about the content of the Government's announcement. It is clearly an advance on where they were before. There is a recognition now that the Irish border question has to be addressed and that there has to be frictionless trade for industrial and agricultural products. That is now understood. The Government appear to have heard the message from the Jaguar Land Rovers of this world, which have complex supply chains, that it is not possible to stay in the UK if there is interruption of trade, so industrial and agricultural products will have to flow freely.

[*Sir Vince Cable*]

There is also an implicit acknowledgment that the default position of crashing out of the European Union is less and less plausible, and the reason for that is the changing international environment created by our visitor on Friday. The idea that the UK can fall back on World Trade Organisation rules in the default position is made increasingly untenable by the fact that the WTO has progressively less authority. The United States is not willing to abide by its rulings or to staff its judicial panels. As an organisation, it is completely hollow. Were we to fall back on WTO rules, we would effectively be falling back on anarchy. There is at least some recognition in Government of the dangers of that approach.

Those are the positive things. There is one other positive achievement by default, which is that the Government have effectively scuppered any prospect of reaching a bilateral trade agreement with the United States.

Kevin Foster (Torbay) (Con) *indicated dissent.*

Sir Vince Cable: Well, there are Members of the House—I am one, and the right hon. and learned Member for Rushcliffe (Mr Clarke) is another—who have experience of dealing with the United States through negotiations on the Transatlantic Trade and Investment Partnership. Several things were very clear. First, although the United States is important, it is considerably less important than the European Union in terms of our trade—it is about 18% versus 43% of our exports. There are undoubtedly some benefits to be obtained through a completely free trading arrangement with the United States; for example, there are few high-tariff points. However, by far the largest obstacle is public procurement, which is decided in the United States at state level, not federal level. The potential benefits of opening the US market are actually very limited.

The key point is that the United States made it very clear then and is now making it even clearer that it is only interested in entering into a bilateral trade agreement if it opens the market to American agriculture. That is not compatible with the Government's commitment to maintain the regulatory rulebook on food safety and agricultural products. It is to the Government's credit that they have agreed to do that, but it almost certainly makes it impossible to reach a trade agreement. Indeed, Wilbur Ross, the Trump Administration appointee, has made it clear that the United States will not enter into serious negotiations if freer agriculture for foodstuffs through regulation is not permitted.

Stephen Lloyd (Eastbourne) (LD): On that basis, is not one of the challenges that the severe Brexiteers never mention the fact that the Americans use a great deal of chlorine in the preservation of food, and unless we have a proper regulatory framework, as we do currently, there is a real danger that those kinds of foodstuffs will come into the United Kingdom?

Sir Vince Cable: Yes. There is a whole series of well-known instances relating to beef hormones, genetically modified foods and chlorinated chickens. I do not know how well based the arguments are scientifically, but clearly that will demand a repudiation of those European standards. The Government's stance—again, this is a positive—makes it clear that concessions cannot now

be given on those items and that it will be impossible to reach a trade agreement with the Trump Administration in practice, if not in theory.

The negatives are even clearer than the positives. One of them is the sheer workability of the arrangements. The right hon. Member for Haltemprice and Howden has said quite categorically that the arrangements he has been involved in designing for months are simply unworkable, and it is very clear why that is the case. If we have a differential tariff system, it is very cumbersome to enforce. There is an obvious temptation to smuggle. A company producing within the European Union but not in the UK will import through the UK at a lower tariff, and it would be necessary to have a sophisticated tracking system to identify where the product has gone. In complex supply chains with hundreds of widgets flying backwards and forwards, it is impossible to see how that could be done in practice. The right hon. Member for Haltemprice and Howden was well aware of that, and the European Commission is well aware of it, which is why it almost certainly will not pass to the next stage.

Layla Moran (Oxford West and Abingdon) (LD): I sit on the Public Accounts Committee, and last February we went to Washington, where we had private briefings with State Department representatives about the trade deal. They were very clear that we must be absolutely clear about, for example, country of origin rules and that they do not want a part of a small trade deal—they will not “do skinny”, in their words. If that was their case last February, what does my right hon. Friend think they are making of the chaos of this Government now?

Sir Vince Cable: The European Union over many years has developed a sophisticated rules of origin system in order to develop an answer to precisely the problems presented by the complex nature of modern trade. They are quite right to say that in an environment of uncertainty, there is very little merit in pursuing an agreement.

The other major disadvantage of what the Government are proposing is, as several Members pointed out yesterday, the complete neglect of the services sector. It is not just 80% of the British economy, but includes extremely important industries—notably financial services, but also creative industries, the digital sector and entertainment, and of course much manufacturing happens through services exports. Rolls-Royce earns as much from its maintenance contracts as it does from selling its engines. When we send cars to the European Union, we sell them with a package attached to financial services. It is not at all clear how the Government propose to unscramble those very complicated relationships.

Sir Edward Davey (Kingston and Surbiton) (LD): Does my right hon. Friend remember that when I was junior Minister to him as Secretary of State for Business, Innovation and Skills, we spent a long time arguing for more liberalisation of services, because it was in the UK's interest to widen and deepen the services market in the EU? Is it not therefore ironic that a Conservative Government want to turn their back on service liberalisation and put up barriers? We could not get a more anti-business approach from the Conservative party.

Sir Vince Cable: It is a lot more than ironic, because this goes back a long way. There has been consensus among successive Governments, starting with Mrs Thatcher and Lord Cockburn through the Blair Government and the coalition Government, on accepting that services exports to the European Union were a major objective of British Government policy. I recall being sent to Berlin and elsewhere to denounce the Germans for their failure to open up their market for services trade and the mutual recognition of qualifications. For example, European countries currently decline to accept British ski instructors, as they do not have mutual recognition of qualifications. A great deal has, however, been achieved, and the Government are now inclined to turn their back on it.

The reasons the Prime Minister advanced for doing so yesterday are partly simply foolish and partly bogus. The folly lies in saying that any services transaction that involves people crossing the border, however valuable, is adding to our net immigration target and is therefore unacceptable, regardless of the economic merit. The bogus argument is to say that this is a problem within the European Union, but it is not going to be a problem if we have trade deals with other countries, because we will be able to proceed with services agreements with them.

However, we already know from the two failed attempts so far to negotiate an outline agreement with India that services trade, wherever it is—within the European Union or outside it—involves the free movement of people, and the Indians are insisting that if we are to have a bilateral trade agreement with them, part of the package will be importing Indian services in the form of IT consultants and much else. If we look around the other big emerging markets—Brazil, Indonesia, Pakistan, Nigeria—we can see that what they have to export is people. This is going to be an enormous obstacle to the Government reaching any kind of agreement with any country outside the European Union.

Sir Edward Davey: My right hon. Friend is being generous in giving way yet again. Does he remember that when he and I served on a Cabinet Committee looking at trade, we pushed just the arguments that he is now making, and the one person getting in the way of those arguments was the then Home Secretary—now the Prime Minister—who stopped a major trade deal that would be in this country's interests?

Sir Vince Cable: My right hon. Friend is absolutely right. We could of course have had a trade deal with India already under the auspices of the European Union, as we do with South Korea, Canada and various other countries. The country that blocked the deal was the UK, because increased services trade would involve increasing numbers of people crossing over to the UK.

I was struck by the comment by one of the more strongly pro-Brexit Conservative MPs—the hon. Member for Gainsborough (Sir Edward Leigh)—when he was being critical of the Government yesterday. If I am correct, he said that he had no objection to cherry-picking, but that the Government are picking “the wrong cherry”. Actually, services are fundamental to our trade, and the Government have put us in a very difficult position.

The question now is: what should be done? The first step is for those on both sides of the House who believe that we should maximise the closeness of the economic

relationship through the customs union and the single market—there are people of a similar persuasion in all parties—to try to achieve that. The right hon. Member for Haltemprice and Howden says we have a customs union already, which is exaggerating, but we can certainly converge on having a common approach. Of course, the nearer we get, the more the question arises of why on earth Brexit is happening at all. That leads us back to the question we started with about the need for the public to have a say on the final deal.

Caroline Lucas (Brighton, Pavilion) (Green): The right hon. Gentleman is making a compelling case. I imagine that, like me, he gets a steady trickle of emails from Brexit supporters, all of whom say that the 17.4 million people who voted leave in June 2016 knew exactly what they were voting for, because the right hon. Member for Uxbridge and South Ruislip (Boris Johnson) had spelled it out for them. Yet the former Foreign Secretary now only uses four-letter words to describe the proposed deal with the EU, and is so appalled by it that he has resigned from high office to spend more time with his photographer. Does the right hon. Gentleman agree with me that no one knows how many of the 17.4 million now support the Prime Minister's approach, and the only way to find out is precisely to have a people's vote?

Sir Vince Cable: That is exactly right, and the current numbers suggest that a substantial majority believe that there should be a vote on the final deal.

If the Government were totally rational, they would see the arguments for doing so from their own point of view. The Prime Minister could say, “I've done the best I can to achieve a deal. It's obviously difficult with the Conservative party in disarray, but I've done the best I can. I have negotiated hard with the European Union”—we would all believe that, because she is obviously conscientious—“and this is what I've got. Do you, the public, who voted for this originally, want to accept it, or would you rather stay where are and be in the European economic union?” That would be a perfectly honourable and sensible way for her to proceed politically, and it is constitutionally sensible. It reflects the fact that conditions have changed enormously since the original vote. I strongly recommend that approach to the House, and I look forward to hearing contributions from Members on both sides of the House in this debate on the Chequers statement.

2.25 pm

The Parliamentary Secretary, Cabinet Office (Chloe Smith): It is a pleasure to serve under your chairmanship, Mr Deputy Speaker.

The way in which we exit the EU has already been subject to a great deal of debate in this place and of course outside it, but the Government's resolve is absolutely clear. We are respecting the result of the referendum, and we are delivering Brexit. There will be no second referendum. As the Prime Minister said yesterday:

“This House and this Parliament gave the British people the vote. The British people made their choice and they want their Government to deliver on that choice.”—[*Official Report*, 9 July 2018; Vol. 644, c. 721.]

I fear that today's motion reflects an ongoing pattern of trying to talk down the achievements that have been made, despite evidence to the contrary. We were told

[Chloe Smith]

that we would not reach a deal on sufficient progress last December—we did. We were told that we would not reach a deal on an implementation period in March—we did. I remind the House that the negotiations so far have settled virtually all of the withdrawal agreement, and the implementation period we have agreed will provide businesses and citizens with time to prepare for our future relationship with the EU.

Mr Alistair Carmichael (Orkney and Shetland) (LD): The Government promised the fishermen in my constituency that we would be out of the common fisheries policy completely at the end of next March. As a consequence of changing their mind on that, there will be a period of 21 months during which we will be subject to the common fisheries policy without having anyone at the table. Is that one of the achievements of which the Minister is so inordinately proud?

Chloe Smith: I respect the right hon. Gentleman enormously and to some extent I regard him as a friend, but I also recall that from time to time he indulges in pantomime in his constituency, and that may be the case today if he is arguing that we ought to be out of a policy that he in fact believes we should be in. I do not think that his is the consistent position.

Domestically, we have passed legislation preparing us for Brexit, such as the Nuclear Safeguards Act 2018, the Sanctions and Anti-Money Laundering Act 2018 and, most recently, the European Union (Withdrawal) Act 2018. The Haulage Permits and Trailer Registration Bill has also completed its passage through Parliament.

I am sure we will hear speeches claiming that a second referendum is the democratic thing to do, but that is not the case. The issue has been thoroughly democratically tested. Let me run through the ways. In the run-up to the 2015 general election, the Conservative party's manifesto stated:

"We will...give you a say over whether we should stay in or leave the EU, with an in-out referendum".

It quite clearly did not say there would be one referendum at the start of negotiations and another at the end. That manifesto commitment was given statutory footing through the European Union Referendum Act 2015, which specified there would be one referendum, not two. To recap so far, there was an election-winning manifesto and an Act was passed through this House, but perhaps that is not democratic enough for the Lib Dems.

As this House well knows, the referendum held on 23 June 2016 saw a majority of people voting to leave the EU. That was the biggest single democratic act in British history. Following that, the House of Commons voted, with a clear majority, to authorise the Prime Minister to trigger article 50, by passing the European Union (Notification of Withdrawal) Act 2017. As hon. Members know very well, amendments were tabled requesting a referendum to ratify the deal negotiated with the EU. One such amendment, in the name of the hon. Member for Westmorland and Lonsdale (Tim Farron), was defeated by a margin in excess of 10:1. That was democracy in action once again.

There is more in the democratic treasure trove. In last year's general election, more than 80% of voters supported the Conservative and Labour parties. Both parties' manifestos committed to respecting the result of the

referendum. Let us not forget how many voters supported the position of the Liberal Democrats, whose manifesto called for that second referendum: 7.4% of them.

Most recently, of course, there has been the passage of the European Union (Withdrawal) Act 2018, where amendments attempting to secure a second referendum surfaced once again. One, in the name of the right hon. Member for Carshalton and Wallington (Tom Brake), was defeated by a margin in excess of 13:1, yet he still has an appetite for this old democracy idea.

Caroline Lucas: What the Minister does not appear to appreciate is that the referendum was a vote about departure, not destination—it could not be about destination because the leaders of the Brexit campaign never set out what the destination would look like. It is as if people who had been offered a wonderful mansion had ended up with a hovel with faulty wiring and a leaking roof. Does she not agree that they have the right to another say—the first say, in fact, on the actual detail? There has been no detail in anything that the Government have put forward so far.

Chloe Smith: I will tell you what I think the British people have the right to, Mr Deputy Speaker: trust in their politicians. As the Prime Minister said herself, this is about more than the decision to leave the EU; it is about whether the public can trust their politicians to put in place the decision that they took.

Mr Marcus Jones (Nuneaton) (Con): The Minister mentioned trust, and that is very important. The simple fact is that all we have heard from the Liberal Democrats and the Green in the Chamber today is that they do not trust the people. Regardless of what they say, if we had a second referendum and they got the wrong result again, they would want a third, fourth or a fifth referendum—they would keep going until they got the result they wanted because they do not believe in democracy.

Chloe Smith: I respect my hon. Friend's intervention. I fear that such an approach would not be one of principle, and he is right to highlight it. Rather than undermine the British people's democratic decision to leave the EU, let us get on and make a success of it.

Graham Stringer: On this point at least, the Minister is making a great deal of sense. Does she agree that the Lib Dems are more interested in being good supporters of the EU than in being democrats? They are following the long tradition of the European Union, exemplified by referendums in Ireland. When the Irish people vote against various constitutional amendments, they keep having to vote until they get the right answer—the one that the EU wants. That is the policy that the Lib Dems are supporting now—"Keep voting until you agree with us."

Chloe Smith: I agree. Such an approach would be deeply unprincipled. What Government Members and all those who believe in the referendum decision want is the right deal for Britain. That is what we seek to achieve and what the Prime Minister set out yesterday.

Tom Brake (Carshalton and Wallington) (LD): I want to understand something. The Minister says that the Government are going to deliver the will of the people on Brexit, yet the two leading proponents of Brexit have

walked from the Cabinet because they do not support the Government's position. How can the Minister argue that the Government are delivering what the people voted for in the referendum?

Chloe Smith: The Government is comprised of people in the Cabinet, and the Cabinet is delivering what the Prime Minister set out yesterday.

David T. C. Davies (Monmouth) (Con): Not only did we have a referendum, but we had a general election in which more than 85% of the public voted for Brexit-supporting parties. Around 5% voted for the Liberal Democrats. What right do they have to tell us what the people are thinking? The people are certainly not agreeing with the Lib Dems.

Chloe Smith: What we should do is trust the people themselves. Is that not the fundamental point? Their decision in 2016 was not made quickly after just a few weeks; it was made in the context of years of debate on the subject. The idea that they were able to take that decision was what governed the ability to have a referendum. To suggest that some people were wrong or misinformed, or made a choice that has to be reversed, does people down, does trust in politics down, does our country down and does our democracy down terribly.

The referendum question was agreed by Parliament and presented to the people with no conditions or caveats, but with a promise from the Government that we would implement what they chose. We should be coming together and getting on with it.

Sir Edward Davey: I am grateful to the Minister for being generous in giving way. What is her estimate of when the Brexit deal will be done? What will be the date?

Chloe Smith: In case anybody in this place is still somehow, miraculously, unclear on the matter, we will be leaving European Union in March 2019—and so will the Liberal Democrats, whether they like it or not.

I turn to a few more points about Parliament. To try to undermine the result of the referendum by saying that it was somehow wrong does down Parliament, because it was Parliament that gave the decision to the people. We have always been committed to keeping Parliament fully involved in the process of leaving the EU and in determining the shape of the future relationship that we want to achieve. We have said consistently, and demonstrated through the European Union (Withdrawal) Act 2018, which has just gained Royal Assent, that Parliament will have a vote on the final deal reached with the EU before it is concluded. That is now legally established. Members will have the choice to accept or reject the final agreement. That, and not a second referendum, should be the decisive vote. Let us give Parliament its rightful role.

I turn to the motion, which deserves a little attention. As the Liberal Democrat leader noted in his opening remarks, Liberal Democrat motions do not come along too often, although they are always a pleasure when they do. I am a little perplexed about why the motion calls for a second referendum in light of the record of the Liberal Democrats. We have probably all seen the classic Liberal Democrat leaflets that say one thing to

one street and something else to another, but people cannot do that in Parliament. All seven of the Lib Dem MPs then in the House of Commons voted to give the European Union Referendum Bill, which specified one referendum, not two, its Second Reading. The right hon. Member for Carshalton and Wallington (Tom Brake), the Liberal Democrat Brexit spokesman, was among their number. Why does he think today that he should change position and say something else in this motion? Maybe that is explained by the behaviour of the Liberal Democrats when article 50 was triggered; let us follow slightly more recent history. I seem to recall that, at the time of that vote, the Liberal Democrats were, frankly, all over the shop—there is no other way to put it.

Let me in passing, however, pay tribute to the right hon. Member for North Norfolk (Norman Lamb), who has just left his place. His constituency is near mine and he is a good man. He was the one Liberal Democrat Member who recognised publicly that his party's position on Brexit was toxic. He feared that the party was not listening to people and was treating them with disdain. I pay tribute to him for his insight and courage in saying so.

Steve Double: Does the Minister share my view that we should not talk only about Liberal Democrat Members of this House? Liberal Democrat councillors, particularly in places that voted heavily for leave, such as Cornwall, are distancing themselves from their party leadership's position on a second referendum because they believe that it is so toxic.

Chloe Smith: My hon. Friend speaks with experience from Cornwall, in the west country, for which I am delighted to say there is now Conservative representation in Parliament. I hope that he and his colleagues will continue to serve the people of that part of our beautiful country for many years to come.

Chuka Umunna (Streatham) (Lab): I am grateful to the Minister for giving way, but it does stink a bit of pot and kettle for her to claim that every party but hers is all over the place on this issue. If we are honest, there are divisions in all parties, just as there are in the country. Frankly, I do not agree with her argument that democracy is static. It is a dynamic thing, and there is no reason why people should not change their views as facts change.

May I ask the Minister about one particular fact? I am surprised that no one has taken her up on it. Can she please tell us what the resolution is to the Irish border issue? She wrongly stated that it had been resolved at the December Council. It was not. What is the solution to avoiding a hard border on the island of Ireland? The Under-Secretary of State for Exiting the European Union, the hon. Member for Worcester (Mr Walker), who is sitting next to her, shakes his head. Maybe he can get up and tell us what the resolution is to this issue.

Chloe Smith: My hon. Friend and I were shaking our heads because I did not say what the hon. Gentleman says I did. The Prime Minister's statement yesterday made it very clear that the deal she proposes to put forward to the EU does address the Irish border question. That is where he will find the answer to his question. Today's debate, however, is about having a second referendum, and that is what I am responding to.

Bob Stewart (Beckenham) (Con): Will the Minister give way?

Sir Edward Davey: Will the Minister give way?

Chloe Smith: Before I give way to anyone else, I just want to take the opportunity, given that it has been rather handed to me on a plate, to remind the House that it is the Labour party that is all over the shop on the result of the EU referendum. Labour party politicians and supporters have suggested more than 60 times, I think, that the party is going to support a divisive second referendum. Whether that is or is not its party policy at this precise moment in time is anybody's guess.

Let me move on to the final point I wanted to make about the Liberal Democrats before drawing my remarks to a close. I want to reflect on what I think is the right thing to say at this moment. It is this:

“The public have voted and I do think it's seriously disrespectful and politically utterly counterproductive to say ‘Sorry guys, you've got it wrong, we're going to try again’.”

Christine Jardine (Edinburgh West) (LD) *rose*—

Chloe Smith: I entirely agree with that, and I wonder if the hon. Lady might do too, because we all know who said it: the right hon. Member for Twickenham (Sir Vince Cable). It is a great shame that he cannot stick to those words. Could the hon. Lady explain why?

Christine Jardine: Sorry, explain why—

Chloe Smith: Why her leader has flip-flopped.

Mr Deputy Speaker (Sir Lindsay Hoyle): Order. I just remind Members that we cannot have both people standing at the same time. Please give way to each other. Minister, are you giving way to Christine Jardine again?

Chloe Smith *indicated assent*.

Christine Jardine: I wonder whether the hon. Lady can explain to me why, if it is so important to stick to one's principles, the Scottish Conservatives, all of whom represent constituencies that voted remain, have now flipped and are voting for Brexit and paying no attention whatever to what the people of Scotland are asking for.

Chloe Smith: It would be preferable if those of us who are Unionists, and who feel very strongly that our United Kingdom has made a decision together and should be able to look forward to a good result of that decision together, could unite around that argument. It is really important that we secure a deal that works for the entire United Kingdom. I am very pleased that the motion refers to the “people of the UK”. The hon. Lady and her colleagues are right to put that phrase in the motion, because we are committed to securing a deal that works for the people of the UK.

Sir Edward Davey: On the subject of the deal, one thing that confused us in the Prime Minister's comments on the Chequers statement was this: if the EU puts forward a new rule and Parliament gets a chance to vote on it—the Prime Minister is very proud of that—what happens if this House votes against it? That has not been made clear. Will the Minister make that clear now?

Chloe Smith: The Prime Minister took two hours of questions on the detail yesterday, and I really think there is very little I can add to the understanding of that. I am deeply sorry if the right hon. Gentleman does not yet understand the position, but the Prime Minister did go through it in detail.

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): If I interpret correctly what the Minister has just said, I rather fancy that she is making a false correlation between those of us who are perceived as Unionists and support for Brexit. I very luckily won my seat just over a year ago as a self-proclaimed remainer—there was a swing to the Liberal Democrats. I suggest to the Minister, with all due respect, that that was more about a repudiation of any notion of a second independence referendum in Scotland and perhaps a comment on the Scottish Government.

Chloe Smith: I am very happy to hear that argument from the hon. Gentleman. He is correct. I was making a parallel point rather than a correlative point about the need to seek a deal that works for the entire United Kingdom. What I would say is that those who respect the result of one referendum also need to respect the result of another. If the hon. Gentleman thinks highly of the independence referendum result, he might think again about the EU referendum result. If we respect one, it is important to respect the other for the same basic reason, which is that we are all democrats.

Peter Heaton-Jones (North Devon) (Con): I do not know if other Members feel like this, but I feel like we have disappeared down the rabbit hole in “Alice in Wonderland” with the Liberal Democrats' motion. They are calling for a second referendum, but the right hon. Member for Twickenham (Sir Vince Cable) described those who voted leave in the first referendum as old people driven by nostalgia for a world of white faces. If he has so little regard for the majority of people who voted in referendum one, why on earth would we listen to him about having a second?

Chloe Smith: Those words were hugely to be regretted. They were a great shame. Perhaps we will be able to draw that point out a little more from Liberal Democrat Members in today's debate.

Returning to the motion, it is a shame that its language is overblown to say the least. Apparently what we need at the moment is a Government of national unity. The last time we had one of those, if my memory serves me rightly, we were at war. We are, instead, in a constructive negotiation with the European Union. We are not at war with it, nor should we try to be.

Bob Stewart: As someone who commanded a checkpoint on the Northern Ireland border for two years during the hard border times, I point out that it is perfectly easy to have a border that does not require checkpoints. The Swiss border operates using pre-registration and technology, when one goes into Germany or France. Having done it, I can tell the House that that is perfectly possible using today's technology and pre-registration. It can work.

Chloe Smith: I thank my hon. Friend for speaking from his experience. I will draw my remarks to a close, because many other Members wish to contribute to the debate—at least nine Liberal Democrats and perhaps one or two others.

The Government's position is clear: we are determined to deliver on the decision of the British people. We are making progress on doing so, and there will not be a second referendum. Surely our focus should all be on making a success of Brexit and getting the best deal possible. It is the Government's duty to do that. It is the Government's duty to deliver the will of the people, as asked for in the referendum, and find the right deal for Britain.

2.49 pm

Jenny Chapman (Darlington) (Lab): Even by recent standards, this is a moment of extraordinary political chaos. Within the last 36 hours, the Prime Minister has lost her Brexit Secretary, her Foreign Secretary—although she probably welcomed that as much as the rest of the country did—and she has lost the support of her party. The Chequers proposals are clearly dead in the water, even before the White Paper is published and the EU has had a chance to respond. However, amid the turmoil and turbulence, it is comforting to see that there are still some certainties in politics.

Steve Double: Will the hon. Lady give way?

Jenny Chapman: Give me a minute—let me at least get started, and then I promise I will give way. Today, before the House we have a Lib Dem motion calling for a coalition with a discredited Tory Government and a referendum on the EU. This is from a party that propped up the Cameron Government for five years.

Steve Double: Will the shadow Minister remind the House how many shadow Front Benchers the Leader of the Opposition has lost since he has been in post?

Jenny Chapman: We have had our moments, I do not deny it, but we sit here as a shadow Brexit team that is still entirely intact from the date of formation. I look over to the Under-Secretary of State for Exiting the European Union, the hon. Member for Worcester (Mr Walker), who now casts a lonely figure on the Government Front Bench, as the sole survivor on his own team.

The Lib Dems have been calling for a referendum on membership of the EU since 2009—I could find it as far back as that, but it may well go further back than that. The Lib Dems, with their usual political foresight, argued back then that only a real referendum could settle the question of our relationship with the EU once and for all. A decade later, they still think that another referendum is the answer. I am certain that, in 2028, Lib Dem MPs will still be debating whether they should call for another referendum. This motion is a kind of greatest hits of Lib Dem policies over the last decade. I can only assume that an earlier draft had a promise not to raise tuition fees, but that must have been ruled out of scope.

There is no parliamentary majority for the Prime Minister's cumbersome and costly facilitated custom arrangement and it would be a nightmare for business. It would mean the UK acting as the EU's customs official and it relies on technology that does not currently exist to make it work. For perhaps the first time in history, I agreed with the now former Foreign Secretary when he described it in his resignation letter as an "impractical and undeliverable customs arrangement unlike any other in existence",

and these are the lengths that the Government have gone to in order to reject a comprehensive customs union.

Tom Brake: First, on the subject of foresight, I draw the hon. Lady's attention to the fact that the Liberal Democrats had the foresight to oppose the Iraq war unanimously. As for propping up Governments, I think she needs to look carefully at what her Front Benchers are doing in relation to Brexit. Many people around the country think that she and her colleagues are propping up the Government. On the question of a national Government—a Government of unity—what we are calling for is the parties that want an exit from Brexit and a final say on the deal to get together and deliver it.

Jenny Chapman: Our Front Benchers' position is clear: we do not want an exit from Brexit. We respect the outcome of the referendum. I know that the Liberal Democrats do not approve of that position, but that is what it is.

Gareth Snell (Stoke-on-Trent Central) (Lab/Co-op): My hon. Friend and her whole team have done a sterling job for the Labour Front Bench. While she is clarifying Labour party policy, could she also clarify from the Dispatch Box that it is not Labour policy to support a second referendum?

Jenny Chapman: I will go on to that later in my speech.

Sir Desmond Swayne: But before she does—

Jenny Chapman: I give way to the right hon. Gentleman.

Sir Desmond Swayne: The hon. Lady spoke of the enormous technical difficulties and the absurdity of us operating as the European Union's customs official. That is what we do at the moment. We charge tariffs on goods coming from the rest of the world and not from the EU. What is the difference in principle or in technology?

Jenny Chapman: There is a very great difference between what is proposed in the Chequers deal and a comprehensive customs union. We will probably be debating this at great length when the White Paper comes out. I am interested to note the right hon. Gentleman's support for the Chequers deal—let us see how long that lasts.

The problems with the Chequers proposals go a bit deeper. There are huge holes in wider parts of the proposals, particularly on services, where there is an extraordinary lack of detail, even though services account for 80% of our economy. It is also difficult to see how the proposals would prevent a hard border in Northern Ireland. As we have said time and again, the best way to do that is through a comprehensive customs union and shared institutions and regulations, but the Chequers plan is well short of that. There is also nothing in the proposals to prevent workplace rights, consumer rights and environmental protections lagging behind EU standards over time. Of course, the White Paper—if it gets published—may include more detail, but this is clearly not the credible plan that we need to protect jobs, the economy and rights.

[Jenny Chapman]

This matters, because we all want a Brexit deal that works for Britain and ends the uncertainty that we have seen for two years. Businesses in the north-east and across the country are crying out for that. Whether people voted leave or remain, they are being let down by the chaotic way in which the Government are handling this process, but the two proposals in the motion to address this are not ones that we can support.

The first proposal is for

“cross-party discussions with a view to establishing a government of national unity”.

Of course, the Labour party is always open to working across the House to find consensus and to shape the Brexit process to protect jobs and the economy. That is precisely how we approached the European Union (Withdrawal) Bill and the many amendments that we worked so hard on in both Houses. It is also how we are approaching the key votes on the customs and trade Bills next week.

Again, we have reached out to find common ground, particularly on the case for a new customs union and to keep us close to the single market. As my right hon. and learned Friend the Member for Holborn and St Pancras (Keir Starmer) set out in *The Guardian* today, this is

“an impasse that cannot be resolved by further internal negotiation in the Conservative party...It is now time for the majority in parliament to be heard.”

We believe that this majority would support a close economic relationship with the EU, including a new customs union and the kind of strong single market deal that Labour is putting forward. We will put that to the House in amendments next week and as the process continues, but this motion calls instead for a “government of national unity”—in other words, a coalition. I know that that is the Lib Dems’ answer to any moment of political crisis, but we do not agree.

The proposal in the motion poses more questions than it answers. What would the negotiating mandate of that Government of national unity be? I assume that the Lib Dems would expect to serve in it and would reluctantly take up a ministerial salary and car, but on what basis would that Government operate, and with what mandate? What would the wider policies of that Government be to address the huge challenges that we have in our schools, our NHS and our communities?

Tom Brake: Will the hon. Lady give way?

Jenny Chapman: No. Or would this just be a Brexit Government? Brexit is the most pressing issue facing this country, but it is not the only one, and the public would not thank us for ignoring the many wider issues we need to urgently tackle. I will give way to the right hon. Gentleman if he would still like to intervene.

Tom Brake: I thank the hon. Lady for giving way. I wish that she were able to adjust her speech as she was going along, because in an earlier intervention on her, I made it very clear what the purpose of that national unity Government would be. It would be very limited: simply to provide an exit from Brexit and a final say on the deal. That would be its remit—end of story.

Jenny Chapman: I think “end of story” pretty much sums it up actually.

Instead of another Lib Dem coalition, the Prime Minister should first allow votes in this House on her customs proposals, and ours, to see which one has the support of the House. Similarly, she should put her White Paper to a vote and see whether there is a majority for that, and if not, she must accept that her approach has failed. She needs to change the red lines, particularly on a customs union and a close single market deal, or better still, make way for a Government who can deliver the Brexit deal that we need. The sooner she does that and ends the chaos of the last day and a half, the better.

The second proposal in the motion concerns “a people’s vote” on the withdrawal deal. To be absolutely clear and to respond to my hon. Friend the Member for Stoke-on-Trent Central (Gareth Snell), the Labour party is not calling for a second referendum, and we never have. Our manifesto was perfectly clear on this:

“Labour accepts the referendum result...We will prioritise jobs and living standards, build a close new relationship with the EU, protect workers’ rights and environmental standards, provide certainty to EU nationals and give a meaningful role to Parliament throughout negotiations.”

We have also said that, should the Prime Minister fail to get a withdrawal agreement through the Commons, or fail to get a deal at all, it would be a moment of real crisis. At that stage, all options should remain on the table, and Parliament should be able to say what happens next. That could take many courses, but it should be Parliament that decides.

Caroline Lucas: The hon. Lady says that the Labour party will support a Brexit that delivers jobs, and all those positive things, but she knows as well as we do that every single economic analysis demonstrates that we are going to be massively worse off as a country if we are not part of the single market and the customs union. Does she not think that those people—for the many, not the few—would actually do an awful lot better if Labour got off the fence and, at the very least, supported a less damaging Brexit than the one it is supporting right now?

Jenny Chapman: The hon. Lady does not respect the outcome of the referendum. I understand that. There is an honesty and a consistency to her approach, but that approach does not happen to be shared by the Labour party. We do accept the outcome of the referendum. Over the last year we have consistently fought to ensure that Parliament has a proper role in the process. Of course, we would have liked the outcome on that in the withdrawal Bill to be different. But by focusing on that and working with Members on all sides of this House and in the other place, we made real progress toward a meaningful vote, and we will look to return to it in other legislation.

We are not supporting calls for a second referendum or a people’s vote. Why is that? I know that some people are frustrated by our approach, but the reason is that we respect the outcome of the referendum. We have been entirely consistent about that. When we asked people to vote in the 2016 referendum, we said that their vote counted, and we meant it. The impact of now telling voters that we did not mean it, or that we did not like

the answer that they gave, would be profound. Members do not need to take my word for it; they can take the words of the leader of the Lib Dems, who—freed from the trappings of coalition—said in 2016:

“The public have voted and I do think it’s seriously disrespectful and politically utterly counterproductive to say ‘Sorry guys, you’ve got it wrong, we’re going to try again.’”

Spot on. It is a shame that that kind of insight does not survive becoming a Lib Dem MP.

Stephen Gethins (North East Fife) (SNP): There is no such thing as a jobs-first Brexit. If the hon. Lady has seen any economic analysis that tells her otherwise, will she let us know about it?

Jenny Chapman: There are parties in this House—we are hearing a lot from them this afternoon—that do not accept the outcome of the referendum. The Labour party is not one of them. We accept the outcome of the referendum and all the challenges that it poses.

Sir Vince Cable: Does the hon. Lady not accept that there is a difference between accepting the referendum when it happened, and looking at the circumstances now, two years on, when the situation is utterly changed—not least because of the revelations, which were not available at the time, about large-scale cheating and criminal activity?

Jenny Chapman: If I believed for one minute that another referendum would be a well-informed discussion among the people of this country about customs, trade, tariffs and the economy, I might take a different view. Unfortunately, that is not what I expect to happen. Labour is not calling for a second referendum because we believe that doing so at this stage would make it harder to get the right deal for Brexit.

Peter Heaton-Jones: The hon. Lady is being generous with her time. Much as I am loth to take the focus away from the Liberal Democrats, there is still some confusion about the Labour position. Only five days ago, the shadow Brexit Secretary said:

“We’re not calling for it. We respect the result of the first referendum. But we’re not ruling out a second referendum.”

Jenny Chapman: I said that, too. I do not know the hon. Gentleman well, but I take him to be a man of high intellect and cleverness. I do not think it is too difficult a concept to grasp that we are not calling for something, but we do not feel that we can, from a position of opposition, rule things out and impose red lines in the way the Government have done. This whole process has been bedevilled by unnecessary red lines, which have later had to be rubbed out and faded to pale pink. We are not calling for a second referendum; I really cannot be any clearer about it.

Another reason for that is that we want to focus on the terms of the Brexit deal. Labour has engaged fully with the negotiations and the Brexit process. We have set out what a post-Brexit approach could be, and we have sought to shape it. Calling for a second referendum would make that much more difficult, and it would mean we had nothing to say about the negotiations or what our future outside the EU should look like. Again, who was it who warned in 2016 that backing a second

referendum risked marginalising the UK in negotiations? None other than Vince from Twickenham, who said that he thought the Lib Dems should show

“more emphasis on what it is we want from these negotiations rather than arguing about the tactics”.

Again—spot on. There are also practical problems with how a second referendum would work. When would it be held, what would the question be and what would happen if there were another narrow result in either direction?

Finally, we also need to consider the impact a second referendum would have on an already divided country. The first referendum was incredibly divisive. It pitted family against family, and community against community. I know that many of my colleagues and many people in my constituency have no desire to repeat that. They fear that doing so would further inflame and divide our communities. That is not a trivial concern, and I urge Members to reflect carefully on it. For all those reasons, we will not be supporting the motion today.

Several hon. Members *rose*—

Mr Deputy Speaker (Sir Lindsay Hoyle): Can I suggest that we do up to 10 minutes, to try to give everybody equal time?

3.7 pm

John Lamont (Berwickshire, Roxburgh and Selkirk) (Con): Like each and every one of the Liberal Democrats, I did not get the referendum result that I wanted in 2016. I campaigned and voted for the United Kingdom to remain part of the European Union. In the early hours of 24 June, I looked on in a state of disbelief as the results came in, and it took weeks, if not months, for the implications of the vote properly to sink in. In Scotland, the uncertainty and disbelief were compounded by the new calls from the SNP and the nationalists for a second referendum to break up the United Kingdom.

Neither my personal view ahead of the referendum nor my personal reaction to the vote really matters. What matters is that the voters made their decision, and our job as parliamentarians is to ensure that we respect that decision and implement it in the best way possible. I find it impossible to ignore the blatant hypocrisy and incoherence of the Liberal Democrats’ position on this matter—hypocrisy, because they want to re-run a once-in-a-generation vote across the United Kingdom, but claim to oppose a rerun of another once-in-a-generation vote north of the border in Scotland. Their party leader, Willie Rennie MSP, says,

“With the Scottish economy teetering on the edge of a recession...the last thing our country needs is another divisive and distracting independence debate.”

I agree with Willie Rennie.

Layla Moran: Will the hon. Gentleman explain how the first referendum held after all the facts have been presented to us would count as a rerun, given that there would be new facts? In my constituency, for example, BMW has now come out and said that businesses would be harmed, and that would mean that my constituents would lose their jobs. Why should they not have the right to change their minds?

John Lamont: The voters made their decision for a variety of reasons, as voters always do in every election. The fact that some people do not like the conclusion that they reached does not mean that we can simply reject that decision and say that we need to rerun the vote. My experience in my own constituency is that people who voted to leave in 2016 are just as committed to voting to leave again if the question were put again. Indeed, many voters in Scotland, such is their fear of a second referendum to break up the United Kingdom and their feeling that their remain vote has been used by the nationalists as a mandate for a second referendum on independence, may well vote to leave the European Union to try to shut down Nicola Sturgeon and those nationalist pursuits.

Referendums are divisive and distracting, and a rerun of the vote would simply pile on the economic uncertainty. Businesses in Scotland, already faced with the possibility of another vote to drag Scotland out of our biggest market, that of the United Kingdom, would then also be unsure about whether we would actually be leaving the European Union.

Why is the threat to Scottish business of a second independence referendum so great? Growth in Scotland is not expected to rise by more than 1% before 2023. In 2017, Scotland's GDP grew at half the rate of GDP in the United Kingdom. Why is that? Why is Scotland lagging behind the rest of the United Kingdom? Brexit creates uncertainty, but another independence referendum would simply add to that. If the Liberal Democrats and the Scottish National party get their way, Scottish business will see untold levels of uncertainty: uncertainty about another referendum on whether we remain part of the European Union, and uncertainty about another referendum on whether Scotland remains a key part of the United Kingdom. Why can the Scottish Liberal Democrats—led by Willie Rennie MSP—see how damaging and divisive a rerun of a referendum is, while their colleagues in this place cannot?

Christine Jardine: At the time of the independence referendum, the Scottish National party produced a full White Paper which laid out in great detail what the final deal would be. There was some debate about whether, if it had not done that, there might have had to be a second referendum in the event of a yes vote in Scotland. There is no inconsistency. The Scottish National party put forward a final deal, which was rejected. The Conservatives have yet to discover what the final deal might be, and agree among themselves. The people have no idea what it is they are facing.

John Lamont: I have greater faith in the people of this country to make an informed decision—and, as I said earlier, they are entitled to vote in any way and for whatever reason they choose. Our job as parliamentarians is to accept their ultimate decision.

Sir Edward Davey: Will the hon. Gentleman give way?

John Lamont: I want to make just a little bit more progress.

I think that trying to unpick the result and the decision-making process of our electorate is a very dangerous thing to do.

Mr Alister Jack (Dumfries and Galloway) (Con): Does my hon. Friend agree that, whether we are talking about the European Union referendum or the independence referendum, we are not in the business of playing “best of three”?

John Lamont: My hon. Friend has made an important point. Best of three, best of five, best of seven—how often do we need to keep rerunning votes until Opposition Members get the result that they want, and are happy to accept the democratic wishes of the people of this great country?

The Liberal Democrats' position is also hypocritical, because they claim to be democrats and claim to be standing up for a people's choice in one breath, and in the next breath they want to ignore the people's vote the first time around. The reality is that the electorate made their choice knowing there would be no second referendum. The Prime Minister at the time, David Cameron, repeatedly made that clear. Every voter received a leaflet from the Government stating that the vote was

“a once in a generation decision”,

and told voters that the UK Government

“will implement what you decide.”

The Liberal Democrats' position is also incoherent, because they think that the electorate made the wrong decision the first time around, but believe that a second referendum would produce a different result. What would a second Liberal Democrat referendum actually achieve? A greater leave vote and the possibility of a harder Brexit; a remain vote followed by justified calls from Brexiteers for another referendum to decide the matter once and for all; or roughly the same result, and an even more frustrated electorate.

Tom Brake: May I return the hon. Gentleman briefly to the issue of business uncertainty, about which he is concerned and which he says that a second referendum, or a final say on the deal, would cause? Does he not accept that one thing that is certain from a business perspective is that, according to the Government's own impact assessments, whichever model we end up with when we leave the European Union, all the businesses about which he professes to worry will be worse off?

John Lamont: I accept that any change will create uncertainty, but I see the positive future beyond that initial period of uncertainty, and I see the opportunities that our country will face once we leave the European Union. When Opposition Members try to add to that uncertainty by proposing yet another referendum, another campaign, another period of not knowing what the outcome will be, that does nothing to help business and our economic prosperity.

Colin Clark (Gordon) (Con): Is my hon. Friend not amazed that the stock market is doing so well, and that we have the lowest unemployment we have had for many years? Is that not a reflection of how well the economy is doing—costing in the fact that we are leaving the EU?

John Lamont: That is a good point. One of the great strengths of our businesses is their ability to adapt and respond to challenges. During our recent half-term break, I spent a week visiting businesses in my constituency. When I asked them what was the biggest challenge they

faced—whether they were small businesses employing a handful of people, or big businesses employing 800 or so—not one of them said “Brexit”. I asked them, “Why on earth did you not say ‘Brexit’, given that all we read in the press is about Brexit and the difficulties you will face?” They said, “We are resilient. We adapt to whatever the challenge may be. The reason for our present strength and success is our ability to adapt to those challenges.”

Wera Hobhouse (Bath) (LD) *rose*—

Christine Jardine *rose*—

John Lamont: I want to make a bit more progress, if I may. I will take more interventions later.

One thing is certain: another referendum—a Liberal Democrat referendum—on our membership of the EU would simply play into the hands of Nicola Sturgeon and the separatists who wish to destroy the United Kingdom by ripping Scotland out of the heart of it. I am no fan of referendums, and neither are many of the voters whom I speak to. Referendums cause huge uncertainty, put off businesses, and divide nations. Now that we have a sensible, pragmatic approach to Brexit agreed by the Government and a parliamentary vote, there is little to gain from another referendum and much to lose.

The motion refers to the lack of progress on Brexit. I want to say a little about one issue on which the UK Government have made significant progress, both in terms of their thinking and in terms of their negotiation with Brussels: the issue of fishing. I must admit that when the Government announced that we would remain part of the common fisheries policy during the transition period—a policy hated by fishermen and fishing communities throughout Scotland—I was disappointed, to say the least. But, since then, and since the publication of the fisheries White Paper last week, we have seen concrete action that will work for Scottish fishermen. Despite the delay, we will be leaving the CFP in December 2020, which means that by 1 January 2021, British waters will once again be just that: British. It will be up to us to decide who has access to them and we will be presented with a once-in-a-generation opportunity to change the way in which we operate in them. We will be able to ensure that stocks are fished sustainably, we will be able to negotiate with other countries, and we will have full control over our natural resources.

I was delighted that the White Paper also made it clear that the issue of access to British waters for European boats would not be conflated with access to European markets for British fish. That is crucial, and as the Government continue their negotiations with the EU, they must ensure that they do not allow Brussels to abuse the right of access to British waters.

Jamie Stone: A constituent of mine, Mr William Calder, has a fish processing business in Scrabster. If what happens in the future leads to the addition of half a day to his two-day delivery journey to France, he will be in serious trouble. We need to avoid anything like that happening at a border, whether it is at Dover or Calais.

John Lamont: I agree that we need to ensure that our fishermen have the best possible deal, but what our fishermen want is to be out of the common fisheries

policy and to have control of our waters. What the Liberal Democrats are proposing is to go back into the CFP, which is absolutely not what the Scottish fishermen want.

I am conscious of time so I am going to conclude. The most obvious reason why the Liberal Democrats’ call for a second EU referendum should be rejected is that the voters simply do not want it. Only one of the last 10 opinion polls on this has shown public support for a second referendum. The Liberal Democrat Members need to be asking themselves why, if a second EU referendum was so popular, only 12 of them are sitting on the Opposition Benches. When the Liberal Democrats stood on a manifesto promising another vote only a dozen Lib Dem MPs were returned. In my constituency, which had been represented by Liberal Democrats including David Steel, Archy Kirkwood and Michael Moore for over 50 years, the party came fourth in last year’s general election and lost its deposit.

Liberal Democrats would do well to stop patronising voters. They should abandon their insistence that the electorate, just because they disagree with Lib Dem party policy, cannot possibly be right, and drop their call for a second referendum.

3.20 pm

Stephen Gethins (North East Fife) (SNP): I thank the Liberal Democrats for introducing this debate, which is exceptionally timeous, not least because the wheels have well and truly come off the Brexit bus. We have a Government who have fallen apart, the clock is ticking, and it is clear that, having triggered article 50 without having any clear plan, they have absolutely no idea what comes next. That should trouble us all.

Whether we like it or not—and some of us might not like it very much—this Government are responsible for the most complex, far-reaching and important negotiations since the war, and their decisions, or lack of decisions and lack of coherence, will have an impact on every one of us: on jobs, on the economy, on opportunities for young people in the future. I may not like that, but it is a fact that each and every one of us needs to consider.

We saw yesterday two resignations in 24 hours. I disagreed with Mr Davis, who is not in his place, wholeheartedly, but he always treated me and colleagues with courtesy and I wish him the very best for the future. And as the Prime Minister said yesterday of Mr Johnson, of course we respect his passion.

Mr Deputy Speaker (Sir Lindsay Hoyle): Order. We are not meant to use names.

Stephen Gethins: Thank you, Mr Deputy Speaker.

Brexiters have had their whole careers to prepare, and then the former Ministers whom I have just mentioned had two years in the highest offices of state, with every resource of the UK Government at their disposal, to build on their years and years of so-called preparation, yet we are left in this complete mess. I do not blame the Minister present entirely for it, and indeed I do not blame the Prime Minister entirely, but those Brexiters who got us into this mess and have done absolutely nothing to get us out of it again have shown gross irresponsibility and negligence. They bear huge responsibility for the situation in which we have been left. This is serious stuff.

[Stephen Gethins]

I was very disappointed by the contribution of the shadow Minister, the hon. Member for Darlington (Jenny Chapman), whom I respect enormously. There is no such thing as a “jobs-first Brexit.” Every single scenario that has been set out shows jobs being lost. Even the compromise we have put forward of staying in the single market and customs union is the least worst—not the best—option. I am sorry to say that if only the Labour party would step up to the mark, we would not be in the mess we are in today. Therefore, I say with great respect to Labour Members that Labour needs to step up to the plate a little more, because the UK as a whole finds itself in the most extraordinarily difficult situation. [Interruption.] I will happily give way to the shadow Minister if she has a point to make about a jobs-first Brexit. [Interruption.] No, I did not think so.

To throw some light on this matter, Rabobank has said that this situation could cost the UK economy £400 billion. The Fraser of Allander Institute says it could cost 80,000 jobs in Scotland alone and cost Scotland’s economy £12.7 billion, and the head of that respected economic think-tank said that it had only done the work for Scotland but, looking elsewhere, it would be even worse for other parts of the UK. It is startling that the Scottish Government did economic analysis and published it and those of us who have seen it know that although the Scottish and UK Governments might not agree on much in this process, their economic analysis agrees entirely on the devastation that will be wrought by this Government if they see through their plans. This must be one of the first times in history when a Government are actively, and proactively, pursuing a policy that they know will cost tens of thousands, if not hundreds of thousands, of jobs.

Joanna Cherry (Edinburgh South West) (SNP): My hon. Friend will recall that the UK Government’s modelling showed a hit to GDP in the long term of minus 1.6% if we stayed in the European economic area. Does he agree that under the Chequers agreement, which takes services out of the mix, that hit will be considerably greater, particularly in terms of the jobs Labour is promising us from Brexit?

Stephen Gethins: My hon. and learned Friend makes an excellent point, and she is well aware from the work she has done representing financial services in her constituency of the difficulties and job losses from the Government’s plans.

I find it extraordinary that we have a Government who are proactively pursuing a policy that they know will cost jobs, and they know will hit our GDP and our public services, because if GDP is hit there will not be the tax-take to provide the support for public services in the future. That will be devastating. I know that the Minister tries his best and is a very honourable man, but it must be extremely hard for Ministers to be pursuing this policy, and I urge them to think again about the damage they are doing to the economy and elsewhere.

We have a need for EU nationals. They should have been given a huge amount of certainty. EU nationals contribute so much to our public services and our companies, and contribute to this place and beyond—

The Parliamentary Under-Secretary of State for Exiting the European Union (Mr Robin Walker) indicated assent.

Stephen Gethins: I am glad that the Minister is nodding. To charge EU nationals £65 a pop just to remain at home is outrageous and shameful, and it should shame the rest of us.

We should also think about the fact that our universities rely on initiatives such as Horizon 2020 and that our farmers rely on seasonal workers. I benefited from the Erasmus programme, but young people might not do so in future. Winnie Ewing, a former SNP MEP, was key to the success of bringing in Erasmus, working with members of other parties, including in other parts of Europe. I wanted to mention that so I can wish Winnie Ewing a happy 89th birthday—she was also a Member of this place.

One of the saddest things is that those of us who are in this place now will leave fewer opportunities for young people than we enjoyed. They will have fewer opportunities than we had when we started off in politics. We should all have at least an aspiration to leave more, but that is not the state that we are in at the moment. The Parliamentary Secretary, Cabinet Office, the hon. Member for Norwich North (Chloe Smith), who is not in her place at the moment, talked about trust in the Westminster Government. The recent social attitudes survey showed that, in Scotland, levels of trust in the Westminster Government are down at 20%. That means that only 20% of people in Scotland think that Westminster is working in their best interests, and is it any wonder that that trust is at such a low ebb? The figure for Holyrood sits at 61%, which is much higher than the figure for this Government.

For the future, there is a need to reach out to other parties and to the devolved Administrations. The Scottish Government set out a plan just after the referendum in a way that the UK Government have yet to do—we have been waiting years for any plans from the UK Government—to stay in the customs union and the single market. I pay tribute to the Liberal Democrats, Plaid Cymru and the Green party for joining us in that aspiration and that work. In fairness, some Labour Back Benchers have also had the aspiration to work towards that goal.

The UK is hopelessly divided at the moment. Scotland did not vote to leave the European Union. The Scottish Parliament has acknowledged, and this place acknowledged only last week, that according to the claim of right, Scotland should remain sovereign and make its own decisions in the future. I hope that the Minister will reflect on that claim of right when he winds up the debate. We are in this mess because of a Conservative civil war, but bringing an end to it cannot be done merely by seeking solutions within the Conservative party. It can be done only by reaching out before it is too late.

3.31 pm

Michael Tomlinson (Mid Dorset and North Poole) (Con):

“I will forgive no one who does not respect the sovereign voice of the British people once it has spoken. Whether it is a majority of 1% or 20%, when the British people have spoken you do what they command. Either you believe in democracy or you do not.”

Those are not my words but the words of the noble Lord Ashdown on the evening of the referendum. This motion calls for a second referendum, but I believe that a second referendum would be seriously disrespectful. It would be utterly counterproductive, and I will not be voting for it this evening.

3.31 pm

Tim Farron (Westmorland and Lonsdale) (LD): We are having a slight let-off from the hot weather, but it strikes me that we have become a bit of a cliché with our similarities to a Mediterranean country over the past few weeks. We have had incredible weather, we are good at football and we have chaotic politics. In the chaos of the past 48 hours, many things have been revealed, not least the fact that the now former Secretary of State for Exiting the European Union spent a grand total of four hours this year negotiating the deal with Michel Barnier. I can inform the House that I have spent more time filling in my World Cup chart than the former Secretary of State spent doing his job.

I want to focus on our countryside and on the production of food. Cumbria and the Lake District won their own world title a year ago this week when the area became a world heritage site. We are very proud of that, and it was clear in the document that the world heritage site status that we were afforded by UNESCO was just as much down to the work of the farmers who maintain the landscape as it was down to the physical nature and the geology itself. It is massively important to recognise that it is not just the landscape that makes our countryside so beautiful, not only in the Lake District but in the dales and all the other beautiful parts of the United Kingdom; it is largely down to the work of our farmers.

The production of food is also of massive significance. I am sure all Members will share my concern that we have seen a massive rise in the amount of food that we import over the past 20 years. In 1990, we imported about 35% of the food that we consume. The figure is now about 45%. As the process of leaving the European Union trundles on, one thing that will undoubtedly have an impact on this country's ability to feed itself will be the agriculture Bill that we are expecting to see, perhaps before the summer or perhaps shortly after.

It will also massively depend on what kind of deal we get. What situation will we face when it comes to tariffs or no tariffs on our imports and exports? That is why it is right, and respectful of the British people, to decide to engage fully in what kind of deal we get and to object if the Government present us with a shabby deal or if others in the Government wish to have a deal that is even shabbier than the one that the Government are presenting.

I am one of the 6% of Members of Parliament who bothered to go and look at the Brexit impact assessment documents in Whitehall when they were sort of semi-released earlier this year. Obviously I would not leak a single word of what I read—oh go on, since you've twisted my arm. One of the things that most struck me was the war-gaming that the Government had done for some rather terrifying prospects. For example, it is worth bearing in mind that, whether we like it or not, membership of the European Union has removed from this place and this country the imperative to debate

whether it was right to subsidise food over the past 40 years, but by golly we have, and we will notice if we stop subsidising food.

Over the past 40 years, the average spend of a lower-middle-income household on food has gone down from 20% of the weekly wage packet to 10%. At the same time, housing costs have doubled. If we remove direct payments for farmers and/or if there are tariffs on imports into this country, the reality is that we will see a significant rise in the price of food on the shelves. The wealthiest people in this country spend 10% of their income on food, but the poorest spend 25%. I do not care how anyone voted two years ago or what they think about the Chequers deal, because they should care about impending food poverty on every street in this country. That is likely to be the most worrying aspect of what we get if we have a bad deal.

The Government are mindful of the problem, which is why they war-gamed what it would look like if the EU charged tariffs on UK exports into the single market, but the Government chose not to retaliate with import tariffs on EU goods. I can understand that the Government would do that to protect the interests of the poorest consumers in this country, but UK farming would be thrown under a bus. It would be decimated within a decade. That is why such issues matter. That is why the content of the deal matters. It is not anti-patriotic, anti-democratic or anything of the sort to question the nature of the deal, not based on esoterica about sovereignty or anything else, but based on the hard, visceral reality of whether people in this country can afford to feed their children.

Gareth Snell: The hon. Gentleman is correct about food poverty, but it is wrong to suggest that it is a construct of Brexit. Will he tell us what he did in government for five years to deal with food poverty? People in my constituency have been hungry for a long time, and that is not due to Brexit.

Tim Farron: I will tell the hon. Gentleman what we did. Among other things, we forced the Tories to implement benefit rises of 5%, and we ensured that we raised the income tax threshold to lift more than a million people out of poverty. It is much easier to be on the Opposition Benches than the Government Benches, but I am rightly proud of the five years that the Liberal Democrats spent in government, preventing the Tories from doing their worst and ensuring that we did the best for our country. We know that the Government have war-gamed throwing farming under a bus, but they are also preparing to levy shocking increases in food prices on both the poorest and middle-income families.

The Chequers deal is interesting. It is worth saying that I think the Prime Minister is a decent person. We go back quite a long way, and I take her to be a decent person who is seeking a consensus where perhaps none is to be found, so I will give her the benefit of the doubt. Of course, the reality is that the Chequers deal is unimplementable, undeliverable and unacceptable to the European Union. It would mean effectively being in a single market for goods while not being in the single market, effectively being a member of the customs union while not being in the customs union, and effectively having freedom of movement while not having freedom of movement, and the European Union will say no to that.

[Tim Farron]

My assumption over the weekend was that the most hard-line separatists within the Conservative party were accepting the Chequers deal, no matter how soft it looked, because they knew that the Prime Minister would present it to Brussels, Brussels would say, “Get knotted,” and it would then be Brussels’ fault that we did not get a decent deal.

Hugh Gaffney (Coatbridge, Chryston and Bellshill) (Lab): The motion calls for a Government of national unity. How many Cabinet jobs will the Liberal Democrats look for in this new coalition? This time round, how many red lines will they agree with the Tory Government?

Tim Farron: If the hon. Gentleman is going to read out questions from the Whips Office, he should at least read them out properly. We will come to what it might look like in a moment or two, but there are bigger things on the plate.

I am quite sure the Government’s assumption is that Friday’s Chequers deal will be unacceptable to Brussels, and they therefore proposed it because it makes it look like they have been listening to businesses, farmers and people of moderate intent—compromisers from both sides of the divide. The Government presented it, and the most hard-line separatists went along with it, because they thought, “Well, it’ll never be accepted. It will then be Brussels’ fault and not ours.” That seems a dishonourable approach, but it could be argued that it is a politically savvy one.

It was all going very well until vanity struck. In the early hours of Monday morning, or late on Sunday night, the right hon. Member for Haltemprice and Howden (Mr Davis) had an attack of vanity and, as we found out in the hours that followed, vanity is contagious. That is the problem we have.

The motion seriously offers the idea of having a Government of national unity because the Prime Minister is beholden to people who are not putting the country first. They are not even putting their party first; they are completely and utterly obsessed with their own career and their own vanity. There is nothing honourable about that situation. Whether or not people like the idea of our leaving the European Union, and whatever variety of leaving the European Union they favour, it is not right that this country should be beholden to such pressure in this marginal situation.

Last night, because there was no World cup on the television, I decided to seek entertainment by heading over to the 1922 committee. I hung around outside with some friends from the press and, at that historic moment, it was interesting to hear the comments made by the right hon. Member for Great Yarmouth (Brandon Lewis), the Conservative party chairman, who said, “Chequers stays. Chequers is the right path. We’re going to stick to it.” On the other hand, the hon. Member for North East Somerset (Mr Rees-Mogg) came out and said, “Chequers is effectively a betrayal and we cannot vote for it.”

The problem our country has is that, with no parliamentary majority, the Prime Minister has to balance those two extremes. All of us in this House, no matter which party we support and no matter our record on the referendum vote two years ago, should care about the future of our country. Is it right that our children’s future and their children’s future—the next half century

and the next century—should be dictated by a Prime Minister who is having to balance the interests of the venal and the vain? That is why we should work together to make sure we deliver a deal that works for everybody and that allows the people to have the final say.

3.43 pm

Steve Double (St Austell and Newquay) (Con): I have the great honour of representing St Austell and Newquay in Cornwall, which was a new constituency in 2010. My home is in St Austell, so I previously lived in the Truro and St Austell constituency. I am the first Conservative Member of Parliament for that part of the country for 41 years. In fact, I was seven years old the last time we had a Conservative Member of Parliament. It was the constituency of the late, great David Penhaligon, and others since who may not have been quite so great.

I know what it is like to live under the representation of the Liberal Democrats, and one thing that has always puzzled me is why people in Cornwall, which has always been an incredibly Eurosceptic area, kept voting for the Liberal Democrats for all those years. One reason is that in Cornwall the Liberal Democrats were very shy about their European enthusiasm. They did not tend to talk about it very much, and they tried to shy away from it.

When I started to speak to people on the doorsteps, it came as a surprise to them when I advised that if they wanted to get out of Europe, the last thing they should do is vote for the Liberal Democrats. That is why I have respect for the Liberal Democrats’ position now, because from my point of view in Cornwall, at least they are at last being honest about it. They are being honest in saying they want to exit from Brexit and deny the result that the British people reached in the referendum. They think the British people got it wrong, having been ill-informed, having misunderstood or having been too thick to understand what it meant, so we should try to overturn the decision and try again.

I have a degree of respect for the Liberal Democrats’ honesty at the moment, but I have to say that the message I get from people time and time again is that the British people simply want us to get on with this. I speak to Conservative party members, as well as members of other parties, and I hear that the British people are tired of the debate on the process. They are tired of the Westminster bubble, where we endlessly debate and try to rerun the arguments from 2016. They simply think, “The British people made a decision. Let’s get on and deliver it. Let’s leave the EU and let’s deliver Brexit the best we possibly can.” I believe that is the attitude and view of the vast majority of the British people.

Sir Edward Davey: I met people in my constituency during the 2017 election who had that view—people who had voted to remain but said that now we should get on with it. However, I had local elections in my constituency in May, so I was knocking on a lot of doors, and I detect that opinion is shifting on the ground and in the polls. People are seeing the disarray of this botched Brexit, which is why they are changing their mind. May I ask the hon. Gentleman: has he ever changed his mind?

Steve Double: I have changed my mind, but I suspect that now is not the time to go into that. I have changed my mind on a number of things over the years, but I do

not detect what the right hon. Gentleman says he is finding. I do not find it in my constituency from the people I speak to on the doorstep and meet around the place, or from the people who come to my surgeries. The clear message I get is, “We made a decision. Let’s get on with it.” A lot of people just cannot understand why we have not left already. They are frustrated because—*[Interruption.]* I would say it is because of Members on both sides of the House who have sought to delay the process—perhaps we will come on to discuss that.

I will not support the motion, and I wish to set out three reasons why it is a bad idea. First, I believe it would be bad for our democracy. We gave the decision to the British people. We are absolutely clear in the lead-up to the referendum two years ago that this decision was in the hands of the British people and that they would be making the decision. If we tried to rerun the referendum, in whatever form we want to put it, be it a second referendum or a referendum on the final deal, I do not think the British people would buy it. They would just see it as trying to change the decision. It would simply be saying to them, “Your view and your vote did not count.” As I said when I intervened earlier, I believe that one reason why many people voted leave was to give a clear message to the establishment saying, “We are fed up of being ignored. We want our voice heard. We want our opinion to count.”

It is a miracle that people voted leave, because the overwhelming movement of the establishment—of the Government, big business and so much of our society—was telling them “This is the wrong decision. This is a stupid decision to make. This is a detrimental decision to make.” The majority of people chose to ignore that and vote leave, and we should respect that.

Wera Hobhouse: This is a debate about democracy. Like the hon. Gentleman, I am confident that people make good decisions in the end. The decision made in June 2016 was a single decision that warranted another decision. He has just accepted that the people make interesting decisions, so why will he not allow them to make another decision on this issue, which is far more far-reaching now that we are going to face a deal on the decision?

Steve Double: The answer is simple: if that decision goes the other way, do we have a third and a fourth? Do we just keep going until we get the decision that some of us want? No. We made it clear to the British people. As has already been said, the former Prime Minister said that it was a once-in-a-lifetime decision and that there would be no opportunity for people to change their mind and go back. That was it, and we need to respect that.

Gareth Snell: The hon. Gentleman talked about people turning out to vote leave. Did he experience in his constituency what happened in my constituency, where not only did people turn out to vote leave, but the highest number of people in any election in the past 20 years turned out to vote? We simply cannot scoff at that.

Steve Double: The hon. Gentleman is absolutely right that the turnout was very high. I observed that the more “Project Fear” turned up the heat and told people that they were wrong to think of voting to leave, the more

people were driven to vote leave. It was very much a reaction against being told by the establishment, “We know best. You should do what we tell you.”

My second point is that to have a second referendum now would undermine our negotiating position. The point has been made many times, but it needs to be made again: if the EU knows that whatever deal is agreed will be put to a vote of the British people, it will make sure that it is the worst possible deal that it can provide, in the hope that we will reject it, reverse the decision to leave and remain in the EU. For that reason, we cannot allow a second referendum to take place.

My third point is that any second referendum would cause further delay and uncertainty. People want us to get on with it. Business wants certainty: it wants to know what the end state is going to be. Any second referendum would delay that and create even more uncertainty, because even when we had agreed a deal with the EU, we would not know whether the British people were going to support it. British business would not know whether it was going to be the final outcome. If it was rejected, that would create further delay and uncertainty. Right now, more than anything, business wants to know what the state of play is going to be when we leave. Business wants certainty and to know what the circumstances are going to be. Any second referendum would cause further delay and create even more uncertainty.

Layla Moran *rose*—

Steve Double: I am going to wind up now.

In the best interests of our country, we simply need to get on with it and deliver the best Brexit that we possibly can. We need to deliver what the British people gave us the instruction to do. They gave us that instruction and we need to respect it and deliver on it.

3.52 pm

Gareth Snell (Stoke-on-Trent Central) (Lab/Co-op): It is a pleasure to follow the hon. Member for St Austell and Newquay (Steve Double) because, despite being on opposite sides of politics, we share some commonality in respect of this issue, which is that we are both democrats, but thankfully not Liberal Democrats. We both understand that our constituencies voted leave for a number of reasons, none of which were necessarily those categorised by the overtures of the right-wing press, who make it out to be all about immigration and rather nasty things. People were shouting out against the establishment for considering them not worthy of having their say.

The huge turnout in Stoke-on-Trent Central—before I was its Member of Parliament, I hasten to add—demonstrated an engagement in a political process that has not been replicated since. There have been two opportunities to vote in an election in Stoke-on-Trent Central since the referendum: a by-election, in which I was elected to this place, and a subsequent general election. Fewer people voted in those subsequent elections than voted in the referendum, which shows that the issues on which they voted were diverse and complicated.

Let me pick up on the motion. The Liberal Democrats have, as always, quite adeptly tried to position themselves as one thing—in this case, the moral conscience of the remain-voting populace of this country—but at the

[Gareth Snell]

same time tabled a motion that does not really address the issues. As the hon. Member for St Austell and Newquay said, the motion is on a process issue; it is not on a policy issue or a substantive issue. It is about a unity Government.

We can make jokes about the right hon. Member for Twickenham (Sir Vince Cable) having a ministerial car he can be driven around in, but the motion is about the Liberal Democrats inveigling their way back into government so that they can influence something on which the electorate have consistently rejected them. If they are so confident that their position can command the support of the electorate, they can all trigger by-elections in each of their seats and run purely on having a second referendum. If their confidence is correct, they will all be returned to this place with increased majorities and it will all be fine and dandy. I suspect, though, that they do not have the courage of their convictions to do that, because they know that what they are actually doing is attempting to subvert democratic processes merely for electoral gain further on down the road. That is that they are doing with this motion, so I shall not support it.

The Liberal Democrats have also failed to address the following: what is the question they actually want to put to the public? I find it quite odd that, on the one side, we have the Liberal Democrats and, on the other, members of the European Reform Group, who are all waiting in the wings, rubbing their hands in absolute glee at a no-deal scenario, because actually that is what they want. The Liberal Democrats, along with members of the European Reform Group on the Conservative Benches, and, sadly, a number of my colleagues, who normally would be here in vocal force, but who have not found their tongues today, are all rubbing their hands in glee at a no-deal scenario because they see a no-deal scenario as a path to something else. They are very different, diverging paths, but the best thing that they can hope for to facilitate their own political interests is a no deal.

The Liberal Democrats and some of my colleagues believe that a no-deal scenario would instantly lead to our staying in the European Union forever and a day—job done, democracy thwarted, never mind what the people thought, that is what it is, big shrugs, move on. Members of the European Reform Group, who again would normally be here in the Chamber—I presume that they have something more important on today; some letters need signing, no doubt—would normally see a no deal and think, “Great, we have thrown off the shackles of an imperialist Europe that tried to thwart Britannia in all of her mighty ways.” I find it absolutely mind-boggling that, in the 21st century in this place, we have, on the one side, the Liberal Democrats and, on the other, the hon. Member for North East Somerset (Mr Rees-Mogg) and his motley gang all campaigning essentially for the same thing and they will not be honest about why they want that.

That is why I do agree in part with what is in the motion regarding a unity Government, although not because I seek to be part of it or because I think that it will work. What the Prime Minister should have done, almost 18 months ago now, when she did not have the majority of her own party before the general election, and when she did not have a majority for her party after the election, is look across this Chamber and its

650 Members, minus the abstentionists, and say, “How can I bring together a majority in this House for a Brexit deal that works—a Brexit deal that means that I can come back from the European Union with a deal that I know will command parliamentary majority support and that delivers on the customs arrangements that we all pretty much agree we need?” Actually, what we are arguing over is what we call it, not what it does. She should have said, “How can I bring together a majority in this House for a Brexit deal that allows us to have access to the single market and determines how much we trade off paying for that access against how much freedom of movement we are willing to accept and also delivers on the protections for workers’ rights, consumer rights and environmental rights?” We know those are important because we have all said that they are important but, again, we have not quite got there. Instead of doing that, the Prime Minister took a very narrow view and tried to satiate two warring parts of one political party, to the detriment of her negotiations.

I and a number of colleagues, along with, I suspect, many Labour Front-Bench Members—I cannot speak for them as I am a humble Back Bencher—would happily have a conversation about how we can make Brexit work. As the hon. Member for St Austell and Newquay said, we have spent far too long talking about process, rather than talking about policy. We have spent too long talking about dotting the i’s and crossing the t’s and not about the societal changes that we need that will help our country to come together and accept a Brexit deal that works.

This is where the second referendum, a people’s vote, or whatever you wish to call it and dress it up as, is a folly and a nonsense. Nothing has altered in my constituency in the past 18 months that would change the way my constituents would vote if they had the deal put to them for a vote. In their minds, they would simply see this as a re-run of the referendum—are we in, or are we out?

Bob Stewart: I recall vividly that, when we were debating the referendum in my constituency and looking at documents produced by the Government, it was made absolutely clear that, if we voted to leave the European Union, that implied explicitly that we would be out of the single market and the customs union. It was plainly put down.

Gareth Snell: I am sure that it was. Subsequent elections meant that there is no majority necessarily in the House for that matter. If we are democrats, we are also pragmatists. It is better that we have a pragmatic deal that commands the majority of this House and that is workable so that we can end the uncertainty that exists in communities and in business, rather than necessarily stick to one or two dogmatic points. I have known the hon. Gentleman for a year, and he is a wonderful speaker at a number of events that I attend, but where we are and where we have come from are very different. However, again, that does not mean that we should suddenly be having a second referendum as advocated by the Liberal Democrats. I say again: I do not know what has changed in my constituency that would make my constituents think that, somehow, a vote on the deal would not be an in or out matter.

Tom Brake: I wonder whether one thing that has changed in the hon. Gentleman’s constituency is that his electors, who thought that there was going to be an

extra £350 million a week for the NHS, now realise that that is not going to be the case.

Gareth Snell: Perhaps if I were to ask the right hon. Gentleman for his diary, it would show a weekly trip to Stoke-on-Trent, so he could tell me what my electors are thinking—but I am guessing it does not. I need no lessons on what my electors think, because I speak to them week in, week out. Most of them simply want to get on with the process. My constituents voted 70:30 to leave, for a whole array of reasons. Some will have been driven by the issue of efficiencies in the NHS. I would point to the fact that the reason why the NHS is on its knees is that the Liberal Democrats enabled five years of the Conservative Government who put through the Health and Social Care Act 2012, not just chronic underfunding by the Conservative Government.

What my constituents do not say is, “Oh, actually, I’ve thought about it, and I no longer think leaving is a good idea.” In the entire time I have been Member of Parliament for Stoke-on-Trent Central, I have had one email from one constituent telling me that they would vote differently—one. I do not see the great swathe of changing public opinion that has been referred to here; nor do I see any appetite for a second vote. All that would do is lead to greater division in this country; it would put off talking about the policy and the radical platform for change that we need to make communities better; it would allow the European Union to sit back and watch as we squabbled among ourselves, failing to get a deal that worked. If there is a Division on this motion this afternoon, I shall not be supporting it.

4.1 pm

Layla Moran (Oxford West and Abingdon) (LD): I find myself in an odd position. I was elected last year. I overcame a Tory majority of more than 9,500 votes, and yet in the debate since my election people seem to have completely forgotten that that election ever happened. We speak frequently about the will of the people in the referendum. That is true, but there was then a further asking of the people what they wanted. The Tory version of Brexit—the version that the Tories have been trying to deliver, badly, up until this last weekend, and look at how that has unravelled—was rejected.

Oxford West and Abingdon voted 62% to remain and, although 62% does not perhaps sound a lot, it is worth saying that the remainers in my constituency are so strongly remain that they put EU flags proudly on their doors, and the leavers are more, “Oh, on balance I want to leave”. As new facts have come to light, they are changing their minds in their swathes. There are plenty of emails in my inbox and, I am sure, in many inboxes.

Just this morning, I met a young activist who used to be a Tory party member and voted to leave in 2016. When he realised that he was not going to get the Norway/Switzerland-style Brexit that had been spoken about by many front-and-centre Brexiteers, he decided to leave the Tories and to join the Lib Dems. I did not know that, but he has done so because our position is absolutely clear.

In 2017, the electorate did make a choice. In the referendum, the will of the people was the will of the 52%—48% have been completely ignored, however. There was a whole other way this could have gone. Rather than the Prime Minister standing up and saying, “We are

going to go for the hardest possible Brexit; we are going to leave the customs union; we are going to leave the single market; we are not going to involve Parliament; we are not going to release impact assessments”, there is another version of the past. Every step along the way, as a new Member of Parliament, I have felt that this Government do not really care about our opinions; all they want to do is to hold themselves together. The other version would have been for a Prime Minister to stand up, reach out across the House and say, “I am going to go the middle way and deliver that Norway/Switzerland soft Brexit.” That was the compromise position. That is not what has happened and that is why we are in the position we are in now.

Bob Stewart: I respectfully point out to the hon. Lady that the Conservatives got 43% of the vote at the last general election. That is a huge number—a very large percentage of the people, and larger than normal. The Conservative party got endorsement from the people beyond the referendum for its mandate to carry out Brexit.

Layla Moran: It was 43% but it was not enough to deliver sufficient numbers of Members of Parliament. In my constituency, I was elected on an extremely clear mandate to stop a hard Brexit. The Green party stood down, and swathes of Labour voters came over to me. In fact, many remainder Conservatives—this is what my in-box is stuffed with—are saying that they will never vote Tory again because of what this Government are doing to all sorts of sectors, business being one of them.

Steve Double: I am listening to the hon. Lady with great interest. Is she aware that many findings after the last general election showed that for the majority of British people, Brexit was not a big issue that drove their vote? They were far more concerned about domestic policy issues. A lot of people thought that Brexit was done with in the last election, and there is clear evidence that actually it did not drive many people’s votes last year—they were far more concerned about other matters.

Layla Moran: Indeed. That is why it is so striking that people do not now want to ask them what they think of this new settlement. The point of this debate is to ask the people and to trust the people. The people of Oxford West and Abingdon put me here to make the case on how Brexit is going to affect them and their families.

Gareth Snell *rose*—

Layla Moran: Real people’s voices have been missing from this debate, so I am going to introduce some after taking this intervention.

Gareth Snell: The hon. Lady says that she was sent here to stop a hard Brexit, but the right hon. Member for Carshalton and Wallington (Tom Brake) said that he was here to get an exit from Brexit. Is she opposed to a hard Brexit and therefore wanting a softer form of Brexit, or is she opposed to Brexit in its entirety?

Layla Moran: I personally feel that there is no deal better than the deal we already have. That is what we had in our manifesto and that is our clear mandate. As I

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said, I achieved an enormous swing, so I can only assume that my constituents understood that. The Conservatives were proposing a possible World Trade Organisation-style Brexit—much harder, I dare say, than what Labour is suggesting now. However, I would still categorise Labour's position as also being for a hard Brexit, because at the time, soft Brexit was defined as staying in the single market and the customs union, and somehow the rhetoric has changed over time.

It would be interesting now to turn to Ross from Kidlington. I care about what people—my constituents—think rather than just what this House thinks. Ross said:

“We are beside ourselves with how this government is behaving: squabbling in its ranks, only interested in keeping their own nests feathered, telling outright lies to those who voted for Brexit... Why are MPs in the in the Labour party not following their own consciences and voting for what they really believe?”

I find fascinating the number of conversations we have outside this Chamber where MPs from across the House recognise how damaging Brexit is going to be. I do not understand how they can look their constituents in the eye knowing that their jobs may well go and knowing the effect on the economy. In Oxford West and Abingdon, we have one of the most buoyant economies in the country, but if we leave the single market, even we will face a medium-term depression. I cannot stand by and watch that happen.

I loved what Jonathan from Abingdon had to say:

“How, now two years post referendum, do the government have no plan to implement and it scares me more than anything else. Even though every expert opinion is that it will damage the country, including the governments own experts, they are still ploughing ahead with it seems the full support of the Labour party... Please continue to fight this crazy act of self-harm the government is proposing with everything you can.”

I intend to do that. These are my constituents and I am standing up for them today.

The point about a further referendum is that new facts have come to light. We are not just talking about the Northern Irish border, although that is one of the most alarming aspects.

Ryan, a Gibraltar student at Keble College, said that Brexit

“poses an existential threat to my homeland... The fate of my country is out of the hands of Gibraltarians, and is being decided behind closed doors. I fear the Government may negotiate something of ours away without our consent.”

Then there are the universities—Oxford and Oxford Brookes—and Erasmus, Horizon 2020 and the science sectors. The first question I ever asked in this House was on Euratom. At the time, someone sidled up and said, “What's that?” We did not entirely appreciate the full consequences of Brexit, and now we do. I am pleased to say that the House has taken that on very positively, but new facts have come to light, and business is what I am most concerned about.

It is not just about BMW, which is in Oxford. Fabulous Flowers wrote to me and said:

“We need to ensure a stable workforce with labour from other EU member states and all sectors of horticulture and flower growing, harvesting etc in the UK. We have to question the UK's capability in terms of infrastructure and resources at points of entry to handle the level of import controls. A longer wait at the

border could bring a disadvantage to flower imports in future as it could impact on quality or vase life. Flowers could end up more expensive.”

It is not just about big business; it is also about the little guys, and they matter too.

As a science teacher—that is what I did before I came to this place—I believe in evidence, and it is not just me. I know that because some of the kids I taught are now adults, and they believe in evidence too. It is only fair that if new evidence comes to light, people should be allowed to change their mind. If it is a deal that they did not vote for and is not what they expected, what could be any more democratic than going back to the people and making sure it was what they wanted in the first place?

4.11 pm

Christine Jardine (Edinburgh West) (LD): It is a pleasure to follow my hon. Friend the Member for Oxford West and Abingdon (Layla Moran).

I have listened with incredulity today to the claims from those on the Conservative Benches that they are delivering on Brexit. Every time I think this Brexit chaos cannot get any worse, I discover I am wrong—it can, and it does. The past few days have simply added chaos to uncertainty, built on complete mismanagement. Yesterday was perhaps the most unedifying spectacle yet. For me, it was a particularly surreal experience, and at the same time absolutely appropriate, because I was enjoying my daughter's graduation ceremony at the University of Edinburgh when my phone buzzed with a message saying that the Foreign Secretary had resigned. That was followed by a flurry of other texts and newswashes, which I mostly ignored.

While the Cabinet's agreed stance on Brexit and the Cabinet itself were crumbling and what is left of our future relationship with Europe was being thrown under yet another Brexit bus, I was witnessing a particularly European experience. At the same time as I was getting all these texts, the founding father of the Erasmus scholarship programme stood up to accept his honorary doctorate and address the assembled graduates of Edinburgh University. He talked about the idea, inspiration and vision that has seen millions of EU students from this country and the others benefiting either directly or indirectly from meeting and sharing their experiences with Erasmus scholars from elsewhere. He also told us proudly about the 1 million Erasmus babies that there now are in Europe.

For Edinburgh University, like many other universities up and down the country, that scheme has been crucial. Edinburgh attracts the biggest share of Erasmus students of any Scottish university. Erasmus has also encouraged talented young people from across Europe to come and live and work in the UK. Two constituents visited me last week who are Spanish and have been here for a number of years, paying income tax at 40% and national insurance. They are now being asked to pay the fee to stay here that the hon. Member for North East Fife (Stephen Gethins) mentioned, but these are people who came here to contribute, encouraged by European co-operation.

When the founder of the Erasmus scholarship programme sat down, I looked around the hall and I saw in front of me a wonderfully diverse group of students from all ethnic and social backgrounds. I glanced

at the list of those who were about to graduate, and it revealed names from across the continent. Here was Erasmus in operation and European co-operation in operation, and here was our future—the students' and our country's future. Meanwhile, the Government were indulging in self-inflicted chaos and mismanagement, and any semblance of a strategy for a future with Europe was crumbling.

Make no mistake: the students knew about this too, because their phones were buzzing with texts; I saw them glancing down at them every so often. The principal of the Edinburgh University then stood up and assured his students and the parents that the university would never turn its back on Europe, regardless of “the many obstacles that politicians might place in their way”. This is one politician who listened yesterday and who is determined to fight to remove such obstacles from the futures of those young people and other young people in this country who see their horizons narrowed and their opportunities limited by what is happening in this place on an almost daily basis. I heard what the students had to say and their positive reaction, because that statement by the principal of Edinburgh University received the loudest reaction of the day. I and my colleagues will not give up on defending that future.

Stewart Malcolm McDonald (Glasgow South) (SNP): In her speech about Erasmus, will the hon. Lady note that one of the people who helped to found it was Winnie Ewing, and today is her 89th birthday?

Christine Jardine: As the hon. Gentleman says—his colleague the hon. Member for North East Fife mentioned it earlier—today is indeed Winnie Ewing's 89th birthday. I have met the hon. Lady on more than one occasion, and I think she would be extremely upset to see what is happening to the programme that has done so much for students in this country and elsewhere.

I am in the Chamber today to demand that we listen to those young people, their parents, the academics and others in this country. We should listen to their demand that the Government stop this narrow infighting and internal self-interest, and think about how to achieve some sort of national unity in the way ahead. People need to have faith that what is on the table will work for them, but what I hear daily—from those in business who say, “But what will happen after Brexit?”, and from constituents who say, “What will happen to me, because I am a European citizen from elsewhere in the EU?”—is that they want something different. What the Government are offering does not cut it for them, and those of them who can vote want the opportunity to say so in a decision on the final deal.

4.18 pm

Sir Edward Davey (Kingston and Surbiton) (LD): Sometimes in politics, parties and individual politicians must ensure that they are standing up for the right thing, given the evidence before them. One of the reasons why I am proud to be a Liberal Democrat is that we have done that on a number of issues of significant importance in the life of the country in recent years. Let me give House three examples.

The first example is the Iraq war. When the Labour party was pushing for the Iraq war, it had the support of the Conservative party, bar the right hon. and learned

Member for Rushcliffe (Mr Clarke), and of the papers and the people, and it prosecuted that war. The Liberal Democrats were the sole voice, against public opinion, in warning that it courted disaster—for this country and for the middle east. We were right, and we were proven right.

My right hon. Friend the Member for Twickenham (Sir Vince Cable) was warning against the financial crash—the banking crash—in 2007-08 three or four years before it happened. As a former very distinguished economist, he could see the signs, and as the Treasury spokesman for the Liberal Democrats, he warned that it was coming. People did not like his saying that—I remember Labour Treasury Ministers and Conservative spokespeople saying, “Oh, the voice of doom”—but my right hon. Friend was right. I wish more people had listened to him, as a lot of people's lives and businesses would not have been wasted by an appalling economic recession.

So it is with Brexit. The evidence is clear that it is going to be a disaster for our country. Those of us who have the values of internationalists and believe that working with other countries is in our interests are not going to be silenced on this issue of huge importance. We are going to make the case. Just as on Iraq and the banking crisis, people's views changed. I think that people's views on Brexit and on a people's vote are changing. I urge Members across the House to recognise that fact and get behind something that people will be joining.

Lloyd Russell-Moyle (Brighton, Kemptown) (Lab/Co-op): In 2015, the right hon. Gentleman's party manifesto said it wanted a referendum on whether we should stay in or get out of Europe. Was that a mistake or was it just that you were so out of touch with the people that you thought you would win that referendum? I can tell you that our party did not think that.

Sir Edward Davey: The hon. Gentleman, of course, is wrong. The manifesto was in 2005, when—[*Interruption.*]

Lloyd Russell-Moyle: I have the 2015 manifesto here!

Madam Deputy Speaker (Dame Rosie Winterton): Order. The hon. Gentleman really must not use the word “you”, and let us not carry on with this sort of exchange.

Sir Edward Davey: Thank you, Madam Deputy Speaker. I know what was in the Liberal Democrat manifesto. In 2005, like all parties, we argued for a referendum on the European constitution. In 2015, we said that if there was a big change affecting sovereignty and powers, we would have a referendum. What happened afterwards was completely different, and the hon. Gentleman ought to know that.

I was saying that I detect that the demand for a people's vote—a final say on the deal—is growing louder and louder. There are many reasons why I think that; it is not just evidence from the polls and from people talking to me around the country. I think it is a reaction to the chaos of this Conservative Government. If I were a Conservative MP, I would be embarrassed by the Government; I do not think we have been so badly governed since the second world war—probably before.

[*Sir Edward Davey*]

The Government simply cannot make up their mind about how to deal with the biggest issue of the day. They are totally split. The chaos of the past 48 hours beggars belief. It is pretty clear that the Chequers statement will not stand the test of time. The European Research Group, the hard-line Brexiteers, and some Tory remainers reject it and Brussels is saying that it is unacceptable. It is pretty clear that, after two years of effort, this chaotic Government cannot manage it. That is why we tabled this motion.

As one of my colleagues said earlier, people are sick and tired of Conservative Ministers, and indeed MPs, putting their personal or party interests above the nation's. As my hon. Friend the Member for Oxford West and Abingdon (Layla Moran) said, when we talk to some colleagues outside the Chamber, they admit that Brexit is a disaster.

Gareth Snell: Will the right hon. Gentleman clarify a point I asked about in my speech? What question would the Liberal Democrats put on the ballot paper in a referendum? There are people who would not want to support a final deal but who would not countenance staying in the European Union.

Sir Edward Davey: I am grateful for the hon. Gentleman's question as it enables me to explain that in detail. We are arguing for a people's vote. People should have the final say when the deal is done, not before, so that they have the details of the question. One of the problems with the 2016 referendum was that no one knew what Brexit meant; in fact, we still do not. When we do eventually know—when there is a deal for people to look at, touch and feel—we suggest that the people should have the final say about whether that is what they want or whether they would prefer to stay in the European Union.

We need to look at what the Government have achieved so far. The process has been far longer than people were told. People were told it would be easy and that it would be quick, but after two years we still do not have a policy or a White Paper. We were told that Brexit would be very good value for money. We were not told that it would be so costly. No one said that Brexit would cost £41 billion—and that divorce bill is going to go even higher. It is costing far more than people were told, but it is also far more complex than people were promised. People were sold simple truths: it would be easy to extricate ourselves from our friends and neighbours who we have worked with for so long for over four decades. It is clear that that is not the case. There still is no deal. Frankly, given the performance and shocking chaos of the past 48 hours, that deal looks a long way away.

Steve Double *rose*—

Sir Edward Davey: I will give way. Perhaps the hon. Gentleman will tell me when the deal will be done.

Steve Double: I am very grateful to the right hon. Gentleman for giving way. He has just said that we do not know what Brexit is going to be. I agree: we do not know what the final agreement is going to be. We do not know the detail, so how is he so sure that it will be disaster?

Sir Edward Davey: As my hon. Friends have already said, we have the best deal now. It is pretty clear that we were prospering over 40 years. We have moved from being the sick man of Europe and the dirty man of Europe to one that was leading on the environment and leading on the economy. That happened during our time as a member of the European Union. The deal we have at the moment is the best possible deal. Anything different is going to be far worse.

I want to take on an argument put forward by those on the Conservative Benches that somehow having a people's vote would undermine our negotiating position. Madam Deputy Speaker, does anyone in this House seriously believe that what we have seen from the Government is strengthening our negotiating position? What a disaster! I wonder whether Conservative Members ever talk to anyone from France, Germany, Italy or any of the other 27 member countries. They see us as a laughing stock. Our stock as a country has fallen. We used to be highly regarded for our diplomatic skills, for our leadership and for our stability. In a short time, this discredited Conservative Government have made us the laughing stock not just of Europe but of the developed world.

As a Minister in the coalition Government, I attended five European Councils, first as a junior Business Minister and then as Secretary of State for Energy and Climate Change. Over five years, I was involved in a whole set of negotiations in Europe: on the economy delivering a growth package, which was very much written here in London; and on an energy and climate change package, which was very much written here in London. My experience was that we could always win for Britain, completely contrary to the nonsense we hear from so many Brexiteers. Moreover, people listened to us. When we engaged in proper negotiations and proper politics, we could always win the day. I have been disappointed, angered and distressed by the appalling inability of the Government to negotiate—with themselves, frankly, let alone the European Union. Their attempt to try to build those relationships, which are critical in a successful negotiation, has failed lamentably.

I want to end with one problem that I have with the Chequers statement. The Minister was unable to answer it and the Prime Minister was unable to answer it during her statement on Monday. It is important in relation to the negotiations with Europe and to what this Parliament eventually decides. If there is a new rule produced by our EU colleagues relating to the single market for goods, this House will have the freedom to vote on it. That sounds very enticing to a Brexiteer: we will have the freedom to do that, we have taken back control and so on. What has not been spelled out is what happens if this House votes to reject such a new rule. It is absolutely clear that were the House to do that, the whole agreement that we negotiate with Brussels will collapse. This is going to be one of the key questions during the negotiations and during deliberations in this House. I think it is one of the questions on which the Chequers statement will fail.

This country and this House need better leadership. We have not got it and I fear we are not going to get it. That is the reason why this House needs to give the people the final say.

4.29 pm

Wera Hobhouse (Bath) (LD): I would gladly take up the challenge to stand up for a people's vote in my constituency. Like my hon. Friend the Member for

Oxford West and Abingdon (Layla Moran), my postbag in Bath is full of letters from constituents who are worried sick about Brexit. We speak endlessly in Bath about the most important issue facing our nation, and I think that is a good thing. That is democracy and I trust people. That is why I think that the people should take back control, but if we are having a debate, I wish it was much more along the lines of why the European Union is the best place for us.

The European Union is the greatest peace project in the modern era, with 28 countries working together, resolving differences peacefully. It is too little understood that countries with competing interests work together through a rules-based system—the rule of law and common regulations. Each country within the European Union passes its own laws, but those laws must be applicable as fairly to its own citizens as to the citizens of the other 27 countries. That is called solidarity. It delivers justice and greater opportunity. We help other countries and other countries help us. We all benefit.

Looking back to June 2016 and the debate we had leading up to that referendum, where were these arguments? There were arguments about pennies: “What is in it for us?” and “£350 million a week for the NHS” on one side, and “Economic meltdown the day after the referendum” on the other side. Then there was the “taking back control” argument. Sixty million Turks would arrive at our borders, swamping the country. It was a Conservative-on-Conservative referendum, and two years on, why are the Conservatives making such a mess of it? Because for them, every argument is still framed within British-only interests. There is never anything about 28 countries working together. It is only ever about a narrow self-interest.

Lloyd Russell-Moyle: Will the hon. Lady give way?

Wera Hobhouse: I really cannot because we have very little time left. The Conservative Brexit vision is for a Britain and a Europe from before the European Union was formed. Their vision is for a continent of competing nation states, but the profound vision of the EU—we see this most clearly in the island of Ireland—is that people can have multiple identities. We can be British and Irish, British and French, and British and Polish. To be British and Irish is to have no border in Ireland, but it also means staying in the single market and in the customs union. People are now beginning to realise that it is also about staying in the European Union.

Gareth Snell: Will the hon. Lady give way on that point?

Wera Hobhouse: Okay, I give way to the hon. Gentleman.

Gareth Snell: Many of my constituents would describe themselves as British-Pakistani. To suggest that somehow people can only retain that identity if we have some sort of open-border policy is somewhat ridiculous.

Wera Hobhouse: I thank the hon. Gentleman for his intervention, and absolutely—I passionately believe in multiple identities and I used to live in an area in the north of England where there were many people with Muslim and British identities. However, I think that, in this country, we simply fail to understand the idea of multiple identities, and in the Brexit debate, that is also a big failure.

Where do we go from here? In June 2016, the people voted narrowly to leave the European Union. Liberal Democrats believe that it was not a blank cheque to this Government, or indeed any Government, to do anything that they like. Democracy did not stop in June 2016, but it seems for this Government that it did. The will of the people on that date is their mandate for anything that they want to do now. The shocking thing is that the politicians who argue that they are enacting the will of the people are the same politicians who refuse to ask the people again now, after many things have changed—after we are not getting £350 million back for the NHS and after we know how complicated it is to extract ourselves from the customs union without creating a border in Northern Ireland.

Ask the people again. From Magna Carta onwards, democracy in this country had to be fought for. The people have woken up to this. This Government are acting in the name of the people without the people's consent. Ask the people now. The people must finish what the people have started.

4.34 pm

Tom Brake (Carshalton and Wallington) (LD): It is a pleasure to sum up at the end of this debate, to which there have been many contributions by Members from throughout the House. I will start with the comments of the Parliamentary Secretary, Cabinet Office, the hon. Member for Norwich North (Chloe Smith), who is no longer in her place. She gave defending the Government's position on Brexit her best shot; as a remainer, she knows that it will do and is doing us great harm. I give her credit for at least trying to present the Government's policies in the best possible light.

The hon. Member for Darlington (Jenny Chapman), who speaks for the main Opposition, said that the Labour party did not want an exit from Brexit or a final say on the deal. That will come as a surprise to the majority of her party members, who support a final say on the deal and an exit from Brexit. She went on to say, following an intervention—I think this was meant to be a clarification—that the Labour party was not calling for a final say on the deal but was leaving open the option of one. We can read into that whatever we want. I read into it that the Labour party is preparing a position that it might move to at some point in the near future. We hope that that will happen at the Labour autumn conference, and we welcome the flexibility that the hon. Lady outlined.

The hon. Member for Berwickshire, Roxburgh and Selkirk (John Lamont) said, perhaps rather surprisingly, that his views did not matter. I suppose that depends on whether he thinks we are delegates or representatives in this place. I think that the views of Members of Parliament matter, and that we are not here simply to deliver something that has been voted for by a majority of our constituents, particularly if we know that it will do us a huge amount of harm. The hon. Gentleman and other Members have held out the idea that fisheries, for instance, will benefit heavily. As I understand it, however, even when we are out of the common fisheries policy, the UN law of the sea will still apply, so the idea that no other country will be able to access our waters does not bear scrutiny.

I was pleased that the hon. Member for North East Fife (Stephen Gethins) spoke in support of the motion. He set out, in stark terms, the economic damage that

[Tom Brake]

the Government know Brexit will cause us, and in an intervention he rightly highlighted the fantasy jobs Brexit on offer from the Labour party. I am afraid that the Labour spokesperson could not provide any evidence at all to back up her suggestion that there was a jobs Brexit out there.

The only thing I will say for the speech of the hon. Member for Mid Dorset and North Poole (Michael Tomlinson) is that it was very short. However short it was, it was long enough for me to note that I disagreed with every single word in it.

My hon. Friend the Member for Westmorland and Lonsdale (Tim Farron) rightly concentrated on food poverty, and he gave a concrete example of some of the potential consequences of Brexit. Thanks to an intervention, which I do not think was supposed to be helpful, he was able to list all the things we managed to do while we were in government, such as taking millions of people off tax, creating millions of extra jobs and introducing the pensions triple lock and the pupil premium. Those things were all achieved in a five-year period of strong and stable government, on which I am sure everyone in this country looks back nostalgically as they watch the Tory party tearing itself apart and shedding Ministers on a daily basis.

The hon. Member for St Austell and Newquay (Steve Double) said that business wanted certainty. As I said in an intervention on one of his colleagues, the only thing that is certain is that any model of Brexit that the Government adopt will damage business. If he wants certainty, that is the certainty that business can rely on.

The hon. Member for Stoke-on-Trent Central (Gareth Snell), who is clearly not a Liberal Democrat supporter, said that it was not clear what the Liberal Democrats wanted. I think it is quite clear: we want an exit from Brexit, and we would achieve that through a final say on the deal. We accept that the only way we could legitimately secure an exit from Brexit would be through a final say on the deal that everyone in the country could take part in.

Gareth Snell *rose*—

Tom Brake: I will not give way now, but I may do so in a moment if I have a bit of time.

The hon. Gentleman also said that a policy debate was absent. Let me point out to him that we will not be having a policy debate in this place for the next four or five years, because this Government and any successor Government will have to focus on delivering Brexit. That will take three, four or five years, so the hon. Gentleman can put any policy debate that he wants on hold. We will also be financially worse off. I am sure that the Government will not want to challenge the Office for Budget Responsibility, which says that Brexit will cost £15 billion a year. We are calling for a Brexit dividend, which would mean abandoning Brexit and grabbing that £15 billion a year. No doubt the UK Statistics Authority would be happy to support that.

My hon. Friend the Member for Oxford West and Abingdon (Layla Moran) was right to point out that throughout the Brexit debate the Government have ignored the 48%. I have intervened on the Prime Minister and given her an opportunity to stand up for the 48%,

but she has not done so; she has stood up for the 52% instead. I commend my hon. Friend for adopting the Leader of the Opposition's tactic of bringing individuals into these issues, because we do need to hear from real people—real people with real issues to address, whether they are fishermen, residents of Northern Ireland or, indeed, business owners. It is better to hear from them than it is to hear from some of the ideologues on the Government Benches—and, indeed, a few on the Opposition Benches—whose ideology drives them to abandon their common sense so that they cannot see the consequences of what they are advocating.

My hon. Friend the Member for Edinburgh West (Christine Jardine) rightly focused on the contribution of EU citizens and European schemes such as Erasmus, and also on one of the things that makes me most angry—the obstacles that the Government are putting in the way of young people's rights to live, work and study abroad.

My right hon. Friend the Member for Kingston and Surbiton (Sir Edward Davey) was asked, in another helpful intervention, what question we would ask in a referendum. His simple answer was, “Do people want to vote for the Government deal, or do they want to stay in the European Union?”

My hon. Friend the Member for Bath (Wera Hobhouse) rightly said that if we become involved in a campaign for a final say on the deal, we must sell the positives of the European Union, which was not done during the referendum a couple of years ago. There is public support for a final say on the deal, and, indeed, there is public support from members of Unite. As I am sure the hon. Member for Stoke-on-Trent Central will be pleased to hear, a net plus-23% of them support a vote on the final deal. So union members are calling for it, and I welcome that, but there is political support for it as well.

It is with great pleasure that I quote what the right hon. Member for Haltemprice and Howden (Mr Davis) said:

“If a democracy cannot change its mind, it ceases to be a democracy.”

The right hon. Gentleman has, of course, been replaced as Secretary of State for Exiting the European Union by the hon. Member for Esher and Walton (Dominic Raab). What did the new Secretary of State for Exiting the European Union have to say on the matter a couple of years ago? He said:

“Tory MPs may push for second referendum after 2020 if Remain win”.

I am happy to pray in aid the support of both the outgoing Brexit Secretary of State and the incoming one for a final say on the deal and a chance for people to have an exit from Brexit.

Graham Stringer: On a point of order, Madam Deputy Speaker. Earlier in the debate, I asked the right hon. Member for Twickenham (Sir Vince Cable) why, if he was so keen on referendums, the Liberal Democrats—and he in particular—had not voted for a referendum on the Lisbon treaty in 2008. He said that they had.

Since then I have had the opportunity to check the *Official Report*, and I can tell the House that on 5 March 2008—this is in column 1868—a small number of Liberal Democrats did vote for a referendum, but the right hon. Member for Twickenham did not. Nor did the then leader of the Liberal Democrats or the vast majority of

the Liberal Democrats, because it was against their official policy. I should like your guidance, Madam Deputy Speaker, on the fact that the right hon. Gentleman misled the House of Commons.

Madam Deputy Speaker (Dame Rosie Winterton): That is not a point of order, it is a matter of debate. The House has heard what the hon. Gentleman had to say, and perhaps there will be opportunities for Liberal Democrats to intervene on the Minister, but I do want to move on to the Minister's summing up.

4.45 pm

The Parliamentary Under-Secretary of State for Exiting the European Union (Mr Robin Walker): The British public had to wait 41 years from 1975 for another referendum on EU membership, and while we have heard today that some may hope another one comes along very shortly, they do not represent a majority either in this House or in the country.

We have heard some excellent speeches in this debate. My hon. Friend the Member for Berwickshire, Roxburgh and Selkirk (John Lamont) pointed out the ludicrous position whereby Lib Dems in Scotland are so clearly opposing a second indyref while arguing that a second referendum on EU exit is vital. He also spoke very well about the sea of opportunity for Scottish fishermen as we leave the commons fisheries policy.

We heard a brilliant, short and direct speech from my hon. Friend the Member for Mid Dorset and North Poole (Michael Tomlinson), and I agreed with every word that he said. My hon. Friend the Member for St Austell and Newquay (Steve Double) clearly set out why, by ignoring the views of the electorate, the Lib Dems lost the support of people in Cornwall, and how his constituents, like mine, want to see the Government getting on with the job. I also pay tribute to the hon. Member for Darlington (Jenny Chapman) for a strong and typically humorous speech from the Opposition Front Bench, and to the hon. Member for Stoke-on-Trent Central (Gareth Snell), who spoke against the motion.

The referendum question agreed by this Parliament and presented to the people was simply whether we should leave the EU or remain in it; it was as simple as that. Parliament attached no conditions or caveats to that vote. The people voted to leave, and that is what the Government are delivering. I would be the first to accept that we must do so in a way that brings people together whether they voted leave or remain and that secures the best interests of our economy, and that is exactly what this Conservative Government are seeking to do. We have heard a great deal of nostalgia from Lib Dem MPs for their time in government, but we do not need job applications from former Lib Dem Ministers in search of a ministerial car to enable us to deliver for the economy.

Stephen Gethins *rose*—

Mr Walker: I will give way in a moment.

Some Members have suggested today that the Government have not made progress in negotiations with the EU, but I would contest that. The vast majority of the withdrawal agreement is now agreed and we remain on track to finalise its terms, alongside agreeing the framework for our future relationship, by October. I pay tribute to my right hon. Friend the Member for

Haltemprice and Howden (Mr Davis) and my hon. Friend the Member for Wycombe (Mr Baker) for their work on that process. I noted the kind comments of the hon. Member for North East Fife (Stephen Gethins) about the courtesy with which he was always treated by my right hon. Friend, and I will give way to the hon. Gentleman now.

Stephen Gethins: The Minister talks about reaching out. Can he tell the House one area this Government have changed because of an intervention from the Opposition Benches or from a devolved Administration that the Conservatives would not have taken on board otherwise?

Mr Walker: We have listened very carefully to views across the whole House. I was interested to hear the hon. Gentleman and his hon. Friends speaking about Erasmus. As the Prime Minister set out in her Mansion House speech, we are seeking cultural and educational co-operation with the EU. That is an issue on which Members across the House can agree and, of course, there have been many other issues where we have listened. During the passage of the EU withdrawal Act, we listened to views across the House and engaged on those. I personally was very pleased that we were able to engage with the cross-party amendment in the Lords on the Good Friday agreement—the one supported by Labour's Lord Murphy and my noble Friend Lord Patten.

In March we reached a significant milestone, reaching agreement on wide areas of the withdrawal agreement, locking down the full chapters on citizens' rights and the financial settlement, and providing certainty to businesses and individuals, with both sides committing in principle to a time-limited implementation period. Last month, building on the progress made in March, the UK and EU negotiating teams made further significant progress towards finalising the withdrawal agreement, with the majority of text on other separation issues now agreed. These cover a range of areas, including arrangements for goods on the market, Euratom-related issues, and co-operation in civil and commercial matters. We have had constructive discussions with the EU on the few remaining issues in the text, including data, police and judicial co-operation in criminal matters, and governance arrangements for the agreement, and we look forward to finalising all these areas soon.

Under the terms of article 50, we are also in the process of negotiating the framework for our future relationship with the EU. Last weekend at Chequers, the Cabinet agreed the collective position on the UK's proposals for that future relationship. This will create a free trade area between the UK and the EU which establishes a common rulebook for industrial goods. The hon. Member for Westmorland and Lonsdale (Tim Farron) spoke about the importance of that to food and agriculture. High standards will be maintained, but we will also ensure that no new changes take place without the approval of our Parliament. We will have a new business-friendly customs model, with freedom to strike new trade deals around the world. These proposals avoid frictions in trade, protect jobs and livelihoods and, crucially, meet the commitments made by both sides to avoid a hard border in Northern Ireland. Even the right hon. Member for Twickenham (Sir Vince Cable), in opening the debate, recognised that as an advance, but it represents the consistent position of this Government.

Tom Brake: The Minister is painting a glowing picture of the deal that the Government are putting together. He might not have been on Twitter this afternoon, but I understand that two Tory vice-chairs have just resigned. How come they do not see this in quite the same terms as he does?

Mr Walker: I would say to the right hon. Gentleman that individuals' decisions are up to those individuals.

We are clear that we are presenting a constructive approach to these negotiations to secure the right deal between the UK and the European Union. On Thursday, we will publish a White Paper that will set out in more detail how we will be taking back control of our money, our laws and our borders. It will also set out the nature of the deep and special relationship that the UK seeks with the EU after Brexit. It will be one that includes some of the issues that Liberal Democrat Members have talked about as though they might disappear, such as Erasmus and Horizon 2020, where we are seeking a constructive approach to being able to work together in the future.

Bob Stewart: It would be extremely nice to have a constructive approach to the negotiations from the European Union. We keep talking about the deal that we are trying to put together, but I would really like to hear what the European Union's suggestions are, because I have heard nothing on that.

Mr Walker: My hon. Friend makes his point powerfully, but we need to ensure that we allow ourselves to take the right approach and the constructive approach to the negotiations. Many Members on both sides of the House have identified the damage that would be done to the negotiating process by signalling to the European Union that, if it were to take a tough stance and allow the talks to break down, the British people would simply decide to pay in and still send vast sums of money. The right hon. Member for Kingston and Surbiton (Sir Edward Davey) confirmed that it was the position of the Liberal Democrats to ask the question at the end of the process: "Do you like the deal that is on offer, or do you simply want to stay in the European Union?" If we set out that question right now to ask at the end of the process, there would be no incentive for the European Union to engage constructively with the negotiations over the coming months. It is naive in the extreme to think that the EU would continue to negotiate in good faith on that basis.

Sir Edward Davey: Will the Minister answer a question that the Parliamentary Secretary, Cabinet Office, the hon. Member for Norwich North (Chloe Smith), failed to answer? In the Chequers statement, the Prime Minister stated that a new rule for the EU rulebook would be considered by this House and that we would have a chance to vote on it. Will he explain what would happen if the House were to reject a proposed new rule to add to the EU rulebook?

Mr Walker: I say to the right hon. Gentleman that we want to bring to the House an agreement between the UK and the EU that the whole House will want to support. There will be more detail on the precise measures in the White Paper that we are bringing forward at the end of this week—

Sir Edward Davey: So you're not going to answer the question.

Mr Walker: I say to the right hon. Gentleman, and to the hon. Member for Oxford West and Abingdon (Layla Moran), who spoke about the results of the 2017 election in her own constituency, that they should pay attention to the fact that more than 80% of the people who voted in that general election voted for parties that had made it clear that they would respect the result of the referendum. The 8% who voted for the Liberal Democrat party do not represent a majority in the country or a significant shift of opinion on this issue. We are at a critical point in our negotiations, and we simply could not afford the distraction of this debate about a second referendum. What we need to do now is to progress our negotiations with the European Union in order to achieve the right outcome. The approach agreed by the Cabinet at Chequers is a constructive way forward. We are seeking to get the best deal for the UK as a whole, and we intend to negotiate under the best possible conditions. To do otherwise would be irresponsible in the extreme.

Gareth Snell: Does the Minister share my assessment that by pushing for a second referendum the Liberal Democrat no-deal fanatics are actually making no deal more likely, because they are making getting a good deal more difficult?

Mr Walker: I agree with the hon. Gentleman. I did not agree with some of his speech, but he just made a strong point. We must ensure that both sides understand the need to engage constructively in the negotiations over the months ahead to seek a new relationship between the UK and the EU.

I have great respect for the hon. Member for Bath (Wera Hobhouse), who made a passionate speech singing the praises of the EU and its model of bringing countries together. I understand the case that she makes, but it was also made during the EU referendum, when the British people decided not to consent to continued participation in that political project. We must respect that crucial decision. The Government have been clear in all such debates that our position respecting the referendum has remained the same. We said ahead of and at the time of the 2016 referendum that we would respect the result, and that remains the case. It is interesting that those on the Opposition Benches who support the idea of a second referendum only discovered their desire after being on the losing side.

On the night of the referendum, as we have already heard from my hon. Friend the Member for Mid Dorset and North Poole, Lord Ashdown, perhaps in anticipation of a different outcome, said:

"I will forgive no one who does not respect the sovereign voice of the British people once it has spoken. Whether it is a majority of 1% or 20%, when the British people have spoken you do what they command. Either you believe in democracy or you do not."

What does it say about the faith in the judgment of the British people of those who support such sentiments if they simply wish to ask the same question again in the hope of getting a different answer? As the hon. Member for Blackley and Broughton (Graham Stringer) said, it is a case of "Keep voting until you agree with us."

The British people voted to leave the European Union, and it is the duty of this Government and this Parliament to deliver on their instruction. We have done so by

voting overwhelmingly to trigger article 50 and by passing essential legislation, such as the European Union (Withdrawal) Act 2018. Petitions brought to this House for debate have repeatedly failed to garner the support of the House. Our position on this issue is therefore clear, and we have repeatedly said that there will be no second referendum or, as the right hon. Member for Twickenham suggested earlier, a third one.

John Lamont: Does the Minister agree that opinion polls show that there is no support for a second referendum? The Liberal Democrats claim that there is support for a final say, but people push back strongly when they are told that that will involve a referendum.

Mr Walker: My hon. Friend makes a valid point. From meetings with businesses in Scotland, I know the deep concern among the business community at the prospect, as held out by the SNP, of a second independence referendum. From speaking to my constituents, whether they voted leave or remain, the main sentiment that I pick up is the same as I have picked up from many Government Members, which is that they want us to get on with the process.

We are determined to make a success of Brexit and we are working hard and at pace to get the best deal possible: an agreement that is in the mutual interests of both the United Kingdom and the European Union that delivers on the British people's decision on Brexit in a pragmatic way without re-running and re-fighting the referendum. Whether in Scotland, England or Northern Ireland, our constituents want us to get on with the process and get on with it we will. However, some things are worth re-running, including the wise words of the right hon. Member for Twickenham, who is no longer in his place—[*Interruption.*] My apologies; he has moved. He said that the

“public have voted, and I do think it's seriously disrespectful and politically utterly counterproductive to say, ‘Sorry guys, you got it wrong, try again’.”

I therefore urge the House to reject this motion.

Question put.

The House divided: Ayes 13, Noes 299.

Division No. 205]

[4.59 pm

AYES

Brake, rh Tom
Cable, rh Sir Vince
Davey, rh Sir Edward
Edwards, Jonathan
Farron, Tim
Hobhouse, Wera
Jardine, Christine
Lake, Ben

Lamb, rh Norman
Lucas, Caroline
Moran, Layla
Saville Roberts, Liz
Stone, Jamie
Tellers for the Ayes:
Stephen Lloyd and
Mr Alistair Carmichael

NOES

Adams, Nigel
Afolami, Bim
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Argar, Edward
Atkins, Victoria

Bacon, Mr Richard
Badenoch, Mrs Kemi
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Bebb, Guto
Bellingham, Sir Henry
Beresford, Sir Paul
Berry, Jake

Blackman, Bob
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Sir Peter
Bowie, Andrew
Bradley, Ben
Bradley, rh Karen
Brady, Sir Graham
Braverman, Suella
Brereton, Jack
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burghart, Alex
Burns, Conor
Burt, rh Alistair
Cairns, rh Alun
Campbell, Mr Gregory
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Sir Christopher
Churchill, Jo
Clark, Colin
Clark, rh Greg
Clarke, rh Mr Kenneth
Clarke, Mr Simon
Cleverly, James
Clifton-Brown, Sir Geoffrey
Coffey, Dr Thérèse
Costa, Alberto
Courts, Robert
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Philip
Dinenage, Caroline
Djanogly, Mr Jonathan
Docherty, Leo
Dodds, rh Nigel
Donaldson, rh Sir Jeffrey M.
Donelan, Michelle
Dorries, Ms Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Duguid, David
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellwood, rh Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Mr Nigel
Evennett, rh Sir David
Fabricant, Michael
Fallon, rh Sir Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike

Fysh, Mr Marcus
Gale, Sir Roger
Garnier, Mark
Gauke, rh Mr David
Ghani, Ms Nusrat
Gibb, rh Nick
Gillan, rh Dame Cheryl
Girvan, Paul
Goldsmith, Zac
Goodwill, rh Mr Robert
Gove, rh Michael
Graham, Luke
Graham, Richard
Grant, Bill
Grant, Mrs Helen
Gray, James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Hair, Kirstene
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Harrison, Trudy
Hart, Simon
Hayes, rh Mr John
Heald, rh Sir Oliver
Heapey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hermon, Lady
Hinds, rh Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Adam
Howell, John
Huddleston, Nigel
Hughes, Eddie
Hurd, rh Mr Nick
Jack, Mr Alister
James, Margot
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Sir Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Dr Caroline
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Keegan, Gillian
Kennedy, Seema
Kerr, Stephen
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi

Lamont, John
 Lancaster, rh Mark
 Leadsom, rh Andrea
 Leigh, Sir Edward
 Letwin, rh Sir Oliver
 Lewer, Andrew
 Lewis, rh Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lopez, Julia
 Lopresti, Jack
 Lord, Mr Jonathan
 Loughton, Tim
 Mackinlay, Craig
 Maclean, Rachel
 Main, Mrs Anne
 Mak, Alan
 Malthouse, Kit
 Mann, John
 Mann, Scott
 Masterton, Paul
 Maynard, Paul
 McLoughlin, rh Sir Patrick
 McVey, rh Ms Esther
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Milling, Amanda
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Moore, Damien
 Mordaunt, rh Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Newton, Sarah
 Nokes, rh Caroline
 Norman, Jesse
 O'Brien, Neil
 Offord, Dr Matthew
 Opperman, Guy
 Paisley, Ian
 Patel, rh Priti
 Paterson, rh Mr Owen
 Pawsey, Mark
 Penning, rh Sir Mike
 Penrose, John
 Perry, rh Claire
 Philp, Chris
 Pincher, Christopher
 Poulter, Dr Dan
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Gavin

Robinson, Mary
 Rosindell, Andrew
 Ross, Douglas
 Rowley, Lee
 Rudd, rh Amber
 Rutley, David
 Sandbach, Antoinette
 Scully, Paul
 Seely, Mr Bob
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Simpson, David
 Simpson, rh Mr Keith
 Skidmore, Chris
 Skinner, Mr Dennis
 Smith, Chloe
 Smith, Henry
 Smith, rh Julian
 Soames, rh Sir Nicholas
 Spelman, rh Dame Caroline
 Spencer, Mark
 Stephenson, Andrew
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Stride, rh Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Sir Desmond
 Swire, rh Sir Hugo
 Syms, Sir Robert
 Thomas, Derek
 Thomson, Ross
 Throup, Maggie
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Vaizey, rh Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, rh Mr Ben
 Warburton, David
 Warman, Matt
 Whately, Helen
 Wheeler, Mrs Heather
 Whittaker, Craig
 Wiggin, Bill
 Wilson, rh Sammy
 Wood, Mike
 Wragg, Mr William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
 Mims Davies and
 Kelly Tolhurst

House of Commons Commission (External Members)

Motion made, and Question proposed,

That, in pursuance of section 1(2B) of the House of Commons (Administration) Act 1978, Dr Rima Makarem be appointed to the House of Commons Commission for a period of three years commencing on 1 October 2018; and the appointment of Jane McCall to the House of Commons Commission be extended to 1 February 2021.—(*Andrea Leadsom.*)

5.14 pm

Valerie Vaz (Walsall South) (Lab): I will speak to this motion, because I was on the interview panel. Dr Rima Makarem was recruited following a fair and transparent competition. I thank the other members of the panel: the right hon. Member for Carshalton and Wallington (Tom Brake) and the Clerk of the House. I want to thank the staff for their assiduous work in setting up the shortlisting and interview process, which went very smoothly, and also in identifying candidates, using a search that went beyond the usual places to look for more diverse candidates.

Dr Makarem has had a distinguished career in the healthcare and the pharmaceutical industries. She joined the University College London Hospitals board as a non-executive director and holds a portfolio of non-executive positions and is a member of the audit committee at the Medical Research Council.

Dr Makarem has significant experience as an audit chair: she was previously audit chair at NHS London and NHS Haringey, and is currently audit chair of the National Institute for Health and Care Excellence. She brings a wealth of experience from the private sector. She was director of competitive excellence at a pharmaceutical company and prior to that she held roles at consulting firms. In the annex to the motion, the memorandum by the Clerk of the House, it sets out more of the background of her excellent CV.

As a member of the panel, I can say that in both her written work and interview she won the unanimous approval of the board. We the Opposition endorse the appointment of Dr Rima Makarem as a new external member of the House of Commons Commission. She will replace Dame Janet Gaymer, who has been outstanding in the role and whose term expires in September, and we thank her for all her work.

The Commission also agreed that the term limit for its external members should be for a period of three years, with the possibility of an extension for a further two years. Jane McCall was appointed to the Commission as an external member on 2 February 2016 for a period of three years, and the Opposition support the extension of her appointment for a further two years up to a term limit of 1 February 2021. I am sure that they will both serve this House well as a critical friend.

5.16 pm

John Spellar (Warley) (Lab): I shall be briefer than usual as I am in the aftermath of a cold.

I rise once again to speak on the way in which we undertake public appointments in this country and, indeed, in this House. It is not an objection to the individuals concerned. However, they do once again seem to come from the great and the good. They may

Question accordingly negatived.

well be good. My hon. Friend the Member for Walsall South (Valerie Vaz) has just assured me, and the House, that the individual candidates were excellent people and excellently well qualified candidates, but that is the argument made all the time by the bastions of privilege.

The people before us may well be excellent, but we do not know whether others who might have applied might have been incorporated had we actually had people from a much wider world. Indeed, what do we do? We employ headhunters. Who do headhunters look at? They go and look at people they already know; they look at people who are already part of the circle. These jobs are reasonably well remunerated: £20,000 for 25 days. Many of my constituents would say, "Very nice work if you can get it." Indeed, I do not know whether this is the same as some other appointments that we made where people were paid half-a-day's pay for reading the papers before the meeting, and indeed a half-day's stipend for attending a dinner the night before to talk over the issues with their colleagues.

As my hon. Friend has said, the qualifications of the individuals are impressive. Rima Makarem is currently audit chair at the National Institute for Health and Care Excellence, chair of the National Travel Health Network and Centre, audit chair at University College London Hospitals, trustee of the UCLH Charity, independent council member of St George's, University of London, and, as my hon. Friend rightly said, has held some other previous roles as well. Quite frankly, with the problems that the health service has, I would have thought she would be busy enough dealing with those roles in the health service, rather than taking on yet another quango role.

Jane McCall has previously undertaken several non-executive roles within the health, housing and procurement sectors, including at the Office of Legal Complaints—the board of the Legal Ombudsman—and deputy chair of University Hospital of South Manchester, which is the Wythenshawe hospital. She is a non-executive director at the Information Commissioner's Office and chair of Tameside and Glossop Integrated Care NHS Foundation Trust. There is a whole range. This is what we always do with selections, and it has become worse over time. If one looks back, one can see that there were very often local councillors on local health boards—quite often, quite senior local councillors and leaders of our great cities and, I say to Conservative colleagues, leaders in the shires as well. They were people who had experience of running organisations but also knew about the conditions in the locality and the situation on the ground.

We had business people previously. I understand that one of the candidates had previously worked in a multinational. We had not just those who had worked in multinationals; there were those who ran medium-sized businesses in the localities. There were those who had created start-ups, had built up businesses and then wanted to give something back to the community, which is a long-standing tradition in our country. In my neighbouring borough, in Birmingham, Joseph Chamberlain made his fortune in the nuts and bolts industry. His main factory lies in my constituency. Having made that fortune, he became a civic leader and transformed that great city, the second city of our country. Those sorts of people no longer appear on the lists that we are regularly presented with or on the endless lists of appointments. It is all from the revolving quangocracy.

I am told by Members from rural areas that farmers with knowledge of the rural economy no longer get a look in. Trade unionists, whether conveners or local officials who really know local circumstances, were regularly on local and national boards; a number used to be in the House of Lords. When the post-war Labour Government nationalised the electricity industry, they put Lord Walter Citrine in charge. He was former assistant general secretary of the Electrical Trades Union, my own union, and also the former famous and outstanding general secretary of the Trades Union Congress. He was one of those who founded the free trade union movement after the second world war, in opposition to the Communist International. Such people were substantial people and they were the people Governments used to put into these positions—but no longer.

Both of the nominees may well be excellent candidates, with a good record in the health service, but if we are to have people from the health service, why not a doctor or a nurse, a paramedic, a technician or a care assistant—people who are working on the frontline in the health service? Why are we not putting those people into these positions? It is because they are not part of the magic circle or part of the group that people always look up, now on the computer or previously on the rolodex. Employing headhunters exacerbates that situation, as well as needlessly and uselessly contributing to our costs.

That is the problem. There are all those ordinary people in all of those different groupings. Other Members may well think of other groups. If we were to look at transport, there are those who work in that industry and may know a bit about it. It is a similar situation with the regulation of ports, and right the way through the panoply of all these various quangos. But these people do not meet the mandarins at the dinner parties and the cocktail parties. They get on with their jobs and get on with their lives, but they are not part of that magic circle.

As I say, I do not object to this motion with any personal animus towards these two individuals, whom I know not. I object to the continuation in this House, but much more widely across the civil service, of the process of selecting from a very small group, and all the time widening the gap between those who are making the decisions in administering such bodies and ordinary people who are actually affected by those decisions.

5.25 pm

Stewart Hosie (Dundee East) (SNP): I thank Dame Janet Gaymer for the work that she has done on the Commission. I welcome the appointment of Dr Rima Makarem and the extension of the appointment of Jane McCall, who has given some excellent advice to the Commission over the years. I look forward to Dr Makarem, in particular, contributing in the same way that Dame Janet has, to great effect, on the Commission.

I take slight issue with the right hon. Member for Warley (John Spellar). I agree with him in principle that it should not simply be the usual suspects who are appointed to the usual positions. I can say, however—unusually defending the establishment—that the Commission, when it is appointing and employing, is very conscious indeed of the need to look beyond the usual suspects. It makes sure that it looks specifically at gender balance, sexuality, and those from more

[Stewart Hosie]

disadvantaged backgrounds. Indeed—we have had this discussion on a number of occasions—it looks at class, so that those who are being appointed and employed have different accents, educational backgrounds and life experiences.

Clearly, however, when we contract out a job like this, candidates are found and interviewed, and the best person is appointed. I hope that one day it might not be the usual suspects, as the right hon. Gentleman might have it, but for today, I believe that the Commission has appointed the right person.

John Spellar: The hon. Gentleman again falls into the trap of saying that the best person is appointed. If we determine the criteria as to what we are trying to achieve, we determine the outcome. That is what happens when we appoint headhunters and put in certain specifications such as a legal background, an accountancy background or experience in HR management. The outcome is prejudiced against all the groups that I described who are being excluded.

Stewart Hosie: I understand what the right hon. Gentleman is saying. However, the criteria that had to be set were for independent commissioners to sit on the Commission to advise, from different experience, on dealing with the management of what is effectively a small town, with all the HR and technical requirements. Of course there have to be criteria. One would not appoint a bricklayer, a plumber or a sparky without specifying that they could lay bricks or put the electricity blocks in place correctly and safely, and the same applies to the appointment of the non-executive posts on the Commission.

I did not want to have a bunfight over this with the right hon. Gentleman, because I actually agree with him in principle. I simply wanted to thank Dame Janet for her work, welcome the extension of Jane's appointment, and welcome Rima Makarem's appointment to the Commission from October.

5.28 pm

The Leader of the House of Commons (Andrea Leadsom): The House of Commons (Administration) Act 1978 requires that there should be two external members of the Commission. These external members are recommended by the Commission but agreed by a resolution of the House. The House of Commons Commission agreed the terms of this motion on 25 June, and the House

now has an opportunity to approve the terms today. Dame Janet Gaymer has given exceptional service to the House of Commons Commission, and we should extend our sincere thanks to her.

I would like to take this opportunity to thank Jane McCall for her service to the House to date and to wish her success if the extension of her term is approved. I would finally like to thank the hon. Member for Walsall South (Valerie Vaz) for her work on the selection panel. I know that Dr Rima Makarem comes highly recommended, and I wish her success if her appointment is approved. I commend this motion to the House.

Madam Deputy Speaker (Dame Eleanor Laing): The Question is as on the Order Paper. As many as are of that opinion say Aye.

Hon. Members: Aye!

Madam Deputy Speaker: Of the contrary no.

John Spellar: No!

Stephen Pound (Ealing North) (Lab): You're a voice crying in the wilderness, John.

Madam Deputy Speaker: For the record, I did note one voice calling "No"—not in the wilderness, but quite clearly—but very many voices calling "Aye", so the Ayes have it.

Question put and agreed to.

Business without Debate

DELEGATED LEGISLATION

Madam Deputy Speaker: With the leave of the House, we will take motions 5 and 6 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

LOCAL GOVERNMENT

That the draft West of England Combined Authority (Business Rate Supplements Functions) Order 2018, which was laid before this House on 4 June, be approved.

ELECTRICITY

That the draft Warm Home Discount (Miscellaneous Amendments) Regulations 2018, which were laid before this House on 14 June, be approved.—(*Rebecca Harris.*)

Question agreed to.

NHS Trusts: Accountability

Motion made, and Question proposed, That this House do now adjourn.—(*Rebecca Harris.*)

5.31 pm

Sir Mike Penning (Hemel Hempstead) (Con): It is a privilege to have so long for this Adjournment debate on such an important subject. I know that when other colleagues realise that the debate has started, they will scamper to the Chamber. When I put down the title for this debate, I did not intend it to be a general debate, but when I have raised this issue in the House, many colleagues and those on the Front Bench have acknowledged it, particularly when I have raised it with the Leader of the House at business questions.

The NHS is not owned by politicians. It is not owned by doctors and nurses, and it certainly is not run by the bureaucrats in charge of the NHS. It is owned by the people. The people's NHS was founded 70 years ago, which we are celebrating today. I would never advocate that we go back to the time when politicians and Ministers ran the NHS, but we are in a situation now where the bureaucrats who run the NHS have very little accountability. Time and again, my constituents say to me, "Why are they not listening to us? Why are they not listening to you, my MP? At the end of the day, you represent us in the House of Commons—you are there to represent our money." That is the principle of our democracy today and has been the founding principle ever since we first elected people to this House over 900 years ago.

I find it amazing when we question the clinical commissioning group or one of the numerous trusts in my constituency. I never understand why, in a small county like mine, we have so many NHS trusts, acute trusts, mental health trusts and community trusts. The people do not understand it. They just see an NHS. They do not realise or want to know how many chief executives, finance directors or directors of nursing there are. They just want to be looked after by the NHS, which was the promise when the NHS was founded.

There are a couple of examples from my constituency that might resonate with colleagues around the House, as it may have happened in their constituencies as well. A few years ago in my constituency, we lost the NHS trust's chief executive. The chief executive had been involved in the downgrading and closure of the acute hospital in my part of the world, and once he had done that, he decided to go to pastures new at very short notice. The then regional health authority seconded a new chief executive on what we thought was a temporary basis, but we noticed some time down the line that the role of chief executive of the West Hertfordshire Hospitals NHS Trust had not been advertised, and there did not appear to be anybody saying that we should have people applying for such a senior position in the trust.

The gentleman's name was Jan Filochowski. I know *Hansard* will ask me to spell that name later, and I will attempt to help them as much as I can, but anybody in my part of the world will know who that gentleman is. I did not have any particular gripe with Jan. I completely disagreed with the running down that he continued to do, but I did have one specific gripe, as did the hospital action group in my part of the world. In particular, Mr Ron Glatter picked up the argument, and I fired off

several really important questions to the NHS regional health authority: "Hold up a second, has this person got this job now? Has he been appointed, and if he has, when was it advertised, and when was he interviewed?"

Sometime down the line—hidden with lots of mirrors in lots of different parts of the NHS—it was revealed that the gentleman had got the job without it being advertised and without being interviewed for it. However, because he had been given a contract, it would have been too expensive to remove him and to start again from scratch. We eventually found out that his remuneration package was in excess of £300,000, which is well over twice what the Prime Minister of this country earns. I accept that someone does not become the Prime Minister to earn a lot of money—clearly, there are other reasons why someone becomes Prime Minister—but surely, within the NHS of all places, that sort of remuneration package is not only excessive, but actually sick. The money that person was earning! I am sure there are others who are earning close to that, perhaps more or perhaps slightly less.

John Spellar (Warley) (Lab): Does it not get even worse, in that individuals who fail in such jobs are given pay-offs to get them out of the hospital, but in a fairly short space of time the magic circle again fits them up with an appointment in another hospital, where they again fail and again cost huge sums of money?

Sir Mike Penning: The right hon. Gentleman is absolutely right. The gentleman did not stay very long, but he caused carnage in our NHS trust and morale went through the floor. I am sure some of the books might have looked a bit better, but certainly acute care was really struggling. The gentleman left after two years, or something like that, and he went to Great Ormond Street Hospital as the chief executive. I am sure he went on a huge pay cut—no, I am being cynical: I doubt it. He has now retired.

On the right hon. Gentleman's point, before that gentleman there was another chief executive involved in investing in our health, who went off under a cloud. I managed to get him summoned to the Health Committee, when I was a member of it, to find out the truth about what was happening with the closure programmes. The right hon. Gentleman is absolutely right because, a few years later, he appeared back in my constituency as the chief executive of the community trust. He then had the audacity to ask, "Can we put all that behind us, as this is a new job and a different project for me?" Yes, it goes full circle: just as the right hon. Gentleman said in the previous debate, it is jobs for the boys, and they come back round again.

Jim Shannon (Strangford) (DUP): I congratulate the right hon. Gentleman on securing this debate, in which he is highlighting a very specific issue. Does he not agree that there is a duty of care on Government-funded bodies, which quite clearly pay people from Government funds, to ensure that employees at every level are accountable to trusts? More must be done to inspire confidence in the NHS—this is quite clearly a confidence issue—as well as to provide transparency and clear accountability.

Sir Mike Penning: I could not agree more with the hon. Gentleman. We have discussed and debated this before, and this must be like "Groundhog Day" for the

[*Sir Mike Penning*]

Minister. I should have thanked him earlier for bearing with me in what may be a much longer debate than he probably assumed when he saw it on the Order Paper.

It is important that there is proper due process when we employ people who work in the NHS, and in relation to salaries. I am sure that the Minister will now go away and check with the Treasury how this happened. My understanding was that such remuneration—and we are going back a couple of years—would not have been allowed even then. Trust in the NHS is vital. There are other examples, which I will produce, that will show that although the NHS is absolutely world renowned, there are errors in it that infuriate the people who it is supposed to be representing and looking after.

Mr Jim Cunningham (Coventry South) (Lab): This is a timely debate. I agree with my right hon. Friend the Member for Warley (John Spellar): it seems to me that a game of musical chairs is going on. We see chief executives who leave under questionable circumstances get a job outside the NHS and then turn up at another trust somewhere else. There does not seem to be any accountability.

As politicians, we are often accused of being remote, but nobody is more remote than people at some of the trusts I have looked at. Someone trying to get information from them about their budgets and where the expenditure goes has a job on their hands. It is about time that how the Department is run is looked at; it gives directions to the rest of the chief executives in the country, even on appointments.

Sir Mike Penning: I agree almost completely; I would just say that sometimes these people do not even leave the NHS—they stay within the structure of the NHS, but just go to a different trust in a different part of the country. Then they just reappear again and again.

I have often wondered about something. A director of nursing should clearly have come up through the nursing ranks; I understand that. Clearly, also, clinicians have to be involved in the clinical side. But why does NHS management have to be completely incestuous in how it works? If someone started as a nurse or doctor, how on earth do they have the necessary qualifications to run a massive multi-million pound organisation? Yet that is how it seems to happen. It took a long time for Mr Ron Glatter to get the figures when he was challenged. When we eventually got them, it was like pulling teeth: was it a package or a salary? “This is personal information.” This is taxpayers’ money. One of the most difficult things is to find out exactly where the money is going.

Dr Caroline Johnson (Sleaford and North Hykeham) (Con): My right hon. Friend mentioned nurses, doctors and other clinicians taking on managerial roles. To what extent is that driven by a desire to reduce the number of managers in hospitals—to call them “nurse managers” and claim they are nurses when they are actually fulfilling a management role?

Sir Mike Penning: My hon. Friend brings great expertise to the debate, and I thank her for joining us. She is absolutely right. I declare an interest: my mother was a nurse in the days of “sister” and “matron”. Then there

were nurse managers and other managers—all of a sudden, we went that way, but we seem to be coming back again. We can change the name on the Titanic, but it is still the Titanic: a manager is a manager, no matter what title we put on them.

It seems to me that we are not reducing the number of managers. I vividly remember that there were 11 primary care trusts in the Dacorum area of my constituency. Then the number reduced to two—one, actually, because there was only one director of finance. When we looked at the head count, the cost analysis, which should have massively reduced, it had actually gone up.

I want clinicians to be involved in the day-to-day care of my constituents, but I am not convinced that a GP should chair a clinical commissioning group, especially given that in most cases they do not seem to be full time in the role. What qualifications do they bring? I know that GP practices are much more business-orientated now than ever before, but they employ practice managers—the partners do not run things.

More recently, there has been an understandable concern in my constituency about the proposed closure of one of the facilities called Nascot Lawn; it is not in my constituency, but was playing a vital role in looking after the most vulnerable children in my community. Brilliantly, the families and loved ones came together to challenge the closure. They got the MPs on board and we were involved. I then scratched my head and said, “Hold on a second, I remember being told that Nascot Lawn was going to provide the respite care for my constituents when they closed a place called Woolmer Drive.” Woolmer Drive was a desperately needed respite centre where young people could go, and where their carers and loved ones could spend a bit of time. So not only did Woolmer Drive close, which meant that patients had to go to Nascot Lawn, but Nascot Lawn was closing. That was challenged, but there was very, very little consultation.

I will talk about consultations in quite a lot of depth. Frankly, most consultations are a sham. The decisions are made before they consult. They make the decision to close, put it in their budgetary regime and then consult. They then come out and say, “We’ve listened to the consultation and we are going to ignore you.” So what is the point of the consultation?

Rachel Maclean (Redditch) (Con): My right hon. Friend echoes our experience in Worcestershire. The Minister will know the deep concern my constituents have about Worcestershire Acute Hospitals NHS Trust. Exactly the same thing happened before I came to this place. Services were taken away from the hospital and people were told, “You’re being consulted.” All that happened was that services were removed. It was part of a plan, I understand that, but the idea that it was a consultation is really for the birds.

Sir Mike Penning: It is a tick-box exercise. Most of the time trusts cannot even get that right. In this particular case—I will come on to another case in a moment—we challenged it. We judicially reviewed it not once, but twice. But why should members of the public have to come together to raise money to judicially review such decisions? There is currently no other process with proper discussion and involvement of patients, which challenges the decisions we hear day in, day out.

Mr Cunningham: The right hon. Gentleman is being very gracious in giving way. We had a case involving two consultants. With one in particular, the case actually ended up in the courts. We have never been able to find out the cost of the litigation, but it was anywhere between £2 million and £4 million. On the one hand, the public has got to raise the money if they want to challenge something, but within the NHS itself, where resources are very scarce, a lot of money is wasted on litigation. This consultant was taken to task because he was a whistleblower. On the one hand they encourage whistleblowers, but if they do not like what the whistleblowers have to say they suspend them and eventually try to get rid of them through litigation.

Sir Mike Penning: I was coming on to that point, but let me meet it head on now. I speak to nurses and other frontline staff who look after my local patients, including some doctors, and they are petrified of telling their own MP what is going on in case of retribution. Perhaps the Minister will help me to get to the bottom of the number of gagging orders out there at the moment in my trust, whereby things have been settled and people have been gagged. The types of threats in the gagging orders that are put on them are very severe.

There was a consultation panel in my constituency about the future of health, and the people allowed on the panel had been gagged. These are members of the general public who have been told categorically not to talk to me. They are not to tell me what is going on in the NHS in my own local community. They will be thrown off the panel if they do, and it is worse for the staff who have gagging orders against them. This is very serious.

We see the amount of money the NHS uses in litigation, whereas our patients have to raise money themselves. The NHS seems to settle very easily when there are threats against it relating to malpractice or when something has gone wrong at the trivial end of things, but when things are really serious and deaths have taken place, down come the shutters. Nationally, we have seen what happens—it has happened recently in Gosport and in Staffordshire when I was a shadow Minister—unless the staff have 100% confidence that they can go to their MP or their line management and tell them what has been going on. Sometimes it can be quite trivial, but often it is very serious, and there is clearly retribution against them should they do so. That is something we need to sort out.

Dr Caroline Johnson: It is extremely important that all health professionals in hospitals are able to report any concerns that they have. I understand that there is to be a whistleblowing champion for each trust. What does my right hon. Friend know of those, and does he think they will help?

Sir Mike Penning: It is all well and good saying that there should be, perhaps in legislation, but unless people have the confidence that their career is not going to be curtailed, or unless they are close to retirement and are not going to put their pension at risk, they are not going to blow the whistle. What really upsets me is that although I was sent to this House to represent people and for them to be able to tell me, in confidence, anything that they needed to, so that between the two of

us we could discuss how to take it forward—often without using their name, but if necessary we can—that is not happening. That really worries me an awful lot.

To go back to Nascot Lawn, we went to a judicial review. We have done that before in our part of the world. The judge sided with the patients, but all that happened—it was about process, of course—was that it went back to the CCG, which turned around and said, “We will consult slightly differently. We will address what the court said, and by the way, we are going to go ahead and do it.” It is a sham, and we should be honest about that in the House.

When we tried to prevent our acute hospital from being closed—I pay tribute to my community for that—we did everything in the world. We got a coffin on a trolley, and thousands of us pushed it from my A&E that was going to close to the nearest one at Watford hospital, which it was proposed people should go to, in order to show just how much passion there was. We managed to get the money together to go to judicial review—a lot of money; in excess of £60,000—and the judge said, “You have a moral case. You have an ethical case. I agree with you, but you don’t have a case in law because all the powers are with the trust and the PCT”, as it was then. I ask the Minister: how can it be right that people must be so concerned, not just in my constituency but elsewhere?

Lastly on this part of my speech, let me talk again about what happened when we lost our A&E. I have raised this in the House before, so the Minister knows what I am talking about. To go back a bit further, St Albans, Hemel Hempstead and Watford are covered by West Herts, and at one time all three had A&Es. We are a massively growing population. The largest town in Hertfordshire is Hemel, which will have a projected 20,000 new homes in the next 20 years. St Albans is expanding, and so is Watford. There was a consultation, but the public were ignored. The A&E was closed and made into an elective surgery facility in St Albans. The public promises to the people of St Albans were that Hemel’s A&E would look after them. It is not a particularly long ride—it is clearly not in St Albans town centre, but that was going to be that. However, a few years on, those responsible said, “Let’s shut Hemel’s A&E and move it to Watford, because that can look after West Herts,” so the promises went out the window. The public went mad in St Albans and in our area. They were all on the streets, and what did we get? An urgent care centre, some out-patient services and a fracture clinic. Really and truly, that is all that is left in Hemel.

Rachel Maclean: My right hon. Friend is generous in giving way a second time. Again, the parallels with Redditch are interesting. Does he agree that the problem for the public comes when they see that their town is growing and they feel that trusts have not planned for the future? That is exactly what we have in Redditch as well, because it is a new town and it is growing, and people do not understand how the future demand will be catered for in the trust’s plans.

Sir Mike Penning: That is absolutely what I hear every day in my constituency. I also hear, “What are you going to do about it, Mr MP? Get off your backside and do something about it!” I am doing everything I

[*Sir Mike Penning*]

possibly can—I am meeting Secretaries of State and trusts—but what happens? I get ignored, because I have no powers at all; it is all in the hands of bureaucrats.

Dr Caroline Johnson: We have a similar situation in Grantham A&E, which serves my constituency. My hon. Friend the Member for Grantham and Stamford (Nick Boles) and I have been working to try to get Grantham A&E reopened around the clock since it was closed without consultation in August 2016.

Sir Mike Penning: If the A&E was closed without consultation, that is illegal. I think the Minister will confirm that it is illegal to make major changes to a community's health provision without consultation.

Hemel Hempstead A&E closed after a bogus consultation, and everything moved to Watford. We were promised that it would all be okay, and that we would have a 24-hour urgent care centre manned by GPs. Let us go back to just before Christmas 2016. There had been chaos—and I mean chaos—at the acute admissions unit in Watford hospital, which has just recently come out of special measures. All the ambulances were getting held up in big bottlenecks at the A&E at Watford. The big, new, bright idea was that we would close the urgent care centre that had replaced the A&E in Hemel Hempstead, and that that would be okay.

I had a meeting with the chief executive of the trust, who told me, “Mike, we are only doing this on safety grounds, because we cannot get the GPs to cover the hours.” That was really surprising to me, because there is a GP drop-in centre in the next room—not across the other side of town or even in a different part of the complex, but in the next room. I was told, “That is a different contract. We can't touch that, mate; it's nothing to do with us.” The chief executive said to me, “Don't worry, Mr Penning, we can't close the 24-hour service, because we have not consulted. This is just a temporary, emergency measure.” She went on the local radio station—I did not ask her to do that—and reiterated exactly what she had told me. In fact, she went further and said that the centre would be closed for only a couple of months and that it would reopen, because it would be categorically illegal to change the hours without consultation.

Reducing the hours of an urgent care centre—which used to be an A&E—from 24 to 10 is a major thing. Eighteen months later, the trust consulted on a proposal to turn the 24-hour urgent care centre into an urgent treatment centre, which would shut at 10 pm. Perhaps the Minister can explain to the general public the real difference between an urgent care centre and an urgent treatment centre, because I struggled to do so. I know that there is a methodology within the Department, but all that Joe Bloggs, my constituents, saw was a downgrading.

By the time of the consultation, the centre had already been closed for 18 months, so what choice did we have? We could not rewind the clock 18 months. The trust misled us by saying that the measure was temporary. The chief executive promised me that to my face, and she repeated that promise on the local radio station. That commitment was not worth the paper it was written on—or rather the voice that spoke it. My constituents

have suffered a massive loss of trust in brand NHS. Their trust has been decimated, because promise after promise has been broken.

Naturally, the vast majority of consultation responses—do not quote me on this, but I think it was about 80%—said that the centre had to be open 24 hours. Guess what, Madam Deputy Speaker? It is not. It has been renamed an urgent treatment centre, and it closes, allegedly, at 10 o'clock at night. Within the last few days, however, a very senior person in my constituency whom I trust implicitly saw someone collapse outside the centre at approximately 9.30 pm—half an hour before it was supposed to close—but the doors were locked. It was only because a member of the public opened them from the inside that the patient was seen. The doors were not opened by the NHS staff who were inside, even though they must have known that the patient was there. I hope and pray that she is okay.

I am now told that the doors are regularly locked at any time after 9 pm. That is disastrous for my constituents when they turn up there, but many of them simply do not trust the centre to be open at night. What is going on? Naturally enough, although sometimes inappropriately, they go to the A&E at Watford, which is causing it even more of a problem—but can we get anyone to listen? No, we cannot.

Watford General Hospital is in the middle of Watford, next to a football club about which a great many of my constituents are passionate, Watford FC. It used to be the home of Saracens, and I am passionate about them as well. The hospital was built in Victorian days, and the best way to describe it is “not fit for purpose”. The people of Watford will probably say, “Please do not run down the hospital, because it might be closed”, and I fully understand that, but the truth is that we all need a new hospital.

Although, as we heard earlier from my hon. Friend the Member for Redditch (Rachel Maclean) about her area, the population is growing massively, we are now supposed to listen to the management telling us what they are likely to provide. I have attended meetings with the Secretary of State and NHS Improvement about the applications from my local acute trust and clinical commissioning group, and it petrifies me that yet again they are not going to listen—I do not mean to me, or to the Minister, who knows that he has no powers and will be treated with the disrespect that I often receive; they just ignore us—but to the people whom they are supposed to be serving, and who pay their wages out of their taxes.

I am not a clinician, although I was a paramedic in the armed forces and I know a little bit, but surgeons, GPs and frontline senior nursing staff have been speaking to me privately. It is fundamentally wrong and dangerous to keep saying that Watford can cope with the ever-growing population of west Hertfordshire.

I have met representatives of NHS Improvement with a delegation from my hospital action group, led by the brilliant Betty Harris, with Edie Glatter and her team, Jan Maddern and others, and we have joined forces with a separate campaign from St Albans. We were promised that the NHS management, as they looked at the applications for healthcare regeneration in my part of the world, would ensure that the CCG and the acute trust had more than one option on the table, rather than just ploughing more money into the Victorian hospital. I know that there have been conversations about a

greenfield site, which is owned by us because it is Crown Estate land. It is by the M1, close to the M25, between St Albans and Hemel Hempstead. It is perfect for an acute facility—the infrastructure could not be bettered—but I think we are being ignored again. I cannot prove that, but it is my gut feeling, and it is certainly the feeling of the thousands of people in my constituency.

I am a loyal member of the Conservative party. I was a Minister for seven years in seven Departments, and I was on the Front Bench in opposition for four and a half years. I have to ask myself why I am supporting a Government who are allowing my constituents to be ignored. The Minister must not take this personally, but the present situation is crazy. The Department of Health and Social Care—I was not in that Department, but I have been in many others—actually has very little control over what is going on out there in our wonderful NHS. We have inspections, my local hospital goes into special measures and then comes out of them, it gets into debt and then comes out of it. However, the truth in my part of the world is that if NHS management are not accountable to Ministers or to me as their MP—and, much more importantly, are not accountable to the people whom they are supposed to be looking after—we have a serious problem. If my constituents cannot come to me and express their concern about what is going on in the NHS, there is a serious problem with our democracy, and that is something that I cannot live with.

6.4 pm

The Minister for Health (Stephen Barclay): I commend my right hon. Friend the Member for Hemel Hempstead (Sir Mike Penning) for bringing the important matter of NHS accountability before the House. No one who heard his remarks can doubt for one minute his passion both for the NHS and for ensuring that the services it provides meet the needs of his constituents. He is right in this month, when we mark the 70th anniversary of the NHS, to emphasise that the NHS belongs to the people—not to any specific party or group, but to the constituents it serves.

My right hon. Friend made a number of specific allegations. Having been a Minister, he will appreciate that, having brought those issues before the House in the way he has, it is difficult for me to comment on some of the specific points, but I commit to follow up with him after the debate on some of those issues. In particular, he raised a very concerning allegation regarding a constituent who had collapsed before 10 pm outside the urgent treatment centre. He is right that that centre should be open until 10 pm, so clearly that is a specific issue that I will be keen to explore with him.

My right hon. Friend raised concerns as to whether his constituents who have whistleblown have in practice been gagged. As you are probably aware, Madam Deputy Speaker, as a member of the Public Accounts Committee, I spent a considerable amount of time and effort on that issue. In response to concerns raised by the PAC during that time, in 2013, the Government introduced guidance that banned gagging orders and a legal duty of candour. As this is the first time I have been at the Dispatch Box since the ministerial reshuffle, I am sure my right hon. Friend will join me in paying tribute to the outgoing Secretary of State, who is now Foreign Secretary, who made patient safety a central tenet of his time in the Department and, as part of that, spoke up for whistleblowers and for the value they offer to the NHS.

Sir Mike Penning: I must apologise to my colleague, the now Foreign Secretary, who was so generous with his time in seeing me. I hope that the new Health Secretary will not get so upset when I am banging on his door—perhaps as much as I was on the previous Health Secretary's door.

Stephen Barclay: I am grateful to my right hon. Friend for recognising that in the House. I think that is widely shared across the NHS.

It is right that the Government are bringing forward the draft Bill to place the Healthcare Safety Investigation Branch on a legal footing. Indeed, trusts should disclose any pay settlements to NHS Improvement. Therefore, on the concern to which my right hon. Friend brought the House's attention—whether whistleblowers have been gagged and, if so, whether that has been induced through financial payment—both those breach the Government's guidelines and they would need to be reported to NHS Improvement. If he is able to share any specific allegations after this debate, I will be keen to explore them.

My right hon. Friend expressed concern that service changes are “all in the hands of bureaucrats” and I must take slight issue with that.

Sir Mike Penning: Only slight?

Stephen Barclay: Well, I must take issue with that point. First, my right hon. Friend is well aware that the Government have four tests that apply to service change that ensure the voice of patients is heard and in particular that service reconfigurations are clinically led and done at a local level. I draw attention to the work that Professor Tim Briggs and Professor Tim Evans are doing through the “Get it right first time” initiative, which is all about driving through change to service provision through the leadership of national clinicians working with local clinicians in order to get that service buy-in.

Sir Mike Penning: I do not want to take up too much more of the Minister's time, but I am afraid that, in parts of the country, certainly in mine, the requirement to consult is simply being ignored. I have given the House a classic example in which an urgent care centre was closed at night with no consultation at all. It took 18 months for a bogus consultation to take place on whether it should close at night. The changes are there to be seen by everyone. I know that the Minister is telling me all this in good faith but, as he has heard from colleagues on both sides of the House, on the frontline, in the real world, people are ignoring the guidelines, which is surely illegal.

Stephen Barclay: I shall just unbundle two separate points from my right hon. Friend's remarks. First, his point that these changes are all in the hands of the bureaucrats collides with the Government's own position, which is that there are four tests. What he is drawing out is not whether the guidance is there as a protection but whether it is being implemented operationally, and that obviously needs to be looked at on a case-by-case basis. Secondly, he and I debated this issue in some detail in an Adjournment debate in March, when this specific point was explored more fully. The urgent care centre in question saw an average of seven patients between midnight and 8 am, and an average of four between 10 pm and midnight. So in the period between 10 pm

[Stephen Barclay]

and the centre reopening at 8 am, an average of 11 patients were being seen. I suspect that that is why, at local level, the change was made. I appreciate that it was initially done on patient safety grounds, with the consultation following, as we explored previously.

Sir Mike Penning: This is a hugely emotive issue. Yes, the excuse was that the centre was closing at night on grounds of patient safety because it could not get a GP there, but it does not take 18 months to turn round and say, “Oh, by the way, the numbers weren’t there in the first place and that’s why we had to close the centre.” That was the excuse 18 months after it had been closed at night times. Whether the numbers are right or not—they are hugely contested by my constituents—it cannot be acceptable that no consultation took place for 18 months.

Stephen Barclay: As I have said, we did explore these issues in some detail in March, and I absolutely respect the conviction with which my right hon. Friend is championing the interests of his constituents.

In the spirit of balance, I draw my right hon. Friend’s attention to the fact that a number of enhancements have also been made, including the introduction of a number of bookable appointments through NHS 111, which includes a clinical assessment service to ensure that patients’ needs are medically assessed; the addition of near patient testing for some conditions, reducing waiting times and reducing the need for patients to attend Watford Hospital; and an improved IT system meaning that medical staff will be able to access patient records if they give their consent. The clinical commissioning group also expects the service to expand to include a greater skill mix of other professionals such as pharmacists, emergency care practitioners and community nursing staff, and to provide access to mental health services. This is not a static situation. Some improvements have been made, but I absolutely take on board the concerns that my right hon. Friend has raised.

My right hon. Friend has raised concerns about the hiring of leadership positions, particularly two chief executive roles. He will be aware that this point was also raised by the hon. Member for Blackpool South (Gordon Marsden) in respect of the chair of Blackpool Victoria Hospital in an Adjournment debate only last week. I also note that the right hon. Member for Warley (John Spellar) and the hon. Member for Coventry South (Mr Cunningham) have raised similar issues. It is right that the views of constituency Members should be taken on board as part of any consultation, because Members of Parliament interact with a wide spectrum of their electorate and they are obviously well placed to feed into such consultations. As a Minister, that is something I take very seriously, and working on the cross-party basis, I am always keen to hear from colleagues when concerns arise.

That goes back to my right hon. Friend’s point about trust. Issues in terms of pay need to be balanced. On the one hand, we need to recognise the complexity of senior leadership roles. We are dealing with hospital trusts that often have budgets running into the hundreds of millions of pounds. These are senior, complex, challenging roles that need to attract talented individuals. At the same time, those salaries and that remuneration need to be

balanced with the wider values of the NHS. There is a live discussion about what the right level of remuneration is to attract talent while not being out of step with the NHS values that both sides of the House recognise.

I turn now to my right hon. Friend’s point about the new hospital site and capital investment in the STP area. He will be aware that the same STP currently has a significant new build proposal at Harlow. My right hon. Friend the Member for Harlow (Robert Halfon) is assiduous in championing that proposal, and I met with the chief executive of that trust—

Sir Mike Penning: That is in Essex.

Stephen Barclay: It is in the same STP area.

Sir Mike Penning: My constituents will not know what STPs are. At the end of the day, the new site is in Essex, on the east Hertfordshire border, which is nowhere near my constituency. There is no tangible benefit when the debate is about a new hospital in west Hertfordshire.

Stephen Barclay: I beg to differ from my right hon. Friend on that, because this gets to the crux of the issue. The NHS must evolve. It has to move with technology and with the skills mix. Alongside the significant funding injection that the Prime Minister announced at the Royal Free Hospital, the NHS must also deliver productivity. At the specialist level, such as oncology or neuroscience, we often have populations of 3 million that need to be treated. Look at the footprint of the Christie NHS Foundation Trust, for example.

If we look at the other end, we need to deliver more care in the home and not have acute trusts soaking up so much investment. We need dynamic reconfigurations without acute trusts being the sole focus of our attention. We need service changes but—this goes to the core of my right hon. Friend’s remarks—they must be taken forward with clinical leadership and in a way that delivers trust.

I am happy to continue to engage with my right hon. Friend’s specific allegations on a case-by-case basis.

Dr Caroline Johnson: The Minister talks about dealing with things on a case-by-case basis, so I wonder whether he will consider Grantham’s A&E, which has had to close overnight for nearly two years, to see what can be done to facilitate its reopening as soon as possible.

Stephen Barclay: Again, I am happy to consider that issue. I have been up to visit the United Lincolnshire Hospitals NHS Trust and have met the chief executive and the leadership team, so I am aware of the issues, which are partly due to geography. However, we are straying slightly away from Hemel Hempstead.

As I said, I am happy to engage with my right hon. Friend the Member for Hemel Hempstead on his specific allegations. It is important that service changes are done at the local level with clinical leadership in a way that builds trust, and I will continue to engage with him in the weeks and months ahead.

Question put and agreed to.

6.18 pm

House adjourned.

Westminster Hall

Tuesday 10 July 2018

[SIR DAVID CRAUSBY *in the Chair*]

BACKBENCH BUSINESS

Air Passenger Duty

9.30 am

Gavin Robinson (Belfast East) (DUP): I beg to move,

That this House has considered air passenger duty throughout the UK.

Good morning, Sir David. It is a pleasure to serve under your chairmanship.

Air passenger duty is a protracted issue that Parliament has had many opportunities to consider since its introduction more than 20 years ago. The fundamental premise of my party's position on air passenger duty and the thrust of the debates throughout recent decades is the economic barrier and detriment that air passenger duty—it as an arbitrary charge on short-haul and long-haul flights—causes for our economy more generally, for our tourism industry and for connectivity within and outwith the United Kingdom. This is a timely opportunity for the House to consider the impacts of air passenger duty once again.

John Howell (Henley) (Con): It would not be a debate if I did not intervene. Air passenger duty was introduced as an environmental tax to try to discourage people from using planes. Does the hon. Gentleman think it has worked at all in that function?

Gavin Robinson: I am delighted to have an intervention so early and to have it from the hon. Gentleman. The answer is no—it has not worked to protect our environment at all. The Treasury call for evidence published as a result of the confidence and supply agreement states clearly:

“APD is a tax based on the number of chargeable passengers aboard an aircraft taking off from a UK airport, and is the only tax applied on air travel as the government does not apply VAT to airline tickets or levy a tax on fuel.”

Somebody who is interested in the environmental impacts of air travel would suspect that a tax might be attributed to fuel, given that the fuel causes the damage. When the Labour Government considered APD back in 2006, they felt they needed to strengthen the opportunity to protect the environment through air passenger duty. Department for Transport modelling indicated that, even if they were to proceed along the current path, there would not be a stabilisation of emissions until 2040. Does it work as an environmental protection? No, it does not. Does it work as an economic detriment to our country, our economy and our tourism industry? Yes, it does.

I pay tribute to those who have campaigned on this issue for much longer than I have. Northern Ireland has been enriched by the enthusiasm and passion of the campaign from Hospitality Ulster, the Northern Ireland Hotels Federation and the Northern Ireland airports. I have the privilege of representing George Best Belfast City airport in my constituency. We have Belfast

International airport, some recreational spaces in Newtownards aerodrome and St Angelo, and the City of Derry airport in Londonderry. Airlines UK, a campaigning body that represents airlines across the United Kingdom, has provided much information. The House of Commons Library and the Tourism Alliance have also been very useful in providing information for this debate.

As I have mentioned, the confidence and supply agreement struck between my party and the Government last year specifically provided for a review of air passenger duty and of VAT on tourism and the hospitality sector. The issue crosses the entirety of our United Kingdom. Other Members here today will want to raise issues that are particular to Scotland and to the northern parts of England. Although this debate covers the whole United Kingdom, I will focus most of my remarks on the impacts of APD and VAT in Northern Ireland.

Mary Glendon (North Tyneside) (Lab): I congratulate the hon. Gentleman on securing the debate. As he has said, the issue affects other parts of the United Kingdom. A Fair Tax on Flying estimates that, since the measure was introduced, the residents of North Tyneside have paid more than £38 million in APD. Is that fair or commensurate with the economic problems that we face in the north-east when we need to increase our trade and let people go on hard-earned holidays?

Gavin Robinson: The hon. Lady is entirely right. She indicates how APD acts as an economic barrier and a detriment. It curtails growth and success and stands in the way of business from the north of England to the south of England to other parts of the United Kingdom. It stands in the way of leisure pursuits and increases the costs on hard-working taxpayers and their money, whether it is for business or pleasure. She is entirely right. It is a barrier.

David Simpson (Upper Bann) (DUP): My hon. Friend knows that the UK has the highest flight taxes anywhere in the world. We surely need to look at that. Hopefully we are going to be in a post-Brexit situation, so we need to make sure we can attract businesses and more people into the country. Cutting the tax is one way we can do it.

Gavin Robinson: The Minister does not need to be encouraged on the merits of leaving the European Union or indeed on the benefits, flexibility and freedoms that it will give us as a country to chart our own course and to set preferential tax rates that are beneficial and encourage growth, which I think must be a key factor for the Treasury.

I have mentioned the confidence and supply agreement and the call for evidence that was published. I understand that there has been extensive engagement, particularly from Northern Ireland industry, the airlines and all of those affected by this arbitrary tax. The consultation closed on 5 June and we look forward not only to the thoughtful engagement of the Treasury, but to its purposeful response. The issues that it took evidence on are the same issues that have applied to this debate for years. When the Treasury says that it wants to explore the economic impact of APD, it is exploring the same reports that were presented to it in 2011, 2013 and 2015—exactly the same reports carried out using exactly

[Gavin Robinson]

the same modelling—which indicate that scrapping air passenger duty would be a net gain to the UK Treasury. I do not say that superficially, but whenever we stand before a Treasury Minister or try to argue with the Treasury and say, “We want to have this cut for a boost,” they look at you and say, “This will cost us money. If we take from this pot, how will we supplement it in another way?” The call for evidence will show, as every economic forecast has shown, that there is a net economic benefit to the reduction of air passenger duty.

Mr Gregory Campbell (East Londonderry) (DUP): I congratulate my hon. Friend on securing this debate. Does he agree that the major competitor to all of Northern Ireland’s airports—International, City and Londonderry—is Dublin? Dublin Airport has now attracted tens of millions of passengers. It is one of the fastest growing airports in western Europe and the Irish Republic does not have APD. We need a very competitive industry. Cancelling APD would give our airports a magnificent advantage over Dublin.

Gavin Robinson: My hon. Friend is right. I will come on to those Northern Ireland-specific issues, but first I will touch on the 2013 PricewaterhouseCoopers report. PwC uses—this will mean something to the Minister, and probably a lot to the officials sitting behind him, although it does not mean much to a layman like me—a computable general equilibrium model: exactly the same model that the Treasury uses when considering economic impacts. PwC updated its report in 2015, but the 2013 report was clear: scrap air passenger duty, and the Treasury will gain—not lose and claw back, but gain.

As a country we have gone from getting £343 million per year from air passenger duty in 1999, to £3.9 billion last year, with £4 billion estimated by 2021. When PwC updated its model in 2015, it said that there would be a direct boost to this country’s GDP of 0.5% in the first year, not a loss. How many times do we see newspaper headlines with every political decision that is having a detrimental impact on our GDP? Yet here is a simple and clear way that the Treasury could make a positive and progressive move that would lead to an increase in GDP in the very first year.

PwC said in 2015 that if we had done it that year, by 2020 we would have had 1.7% economic growth. That would have meant 61,000 additional jobs in this country, stimulation of our tourism and hospitality sectors, growth in business, 61,000 more families benefiting from a good income, 61,000 more families not otherwise relying on the state, and more revenue raised in tax than would be lost in abolition. If we can push one message, whether through the consultation, the call for evidence or the plethora of modelling and economic data that has been provided to the Treasury, it must be this: more tax revenue will be raised with the abolition of APD than its retention—an extra £570 million per year, had the decision been taken in 2015. That is not the £4 billion we are hoping to get, but £2 billion on top of that by 2020. That is a 50% increase, and were I a Treasury Minister I would jump at the chance.

Northern Ireland is, of course, close to our hearts. We have to look at the competitive disadvantage in Northern Ireland compared with our near neighbours in the Republic. Travelling from Belfast to Dublin airport

is no different from travelling from Manchester to Birmingham. It is only 100 miles, so when someone is considering where to fly from and how much it will cost, the economic attractiveness of flying from Dublin is incredibly strong.

I do not put those figures forward to suggest that the UK tourism industry is in a bad place; it is not—we rank fifth out of 136 nations in travel competitiveness overall. However, on ticket price competitiveness, the Treasury report says we are 135th out of 136 countries. When someone is faced with the attractive economic proposition of travelling 100 miles down the road to Dublin, that is a barrier to growth in Northern Ireland, to additional connectivity, and to greater opportunity for leisure travel. It is frustrating and constraining the economic stimulus that we in Northern Ireland desperately need, and that our businesses crave.

In Northern Ireland we have had an 11% increase in travel, with 17% more air passengers going through our airports over the last five years. That sounds good, as the UK average is 22%, but what are Dublin’s figures? In 2014, the Republic of Ireland scrapped air passenger duty. From 2014 to 2018, the number of air passengers going through Dublin’s airports rose by 47%. That is an additional 9 million travellers, 1.2 million of whom come from Northern Ireland. That starkly illustrates what we are attempting to highlight. On average, 25% of the cost of a one-way short-haul ticket in this country is air passenger duty. It is not small beer; it is a considerable consideration for anyone seeking to travel.

The Northern Ireland Affairs Committee, which I served on during the time of the inquiry, has considered both the reduction and the abolition of air passenger duty, as well as a reduction in VAT. The debate does not focus on VAT but on air passenger duty. However, in our view the two are intertwined, and the Northern Ireland Affairs Committee agreed. The Republic of Ireland cut its VAT rate for tourism and hospitality, bringing it down to 9%. That means, again, that that industry has a competitive advantage. If somebody goes to visit the island of Ireland they will see our hospitality figures, hotel rates and so on with a significant uplift.

When the Republic of Ireland cut its hospitality and tourism VAT, there was a significant benefit to the economy again. For every percentage point dropped—and the rate went down to 9%—there was an increase of 1.7% in employment. That directly led to 4,800 new jobs in the Irish Republic, because it had the courage to cut the VAT associated with hospitality and tourism. The Northern Ireland Hotels Federation and Hospitality Ulster are clear that the economic benefit and growth created in the Northern Ireland economy through that simple reduction could result in 1,100 jobs.

I understand that we have two tax rates for VAT in this country—20% and 5%. We are constrained to those two at the moment, and even if we were not, we might not choose to have three, four or five because of the increase in burden. However, the Northern Ireland Affairs Committee was quite clear that the disparity makes a distinct difference when Tourism Ireland, which is charged with promoting tourism on the island of Ireland under the Good Friday agreement, is promoting Northern Ireland, as opposed to the Republic of Ireland.

I hope that the Minister will not only outline a timetable for considering the Treasury’s call for evidence, but show an earnest desire to take, once thoughtful

consideration has been given to the mounting evidence that has been compiled over years, reasonable, beneficial, appropriate steps to stimulate the aviation sector across the United Kingdom, tourism and economic growth in Northern Ireland. I hope that we look at not only the specific calls of the Northern Ireland Affairs Committee on the abolition of APD and the reduction of tourism VAT, but other models as well.

One such model could be a route development fund. We could charge no APD for a three-year window. That would be a good way to test whether or not it is an economic barrier or detriment. There would be no loss to the Treasury on any new route, because it would just not charge for such a route. A route development fund would encourage growth and stimulate the sector to get business destinations, which we crave in Northern Ireland, such as Frankfurt in Germany, France or even transatlantic flights to the United States. We could give a route development fund three years to see whether it makes sense, and whether air passenger duty has been a significant barrier. Allow a route to develop without the threat of air passenger duty, allow it to stabilise and grow, and we believe that fruit would be borne through that sensible policy.

Nigel Dodds (Belfast North) (DUP): I am grateful to my hon. Friend for securing this important debate. It is a timely opportunity to remind everyone of the important work that is under way in relation to the consultation on APD and VAT in Northern Ireland, which he referred to. He talked about the general issues, but there are two crucial issues that will result in a change for Northern Ireland: first, we are in competition with Dublin airport; and, secondly, Northern Ireland is cut off from the rest of the United Kingdom by the Irish sea, and therefore we are much more dependent on air links. When the Treasury looks at APD, it must conclude that, to make Northern Ireland competitive and to sustain our economy, it must take action to deal with those two issues.

Gavin Robinson: My right hon. Friend is absolutely right about the competition and the constraints put upon us as a region. I could not have put it better. We are set aside by the Irish sea, and we rely on air connectivity. We do not have the choice to search around for off-peak train travel, or to easily jump on a boat, only to find that the bus is not at Stranraer waiting for us. When we look at stimulating our economic growth, we have to recognise that we are at a distinct disadvantage because of the Irish border and the tax duty regime in the Republic of Ireland.

I know that other hon. Members will mention the other devolved regions, which have committed to remove air passenger duty. Whenever a devolved Administration gets into such a discussion with the Treasury, it will ask for the cost to be covered by the block grant. It has had such conversations with Northern Ireland and with the Scottish Government. If there is further devolution, it may have such conversations with the north of England.

The whole thrust of that approach is predicated on loss and on the Treasury not having something it otherwise would have had. If it is successful, Scotland, Northern Ireland or the north-east of England are not allowed to reap the rewards; they go back to the Treasury. We need confidence and optimism in this process. Evidence from

across the United Kingdom shows that there are benefits. The Government must recognise our unique challenges and those of other parts of the United Kingdom.

I look forward to hearing what the Minister has to say. I have a Valentine's poem for him. It was written by Pubs of Ulster—the predecessor to Hospitality Ulster—to one George Osborne in February 2015. I hope it adds a bit of levity to a debate that can be turgid when we get down into the figures. I think pragmatists can see what the answer is.

“Labour is red
Tories are blue
Here's something important
That you need to do
Our VAT rate is crippling
Our ability to grow
It's putting off tourists
To other countries they go
Please cut the VAT rate
And help us create
A competitive market
For our beds and our plates
As you know my dear Chancellor
You're close to our hearts
But elections are looming
And you may depart
So as your last action
Before the big day
Please cut the VAT rate
And you may get to stay!”

That is a little bit of fun, but it lays out the Northern Ireland tourism and hospitality industry's calls about VAT.

Air passenger duty is clearly a barrier to growth. I trust that the Minister will thoughtfully consider all the calls for evidence. We look forward to hearing a suitable response today and in the weeks to come. I hope that, come the autumn statement, we will be in a position to make some sensible and serious proposals.

9.54 am

Jim Shannon (Strangford) (DUP): It is always a pleasure to follow my hon. Friend the Member for Belfast East (Gavin Robinson), who made a detailed, informative presentation about air passenger duty. I commend him for his choice of tie colour. There is no better colour to wear as we approach 12 July than the one he is showing, not only to Westminster Hall but to the world. Well done to him. I hope he will be wearing the same tie—perhaps not exactly the same tie—in the run-up to the 12th.

I thank my hon. Friend for obtaining this debate and for his detailed presentation. The Democratic Unionist party has been trying to make progress on this issue for many years. He has outlined the facts. He is correct that the stats are sometimes a bit turgid, but they underline the importance of this issue. UK air passenger duty is currently the highest tax of its kind in the EU. That causes us some concern—not because it is about the EU, but because it gives us a comparison across the whole of Europe. The next-highest air passenger duty in the EU is Germany's, which is half the UK's. That indicates how far we have to go even to make a small

[*Jim Shannon*]

difference. The Minister must respond to that. APD is the highest European aviation tax for short-haul and long-haul flights. For long-haul flights, APD is the highest rate of tax in the world. Again, that illustrates how important this issue is.

Most countries do not have a tax on air travel, and many countries that did have an equivalent tax abolished it due to the negative impact it had on competitiveness, connectivity and the wider economy. They recognised that change was needed. If we need an incentive, we should look at what other countries have done and do likewise.

APD harms UK connectivity, and we are losing out to our European neighbours, particularly in respect of the emerging markets with which the UK should be strengthening its trading relationships after Brexit. We have seen the new flight connections with China advertised in the tube stations; Chinese airlines are trying to build up such connections. That is another part of the world with which we can have connectivity through air flight connections, and we should be looking at that.

My hon. Friend and I were talking before the debate about the figures for our neighbours in the Republic of Ireland. This year, Dublin airport had its highest ever number of passengers—29.6 million. Can we catch up with that? I am not sure we can, but we should at least try to respond in a way that enables us to get some of that passenger potential and retain it for ourselves.

Mr Gregory Campbell: My hon. Friend is outlining the numbers for Dublin airport—it will probably breach the 30 million mark this year—but is he aware that Dublin is constructing an additional runway to take advantage of the nil rate of APD? It is not only getting 30 million passengers; the number will go way up beyond that. Northern Ireland's hospitality and tourism industry needs a competitive advantage to compete with that.

Jim Shannon: My hon. Friend always brings intelligent thought to his interventions. I confess that Dublin gives me easy access to the States every year. It is the airport that my family and I use whenever we go on holiday. One of the reasons why we do that is the customs connection. We do our customs clearance in Dublin, and when we get to the far side, we get off the plane, get our baggage, and we are away. With great respect, if we go from Heathrow to New York, we spend an hour in the long customs clearance line.

Nigel Dodds: My hon. Friend points to an important factor, but it has been proved that the single biggest factor that causes people to travel through Dublin airport is price. One fifth of all visitors to Northern Ireland use Dublin airport. The trouble is that many people who arrive at Dublin airport from the States and elsewhere do not, unfortunately, leave the greater Dublin vicinity or southern Ireland. They do not come north; that is the reality. Price is the crucial point. My hon. Friend refers to another important aspect, but air passenger duty means that he and many of my constituents are being directed—almost shown the road—to Dublin airport.

Jim Shannon: My right hon. Friend clearly states the real issue, which is price. He is absolutely right. I was just saying that one of the other advantages is customs

clearance, which probably suits many, but the thing that puts people there first is price. Customs clearance is an incentive but an extra which makes things a wee bit easier. My right hon. Friend is also right about Tourism Ireland needing to ask how better to connect passengers who come into Dublin airport so that they do not stay in Dublin but go north. To be fair, Tourism Ireland does things well when I go every year to the Milwaukee Irish Fest in Wisconsin, but we can and should be doing a lot more. My right hon. Friend is absolutely right about that. First and foremost, people are attracted by price. That can be applied to many facets of life, such as shopping trends or changing shopping practices.

According to a report published by Airports Council International, this year the UK was the only European nation to see a decline in its direct connectivity. That is worrying. If that is happening and a trend shows that, we need to do something positive and constructive about it right away. The reason for our focus on APD is that we believe in Northern Ireland's ability to compete with the rest of the UK, and any area, to attract and secure global business. Belfast has clearly become the cyber-security capital of the UK and has the potential to do even more than it has so far. Why is that? Look at the reasons to learn how important it is for us to have the APD issue addressed, which would be of advantage to other parts of the UK as well.

In Belfast and other cities in Northern Ireland, global tech names such as Citi or Allstate work in the sector with silicon valley firms such as BDNA, and they are all recognisable. Not only does our highly skilled workforce attract global investment, but our indigenous tech firms such as Kainos, Novosco and First Derivatives grow in size and are becoming global leaders, all in a region of Northern Ireland. We must pay tribute to the Department of Enterprise, Trade and Investment and to the Ministers—when the Assembly was working—for their hard work, which is still delivering today, even though the Assembly is not functioning as it once was—the seeds were sown and the dividends are being paid.

Much of our attraction is the skills base, supported by international-standard research facilities, with education and big business working together. We have the education, the big business, the opportunities, the quality of graduates and all those things together—Northern Ireland again leading the way for the UK to follow. That is how things happen and benefits are achieved.

Northern Ireland is consistently the top-performing region of the UK in national exams at age 16 to 18. The fact is that we have the graduates, and that encourages the investment, which is perhaps why we have done so well. Digital firms want to invest because the skills base is there in Northern Ireland, and still available, because we continue to produce graduates to build above and beyond where we are. We have the highest percentage of qualified IT professionals in the UK and Ireland, with more than 77% holding a degree-level qualification.

I say with respect to the Minister and all other regions, Northern Ireland is leading the way. From a small base of 1.8 million people—although the latest stats tell us we are nearly at 1.9 million—we are up there with London and other parts of the United Kingdom. Post Brexit, therefore, we are in a position to do great good for the United Kingdom of Great Britain and Northern Ireland. This is an opportunity that we should be taking advantage of. Some 77% of post-A-level high

school graduates in Northern Ireland go on to further and higher education, compared with the UK average of 71%. Again, Northern Ireland is leading the way.

All such things make it attractive to come to Northern Ireland. Furthermore, labour and property costs for a 200-person software development centre in Belfast are 36% less than in Dublin, 44% less than in London and 58% less than in New York. We can see the benefits of coming to Belfast and Northern Ireland. Improved connectivity, which is central to this debate, will only enhance our global potential. How can we build on our base and our level of delivery in Northern Ireland and across the whole of the United Kingdom? The motion seeks to highlight the importance of the ability to hop on a plane and get anywhere in the world quickly—the need for competitive APD, to allow us to show the world that we are only a short, cost-effective flight away.

Only aviation can connect the United Kingdom with existing and emerging markets vital to our post-Brexit future, producing and maintaining thousands of jobs, and indeed the thousands more jobs to come. At the moment we have a competitive disadvantage that we cannot afford: we pay more than double the aviation tax of our nearest European trading rival, Germany. The tax on trade hits UK businesses as they seek to expand international trade essential to our post-Brexit future. It acts as a brake on airlines' developing new routes to the very markets that UK businesses need to reach.

If the Government want to signal that Britain is truly open for business as Brexit approaches, what better way could there be than to cut this tax on trade by at least 50%, to bring us in line and give us an advantage? The high rate of APD is a brake on expanding links with the world, meaning that the United Kingdom of Great Britain and Northern Ireland loses out on connectivity opportunities, and it is one of the main reasons why Germany is better connected to South Korea, Japan, China and Brazil than the UK. It should be the other way around and we should be doing something to address that.

Mary Glindon: Does the hon. Gentleman agree that this is not only about Germany and further abroad? Under the Scotland Act 2016, Scotland is able to go ahead with its air departure tax proposal, which is a reduction of 50%, and that will affect the north-east, with a further bad effect on Northern Ireland in addition to the Dublin effect.

Jim Shannon: I thank the hon. Lady for her intervention and her wise words. The Minister has heard what she said, and I agree with her, as others do. We need to have a strategy and policy that move us forward together, so that we can all take advantage of what happens, rather than efforts that are divisive—perhaps the wrong word—or different ways of trying to achieve the same goal. I therefore wholeheartedly support the A Fair Tax on Flying campaign and its call for at least a 50% reduction in air passenger duty. I urge all Members to support the AFTOF campaign.

My mother often urged me not to be penny wise and pound foolish. Many people would say that that is the Ulster Scot in her, and in me—every pound is a prisoner, and we were told to look after it and to look after it well. There is nothing wrong with that: thriftiness is good—my children comment on that to me, but that is by the way, and I hope that they learn the lessons that

my mother taught me, and that I have tried to teach them. The point is this: we need to focus on the immediate penny, but sometimes we forget the value of the pound. That was what my mum was telling me. We need to look at how we spend better to grow our economy.

From the Minister's response to various comments, I know that he is sympathetic to our point of view. It has been outlined to me that up to £175,000 can be generated through trade from a high-growth market per average flight added. That is a massive amount of money per flight added, and gives us an idea of our potential to grow.

David Simpson: I am sure my hon. Friend will be as surprised as I was to hear that within five years it is reckoned that Dublin airport will be a strong competitor of Gatwick. At one point that was unimaginable, and it is simply because of APD.

Jim Shannon: My hon. Friend is absolutely right. Those are all the arguments and the evidential base from places around us. We should be looking at how such places advance and how we can do so alongside them or do even better.

New daily flights to the eight largest high-growing economies could generate as much as £1 billion in additional trade per year for the economy—that figure multiplied up from the one flight to all the flights together. The economic value of new connections to five Chinese destinations, which I mentioned earlier, will add £16 million to GDP and 530 new jobs. That alone gives an idea of the advantage to be gained there.

I do not want to make a pun, but I urge the Government to consider a pilot scheme—for a methodology whereby we can move things forward. Research by PwC shows that more tax revenue would be raised from other taxes than would be lost from abolition of the APD, with a net £570 million in extra tax receipts in the first fiscal year. Positive benefits through to 2022 could add up to as much as £2 billion in tax receipts additional to the total in the status quo. These are not just enormous figures; they represent our potential growth and what we can do. APD abolition could boost UK GDP by almost 0.46% in the first year, with ongoing benefits up to 2022. The increased economic output associated with abolition could lead to the creation of 61,000 jobs by 2022, which is not very far away. At my age, the years seem to go by quicker, but the fact of the matter is that we would quickly see the advantages.

I join the calls to sincerely urge the Government to reduce APD by at least 50%, to ensure that the United Kingdom of Great Britain and Northern Ireland, better together, is more connected to the world, including emerging markets, so that there is increased choice for holidaymakers and to demonstrate that a truly global Britain is open for business. After Brexit, we should be even more open than we are now.

10.10 am

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): It is a pleasure to serve under your chairmanship, Sir David. I congratulate the hon. Member for Belfast East (Gavin Robinson) on securing the debate, which is very important for the reasons he outlined. I also congratulate the Minister for being in his place this morning—I know how challenging that is at the moment, so well done.

[Drew Hendry]

It is very unusual to be in a debate with colleagues from the Democratic Unionist party and find that we agree furiously. In fact, it is a unique experience for me—I could recite many long disagreements—but today, the protracted issue, as the hon. Member for Belfast East rightly said, is the lack of action on APD and the economic barrier that it has put down. He further described it as an arbitrary charge that affects the economy, tourism and connectivity. Northern Ireland and Scotland, and particularly the highlands, which I represent, have something in common: air transport is not a luxury. We do not use it purely for holidays—it is part of the public transport mix and very important to us. The hon. Gentleman listed the number of airports affected, but that can be extended throughout the north of England and around the nations of the UK. Scotland is directly affected.

John Howell: Within five months, I will have travelled to the US, Aberdeen, Israel, which I came back from yesterday, Lisbon and Nigeria. That is not unusual and is part of what being an MP is about. I am not unusual in the scheme of things in the UK, because that is what my business colleagues are doing. The hon. Gentleman is absolutely right to make that point.

Drew Hendry: Other right hon. and hon. Members will have to make up their minds whether the hon. Gentleman is unusual, but I leave that with them.

As the hon. Member for Belfast East pointed out, the tax does not work as an environmental incentive. It is simply an economic disincentive. The money goes into the general tax pool every year and does not go to tackle the environmental issues other than in the way that any other tax might. There is no direct funnelling of that money into environmental initiatives—otherwise there would be significant differences. As he said, all studies show that a reduction in APD would produce a net benefit to the economy.

The hon. Member for Strangford (Jim Shannon) said that PwC stated that if APD is scrapped, the Treasury will gain. He made the telling point that a Treasury report found that the UK is ranked 135 out of 136 countries in terms the cost to the traveller. That is damning of the cost of air travel through APD. He further pointed out that Ireland scrapped APD in 2014—an independent country making a decision for itself—and tourism shot up by 47%.

The hon. Member for Belfast East introduced a side issue, which I also thoroughly agree on, of cutting VAT rates for tourism. Combined with tackling APD, that would be of huge benefit to areas throughout the nations of the UK where tourism and visitor numbers are extremely important to the local economy. We support that strongly and we would commit to it if the power was with us. On the hon. Gentleman's closing remarks, I cannot send a Valentine to the Tories because it certainly would not be sincere, but the comment about it being a humorous way to highlight a serious problem is valid.

Mr Gregory Campbell: Smaller airports suffer disproportionately from APD, such as airports in Scotland and my own airport in Londonderry, where we are trying to get route development money. Does the hon.

Gentleman agree that that double disadvantage—the difficulty of attracting new routes and APD—needs to be countered and that action should be taken to help?

Drew Hendry: I will come on to some specific issues in Scotland, because the picture is different, particularly in the highlands and islands, but the hon. Gentleman's point is very well made for the rest of the Scotland, where there are direct APD effects.

The hon. Member for Strangford pointed out that it is the highest tax of its kind in the EU. It is worth repeating that the cost in Germany is half. The scandalous figure is that, for long haul, it is the highest tax in the world, which affects tourism. The revelation that the hon. Gentleman sneaks off to use Dublin airport will probably reverberate around his local community.

APD is a competitive disadvantage. ABTA calls it a “tax grab”. The hon. Member for Strangford pointed out that Northern Ireland is losing out on connectivity opportunities. Again, it has that in common with other parts of the nations of the UK. His feeling was that the UK Government should just get on and reduce or scrap APD. We are always grateful for some motherly advice in Parliament—there is nothing more true than penny wise and pound foolish. The UK Government could benefit from a net increase in income from other taxes. The hon. Gentleman pointed out the impact of 61,000 jobs—that is a significant benefit that raises the question of why APD has been allowed to continue to so long. Why has it not been addressed?

Air passenger duty is one of the most expensive taxes of its kind in the world, as we have heard. It hampers Scotland's ability to secure new direct international routes and maintain existing ones. It is simply a regressive tax. Combined with the other unfair tax on our tourism sector—VAT—we face among the highest taxations in the world. An independent report found that reducing air departure tax, as it is called in Scotland, by 50% will boost Scotland's air connectivity and economic competitiveness.

Encouraging the establishment of new routes, which would enhance business connectivity and inbound tourism, would help to generate sustainable growth. That is why the Scottish Government remain committed to a 50% reduction in ADT by the end of the Scottish Parliament in 2021. We want to get on and deliver it.

We want to abolish ADT entirely when resources allow, but that cannot be delivered until the UK Government and the Scottish Government can ensure that exemptions afforded to the highlands and islands remain. The Scottish Government understand the importance of the exemption. Therefore, the introduction of ADT in Scotland will be deferred until the issue of the highlands and islands exemption is resolved. As a highlands MP, I know only too well that air connectivity is critical for the highlands and islands, and I welcome the Scottish Government's determination to deliver the best possible outcome for the area. I could not possibly countenance the withdrawal of support for the highlands and islands which, for the reasons I pointed out, would lead to substantial difficulties for people who rely on air transport as part of the public transport mix.

Highlands and islands airports have been exempt from air passenger duty since 2000 because of the area's low population density and peripherality. The current

APD exemption helps support the viability of commercial air services in the highlands and islands. Without it, we would face reduced flights and the withdrawal of important services to the region. Alternative surface journeys by road, rail or sea are long, particularly for those coming from the islands, whose journeys often include overnight stays or overnight ferry travel.

Recognising the social and economic importance of flights to the region, the Scottish Government have worked to reduce the cost of air travel, but residents of the highlands and islands still pay more than people who live in other regions of the UK. The Scottish Government have worked closely with Transport Scotland, VisitScotland, Highlands and Islands Enterprise and, crucially, Highlands and Islands Airports Ltd to develop the network at Inverness airport and improve international air connectivity to the region. That has brought new routes, including a British Airways route to Heathrow and a KLM service to Amsterdam, and improved the frequency of existing routes. Similar work has led to the expansion of the air network serving smaller regional airports in the highlands and islands.

The introduction of those new flights has enabled our business and tourism sectors to flourish, but more could be done. We are all too well aware that those connections remain some of the most fragile across these isles. Since being elected in 2015—I served in the last Parliament as Transport spokesperson for the Scottish National party, and I am now its Business, Energy and Industrial Strategy spokesperson—I have consistently made the point that they are crucial to Scotland and to the highlands and islands. That is why the case for the exemption remains, and why the UK Government must provide assurances about route protections and public service obligations in respect of the third runway at Heathrow.

The Minister knows that the Scottish Government cannot implement ADT unless a solution is found to the problem with the exemption. Will the UK Government look at why APD was handed over in a state that put that exemption at risk? The Scottish Government were effectively given responsibility for APD without the power to implement it. What assessment have the UK Government made of the state of APD? What is the Department doing to resolve the issue with the highlands and islands exemption while supporting the Scottish economy? The Minister will be aware that the Scottish Government have convened a new highlands and islands working group, which includes organisations with expert knowledge of the highlands and islands economy. Its first meeting was on 15 June. What support have the UK Government offered that working group?

The Scottish Government want to continue to work with the UK Government to find a solution. While the UK Government continue to set APD rates, they should take the impact on the Scottish economy seriously. As we heard, that impact is also felt by the economies of Northern Ireland and of the other nations of the UK. Since APD was transferred in the state it was, will the Minister review it for the rest of the nations of the UK?

10.23 am

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to speak in this debate with you in the Chair, Sir David. I congratulate the hon. Member for Belfast

East (Gavin Robinson) on securing the debate, which has been very inclusive and interesting, and on his illuminating speech.

Many of these issues have been discussed before, as the hon. Gentleman mentioned. They were foreshadowed in our debates about recent Finance Bills, in which I spoke on behalf of the Opposition. Labour argued in those debates that the Government need to be clearer about their long-term plan for APD. There have been a number of reviews of APD's efficacy, proportionality and impact on competitiveness since its introduction in 1994, and we need to situate this debate in that context. However, despite those reviews, a number of questions still have not been answered, so I hope the Minister provides some indication of the Government's thinking.

As has been indicated in previous debates on this topic, the Government estimate that APD contributes about £3.1 billion to general taxation. I am well aware that the hon. Gentleman and others suggest that, if one takes a holistic view of its fiscal impact, APD may be fiscally positive on the ledger. It would be helpful to hear from the Minister whether the Treasury is conducting a 360° review of APD's fiscal impact. I understand that PwC has carried out research, but it would help if the Treasury were focused on this issue, too.

In response to the comments by the hon. Member for Shannon, I cannot resist—

Jim Shannon: For Strangford—that's a step too far!

Anneliese Dodds: I beg the hon. Gentleman's pardon. I am very sorry about that. He will perhaps be even more perplexed when I mention that, rather than pound pinching, my family talked about looking after the pennies and the pounds looking after themselves. Perhaps that reveals a psychological difference between lowland and Ulster Scots. Of course, we need to look after the pennies and the pounds—that is the whole point. We need to trace exactly the impact of APD.

Studies suggest that the evidence about APD's impact on passenger numbers is mixed. As many Members said, such a duty is unusual in the international context, but the number of passengers using UK airports has increased by 15%—a substantial increase—in the past five years. Of course, APD needs to be considered in the context of there being no tax on aviation fuel and no VAT on domestic or international flights. There are also different levels of APD for different kinds of flights, and exemptions for children were introduced in 2015 and extended in March 2016.

I will focus on four issues: the long-term viability of APD, regional competitiveness, the unequal impact of APD on different groups of Britons, and environmental issues. From a revenue point of view, there are clearly significant concerns about APD's long-term viability. The Government have moved to provide industry with earlier notice of APD changes. The rates for next year were announced last autumn. That is surely positive for industry but, as I mentioned, we have had no indication of the Government's view of the long-term trajectory of the tax, particularly in the context of the race to the bottom occasioned by internal competition in the UK. The tenor of this debate demonstrates that the starting gun has been fired on that race—it has begun, and we need to know the Government's response.

[Anneliese Dodds]

We must view increases or reductions in APD in the context of taxation generally across income levels. It is notable that, given the increasing popularity and accessibility of air travel, many more people pay APD. As my hon. Friend the Member for North Tyneside (Mary Glendon) said, many more people enjoy hard-earned holidays abroad, and there are also people who need to travel abroad for family or work reasons.

Equally, APD is far less significant for household incomes than VAT, another transaction-based tax, which Members touched on. We would be in a different situation if the potentially regressive impacts of consumption taxes as a whole were cancelled out by progressive income taxes, for example, but of course the Government reduced the top rate of income tax. The latest Office for National Statistics figures suggest that overall, unusually in Britain's history—at least in recent times—people in the least well-off decile pay a greater proportion of their income in tax than those in the most well-off decile. That is a peculiar situation.

Another concern we must note is about APD's impact on regional competitiveness, which has been a focus of the debate and was perhaps its motivation. As we have discussed, APD levels were devolved to the Scottish Government in the Scotland Act 2016 and initial suggestions were that it would be halved and then potentially removed altogether.

We have discussed at length changes mooted in Northern Ireland, where there has been a call for evidence. We got useful detail about the operation of that from the hon. Member for Belfast East. As I understand it, the Government stated in February 2015 that they would also consider the case for devolving APD to the Welsh Assembly. We have therefore seen much change in relation to this duty.

All those changes naturally raise questions for airports contiguous to other airports not subject to the same APD levels, whether they are contiguous to Scotland or to the Republic of Ireland. We heard interesting thoughts on that from the right hon. Member for Belfast North (Nigel Dodds) and the hon. Members for Upper Bann (David Simpson) and for East Londonderry (Mr Campbell). Of course, the hon. Member for Strangford (Jim Shannon)—I have got it right this time—gave us a typically passionate and inclusive speech and a glimmer of his holiday plans. I hope they are more sedate and relaxing than those of the hon. Member for Henley (John Howell), whose itinerary of recent movements sent my head into a bit of a spin.

We also heard from my hon. Friend the Member for North Tyneside, who pointed out research suggesting that the duty has a significant impact on people living in her area. She is always a doughty supporter of their interests.

The Treasury published a discussion paper on options to support English regional airports in July 2015, but it is difficult to find out what concrete steps have occurred since then. Furthermore, the Government have said they will look at the matter once legislation concerning state aid changes is produced. An indication from the Minister of the Government's thinking on that would be helpful; it is particularly important, given the points

made by the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry) about the situation for the highlands and islands.

There is often confusion in this place, though certainly not on the hon. Gentleman's part, about the impact of EU state aid provisions in general. Of course, they prevent the provision of arbitrary support, but, as he suggested, low levels of population could be a feasible basis for such an exemption.

Drew Hendry: The hon. Lady makes the point well. This is an exemption based on population density and the regional difficulties in the highlands and islands. Indeed, it should be possible—I hope it is—for the Scottish and UK Governments to work together to solve that problem.

The Exchequer Secretary to the Treasury (Robert Jenrick): We are.

Anneliese Dodds: I was pleased to hear the Minister say from a sedentary position that they are working on that. I hope the UK Government will do so with rather more application than they did on support for the steel sector, of which I had an inside view as a Member of the European Parliament: they made no attempt to secure clearance for the kind of support we saw applied in countries such as Romania, which had been okayed by the European Commission; they asked the Competition Commissioner for exemption only from environmental measures. There was not much application around steel, so I hope we will see a different approach to these matters.

Another concern is the impact of APD on Britons who have family living outside the British Isles. The previous four-banding system meant that such individuals could end up paying more APD than those travelling to the US, for example. None the less, the division in the calculation between short and long-haul travel continues to be criticised by some who feel that that disadvantages Brits with families in, for example, the Caribbean, India, Pakistan or Bangladesh, who need to fly long haul to visit them. One could argue that other, lower carbon alternatives are available to flying for short-haul journeys, which do not apply for travelling long distances. An indication of the Government's thinking on that would be helpful.

Our final concern is about APD's impact, or otherwise, on environmental outcomes. In response to a question posed by the hon. Member for Henley, the hon. Member for Belfast East maintained that APD does not have a positive environmental impact. However, we must look at it in the context of enormous public concern around climate change and the increasing significance of emissions from aviation. At APD's introduction in 1994 and, following that, the Labour Government's focus on it, there was an attempt to ensure that its design would have a green impact. For example, during the 2007 Budget process it was stated that APD

“plays a valuable role in ensuring that passengers understand and acknowledge the environmental costs of their actions. The resultant behaviour change can deliver significant climate change benefits”.

Those believed benefits were then detailed.

Gavin Robinson: I hope that the hon. Lady does not misconstrue what I said as a suggestion that we are not interested in climate change. The Library briefing is

helpful, talking about the Labour Government in 2006 and a Department for Transport recalibration of emissions, which were to increase and not decrease until 2030. I do not think consumers realise that the contribution is made for environmental benefit or that it is having any tangible impact. The growth of aviation technology will have a much bigger impact on environmental benefits than an APD charge.

Anneliese Dodds: I am grateful to the hon. Gentleman for those comments. I acknowledge that there is not necessarily the awareness to ensure that it does have such an impact. Some of the matters he just raised have led to calls for a redesign of the duty, which some believe could lead to a greater environmental impact. One suggestion, which was examined in 1998, was whether it would be better to levy the duty on planes rather than passengers to reduce under-occupancy and lessen emissions. However, the then Government suggested that a restructuring of APD would be more appropriate and the four bands were introduced. Of course, since then we have gone down to two bands.

It is interesting to note that the highly interventionist right hon. Member for Wokingham (John Redwood)—he is not often described as that—argued that, on reducing under-occupancy through such a measure,

“there is a green case to be made there.”—[*Official Report*, 23 April 2007; Vol. 459, c. 729.]

However, the practicalities of doing so are highly complex, which may be why that did not develop at that time. In particular, it is difficult to exempt transit and transfer passengers from the calculation, which led Alistair Darling away from initial moves in that direction.

The taxation of aircraft fuel has been mentioned as an alternative, but that is prevented by the network of bilateral air service agreements under the principles of the Chicago convention. It would be helpful to hear whether the Minister has been involved in attempts afoot internationally to alter that agreement to provide more flexibility.

Drew Hendry: I am grateful to the hon. Lady for giving way yet again. She is talking about alternatives for taxation. Does she agree that had APD been used directly for environmental measures, it would have had a huge impact? For example, it could have been involved in the creation of alternative biofuels and other incentives and operations to reduce dramatically the environmental impact, yet it has not been spent in that way at all.

Anneliese Dodds: I am grateful to the hon. Gentleman for that interesting point. Hypothecation of tax is relatively unusual in the UK. My party believes—he will expect me to say this—that there needs to be much more investment in those technologies. That would be positive for our country, whether funds are hypothecated from a particular area or found through other mechanisms.

One other aspect of the international context—this was mentioned to me by a Minister—is the ICAO agreement on the carbon offsetting and reduction scheme for international aviation, which was introduced in October 2016. Members have referred to the EU’s emissions trading scheme in that context, but we have not yet heard from the Government about whether we will remain part of the ETS beyond 2020. If we follow existing patterns for APD, Parliament will set the rate

for 2021 next autumn. It would be helpful to get a clearer idea about how the Government view international schemes such as that of the ICAO interacting with multilateral mechanisms such as the ETS. The general lack of clarity on environmental matters amplifies the fact that the UK Government seem to lack any long-term vision about what constitutes green taxation in the first place, let alone how it should develop in future. This is a bit of a cheesy point, but I contrast that with the shadow Treasury team, which includes a shadow Minister who is focused exactly on such matters, and on the link between environmental and Treasury issues.

In conclusion, I am afraid that I lack the poetic sensibilities and contacts of the hon. Member for Belfast East, but I congratulate him again on securing this debate. I look forward to hearing from the Minister about the five issues I raised: whether there will be a 360° review of APD; whether there is a long-term plan for it; what the Government’s view is about the substitutability of short-term flights, and whether that should be taken into account; whether the Government are participating in international attempts to reform the Chicago convention; and what their view is of the interaction between the ICAO scheme and the ETS, and what the future will hold for carbon trading for the UK beyond 2020—that point is very germane to this debate.

10.42 am

The Exchequer Secretary to the Treasury (Robert Jenrick): I congratulate the hon. Member for Belfast East (Gavin Robinson) on securing this debate. I have known him since he and I were elected and have always been fond of him, but I was not expecting a belated Valentine’s day present. I vaguely remember that some time ago the hon. Members for Strangford (Jim Shannon) and for East Londonderry (Mr Campbell) presented a giant heart-shaped card to No. 11. I wonder whether the Chancellor’s predecessor regrets not taking the advice on it. Flattery will get you everywhere at the Treasury, so I am grateful for that.

We have had a productive debate and it has been interesting to hear from all sides. There is significant agreement across the House that we view the UK aviation sector as extremely important to our quality of life and for creating jobs, and particularly for connectivity within our United Kingdom and beyond. There is no more important time for us to consider both how we can bring the United Kingdom closer together, and how we can make ourselves more open to the outside world. This is therefore a timely debate. Let me say a few words about APD and aviation in general, and then I will turn to Northern Ireland and try to answer, assuming time allows, many of the reasonable and important points raised. If I cannot do so, I will write to the relevant Members.

The UK aviation sector is a strong performer and we are a world leader in that industry. We have the third largest aviation network in the world, and since 2010 passenger numbers at UK airports have grown by more than 20%. That strength extends across the entire UK, not just at major airports such as Heathrow. Regional airports are growing and handled approximately 113 million passengers last year. There is good news across the sector.

Regional airports have been the basis of this debate. They make a valuable contribution to the growth of local economies and support connectivity across the

[Robert Jenrick]

UK. We appreciate that and want it to continue. We must also appreciate that aviation plays its part—like all industries—in contributing to the Exchequer. We heard various epithets about looking after pennies and not being penny-wiser and pound-poorer, and we appreciate that. The Treasury wants to ensure that we meet our commitments to public services and to continue to address the deficit and the debt.

We also want to pursue policies that will increase economic growth, in which tax has a role. As the hon. Member for Oxford East (Anneliese Dodds) said, in line with our international treaty commitments, we do not tax commercial aviation fuel and no VAT is charged on airline tickets. It is important that that part of the economy plays its part in funding public services, which was why the Government introduced air passenger duty in 1994. Without that duty, commercial aviation would be relatively undertaxed compared with other industries.

Air passenger duty raises around £3.2 billion a year, which is a significant amount of money. It would be foolish of the Treasury not to take that seriously and to proceed without great caution. That is why we are proceeding with the introduction of a call for evidence, which I will discuss in a moment. We appreciate the arguments that were made eloquently by the hon. Member for Belfast East—those points were also made by Democratic Unionist Members who spoke after him and by many other Members across the House, including those from the north-east, the west country, Wales and Scotland. We are alive to those concerns and I hope I can provide further detail about the steps that we are taking.

We are conscious that APD is often passed on to passengers as part of their ticket fares. This is not a tax on passengers—it is a tax on airlines—but in many cases it feeds through to the cost of tickets. In recent years we have tried to minimise the impact of APD on hard-working families to ensure that those who can afford to pay more do so. Last year we announced that rates will stay frozen for the sixth year in a row for the 80% of passengers who fly short-haul. That will help to keep down the cost of holidays for the vast majority of travellers, including those who travel throughout the United Kingdom for business or other reasons. We have exempted children from APD, which could save a family of four £26 on a short-haul flight and £156 on long-haul flights. Together those actions reduced the burden of APD by about £300 million pounds in the last financial year alone.

We have increased APD on private jets to ensure that those with the deepest pockets pay their fair share, and we are using those proceeds to fund some of the savings for families and holiday travel. I hope Members agree that, alongside those reforms, the Government have demonstrated their strong commitment to the aviation sector more generally, which was exemplified most recently by decisive action to address capacity constraints in the south-east. The new Heathrow expansion will provide capacity for an additional 260,000 flights a year and deliver an extra 16 million long-haul seats for passengers travelling from UK airports by 2040. I hope and believe that it will also be beneficial for all regional airports in the UK, including those in Northern Ireland and Scotland. We heard the Secretary of State's important commitments

on Heathrow and want them delivered. Additional capacity at Heathrow is expected to bring a boost of up to £74 billion to passengers and the wider economy over the next 60 years and we want that delivered at pace.

The Government are not blind to calls from the industry and over the years, including during my relatively brief time as a Minister, we have met a number of airports stakeholders. As a result of discussions with the DUP, we decided to create a call for evidence—I have received and read the representation from the right hon. Member for Belfast North (Nigel Dodds) on behalf of his party. The Financial Secretary to the Treasury has already visited Northern Ireland to meet stakeholders, including representatives from the airports, so that we can take seriously and listen directly to concerns about APD and VAT.

We are concerned to proceed with care in these matters, first because of the significant amounts of revenue for the Exchequer that are at stake, but also because, as we have heard during this nuanced debate, there are currently complexities regarding EU state aid guidelines. That situation may continue depending on the ultimate agreement that we reach with the European Union—in a moment I will come on to the position in Scotland, where those complexities have come out most vividly in recent months and years.

We keep the matter under review. The call for evidence has now closed. The Chancellor, Treasury officials and I will carefully consider the arguments submitted by many stakeholders in Northern Ireland. We expect to offer a response in the Budget in October or November. I hope we can continue conversations once we have carefully analysed the evidence submitted.

Clearly the tourism industry is important in Northern Ireland, as it is in all parts of the United Kingdom, and we appreciate that the Northern Ireland economy is still in recovery mode and that it requires our wholehearted support to continue to grow. Tourism in Northern Ireland has been growing significantly in recent years, as there is so much to offer there. We appreciate the unique position of Northern Ireland in the United Kingdom with respect to economic competitiveness. It is the only part of the Union that shares a land border with another state—the Republic—which poses a number of challenges, one of which relates to airports. Anyone who visits Northern Ireland and understands its economy will appreciate the impact on passenger numbers, business and other passenger choices of the fact that there are other airports within easy driving distance. We shall consider those points carefully in the coming months.

We have read the various reports hon. Members have quoted. We do not necessarily agree with all their findings, but the purpose of the call for evidence that has just closed is to build our own significant evidence base, to enable us to arrive at our own view. It may not be exactly the same view as the independent reports, but we intend to take a detailed, careful decision.

I will deal briefly with other points made in the debate. EU state aid rules, which are relevant to Scotland, have proved complex. As I said from a sedentary position—the hon. Member for Oxford East picked it up—we are working productively with the Scottish Government, which I should like to continue. I would be happy to discuss after the debate or on another occasion how we can step up those efforts. The Government passed the legislation recommended by the Smith commission in

2014 that devolved APD to Scotland. Implementation has been delayed, as the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry) described, because it has proved difficult to square the circle as to how the measure would apply to the highlands and islands. I am sure the hon. Gentleman wishes for a settlement to be reached. We shall continue to work closely together and when it is eventually implemented we will bear in mind how it works in other parts of the United Kingdom, including for the airports closest to the Scottish border.

As the hon. Member for Oxford East mentioned, we have in the past looked into the impact of air passenger duty on regional airports in England. There was at that time no consensus about how to proceed. We analysed the various recommendations carefully. There were no easy answers and different airports came up with different and often competing proposals, but we remain open to further suggestions and are in constant conversation, as Members might expect, with airports, stakeholders and Members of Parliament who want to take the matter forward.

As was mentioned in the debate, we have had a discussion with the Welsh Government about the devolution of air passenger duty to Wales. Careful consideration led to the conclusion, which was respected by many if not all the stakeholders, that Cardiff airport was essentially within the same air economy as Bristol airport, and that it was necessary to proceed very carefully before changing the regime for Cardiff in view of the knock-on effect on Bristol. However, we shall continue to think carefully about whether there is a way around that situation. We should not want to harm Bristol inadvertently by creating a competitive advantage for Cardiff.

There are already powers for devolved Governments to take action on route development funds. I appreciate the current difficulties in Northern Ireland in taking that forward, but were the Executive there to resume, they would have the capacity to proceed and implement a route development fund for Northern Ireland. The Government in Wales also have powers to take action because they own Cardiff airport. They could act to develop it further from its current relatively small number of passengers—it is about 1.5 million a year, whereas there are 8 million at Bristol, its nearest competitor.

There is still no easy definition of long and short-haul flights. We have alighted on a definition of a short-haul flight as one where the capital—not necessarily the relevant airport—of the destination country is within 2,000 miles of the UK airport. The effect of that is to take in all European Union countries, plus most Mediterranean-facing countries, with one or two exceptions that are arguably anomalies, such as Israel and Egypt. The vast majority of countries bordering the Mediterranean fall within the definition, and it seems broadly logical. There is no perfect definition.

On the environmental points made, we are interested in treaty obligations. Perhaps there is an opportunity to take action on a multilateral basis. I do not think that

that is being pursued today, but I am happy to look into the matter and revert to the hon. Member for Oxford East. As I said, we have taken action against private jets, which are less environmentally friendly and may at times be under-occupied. It has proved complex and difficult to take action on under-occupied flights. HMRC has done significant work on that and no simple solution has been found. Today the duty is paid by airlines, not passengers, so there would need to be significant change to the tax to implement that.

I hope I have answered some of the questions that hon. Members raised. If there are further points, I am happy to discuss them afterwards. I want to leave the hon. Member for Belfast East with my and the Chancellor's reassurance that, in the months ahead, we will work carefully through the submissions in response to the call for evidence. We will listen to the arguments of the hon. Gentleman and his colleagues, which appear to have significant support from other parts of the House, and before the Budget we shall present our careful response. In the meantime I shall be happy to discuss the issue further should he or his colleagues want that.

10.57 am

Gavin Robinson: This has been a productive debate. We may not be many in number, but we were ably assisted by the hon. Members for Henley (John Howell) and for North Tyneside (Mary Glendon), and by the Front-Bench contributors. I have enjoyed listening—the speeches were thoughtful and full of detail, which is how a debate should be.

I am grateful to the Minister for his commitment to engage in the interim and to present a response to the call for evidence in October. He is right that we have the power for a route development fund, but that misses the point that, if the Treasury were to permit the introduction of previously non-serviced routes where no APD is applied, not only would there be freedom to grow those routes, but it would be demonstrated to the Treasury that there is a benefit in not having APD associated with them. It is slightly different: if the Executive used their powers, APD would be charged for those routes.

We are one of a few European Union countries with APD. We have heard in the debate about the benefits for Ireland and the Netherlands from scrapping it. There has been exponential growth in their economies as a direct result. We are the only European Union country, out of 28 member states, where connectivity has declined. We need to think about the reasons for that and work productively to see what we can do to encourage growth in business, aviation and the country.

Question put and agreed to.

Resolved,

That this House has considered air passenger duty throughout the UK.

2015 Steel Summit Commitments

[SIR DAVID CRAUSBY *in the Chair*]

10.59 am

Anna Turley (Redcar) (Lab/Co-op): I beg to move,

That this House has considered progress on 2015 steel summit commitments.

It is a pleasure, as always, to serve under your chairmanship, Sir David. I am pleased to have secured this debate, which comes almost three years on from the 2015 steel summit. At that summit, in the midst of the steel

crisis, steel producers, steelworkers, trade unions and parliamentarians came together with Government to discuss the challenges facing the industry and the support needed to at least level the playing field. We were not looking for special favours or advantages, just a fair environment so that British steel makers were not fighting against state-subsidised steel from east Asia or excessive energy costs compared with our competitors in Europe.

My constituents in Redcar felt the sharp end of that battle when the SSI steelworks and coke ovens were closed. Cheap Chinese steel had put the works under strain from falling prices, but it was Government inaction, in the face of pleas from parliamentarians, industry and the Community trade union, that left the works in a battle for survival. The closure wiped out 3,000 jobs and many more in the supply chain, rippling across our local economy.

Redcar is resilient and we are fighting back, but many families continue to struggle, working on lower wages in insecure jobs, working away or not working at all. Many come to my surgeries or visit the local citizens advice bureau, struggling with mortgages and personal debt. I do not repeat that story to dwell on the past, but to highlight why it is so important that the steel industry gets the support it needs to thrive. We cannot countenance any more reductions in steelmaking capacity in the UK after the loss of 175 years of steelmaking on Teesside. We cannot be complacent, as before, about the loss of any more steel jobs.

To return to the 2015 summit, there was a united request in the form of five asks, or five areas where the industry was struggling to remain sustainable, often because we were at a disadvantage compared with our competitors around the world. We were playing fair, but the playing field was tilted against us. I am speaking in the past tense, but sadly not enough progress has been made on those asks since 2015. The playing field is still uneven and tilted against British steel. While the existential urgency of the 2015 crisis may have passed, my town stands as a warning of what can happen if complacency sets in and the industry is not given the support it needs to survive.

Stephen Kinnock (Aberavon) (Lab): On the point my hon. Friend has made about what happened in Redcar, does she agree that the closure of the blast furnace and coke ovens there was an act of industrial vandalism that led to the loss of a strategic asset for our country? Does she also agree that the steel industry needs to be seen as a strategic asset and in the context of our national security?

Anna Turley: My hon. Friend is right. It was the second-largest blast furnace in Europe and the coke ovens were fantastic; they were capable of producing much more, including foundry coke, for which there was a huge market. It had a huge role still to play in the British steel sector, and we did not have a strategic nationwide approach to looking at those assets and preserving the value they had for our economy and for the future. I know many hon. Friends here want to contribute and share their thoughts and experiences, so I will not take too much time, but I will just give an overview of where we were and where we are now.

First, I will start with electricity costs. We asked for help with bringing the cost of electricity in line with that of our EU counterparts. In 2015, the Government introduced compensation for energy-intensive industries a few months earlier than planned, but a large disparity between electricity prices in the UK and the EU still remains. It translates into a total additional cost to UK steel producers of around £43 million per year, or around 17% of the sector's net earnings, which is a significant margin to be losing in excessive energy costs. Europe offers many examples of acceptable state aid solutions to the energy challenge, but the Government have not given any serious consideration to what we can do.

Secondly, I come to business rates, which irk sectors across the UK, not just steel. The sector has put forward a number of proposals, such as removing plant and machinery from business rates calculations or offsetting previous trading losses against future business rates, but change in this area has been met by resistance, even though the sector has committed to reinvesting any savings, which would have a huge impact on local steel-producing regions. That feels like a short-sighted approach from the Government, ignoring a powerful tool for incentivising capital investment, increasing the productivity of the sector and helping to deliver a northern powerhouse boost.

Thirdly, public procurement is another area where the UK has so much potential to support UK steel makers, especially through large infrastructure projects such as HS2 and the Heathrow expansion. I know that British Steel in my constituency has aspirations to win contracts on those projects, and many other colleagues will have similar ambitions for their areas. There has been a close working relationship between the sector and Government on procurement.

Angela Smith (Penistone and Stocksbridge) (Lab): Does my hon. Friend agree that the Government have missed a real opportunity for UK plc generally, and for steel in particular, with their decision to refuse the Swansea Bay tidal lagoon?

Anna Turley: My hon. Friend makes a vital point, not just in terms of opportunities in that area for the creation of jobs and the boosting of the local economy, but in terms of the huge implications for the steel industry that we know such major infrastructure projects have in keeping that pipeline going.

The publication of an annual steel pipeline to provide early sight of such opportunities for UK producers has revealed over 4 million tonnes of steel requirements in the coming years. The publication of the procurement policy note on procuring steel in major projects has also helped to encourage a more holistic and proactive approach

to steel procurement. Despite these steps forward, the benefits of this relatively low-cost way of subsidising UK steel and jobs are not being maximised. The guidance is interpreted differently by different Departments and organisations, and information sharing is still far too limited. Clearer and more detailed data on the amount of UK steel in public projects would be a welcome improvement, to track progress and to ensure it is held up to the light of public scrutiny. Introducing a baseline for levels of steel in UK projects would also help to maximise the benefits to domestic steel production.

Fourthly, trade remedies have been an incredibly important defence mechanism in the battle against state-subsidised steel, which is flooding the market and forcing down prices.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): Does my hon. Friend agree that, in the light of the American steel tariffs, there is a real danger that steel that has hitherto been going to the US will be diverted and dumped on to the British market, and that the current UK policy is going in the wrong direction, unlike that of the European Union, which is going in the correct direction?

Anna Turley: My hon. Friend is absolutely right; I know colleagues have raised that issue a number of times with the Secretary of State for International Trade. The implications of the steel tariffs that President Trump has announced are not just a direct existential challenge to our steel industry here; the knock-on effect of further dumping from the Chinese market and others into our market is a real crisis coming down the line.

Such unfair trading practices put UK steel at a disadvantage for trading fairly without a single bit of state support. Thanks to work within the EU, dumping methodology has been reformed and a modernised regime has had a big impact in reducing the levels of dumped steel in the EU market. It is a real worry that, when we leave the EU, the UK will not endorse the same kinds of protection and the UK steel market could be in danger of being swamped. The UK Government's unexplainable opposition to the modernisation package within Europe suggests that they will not introduce the same approach in the UK system post-Brexit. The proposals so far suggest there could be a much more difficult and drawn-out process for initiating defence measures, by which time the damage would have been done.

Gareth Snell (Stoke-on-Trent Central) (Lab/Co-op): I congratulate my hon. Friend on securing the debate. As someone from a ceramics area, the issues she is talking about resonate with the industries I talk to. Does she share my concern that not only do the Government seem not to want to commit to the European calculations for dumping, but the introduction of an economic interest test and a public interest test gives further opportunities for Ministers to take away the protections, even if they were to update the methodology themselves?

Anna Turley: My hon. Friend is right. It is vital that we all contribute, and that the Government listen to the debate as we produce the legislation and look to leave the EU.

Our fifth ask was on environmental regulations, which is one area where there has been positive progress, allowing more time for specific sites to meet the requirements

of the industrial emissions directive. However, one fully completed promise and some minimal progress on others is not a great record, almost three years on from the steel summit.

Nic Dakin (Scunthorpe) (Lab): I congratulate my hon. Friend on securing the debate. Listening to her analysis, a balanced scorecard on the Government's performance would not show a terribly high score. Does she agree that, three years on from that steel summit, it would probably be a good idea for the Government to convene a steel summit to review how the industry is doing now and set us fair for the future?

Anna Turley: My hon. Friend makes an important point. Three years on, it is vital that we look at the crisis we were in, where we are now and the impact of any measures brought in. He is right to put that suggestion forward. I remember his raising it on the Floor of the House at the height of the steel crisis and being met with guffaws and laughter, as if a steel summit would be an irrelevance and meaningless. It actually acted and secured some outcomes. He is absolutely right that three years on is the time for an update and to pull the sector and the industry together to look at what more we need to do.

Our key asks have been put forward again and again in applications for a steel sector deal. This process started in 2016, and we are still waiting. The issue appears to have been kicked into the long grass, and the complete absence of progress on a sector deal in the last 10 months has meant no improvements in levelling the playing field for UK steel makers. The longer we delay bringing forward a sector deal, the more time we lose to prepare the industry for the future challenges.

Those challenges are already emerging, such as in Donald Trump's decision to impose tariffs on steel and aluminium imports into the US. That underlines what my hon. Friend said about this being an important time to come together and take stock of the implications of the new world that we are in. The tariffs will cause the UK to lose out not just in the direct hit to our exports but, as my hon. Friend the Member for West Bromwich West (Mr Bailey) said, from the diversionary effect as global steel makers look for another market to sell to.

I will finish by talking about why this matters. There are some, including in government, who continue to view steel as a sunset industry that has had its day, and which they would prefer to see in managed decline. That is a short-sighted and pessimistic view of an industry that should be at the heart of the UK's ambitions for the future. Steel—especially many of the specialist types that the UK manufactures—is a crucial component for so many areas of Britain's industrial landscape. It underpins our industries, from aerospace to automotive.

Steel has huge future potential. For instance, the Materials Processing Institute in my constituency is working to develop new specialist steels that will form part of the future export market. The industry is crucial to our industrial and manufacturing competitiveness. We have to value domestic production, not through protectionism but by empowering it with a fair playing field.

I secured the debate because progress in supporting British steel has stalled. My constituents and I know too well what complacency can mean for steel jobs in the UK. I hope Ministers will listen and take a renewed interest in backing our steel industry.

11.12 am

The Minister for Energy and Clean Growth (Claire Perry): It is a pleasure to serve under your chairmanship, Sir David. It was also a pleasure, as is often the case, to listen to the hon. Member for Redcar (Anna Turley), who is my friend and who speaks so passionately on these matters. I congratulate her on securing the debate. It is always good to see such a doughty group of campaigners for this vital industry.

The hon. Lady will know, as will her colleagues, that I visited her constituency and saw for myself the shock caused by the closure of what was once an exceptionally large and productive plant and the concern expressed by people who had lost highly productive jobs that were critical to the UK's economy. She also knows that the Government, and my hon. Friend the Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Richard Harrington), who has responsibility for the sector, want to do everything that we can to ensure the return of those jobs. She has done wonderful work in her constituency, ably supported by the hon. Member for Scunthorpe (Nic Dakin), other parts of her region and its mayor, to reopen that site as part of the new, low-carbon economy. I am in no doubt about the passion with which she speaks and of what a hammer blow that closure was for employees, their families and the whole region.

The hon. Lady is right to raise what has happened since the closure. That was clearly a momentous time for the industry, and some tough questions had to be answered by the Government and the industry, working together. There have been signs of progress. We have seen a recovery in the world price of steel. The UK has benefited from the decline in the value of our currency, which has made our exports more competitive. However, we are under no illusions about the difficulty of the international market, which we will raise with President Trump when he visits us this weekend.

We are all deeply and profoundly disappointed with the section 232 tariffs. Huge amounts of work have happened behind the scenes to try to focus the US on potentially legitimate concerns about over-capacity production in China, rather than on penalising its closest allies and their industries. Those conversations have happened—my hon. Friend the Secretary of State for International Trade and President of the Board of Trade raised it directly with the US Secretary of Commerce last week. We will continue to make the case for a UK and EU exemption to the tariffs. We have shared legal support on these exemption questions with UK firms and with the industry, and we are pressing hard on behalf of those companies for assurances on the product exclusion process.

Those are the direct impacts of the tariffs. The indirect impact can have a chilling effect on the supply chain, which we are aware of. Indeed, we voted in the EU in support of provisional measures to curb steel imports only last Thursday. We will continue to offer a doughty response, which we must do on behalf of British-based companies.

That 2015 plant closure was such a pivotal moment. We received the five asks of the steel industry, which looked not only at what could be done in the short term but also at the long-term outlook for those companies. A number of changes to the industry's structure have happened since. Greycapital acquired Tata's long

products business, which is based in Scunthorpe and is now part of the British Steel group. The Scottish mills have reopened under the ownership of Liberty Steel, which also bought Tata's speciality steel business, based in Sheffield and Rotherham.

We should all be pleased to see the Tata-thyssenkrupp venture in Port Talbot coming to fruition. I visited it myself and saw the pride in that long tradition of steelmaking. I pay tribute to the management and the unions, who worked so hard in making that deal happen. Securing those jobs was vital. The deal was accompanied by the decision to invest in the blast furnace. The company will now work to ensure the commitment that as much as possible will be done to avoid any compulsory redundancies until 2026. I have to pay tribute to the pool of highly skilled workers who are dedicated to the future of the industry. We are incredibly lucky to have them.

However, the Government have done our bit, too. We set up our industrial strategy. The hon. Member for Redcar rightly raised energy costs. The Dieter Helm review that we commissioned found that, while our energy companies pay more than some of their European counterparts, it is often because other countries decide to spread those costs to consumers' bills.

Stephen Kinnock: I recommend that the Minister looks at the "Steel 2020" report produced by the all-party parliamentary group on steel and metal related industries. It contains a detailed road map on what can be done on energy, including on wholesale costs, network and transmission costs, energy efficiency aid, reform of the emissions trading system and long-term remodelling. Will she update us on what the Government are doing, and whether she has had a chance to look at the report?

Claire Perry: I am happy to read the primary source. I have seen many of those recommendations, which inform our response to the Helm review.

I was making the point that other countries have taken policy decisions to put the costs that would in this country be borne by industrial customers on to household bills. We have ended up in a situation in which some of our industrial energy bills are higher than average, but our household bills are lower than average. Those policy levers are difficult to change; we all support, for example, the energy price cap Bill that we will bring forward later this week.

However, as the hon. Member for Redcar pointed out, we have spent more than £250 million in compensation specifically for the steel sector and other energy-intensive industries to help to mitigate those policy costs as we transition to a low-carbon future. We successfully pressed for the introduction of trade defence instruments to protect UK steel producers from unfair dumping. We set out visibility on the pipeline going forward, which I know was a big ask from hon. Members in the room.

The Government plan to procure construction contracts that will use 3 million tonnes of UK steel over the next five years, which is enough to build 170 Wembley stadiums. I understand the comment from the hon. Member for Penistone and Stocksbridge (Angela Smith) on the Swansea bay tidal lagoon. Believe me, I worked so hard on those numbers, but to build the country's most expensive ever power station basically to create a couple of dozen jobs was just not economically effective when compared with other opportunities in all our constituencies.

The power of Government procurement should not to be underestimated. Every Government steel contract in England is now required to consider its social and economic impact on local communities and what those decisions mean for the constituencies we are all so proud to represent.

We are grateful for the constructive proposals put forward by the steel council. I asked for guidance on this. The steel council, which I was proud to chair when I was the relevant Minister, met last in June and will meet again before September. It now meets regularly, and that is an opportunity to discuss the current challenges but also for the industry to work together. Historically, members of the industry have not sat around a table and worked together on the outlook and productivity investments; it has had a very competitive mindset. The industry working together and with Government is a very important part of the plan as we go forward.

Nic Dakin: The Minister is setting out her stall very well, but as she has said, most of the benefits that we have at the moment are down to global changes and the restructuring that the industry has done itself. The assistance on energy prices was in train before the steel crisis in 2015. Since the crisis, there has been some progress on procurement, but frankly the steel sector deal, which the Government have always been positive about and have said is the way to address the steel crisis issues and the five asks, has not yet delivered. Will the Minister tell us where we are on delivering a sector deal for steel and, indeed, whether that will happen? Is it just a case of officials preventing Ministers from doing their job?

Claire Perry: No, no—far from it. The hon. Gentleman invites me to move on to the next part of my response, which is about exactly this issue. One of the first parts of the sector deal is getting the sector to work together to say, “What is it that we collectively need going forward?” We had the “Future Capacities and Capabilities of the UK Steel Industry” report produced at the request of the industry; the Government paid for it with taxpayers’ money. It highlighted onshore opportunities that will be worth up to £4 billion a year by 2030. This is about customer demand and substituting for imports specialty steels, higher-quality steels or steels that can support the investments in the offshore wind industry—things that are now being imported. That opportunity exists for the UK plants and it is forming part of the sector deal.

As I have urged hon. Members to recognise before, we should not use the steel sector deal as a measure of how much the Government love the sector. The idea is not to have Government write it and say, “This is what you need to do.” It is for the industry to come together and set out what it needs and wants from Government. We have seen the publication of sector deals that directly benefit the industry that we are talking about. The automotive sector deal was an early one out of the traps. The automotive industry has already increased its use of UK-made content. That went up from 36% previously to 44% two years ago, and the aim is to reach 50% or more by 2022, as a direct result of the sector deal. The construction sector is a vital market for many of the steel products in this country, and we published the construction sector deal last Thursday. It aims to build homes and offices quicker than in the past and it also has commitments in relation to domestic content.

We are absolutely committed to securing a steel sector deal that works for Government, industry and employees. It would be unfair to blame any delay on my hard-working officials. This is about getting the right deal—one that is not just a simple request for money but is saying, “What are we collectively going to do to increase productivity and competitiveness, so we can invest again in these steel plants and create jobs in these important areas?”

Angela Smith: I do not agree with the Minister’s comments about the tidal bay lagoon, but there are other aspects of UK manufacturing where a sector deal could play a real part. The development of the shale gas industry is one of those. Can the right hon. Lady update us on progress made in maximising UK steel content in the shale gas industry?

Claire Perry: That is an excellent point. The hon. Lady will know that I am keen for us to have an energy policy that delivers secure, affordable, low-carbon and innovative energy. I believe that onshore shale gas can play a part in that, and we are soberly going through the process of testing the wells. She raises an important point about ensuring that that work is done using UK steel content. I will take that away for my conversations with the companies, but I did hold a very effective shale industry roundtable, at which I was struck by the number of small companies that are making the pipes and specialty products that rely on UK steel and the opportunities for them, so the hon. Lady makes an excellent point.

I again reassure colleagues here today that work is going on on the sector deal, but we have to encourage the companies that we are working with and that provide so many jobs in the constituencies represented here to think about what they will do. There are positive signs. We are seeing steel companies investing in very good research and development. Companies are bidding for money from our industrial strategy challenge fund—the current wave—for more innovative products, and that is incredibly important going forward.

Nick Dakin: UK Steel was disappointed with the Government’s response to the sector deal proposals so far—not because there are not weaknesses in what it has put forward that it is aware of, but because the things that were highlighted were not, bluntly, weaknesses. There needs to be a proper dialogue going on that delivers an outcome. How long does the Minister think it will be before we have a sector deal for steel?

Claire Perry: I will not speak for the Under-Secretary of State for Business, Energy and Industrial Strategy, my hon. Friend the Member for Watford, who chairs the steel council and is closely involved in the conversations, but I urge the hon. Gentleman to think about the outcome, not the timing. We recognise the importance of the industry. We are setting out plans to ensure that its products can be sold into other UK sectors as part of those deals. I am confident that we will get there, but the steel sector deal has to be a deal that works for the long-term future and is not a quick fix. I think that all of us would say that putting another sticking plaster over the problems that we saw in 2015 would not be the way to secure the jobs of the future. We know that there is a huge opportunity from UK—domestic—clients wanting to buy these products, and we have to help the industry to find a way to get there.

Anna Turley: I appreciate the Minister's response to that question and her update on the steel council; I am glad that it is meeting regularly. I just want to go back to the point made by my hon. Friend the Member for Scunthorpe (Nic Dakin), in his first intervention in the debate, about the option of putting together another steel summit. I feel that the time for that is now. Particularly if the sector deal is struggling, getting everyone together and getting everything on the table might just help to facilitate it.

Claire Perry: In my closing remarks, I was going to address the hon. Lady's point on that, because I think we have made progress in ensuring a sustainable and competitive future for UK steel. However, we cannot be complacent. We know that there are global challenges that affect the sector dramatically. We have made progress on improving the competitiveness and innovation of the industry, and it is really heartening to see that we have these brilliant companies wanting to do the R&D and innovation in the UK. With global or European companies, that has not always been the case: they have made decisions to make certain sorts of products here, but to keep the R&D and intellectual capital elsewhere.

We will continue to work in partnership with the steel sector. This involves not just the companies, but the unions, the devolved Administrations and other stakeholders—in particular, the local communities. I will raise with the Under-Secretary the question of whether the time is right for another steel summit, particularly in the light of international events. Ideally, it would be when we have some progress to report back from the conversations that we are having at a diplomatic level.

I close by thanking sincerely the hon. Members present for raising these issues once again and by assuring them that there is no complacency and we are all dedicated to this vital strategic industry.

Question put and agreed to.

11.27 am

Sitting suspended.

Leaving the EU: Customs Arrangements

[MR GARY STREETER *in the Chair*]

2.30 pm

Stephen Hammond (Wimbledon) (Con): I beg to move,

That this House has considered customs arrangements after the UK leaves the EU.

It is a pleasure to see you in the Chair this afternoon, Mr Streeter. I am particularly grateful to have been selected to lead this debate. I led a debate on the European Free Trade Association and the European economic area in February, which I believe has brought that argument and some of the arguments around it to the fore. I see this debate as very much part of an evolving evaluation of the necessary arrangements that our country will need to put in place to secure free trade with the European Union and the rest of the world post March 2019.

This debate on customs arrangements follows and builds on what I was saying in February, because in my view, EEA-EFTA takes us some way towards achieving the aim of frictionless trade with the European Union post-Brexit, but without the satisfactory customs arrangements there will still be barriers to prevent our achieving that. That has been demonstrated to anyone who has spoken to the Norwegians and the Swedes, the Americans and the Canadians, and the Swiss. Anyone who suggests that those borders operate frictionlessly at the moment would be under a misapprehension.

I recognise, as I said to one or two colleagues as I wandered in, that today's debate takes place in a vacuum. On Friday, the Government announced their ambition, which I welcome, for an EU-UK free trade area for goods, with a common rulebook and a labour mobility framework. The vacuum on the other side is that we are yet to see the much-awaited White Paper. I hope the Minister will confirm, despite all the rumours that have been swilling around this morning, that the White Paper will be published on Thursday.

I want to concentrate on those customs arrangements. Much of the debate about our post-Brexit customs arrangements has been about style over substance. Whether it is "the" or "a" customs union, max fac, new customs partnership or a facilitated customs arrangement, frankly, I do not care what it is called. As far as I am concerned, it can be called anything you like. The test must be whether the customs arrangements that we put in place protect jobs and businesses, avoid a hard border in Ireland, allow for frictionless trade and reflect the realities of the ports of our country. That is why I have always supported the Prime Minister's customs plan as stated in the Lancaster House speech, in which, I remind colleagues, she said:

"Whether that means we must reach a completely new customs agreement, become an associate member of the Customs Union in some way, or remain a signatory to some elements of it, I hold no preconceived position. I have an open mind on how we do it. It is not the means that matter, but the ends."

That is clearly true. It is not the means that matter, but the end.

The risks facing businesses, if we do not get this right, are clear. First, and overwhelmingly, in terms of customs, there is "rules of origin" risk and the requirements that

places on trade. Those are most significant for exporters, if we do not come up with a satisfactory solution. The rules of origin requirements prove the country of origin for a product and they are essential for qualifying for lower tariffs. They are established to ensure that a finished good, and anything going into it from the supply chain, comes from the area that it is stated to have come from. Only then will it qualify to move across the border, and qualify for the tariff regime that is established for it. They are also needed to ensure that tariffs are not avoided by shipping goods through a country with a lower tariff, which could undermine the tariff regime.

When it comes to exporting food, proving origin can be quite simple: it is either grown in a country or it is not; but when it comes to the export of cars, for example, it is extraordinarily complex. The composition of each nut and bolt needs to be assessed, to ensure that enough of the car's origin allows it to qualify for the lower tariffs. That affects not only the car industry, but pretty much any industry with a complex supply chain.

Hywel Williams (Arfon) (PC): That is even more the case with aircraft wings. The Airbus plants in north-east Wales have a central part in the Welsh economy. Components cross EU internal borders several times before finally being assembled. The danger is extreme to our local economy, as well as our participation in the wider project.

Stephen Hammond: The hon. Gentleman is completely right and he guesses my next point. I was about to say that rules of origin should not be underestimated or lightly dismissed with the usual line that these issues were not a problem before we joined the EU, or by the extraordinary assertion—heard last week—that manufacturers would somehow be able to get cheaper components from somewhere else in the world. To return to my fabled car, in the 1970s, before we joined the European Union—or the European Economic Community, as it was then—a car made in the west midlands had its supply chain solely from that area. Now, as the hon. Gentleman is rightly pointing out about aircraft wings—it is true for cars, too—that supply chain has sources all over Europe and will usually see multiple cross-border movements before it is completed.

The suggestion that cheaper components could be sourced from anywhere else in the world betrays a fundamental lack of knowledge of the integrated nature of manufacturing in the 21st-century world. The response to someone making those assertions can only be, “Get real!” Moreover, the significance of this burden is shown by the previous Government's balance of competence review into the EU, which highlighted that the costs associated with rules of origin ranged from 4% to 15% of the value of trade. That is why the chief executive of the Chemical Industries Association told the House of Lords Committee that rules of origin add a “substantial level of bureaucracy” as

“the cost of providing the technical proof that a chemical or any other manufactured product originates from the EU or the UK, bearing in mind that”—

particularly for chemicals—

“there could be several stages of synthesis involved”,
would

“clearly outweigh the benefit of duty-free”

or tariff-free sales.

Currently, exporters need to fill out one form, at most, for VAT purposes. If we do not come to a satisfactory arrangement, exporters would need to fill out more paperwork. Furthermore, the UK could use access to the EU databases and the e-customs systems, which make this processing even easier.

Antoinette Sandbach (Eddisbury) (Con): It is clear from the motor manufacturers' association that Honda, for example, has 3.5 million parts per day coming in for its just-in-time manufacturing. One of the complications of these highly integrated supply chains is that we cannot roll over our existing free trade agreements, precisely because of the limits on rules of origin and the ways that those would apply. We cannot manufacture a car now to have the amount of British components that would allow us to roll those free trade agreements over.

Stephen Hammond: My hon. Friend is absolutely right about the example that she gives—the car industry. Her Majesty's Revenue and Customs has given us clear evidence on this, as well, in terms of the extra bureaucracy. It estimates that 180,000 exporters will now need to make a customs declaration for the first time, having not needed to do so previously. That is in addition to the 141,000 exporters that currently make a declaration for trade outside the EU. That extra bureaucracy is roughly in the small amount of £4 billion a year. Anyone who thinks that is a price worth paying, with the cost being put on industry, should think again.

Some have said that this is a price worth paying to pursue free trade agreements with new markets—markets that will bring us huge new rewards—but the supply chains that will be impacted by these new barriers cannot simply be removed from the EU market and integrated into a new market. They have taken decades to build up and are facilitated by free trade in the EU. By most conventional expectations, it would take further decades for EU exporters to embed themselves in new markets and new supply chains.

The extra requirements would also require physical infrastructure at borders to deal with customs processes. Currently, few checks are required on EU goods at ports, so ports have customs infrastructure in place to deal with non-EU imports only. Given that less than 1% of the lorries arriving through the port of Dover or the channel tunnel require customs checks, there is very little infrastructure, and there is no reason for there to be more.

That is also true on the other side. When representatives from the port of Calais came to speak to the Treasury Committee, they made the point that they have so far made no investment in infrastructure. Whether they will be able to deal with the new customs arrangements by the end of the implementation period without more infrastructure being put in place, or indeed without substantial delays at the port, is not only open to question, but evidence to the Select Committee proved it to be so.

The port of Dover estimates that even a two-minute delay in customs processing would lead to a 17-mile queue from Dover. Even short delays would have an impact on the just-in-time production lines that my hon. Friend the Member for Eddisbury (Antoinette Sandbach) mentioned, with costs compounding each time a component

[Stephen Hammond]

crosses from the EU to the UK or vice versa. As I said earlier, in the car process, that usually happens between three and four times.

Hywel Williams: A great deal of attention has been paid to Dover and Calais and the east-west, north-south routes, but much less has been paid to the Dublin-Holyhead route, although Holyhead is the second-busiest roll-on roll-off port in the United Kingdom. In the Exiting the European Union Committee, when I asked the now former Secretary of State for Exiting the European Union, the right hon. Member for Haltemprice and Howden (Mr Davis), what consideration had been given to Holyhead, he said that none had been given. That was some time ago. I asked the Secretary of State for Wales when he had last visited Holyhead, and he said it was in April 2017. Does the hon. Gentleman share my despair that that route has not received the attention that it requires?

Stephen Hammond: Again the hon. Gentleman guesses what I was about to say next. I was using the ports of Dover and Calais as examples of ports across the United Kingdom. Of course, it would also require restrictions and a border infrastructure to be in place between the two ports he mentions.

Over the last few years, some people have called that project fear, but the reality is that we are facing risks to our economy and to people's jobs. In the last two weeks, businesses such as Airbus and Jaguar Land Rover have been increasingly vocal about these events and the risks. A recent Institute of Directors poll found that business leaders want a post-Brexit customs arrangement that avoids the new customs processes and maximises EU market access by minimising regulatory divergence. Warnings from big employers and investors in the UK should not be ignored, and certainly not by a Government who are committed to protecting jobs and enhancing employment opportunities.

Heidi Allen (South Cambridgeshire) (Con): On that point, it is important for everyone to recognise that although big businesses can be noisy and have press contacts, the way that business filters through like a food chain means that they provide work for medium-sized businesses, who provide work for small businesses. As a country, we would be completely foolish to risk fundamentally changing the way we deal with our existing EU customers without having a clue about what the new customers in the rest of the world might want. We have to find a way to preserve frictionless trade with our existing customers if we want to protect our economy.

Stephen Hammond: My hon. Friend is right. The supply chain provides jobs in all sorts of areas across the country. It is not just the big employers, but the thousands of people who are employed in their supply chain. For a small firm, the bureaucracy of restrictions such as rules of origin requirements and certificates, will be so extreme that some of them are likely to go out of business. We need to realise that.

We need a solution to those problems that protects jobs and businesses, that reflects the realities at ports, that avoids a border in Ireland and that can be fully enforced by the end of the implementation period. It is

no good just relying on the technology being there, because at the moment it does not exist or it has never been tested on anything like that scale.

I am not sure that I am in universal agreement with all hon. Members, but I welcome the Chequers plan as a sensible proposal. As with everything, it will be in the detail, and as I said earlier, we are in a slight vacuum at the moment because the White Paper's timely publication will be important, but it is not yet with us. One ambiguous area is the suggestion that maintaining frictionless trade with the EU will limit our ability to pursue new free trade deals. I will leave it to the Minister to explain exactly how those proposals will ensure that we can keep the option of free trade open.

The Government's proposal is a welcome step towards at least recognising the economic reality that will hit us. I do not want to say that the debate has secured all the answers yet, because we will have the White Paper, but I will say that the Brexit debate has not yet faced up to some of the inevitable trade-offs between different rules around the world. If barriers are removed somewhere, they will almost certainly be put up somewhere else. That is the consequence.

Mr Gregory Campbell (East Londonderry) (DUP): The hon. Gentleman talks about inevitable trade-offs across the world. Up to now, we have talked about the UK's fluidity in terms of trading with the EU and beyond, but does he agree that we must not lose sight of the massive political and trading changes that might take place in remaining EU countries such as Hungary, Poland, Germany and Austria after we have left?

Stephen Hammond: The hon. Gentleman may well be right. We cannot know what will happen. We can see tensions already and they may result in different outcomes. We have some certainty about various procedures with those nations because they are members of the EU, but we cannot have the same certainty with other countries that present that fated opportunity.

Whether we like it or not, our economy is extraordinarily and almost inextricably interlinked with the EU's, with manufacturers benefiting from the complex supply chains. If we were to put up barriers between the UK and the EU by leaving the single market, or by having no comprehensive customs arrangement, we would have to be sure that any new trade deal could make up for putting those barriers in place.

Kirsty Blackman (Aberdeen North) (SNP): Will the hon. Gentleman give way?

Paul Girvan (South Antrim) (DUP): Will the hon. Gentleman give way?

Stephen Hammond: A panoply of choice! I will give way to the hon. Lady and then the hon. Gentleman.

Kirsty Blackman: To return to the hon. Gentleman's welcome of the Chequers plan, could he give more detail about that and how he thinks it will actually work? I have concerns that it may not be workable at all.

Stephen Hammond: As I have said several times, we do not know the detail, but we should welcome three things: first, that there is a plan, because we are a long way into the process; secondly, that it attempts to put in place a UK-EU free trade area; and thirdly, that there is

a common rulebook. As I explained earlier, we cannot just solve the customs part; we need to solve the standards issue as well, because if we do not, we will not be able to trade the products that we want to trade even if we have the best customs arrangements.

None of us has yet seen any of the detail. Some of us will cautiously welcome the plan as a starting point for establishing a free trade area, and some of us will be a bit more positive. We have not yet seen the reaction from others, but I hope they realise that it is an opening offer from the Government that needs to be looked at sensibly.

Paul Girvan: This is a two-way traffic issue and there needs to be flexibility from Europe as well. The UK Government have made some movement in relation to what happened at Chequers and in showing willingness to accommodate, but that needs to be reciprocated by Europe. They can allow us to have that access to the open market in Europe.

Stephen Hammond: The hon. Gentleman is right, but I say to him, and I am sure that he will accept it, that until we actually put a proposition down to negotiate with, there was nothing to negotiate with. Until the Chequers proposal, it might well have been said by a number of our soon-to-be former EU partners that there actually was not a deal to negotiate on. There were the Prime Minister's principles: no hard border in Ireland, frictionless trade and the ability to do free trade deals. Those are principles and there is nothing wrong with those principles, but they were not an executable plan. Until they were an executable plan, there was nothing to negotiate on.

Mr Dominic Grieve (Beaconsfield) (Con): Is it not also the case that if we are going to approach this negotiation, we have to look at it—as in any good negotiation—from the other side's point of view? For the other side, the issue is that they are part of an international treaty that is underpinned by a rulebook. If we are going to ask them to adjust their rulebook to accommodate us, we will have to show that we can do that in a way that is likely to promote certainty for the future, and furthermore does not undermine their own cohesion.

Stephen Hammond: My right hon. and learned Friend is correct. I think that he has made the point several times in this place and in others that there has been a misunderstanding and a failure to comprehend exactly what the EU Commission is. It is a legal body that takes its instructions from others, and therefore its ability to deviate too much in those negotiations until its instructions are changed means that we have failed to understand how we should have been negotiating initially. Now that the plan is there, I am hopeful that we will see more progress.

Chuka Umunna (Streatham) (Lab): I am very grateful to my fellow south Londoner for giving way. I know this is a debate about customs, but my biggest issue with the Prime Minister's proposals is that they do not cover most of the economy, which is services. On customs, however, I have a couple of questions.

First, does he know of any example of where the EU has allowed a third country to collect customs duties on its behalf? The hon. Gentleman has talked about the

importance of the rules. Secondly, although I appreciate his comments welcoming the proposals, they are also based on “to be invented” technology to resolve the Irish border issue. Unless that technology is invented and can work, I do not see how it will be able to resolve that conundrum.

Stephen Hammond: I will deal with my fellow south Londoner's latter point first. I agree with him on technology. There needs to be a system in place. We may move to a technological solution, but, as I said a few moments ago, it is clearly not there at the moment, or it has not been tested on this sort of scale yet.

Secondly, I do not know of any such example, and that will obviously be challenging to the rulebook, but that does not mean that we should not put the proposition forward and therefore I respect what the Government are trying to do in that regard.

As for services, which the hon. Gentleman was clearly talking about and is 80% of the UK's exports and economy, my hope is—I am not sure whether the Minister will be able to say so today, but it is my hope—that the White Paper may give some hints about how the Government will put in place their enhanced equivalence regime, and the proposals for that, which the Chancellor mentioned in a speech at a different Mansion House event just recently. So I hope that we will hear some news on that in the near future.

Let me go back to the idea of free trade arrangements and free trade agreements. The Treasury Committee had the privilege of going to Washington in April and we met a number of American free trade or trade arrangement negotiators. Everybody I spoke to was excited about doing a deal with the United Kingdom, which is good news. Why were they so excited? Because they told us, frankly and openly, that they can dictate the terms they want, they will get whatever they want and any agreement will give their producers unfettered access to our markets.

We have to be careful, because no one is asking the right question. Of course people want to do deals with us; why would they not want to? The question is this: on what terms of trade will those deals be done? If someone can tell me the answer to that question, I will happily sit down and conclude my remarks now.

Mr Gregory Campbell (East Londonderry) (DUP): Will the hon. Gentleman give way? [*Laughter.*]

Stephen Hammond: I look forward to the hon. Gentleman's expert intervention.

Mr Gregory Campbell: Presumably on terms that are mutually advantageous to both sides.

Stephen Hammond: Were that so, I would sit down now, but there is no indication from any of the negotiators to whom I have spoken that that is the case. I will not go into the lurid details of how exactly they have described the prospective arrangement, because this debate has far too genteel an audience. However, I say to the hon. Gentleman that there will clearly be areas of mutual advantage, but it is very clear that those terms of trade in the short term—they may change in the future—are likely to be less advantageous.

David Simpson (Upper Bann) (DUP): Will the hon. Gentleman give way?

Stephen Hammond: In one moment. I just want to make this point, because it is pertinent to what the hon. Member for East Londonderry (Mr Campbell) was saying. Free trade with the Commonwealth is a goal—an announced goal—for a number of the Brexiteers, but the key question again is this: on what terms will those deals be done?

The economic modelling done for the Whitehall papers shows that a free trade agreement with America would provide a UK GDP benefit of about 0.2%. That is because the average weighted tariff with America is only 2%. So if we get rid of all the tariffs with America, it would add 0.2% to our economy. If we reach agreements with China, India, Australia and New Zealand, of course they would add benefit to the economy—somewhere between 0.1% and 0.4%. I just ask Members to bear that in mind, given the scale and the benefit of the trade that we do with the European Union.

David Simpson: I thank the hon. Gentleman for giving way. Does he not agree that, in relation to trying to get a deal and to how we conduct the negotiations, the perception out there among the general public is that Europe keeps changing the goalposts and therefore we cannot get to a definitive position?

Stephen Hammond: The hon. Gentleman is clearly a learned man and I take his view that the great Shakespearean themes are perception and reality, and reality becomes perception and the other way round. But that is not true of course, and it is for those of us who are in this place to stand up and base our decisions on evidence, and to speak the truth. So it is absolutely clear to me that, as we need to protect jobs and businesses, and if we are ready to protect them as they are now, we do not need to sacrifice them for potential gains, if those gains look small and potentially unrealisable.

Hywel Williams: The hon. Gentleman is being very generous in giving way. On the point that he has just made, Michel Barnier gave evidence to the Brexit Committee last year and he said that there is a cultural difference here. He said, “Your side seems to think that this process is, ‘You give us a bit of that and we’ll give you bit of this’, whereas on the European Union’s side it is a matter of fitting our mutual desire for the most favourable terms into the rules that have been agreed by the UK Government over many years”, and until that difference in cultural perception changes we are not going to get very far.

Stephen Hammond: I thank the hon. Gentleman for that point; I hear him and I will look carefully at the Select Committee’s report on that point.

In concluding, I will make a few remarks to the Minister. I hope that he will be able to outline how the Government’s proposals will overcome the costly non-tariff barriers that I spent some time outlining and took a number of interventions about earlier. I also hope that he can reassure us about the steps the Government will take to ensure that the new customs arrangements will be fully ready and tested by the end of the implementation period. I would obviously like to be assured that the Government, and in particular the Department for Transport, have a plan to ensure that our ports and ports on the EU side will be ready for any changes.

Governments should always put the creation and protection of jobs and livelihoods first. While we are leaving the EU, we should not sacrifice people’s livelihoods. That is not what people voted for; whatever they voted for, they certainly did not vote for that. Therefore, it is important to listen to the voice of business.

As I have said, I drafted this speech on Friday and it has gone through one or two reiterations since, on the basis of what has happened, and it will probably go through another one when I see things on Thursday. Nevertheless, I welcome Friday’s agreement. Clearly, we should welcome the fact that it aims to remove the need for tariffs, customs checks and controls. It will be called a facilitated customs arrangement. I understand that the White Paper was going to be published on Thursday; perhaps the Minister might care to give us some detail on how a facilitated customs arrangement is intended to work.

I have taken a number of interventions because this is an extraordinarily important subject. It goes to the essence of what we need to put in place before we leave the European Union and why. Many of us would say that these issues should have been sorted a long time ago, but we are making a good start now. I hope that this debate will contribute to people’s understanding of some of the issues that this country’s businesses will face as we leave the European Union.

Several hon. Members rose—

Mr Gary Streeter (in the Chair): We have 30 minutes until the Front-Bench speeches begin and three people are seeking to catch my eye. Even I can do the maths: there are no more than 10 minutes each, including interventions.

3 pm

Helen Goodman (Bishop Auckland) (Lab): It is a pleasure to serve under your chairmanship, Mr Streeter. I congratulate the hon. Member for Wimbledon (Stephen Hammond) on securing the debate. We serve together on the Treasury Committee and he has presented a typically thorough and well-grounded case for our having frictionless trade and preferably for being in a customs union. I will make a few remarks based on the experience of businesses in my constituency and then ask the Minister a couple of questions.

My constituency in County Durham has a lot of manufacturing and some agriculture, and people in both those areas are interested in the customs arrangements. We do not have significant service sector exporting. I have people who work in the Nissan factory in Sunderland and in small engineering firms that supply the factory. I have a GlaxoSmithKline pharmaceutical plant, which employs 1,000 people, and PPG, a supplier of coolants and sealants to Airbus, which employs 200 people. What north-east manufacturers are concerned about is frictionless trade and regulatory alignment. Those are their top two priorities.

The north-east chamber of commerce has done a great deal of work with the Department for Exiting the European Union and I am sorry to say that up until now it has been disappointed with the Department’s response. The chamber sent people to train departmental officials, and as the process of the last two years has gone on those officials have become so demoralised that more of them have left the Department than have used

the knowledge the chamber gave them. A fortnight ago, the chamber's chief executive, James Ramsbottom, said that political chaos was reducing business confidence.

We all hope that the Chequers agreement is a step forward—I think it is—but we would like to see a few more steps taken in the north-east. The Government's assessment has shown that the region would be the part of the country worst hit by a hard Brexit, with a 16% fall in output and unemployment shooting up to a quarter of a million. That would be more people unemployed in our region as a result of a no-deal Brexit than we had in the depths of the recession in the 1980s, when the steel industry and coal mining were being closed left, right and centre.

The hon. Member for Wimbledon pointed out very well the reality. This is what my constituents say to me about the significance of the gravity model: it is expensive to move components around the world. People cannot start importing from Thailand at the same cost as they import from the Netherlands. I urge the Minister to go back to his colleagues with the message that we have to get away from this unicorn Brexit.

As well as wanting frictionless trade, people want no disruption to current systems. I will use examples from each of the firms I mentioned in asking the Minister to explain how a system using one bureaucratic set of rules for imported goods and another exported goods will work. I simply do not understand how that distinction will be made.

Nissan gets components in as part of its integrated supply chain and makes cars. It sells some cars in the UK, some into the European Union and some into third countries in eastern Europe beyond the EU. When it gets the components, how will it know which will go into which cars to be sold in which places? I just cannot grasp that.

We have the same situation with GlaxoSmithKline pharmaceuticals. The company makes drugs with inputs from Ireland—it is a big multinational with plants all over the world—and sells them across the channel in France. How will it know which packets are being used in England and which in France? Or is it the Government's idea to just sort of pro rata the sales? How would that work if, for example, there was a flu epidemic in France and not in England? Prediction would not be possible—the figures would have to be worked out post hoc and then people would have to claim money back. I simply do not understand how that would work.

Let me give the third example, of PPG. The company makes a component that goes into an Airbus product but has no control over what Airbus does with its outputs. It does not know whether Airbus is selling into Britain or France or Germany, so how will that work? Ministers are doing their best but they need to do better, and I very much hope that this afternoon the Minister will enlighten us a little more about how precisely this will work.

3.7 pm

Antoinette Sandbach (Eddisbury) (Con): It is a pleasure to serve under your chairmanship, Mr Streeter. I am grateful to my hon. Friend the Member for Wimbledon (Stephen Hammond) for securing the debate. We applied for the ballot on the same day and he has twice been luckier than I have. He clearly carries the luck with him.

I will focus my remarks on three areas: what the public voted for, the agreement made at Chequers last week, and rules of origin. It is vital that we respect the referendum result. However, I argue that far too much has been read into it. The public gave us a direction of travel, not a road map.

It will be instructive for my constituents if I cite statements made by Vote Leave and its leadership. Not only did they not describe the end state during the campaign, but they refused to do so as a matter of strategy. The brains behind Vote Leave, Dominic Cummings, asked of the campaign: does it

“need an exit plan, or does that simply provide an undefendable target and open an unwinnable debate”?

The Vote Leave application for designated campaign status went even further, stating that the sole purpose of the organisation was to campaign to leave the European Union in the referendum. In other words, no plan for how to approach our customs arrangements was put to the public, only the high-level objective of leaving the EU. The application continued to state that the full range of options for leave deserved to be heard and that they were “legitimate” and “equally valid”. That hardly sounds like a campaign with a solid plan to put before the electorate. None of those statements suggested for a moment that leaving the customs union and the single market would be the clear consequence of voting to leave.

Some of my constituents in Eddisbury voted to leave the EU, the customs union and the single market, but for every email I get pointing that out, there are others that say their vote to leave was not a vote for a hard Brexit. My suspicion is that there is a majority in Parliament and the country for a soft Brexit, but no majority anywhere for the kind of Brexit supported by the European Research Group members of my party. The Government's analysis is an effective admission that some leave campaigners have overstated the economic benefits of free trade to justify taking us out of the customs union. That is why I am pleased that the Government have come to an agreement about their negotiating position. It is a welcome dose of reality and a concrete plan, which has eluded DExEU to date.

I support the outline of the plan and look forward to the publication of the White Paper, which I hope will come this Thursday as promised, because Parliament needs time to examine the document in advance of the Taxation (Cross-Border Trade) Bill and the Trade Bill next week. The outline, however, contains much that I can support. A common rulebook for goods and agriculture and a combined customs territory with the EU will go a long way to resolving both the concerns about the Irish border and more generally about ensuring free and frictionless trade. The major industry sectors in the north-west are car manufacturing, chemicals, pharmaceuticals, aerospace, and energy, particularly nuclear energy.

I have spent five hours a week pretty much every week since we have been sitting in this place listening to evidence to the Business, Energy and Industrial Strategy Committee. Business after business has come and said that they do not want to apply under different rules. They say that very often the rules have been British rules that we have taken to Europe—rules on consumer protection, on airline safety, and on how to safely test pharmaceutical products. We have been setting the standards and exporting them not only to Europe,

[*Antoinette Sandbach*]

but globally. It is clear that the move forward at Chequers has much to support it in terms of the common rulebook. Frictionless trade is not only about customs and tariffs, but about non-tariff barriers, and it seems sensible and pragmatic to say that there are many areas—vast areas—where we do not need to diverge. We have set the standards. Very often we have higher global standards than other nations. We have much to be proud of as a nation in how we have led the way in Europe.

As for getting the detail right, I did not stand to get elected as a Conservative to increase costs on my businesses or to tie them up in further bureaucracy. Far from it. As my hon. Friend the Member for Wimbledon has described, 180,000 firms would need to have additional paperwork and fill out additional customs requirements. If we can reduce that, and if we can get and preserve frictionless trade in our negotiations with Europe, it has much to benefit both the European side and ours.

I am very familiar with the port of Holyhead. We have only one World Trade Organisation-compliant port in this country—Southampton—so all the other ports would need major infrastructure. At the moment, the technology for filling out manifests means that it takes a minimum of four hours from loading goods on to a ferry for them to be processed before they can come off at the other end. Crossings such as Dover do not last four hours, and we can immediately see the problems caused.

I, too, have concerns about services and the fact that many goods are sold with services. An iPad, as my researcher would say, is an expensive paperweight if it does not have the software that comes on it. We need to look at how we can include services, because they are so important for our economy. The loss of access to European markets would be devastating for the many people in Eddisbury who work in the service sector.

Although regulatory alignment on goods is important, it is not enough on its own and this is where we have to look at the impact on our trade of rules of origin. My hon. Friend the Member for Wimbledon was not aware of my speech and I was not aware of his, but we have both picked on the same point about the threat that rules of origin potentially pose for us. Outside a customs union, the UK's exports to the EU would no longer be exempt from the EU rules of origin. A detailed analysis of supply chains and the cost of obtaining a proof of origin certificate would be required. A complex motor, for example, has many different parts, and every nut, bolt and screw has to have a rule of origin certificate. It is not a simple and easy process to undertake.

It would be a substantial burden to exporters and would act as a significant non-tariff barrier even in a free trade area. The Centre for Economic Policy Research even suggested that the cost of proving the origin of a product could be between 4% and 8% of the value of the goods. That would have a knock-on impact on our ability to roll over trade deals that we currently benefit from as a part of the EU, because the trade agreements treat the EU as a whole when considering whether rules of origin apply to goods that are “sufficiently processed in the EU”

so as to qualify for the preferential tariff rates.

Japan identified “cumulative rules of origin” as an issue in its letter to the UK and the EU. That is why I have raised questions about the Government's plans to

retain membership of the regional convention on pan-Euro-Mediterranean preferential rules of origin. I hope the Minister has something to say about that. I look forward to further detail in the White Paper, but I welcome the steps forward made at Chequers.

3.17 pm

Jim Shannon (Strangford) (DUP): It is always a pleasure to speak in debates, Mr Streeter, no matter what the issue may be, but, as a Brexiteer, I will give an opinion that might not go down well with others in this Hall. However, it is my opinion and that of many in my party. We are where we are and we have to try to find a way forward. I am very much one of those guys who tries to find a way forward. Coming from Northern Ireland and from a political background, and understanding the political process of where we have got to, I feel that if there is a will to find a way forward, we can find it. I want to express my thoughts in a constructive fashion, and hopefully other Members will appreciate what I try to say.

First, I thank the hon. Member for Wimbledon (Stephen Hammond) for securing this debate and allowing me the opportunity to speak in it. He succinctly and purposefully put forward his viewpoint, as other Members have done. With the increased uncertainty regarding the bill for our leaving Europe, it is more important than ever that we remember what people voted for when they voted to leave in June 2016. I am clear about what I and the constituency of Strangford voted for: we voted to leave by 56% to 44%. I am very clear about that.

I asked the Prime Minister a question yesterday on fishing, which is important for my constituency, and she answered it. I hope Members get a chance to read it. One could not be anything but clear about what the Prime Minister said in relation to fishing. I am reassured by her response to my question. The Minister's Parliamentary Private Secretary, the hon. Member for North Cornwall (Scott Mann), is interested in fishing issues and I know he will have taken note of that. That is something on which he and I would be on the same wavelength; we are probably both encouraged by it.

People did not vote to straddle the EU and the UK, for outside influence in law making to be countenanced, or to retain residual membership of Europe. They voted to leave. I voted to leave, and my constituents voted to leave. That is the principle on which everything we do must be based. I understand that the complexities are incredible. I look on everyone in the Chamber as friends and colleagues, and sometimes we differ in our opinions and the way we look at things, but the right hon. and hon. Members present want, as I do, to find a way to an agreement and understanding with Europe.

Heidi Allen: The hon. Gentleman is right that a 52% to 48% result has to look like a compromise that the whole country and Parliament can somehow find a way to get behind, so does he agree that the Prime Minister's outline proposals from Chequers go some way towards that? They would satisfy him as to what is needed for the fishing industry; but I will never forget the unemployment figures given by the hon. Member for Bishop Auckland (Helen Goodman). Surely the hon. Gentleman must agree that the right proposals will safeguard all the industries in question, and that they must include close alignment to something like the customs union.

Jim Shannon: I have some concerns about the customs union; but the hon. Lady will know that. We need to focus on how to get a workable relationship with the EU, where it understands that it needs us and—I have to say—that we need it. There is a need for us both to find a suitable—perhaps complex—way forward, ensuring that trade can continue. Like the hon. Lady I am concerned about how business will be affected. We cannot ignore the comments made by big business this last while; but many other businesses are quite confident about the future. I would rather there was a clear agreement and understanding. I take my opinion from Northern Ireland and the Republic of Ireland; I am conscious of that perspective, and where we are.

David Linden (Glasgow East) (SNP): I am grateful to my hon. Friend—he is truly a friend. He speaks about the importance of listening to business. Last week the *Financial Times* carried a report suggesting there were fears about food rotting in ports as a result of the Government pursuing a no-deal Brexit. The hon. Member for Strangford and the small group of 10 MPs that he is in have considerable power with the UK Government. Will he use that to impress on the Government the view that we cannot have a no-deal Brexit, as it would be so bad for ports, including those of Northern Ireland?

Jim Shannon: I do not believe there will be food rotting at the ports. I am more of an optimist about the future. Forgive me for saying it, but I always see the glass as half full rather than half empty. I look positively for the way to achieve our goals. I read the same press report as the hon. Gentleman, but we need to focus on where we are.

The Prime Minister has set out her stall clearly. I am a confirmed Brexiteer—it is not a secret, and hon. Members will know it. I feel that we would be better out of the EU, and I want to be out of it. The Prime Minister has made it clear where we are going; but I feel we need an agreement with the EU, to move forward. I hope that the Prime Minister can achieve that and I support her in trying to do it; but I am a single voice in the Democratic Unionist party. There are 10 of us, with a collective voice, and the 10 of us together will support the policy we agree on. I suppose that at this moment we may not be altogether sure what the Prime Minister's policy is; but I hang on to the assurance that she gave me yesterday about fishing. I want to hang on to her other assurances as well.

I understand that the divorce settlement is onerous and acrimonious, but there is a way forward and we must find it. How are we, in the Republic of Ireland and in Northern Ireland, to achieve it? Last year I spoke at Irishfest in Wisconsin. It was a very good event. The Culture Minister of the Republic of Ireland spoke about Brexit from the Republic's perspective, and I spoke about it from the Northern Ireland perspective. When the debate was over there was not that much difference between what we were trying to achieve. It meant we both had a mind to find a way forward. I want the border as it is. Administratively there must be a way we can get that.

We must also be ever conscious and mindful of the security and safety of the United Kingdom of Great Britain and Northern Ireland. As is true anywhere, the Government have a responsibility for the safety of every citizen. How are they to go about that? It will be

done in the same way as the Garda Síochána, the Police Service of Northern Ireland—and before that the Royal Ulster Constabulary—MI5, MI6, and all the other bodies involved have done that work over the years. That is quite easy. Vehicle number registration is something that perhaps we have not done much with. The agri-food sector is very important for my constituency and it can be considered as an example, administratively; milk products cross the border three times and that happens easily because we are in the EU. However, we will be out of the EU on 31 March, so we must look towards that time.

Hywel Williams: The Exiting the European Union Committee visited south Armagh at the end of last year and of course the border we saw then is the one that the hon. Gentleman wants. Everyone we spoke to in the north and the south wants it—that is, virtually no border. Does the hon. Gentleman agree that it is also desirable to have a similar border between Dublin and Holyhead?

Jim Shannon: I am sure that the Government will respond in relation to the arrangements that are already in place. I do not have the knowledge of Holyhead and what is going on there to comment; but I am fully aware of what happens in south Armagh and in the Republic of Ireland and Northern Ireland, and I think I speak with some authority about that.

I want to be careful about the time, Mr Streeter; am I allowed some leniency as to extra time?

Mr Gary Streeter (in the Chair): There is a minute to go.

Jim Shannon: My goodness! Then I will go on to mention that the Prime Minister said at Prime Minister's Questions that we are working towards a

“Brexit that ensures that we are out of the customs union, we are out of the single market, we are out of the jurisdiction of the European Court of Justice, we are out of the common agricultural policy, we are out of the common fisheries policy, we bring an end to free movement, we take control of our borders, and we have an independent trade policy, but we are also able to have a good trade arrangement with the European Union, protecting jobs and prosperity for the future.”—[*Official Report*, 4 July 2018; Vol. 644, c. 315.]

That is what I wanted to hear, and I will support her to achieve that.

My party's leader, Arlene Foster, has said:

“People voted to take back control of their laws, borders and money, not to make Northern Ireland's constitutional framework resemble the backside of a tapestry.

To create some kind of hybrid status for Northern Ireland where we would be subject to laws and regulations set by others over which we would have no say, whilst setting us apart from our biggest market in the rest of the UK, is sheer madness. It would be the road to economic ruin and the beginning of the constitutional break-up of the United Kingdom.”

People cite the Belfast agreement as a reason to retain a special status in the Union. They say that the terminology that asks for the encouragement of cross-border trade means that we must continue the status quo. That is not the case. The only say that the Belfast agreement has in the matter is the fact that any calls for unification with Ireland must be done through a border call. That has not been done. A back-door unification through a segregated UK is not acceptable. Let us make it clear what we are saying. I look to the Minister in this matter.

[Jim Shannon]

This customs arrangement must ensure that the integrity of the UK is retained, and that is not simply for the benefit of Northern Ireland—it is for all of us, the United Kingdom of Great Britain and Northern Ireland. As I often say to my Scottish National party friends, we are better together.

3.29 pm

Kirsty Blackman (Aberdeen North) (SNP): On that note, Mr Streeter, I thank you for chairing the debate and congratulate the hon. Member for Wimbledon (Stephen Hammond) on securing it. I also want to mention the fact that there are quite a lot of people in the Public Gallery, which is unusual. It is good for people to see that debate in this place can be respectful and that it can be conducted without shouting as we perhaps do at Prime Minister's questions. It might be fairly dry, but the issues we are debating are important to businesses in our constituencies. I will save most of the particularly lengthy speech that I could make for the debate on the Taxation (Cross-border Trade) Bill next week. I am sure that the two Front Benches have heard most of it already anyway. As repetition is encouraged in this place they will be delighted to hear it again next week.

You will not be surprised to hear, Mr Streeter, that the SNP's position is that we should stay in the EU. Scotland voted to stay in the EU, and I believe that is in the best interests of people in Scotland. That is not just because people voted to remain, but because I passionately believe that being a member of the EU has helped us culturally, and also had a huge economic benefit. If we cannot stay in the EU, I think we should stay in the single market and customs union. A number of issues about staying in the customs union have been rehashed and discussed in this debate and I will mention a few of them, but first I wish to comment briefly on the Chequers plan.

The Chequers plan should have been published before article 50 was triggered, and we should have had this level of certainty about the UK Government's future plans at that stage. Businesses are worried about what will happen—in a recent poll, mainly small businesses said that they are using only in-house expertise to plan for what will happen post-Brexit. They are not bringing in any specialist knowledge, which is a problem. At this point, however, they cannot bring in specialist knowledge to help them plan, because we do not know what will happen. Even the plan from the UK Government—the Chequers agreement, as I am sure it will be known—provides no certainty because we do not yet have an agreement with the EU, which is fundamental. This is a negotiation, and we need certainty for businesses so that they can work out what customs arrangements will look like.

The hon. Member for Wimbledon spoke at length about some of the bureaucracy involved, and that is a key issue in leaving the customs union. He gave the statistic of £4 billion a year in extra bureaucracy, which is a phenomenal amount of money. If a two-minute delay at Dover becomes a 17-mile queue, that would be totally unmanageable, but there are not yet any plans. The UK Government issued a written statement about the possibility of creating extra lorry parks, but that will not cut it. We will need significant infrastructure investment for any delay to be manageable, which is a real issue.

I will come on to rules of origin checks, but phytosanitary and animal health checks will also be required at the border, which is a particular issue for the agricultural industry. As everybody knows, Scottish food is the best in the world, and being able to export it to the EU is incredibly important to us. Someone who is exporting langoustine to the EU does not want it to sit in a lorry for even an extra hour, because it will not be in a very edible state once it gets there. There is therefore a real concern about the possible impact on the quality of our exported food if there is any sort of delay.

Non-tariff barriers and rules of origin are important. The hon. Member for Eddisbury (Antoinette Sandbach) raised a point about rules of origin that I have mentioned previously, and in particular the rolling over of the EU's current free trade agreements with third countries. It is incredibly important to ensure that those free trade agreements include cumulation, so that when cars are sold that do not meet the 65% content rule—for example, if they are being exported to South Korea—cumulation of EU content with UK content can be included to allow that free trade agreement to continue. If those free trade agreements are not rolled over with an element of cumulation, on the day that the UK leaves the EU we will no longer be able to export cars to South Korea. That will be an issue for other countries as well, but the car industry has that 65% figure, which is important.

Although the UK has a system of authorised economic operators, its system does not have the same flexibility to allow someone to become an AEO that exists in some other countries. The UK Government have said that being an authorised economic operator will help with exporting, which it will. However, that AEO system needs to be more flexible and ensure that people can more easily fulfil the requirements to become an AEO. If there are any additional customs barriers to those that currently exist, many more people will need to apply to become an AEO and have less friction in their trade.

There is not yet clarity on how rules of origin will look, or on filling in the form, and I am slightly concerned that that was omitted from the Customs Bill. At the moment, the British Chambers of Commerce has things such as certified rules of origin, but the Bill does not state what our rules of origin form will look like, or whether the UK Government will create a form that business can fill in to replicate the EUR 1 form. Obviously, we cannot continue to use the EUR 1 form because we will be outside the EU, but the Government need to copy and paste it in, and it would be good if they could give certainty to businesses about what that form is likely to look like, so that they know with what they will be expected to comply.

We are told that the benefit of leaving the customs union is that we will be able to strike free trade agreements, but earlier the point was made pretty comprehensively about how low those free trade agreements will be. Earlier this year *The Sun* published an article called "Vote for bargains", which it later corrected. It was put out by members of the European Research Group, and it stated that there would be a £1 reduction in the price of butter as a result of us leaving the EU and being able to reduce our tariffs. In reality, only 0.23% of the butter that we import comes from outside the EU, and that comes from New Zealand. It does involve a tariff, but it is only 0.23% of the butter that we import. Crashing out

without a trade deal and having tariffs on EU butter would be a real problem for the UK. My best guess is that rather than £1, we are looking at a saving of a couple of pence, but that would be only for companies that export butter from New Zealand because it is not sold in any retail way that I could find.

The article also stated that there would be a £44 saving on a TV from South Korea. Given that the EU has a trade deal with South Korea that includes zero tariffs on such goods, it is important for us to challenge such assertions when they are made. Misinformation is being spread about the cost of tariffs, but in reality that cost is minimal compared with the huge cost of non-tariff barriers. As the hon. Member for Bishop Auckland (Helen Goodman) said, if the gravity model comes into play, we do far more trade with the EU than with anybody else. If a country has a free trade agreement with another country, it will have some regulatory alignment with that other country; it will not be free to make all its own rules because it will have to sign up to some of that country's regulations—we have already discussed chlorinated chicken, for example. It is not the case that the UK will be a sovereign nation that is able to make all its own rules; that is not how free trade agreements work—they involve give and take.

I think the customs union is vital. The Chequers agreement does not solve many of the issues that we have been discussing, or give certainty to businesses. It is also likely to be unacceptable to the EU and it does not solve the problem of Northern Ireland because of issues with technology. Next week, during discussion on the Taxation (Cross-border Trade) Bill, we will have the opportunity to vote on an amendment tabled by the right hon. Member for Broxtowe (Anna Soubry), which states that the UK's negotiating position should be that we stay in the customs union. It is vital that Members support that amendment, and I think we have a majority in the House of Commons for that. If that is not the will of the people, I do not know what is.

3.38 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It is a pleasure to see you in the Chair, Mr Streeter, and I congratulate the hon. Member for Wimbledon (Stephen Hammond) on securing this debate. I do not wish to do him any harm, but I can say honestly that I am always prepared to listen to him, and I found his speech lucid, informed and persuasive.

You will understand what I mean, Mr Streeter, when I say that when I was sitting in the Library yesterday, this was not an easy debate to prepare for. Major issues within the Cabinet were being resolved in public, and it was not clear whether today would begin with the Prime Minister being in a position to say that she can go forward and deliver the Brexit deal that protects jobs and the economy that we all want. I do not say that with any pleasure or partisanship, because as I listened to the hon. Gentleman, I could not help thinking that at this stage we should not even be having this debate. We should know the answers to many of the questions he raised, or at least we should know the UK's preferred answer to those questions.

We cannot deny that, since the referendum result, there has been a lot of delay and dithering, and the lack of clarity that that has caused has put jobs and living standards at risk. That delay and lack of clarity is

operating within an economy that still faces many significant challenges, such as the collapse in growth, huge problems with productivity, and the fact that many of our constituents live very difficult lives—those on both Front Benches agree about those challenges, even if we propose different solutions.

It seems reasonable to say that the Government by now should have come up with a credible and comprehensive customs plan for post-Brexit. Recent events at Chequers indicate that the Government are moving away from the type of Brexit advocated by many Tory Brexiteers and towards what we might call a soft Brexit—I would simply call it an economically realistic Brexit—but the Government's proposals at Chequers stop short of the comprehensive customs solution we feel is needed. Meanwhile workers, businesses and everyone who voted in the referendum, no matter how they chose to vote, are reasonably seeking reassurance and security over what Brexit is likely to mean for their future and that of the country.

As the Opposition, our message has been clear and consistent: we respect the result of the referendum, but we still want to work with European partners in the economic interests of the country. Our priority is simply to get the best deal for jobs, living standards and the economy, and we are pragmatic about how that should be done. We will reject any race to the bottom in workers' rights, environmental safeguards, consumer protections or food safety standards. We want people in this country to continue to enjoy the same protections as our cousins on the continent. That is why Labour proposes to negotiate a new comprehensive UK-EU customs union to ensure frictionless trade between the UK and EU. In particular, we want to ensure that there are no tariffs with Europe and the continuation of advanced supply chains, particularly in manufacturing, which was well described in speeches today. Crucially, we want to help avoid a hard border in Northern Ireland.

Alex Sobel (Leeds North West) (Lab/Co-op): A number of northern businesses have come to me. They are all globally owned, global manufacturing and exporting businesses that use the port of Dover. They have said they are now looking at contingency with other ports because of the proposed customs arrangements. They are concerned that every port will have the arrangements and their businesses will have to move outside the UK. Are the proposals that my hon. Friend is outlining not exactly the sort of proposals that will alleviate the fears of those businesses?

Jonathan Reynolds: My hon. Friend is absolutely right. I say to all Ministers that, for many of us, this matter is not an abstract question. I am a little younger than my hon. Friend the Member for Bishop Auckland (Helen Goodman), but I grew up in the north-east in the 1980s, not far from her constituency. It was clearly a time of substantial turmoil. We had the miners' strike and the shipyards closing. The modern prosperity of those areas has been built around a relationship with the single market, the European Union and inward investment. Many of my schoolfriends work in that Nissan plant, which is the most efficient car factory in the world. There is a plant in Mexico that disputes that, but we are pretty sure we have got it. The Government should not underestimate just how willing many of us are to fight to ensure that the next generation do not

[Jonathan Reynolds]

have to undergo the kind of economic turmoil that many of us grew up within. They should recognise the benefits that have been brought from that relationship.

The Taxation (Cross-border Trade) Bill—many of us here are veterans of its Committee—ostensibly sets out from the Government's point of view how we will create a functioning customs framework for the United Kingdom once we leave the European Union. Many of us have read all of that Bill, and there is nothing in it that guarantees frictionless trade through UK ports from the moment of exit. There are no measures that properly resource Her Majesty's Revenue and Customs for the task ahead. There is nowhere near sufficient detail on the powers and provisions of the Trade Remedies Authority, which will be charged with securing vital British interests.

Frankly, it is just an enabling Bill. The political decisions that will be required to decide whether we use the powers within that Bill have not yet been taken. They may have been taken at Chequers, but we will need to see more detail on that and the political fallout. It is still fair to say that the Government have failed to offer specifics on what the new customs system will look like, how it will work and, crucially, whether it will be ready on time. Huge underlying questions remain about whether the current customs declaration service programme can deal with the sheer workload and pressure coming its way post-Brexit.

Everyone in the House agrees that we must avoid the nightmare scenario of gridlock at UK ports with lorry queues stretching as far as the eye can see, yet the Government continue to refuse to acknowledge that HMRC has had its staffing levels cut substantially—they have been cut by nearly a fifth since 2010. There are still plans to close 137 HMRC offices across the country. HMRC has 2,000 less staff today than it did on the day of the referendum. That has to bring into question our ability to deal with a future customs regime.

In contrast, we recognise the urgent need to hire and train more customs officers and HMRC staff, particularly if the Government are to meet their ambitious target of a fully operational customs system by 2019. In addition, the Public and Commercial Services Union only last week warned that strike action looks increasingly likely after the Treasury announced without consultation that the pay cap would be lifted only through cuts and increased workloads across Departments. That is not an ideal position to be in, based on where we are today.

Post-Brexit, we will need the ability to enforce against the dumping of unfairly priced goods. At the moment, those remedies are provided in conjunction with the EU, but on leaving the UK will have to enact and manage its own trade remedies. The measures are spread across a number of pieces of legislation and are of great interest and importance to UK manufacturers. The manufacturing industry remains an indispensable part of the UK economy. Some of the speakers today, particularly my hon. Friend the Member for Bishop Auckland, articulated just how specific and detailed the questions are that we are receiving from constituents on how the system will work. The complexity of modern manufacturing does not seem to tally with some of the Government's aspirations for how the system will work going forward.

We want the Government to set out a clear path to our mutual objective of creating a functioning institutional framework for the handling of customs once we leave the European Union. Crucially, we must recognise that the final customs regime post-Brexit will be a result of the deal we strike with the EU, not the deal we strike among ourselves in Parliament or between different factions of the Conservative party. We must be ready for that regime, but we feel that the overwhelming evidence favours the UK entering into a continued and renewed customs union with the EU. The Government perhaps moved some way towards that last weekend. Perhaps they will go just that little bit further to get us the post-Brexit customs regime that this country needs.

Mr Gary Streeter (in the Chair): Before I call the Minister to respond, I ask him to leave two minutes for Mr Hammond to have the final word.

3.46 pm

The Financial Secretary to the Treasury (Mel Stride): I will certainly leave two minutes for my hon. Friend the Member for Wimbledon (Stephen Hammond).

It is a pleasure to serve under your chairmanship again, Mr Streeter. It is also a pleasure to follow the hon. Member for Stalybridge and Hyde (Jonathan Reynolds). I believe we might be facing each other next week on another occasion. There seems to be a sense that something is happening on Monday or Tuesday next week. I also congratulate my hon. Friend the Member for Wimbledon on securing the debate.

As many have suggested, it might be worth me injecting as much clarity as I can on the Government's position. While Members made extremely valid and well-put points about the downsides of an arrangement in which we perhaps have no deal and there is a hard border between us and the EU27, I am not so sure that the merits of the proposition that the Cabinet agreed at Chequers have come through.

As we all know, the main problem with a hard border or even with the maximum facilitation arrangements is that we would have a border between ourselves and the EU27. We would have various degrees of friction that we would seek to reduce under the max fac model through various facilitations and the use of technology, but we know there would be costs associated with that kind of arrangement. That is why at the Chequers meeting we wisely moved towards something that works much better in that respect. In terms of the cost of the kinds of frictions we might have with some of the scenarios that have been conjured up this afternoon, the head of HMRC tallied the cost of the additional customs declarations that would have to be entered into as a consequence of a border between ourselves and the EU27 at about £20 billion a year. Those are not insignificant costs to business, which the Government most certainly recognise.

The model we are now looking at is a facilitated customs arrangement, where we will act effectively as the agent for the European Union at our borders when it comes to goods coming through the UK into the EU. We will be collecting the European Union's tariff at that point. For goods going directly into the United Kingdom for consumption or end use in our jurisdiction, we would apply the UK tariff at that point.

We would also have a common rulebook, which means that for regulation pertaining to goods and agricultural products, we would not, at least initially, have any regulatory misalignment between ourselves and the EU27. The significance of that is that we will therefore not require border and customs arrangements between ourselves and the EU27, and indeed between Northern Ireland and the Irish Republic.

Kirsty Blackman: On goods that are coming in from a third country, how will the Government work out on which bits of a shipment to charge the UK tariff, and on which bits to charge the EU tariff?

Mel Stride: I point the hon. Lady to her question about the White Paper. There will be more detail to come on just those kinds of questions, and of course much of this will remain to be negotiated. Our estimate is that the vast majority—well in excess of 90%—of goods coming in could be charged directly at the border as an EU good, or would be non-tariff anyway under both EU and UK arrangements, or face the UK tariff accordingly. A very small proportion might fall into the category to which she refers.

Helen Goodman: That was the crux of my questions. Listening to the Minister, I realise I perhaps did not formulate it quite as accurately as I should have. The question is not how much comes for one purpose and how much comes for another purpose. The question is how the person importing knows what the purpose will be, and where the final user will be. That is the tricky question. I can see the Minister frowning, so he knows it is tricky as well.

Mel Stride: When goods come in and the end-use cannot be determined, we foresee a situation where we might have to charge the higher tariff, with a rebate mechanism in place once the end-user can demonstrate that those goods have indeed been consumed, or found their end-use, in the United Kingdom. As I say, some of those matters will be addressed in the White Paper that will be with us this week.

Hon. Members have rightly mentioned supply chains and the importance of goods and components going in and out of the EU27. The points raised by the hon. Lady in the context of Nissan will be accommodated substantially by the model we are putting forward. My hon. Friend the Member for Wimbledon mentioned VAT systems. We have made it clear that we are looking in the negotiations to ensure that we have the best of the arrangements that are there at the moment, in terms of systems and making our VAT interactions as smooth as possible, albeit we will look to control rates of VAT. In the recent Budget the Chancellor commented on the abolition of acquisition VAT and the move towards import VAT. We recognise that there are certain cash-flow impositions on the part of business that we will want to take into account.

A number of hon. Members rightly mentioned ports, and I think a couple specifically suggested that a two-minute delay could lead to a 17-mile tailback at Dover. We are, of course, extremely cognisant of that risk, but once again, it applies if we need border and customs arrangements in place at the port of Dover, Holyhead and the other ports that have been mentioned. Under this model, that would clearly not be the case.

My hon. Friend the Member for Wimbledon also made a point about free trade deals and how the approach of the facilitated customs arrangement would facilitate them. Most importantly, as distinct from being in “the” customs union, or in a customs union with the customs union, we would not operate a common external tariff, so we would be free to set our own tariffs. The fact that we have a common rulebook between ourselves for goods and agricultural products means that the issue of regulatory barriers, which might otherwise be in place for us in doing FTAs and bringing goods into the UK that might then go on to the European Union, would also be substantially resolved.

Stephen Hammond: The Minister is obviously right in what he has just said about tariffs. Does he also accept that the rulebook and some of the standards in it are likely to restrict our ability to have free trade with certain countries if they do not meet those standards?

Mel Stride: My hon. Friend is right inasmuch as that is potentially the case if there are any inconsistencies—we might otherwise have varied our rules accordingly to accommodate an FTA. However, the Government have made it clear that although we will have total alignment at the start, we will not seek an arrangement where we will be unable to deviate from that in the future, albeit we recognise that there will be consequences for doing so.

A number of hon. Members raised the issue of preparedness, and I assure them that we will be in a good position and ready on day one if we have a no-deal situation. The Chancellor allocated £3 billion for Brexit preparations in the last Budget. Her Majesty’s Revenue and Customs received £46 million last year and around £250 million in this financial year. We have already recruited, or have in train the recruitment of, around 1,000 new staff going into HMRC with a focus on borders. We have said that we will move that figure up to between 3,000 and 5,000. Some Members mentioned the customs declaration system. The National Audit Office has suggested that we are broadly speaking where we need to be to ensure that that system comes online and live before March next year.

The hon. Member for Streatham (Chuka Umunna) asked why the EU would allow us to collect EU tariffs when there are no such arrangements with any other trading partner. We are in a unique situation. We are a very large trading partner with the European Union. We have complete alignment at the moment in regulations with that market, so we start from a position that is not occupied by others.

I think I have gone through most of the points raised by the hon. Member for Bishop Auckland (Helen Goodman). I am grateful that she said that initially she broadly welcomed the proposals, and we should all do.

My hon. Friend the Member for Eddisbury (Antoinette Sandbach) made the very important point that we are seeking an arrangement that can command the broad support of the British people—an arrangement that ensures that the UK and the EU have frictionless access to each other’s markets for goods; that provides regulatory flexibility in the way that I have described; that enables commitments to Northern Ireland to be met and the Good Friday agreement to be honoured; that sees us leave the common agricultural policy and the common fisheries policy; that allows us to deliver an independent

[Mel Stride]

trading policy; that ensures that, in future, all laws in the UK will be legislated for by our Parliament; that restores the supremacy of UK courts; and that ends the free movement of people and vast payments to the EU. The broad majority of people in our country will welcome that achievement.

I hope that, particularly in the debate on Monday, Parliament as a whole comes together. This is a moment in our history where there are undoubtedly significant opportunities, but also a number of challenges. I hope we see the debate through that prism, rather than through anything that is rather more narrow and party-political. On that note, Mr Streeter, I gladly give the Floor to my hon. Friend the Member for Wimbledon.

Mr Gary Streeter (in the Chair): Thank you very much. Mr Stephen Hammond will have the final word.

3.58 pm

Stephen Hammond: Mr Streeter, you will be pleased to hear that my final words will not be as long as my starting words. Thank you for being in the Chair this afternoon. I think you will agree that, although we did not have as many contributions as we sometimes have in such debates, they were of exceptionally good quality. I thank all hon. Members for contributing.

The Minister said at the beginning that he had hoped that we would set out a little more ambitiously some of the potential opportunities that the Chequers plan will afford. Today, he has heard everybody welcome that plan, but some hon. Members set out some of the considerable risks if we do not achieve the ambitions in it. We are grateful to him for setting out in his 10 minutes some of those ambitions in a little more detail, because they overcome some of the issues if they are enacted. He is right to make that entreaty.

I hope that after we have seen the White Paper this week, we can all join the Minister next week in supporting the customs arrangement. However, there are significant issues about rules of origin and the cost of bureaucracy. I know he knows that, and I hope the Government keep it in mind as they move forward.

Question put and agreed to.

Resolved,

That this House has considered customs arrangements after the UK leaves the EU.

Open Access Rail Services

[MR PHILIP HOLLOBONE *in the Chair*]

4 pm

Martin Vickers (Cleethorpes) (Con): I beg to move, That this House has considered open access rail services.

It is a pleasure to serve under your chairmanship, as always, Mr Hollobone. It is noticeable that the audience is fleeing just as the highlight of the day is coming on.

I secured this debate for two reasons: first, because I think the present system of rail franchising needs a certain amount of reform; and, secondly, because I am conscious that an open access operator will shortly put in an application to the regulator to deliver direct rail services to my constituency. I hope the application will be for four trains a day each way serving Scunthorpe, Grimsby and Cleethorpes, because that would be a great boost to the local economy.

Just last week, the Government acknowledged the important part that northern Lincolnshire and the Grimsby-Cleethorpes area have to play in the northern powerhouse, when the Northern Powerhouse Minister and Lord Henley from the Department for Business, Energy and Industrial Strategy visited north-east Lincolnshire to sign the pilot town deal, which promises considerable investment in the area. It also recognises the importance of the Humber estuary and northern Lincolnshire in particular to the national and regional economy.

The reality is that the south bank of the Humber is badly served by rail at the moment. The hourly service to Manchester airport is very welcome. It provides connections to Doncaster and Sheffield, which link to many parts of the country, but businesses and many Members of Parliament would greatly benefit from a direct train service.

I note that the former Rail Minister, my hon. Friend the Member for Blackpool North and Cleveleys (Paul Maynard), has joined us. I think I am right that he once described himself as an apostle of open access. Hopefully, he will continue to argue that case in the higher reaches of Government, to which he has succeeded in climbing. I hope the new Minister—I welcome him to the debate—has similar views. In recent appearances before the Transport Committee, the Secretary of State seems to have been more sympathetic and warmer to the concept of open access.

In my part of the country, Hull Trains has given a considerable boost to the economy of the north bank of the Humber. Grand Central, which I think is about to submit an application, will hopefully do the same for the south bank.

Mike Hill (Hartlepool) (Lab): My constituency also benefits from open access services run by Grand Central, which covers Yorkshire and the north-east to London. It is a vital service, but this year it has been struggling and not performing very well. Does the hon. Gentleman agree that the recent frequent cancellations, the failure of air conditioning units and the overcrowding are worrying signs that require investigation?

Martin Vickers: I acknowledge what the hon. Gentleman says, and I have to say that I have experienced similar problems on some of my own journeys. Hull Trains, in particular, has recently gone through a rather bad spell,

from which it has now hopefully recovered. That does not take anything away from the concept of open access which, as the hon. Gentleman acknowledges, has provided services to towns off the main east coast and west coast lines. That is essential if we are to develop the north-east and Humberside economies.

Stephen Hammond (Wimbledon) (Con): Will my hon. Friend give way?

Martin Vickers: I give way to yet another former Transport Minister.

Stephen Hammond: Does my hon. Friend agree that the concept of open access could drive efficiency back into the railway system, where it is needed? He mentioned the failure of the franchising system. Network Rail's inability to link to the requirements of the operator is one fundamental problem with the rail system. A slot auction system for access could give Network Rail an incentive to align itself with the operators' objectives.

Martin Vickers: I thoroughly agree. My hon. Friend's experience as a former Minister makes that a particularly relevant point.

We are currently experiencing record private investment in UK rail. In 2016-17, that investment totalled £925 million—the highest since records began. The vast majority—£767 million—was spent on rolling stock. Some of that went to Hull Trains.

Given the other demands on the Budget, the idea that more taxpayer investment would go towards the railways was a myth. I know the Opposition's policy is to renationalise the railways, but those of us who remember the nationalised system know that, in fact, it spiralled down because of a lack of investment. The reality is that there are so many calls on Government investment that transport does not get what it deserves. If the Government have a choice between investing in the health service and improving the rail services to Cleethorpes, I rather suspect that the rail services to Cleethorpes would suffer.

Alex Sobel (Leeds North West) (Lab/Co-op): On that point, I am a Labour and Co-operative Member of Parliament, and there are proposals for the co-operation of the railways. An open access operator—Go-Op—is developing a route in the south-west. Diversifying rail ownership is a big priority for the Co-operative party and for me as a Member of Parliament. Does the hon. Gentleman agree that we need diversity of ownership in the system?

Martin Vickers: I am perfectly happy to have diversity of ownership—that is what the free market would most likely deliver. Sadly, the history of British Rail did nothing to encourage my enthusiasm for a nationalised system. Indeed, British Rail ended the direct service to Cleethorpes in 1992.

There has been record investment and record numbers of journeys in recent years. Passenger numbers fell under British Rail but, since privatisation in 1994, the numbers swelled to 1.65 billion in 2015—almost triple the low point of 1982. Although there have been clear failings by Virgin Trains, it is vital to look beyond the headlines. Thanks to the Transport Secretary's efforts, rail efficiency has been improved, ensuring that passengers

and taxpayers get maximum value. On average, 97% of every pound of passengers' fares goes back into the railway, which is very welcome.

Since Virgin took over its franchise in 2015, it has contributed more to the taxpayer than when the service was publicly run. Refurbished trains, additional services and improved ticketed access are just a few of the benefits that passengers have experienced. Of course, Virgin is not blameless in the debacle, but it is not alone. Network Rail, the publicly owned element of the railways, failed to deliver the promised improvements on which Virgin based its final projections.

I have been reassured by the Transport Secretary's commitment to a new approach from 2020, with the first regional public-private partnership on the route. The partnership will have one brand, one management team and one leader, which will ensure that it is transparent and accountable to both Parliament and passengers.

A privatised franchise system on the east coast is preferable to the publicly owned system that preceded it. It has also been improved dramatically by the advent of open access operators, which provide constant competition to drive up standards and outcomes for passengers. The main problem is that the rail industry has been reformed to an unsatisfactory halfway house between nationalisation and privatisation. The solution, contrary to what many in the Opposition would argue, is not to nationalise the whole system—the experience of British Rail shows where that will take us—but to push ahead with privatisation and extend the market by allowing open access on other lines which could benefit so greatly from it. The hard left so often tell us that true communism has not been tried, but in actual fact true competition has not been tried on our rail network.

Open access could be a logical component of the Prime Minister's mission, which she set out at the party conference last year, saying of free markets that she was “prepared to reform them when they don't work.”

The rail service is a prime example of a market underperforming. The solution, rather than to take the market out of the picture altogether and reverse all the progress made over the past few decades, is to reform the market, taking on the monopolies so as to expand it and allow it to flourish.

Competition must extend beyond the bidding stage to avoid the winner being granted a complete monopoly. The message to existing franchise operators and bidders should be clear: expect competition in future.

Luke Graham (Ochil and South Perthshire) (Con): My hon. Friend is making strong points about competition and bidding. Is it not also incumbent on the Government to refine their bidding process, ensuring better information for potential rail service providers so that contracts may be structured to work for the long term?

Martin Vickers: That is an important point. It is essential that we move in that direction.

What has been the impact of competition to date? As I said, passenger journeys have increased by 42% on competitive lines, compared with 27% on those that have no competition; revenue has increased by 57%, compared with 48%; and average fares have increased by only 11%, compared with 17%. The east coast main

[*Martin Vickers*]

line has open access operators such as Grand Central Trains and Hull Trains. Other rail lines around the country would do well to replicate that model.

Open access operators take no support from the taxpayer. The open access model creates competition on the line, which has led to fantastic results. In fact, since that has been the case on the east coast, the main line has had the highest satisfaction ratings in the country. The east coast open access operators deliver the very highest rates: in 2015 First Hull Trains and Grand Central each had a 94% passenger satisfaction rate, which was the joint highest score of all operators. That was confirmed in 2016 and 2017 in the passenger satisfaction surveys conducted by the Competition and Markets Authority.

In 2016, the CMA recommended more on-track competition generally, either with much more open access to compete with franchises on the same lines or with multiple operators to provide services in a fully commercial environment. Unlike the CMA, however, the Government are yet formally to declare their support for the principle of extended open access. Perhaps the Minister will take up the offer to do so this afternoon.

Open access competition has led to new routes being opened or reopened. Without open access on the east coast main line, would places such as Sunderland, Hartlepool, Halifax and Bradford have the frequent, direct and high-speed long-distance services from which they now benefit? Something similar desperately needs to be replicated in northern Lincolnshire.

The business community has made its support for open access clear. On services to northern Lincolnshire, the Hull and Humber chamber of commerce stated:

“Hull Trains have done an outstanding job for the city in improving our rail service from a one a day return with the main franchise holder (GNER) some years ago to seven a day now.”

In the north-east, the chambers of commerce have been equally supportive.

Some argue that more open access will reduce the franchise premium. I acknowledge that protection should be offered to the franchise holders given that they pay such a large amount for the privilege of operating services, but I ask the Minister what is more important: the Treasury getting additional resources or the passenger getting better services? Without doubt, we should focus on the passenger.

To conclude, I restate the importance of services into northern Lincolnshire, which have the support of business and of the local community who want the services for leisure travel. As I said, the Government gave northern Lincolnshire the title “energy estuary”. It is an important part of the northern powerhouse, which has focused too much on the north-west and the Leeds-Manchester-Liverpool triangle. An opportunity now exists to provide a boost to the local economy in many of our regions and provincial towns, and coastal communities in particular. I urge the Minister to do all he can to support the requirement for services into northern Lincolnshire. I very much hope that the application to the regulator in the not-too-distant future will be successful.

4.16 pm

The Minister of State, Department for Transport (Joseph Johnson): It is a pleasure, Mr Hollobone, to serve under your chairmanship, which I am sure has played its part in attracting not one but two illustrious former Rail Ministers to the debate.

I congratulate my hon. Friend the Member for Cleethorpes (Martin Vickers) on securing the debate and on the landmark town deal for Greater Grimsby that was agreed last week. More than 8,800 new jobs and nearly 10,000 new homes will be delivered in Greater Grimsby, including his proud constituency of Cleethorpes, thanks to a deal worth £67 million. The deal encompasses improvements to key roads and the establishment of enterprise zones to attract and support businesses in the area, further increasing investment and employment.

Competition through open access on the rail system has delivered benefits to parts of the network, as my hon. Friend highlighted and as the Competition and Markets Authority noted in its 2016 report on rail competition. For a number of years we have had successful open access operators on the network, such as Hull Trains and Grand Central, delivering important services to the communities that they serve.

In the right circumstances, therefore, the Government have supported open access applications—for example, Hull Trains’ successful application to run innovative services in 2017 in support of Hull’s year as the city of culture. Those services gave many more people the opportunity to enjoy the city’s excellent showcase, and they still operate today.

Ultimately, the independent Office of Rail and Road determines applications to run open access services based on industry consultation and its own analysis, balancing the range of statutory duties, which include benefits for passengers; the financial impact on the Government and, critically, existing passengers; and the performance impacts on the network. Grand Central’s 2016 application to run services to Cleethorpes was not granted by the ORR, but as a Department we want future applications that offer genuine benefits for passengers, serve new markets such as Cleethorpes and deliver innovative services that complement the existing franchising system. We made that position clear in “A Strategic Vision for Rail”, published last November, and in the guidance we issued to the Office of Rail and Road last July.

It is important to pick up on the point made by my hon. Friend about open access operators not receiving any Government subsidy. It is true that we do not directly subsidise open access operators, but they do not pay towards the fixed costs of the network on which they operate, nor do they contribute towards the vital social services that the franchised operators that they compete with deliver. That creates something of an uneven playing field, which distorts the incentives of operators and means that we cannot realise the full benefits of competition for passengers.

The CMA recommended that, with robust reforms in place, open access could deliver benefits for passengers. The Department for Transport and the Government agree with that assessment. That is why we are working closely with the ORR on its proposals for reforming track access charges in the next rail control period CP6 from 2019 to 2024. Under those reforms, open access operators

will pay an appropriate amount towards the fixed costs of the network where they can. We support that as a vital step in creating a level playing field between franchised and open access operators.

We have also consulted on a possible public service obligation levy. The levy would complement track access charging reform so that open access operators would also pay towards the social services that franchises deliver to many stations—those stations would not have the levels of service they do today if the free market was left entirely to itself. The Government offer greater passenger choice through the franchising system to deliver social as well as economic benefits. A greater contribution from open access operators towards the costs of the railways and a more level playing field should lead to more opportunities for open access services, but it is critical that we get the reforms in place first so we can start on the right footing.

It is important to state that franchised operators will still deliver the vast majority of services. We need public accountability to ensure everyone can benefit.

Martin Vickers: I welcome the Minister's comments, particularly on creating a level playing field. Does he acknowledge that it would be beneficial for perhaps two franchise operators to operate on some of our main lines, such as the east coast? That would provide competition between them.

Joseph Johnson: Indeed, in 2016 the Competition and Markets Authority said that there could be a greater role for open access of up to 30% of train paths on some routes. It suggested that it would like two to three open access operators on each inter-city route—east and west coast—and also on the Great Western main line. That recommendation was subject to important reforms to ensure that the open access operators make that appropriate contribution towards the cost of the railway. Those reforms were the ones I mentioned: to track access charging and the introduction of a public service obligation. Both would therefore see open access operators pay a sufficient contribution towards the overall cost of the railway.

It is right that government retains sufficient control over services and fares as well as operator profits through franchising contracts. Those contracts allow government to ensure the provision of socially and economically beneficial services that the market would not otherwise provide and protect passengers by regulating certain fares. It is also right to recognise the role that franchising plays in rebalancing the economy—franchise payments from the most heavily utilised parts of the network fund services in other regions, thereby maintaining the national network and providing a range of economic and social opportunities that would not otherwise materialise.

Open access has an important role to play in delivering new, innovative and commercially viable services for passengers, but it must fulfil that role as part of a railway that serves as a national asset and not just a business. That means operating alongside and complementing a franchising system that allows the railway to shape and support people, businesses and the economy all over the country.

Question put and agreed to.

Defined-benefit Pension Schemes

4.24 pm

Laura Smith (Crewe and Nantwich) (Lab): I beg to move,

That this House has considered protecting defined-benefit pension schemes.

It is a pleasure to serve under your chairmanship, Mr Hollobone, and to introduce this important debate. I welcome my hon. Friend the Member for Birmingham, Erdington (Jack Dromey) and the Minister; their presence underlines the importance of this issue.

There are few more precious assets than a pension. Pensions are not benefits; they are deferred wages deducted from the previous earnings of responsible working people who decided to save diligently during their working life, in return for financial security in retirement. As we all know, the funds that are made up of those savings invest huge amounts in our economy, as well as providing for our pensioners in retirement. Dignity in later life is something that every Member present values immensely. We should all feel duty-bound to do everything we possibly can to guarantee that for each and every pensioner in our country, without exception.

Let me begin by stating from the outset that I am no expert on pensions. I have called this debate because it is of the utmost importance to workers in my constituency. I believe that will be the case for all Members here today. It is incumbent on us all to develop our understanding of the key issues to ensure that the livelihoods of pensioners up and down our country are safeguarded, and to ensure dignity in later life for all.

Providing our pensioners with an income that they can live on comfortably is a key pillar of dignity in later life. The fight against pensioner poverty must therefore include a determined effort to provide the highest quality pensions in the most secure and sustainable way. Defined-benefit pension schemes have offered some workers precisely that for many years. The attractiveness of an affordable scheme that enables them to plan their retirement by knowing in advance precisely how much they will be paid is undoubtedly a key factor for many workers when choosing their employer. If we are to encourage more workers to save, responsible choices must be rewarded. Any pension fund deficits that arise are certainly not the fault of the scheme member, who has simply chosen to sacrifice pay today for pension tomorrow so that they have an adequate income after they retire. We must certainly avoid sending any message that deters current and future generations of workers from saving for retirement.

This issue is particularly topical in my constituency. Not only are many workers affected by the recent collapse of Carillion; more than 1,000 workers at Bentley Motors are in discussions with their employer about the future, and potential closure, of their DB scheme. Former Rolls-Royce employees, some of whom have been paying into the scheme for almost 50 years, face the prospect of serious financial hardship in retirement, with the potential to lose hundreds of thousands of pounds. The younger workers in the scheme stand to lose the most. I will come on to intergenerational unfairness towards the end of my speech, but I would welcome a commitment from the Minister to discuss this particular case with me in the near future, to see what support he can give to scheme members in Crewe and Nantwich.

[*Laura Smith*]

Auto-enrolment has been a success in that it has increased the number of workers saving for retirement, so I applaud the Government's continued efforts in that respect. However, auto-enrolment cannot be seen by employers as a retreat in which they can hide from their responsibilities under existing DB schemes. DB schemes appear to be working well—the Minister said so in his address to the TUC earlier this year. He also said that where employers can, they should continue their responsibilities. I wholeheartedly agree with him. Research by Mercer published earlier this month suggested that DB pension deficits at FTSE 350 organisations have more than halved since January. In 2015, FTSE 100 companies paid around five times as much in dividends as they did in contributions to their DB pension schemes.

The Green Paper that the Government published last year states that in 2015, companies with a DB pension scheme deficit paid out £53 billion in dividends—25% more than their disclosed deficits. It therefore seems logical to conclude that those companies have the ability immediately to repair their pension scheme deficits by feeding dividends into deficit repair contributions.

I do not pretend that there are no issues with individual DB schemes, but in aggregate such schemes do not appear to be inherently unaffordable. We must remember that they provide decent, good-value pensions. Defined-contribution schemes require much larger contributions to have a realistic chance of providing benefits equivalent to those paid by DB schemes. The value of the pot in a DB scheme is far higher in nearly every case, and both scheme members and their employer will have paid less for it.

There also appears to be an issue with overly risk-averse assumptions threatening DB schemes. Pensions Regulator guidance allows schemes to base the discount rate on the rate of return that assets held by the fund are expected to generate over the lifetime of the scheme, yet trustees seem reluctant to use that method. There is concern that the corporate failure of Carillion will create an even more risk-averse climate.

Dr David Drew (Stroud) (Lab/Co-op): I apologise for missing the start of my hon. Friend's excellent speech. Does she agree that one of the issues is that the Pensions Regulator is unaccountable? I have had a particular issue given what has happened post-Carillion, and I have been trying to find out how the Pensions Regulator makes decisions, which is not at all clear. Does she agree that that needs to be brought up in this place so that there can be proper accountability?

Laura Smith: I thank my hon. Friend for making that point. From my conversation with the Minister before the debate, I am sure he will be happy to talk about that in his speech and when he meets the Pensions Regulator.

The Green Paper shows that there has been a clear decline in gilt yields over the past two decades. The public sector trade union, Unison, is of the view that most schemes that did not hedge their risk should seriously consider using that discount rate method.

Jim Shannon (Strangford) (DUP): I congratulate the hon. Lady on bringing this matter to the Chamber. On average, people believe that their living expenses will account for 34% of their pension, yet they will actually

account for 49%. Does she agree that more should be done to ensure that people make the most of pension schemes by paying in themselves? I think that is the thrust of what she is saying—that individuals should make more effort rather than relying on employer contributions, which in many cases have been found to be suspect.

Laura Smith: I apologise to the hon. Gentleman—it was hard to hear him because of the sound of the fans. I will come on to those points.

Basing assumptions on gilts may artificially inflate deficits and future service costs for the sponsoring employer and scheme members. That may lead to the unnecessary closure of schemes to new members and future benefit accrual. Unison's experience is that some employers would rather pay more and use the increase in costs as an excuse to close their DB scheme, saving money by transferring members into a DC scheme with lower employer contributions, which results in reduced pension benefits for scheme members.

Not only are DB schemes desirable, but they can be affordable and good value for money. We should do everything we can to protect them. The Government's role should be to provide an adequate regulatory framework, meaningful enforcement and appropriate incentives to help encourage sound decision making and ultimately to provide decent pensions. I welcome the Government's White Paper and the regulator's ambition to be clearer, quicker and tougher.

I hope that the Minister can provide me with a little more clarity or reassurance about three issues. First, there appears to be no new relief for employers struggling with DB liabilities. Although I welcome the suggestion that there should be penalties for directors who do not take sufficient care of scheme members' interests, without support for struggling employers, tougher rules may simply incentivise more of them to close DB schemes in favour of DC schemes with inferior pensions for workers. Secondly, what additional resources are being provided to ensure TPR has the capability and capacity to effectively regulate the sector?

Thirdly, encouraging consolidation over alternative options would not prioritise the protection of members' benefits, which should be the Government's primary focus. I understand that insurance buy-out remains the best solution for guaranteeing member benefits in DB schemes. Securing member benefits should be paramount. With an insurer, members are almost certain to receive their benefits in full. The Association of British Insurers believes that prices are the best consultants have ever seen, and that that option is available to smaller schemes.

Although I understand there is a need to provide options for employers that simply cannot secure a buy-out, any new framework should not incentivise consolidation purely on the basis that it is a cheaper option. The risk of investment failure was highlighted by the Pension Protection Fund in a submission to the Select Committee on Work and Pensions. In the absence of a substantive employer, the security of members is entirely dependent on the investment performance of the fund and the associated buffer. Consolidation is therefore less secure than buy-out, and profit withdrawal in years of good investment returns may lead to scheme failure by preventing a strong build-up of reserves.

Consolidation also means that risk, rather than being dispersed across several schemes, becomes focused on one investment strategy. Different consolidators may be inclined to pursue the same investment strategy, resulting in a high correlation of risk in the DB sector. Obviously, that may lead to all schemes failing at the same time. I am also concerned that younger members may shoulder the risk of commercial consolidators collapsing. We should not pursue any policy that leads to greater intergenerational unfairness.

To put it plainly, I am concerned that the option to consolidate or transfer into a super-fund may be seen by some employers as another bolthole to escape their liabilities on the cheap.

Julian Knight (Solihull) (Con): I thank the hon. Lady for securing this important debate. She is making a very good speech in many respects, but one of the concerns about DB schemes is that some that have existed for a long time have few members but a large legacy. A scheme may have only 100 employees, for example, but a very large legacy behind it. I wonder whether she recognises that super-consolidation may be an option for such schemes.

Laura Smith: I touched on why I have concerns about that.

As I said, securing member benefits should be paramount. What reassurance can the Minister give me that the eventual framework will ensure that employers' decisions are focused on that objective? If an employer has the means to get a buy-out and that is the best way to guarantee scheme members' benefits, it should get a buy-out. We need a framework that incentivises decision making on that basis.

Will any legislation that is enacted be applied retrospectively to cover commercial consolidators formed in the intervening period? I am concerned that a two-tier system of regulation would provide loopholes for those willing to exploit them. Directors of sponsoring employers must have personal liability—there must be criminal offences and heavy fines.

I support the White Paper's push for clearer, quicker and tougher regulation. I commend the Minister's efforts and I hope that the White Paper leads to measures that further protect defined-benefit pensions. However, I remain concerned that over-zealous prudence and assumptions threaten otherwise affordable DB schemes. There should be additional support and relief for struggling schemes. I would like to be confident that TPR will be given the resources it needs to have the capability and capacity to regulate effectively in the light of any changes. I am concerned that consolidation—although it may be the best option for some schemes—will be seen as an acceptable cheaper option that does not prioritise protecting scheme members' benefits when more secure alternatives, such as buy-out, are available and within the means of the employer.

We must endeavour to build a framework that incentivises workers to save responsibly and deters directors from behaving irresponsibly. Paying dividends must not be prioritised at the expense of protecting pensions. I would be grateful if the Minister responded to the issues I have outlined and committed to looking into the ongoing matter at Bentley Motors, which is of concern to more than 1,000 people in Crewe and Nantwich who work for

the company, and to working with me to promote a dialogue that has the protection of scheme members' benefits at its heart.

Several hon. Members rose—

Mr Philip Hollobone (in the Chair): Order. The debate can last until 5.30 pm. I advise Members that we expect a Division at about 5 o'clock, in which case the debate will be extended by 15 minutes. If there is no Division, I am due to call the Front-Bench spokespeople at 5.08 pm, with the guideline limits being five minutes for the Scottish National party, five minutes for Her Majesty's Opposition and 10 minutes for the Minister, leaving Laura Smith two or three minutes to sum up the debate.

There are four speakers seeking to catch my eye, one of whom has left the Chamber. We will start with Paul Masterton.

4.40 pm

Paul Masterton (East Renfrewshire) (Con): It is a pleasure to serve under your chairmanship, Mr Hollobone. I refer the House to my entry in the Register of Members' Financial Interests. For the 10 years before I was elected, I was a pensions specialist solicitor. I must say to the hon. Member for Crewe and Nantwich (Laura Smith) that, for someone who claims not to be an expert, she demonstrated an incredible grasp of the key issues in a good opening speech, which certainly puts me to shame.

When we talk about protecting DB schemes, it is worth remembering that the fiduciary duty on the part of trustees is to protect the benefits already built up. Their responsibility is to ensure that the benefits accrued can be paid, not to ensure that an employer continues with ongoing DB provision. That is fundamentally an employment matter. On many occasions, the best way to protect DB benefits is to reduce future accrual, to close the scheme or—in the most nuclear option—to tip the employer into insolvency and have the scheme move into the Pension Protection Fund, so we must be careful about what we mean by protecting DB benefits and DB schemes.

It goes without saying that DB schemes face major challenges, and the Government have recognised that through the Green Paper and then the White Paper. When the Green Paper came out, I was not sure whether I agreed with the statement that DB schemes were not largely unaffordable simply due to my case load in the office at that time. Generally, the system works well for most employers, but we need a tougher approach for those failing to act responsibly.

I am pleased that the regulator was granted many of the powers it sought, because one of my big frustrations in practice was that it was largely toothless. It would send a lot of letters and have conference calls. Those who were really unfortunate would be dragged down to Brighton for an awful meeting where nothing really happened.

The Parliamentary Under-Secretary of State for Work and Pensions (Guy Opperman): My hon. Friend will be pleased to know that I am not being dragged but going voluntarily down to Brighton, where the Pensions Regulator is based, this Thursday for a proper five-hour sit-down. In that, I will certainly take up some of the concerns of the hon. Member for Crewe and Nantwich (Laura Smith).

Paul Masterton: I am pleased to hear that, because the Pensions Regulator performs a vital role in overseeing occupational pension schemes. One of the big frustrations on the trustee side—not usually on the employer side—was that the regulator did not seem to have the time or resources to get stuck in or do anything serious to encourage or require an employer to change course. Some of the suggested improvements are very good.

In the past, pension schemes operated in a world of high interest rates and good equity returns. We now live in a different world. Investment decisions reflect ongoing uncertainty and volatility, which has led to widespread de-risking and a preference for investing in bonds and gilts. That has been a huge loss to the UK economy, with funding being taken out of equities. We could do more to look at how to unlock some of the vast sums that sit behind pension schemes.

Julian Knight: Does my hon. Friend share my frustration that often UK infrastructure is owned by overseas pension schemes and that, despite exhortations from the Government for schemes to invest more in the UK and in these stable, high-producing assets, they still seem reluctant to do so?

Paul Masterton: I do. Big pension funds—Canadian pension schemes and many others—invest a lot, and those investment projects provide good returns. We could unlock huge amounts of money.

Final salary pension schemes will end up in one of two places. They will either be successful and be bought out with an insurance company or fail and end up in the PPF. The hon. Member for Crewe and Nantwich was right that deficits have been pushed up by low gilt yields and low interest rates. Many employers, pushed by their trustees, and to a certain extent by the regulator, have prudent assumptions in their valuation setting, which increases the amount they have to pay in. That can provide a false picture of the deficit, but it does match the reality of trying to buy on the market. There is flexibility in the system, and one thing the regulator is looking at is being more akin to employer affordability in the valuation assumption setting, which should help with some of these problems.

Fundamentally, this drives to a system that is completely linked to the employer covenant. The stronger the employer, the more flexibility there is, which gives much more leverage to play around with assumptions. A weak employer cannot afford to take as much risk, so it is much tighter with its assumptions. That pushes the deficit up, which means more money has to be paid in. It is a self-perpetuating cycle where the weakest schemes, which need the greatest support, do not get it. They need the breathing space, but they have to pay high levels of deficit repair contributions. As my hon. Friend the Member for Solihull (Julian Knight) said, we should consider that many such schemes are legacy schemes, predominantly in old-school manufacturing industries, and many of those companies are shells of what they were in the '70s and '80s when their schemes were brought in. Those employers already provide weak covenants, and that situation may only get worse as we move forward.

It is remarkable that “The Purple Book” from the PPF estimates that 3 million DB members have only a 50% chance of seeing their benefits paid in full. The

PPF is a fantastic lifeboat scheme to ensure that people still get decent payment of pensions, but we do not really want people to be reliant on it.

I disagree with the hon. Lady about consolidation. What the Government have been looking to do on that is sensible. Lack of scale is crucial. Two thirds of the UK's defined-benefit schemes have fewer than 1,000 members, and small schemes cannot access the same sophisticated investment opportunities as bigger schemes. Even costs such as advisory fees, accountancy fees, actuarial fees and legal fees are disproportionately high for small schemes. There is a good place for consolidation, but she is right to worry about governance and ensuring that we do not go from a situation under an employer scheme with high levels of governance to one under a bigger scheme where that gets lost. That can probably be worked through in a scheme's design and set-up. Ultimately, the solution to protecting DB schemes is not governmental but in the economy and the strength of the sponsor or, where available, the parent company. One of the big difficulties is volatility and the lack of certainty around risk.

The Government continue to take steps to pick apart the issues faced by the DB sector. They are doing good work, but fundamentally we need a clear understanding that governance, funding and covenants are intrinsically linked. I look forward to hearing the good story the Minister has to tell on what the Government are doing.

4.47 pm

Justin Madders (Ellesmere Port and Neston) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I congratulate my hon. Friend the Member for Crewe and Nantwich (Laura Smith) on securing the debate and the excellent way in which she introduced it. Once again, she has proved to be a formidable advocate for her constituents. I do not intend to cover the same ground but will instead raise an issue facing one of my constituents that also affects thousands of members of defined-benefit pension schemes who are not entitled to any protection against rises in the cost of living.

My constituent, Mr Thorpe, is one of a significant number of members of the Foster Wheeler defined-benefit pension plan. Members of the scheme have received no increase in their pensions since 2002. This issue is not restricted to a single scheme—those with defined-benefit pensions accrued before 1997 are not entitled to any statutory inflation protection. While many enjoy discretionary increases, about 100,000 pre-1997 pensions receive no increase, because before then any increases were based on the rules of the scheme only. That remains the position for pensions earned before that date.

If the rules provide for increases, whether fixed rate or index-linked, they must continue to be paid. However, in the same way, if a scheme does not make such provision, none will be paid. In a number of schemes, increases are paid at the discretion of either the trustees or the employer, which leaves the living standards of thousands of people in our country not protected by law but subject to the discretion of others.

To illustrate the impact, Mr Thorpe provided me with a simple calculation based on the case of a fellow Foster Wheeler pensioner. We will say that this chap is called John. He retired in 2002 at the age of 60 and his pension at the age of retirement was £10,000 per annum.

In 2017, when he was aged 75, the purchasing power of that pension was down to £5,600 per annum. By 2027, when he is aged 85, the purchasing power of John's pension is likely to be less than £3,000 per annum—a 70% fall in the value of the pension over the course of his retirement. That has an impact on only a relatively small number of pensioners who paid into their pensions during a specific period of time but, as I hope I have illustrated, it has a massive impact on those individuals.

We face a situation not unlike that of the Women Against State Pension Inequality Campaign, in which people find themselves at a disadvantage simply because they were born in a particular timeframe or had worked prior to the introduction of particular legislation. When I wrote to the Minister, his response stated that he did not think that it would be right

“to consider retrospective changes to the rules on indexation”.

Given that the analysis by the House of Commons Library found that in 2015 FTSE 100 companies paid five times as much in dividends as they did in contributions to defined-benefit pension schemes, will he look again at what seems to be a very unfair situation? Employers should have a duty to do right by their employees and pensioners before they consider rewarding shareholders.

My constituent, Mr Thorpe, states that research indicates that the cost of inflation protecting the Foster Wheeler pre-1997 pensioners would be around £1 million per 1% awarded. That is a modest and sustainable cost for a fund with a value of almost £3 billion. Thousands of pre-1997 pensioners were extremely disappointed to see that the White Paper does not propose any solutions to that issue. As my hon. Friend the Member for Crewe and Nantwich said, pensions are deferred pay. Nobody would argue that it is sustainable or equitable for someone to have no pay rises related to the cost of living for a 25-year period or possibly longer. What does that say to the next generation of pensioners about the necessity of saving for their retirement? It is hardly an encouragement to them to save for their old age. In conclusion, I ask the Minister to look again at this issue.

4.51 pm

Julian Knight (Solihull) (Con): It is a pleasure to serve under your chairmanship, Mr Hollobone. I congratulate the hon. Member for Crewe and Nantwich (Laura Smith) on securing this important debate. I was heartened by it. I had thought that cross-party working and the recognition that we are all trying to do something in a positive space had been lost to a certain extent, but her speech was incredibly positive in that regard. I am sure the Front-Bench speaker, the hon. Member for Birmingham, Erdington (Jack Dromey), will reflect that later. I also want to say that the speech by my hon. Friend the Member for East Renfrewshire (Paul Masterton) was the speech I wanted to give. We have just been discussing that. It was absolutely top drawer and very thoughtful.

My career as a financial journalist spanned what I would call the sharp decline of private workplace DB schemes. I remember all too well speaking to people at the Allied Steel and Wire steelworks in Cardiff, who had effectively lost their pensions when their company was wound up almost overnight. The same was true for Maersk, probably one of the worst examples of corporate acts in this country in the last generation. Under the laws at the time, retired members were understandably

protected first, which meant that those who were even just a few weeks from retirement ended up with virtually nothing. I can remember the heartbreak in their voices.

That decline comes from many issues. In that instance, it came from poor company governance and the fact that the economics of DB schemes have been fundamentally undermined over time through demographics and investment returns. Frankly, for the last 15 years, DB schemes have been effectively dead in terms of new members for the private sector. They have existed in the public sector and have morphed and developed over time—we will see how that goes and whether the current models are sustainable.

In response to those issues at Maersk and ASW, we had the Pensions Act 2004, which helped to set up the PPF. Mr Rubenstein's management of that has been pretty exceptional. The PPF has been well managed, but frankly it can take only so much. A lifeboat can take only so many passengers. The difficulty is, as my hon. Friend the Member for East Renfrewshire noted, that 3 million members face potentially only a 50% chance of having their pension. The more we load into a lifeboat and the greater the burden on other funds, the more likely they are to collapse in turn.

We need a longer-term solution, and we need to focus on the 2,000 schemes with fewer than 100 members. I believe conversion is a good idea. However, I take the point of the hon. Member for Crewe and Nantwich that perhaps the current models of conversion, which to a certain extent are zombie funds, are not the way we want to go. What we need is to transfer to scale, so that the returns come through back office. More than that, potentially, there is my big idea—I have written to the Minister about this before and he will not be particularly surprised that I mention it—of rebasing some work-based pensions over time, so that we end up putting everything on a sustainable footing. We could also adapt schemes to the modern world in terms of spousal pensions and, I would suggest, the potential provision of social care.

The tail is wagging the dog. We have a statutory architecture built for a system where people had jobs for life and DB schemes were ongoing entities. For increasing numbers of schemes, retired and deferred members far outweigh active members. Employers are not members, and members are not employees. In that context, the direct link between the employer and the scheme makes diminishing sense. Of the £80 billion or so paid into workplace pensions, around three quarters of which is in respect of DB schemes, nearly half goes to the public sector, yet active membership of DB schemes is now down to just 7 million workers and is falling daily.

We need to break the link. First, we should establish a universal benefit structure, or a kind of common denominator pension, based on a common structure—for example, a one-sixtieth or one-eightieth scheme, with 50% spousal pension and consumer prices index inflation-proofing up to 5%. We would then go through the time-consuming and laborious process of valuing existing DB schemes by reference to that universal scheme on an actuarially neutral basis. For example, in my 20s I contributed a negligible amount into a final salary pension scheme on a one-fiftieth accrual basis. As a result, I was guaranteed a pension of nearly £4,000, with RPI and a two-thirds widow's pension. The scheme is now in the PPF, but that is because the promises were far too great for the contribution levels.

[*Julian Knight*]

It would have been better if, at an earlier stage, those considerable benefits had been converted to, say, a £5,000 pension in a new scheme. People would not lose their pension initially, and hopefully not at all. Instead, it would be simplified and moved on to a surer footing. That is one point for the hon. Member for Crewe and Nantwich, who talked about consolidation schemes. We could invest in very large schemes indeed. Some of the governance in some of the smaller schemes with fewer than 100 members is frankly very amateur. It is pitiful and almost mothballed.

If we were to have larger schemes, privately run by something such as a type of National Employment Savings Trust, with Government involvement on the board and oversight by regulators, we could move to a situation where we all feel more invested and know exactly what we are getting. Crucially, we could rebase to enable us to provide better futures for spouses.

Another area I will mention is that we could offer a social care option. If I had a very large scheme involving maybe 500,000 to 1 million members, I would have the scale to offer a social care option. I could say to someone, “At the moment you will get a pension of £10,000 per year. What we will do is to give you a pension of £8,000 per year, but we will invest through our scheme, because we have scale and can do so.”

4.58 pm

Sitting suspended for a division in the House.

5.8 pm

On resuming—

Julian Knight: I apologise. We were so rudely interrupted by the Liberal Democrats.

The effective remodelling of these almost-zombie DB schemes could be a means by which we ostensibly kick-start a different approach to social care and allow people to choose whether to supplement their social care in the long term by actively deciding to put away a certain amount of pension in order to receive a certain amount of social care insurance. There are all sorts of options for that.

I conclude by saying that the Green Paper and White Paper were refreshing and thoughtful. We have an opportunity to do something that the Turner report did not do—it dealt mostly with public finances and the state pension—which is to shift the balance and the focus on to private sector workplace pension schemes. We need them to play a role, but we also need to repair the problems of the past.

Mr Philip Hollobone (in the Chair): We now come to the first of the Front-Bench speeches. The new finish time for the debate, because of the Division, is 5.40 pm.

5.9 pm

Mhairi Black (Paisley and Renfrewshire South) (SNP): It is a pleasure to serve under your chairmanship, Mr Hollobone. First, I congratulate the hon. Member for Crewe and Nantwich (Laura Smith) on bringing to Westminster Hall such an important debate and such a good-natured debate—it feels like a while since we have had one of those in this place.

There is agreement. Everyone recognises that DB schemes have been in decline for the past 15 years. I would like to give a bit of perspective on the numbers. The 1.3 million active, contributing members of private sector DB schemes account for only about 10% of the total 13.5 million private sector DB memberships. That gives people an idea of just what the burden is on those who have not yet retired under these schemes.

I also agree that there are many factors as to why DB schemes have declined as they have. There have been umpteen tax and regulatory changes and legislative changes. There have been changes in the financial market; there was the financial crisis in 2008. Ultimately people are living longer, which has a huge impact on pensions in general.

I was very happy when I read in the Green Paper the Government saying that DB pensions are certainly not unaffordable. It is a case of being realistic and seeing what we can do. Pensions have not always worked out as planned, as I have seen since I have been looking at and working on pensions. However, it is good that the Green Paper said that the evidence in relation to unaffordability was far from conclusive.

The hon. Member for Solihull (Julian Knight) explained something really well in saying how we can rebuild, restructure and consolidate these things to have a realistic and practical approach to how to answer some of the questions that are being flung up. I will explain where the scepticism comes from. He used a phrase that stuck out when he said that we need to know “exactly what we are getting”. I think that is all that anyone ever looks for when it comes to dealing with their pension, but unfortunately the goalposts continually move. That is the problem with pensions in general, not only DB schemes, just now. The goalposts are constantly moving, so it does not matter whether it is five years or 30 years down the line; people will probably have a very different deal from the one that they signed up to.

Let me give an example as to why it is right to be sceptical of some of these companies. In 2015, FTSE 100 companies paid about five times as much in dividends as they did in contributions to their DB pension schemes. The 56 FTSE 100 companies with a DB pension scheme deficit paid 25% more in dividends. Therefore, in theory, these companies would have the ability to repair immediately their pension scheme deficits were they to feed their dividends into deficit repair contributions.

I was very grateful to see the Government set out in the White Paper an approach that would involve enforcing a stricter body of regulation—tougher rules, tougher legislation, proactive powers—so that the Pensions Regulator could intervene quickly and effectively. All those things are tremendous steps in the right direction. However, if we recognise the reality of what the financial market is like just now, failures such as Carillion, BHS and even, more recently, Toys “R” Us show that this situation can become very toxic very quickly.

It is clear that the UK Government did not have a robust enough system to protect savers. What we are seeing now is only the start of steps in the right direction—towards having a robust enough system. As we know, the loss of pension savings can shatter an entire life in the days when people should be enjoying life most. We have to take this issue really seriously, which is why one of the disappointments of the White Paper was that at no point did it mention Brexit. We will probably all have

differing views as to what Brexit will mean for the UK. Brexit could well be the answer to pensions; it could solve everything, but I still think it is right for us to see some detail of it or some Government predictions. What effect will this really big change have practically on our pensions day to day? For an entire White Paper not even to mention Brexit stood out.

Just now, 300,000 more pensioners are in poverty. That is the first sustained increase in pensioner poverty in 20 years. The UK has a wider than average gender pensions gap. We see that with things such as the WASPI Campaign and throughout all the different aspects of pensions policy. As I have said, the publication of the White Paper is welcome, but a sense of urgency seems to be lacking in this Tory UK Government. The Department for Work and Pensions itself has said that the legislation needed to enact the new regime will not be ready until, at the earliest, 2019-20. That means that until then unscrupulous businesses seeking to avoid their pension obligations might find it easier to do so.

I will conclude my remarks with something that I have said many times. The Minister is probably fed up of hearing us ask for this, but the SNP has long called for the establishment of an independent pensions commission, so that we can take a step back from pensions and look at the issue holistically and from a totally fresh point of view in order to see whether we can do anything radically different. That said, I think the Government are heading in the right direction, so I hope that they reflect on the comments made today.

5.15 pm

Jack Dromey (Birmingham, Erdington) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. First, I congratulate my hon. Friend the Member for Crewe and Nantwich (Laura Smith). She is a great champion of her constituency, and Bentley workers will be proud of her for bringing their cause to Parliament today.

I dealt 40 years ago with Rolls-Royce—the Mulliner Park Ward factory in Hythe Road on the Park Royal estate. The craftsmen were outstanding. They were the salt of the earth. They were highly skilled, producing cars that were quite remarkable. Since the move to Crewe, it has been generally a successful company, but right now, 1,200 members of the DB fund face an absolutely unacceptable threat to their future pension entitlements. These people have a minimum service of 16 years and a maximum of 47 years. I share their sense of anger at what is happening.

Former employees of Rolls-Royce Motors, which was then sold to Volkswagen, now face serious financial hardship in retirement. They will potentially lose tens of thousands of pounds. Although the Crewe site has received billions in investment, the DB fund has moved from surplus to deficit in the time of its ownership by Volkswagen. Volkswagen remains the parent company, with ultimate responsibility. Would it treat its employees in Wolfsburg in that way? I very much doubt it.

Negotiations continue at Bentley. I urge the company to move, and to move substantially, at the next stages, because the levels achieved thus far through the negotiations go nowhere near the losses that many will suffer. In particular, young workers in the scheme will suffer very badly indeed.

Sadly, what is happening at Bentley is a symbol of the wider problem of decline in DB schemes. The percentage of DB pension schemes open to new members fell from 43% in 2006 to 13% in 2015. The number of DB schemes in the UK will shrink to less than a fifth of current levels over the next quarter of a century, according to predictions by Hymans Robertson.

In a very positive speech by the Pensions Minister to the Trades Union Congress conference on pensions, he argued—I think he was right—that DB provision was working well and employers should seek to continue their responsibilities to their employees by maintaining good DB schemes. Would that more employers heeded that advice.

It is absolutely wrong for wealthy companies, with well-funded DB schemes, which many of them have, to look to close those and move to DC pensions purely to transfer the risk from the employer to the employee. That is all the more wrong when we look at the data released in June, which showed that among FTSE 100 companies, DB pension schemes have reached 100% funding and, among all private sector DB pensions, they are 98% funded. Clearly, the majority of DB schemes remain healthy and sustainable. Companies should look to do the best by their workers, and the best pension for their workers is a DB pension. They should, therefore, continue to accept their responsibilities and, I stress again, not simply transfer them on to the backs of their employees.

There are wider consequences to the decline of DB. The erosion of good, well-funded DB schemes has left few workers with a solid final salary pension scheme guaranteed to provide them with an income until they die. The UK has the fourth highest share of pensioner household income received from private pensions and other forms of capital, such as home ownership. As the prevalence of DB schemes and the rate of home ownership fall rapidly, however, the next generation will face considerable financial challenges, including in retirement.

Auto-enrolment has been introduced in parallel to what has happened to DB. It was a triumph by a Labour Government, and I warmly welcome the continuity of policy under this Government. Auto-enrolment has seen 9.7 million more people in pension schemes, saving for retirement. While that move has been immensely positive, it has meant more workers saving into DC schemes. We do not want to see that posed against good DB schemes—on the contrary.

A Pensions Policy Institute report in 2016 found that the median saving of DC scheme members could yield only £3,000 a year as an annuity, which is not a lot of money to live on in retirement. The contrast between historical, good DB schemes and many of the current DC schemes is stark indeed. More work needs to be done, therefore, to improve the adequacy of returns on DC savings, including by looking in more depth at costs and charges.

Collective defined-contribution schemes are an important alternative to the current DC world. While not as secure as traditional DB, CDC provides workers with the opportunity to share the risk associated with their pension investments, as well as the ambition of an income in retirement, which DC can never do. Royal Mail and the Communication Workers Union—to their great credit—have been working to form an agreement,

[*Jack Dromey*]

which would be the first CDC scheme in the UK. That would forge a new and exciting pathway to a better pension for Royal Mail's 142,000 workers.

We look forward to continuing to work with the Pensions Minister and the Government on the passage of the necessary secondary legislation, to enable CDC schemes to be formed, and to work with Royal Mail and the CWU to ensure the best possible scheme for their workers is put in place as quickly as possible. That is a landmark development. It opens up immense opportunities at the next stages. We will encourage many employers—including on a sectoral basis—to take that path. I stress again, if DC is not as good as DB, CDC is a damn sight better than ordinary DC schemes, but—the evidence overwhelmingly shows—still not as good as good DB schemes. We therefore do not want one to be posed against the other. This is a new option and alternative, developed in particular circumstances, which we think others will follow at the next stages.

If responsibility falls on employers, there is also a responsibility on Government. I agree with the tone of this debate and some of the comments made. The DB White Paper is a step in the right direction—no doubt—in seeking to live up to the challenge of protecting good DB schemes, and ensuring they continue to thrive and maintain their members' benefits.

I welcome a number of the proposals in the White Paper, such as criminal sanctions for directors neglecting pensions schemes. However, my hon. Friend the Member for Crewe and Nantwich was right to question precisely how that would work for potential incomes, given unforeseen circumstances. I welcome the proposals for stronger powers for the Pensions Regulator, with which we had a constructive meeting here last week. I welcome the proposals for clearer standards on scheme funding and for scheme consolidation. I think the hon. Member for Solihull (Julian Knight) is right that consolidation and, therefore, economies of scale, offer significant prospects at the next stages. I welcome the moves towards cost transparency.

However, there are concerns about the White Paper, for example, the reluctance, at this stage, to build on voluntary clearance and corporate takeovers. We recently had the scandal of the hostile takeover of GKN by Melrose. The issue of 50-50 member nominated trustees should have been in the White Paper, but it was not. It remains a strong ambition of the Labour party. We hoped to see stronger commitments to mandatory cost transparency for trustees in DB schemes. Another concern was the review of the Pension Regulator's valuation procedure and some of the problems that emerged, for example, over the rather conservative interpretation in the universities, which made it more difficult to reach a settlement in that dispute.

There is much in the White Paper that is good and that we welcome. We have ambitions, however, at the next stages. Employers and Government have responsibilities. The most reliable route to a secure and sustainable retirement remains a DB pension. I say to Bentley, workers are the beating heart of any company. Bentley and other wealthy and prestigious companies need to look again at how they treat workers, who are essential to the success of their companies, and investigate every possible route to keeping their DB pension scheme open.

That is why I strongly urge Bentley to think again. Bentley—of all companies—should be ashamed of itself for behaving this way in relation to its workers' pensions.

5.27 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Guy Opperman): It is a pleasure to serve under your chairmanship, Mr Hollobone. I thank the hon. Member for Crewe and Nantwich (Laura Smith) for three things: first, for bringing this important debate forward; secondly, for entitling the debate, "Protecting defined-benefit schemes," when we have a White Paper on that exact point, which allows me to address that; and thirdly, for being complimentary and measured in the way that she approached a serious problem for her constituents.

It has been an interesting week in Parliament. Two Cabinet Ministers have resigned, Donald Trump is President and arrives in this country on Thursday, and a Conservative Minister has received not one, but two compliments for a speech at TUC house. I do not know which is the more remarkable of those events. I greatly enjoyed my time at TUC towers. I made it out alive and look forward to the return invite from the comrades, when they want me to further elucidate the way ahead. It was an honour to speak at Congress House. I genuinely wanted to do it and I would welcome the opportunity to return.

The debates gives me the opportunity to talk about defined benefits in the round. I will then try to address all the individual points raised. The DB schemes provide an important source of income in the retirement plans of millions of people. In the private sector alone, 10.5 million members rely on such schemes, with around £1.5 trillion-worth of assets under management. That helps to fuel the UK economy, whether through corporate bonds, Government bonds or equities.

We fundamentally believe that the system is working well in the majority of cases for the employers, the trustees and, importantly, the scheme members. I stress, however, that while we already have a robust and resilient system of pensions protection in place in the United Kingdom, we want it to work in the interests of everyone. While it is not always possible to get that balance right, nor to prevent insolvency, where insolvency occurs we should never forget that we have the Pension Protection Fund, set up in 2005 and taken forward under successive Governments. It has utterly transformed the landscape for so many people who would have been desperately vulnerable and affected previously. For the avoidance of doubt among everyone reading the debate, the PPF compensation scheme ensures that individuals receive at least 90% of their pension benefits.¹

To ensure that the DB system is sustainable in the long term and future-proof, we have addressed the key challenges and opportunities in our 2017 Green Paper and published our White Paper, as I said earlier, which sets out our conclusions, which effectively fall into three core areas: increasing member protection, improving scheme funding and exploring options around consolidation.

The key proposals strengthen the Pensions Regulator's powers, as set out in the Government's manifesto, and give the regulator new powers to punish those who deliberately put their pension schemes at risk. For the worst offenders, that could mean criminal sanctions.

1. [Official Report, 9 October 2018, Vol. 647, c. 1MC.]

We will strengthen the system that enables the regulator to oversee corporate transactions, which will mean that it will be aware of more types of transactions, and will find out about them earlier, so that it can intervene at the right time. It will also mean that employers must explain how they have taken account of their pensions in relevant corporate transactions.

On corporations and dividends, which the hon. Member for Paisley and Renfrewshire South (Mhairi Black) raised, she will be aware that although we are not against a healthy company paying out dividends, the Department for Business, Energy and Industrial Strategy is undertaking a consultation on insolvency and corporate governance specifically. That ongoing consultation looks at how the framework of distributable profits could be improved. That Department will respond in due course—my expectation is that that will probably be in September.

I take issue with the hon. Lady's point on pensioner poverty, as I think I have done before. In the 1970s, pensioner poverty was at 40%. It is now down to 16%—close to historical lows. That is clearly still too high, but it is a dramatic improvement on the previous position.

On scheme funding, defined-benefit pension trustees must report their funding position to the regulator. The Pensions Regulator can use anti-avoidance powers, including contribution notices and financial support directives. We accept that that process has to be improved—there is no doubt about that—so there will be clearer requirements and more explicit accountability, which should lead to positive changes in behaviour among employers and trustees. We will give the regulator the power to enforce clearer funding standards and to take action if trustees or sponsor employers fail to comply.

The regulator will produce a revised DB funding code for public consultation, which will be clearer about some key issues that cause confusion. The trustees will also be required to appoint a chair who must submit a chair's statement with the scheme's triennial valuation. We will work with the regulator and others to consider what can be done to promote greater transparency of costs in DB schemes and to support trustees in communicating more clearly with their members on scheme funding issues.

On consolidation, benefits of scale can help schemes to reduce costs per member, improve governance and enable access to more effective investment strategies. There are already several ways for DB schemes to consolidate, such as DB master trusts, which the hon. Member for Birmingham, Erdington (Jack Dromey) and I debated earlier. As the White Paper announced, we are considering ways to raise awareness of the benefits of consolidation among employers and trustees. In addition, the industry is actively looking at ways to innovate and is proposing new models of consolidation such as super-funds, as hon. Members will be aware.

I stress that the White Paper made it clear that consolidation must be done in a safe way, which is why we are looking to introduce clear parameters within which those vehicles can operate, as well as a supporting authorisation and supervisory regime. Any transfer to a consolidator would require the consent of the transferring scheme's trustees, who would need to take a considered view, along with the sponsoring employer, on whether consolidation could improve outcomes for their members.

I will try to address some of the key points of the debate. In relation to collective defined-contribution schemes, which were raised by the hon. Member for Birmingham, Erdington, it is right to say that the Government are open to working together with the Communication Workers Union and the Royal Mail, which I have met together, and to say that I have been impressed by how much they are joined at the hip. We wish to assist them in finding a way forward to CDCs. Everybody understands that there is a way to go, but they are clearly an option. We will continue to assist by way of Government time.

The hon. Member for Crewe and Nantwich raised the issue of the regulator's powers and whether it had the capacity to take them forward. I should make it clear that it will have an additional £3 million of funding to boost its frontline resource, which will result in more than 40 new members of staff. It is taking on more cases, and its proactive work has increased by 90% this year. It has made four successful prosecutions for non-provision of information, and has secured more than £1 billion in settlement through the use of anti-avoidance powers, including cases such as BHS, which secured £363 million, and Lehman Brothers, which secured £184 million. It has also prosecuted a number of scammers and the like.

There were a couple of other quick points. The hon. Member for Strangford (Jim Shannon) wanted more contributions to be made, and auto-enrolment is clearly the answer to that. The hon. Member for Stroud (Dr Drew) wanted greater accountability for the Pensions Regulator, and I will write to him about that.

It is fair to say that my hon. Friend the Member for East Renfrewshire (Paul Masterton) is the No. 1 pensions expert in the House of Commons. He is very much after my job and I accept the challenge. I agree with a great deal of what he said. Likewise, my hon. Friend the Member for Solihull (Julian Knight) made a superb speech. He has bitten off an awful lot if he is going to solve social care on the back of a pensions revision, because that is a mighty challenge.

The hon. Member for Ellesmere Port and Neston (Justin Madders) is aware of the letter I wrote to him about Foster Wheeler. As for several other similar schemes in relation to pre-1997 indexation, I stand by that letter. We do not propose to intervene in a matter that is between the company and the individual employee. Clearly, however, I am happy to discuss that further with him.

I believe I have answered most of the points that were made. Clearly, this is a consultation. The White Paper is detailed and sets out comprehensively what we are trying to do, but we do not necessarily think that everything in it is perfect. We want to get people's views and opinions, and I value the opportunity to briefly sketch out some of the key points. I want the case of the hon. Member for Crewe and Nantwich to be made in future. I will take the product of this debate to the Pensions Regulator when I spend the afternoon in Brighton on Thursday. I thank her for her time and for securing the debate.

5.37 pm

Laura Smith: I thank hon. Members for attending this important debate. It is great to hear the Minister respond to the issues that I raised, and I thank him,

[*Laura Smith*]

especially for agreeing to meet me to discuss the ongoing issues at Bentley Motors. I also thank the hon. Member for Birmingham, Erdington (Jack Dromey) for his detailed response and for his continued efforts. I know he will continue to keep a close eye on the issue and to hold the Government to account.

Sustainable options need to be made available for smaller schemes, and I welcome some of the ambitious plans that the Minister and other hon. Members have clearly set out. My point was not that the policy should not be pursued, but that proper safeguards should be put in place to ensure that employers consider all the available options with a single focus on protecting the benefits for scheme members.

The debate has demonstrated that there is much common ground when it comes to defined-benefit pension schemes, which I welcome. I am also pleased that there

has been great continuity of policy from the last Labour Government, which I hope continues.

The contributions of hon. Members have been interesting and informative. It is an incredibly complex topic, and it is incumbent on all of us to learn from each other and from the wealth of experience and expertise outside of this place to ensure that the Government pursue an evidence-based approach to protecting pension benefits for all our constituents.

Question put and agreed to.

Resolved,

That this House has considered protecting defined-benefit pension schemes.

5.38 pm

Sitting adjourned.

Written Statements

Tuesday 10 July 2018

DIGITAL, CULTURE, MEDIA AND SPORT

Media Matters

The Secretary of State for Digital, Culture, Media and Sport (Jeremy Wright): This written statement is to update the House on the process and timings regarding the proposed merger between 21st Century Fox (21CF) and Sky Plc (Sky).

On 5 June, the previous Secretary of State made a statement to the House in which he set out his decision in relation to the proposed merger. He announced that having considered the Competition and Markets Authority's (CMA) report, he agreed with its findings on the public interest grounds and its finding that undertakings to divest Sky News to the Walt Disney Company (Disney) or to an alternative suitable buyer could potentially remedy the public interest concerns identified. Following the completion of discussions with the parties, on 19 June he published a consultation on the undertakings offered by 21CF along with new undertakings offered by Disney for the divestment of Sky News to Disney and the relevant subsidiary agreements. We received five responses to the consultation, which closed on 4 July.

Having taken over as the Secretary of State with responsibility for media public interest cases, I intend to keep to the timetable of informing the House this week of the final decisions and publishing all the relevant documents. I will do this by Thursday 12 July.

[HCWS842]

ENVIRONMENT, FOOD AND RURAL AFFAIRS

Post-June Environment Council

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Dr Thérèse Coffey): My noble Friend the Parliamentary Under-Secretary of State (Lord Gardiner of Kimble) attended EU Environment Council on 25 June in Luxembourg.

I wish to update the House on the matters discussed.
Directive on drinking water (recast)—policy debate:

The Council held a policy debate on the drinking water directive (8924/18), focusing on materials in contact with water (Article 10) and access to water (Article 13). Most member states, including the UK, did not agree with the Commission's proposed approach to Article 10—citing the need for EU level harmonised hygiene requirements and for the inclusion of all products from source to tap as a way to protect public health. Several member states and the Commission drew attention to the technical non-paper from the "4MS initiative" (France, UK, Germany, the Netherlands) as a basis for ongoing work.

On Article 13, several member states including the UK supported the principle of access to water, but raised issues of subsidiarity. Most member states called for greater flexibility, with some member states remarking that the directive was not the right place to address this

issue. Additionally, the UK drew attention to the importance of adhering to World Health Organisation guidance to underpin the proposal.

CO₂ cars and vans regulation—policy debate

The Council held a policy debate on CO₂ emissions from cars and vans (9728/18), with the presidency seeking views on the level of ambition and incentives for low and zero emission vehicles.

Council was divided into four camps; some member states pushed for over 40% reductions in fleet emissions; others, including the UK did not go as far as this group, but pressed for more ambition than the Commission proposal of a 30% reduction. Another group of member states supported the Commission proposal, while others thought that even this was too ambitious, and called for technological neutrality to help incentivise low and zero emission vehicles.

Council conclusions on the EU action plan for the circular economy

The Council adopted conclusions on the circular economy action plan (10221/18). Member states including the UK noted the importance of addressing single use plastics, with Lord Gardiner highlighting activities across the UK in this area.

AOB Items

The following items were also discussed under any other business.

Current legislative proposals

The Commission introduced four new legislative proposals: LIFE programme (9651/18); water post-June Environment Council reuse (9498/18); single use plastics (9465/18); and environmental reporting (9617/18). The Commission pushed for speedy consideration of the single use plastics and environmental reporting proposals in particular. Several member states welcomed the proposals, with particular focus on the plastics proposal.

EU Pollinators initiative

The Commission introduced the EU pollinators initiative (9744/18). This received support from several member states including the UK.

Management of chemicals and waste post 2020

Council noted the Swedish paper on establishing a high ambition alliance on the management of chemicals and waste (10104/18). This gathered support from a number of member states.

Convention on biological diversity

France introduced their paper on COP15 of the convention on biological diversity, urging member states to increase efforts to meet the targets on limiting biodiversity loss. This was welcomed by the UK among others.

Commission reports on recent international meetings

The Council noted the information provided by the Commission, Poland and Germany on several international meetings including EU for Talanoa, Ministerial on climate action (MoCA), and the ninth Petersberg climate dialogue. A small number of member states intervened to support EU climate leadership and ambition. The Commission welcomed their support, and noted that with the recently agreed renewable energy and energy efficiency targets, the EU would de facto be in a position to reduce its emissions by 45% by 2030 compared to 1990 levels.

CO₂ from heavy duty vehicles

The Commission presented their proposal for CO₂ emission standards for heavy-duty vehicles (8922/18), and called for agreement on the file before the end of the European Parliamentary term.

Paris agreement as an essential clause in EU agreements

France presented a proposal in relation to the Paris agreement and EU co-operation and political dialogue agreements, or in the absence of these, trade agreements. There was some discussion between member states and the Commission, and it was noted that further careful consideration of the proposal would be needed.

[HCWS840]

HEALTH AND SOCIAL CARE**Independent Medicines and Medical Devices Safety Review Update**

The Parliamentary Under-Secretary of State for Health and Social Care (Jackie Doyle-Price): In February, the Government announced the establishment of the Independent Medicines and Medical Devices Safety Review. Baroness Cumberlege is in the process of conducting the review into what happened in each of the cases of primodos, sodium valproate and surgical mesh, including whether the processes pursued to date have been sufficient and satisfactory, and to make recommendations on what should happen in future.

Baroness Cumberlege has reported to the Department of Health and Social Care an early finding of her review relating to surgical mesh. Following a number of engagement meetings with patients, she has concluded that there should be a pause without delay in the use of surgical mesh for stress urinary incontinence (SUI).

In letters to the Secretary of State, Parliamentary Under-Secretary of State for Mental Health and Inequalities, Parliamentary Under-Secretary of State for Health (Lords) and chief medical officer, Baroness Cumberlege has set out a number of conditions that should be met ahead of the resumption of mesh procedures used to treat SUI:

Surgeons should only undertake operations for SUI if they are appropriately trained, and only if they undertake operations regularly;

Surgeons report every procedure to a national database;

A register of operations is maintained to ensure every procedure is notified and the woman identified who has undergone the surgery;

Reporting of complications via MHRA is linked to the register;

Identification and accreditation of specialist centres for SUI mesh procedures, for removal procedures and other aspects of care for those adversely affected by surgical mesh; and

NICE guidelines on the use of mesh for SUI are published.

Ministers in the Department of Health and Social Care have taken advice from the chief medical officer and the senior clinicians in our health system on Baroness Cumberlege's recommendation.

Having reviewed Baroness Cumberlege's recommendation and having considered the NHS's progress in implementing the relevant NICE guidelines across the system, the chief medical officer and senior clinicians have concluded that we should institute a pause in the use of vaginally inserted mesh to treat prolapse and the use of tape or slings to treat stress urinary incontinence. They have concluded that this should be done through implementation of a high vigilance programme of restricted practice. They have advised that this approach will allow the NHS to put in place a consistent, high-quality service that adequately meets the conditions set out by Baroness Cumberlege. Both the chief medical officer and Baroness Cumberlege agree that we should not introduce a blanket ban of the relevant procedures, and that there will need to be some exceptions within the pause, within a high vigilance programme of restricted practice. The Department has accepted Baroness Cumberlege's recommendation, and the advice from the chief medical officer and senior clinicians.

NHS England is now working with other agencies in the system to implement the pause quickly and safely. A clinical advisory group is being established to ensure that appropriate measures are put in place to give effect to the high vigilance programme. NHSE will be writing to providers imminently.

NHS England and NHS Improvement will ensure that provider medical directors and nurse directors are equipped with timely advice and guidance to ensure that clinicians can support patients to make clear decisions about their treatment.

The Department will work with Baroness Cumberlege and senior clinicians in the NHS to act with pace on this decision. The Department is very grateful to Baroness Cumberlege and her review team for listening to the voice of patients and for intervening on their behalf; and to the chief medical officer and senior clinicians for their further advice and commitment to putting in place safe and effective changes for patients.

[HCWS841]

Petition

Tuesday 10 July 2018

PRESENTED PETITION

Petition presented to the House but not read on the Floor

Home Education: draft guidance and consultation

The petition of residents of Bristol East Constituency,

Declare that the “Home Education - Call for Evidence and revised DfE guidance” has been written following significant consultation with local authorities and no consultation whatsoever with the home education community; further that the consultation is consequently for little more than show as an intention to implement

the content has already been stated: further that it seeks to encourage local authorities to breach the ECHR Article 8 and the GDPR; and further that the report provides no accessible means for a parent to address ultra vires behaviour by their local authority, where many of those authorities already act routinely in an ultra vires manner.

The petitioners therefore request that the House of Commons urges the Government to withdraw the draft guidance and the consultation, until it has put in place an accessible and workable complaints procedure and further has consulted with home educating parents, as it has with Local Authorities, what the contents should include.

And the petitioners remain, etc.—*[Presented by Kerry McCarthy.]*

[P002199]

Ministerial Correction

Tuesday 10 July 2018

TRANSPORT

National Policy Statements: Airports

The following is an extract from the debate on National Policy Statement: Airports on 25 June 2018.

The Parliamentary Under-Secretary of State for Transport (Jesse Norman): The Government are committed to protecting and expanding these domestic routes, increasing them from eight to at least 14, and 15% of them will

serve domestic flights to deliver even more opportunities for greater connectivity across the UK, benefiting passengers and businesses. [*Official Report, 25 June 2018, Vol. 643, c. 718.*]

Letter of correction from Jesse Norman:

An error has been identified in my winding-up speech in the National Policy Statement: Airports debate.

The correct statement should have been:

The Parliamentary Under-Secretary of State for Transport (Jesse Norman): The Government are committed to protecting and expanding these domestic routes, increasing them from eight to at least 14, and **about 15% of new slots** will serve domestic flights to deliver even more opportunities for greater connectivity across the UK, benefiting passengers and businesses.

ORAL ANSWERS

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MINISTERIAL CORRECTION

Tuesday 10 July 2018

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