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PARLIAMENTARY DEBATES
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HOUSE OF LORDS

OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
Con Ind	Conservative Independent
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Lab	Labour
Lab Ind	Labour Independent
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Monday, 15 June 2015.

2.30 pm

Prayers—read by the Lord Bishop of Birmingham.

Oaths and Affirmations

2.36 pm

Lord Walker of Gestingthorpe took the oath, and signed an undertaking to abide by the Code of Conduct.

Electricity Supply: Decarbonisation Question

2.36 pm

Asked by Lord Whitty

To ask Her Majesty's Government what steps they are taking to decarbonise the electricity supply system in the United Kingdom, with which targets and over what timetable.

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, we are committed to doing our part to tackle climate change in line with the Climate Change Act. We want to do this as cost-effectively as possible to ensure that our energy is secure and affordable as well as lower-carbon.

Lord Whitty (Lab): My Lords, I thank the Minister for that reply. I am pleased to have my first encounter with him in his new position. However, I hope that he will ask his officials to give him slightly more detailed Answers. The Question refers to a timetable, and we need action on a number of fronts. By what date does he expect the coal-fired power stations to be phased out—that was a commitment of all three parties before the election—and when does he expect the Hinkley Point B power station to come on-stream to provide us with a new source of nuclear power?

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord for that welcome; I am sure it will be the start of a beautiful friendship, to revisit “Casablanca”. We anticipate that by 2025, unabated coal will account for only 1% of total generation. In relation to Hinkley B, which he also mentioned, the answer is 2023.

Lord Lawson of Blaby (Con): My Lords, I echo the welcome from the noble Lord, Lord Whitty, from this side of the House. In his reply the Minister referred to the Climate Change Act, which unilaterally imposes limits on carbon emissions for the United Kingdom. I am well aware that the Government wish to secure a legally binding global agreement on emission limitations at the United Nations Paris conference at the end of this year but, should that not prove possible, will he undertake to look seriously at abandoning or at least suspending our commitments? Unilateral masochism can make no sense whatever.

Lord Bourne of Aberystwyth: My Lords, there is no question of unilateral masochism on this issue. We are anticipating agreement in Paris; all the signs are very favourable. It is not just Paris, of course; we have to ensure that there is monitoring thereafter. There is no plan B for the United Kingdom or the rest of the world.

Lord Cunningham of Felling (Lab): My Lords, is it not obvious to everyone who has been engaged in these debates for many years that we have no hope of meeting the onerous impositions regarding climate change—including commitments from previous Labour Governments—without significant development of civil nuclear power? Why are there such repeated delays in the development of civil nuclear power in our country? Is the Minister not also concerned about recent reports that the French themselves, who are involved in our recent project, have found manifest failings in their own latest civil nuclear reactor at Flamanville?

Lord Bourne of Aberystwyth: My Lords, civil nuclear is certainly an essential part of our energy mix—I welcome what the noble Lord said about the Labour Party—and that continues to be the case. We are confident that Hinkley C will be delivered by 2023, and there are several other nuclear power stations in the line after that. Obviously, we learn from the French and the Finnish experience with regard to delivery.

Lord Purvis of Tweed (LD): My Lords, from these Benches I welcome the Minister to his portfolio. Will he ensure that the momentum established by the previous Administration in this field continues, and indeed goes further? Will he commit that if energy proposals are brought forward, Parliament will consider them—they could include the de-coaling of our electricity supply by 2025 as part of an ambitious target to halve energy demand by 50% by 2030, so that we can meet the aim of a zero-carbon Britain by 2050—in order to maintain the momentum that has already been established?

Lord Bourne of Aberystwyth: I thank the noble Lord for his kind comments. The ambitions for, and commitment of the Secretary of State and the Prime Minister to, this agenda are undoubted, and we will continue the work of the last Government in that regard. The targets and aims are ambitious, and we will share those with both Houses so that we can gain the consensus and achieve the momentum to take this agenda forward.

Baroness Worthington (Lab): My Lords, I, too, take this opportunity to welcome the noble Lord to his new post; I look forward to a fruitful relationship. I also take this opportunity to wish my noble friend Whitty a happy birthday. Can the Minister confirm whether the department has assessed the price implications of adopting a decarbonisation target for the electricity sector? That might well be a cheaper way of proceeding than the carbon price support mechanism we are currently using to try to phase out coal and make good on that pre-election pledge.

Lord Bourne of Aberystwyth: I thank the noble Baroness for her comments and belatedly offer birthday congratulations to the noble Lord, Lord Whitty; I have not had an invitation to drinks as yet, but no doubt that is in the post. On the noble Baroness's comments on decarbonisation of the electricity sector, we are convinced that the best way forward is the path we are currently set on. We are delivering through a combination of environmental policies, the ageing coal fleet and support mechanisms for renewables, and that remains the case.

Lord Flight (Con): My Lords, what are the Minister's views about the commercial viability of Hinkley Point? The increases in costs since the project was first envisaged have been very large indeed; might there not conceivably be cheaper ways of producing nuclear power on a smaller scale?

Lord Bourne of Aberystwyth: My Lords, as I have already said, it is vital that we deliver on the nuclear agenda, and Hinkley C is part of that agenda. We are convinced that the price mechanisms will deliver that, and thereafter the other reactors that are queued up, such as Sizewell. Obviously, we remain open to looking at other nuclear technology, but at the moment the aim is to ensure that we, together with EDF, deliver on Hinkley Point C.

Baroness Howarth of Breckland (CB): My Lords, does the Minister agree that efficiency is equally important in order to meet the targets? What is happening with the European electricity grid and developing a strategy right across Europe to share electricity at a better price?

Lord Bourne of Aberystwyth: I thank the noble Baroness for that question. I had the opportunity to visit the national grid and see how the interconnectors work; in fact, they proved vital when we were there, as we noticed, so that is an important part of it. Further interconnectors are coming online to Norway and to France, and they are certainly part of the Government's energy supply mix.

Public Service Broadcasting *Question*

2.43 pm

Asked by Lord Roberts of Llandudno

To ask Her Majesty's Government what proposals they have for funding public service broadcasting.

The Parliamentary Under-Secretary of State, Departments for Business, Innovation and Skills and for Culture, Media and Sport (Baroness Neville-Rolfe) (Con): My Lords, Ofcom is conducting a wide-ranging review of public service broadcasting. It will be published later this year and enable the Government to consider next steps for public service broadcasting. The review will be a key input into the BBC charter review. It will be comprehensive, open and a proper consultative process, and funding will be one of the issues on the agenda.

Lord Roberts of Llandudno (LD): Does the Minister understand the tremendous damage that the ending of funding via the BBC licence fee would entail? Twenty-seven World Service channels would be lost, and we could lose the Welsh S4C television channel because that depends on £76 million a year of funding from the BBC licence fee. When the Government consider this issue, I hope that those points will be borne in mind. What mandate do the Government have to introduce such far-reaching proposals when they received only 24% of the votes at the last general election?

Baroness Neville-Rolfe: My Lords, to give a constructive reply, we are keenly aware of the importance of S4C to the Welsh language and culture and to the creative economy, with programmes such as "Hinterland" going wider than Wales. We also support the World Service. The excellence of their programmes and the creative content will be considered as part of the charter review, which is getting under way and will be subject to a wide measure of consultation, covering all aspects and bringing in all groups around the country.

Lord West of Spithead (Lab): My Lords, BBC Monitoring has proved crucial over the years in advising our foreign policy and military operations. Is the Minister content that there will be sufficient funding to ensure that this key capability is maintained, not least because it is part of the special relationship with the Open Source Center in the United States?

Baroness Neville-Rolfe: The noble Lord is right: these areas are very important. The interests concerned will be taken into account in the wide-ranging charter review once it gets under way.

Viscount Colville of Culross (CB): I declare an interest as a producer at the BBC. During the period of the present BBC charter, more than £1 billion has been top-sliced for spending on purposes other than content provision. Does the Minister agree with the Culture Select Committee's suggestion regarding the next charter that income from the licence fee or the broadcasting levy be used only for the purpose of the broadcasting or production of public service content?

Baroness Neville-Rolfe: My Lords, as we know from discussion in this House, there are different views about what the money from the licence fee should be used for. That is why we are planning a wide-ranging review of the charter. These interests, along with others, will of course be taken into account and we will no doubt have many opportunities to debate the results.

Lord Naseby (Con): Will the review that my noble friend referred to cover the wider aspects of broadcasting and the Government's interests in, for instance, Channel 4? Is she aware that a great number of us feel quite strongly that the Government's investment in Channel 4 should be sold off?

Baroness Neville-Rolfe: My Lords, there are no current plans to privatise Channel 4 but we want to see it strengthened to compete successfully and to support the delivery of its public service obligations. Ofcom is examining Channel 4's current and future position as part of its review, which I mentioned in my first reply.

Baroness Benjamin (LD): My Lords, investment in children's public service content is dwindling. A crisis is looming because the main broadcasters are now showing just two hours of new children's programmes, down from 12 hours, and most of that is shown on the BBC. Given the threat to the BBC's budget and licence fee, will the Minister encourage Ofcom to report on this issue in its next PSB review and encourage commercial broadcasters to improve investment in children's public service content before it is too late? I declare an interest as a children's television practitioner.

Baroness Neville-Rolfe: My Lords, I share the noble Baroness's passion for children's TV, including that on the BBC—"Teletubbies" was a totemic part of my life. I assure her that we will be looking at these issues both during the Ofcom review and during the review of the BBC charter.

Baroness King of Bow (Lab): My Lords, I draw the attention of the House to the fact that I am a diversity executive at Channel 4. As such, I am well acquainted with some of the possible perils of government decisions in these areas. But on S4C funding, is not the anxiety well placed? Last time, the Government took decisions behind entirely closed doors and locked out not just the Welsh broadcaster but the Welsh people. Can the Minister assure us categorically that that will not happen again?

Baroness Neville-Rolfe: My Lords, as I have made clear, we are committed to a full and proper consultation. I actually think that S4C is fortunate in having funding from both the Exchequer, of £7 million per year, and the licence fee, of £75 million. The Government will certainly consider positively the funding for minority language broadcasting as part of the charter review.

Lord Grade of Yarmouth (Con): My Lords, in common with the rest of the nation, I am counting down the days to the publication of Ofcom's next review of public service broadcasting. Inevitably, the emphasis in a year of charter review is going to be on the BBC, but there is a whole wealth of what I would call heritage regulation in the private sector of broadcasting, in which I include Channel 4, that needs seriously looking at. That would release a lot of money for investment in British programming, not just at Channel 4 but at ITV and in the rest of the commercial sector, which is so overregulated, owing more to its past as a monopoly advertising broadcaster. It is time that we looked at the private sector just as much.

Baroness Neville-Rolfe: My noble friend makes a good and interesting point and I look forward to hearing the detail of his ideas in the coming weeks and months.

Lord Sherbourne of Didsbury (Con): Does my noble friend agree that, now that the World Service is financed by the BBC, it is in a much more secure position than when it was in the home of the Foreign Office?

Baroness Neville-Rolfe: My Lords, I cannot but agree with my noble friend. I was pleased to see that the audience figures actually increased by 10% to 210 million worldwide in 2015—an awesome bit of public diplomacy, in my opinion.

Schools: Health and Well-being

Question

2.51 pm

Asked by **Baroness Benjamin**

To ask Her Majesty's Government what plans they have to implement a whole-school approach to nutrition and the health and well-being of children.

Baroness Benjamin (LD): My Lords, I beg leave to ask the Question standing in my name on the Order Paper, and I declare an interest as the chair of the All-Party Group on a Fit and Healthy Childhood.

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, the Government already support a whole-school approach to nutrition and the health and well-being of children. Following the publication of the *School Food Plan*, we have brought in new school-food standards. Cooking is in the national curriculum for the first time and we have brought in universal free school meals for infants. Together with the other actions from the plan, including guidance for head teachers on a whole-school approach, we are helping to transform nutrition and food culture in our schools.

Baroness Benjamin: My Lords, to help tackle the UK's child obesity epidemic, we must have a national nutrition strategy, starting with school meals and the teaching of nutrition in all schools. This is the finding in the latest report of the All-Party Group on a Fit and Healthy Childhood, which is published today. To give children that long-term vitality, will the Government adopt a universal free-school-meals policy to ensure that the quality of food consumed tackles obesity and the rising cost to the NHS? Will they also consider a radical new approach to the teaching of nutrition in schools to empower children to learn about a healthy diet? Finally, will the Minister meet me to discuss further findings in the report, which is entitled *Food in School and the Teaching of Food*?

Lord Nash: My Lords, I welcome today's report by the All-Party Group on a Fit and Healthy Childhood. I commend the noble Baroness's work in championing these issues and would be delighted to meet her on this.

Following the successful introduction of universal free school meals for infants last September, all school children have the opportunity to eat a healthy, nutritious lunch. This Government's manifesto supported the continuation of this policy. However, we are in a tight fiscal position and have no plans to extend it. Throughout primary schooling and until the end of key stage 3, food and nutrition education is already a curriculum requirement and, as part of Ofsted's new common assessment framework, inspectors will consider how schools and school leaders are promoting healthy eating across the school. The Government's manifesto committed to taking action on child obesity, and I know that this is a key focus for both the Prime Minister and the Secretary of State for Health. The Government will put forward their plans to address the challenge of obesity in due course, and plan to publish a national obesity framework before the end of the year.

Lord Campbell-Savours (Lab): My Lords, cigarettes damage health, so we introduced taxes to put the price up and save lives. Why can we not target certain types of food and drink in exactly the same way?

Lord Nash: We certainly do target certain types of food in schools, such as crisps, as being unhealthy. That is what the school food standards are all about. As for taxing sugar et cetera, that, I am afraid, is rather out of my ken.

Baroness Finlay of Llandaff (CB): What are the Government doing about vitamin deficiency among children, given that the CMO's report recommended the Healthy Start vitamin programme and that 40% of young children are thought to be vitamin D deficient, particularly as the deficiency may be linked to the metabolic syndrome and high blood pressure? It has even been suggested that a vitamin D supplement may improve some of the core symptoms of autism, which can create major behavioural issues in a classroom.

Lord Nash: The noble Baroness raises an extremely important point. I shall discuss this issue with the Department of Health and ensure that she receives a full written reply.

Baroness Hollins (CB): Does the Minister agree that it is time for a ban on the marketing of unhealthy food and drink to children and young people?

Lord Nash: I am not sure that I would go that far, frankly. The best way is to educate children in school as to what is healthy food and allow them to make those choices for themselves. We are making strong movements in this regard.

Baroness McIntosh of Hudnall (Lab): My Lords, I am sure that most Members of this House and many other people would accept that providing healthy food in schools, particularly to very young children, is an entirely laudable aim. What information does the Minister have about schools that are struggling to deliver this, both practically and financially, and what help is being offered to those that are having those problems?

Lord Nash: We have provided £185 million for cooking facilities for schools and we are training cooks in this area. More schoolchildren have this opportunity. It is reaching 85% of schoolchildren. Not all take it up—not all have been in school on the day in question—but it is receiving comprehensive coverage.

Baroness Brinton (LD): My Lords, much of the focus has been on mainstream schools and children's nutrition. The pupils at Critchill special school in Frome grow their own vegetables, have chickens and manage their own eggs. On the day I visited they were making a tasty soup from their own vegetables and using maths, English and other skills. Is this excellent example of whole-school nutrition in special schools being disseminated elsewhere in the country?

Lord Nash: The noble Baroness raises an excellent point, particularly in relation to schools for special educational needs. I know that caring for animals and growing plants can be very helpful. The *School Food Plan* refers to all schools being encouraged to have plant-growing programmes. I can assure her that across the country there are many other examples of what she has talked about.

Lord Touhig (Lab): My Lords, I am sure that the Minister will have heard the wake-up call from the head of NHS England, Simon Stevens, last week when he told us that one in 10 children are obese when they begin primary school, and that that rises to one in five when they leave. Currently we spend more on obesity-related healthcare than we do on the police, the Prison Service, the fire service and the criminal justice system. Does he agree that child obesity cannot be tackled in isolation? What do the Government propose to do across all departments so that we have a proper strategy to respond to what Mr Stevens now calls the new smoking?

Lord Nash: I agree entirely with the noble Lord about the seriousness of this issue. We are doing what we can in schools. As I said, this is a key focus for the Prime Minister and the Secretary of State for Health. Many of my department's priorities are designed around the need to reduce childhood obesity. However, despite our programmes, it still seems to be an issue. We will be publishing our plan on this shortly.

Lord Elton (Con): My Lords, when my noble friend receives the copious briefing on sugar that he would expect after this debate, could he make sure that he also pays close attention to the substitutes that may replace it when it is reduced in consumption and what the effect of those is on the health of the people who consume them?

Lord Nash: I assure my noble friend that I shall make sure that that happens.

Scotland: Block Grant Question

2.59 pm

Asked by Lord Foulkes of Cumnock

To ask Her Majesty's Government what changes they propose to the calculation of the block grant to Scotland, in the light of the recent and proposed increased tax-raising powers of the Scottish Parliament.

The Parliamentary Under-Secretary of State, Scotland Office (Lord Dunlop) (Con): My Lords, as set out in the cross-party Smith agreement, the Scottish Government's block grant will be reduced to reflect their increased tax powers. The UK and Scottish Governments have agreed to work to finalise the new fiscal framework by the autumn, alongside the passage of the Scotland Bill. The Barnett formula will continue as part of these arrangements, but as the Scottish Government will become more than 50% self-funded, changes in their funding will increasingly reflect changes in Scottish tax.

Lord Foulkes of Cumnock (Lab): My Lords, it is good to see a Scotland Office Minister answering on behalf of the Treasury. Will he agree with me that, as long as any part of the expenditure of the Scottish Government is covered by a block grant, they will find a way of blaming Westminster either for cuts in expenditure or increases in taxes? Therefore, is it not time that the Government thought seriously about setting up a constitutional convention—or commission or convocation, whatever they would like to call it—which would look at all aspects of the governance of the United Kingdom, including full fiscal responsibility for every Parliament within the United Kingdom?

Lord Dunlop: My Lords, the noble Lord may well be right that the SNP Government will seek to continue to blame the United Kingdom Government, but the people of Scotland would certainly blame the UK Government more if we landed them with a £10 billion funding gap, costing every family in Scotland £5,000 in higher taxes or spending cuts. That would be the price of full fiscal autonomy. The Government cannot support such a plan because we do not believe that it would be good for Scotland. We want a balanced settlement fair to all parts of the UK and our priority is to deliver the Scotland Bill, which will make Holyrood one of the most powerful and accountable devolved Parliaments in the world.

Lord Lang of Monkton (Con): My Lords, I congratulate my noble friend on the way in which he managed to imply fairness to a block grant calculation system that bears no relation to, or has any connection with, any needs assessment relating to the other parts of United Kingdom. Can he tell the House how he expects the no-detriment principle enshrined in the new Scotland Bill to apply in a way that does not inhibit the viability of individual parts of the United Kingdom from pursuing policies and expenditure that departs from the UK norm?

Lord Dunlop: I thank my noble friend for that question. The simple overarching principle is that neither Scotland nor the rest of the United Kingdom should gain or lose financially as a direct consequence of implementing the Smith agreement. There are two aspects to this. First, at the point of devolution, the tax and spending block grant adjustments made to reflect the transfer of powers should of themselves leave funding for Scotland and the rest of the UK unchanged. Secondly, post devolution, both the UK Government and the Scottish Government should bear the risks and reap the rewards of their own policy choices. That will strengthen fiscal responsibility and accountability. How these principles work in practice must be discussed and agreed by the UK Government and the Scottish Government, but the fact that the principles are agreed by all five of Scotland's political parties is a helpful starting point.

Lord Richard (Lab): My Lords, the noble Lord said that he is anxious to get a settlement that is fair to all parts of the United Kingdom. Will he please remember Wales when he is talking about keeping block grants and being fair? The Barnett formula has proved detrimental to the economy of Wales ever since it

started. Is he also aware—and if he is not, he should be by now—that a committee of this House recommended very strongly not too many years ago that the Barnett formula should be looked at again because, as the noble Lord, Lord Lang, just said, it is totally unrelated to need. It is perfectly possible to produce a fair formula that is based on need and it is high time that the Government did that.

Lord Dunlop: My Lords, we are very mindful of the funding needs of Wales. Obviously, Welsh funding was the subject of the Holtham review and, according to the criteria set out by Holtham, Wales is not currently underfunded. For the foreseeable future, per-head funding is unlikely to converge with that of England in the near term. The UK Government have committed to introduce a funding for Wales that will ensure fair funding for Wales.

Lord Stephen (LD): My Lords, is there not now a clear opportunity to create a new cross-party consensus for a constitutional convention to look at the whole of the United Kingdom on these issues? We have seen concern from Wales, and today the SNP lodged amendments that back away from full fiscal responsibility and simply want to give power to the Scottish Parliament to implement it at some point in the future. Doubtless, that is due to the fact that it involves the scrapping of the Barnett formula and £7 billion per year of cuts to public services in Scotland or increased taxes in Scotland. Is it not now time, building on the Smith commission and reflecting the outcome of the election in Scotland, for there to be at least an attempt at a cross-party consensus that would involve the nationalist parties to try to work together for a fairer settlement for the whole of the United Kingdom?

Lord Dunlop: My Lords, the Smith agreement was, of course, an all-party consensus. We have an extensive package of constitutional reform for all parts of the United Kingdom and our priority is to deliver on the constitutional commitments that we have made. We want a balanced and fair settlement across the United Kingdom. I am sure that there will be a lively debate on what more can be done, which the Government welcome wholeheartedly.

Lord Davies of Oldham (Lab): My Lords, has the Minister not been convinced by the contributions in the House today that it is clear, to take into account the implications for all parts of the United Kingdom, in particular as far as Scotland is concerned, which would start off with a very significant deficit if it went for full fiscal responsibility—it also has to come to terms with the very significant drop indeed in oil revenues that are now predicated—that we need a United Kingdom-wide convention on these issues?

Lord Dunlop: I thank the noble Lord. As I have said, our priority is to deliver the commitments that we have made. Of course we will listen to other ideas. As I have said, there will be a lively debate, including in this House. We will listen very carefully to what noble Lords and others have to say on this matter.

International Development (Population Dynamics) Bill [HL]

First Reading

3.06 pm

A Bill to require the Secretary of State to consider, before providing development assistance, its likely impact on population dynamics.

The Bill was introduced by Baroness Tonge, read a first time and ordered to be printed.

Trade and Investment

Motion to Take Note

3.06 pm

Moved by Lord Maude of Horsham

To move that this House takes note of Her Majesty's Government's support for trade and investment and the contribution such support makes to economic growth.

The Minister of State, Department for Business, Innovation and Skills & Foreign and Commonwealth Office (Lord Maude of Horsham) (Con) (Maiden Speech):

My Lords, this short debate covers the range of my new ministerial responsibilities, but also affords me the occasion for my maiden speech in your Lordships' House. I was going to say, "in this unfamiliar Chamber", but as I look around it, the less unfamiliar it seems. It is full of familiar and, I hope, friendly faces. I hope that by the time I sit down they will be no less friendly than they are now.

It is a huge responsibility to be a member of the legislature of a great nation. I was privileged to serve for 27 years in the other place. My late father served a similar period in the House of Commons. Like me he left it twice, although in his case both departures were voluntary; in my case, the first was not—I was liberated by the electors. In my father's first departure from the House of Commons he did not just leave Parliament, he left the country as well, with the result that my first school was in Sydney, Australia.

I have been through a number of careers on my journey to your Lordships' House. I have been a barrister and an investment banker as well as a politician, but public service has always held a very strong allure. Twenty-two of the 27 years I spent in the House of Commons were on the Front Bench, for the last five years as Minister for the Cabinet Office, where I led the Government's efficiency and cost-saving programme. In the last financial year we saved some £20 billion compared with 2009, and the Civil Service was like-for-like 21% smaller. It was essential for the success of Civil Service reform—which is, and always will be, a work in progress—that it commanded strong support right across the political parties. It would not have been possible to make even the progress that we did, in the face of significant institutional resistance, without such cross-party support. I shall endeavour to secure the same wide-ranging support in my new role.

I thank noble Lords for the warm welcome that I have received since arriving in this House, especially my noble friends Lord Hurd and Lord Forsyth, who supported me on my introduction. I also very sincerely thank all the staff and officers of the House for their unstinting assistance and welcome.

I am an unreconstructed free trader. As a trade Minister in the late 1980s, under the leadership of my noble friend Lord Young of Graffham, I negotiated the arrangements for the 1992 deadline for creating the European single market. Britain was then the doughtiest proponent of the most open and liberal approach—I would say the approach closest to that of the founding fathers of the Common Market. More than 20 years later, there is still much to do to complete that single market.

The point we made then was that the world was becoming ever more competitive. It was true then and is doubly or trebly true today. Today's world is increasingly globalised and digital. Time zones and borders no longer present the same barriers to overseas trade, so we need to press ahead with removing state-imposed barriers to trade. The world, and especially Europe, is hungry for growth and jobs. We know that trade creates jobs. Some 31 million jobs in the European Union—more than 14% of EU employment, up by two-thirds since 1995—are linked to sales to the rest of the world. These jobs are in general more productive and better paid than those in the rest of the economy.

Of course, we know that the ideal is a multilateral agreement within the WTO framework. We will continue to work with our partners for a successful outcome to the Doha round at the ministerial meeting in Nairobi in December, but we should not hide from ourselves how challenging such an outcome will be. In the mean time, the European Union can, and should, press ahead with bilateral free trade agreements. It is clear that these can work for Britain. For example, since the provisional application of the EU-Korea free trade agreement in 2010, British exports to Korea, excluding oil, have increased by 54%, including an 87% increase in car exports and a tenfold increase in sales of jet engines. We believe that current and potential trade agreements could over time benefit Britain by more than £20 billion a year.

The contribution of international trade to growth and jobs in Britain is likely only to increase in the years ahead—90% of global economic growth in the next 10 to 15 years is expected to be generated from outside Europe, one-third of it in China alone. We have to turbo-charge the EU's trade agenda to bring about the economic benefits of these trade deals as quickly as possible.

We have to complete the live negotiations, get moving on stalled negotiations, and launch new negotiations with key economic partners. That means implementing the EU's free trade agreements with Canada and Singapore, concluding negotiations with the United States, Japan and Vietnam, revitalising talks with India and Mercosur, which in both cases have run on for far too long, launching new negotiations with Australia and New Zealand on new free trade agreements; and negotiations with Mexico and Chile on modernising our existing free trade agreements. Moreover, we need

now to move towards negotiations on a free trade agreement with China. This matters, of course, for the developed world, but opening up international trade is central to development and poverty reduction across the world, and should play a key role in the post-2015 development agenda. Britain's strong position on overseas aid, as one of the very few Governments to deliver the UN target of 0.7% of GDP, gives us real moral authority in promoting this.

Britain at its best has always had a very open economy. Major British companies have been ready to invest overseas, and have been successful by and large in doing so. We are, of course, very open to investment from overseas. We are today the No. 1 location for foreign direct investment in Europe and second only to the United States in the global rankings. Britain is seen to be a great place to do business. The World Bank reports that it is easier to do business in the UK than in any other major European economy.

Of course, there is more that we can and should do. We want to make the UK the most open, welcoming and business-friendly country in the world—the place where people and companies want to put their ideas, energies, money and talents to work. That means: continuing to cut red tape and regulation for businesses; supporting London as the world's leading international financial centre; continuing to build world-class infrastructure; 21st-century skills and knowledge; and a tax system that supports growth and innovation and rewards hard work and success.

In 2014 we secured more manufacturing projects than Germany, which was a significant achievement for our manufacturing industries. The UK hosts more Chinese investment than Germany, France and Italy combined. Britain created more jobs through foreign direct investment than any other country in Europe. It is a good story but there is much more that we can and will do.

Exports account for 30% of Britain's economy. One in four UK jobs is linked to exports. Companies that export tend to perform better; they tend to be more productive, more innovative and more likely to stay in business than non-exporters. But if performance on inward investment is good, our export performance lags behind. Exports stand at an annual value of around £500 billion, generated by 223,000 companies. While the proportion of British companies exporting is comparable with Germany and France, our performance on exporting goods lags well behind the services sectors. In particular, the average export value of goods is lower, significantly so among medium and larger companies. Almost half of companies exporting goods and services have done business in fewer than five countries. A recent study suggests that, based on past experience, around half of those exporting today might be expected to quit exporting within six years.

We can do better than that. It cannot be for UKTI and UK Export Finance, admirable though these organisations are in many ways, to carry the sole burden of supporting exports. The whole of government needs to be mobilised behind our exports drive. In recent years the Foreign and Commonwealth Office has strengthened its support for exporters but can do more. We need all our overseas posts to show the same

relentless focus on Britain's commercial and economic interests that the best already show. All home departments that engage with business sectors should be responsible for ensuring that government is helping and encouraging businesses to explore overseas markets. We need to make the most of all those willing to fly the flag for British business abroad, and I especially thank all those Members of both Houses who act as unpaid trade envoys. Our business ambassadors also play an important role.

We have doubled our exports to China in recent years but, in truth, we are only scratching the surface of that gigantic market. We are spending £20 million to support first-time exporters. But there is much more that we can and will do. We need to use digital channels to get information to companies in a simpler and faster way. I am looking forward to launching a national campaign this autumn to encourage more British companies to internationalise their business.

Investment and exports are vital but they do not represent the entirety of the ways in which British businesses and our economy benefit from international engagement. The UK-Israel Tech Hub is an innovative approach that focuses on helping to bring together potential partners, which may not directly result in substantial investment or immediate formal exports but none the less builds strength through synergies. There is already one UK-China tech hub, and we need to be quick to build similar new ways of extending the reach of British business.

Your Lordships' House contains a wealth of experience and knowledge on all these matters, and I look forward to the comments and suggestions of noble Lords during the debate. I beg to move.

3.19 pm

Lord Stoneham of Droxford (LD): My Lords, it is my pleasure and role this afternoon to welcome the noble Lord, Lord Maude of Horsham, and to congratulate him on his wide-ranging and very informative maiden speech on international trade. As the noble Lord has told us, he is part of a remarkable political dynasty, his father having been a Member of this House between 1983 and 1992. As he also told us, he spent 27 years as an MP in two places, North Warwickshire and Horsham. I think he was very unlucky to miss promotion to the Cabinet after the 1992 election, when he lost that marginal seat of North Warwickshire. However, patience finally had its reward; 18 years later, he played a major role in the coalition Government. Again, he was probably slightly disappointed that it was Liberal Democrats who blocked him from full membership of the Cabinet, but he did attend the Cabinet and of course played a key role as Paymaster-General and Minister for the Cabinet Office.

The noble Lord, Lord Maude, was at the heart of the Government's modernisation plans. Whether you think that he achieved £10 billion or £20 billion of savings through the government service, it was a remarkable achievement. He also oversaw the Government's transparency agenda and created the Government Digital Service. I notice that a number of very senior Members of this House were somewhat stirred up by his remarks on Cabinet reform, and I should warn him that whenever we discuss change in this House it arouses very strong feelings. His experience in Parliament, government

[LORD STONEHAM OF DROXFORD]

and business will be very valuable to us in this House, and I am sure that, with those experiences, his contribution in his current post as Minister of State for Trade and Investment will be of great interest to us in the coming months.

In the week celebrating the national historic events of Magna Carta and Waterloo, it may seem odd to link those events to this debate on international trade and investment. Magna Carta dabbled in matters of trade as well as in its more well-known subjects of taxation and curbing absolute power. Lord Howe of Aberavon, who is sadly no longer a Member of this House, often reminded us that Magna Carta called for one system of weights and measures to ensure fair trade and that we have never actually achieved it. There is little point now in considering legislation on trade, or even on industry, unless it has an international dimension and takes full account of what is happening in the global marketplace.

Waterloo is often seen these days not simply as a defeat of the French but as an event underlining the importance of co-operation with the Germans. Angela Merkel is often portrayed as the Marshal Blücher of her age, coming to rescue our Prime Minister in the EU negotiations, inevitably at the last moment. In fact, the origins of the Napoleonic Wars were in the trade blockade imposed by Napoleon on the UK: the famous, or infamous, continental system. Nelson's Navy had to gain control of the seas so that Wellington could conduct the land war and free up our trade. These days, we have to play our full part as a member of the EU to make sure that we achieve free trade.

Today, my proposition is that national law alone, or national initiatives on their own, cannot begin to influence international trade. We cannot raise our taxation without having regard to international competitiveness, and still as a major trading nation we have a major interest in free trade and the elimination of all forms of trade protection. We might have once sent the gunboats to free up our trade, but today, with not enough naval ships to defend in a flotilla even our one aircraft carrier—let alone the two that we are to going to have—we have to find other ways of wielding the big stick in international trade negotiations.

We have to rely on our competitive advantage in the Diplomatic Service and in entrepreneurialism. The growth of jobs that has been achieved in the last few years in the UK says much for that entrepreneurial talent, the expertise of our inventors, the expertise of our universities and the skills therein. These are all forms of our competitive advantage in international trade going forward. As a small country, we have to fight above our weight, which internationally and historically we always have. We have to use that influence today, particularly in the EU.

Among the items in the government agenda, the first thing that the Government rightly have to achieve, having made the commitment, is to see through the European referendum as quickly and speedily as we can. Personally, I think complex decisions like that should be made by Parliament, but the electorate has decided. The referendum will not resolve matters. Referendums rarely do, as Scotland showed last year, and indeed as the referendum showed in 1975. Nor will

it help the government party, as it did not in the 1970s. They do not resolve difficulties but often exacerbate divisions within political parties. However, while this is not resolved, it will deter investment by our industry in trading markets throughout the world.

Of course Europe needs reform, but it has to make sure that it makes its own industries and countries more competitive and that they work better in international markets. Not least, we have to complete the single market, particularly in digital and service trades, which could benefit the competitive advantage of those sectors in this country. Could the Minister tell us in his closing remarks the sort of timetable he now thinks we will be pursuing in the EU to achieve these important reforms and developments?

We have to use our influence in the EU to enact the Transatlantic Trade and Investment Partnership, which will set global standards for products and regulations. I cannot see the American Congress responding simply to the UK on its own, and I think that many join me in that. Other successful trade negotiations will require our membership of the EU; that is where the clout is. The alternatives to the EU do not stack up: outside Europe we would have little influence and we would follow the rules of trade that were being imposed from within the EU but without having any influence on them. We would still, like Norway and Switzerland, have to foot the bill for the EU, but with no say.

Our ultimate objective at this time, as well as negotiating the referendum proposals, is to achieve a greater balance in our economy and complete the work of the five years of the coalition Government. The trade deficit has to become as much a concern as the overall spending deficit, so that trade and investment contribute more to growth than consumer demand fed by credit and encouraged by high house prices. We know where that route leads, which is why we have to have greater balance in our economy. Our world position has to be enhanced by economic strength, building on the job creation and the entrepreneurial talent displayed in the past few years. As the UK understood in 1815, our future economic prosperity and security lie at the heart of Europe.

Lord Pearson of Rannoch (UKIP): My Lords, could the noble Lord tell your Lordships, in view of his peroration, how countries that are not in the European Union—the USA, China, Japan, South Korea and others—manage to trade very successfully with the European Union without actually being in it?

Lord Stoneham of Droxford: They trade successfully because they started almost from scratch. We have had to deal with an economy that was not completely destroyed in the war. They have had the competitive advantage. For many years we stayed outside Europe when we could have had it as a major market on our doorstep, and we did not make the most of it by joining in the first place.

3.29 pm

Lord Davies of Stamford (Lab): My Lords, I agree very much with what the noble Lord has just said about the European Union. It is a great pleasure to be the first from the Labour Benches to be able to congratulate

the noble Lord, Lord Maude, on his maiden speech, which was characteristically informative and—perhaps not characteristically but certainly quite notably for anybody who knows the noble Lord as I have for many years—unpartisan. We very much look forward to his contributions to this House. I do not want to be hypocritical. The noble Lord and I have known each other for a long time, we have not always agreed and we certainly did not always agree when we were members of the same party. We did not agree about matters such as Europe and economic policy even when we were members of the same Front-Bench Opposition team in the other place. That was a bit awkward because the noble Lord was shadow Chancellor at the time and I was shadow Paymaster-General. Nevertheless, I have always respected the noble Lord because he is a politician who believes in something. That is not always the case, as we know. He has always had an agenda. It might not have been mine, but there always was an agenda and I always had high personal regard for him on those grounds. In that respect—as well as the many other talents he has—he is very much in the tradition of his father, whom I met in 1977 when he was kind enough to come and support me in my first election, the Ladywood by-election. I have the fondest memories of his father, and many people in the House who were good friends of Angus Maude will have been delighted to have heard his name mentioned again today in his son's maiden speech.

The noble Lord takes over his very important brief at a time when our trade is not in a very healthy state at all. We have a current account deficit of 4.2% and rising—that was the figure for 2013; I have not seen the figure for 2014—and it has actually doubled since 2010. That is a very worrying, chronic balance of payments deficit. Why is it a problem? Clearly, it means that we are consuming more than we are producing. We are building up international liabilities. We certainly do not have any problem financing those at present. There are a lot of portfolio flows into this country. People are buying apartments in Mayfair and so forth. Foreigners are buying gilts because there is a considerable yield premium on gilts in relation to other prime European sovereign credits. All that is fine, but we know that these flows are very volatile over the long term. They can go backwards as well as forwards, and it is not good to be in a chronic and permanent major current account deficit. Indeed, it simply cannot go on. What do we do about it? That is a matter which the House should focus on and the noble Lord has given us a good opportunity to do exactly that.

Some people would say that the obvious answer if you have a current account deficit is to increase the savings ratio. But you cannot increase the savings ratio just like that, and if you could the solution would involve substantial reduction in consumption, which is hardly welcome news to the people of this country and hardly a policy the Government would want to propose. What one needs to do is to turn it round the other way and to make sure that we are increasing output per person—in other words, increasing productivity. I put it to the noble Lord that that is the most important task at present facing anybody with any responsibility whatever for the economic governance of this country. I am extremely worried that the Government do not

seem to appreciate that. We heard nothing about productivity before the election campaign from the Government, and we have heard a few things about it since but they are extraordinarily misinformed. I was absolutely horrified—I must put it very frankly; there is no hyperbole in using that term—this time last week in this House to hear the noble Lord's colleague, the noble Lord, Lord O'Neill of Gatley, say,

“Germany, which is generally regarded as successful and whose measured productivity has been even weaker than ours in the past few years”.—[*Official Report*, 8/6/15; col. 628.]

I repeat,

“weaker than ours in the past few years”.

That is what the government colleague of the noble Lord, Lord Maude, said in this House last Monday. How can he possibly have been so ill-informed?

Of course, productivity is measured by professional statisticians, be they in the OECD, the IMF, the European Commission or indeed our own national statistical service. I have before me the latest statistical bulletin dealing with these matters, issued by the Office for National Statistics on 20 February 2015. I will quote from the paragraph headed “Current price productivity” on page 3, which states that,

“UK productivity in 2013 was ... Lower than that of France, Germany and the United States by 27-31 percentage points ... Lower than that of the rest of the G7 by 17 percentage points”.

It is a deeply worrying and shameful record—and what is even more worrying and shameful is that the Government do not seem to realise it. I have to say that the comment in this House of the noble Lord, Lord O'Neill, shows either the most colossal ignorance, the most colossal complacency or the most colossal cynicism. I hope that, before the end of this debate, we will hear from the government side some explanation of this extraordinary state of affairs, because they are denying reality.

We must do something about productivity. How do we do that? The classic answer is that you increase investment per employee. How do we do that? That is the question to which we should address our minds this afternoon. The popular view of investment is that it consists of purchasing plant and equipment and applies only to manufacturing industry. That is doubly wrong. It does not consist just of purchasing plant and equipment; it could consist of purchasing buildings, software or licences, or investing in human capital by setting up training programmes for employees. All this is investment, which is defined simply as money that you spend in the current period not for some gain in that period, nor to be able to consume it or generate profits in that period, but for the opportunity to make profits and enjoy consumption in the future. That is the simple definition of investment that I think the whole House will agree with.

The question is how you go about enhancing those things. All of them are very important. Let us take the service sector. A restaurant that invests in a new digital ordering system increases productivity by purchasing equipment. A garage that invests in a new electronic diagnostic system for dealing with cars is in the service sector but is making a capital investment that will increase productivity. Employees will have to be trained to use these things. These businesses are investing in

[LORD DAVIES OF STAMFORD]

human capital and increasing productivity as a result. I remember well that in my business days my shareholders paid quite a lot of money for me to spend a month on an intensive course to improve my German. It turned out to be a very good thing for my subsequent productivity. They spent another large amount of money sending me on the advanced financial programme at INSEAD, and I have not the slightest doubt that that, too, increased my productivity. Investment in human capital is extremely important and we need to make sure that we have in place incentives that drive all these forms of investment. The last Labour Government introduced, at the behest of Gordon Brown, special tax credits for research and development. They have proved to be a very good incentive and have made a very useful contribution.

There is a strange tax anomaly in the area of investment. Tax follows the rather artificial conventions of the accounting profession; certain forms of investment are regarded as investment and certain forms are regarded as current spending. If you invest in software, you can write it off as an expense in the current period, but if you invest in hardware, you cannot: you have to depreciate it over its useful life, or over a maximum of four years. So there are many anomalies in these matters, and my first suggestion for the noble Lord is that he discusses with his Treasury colleagues the possibility of introducing a system of 100% write-offs for capital equipment by investing businesses, irrespective of whether they are in the manufacturing sector or the service sector. That would be a useful incentive to increase investment. It should be done not just as a gimmick or for a short period, which would distort investment flows; but over the long term. This would be logical, because it would be treating investment of that kind as a current expense, which is how other forms of investment are treated.

The second thing the noble Lord could do is something he has already touched on. It is enormously important for investor confidence in this country that it becomes clear as soon as possible that we shall remain part of the European Union. The noble Lord talked about all the trade agreements which the European Union has around the world and how important they have been in enabling us to increase our exports, and he is absolutely right. I think I am right in saying—the noble Lord will correct me if I am wrong—that the European Commission has so far negotiated, or is in the process of negotiating, about 45 trade agreements with other countries or trading groups around the world. That is a very considerable achievement. It takes many years, as he knows very well, to negotiate any of these agreements. An enormous amount of effort is required, even when you have the whole weight of the European Union behind you with an enormous incentive to any counterparty to come to some arrangement.

If we left the European Union we would lose overnight the opportunity to benefit from all those trade agreements. What an absolute nightmare that would be. We would have to set up, start again and persuade all those countries to negotiate some separate deal with us, which many would not have the time or patience to do. They would have other, greater bureaucratic priorities, and if they did so at all they would demand a sort of

payment—some concessions which they would not have expected to receive from the European Union as a whole. It would be a very bad day's work for us, and it is very important that the uncertainty that now exists is remedied, so the second thing the noble Lord could do for investment is to talk to his colleagues and make sure that, now that we are going to have this referendum, we have it as soon as possible to limit to the minimum amount of time the economically damaging uncertainty which we now face.

Thirdly, if the noble Lord wants to do something about productivity, he should speak to those of his colleagues who are responsible for infrastructure. We are taking far too long to build necessary infrastructure, such as the new high-speed train. It should have been built years ago. What is absolutely appalling is the uncertainty about the future of the London airports system. Airports are extremely important for investment decisions, for the location of investment, management and important organisations within firms, particularly R&D and marketing companies and so forth, and these are people who need to travel a lot; if you do not have a good airline hub close to where you intend to locate them, you will not locate them there. In many cases, these people are extremely highly paid and are therefore extremely productive, and that is very important for trying to increase output per man or woman and productivity in the economy. The uncertainty about the new runway at Heathrow—which is quite disgraceful and had we had a Labour victory in 2010 it would have been built by now—must not be allowed to run on any longer. I hope that the noble Lord will have a very positive influence with his colleagues on these important matters in the months and years to come. I am sure that we will enjoy many debates with him on these important issues.

3.42 pm

The Earl of Caithness (Con): My Lords, it is a great pleasure to welcome my noble friend Lord Maude of Horsham and congratulate him on that fine maiden speech. It is also a pleasure to have another member of the former Paymaster-Generals club in this House. We are a small band, but I am glad that we are all here.

In the past five years, the coalition did well, but this Government need to do better and have the opportunity to do so. I welcomed the overseas business network initiative launched by the Prime Minister late in 2012. Will my noble friend tell the House what progress there has been towards doubling UK annual exports and increasing the number of UK exporters, and if and when the Government are going to implement some or all of the Cole commission report, which is an important step in the subject we are discussing?

Our Government can do only a little to support trade and investment by themselves. The rest is setting the scene. The noble Lord, Lord Davies, mentioned infrastructure. When the Government have set the scene, it is up to businesses themselves and, importantly, other countries in the rest of the world and their attitudes.

My noble friend covered trade with the rest of the world fairly extensively. I want to focus on trade with the EU, which accounts for about half our trade. We are part of a market of some 500 million consumers.

Peace and stability is fundamental to trade, and there is no doubt that the EU has helped to keep Europe pretty well free of war for nearly 60 years, in marked contrast to the previous 60. The peace that we take for granted is not something that our parents or grandparents or earlier generations could. As for stability, I, too, would say how concerned I am about the referendum last year in Scotland and the upcoming referendum on the EU. That is destabilising—it is bad for trade and for investment.

Having said that, I think that we are incredibly lucky, but not everything is rosy in the garden. In the negotiations that the Prime Minister is carrying out with other countries, it seems that the red line for them is the free movement of people. That was one of the objectives of the treaty of Rome and the EU treaty. Another objective was to create an internal market where competition is free and undistorted. If we want to play the game of red lines, that should be a red line for us. Of course, we will not in our lifetime see an internal market in Europe like the US, with its smaller population and lack of language problems compared with the EU. However, we have been badly let down by protectionism by other member states and by a weak Commission. Add that to the limited growth worldwide, and these are strong headwinds for any Government to overcome.

Although the internal market has increased trade with the EU by about 15% per annum over 10 years, there is still a transposition deficit of single market legislation at national level by member states. What is the current percentage of legislation not implemented, and what action is being taken against those recalcitrant states? As an example, I give the second Single Market Act. By the end of 2013, the Council was supposed to have adopted legislation on all items, but I understand that today five of those 12 key items have not been implemented.

There are four key markets in the EU that can be improved to help trade, investment and growth. I would class them as services, capital, digital and energy. The single market is one of the EU's best achievements; it goes beyond a free trade agreement and reduces those pernicious non-tariff barriers, such as different regulatory regimes. It has been remarkably resilient through the financial crisis, but it is far from complete. We need to close the productivity gap with the US, which continues to grow faster than us, thanks mostly to the development and take-up of information and communication technology. Some member states, such as Slovakia and Slovenia, have cut a number of barriers, but the likes of France, Germany, Italy and Austria retain highly protected service industries. Yet services make up the great majority of economic activity in most developed countries. The original services directive provoked hostility, so does my noble friend agree that a more cautious step-by-step approach, although irritatingly slow, is likely to produce better results in the long-term? What is the Government's view on increasing mutual recognition in tourism, business services, construction and retail? In particular, what progress is being made on those fronts?

I turn to the capital markets union, where progress is starting, thanks to my noble friend Lord Hill, as EU Commissioner. I hope that we will debate in the near

future the report of the EU Economic and Financial Affairs Sub-Committee on the proposed CMU. I will reserve my remarks for that debate and turn to the digital market, another area in which the Commission is overanxious and muddled. New technology increases income when it raises productivity, something that the EU is pretty bad at. It is not about creating a rival to those big American beasts. It is also not about creating jobs per se. The combined workforce of Facebook, Google, Amazon and Apple, excluding the supply chain, is considerably less than that of German companies already operating in the UK.

The EU must embrace this opportunity to provide growth, and one way to do that is the direct responsibility of government: changing the tax rules. Does the Minister agree that it would be hugely beneficial if corporate tax and VAT were to be payable in proportion to companies' revenues in that country? How much longer can we allow Luxembourg and Ireland to be free riders on consumer demand in other member states? Bringing down barriers within Europe could contribute in excess of €400 billion to Europe's GDP.

The EU's aim must be to put more emphasis on growth at the heart of its long-term plan. To achieve that, it needs to open up its markets more fully so that the more productive firms in one country can move into another and take market share. Mutual recognition is a key ingredient of that policy. In that way, the 28 countries that currently form the aged and increasingly geriatric aunt of the world, the EU, will rejuvenate themselves, and trade, investment and growth will flow naturally from that.

3.50 pm

Lord Kakkar (CB): My Lords, from these Benches I join in welcoming the noble Lord, Lord Maude of Horsham, to his new ministerial position, and congratulate him on a marvellous maiden speech. In so doing, I declare my own interest as one of the UK's business ambassadors for healthcare and life sciences and as chairman of University College London Partners Academic Health Science Partnership.

I shall confine my remarks to the sectors of healthcare and life sciences. The provision of effective healthcare plays a vital role in our economy, because a healthy workforce can potentially deliver much more in terms of efficiency and productivity to the economy. Since the National Health Service's inception, it has played an increasingly vital role in social cohesion in our country, and has stimulated the creation of a remarkable ecosystem around itself. Some four out of the top 10 biomedical universities in the world are here in the UK, as are two of the top 10 leading pharmaceutical companies in the world. We have some 3,500 small and medium-sized enterprises in the med-tech and biotech sectors, 500 of which are actively exporting.

The contribution to exports by the pharmaceutical industry is some £21 billion a year. Over the past 15 years that sector has consistently contributed surpluses to our balance of trade position, with some £1.1 billion contributed by the pharmaceutical industry in the last year for which records are available. It is an important sector in terms of the employment that it provides, with some 150,000 people employed in 100 countries

[LORD KAKKAR]

around the world, and the contribution that it makes to research and development—some 25% of all R&D expenditure provided by the private sector is in the fields of healthcare and life sciences.

With regard to the med-tech and biotech industries, in the period between 2009 and 2014, when economic growth was difficult in our country, on an annual basis the med-tech sector saw a 5.8% increase in revenue growth and the biotechnology sector some 4% increase in revenue growth. In terms of employment, some 300,000 people are employed in the science and technology sector, which consistently since the turn of the century has seen a 3.7% increase in employment, frequently in very high-skilled and high-technology jobs.

It is important as we look to the future to recognise that healthcare expenditure globally is set to increase by some 5.6% per annum between 2014 and 2027. Some of the most important markets that we have strong trading relationships with will see even greater rates of growth in healthcare expenditure: for instance, in India some 15% per annum is expected over that period, China some 12% and the Middle East some 8%, so there is a huge opportunity for our nation, and for the healthcare and life sciences sectors, to contribute to meeting those important demands across the world.

The opportunities have been addressed to some extent through the work of government agencies. I declare a further interest in my role as a UK business ambassador, sitting on the board of Healthcare UK. Healthcare UK was set targets in the last financial year to achieve business wins of some half a billion pounds a year, principally focusing on those important markets of India, China and the Middle East, but was able to surpass that assistance to industry in that area, achieving business wins of £749 million in that year.

The All-Party Parliamentary Group on Global Health, of which I am treasurer, is about to publish a report that looks at the global footprint for healthcare for our country. That is an important point, because it demonstrates opportunities for the standing of our nation beyond the straightforward question of trade and investment. For instance, if one looks at contribution through overseas aid, the United Kingdom is the second-largest contributor to bilateral investment in, or contribution to, development in health around the world. If we look at our charities, there are some 6,500 charities in the healthcare, life sciences and medical research sectors, which invest some £7 billion abroad in projects, driving improvement of health but also promoting important research programmes and projects.

Then we have our university and academic sectors. As I mentioned, four of the top 10 biomedical universities in the world are based here in our country, and some 46,000 overseas students study medicine and dentistry in our 33 medical and dental schools, contributing substantially to the economy and providing opportunities for future growth as those institutions start to look abroad to deliver training and education in other countries. I declare a further interest as professor of surgery at University College London, which is actively involved in that kind of activity.

On research, in biomedical research our nation represents 1% of the world's population, but we are responsible for 12% of all cited outputs in biomedical

research around the world, and 62% of the top publications from UK institutions and authors are done in collaboration with institutions and colleagues abroad. That demonstrates the very global nature of our contribution to biomedical research and how our nation sits at the heart of many important medical research programmes and projects in healthcare around the world.

As regards the future, one of the important opportunities that might be explored is the potential for further trade and investment with regard to healthcare and life sciences with Commonwealth nations. One-third of the world's population live in Commonwealth countries, and a recent report published by the trade policy division of the Commonwealth Secretariat has looked at the broader question of trade within the Commonwealth. It has identified that trade among Commonwealth nations at the moment accounts for some \$680 billion a year, but by 2020 that will have grown to \$1 trillion. There must be substantial opportunities to focus on trade with regard to healthcare and life sciences. That same analysis has demonstrated that the cost of doing trade if both partners are from Commonwealth nations is 19% less than it otherwise would have been if parties were not Commonwealth members, based on the fact that we have many common legal systems, share a language and frequently have a similar way of doing business.

All that has been achieved through the support of successive Governments; the last Government had a number of important initiatives. The Treasury report *The Plan for Growth* in 2011 identified healthcare and life sciences as a sector that could benefit from a more streamlined approach to regulation to open up opportunities for potential trade and investment. The Department for Business, Innovation and Skills report into life sciences, its *Strategy for UK Life Sciences*, and the support through the announcement of the Prime Minister in December 2011 of a joined-up life sciences strategy for our country, identified that the areas of healthcare and life sciences were particularly attractive for future investment and future government attention, because they generate very frequently high-tech, highly skilled jobs and disproportionately were in a position to contribute to growth in the economy.

Then we have the *Innovation, Health and Wealth* report from NHS England and the subsequent *NHS Five Year Forward View*, which have identified partnership between universities, the NHS and pharmaceutical, med-tech and life sciences sectors in driving growth opportunities more broadly for our economy, while ensuring that our country remains the most favoured nation in the world for inward investment in healthcare and life sciences, and bringing innovation rapidly to our population and potentially improving outcomes in the NHS.

What approach will this Government take towards the many different strands of activity and initiatives that have now been initiated by government to bring them to a single, co-ordinated place so that the real benefits that could be achieved through effective targeting of investment by Her Majesty's Government to promote trade and investment in healthcare and life sciences can be achieved during the lifetime of this Parliament?

What view do Her Majesty's Government have on focusing, particularly in the Commonwealth, on opportunities in trade and investment in healthcare and life sciences?

4 pm

Baroness Mobarik (Con): My Lords, I join my fellow Peers in welcoming my noble friend the Minister to his new position and in congratulating him on a most accomplished maiden speech. He has made an auspicious start. I had the pleasure of meeting him recently and his positivity and keenness to engage really impressed me. I have no doubt that he will perform superbly in this new role and I very much look forward to working with him.

One of the great considerations for trade and investment currently is our relationship with the European Union and our potentially key and central role as part of the EU in negotiating the Transatlantic Trade and Investment Partnership, or free trade agreement, with the United States. While this, along with our trade and investment relationship with India and China, is a priority—and rightly so—there are other opportunities that we cannot ignore or overlook. There is great scope for British companies in a number of emerging markets, and I would like to comment on one that I believe is in danger of being overlooked, particularly by our business community.

Last month, I visited Islamabad and Lahore in my capacity as the chairman of the Pakistan Britain Trade and Investment Forum and as the Prime Minister's UK-Pakistan Trade Champion. Those who know me will be aware that I have been championing the cause of UK/Pakistan bilateral trade and investment for many years, well before being given the honour of the official title in April 2014.

In the past I have argued that, while the annual UKTI budget to facilitate trade with China and India has been substantial, the figure for Pakistan has been a dismal zero, or a nominal amount in support of a conference. Although I am keenly aware that issues such as security have been an impediment to this potential trade, the arguments for engaging with this market are many: a significant population of 185 million—of predominately young people—vast natural resources, a growing middle class, the relative ease of doing business and English as the language of business, to name a few.

Recent developments mean that we can no longer ignore this market. I cannot say this emphatically enough: we, the United Kingdom, cannot afford to ignore this market. The most significant of these recent developments is the visit by the Chinese President, Xi Jinping, to Islamabad in April this year and his commitment to provide \$46 billion towards building an economic corridor through the length of Pakistan. That is the biggest overseas investment announced by China to date. It will link Kashgar in China's western region of Xinjiang, down through the lush, agricultural expanses and bustling cities and towns of all four provinces of Pakistan, to the new deep sea port at Gwadar on the Arabian Sea. This economic corridor—a network of roads, railway and pipelines to transport oil and gas—enables China to develop a cheaper and shorter route to trade and investment with the Middle

East, Africa and Europe. According to analysts, it will place Pakistan at the heart of four out of the five fastest trade flows in the world.

When I met the Petroleum Minister Shahid Abbasi in Islamabad, he could not say more clearly that Pakistan wants, above all, UK companies to come and operate in the country because of the trust and admiration for British expertise and the historic ties and special relationship with Britain. The same sentiments were expressed by the various ministers at the Office of the Chief Minister of Punjab in Lahore. The general view held by the business community at the Lahore chamber of commerce was that the Chinese investment or loan is greatly appreciated and welcome but it allows China to bring in its equipment, its companies and its labour to build this economic corridor and then to leave. The alternative of UK companies, through the many contracts, would mean the delivery not just of excellent projects and products but of expertise and knowledge and the legacy of a highly trained workforce.

Incidentally, the chief executive of the UK company with me on that visit, Lagan Construction, which built the runways at the new Islamabad International Airport, had this to say: "We have worked in over 30 countries around the world and the workforce in Pakistan is second to none. The workers are conscientious, they pick up skills very quickly and they work extremely hard". I saw for myself the scale and quality of what Lagan had delivered, and it was truly impressive. The excellent workforce available should be another incentive for UK companies to operate in Pakistan. Of course, the UK companies that are already operating there—there are over 100 companies, some of which have been there for many years—benefit from huge profits. That includes companies such as GlaxoSmithKline, which has a 28% share of the market, Standard Chartered, Unilever, Reckitt Benckiser and the Ashmore Group plc, not to mention the many retailers, such as Debenhams and Mothercare.

Business opportunities will only accelerate over the next decade but it is important that we take this market seriously now. The British Chambers of Commerce and their overseas business networks initiative—a partnership between UKTI, the Foreign and Commonwealth Office and the British Chambers of Commerce—has a crucial role to play in increasing the number of UK exporters of goods and services.

The energy requirements of Pakistan are severe, and the UK has much to offer in that regard. We have expertise in solar, biomass, hydro and wind. Scotland particularly has much to offer. In the oil and gas sector, Aberdeen is full of excellent companies that currently need export markets, and Pakistan has yet untapped, but certain, oil and gas deposits. Pakistan's Petroleum Minister expressed his interest in visiting Aberdeen to personally invite companies to come and explore the opportunities open to them. The potential is there, not just in energy but in infrastructure, agriculture and dairy.

From a poverty alleviation point of view, we should consider how some of the money that is channelled through DFID could be channelled as technical assistance or as seed or anchor funding towards some of these energy projects. It would bring benefit to the deprived

[BARONESS MOBARIK]

communities in Pakistan through economic development and bring a commercial return to the UK in helping to boost our exports and our trade and investment figures. I request that the Minister consider this suggestion and prioritise this particular emerging market economy.

4.09 pm

Viscount Hanworth (Lab): Over the past quarter of a century there has been a continuing deterioration in Britain's balance of payments. The current account, which represents the balance of trade in goods and services, has shown an ever widening deficit. The deficit on the current account in the three months to September 2014 reached a value that was equal to 6% of GDP. This is the biggest deficit that has been recorded since modern records began in 1955. Within the current account there has been an increasing deficit in the trade in goods, which has been only partly offset by an increased surplus in the trade in services.

Britain has, in effect, ceased to be a major manufacturing nation. In 1979, manufacturing in the United Kingdom contributed 25% to the gross domestic product and contributed largely to our export earnings. In 2010, manufacturing accounted for only 12% of the country's national output. Its decline has been greater than in any comparable western country.

When a country runs a current account deficit, it is building up liabilities to the rest of the world that must be financed by flows in the capital account. The inward flows tend to be described, somewhat felicitously, as inward investment. However, in the case of the UK, they have been tied primarily to the sale of existing capital assets to overseas purchasers. A House of Commons Library note from March 2013 shows that the stock of inward investment that has accumulated in the UK over the period from 1970 to 2011 is equivalent to about a half of our gross domestic product. A report of the same year from the Department of Trade and Industry shows that the flows of investments into the UK greatly exceed those into any other country of the European Union.

It is both startling and instructive to explore the implications of this inward investment by taking stock of the current ownership of Britain's capital assets. Of course, to construct a detailed inventory is next to impossible on account of the complexities of the financial arrangements, which entail joint and partial ownership. However, a good impression can be gathered by taking a few leading examples.

One might start with Britain's ports, through which most of our trade in goods passes. This month a sale has been finalised that will see 30% of the ownership of Associated British Ports, which is the UK's largest port operator, pass out of the hands of Goldman Sachs Infrastructure Partners and Infracapital, which is a Prudential subsidiary. The new joint owners will be the Canada Pension Plan Investment Board and the international financial conglomerate Hermes. These partners saw off competition from Malaysia's sovereign wealth fund, from the Dutch pensions investor APG and from Korea's national pension service. A third consortium, consisting of Abu Dhabi Investment Authority and 3i Infrastructure, was also vying to take control of the ports in an auction that began last year.

Within the last decade, Ferrovial of Spain has bought British Airports Authority, which is the operator of Heathrow and Stansted airports. The majority of Britain's energy suppliers have fallen into foreign ownership, as has the supply of our water. The Australian bank Macquarie has recently taken control of our car parks by buying NPC. It would be tedious to continue in this way. Indeed, so complicated and opaque are the majority of such deals that most of us have ceased to pay much attention to them.

It is notable that those deals continue to provide the Government with funds that can be used to defray part of their budget deficit. However, there is an ever diminishing stock of assets for sale that remains in the public portfolio. As the Office for National Statistics informs us, the UK now has a large negative investment position. This means that foreigners own a greater value of British assets than British investors own of foreign assets—indeed, a much greater proportion. At the end of 2012, the balance was £544 billion in favour of foreign owners.

The foreign ownership of our capital assets implies an outward flow of profits, investment payments and dividends. In the past, Britain has been favoured by the fact that its overseas assets have generated a greater rate of return than have the foreign-owned assets in the UK. This favourable circumstance no longer prevails. Indeed, a deficit on the financial account has contributed to our record current account of deficit. This deficit has necessitated even greater adjustments of the capital account, entailing a further sale of our capital assets. A vicious cycle is under way, which will end in our eventual impoverishment and in our inability to pay our way.

It is remarkable that, in the face of these circumstances, the Chancellor of the Exchequer, George Osborne, was capable of declaring in his pre-election Budget speech:

“Out of the red and into the black – Britain is back paying its way in the world”.

This ignorant optimism and insouciance contrasts markedly with the anxieties concerning our balance of payments that afflicted his predecessors, both Conservative and Labour, from the early post-war years until 1992 and, probably, beyond that date. In 1992, a Conservative Government were forced to withdraw from the European exchange rate mechanism after it had been unable to keep the pound above its agreed lower limit.

It is difficult to explain how this radical change in perception has come about, but undoubtedly it owes much to the fact that a regime of fixed or controlled exchange rates has been replaced by one that allows exchange rates to float freely. The change in the international arrangements for currency exchanges has been accompanied by a process of economic deregulation and globalisation that has given free rein to the currency markets and asset markets. These developments have been accompanied by a belief in the ability of the markets to achieve favourable economic outcomes in the absence of regulatory interventions.

Perhaps the Chancellor has been unduly influenced by the dogmas of the free-market economists. However, there is real cause for anxiety. On all previous occasions since the Second World War when the current account

deficit has been a high proportion of GDP, there has been a booming economy that has sucked in imports. At present, the economy is in recession, yet there is a very substantial deficit. Unless steps can be taken to stimulate the export of manufactured goods from the UK, we will be permanently constrained to maintain the economy in a state of recession, in order to staunch our demand for imports in an attempt to avoid a balance of payments crisis.

A balance of payments crisis will involve a flight of capital from the UK accompanied by a radical loss of the value of sterling vis-à-vis other currencies. Such a loss of value would raise the cost of imports, which, in addition to necessitating a reduction in demand, would give an impetus to domestic inflation. The reduction in the value of sterling might favour a degree of import substitution and it might encourage exports, but the conditions of recession and inflation would not be favourable to either of these tendencies.

The failure over many years of our industries to export their products has been a consequence, in part, of the overvaluation of the pound. It is startling to compare the upward trajectory of the pound to the downward trajectories of the currencies of the countries that have been providing us with cheap imports, namely the currencies of China and of the east Asian countries. In 2007 and 2008, there was a rapid reduction in the value of the pound in consequence of our financial crisis; but, since then, it has been gradually regaining its former heights. Our industries did not respond with alacrity to the enhanced opportunities to sell their goods abroad. For a significant response to have time to get under way, there would have to be a prolonged reduction in the value of sterling. It is clear that export markets can be lost far more easily than they can be regained.

One has to explain why the overvaluation of the pound had persisted for so long and how it might be overcome. The overvaluation owes much to the activities of our inflated financial sector. The sale of our capital assets to foreigners that has been mediated by the financial sector has stimulated a demand for the pound that has sustained its value. These sales have averted a balance of payments crisis, but they have also created the conditions that will exacerbate the eventual crisis. It will take time to amend these conditions. In the process, the financial sector will need to be diminished and its freedom to sell our assets overseas will have to be curtailed.

Our manufacturing industries, which will be required to grow in size and strength, will need to be fostered by a broad range of policies aimed at stimulating investment. The reduction of the value of the pound will need to proceed in a gradual and an orderly manner. This could be achieved with the help of the central bank, which should be instructed to purchase foreign currencies whenever the value of the pound shows signs of increasing. The central bank's programme of quantitative easing has pumped a large quantity of money into our economy, which is threatening a further inflation of the values of financial assets and of commercial and residential properties. This is liable to stimulate the activities of foreign speculators, which may lead to an even further elevation in the value of the pound.

Quantitative easing has failed to stimulate investment in our native industries. This has to change; the banks have to be encouraged—if not instructed—to lend to businesses. The money that has been pumped into our domestic banks would have been more profitably employed in lowering the value of the pound by purchasing foreign currencies.

4.20 pm

Lord Risby (Con): My Lords, it is a great personal pleasure for me to see my noble friend Lord Maude on the Front Bench and to congratulate him on a truly excellent speech. Perhaps my noble friend thought that when he came to your Lordships' House he might be escaping me. The simple reason for that is that I was his deputy not once, not twice, not three times, but now four times—he is technically my boss since I am a trade envoy of the Prime Minister. I am absolutely delighted that that should be the case. I believe that my noble friend has now made three maiden parliamentary speeches, which is excellent too. I have worked with him in many roles over the years; he combines a stellar intellect with an extraordinary commitment to get things done with a clear sense of focus and direction. It is exactly for that reason that he will be enormously valuable in discussions and debates in your Lordships' House, and in the crucial role that he now enjoys in government.

We have a brilliant service industry in this country—the best in the world, in many respects. This certainly is not the moment to discuss the whys and wherefores of the calamity that struck this country in 2008 and beyond, but it told us something—that we needed a different regulation of our financial services industry, but also a rebalancing of our economy. In common with other industrial countries, we have seen a decline in manufacturing in the United Kingdom. In our case, we have seen an overdependence on the financial services industry, much of it concentrated in London. Indeed, as many noble Lords have already indicated, our export performance has not matched that of others. One problem has been that accessibility of our banking and insurance services has been very difficult in some key markets.

Over the years all British Prime Ministers have tried to promote exports and inward investment, but by any objective standards, the time and energy that has been committed by this Prime Minister and this Chancellor of the Exchequer to that end has been widely and enormously appreciated by the business community, as I have heard so often. UKTI has been refashioned to develop new market opportunities and to encourage inward investment. However, the culture of export promotion remains a work in progress, as our home market has always been somewhat consumer-oriented and, for many businesses, enough for their business purposes.

Let me deal first with inward investment. Our openness and attractiveness to external investment sources is simply unique in Europe. We remain the top European destination for foreign direct investment and second in the whole world, but until recently some 90% of FDI came from either America or Europe. Clearly this is now beginning to change, which is to be welcomed, as we see the new world economic order unfolding, with huge

[LORD RISBY]

and recent investments by the Chinese, Gulf Arab and others. We can recall with gratitude the huge investment made by the Japanese in this country in the 1980s, particularly in our car industry. It is estimated that the wave of FDI has created more than 200,000 jobs and safeguarded 260,000. It is crucial that we continue on this process, but we must do so by continuing to have low business taxes, a pro-business sentiment and flexible employment structures that continue to be attractive to people.

We, of course, as a country also benefit enormously from the English language, and our reputation as a very open and welcoming society. We can also be proud of a big change in business start-up culture, and the dynamism of our high-tech sector. An extraordinary statistic on the rate of start-ups in this country compared with France was published recently. We have much to learn from France as regards the co-operation between government and the private sector in assertively pushing the interests of France in export markets. That is to be admired in many respects. I read an extraordinary statistic which I hardly believe to be true, but it is part of our success story and must be encouraged—namely, apparently, 9,000 British people now live in Paris and 400,000 French people live in London, many of whom are the most enterprising and dynamic young French citizens who have been attracted here. In that context, the Chancellor of the Exchequer has removed or modified burdens on smaller businesses and has overseen the establishment of new enterprise zones and digital entrepreneur hubs. He has improved R&D tax credits and given extra support to exporters with the expansion of fast broadband, which is certainly much needed.

In March, the Government hit our target of signing up 3,000 medium-sized businesses to a support programme designed to help them break into new global markets. However, we still have work to do. Only one in six such businesses currently exports outside the European Union compared with one in four in Germany and one in three in Italy, so progress needs to be made. I am sure your Lordships will want to support this and perhaps my noble friend will comment further on it.

I was particularly interested in the very interesting and informed comments of my noble friend Lady Mobarik in respect of Pakistan and the opportunities there. Wearing my hat as the Prime Minister's envoy to Algeria, I know that it is very interested in the start-up culture and high-tech sector which have developed in this country. Of course, in a country such as this there is an argument to be had about how you encourage this by cutting red tape and amending tax policy. However, a country such as Algeria is relatively new business territory for us and we have seen a substantial growth in business activity with it. In December last year, as part of the trade envoy programme, 1,000 potential investors wanted to attend a conference in London labelled "Algeria Open for Business". Recently, we secured our first Rolls-Royce engine order there. We have had a remarkable success story with a Northern Ireland dairy company supplying farm products there, further energy construction and servicing deals and, very soon, we hope, a major hospital contract.

I pay tribute to my noble friend Lord Marland, who encouraged this whole process and drove this programme forward. However, the Prime Minister's visit just over two years ago made a dramatic breakthrough. UKTI is now supporting trade and credit finance at a level unseen before. All this is very welcome. It is also particularly welcome that 89% of its customers are SMEs. Additionally, funding has been put in place to give support and advice to possible new SME entrants. Surely this is an area which offers the greatest promise.

I also express my gratitude for the change of attitude which evolved in our Foreign Office. Ambassadors now give considerable support and energy to export and inward investment promotion, as I have seen and admired in Algeria and elsewhere. There is simply no alternative to pursuing business-friendly policies if we are to secure the economic growth which gives businesses confidence that they are supported in their export ambitions. Business organisations are playing their part with UKTI, BIS and the FCO in encouraging this culture, and it is working. The latest British Chambers of Commerce international trade survey found that businesses that export reap better performance but there is more still to be done, and the BCC is there to assist. Its Overseas Business Networks programme links accredited British chambers with those abroad under the banner of Export Britain, offering advice on export readiness, planning, making connections and getting goods to market. I dwell on this because these activities supplement the work of government through UKTI and provide an international link that is hugely welcome.

As the relative importance of the European economy continues to shrink, identifying and targeting new markets remains a critical objective. I hope and believe that those of us who are privileged to be part of the Prime Minister's trade envoy programme can in some measure contribute to this in markets that have been relatively unexploited historically. The Chancellor of the Exchequer said recently, I think with real candour:

"We have to tackle the endemic weaknesses in the British economy that no Government have been able to solve in the past: we are not productive enough and we do not export enough, save enough, train enough or build enough".—[*Official Report, Commons, 4/6/15; col. 798.*]

In once again welcoming my noble friend to his role, I say in conclusion that he brings great experience of the private sector to this undertaking and I know that his contribution in driving forward our export promotion and continuing to attract inward investment will be greatly valued by this country.

4.31 pm

Lord Clement-Jones (LD): My Lords, I declare an interest as London managing partner of DLA Piper and a member and City ambassador of the Law Society. I, too, very warmly welcome the Minister to his membership here and his new role, and congratulate him on his excellent free-trader maiden speech. I was tempted to talk about our trade with China and other overseas destinations, as well as the potential in our tech and creative industries, particularly in the light of the very apposite remarks made by the noble Lord, Lord Risby. But I am going to follow some thoughts that were introduced by my noble friend Lord Stoneham, given that today we are celebrating the 800th anniversary of Magna Carta.

The rule of law in the English legal system is not only a major source of British influence abroad but a key reason for choosing the UK as a place to do business. English law is the most commonly used system in dispute resolution and in international business more generally. A key factor is the integrity and independence of the judiciary. We have a long and well-respected tradition of excellent legal services based on trust and performance. Legal services are a cornerstone of the broader financial and related services cluster which makes the UK the leading international finance and business hub. Major global businesses come to the UK to access this unrivalled breadth of services, seek advice from world-class legal and advisory firms, raise finance, and insure their businesses. The rule of law is now one of Britain's great exports, with a surplus on legal services of more than £3 billion in 2013, now forecast to have risen to £3.6 billion this year. Our professional and legal services are critical to our success in attracting trade and investment.

The noble Lord, Lord Livingston of Parkhead, our previous Trade Minister, in response to a question from me in the previous Parliament, confirmed his view that,

“the legal services sector is one of the most important sectors for the UK ... not just as an export in its own right but as a reason for FDI into the UK”.—[*Official Report*, 11/12/13; col. 782.]

The sector employs almost 314,000 people in the UK and the wider professional services sector employs more than 2 million people, with growth particularly strong this year outside London. Like all other sectors, however, we need to remain competitive.

An important reason for the UK's position as a leading legal services hub rests upon its participation in the EU. TheCityUK's competitiveness report found:

“Decision makers specifically cited access to markets in the EU as a core reason for choosing the UK over other financial centres”.

Another benefit from the EU for the legal sector is the freedom of establishment, under the establishment directive. No wonder that, according to a CBI survey last year, two-thirds of law firms think that leaving the EU will have serious negative consequences.

Part of maintaining the UK's competitiveness is ensuring that it has a properly skilled workforce, with immigration policies that support business needs. Last week, we heard that demand for visas under the tier 2 cap outstripped supply for the very first time since 2011—and in huge number, too. The Home Office has confirmed that the monthly allocation of tier 2 visas has been filled for June already. Businesses looking for certificates of sponsorship for graduate programmes and managerial posts were refused them, I understand, at a salary level of £46,000 or less. Last Thursday, the Prime Minister announced plans to make it harder to bring in skilled staff from outside the EU but non-European skilled migrants account for 0.066% of the British labour market. This is a crucial issue for trade and investment. The Home Office, as ever, seems to be working counter to the interests of our economy. I hope that the Minister can say something about this.

Then there are the TTIP negotiations between the EU and the US. I am in principle strongly in favour of TTIP, provided that we have the ability under the

investor state dispute settlement provisions to make exceptions for public policy reasons—for example, to deliver our public services in the way that we want. There is no doubt that a great deal of the confusion and misunderstanding surrounding TTIP has been generated by very untransparent negotiating processes. Even now, we seem to have the EU position published on only two-thirds of the draft treaty.

I hope in particular that regulatory co-operation under TTIP will deliver improved trade in financial services, with common regulatory standards, and in legal services between the EU and the US so that there is improved market access and practice rights for solicitors and UK law firms in the US, including mutual recognition of qualifications. The UK is the world's most international market for legal services. It is very open in allowing virtually unrestricted access for foreign firms but this is not the case in the US. Even a US attorney does not have freedom of establishment; it very much varies on a state-by-state basis. Legal services regulation is not a federal matter in the US, in contrast to the EU regime. It is actually illegal for an English solicitor to fly to most US states to give advice on English law, so I hope that we will see US states remove the minimum practice requirements for eligibility. Solicitors should be eligible for the Bar exam in all 50 states, regardless of their route to qualification. I also hope that TTIP negotiators will be ambitious in seeking liberalisation on all modes of practice, on all types of legal work and in all US states.

Then there is UKTI, whose role is crucial. I very much endorse everything that the noble Lord, Lord Risby, said about it in a positive way. In the past few years it has collaborated with the MoJ, the Law Society, the Bar Council and TheCityUK, among others, in promoting the legal services sector, with the original *Plan for Growth* in 2011 followed by *UK Legal Services on the International Stage* in 2013. In the sudden and unexpected cuts to this year's public expenditure, however, UKTI seems to be a major potential victim. How much will the cuts or savings amount to, and how will they affect UKTI? Does it intend to produce a progress report and updated plan for the legal services sector? Indeed, will it have the resource to do so?

The challenges we face to ensure that the UK remains the world leader in the rule of law, in our standards of justice, in the provision of legal services and in the opportunities that exist in international jurisdictions are significant. However, we can meet them only if the issues that I have raised today are addressed. I have a straightforward question to the Minister. Does he recognise the importance of our legal services to trade and investment and will he, as the noble Lord, Lord Livingston, did, pledge to champion the legal sector? I very much look forward to the Minister's reply.

4.39 pm

Lord Popat (Con): My Lords, it is a pleasure to welcome my noble friend to his new role. It will require a tremendous national effort to tackle Britain's long-standing trade deficit, but doing so offers us the best possible route out of our nation's budget deficit. I am pleased that, following his two distinguished predecessors, we have such a capable Minister leading the charge.

[LORD POPAT]

It is important to set our trade situation in context. There can be no argument: the past five years have been good for Britain's economy. We have an employment rate of 73.4%, the highest since comparable records began in 1971; an unemployment rate of 5.5%, which continues to shrink every month; GDP growth of 2.8% in 2014; and average weekly earnings were up 2.2% between January and March 2015. We have also benefited from low inflation and low interest rates. Given the challenges faced in 2010, it is indeed impressive that the majority of headline figures compare favourably to any Government's record—what a success.

However, there are two blemishes on that record. Public sector net borrowing, although down 11% on the previous year, remains high at £88 billion, or 4.8% of our GDP. Linked to that, our trade deficit is still £33.7 billion and our current account deficit £97.9 billion, some 5.5% of GDP. This has, with some minor exceptions, been a trend for four decades—a trend that successive Governments, despite good intentions, have failed to come to terms with. Put plainly, we do not have enough exports to pay for our imports; in other words, we are consuming more than we are producing.

I will turn in a moment to what actions I would like to see from the Government to help tackle our exporting issues, but it is worth drawing attention to the work of the House of Lords Select Committee on Small and Medium Sized Enterprises that I proposed in 2012. The committee was very ably chaired by my noble friend Lord Cope, and looked at how the Government support SMEs when it comes to exporting. It produced an extensive report, full of sensible ideas. Since its publication, there have been two debates in this House on the committee's report, on 26 June 2013 and 6 May 2014. For the latter, the Government produced an update on their progress.

It is vital that we maintain, as the committee did, a clear focus on SME exporting, rather than combining all trade figures together. The challenges faced in the SME sector are very different from those in the larger corporations, but the rewards are potentially much greater. Will the Minister ensure that we continue our trend of the past couple of years and arrange for another debate—in government time—to ensure that progress is being continued?

I move on now to some of the obstacles preventing a trade balance surplus. I spoke at some length in the debate on the gracious Speech about our nation's obsession with Europe to the great detriment of emerging markets and, in particular, Africa. I will do my best to avoid repetition, but the EU accounts for 45% of our exports and 53% of our imports. In other words, there is a difference of eight percentage points between what we import and what we export, which amounts, roughly, to a £30 billion to £40 billion trade deficit with the European Union.

Viewed through the forthcoming EU referendum, these figures prompt two different responses. Those wanting to stay in Europe see them as a clear justification of our overall relationship, an economic bonus for our membership. Those wishing to leave the EU use them to say that, even if we were not members of the EU, it

would still be in Europe's interest to trade with us as it gets a net benefit. My take on these figures is rather different. I believe they prompt a sort of paralysis among our political and business leaders. We fret over what we have, rather than envisage what we could have. As a nation we lack the courage to conquer new trading frontiers. The eurozone's economy has barely grown in recent years and with the ongoing situation in Greece and the resulting uncertainty it is hard to see that changing. We simply must roll up our sleeves and focus our efforts on the markets of the future. The opportunities in Asia, Latin America and, in particular, Africa are numerous and lucrative. The Government's role, through trade missions, EU free trade agreements and UKTI, must be to open these opportunities up to British firms and to navigate the private sector towards them. In turn, our business community must seize these opportunities with both hands. Can the Minister comment on his plans to expand UKTI's presence in the emerging markets of Africa?

Our Government must also tackle our long-standing infrastructure deficit. The runway situation in London is painful; we must get on, implement the Davies commission recommendation and place our nation's economic and trading future above the inevitable objections. Likewise we must press on with HS2 and HS3 and improving our roads. We cannot sell our goods if we cannot get them to the market in the first place.

Finally, we must also make sure that our goods and services are more affordable than those of our competitors. A lot has been made of our seven-year productivity stagnation—as the ONS said, it is unprecedented in post-war Britain. It certainly does not help our exports if workers here are producing the same amount per hour as they were in 2007 while our competitors are producing more. The *Economist* recently disaggregated the productivity data, finding huge differences between sectors. Our transport manufacturing industry, once again a great British export industry, has seen productivity improve by 56% from 2009. In contrast, our finance and insurance industries are producing 10% less per hour in the same period. While it is helpful to understand that our productivity slump is being skewed by certain sectors, it does not hide the fact that overall our economy is not as efficient as it should be. This trend cannot continue, or we will fall further behind our competitors. We need businesses and the Government to work together to identify and address whatever issues are holding us back.

This Government should be aiming to eradicate our trading deficit in the next five years. We have the expertise and the products; the emerging markets have the customers. Let us now see the commitment.

4.48 pm

Lord Bilimoria (CB): My Lords, I congratulate the noble Lord, Lord Maude, on his excellent maiden speech. It was a very balanced and frank speech and we look forward to much more of the same. I was privileged to interact with him in his role as Paymaster-General when I was a commissioner for six years at the Royal Hospital Chelsea—the Chelsea Pensioners—where he used to come regularly. Other interactions included going round the Rolls-Royce factory in Goodwood, where he showed a huge interest in British manufacturing.

When I came to this country from India in the 1980s, entrepreneurship was struggling to shake off a very negative image. The word used to conjure up images of dodgy second-hand car salesmen and people wanting to cut and run. There certainly were people wanting to break through the glass ceiling then but they were held back by attitudes including excessive regulation. Our business climate did not help. We made cars that no one wanted to drive, we mined coal that no one wanted to burn and we owned businesses that no international company wanted anything to do with. In this environment, when I decided to set up Cobra Beer, my father, who was commander-in-chief of the central army in India from the Gurkha regiment—last week I was privileged to lead a debate on the 200th anniversary of the Gurkhas—and had 350,000 troops under his command, said, “What are you doing with all this education? You’re becoming an import/export wallah”.

His words would have been echoed by the parents of many other prospective entrepreneurs—but just look at how present-day Britain is and how the world has changed. Entrepreneurship is cool and we have a society where anyone can get anywhere, regardless of race, religion or background. More importantly, we have a society in which we can encourage people to come to the United Kingdom to make their way in the world, and in which we enjoy a huge level of entrepreneurial talent. In fact, London leads New York and Hong Kong in terms of highly skilled, knowledge-based jobs—there are 1.5 million of them—and a recent report showed that London is one of the top two cities in Europe for entrepreneurship.

The Minister and the noble Lord, Lord Popat, mentioned infrastructure. We have some great infrastructure projects. Crossrail is being built beneath our feet. It is a £15 billion project and the estimated economic benefit is almost £50 billion. We will see huge effects, with thousands of jobs and world-class infrastructure.

Our universities have not been spoken about enough in this debate. In the QS university rankings, London had more top-rated universities than any other city in the world. The success is not confined to London. I am proud to have been installed recently as the seventh chancellor of the University of Birmingham. We, too, were in the top 100. Along with America, we have the finest universities in the world—and, talking about Americans, in 1758 American statesman Benjamin Franklin wrote:

“An investment in knowledge pays the best interest”.

That is a statement that I hope more countries will emulate.

Of course, education is an export that this country should be proud of. We have amazing strengths. The Minister spoke of inward investment. We are number two in the world in inward investment after the United States—a country that is more than six times bigger than we are. For such a tiny island, we really do, as noble Lords have said before, punch above our weight. We have 1% of the world’s population.

Since coming to England as a 19 year-old in the early 1980s, I have seen Britain transformed from the sick man of Europe to a country that is now the number five economy in the world. We enjoy one of the most open and free business climates in the world

and we are a country where entrepreneurship is admired and celebrated. In spite of our tininess, we are right at the top table: a member of the G8, the G20 and NATO, and with a permanent seat on the UN Security Council. Our tourism industry alone brings in nearly £100 billion and we have the most respected royal family in the world.

We have world-class capabilities in every field, including advanced engineering, aerospace, automobiles, beer, architecture, design, fashion, literature, music, film, sciences, universities, museums, theatre, opera, ballet, law, accountancy, advertising—and sport. Britain came third in the Olympics and the Paralympics, with 1% of the world’s population.

This is brilliant. This is absolutely amazing. In our automobile industry, Tata Motors, run by a fellow Zoroastrian Parsee, took over Jaguar Land Rover in 2008. I spent a whole day there in 2008, soon after the takeover. I believe that I am due another visit, because my visit is completely outdated. Jaguar Land Rover is now making more profits than the Tata group paid for the company that it took over in 2008—a company that nobody wanted to buy. The automotive industry is a great British success story. Last year, Bentley announced that it was moving the manufacture of its 12-cylinder engines from the Volkswagen plant in Germany to Crewe in the UK.

It is often said that Mrs Thatcher destroyed manufacturing in the United Kingdom. The reality is that we produced more in 1990 when she left office than in 1979. The car manufacturing industry is, if anything, riding higher than ever. These are companies with British workers and British premises and British sales exported throughout the world. With a little help from India, we have the best-quality cars in the world—I am proud to drive one—being manufactured here in Britain. What a contrast with the bad old days of Rover and Morris Minor.

I could go on. Automobiles are just one example. Hitachi recently announced that it planned to move its rail business headquarters from Japan to the UK. Companies from Japan, India, Germany—pinnacles of high-tech manufacturing—are moving to the UK. This is fantastic and brings more jobs over here.

Not enough has been said about partnering. Last year, we were told the amazing news about India’s “Mangalyaan”, which successfully entered Martian orbit for just over a tenth of the price of the latest NASA voyage to the red planet. Indeed, for less than the cost of the film “Gravity” the Indian space programme was able to do something that very few nations in the world have managed. Last year the Chancellor announced that £80 million would go towards funding joint space missions with India, and the UK Space Agency is doing so much to promote foreign investment in scientific research. If India can reach Mars, just imagine what we can do if we work together.

The pace of change of foreign investment in the UK is accelerating. The talent that we are attracting continues to grow. My joint venture partner Molson Coors owns the largest brewery in the world in Colorado, but it also owns the largest brewery in Britain, in Burton-on-Trent in the Midlands, where Cobra beer is brewed. The Prime Minister visited the brewery last year.

[LORD BILIMORIA]

It is an American-Canadian firm that is increasing inward investment over here. It plans to invest £75 million in its brewing operations in Burton-on-Trent over the next five years. Once again, high-tech manufacturing and chemical engineering are just the sorts of things we need.

The UKTI's Sirius programme, which I was proud to champion and launch, is a brilliant programme encouraging young entrepreneurs from across the globe to set up business in the UK via its 12-month support programme. It is amazing. UKTI calls it, "the richest package of its kind in Europe".

In its first 12 months, thousands of young graduates from around the world, from almost 100 countries, applied to join the Sirius programme to start up their businesses right here.

On the other hand, I have been very outspoken in my belief that the coalition Government's immigration policy—which, unfortunately, the current Government seem to be continuing—was very damaging for business and sent out the wrong signals to our universities and academics and in terms of attracting investment and business. We should change our immigration rhetoric and, for a start, stop including international students in the immigration figures.

Inward investment in the UK is one of the genuine success stories to have emerged from the financial crisis. In every way, foreign investment is helping to transform Britain and the world for the better. On the other hand, the Minister, in his very frank speech, said that our exports are lagging. In the three months to April 2015, the UK's deficit on trade in goods and services was estimated to be £7.2 billion, widening by £1.6 billion from the three months to January 2015. Our GDP growth is good, but our GDP per capita could and should be much higher. Our inflation is zero, which is brilliant, and our employment rate is fantastic—at 73.4% in December 2014 to February 2015, it was the highest rate since comparable records began in 1971. This is marvellous. At the close of trade on 8 May, the FTSE was 2.3% higher and the pound experienced the largest one-day rise against the dollar since the previous general election in 2010.

Noble Lords, including the noble Lord, Lord Davies, have spoken about productivity. It is one of the most important factors in the success of a country. The more efficient an economy is, the more that can be produced in a sustainable fashion. High productivity growth leads to a higher growth rate in the economy. The reality is that in 2013, based on GDP per hour, the UK came sixth of the G7 countries and productivity was 16 percentage points lower than the G7 average, which is the widest productivity gap since 1991. Does the Minister agree that this is a huge challenge that we have to address?

We have heard about a balanced economy. Manufacturing industry used to be much bigger than it is today. Today it employs 2.6 million people and accounts for 10% of our GDP. Almost 70% of our R&D investment goes into the manufacturing sector and, as we have heard, goods produced in the sector account for 45% of all exports. As a percentage, however, we underinvest by miles in R&D and innovation compared with the OECD, EU and American average. Will the Minister acknowledge that?

When it comes to all the great coalition Government initiatives for manufacturing—the catapult centres, the advanced manufacturing supply initiatives and so on—the Government still have not set a specific target of increasing manufacturing as a percentage of GDP. The Indian Government on the other hand have said that they want manufacturing as a percentage of GDP to reach 25%. Will the Minister agree that we should set a target for manufacturing as a percentage of GDP? It has dropped from 30% to 10% of GDP since the early 1970s, and we must arrest this decline. Investment in manufacturing was £26.2 billion—23% of total investment in business—and that has fallen once again.

Before I conclude, I emphasise that the Government have the right intentions. The Chancellor of the Exchequer said:

"We want the words: 'Made in Britain', 'Created in Britain', 'Designed in Britain' and 'Invented in Britain' to drive our nation forward".—[*Official Report*, Commons, 23/3/2011; col. 966.]

Well, let us now walk the talk.

Not much mention is made of UK Trade and Investment. I have been privileged as a founding chairman of the UK India Business Council to work with that body, and I think that it does a great job. Could the Minister reassure us about support for UKTI going forward? The High Commission of India has been amazing. What are we going to do to encourage businesses to use its services more? In India, they have been fantastic. Now an Indian beer, Cobra, is being brewed in Burton-on-Trent, where IPA was brewed to send out to the troops in India. The Indian high commission helped us to launch Carling beer, a British joint-venture product of ours, in India. This is marvellous. The Minister said that the EU-India free trade agreement should be vitalised. Will the Minister tell us when that will be concluded? As for Europe, I was privileged to speak at the annual meeting of the Council of British Chambers of Commerce in Europe. What support has been given to these excellent initiatives around Europe and around the world, including the British Business Group in India?

The noble Lord, Lord Stoneham, said that we should really be committing more to defence. I have asked the Government many times whether we will commit to spending 2% of GDP, the NATO target. Our hard power and soft power is what makes us strong.

The noble Lord, Lord Clement-Jones, spoke about the Magna Carta. What an auspicious day on which to make your maiden speech, on 15 June 2015, 800 years after the Magna Carta. Let us think of Britain's influence, reputation and respect from that one document 800 years ago, and how it has influenced the whole world. This is what we underestimate.

I conclude by saying what a brilliant campaign is the GREAT campaign, again not mentioned so far in this debate. I urge the Government to get even more behind it. When I spoke at the Milan Expo, along with Dominic Jerney, the head of UKTI, I visited our British pavilion, the "beehive", which was the most innovative, creative and different by miles. We stole the show, and we are going to do that until December. In Germany, which people talk about being the most powerful economy in Europe, who built the German Parliament, the Reichstag, but our own Lord Foster?

In design, we are the best in the world. The UK is the epicentre of trading—we have been a trading centre for ever—and the epicentre of truth, justice, fairness and openness.

The Minister and I visited the Rolls-Royce factory, where you see this acronym everywhere: PRIDE. We should have pride in our abilities as the best trading nation and inward investment nation in the world.

5.03 pm

Lord Sheikh (Con): My Lords, I begin by welcoming my noble friend Lord Maude to your Lordships' House and congratulate him on his appointment as Minister of State for Trade and Investment and on the excellence of his maiden speech. He did great work in the other place, and I am sure that he will continue to play a key role in his new capacity.

I am glad to have the opportunity to speak on the subjects being discussed here today. Trade and investment is an area in which I take great interest. I have stated several times in your Lordships' House that I am very keen to promote more business between the United Kingdom and overseas countries. I believe that this will be one of the driving forces of our continued recovery. Ultimately, it will help us to balance our budget and reduce our national debt.

I would like to focus on the importance of the United Kingdom building its bilateral trade with the African continent. I have a personal affinity with Africa, as I was born in Kenya and spent my formative years in Uganda.

I have travelled across the continent, spoken at various meetings and met African businessmen. I have first-hand knowledge of what Africa has to offer. The continent's GDP is expected to grow by 4.5% this year and 5% next year. Furthermore, many African states have been members of the much-admired "7% club" in recent years. A number of economists have predicted that Africa could account for 7% of the global economy by 2040. Africa has a huge land area and an abundance of untapped natural resources. These include substantial reserves of oil, minerals, food and natural resources, and will undoubtedly serve much of the world's demands in the future.

Africa offers so much but, like any other economy, it has its challenges and vulnerabilities. Africa has realised these challenges and is already working hard to address them. At the moment a conference is being held in South Africa where one of the subjects being discussed is the growth of the continent's economy and achieving prosperity.

Last week I hosted and spoke at an event for the Economic Community of West African States, a body of 15 west African countries with a vision of collective self-sufficiency for their member states. They are creating an integrated region with mutual access to resources and investment opportunities. A few days ago I met African businessmen who are very keen to promote trade between the UK and Ghana. It is worth while our accelerating our trade with Ghana, as it is a stable country with good governance. Similarly, last year I was asked to speak at an event for the Southern African Development Community. It is a great example of fluid multilateral co-operation to encourage economic growth. It is investing in projects aimed at improving

infrastructure in the region. At a recent dinner held by the Association for African Owned Enterprises, I was awarded the lifetime achievement award for my involvement in trade with Africa.

African countries are also moving quickly to improve their investment climate and conditions for doing business. Last year a World Bank report found that Africa comprises five of the top 10 places in the world with the most reforms making it easier to do business. The same report found that since 2005, all African countries have improved the business regulatory environment for small and medium-sized businesses. Foreign direct investment is gradually moving away from mineral resources into consumer goods and services. This is in response to the needs of a growing middle class. Manufactured goods now constitute nearly 40% of intra-African exports. These changes present an unprecedented opportunity for overseas businesses to get involved. We must capitalise now before it is too late.

The UK's current engagement with Africa is based too heavily on aid and long-established commodity-based businesses. We need to see new British companies entering the African market. We must seek to help the continent to grow rather than simply supporting it with aid contributions. This in turn will help us to grow further here at home. Does the Minister agree that trade and aid must go hand in hand? I would appreciate his comments.

We already have a natural advantage with the significant African diaspora settled in the UK. Businesses should look to engage with these people in seeking to connect with Africa for the first time. There is of course a young and hungry new workforce in Africa, ready for foreign investors to utilise. Indeed, it is estimated that Africa's share of the global workforce will increase from 12% to 23% by 2050. The United Kingdom must do more to help unlock this potential. As someone who has a business as well as an academic background, I would like to see more partnerships between British and African universities. We must help to build practical vocational programmes and increase access to secondary and further education. Young Africans need to develop new skills in order to properly navigate what is a rapidly changing career landscape for them. Does my noble friend feel the same as I do about the education and training of Africans?

I am a fervent supporter of trade through our Commonwealth. It is in Britain's economic interests to utilise what is essentially a ready-made trading bloc that covers a third of the world's population. Many African countries are part of the Commonwealth, including Ghana, Kenya, South Africa, Uganda, and Africa's largest economy, Nigeria. On that note, I am pleased to note the Government's recent enthusiasm for working with the new Commonwealth Enterprise and Investment Council. I would be grateful if my noble friend updated your Lordships' House on how the Government are supporting and engaging with that council.

I also commend the economic partnership agreements brokered between Europe and the African regions in recent years. However, the United Kingdom must do more in its own right. We must surge ahead of the rest of Europe, and indeed the rest of the world. It is also crucial that the relevant people and bodies work together in order to maximise our trade efforts. We must pool

[LORD SHEIKH]

our talents as much as possible. The expertise from the Foreign Office, the Department for International Development, UK Trade & Investment and the private sector must all be combined and work in tandem to accelerate the trade activities. Is my noble friend satisfied that there is adequate co-ordination between the parties I have referred to?

Our high commissions and embassies in African countries can take an active role in notifying relevant companies in the UK of the opportunities and tenders available for bidding in the countries where they serve. We should also arrange trade exhibitions and visits of delegations to suitable African countries. Can the Minister say whether the Government recognise the importance of such delegations, and will he undertake to ensure that we see more of these visits to the African continent in the future?

The embassies and high commissions of African countries should prepare details of the opportunities available in their countries and provide them to interested parties in the UK. They could also prepare periodic press releases with the information. The embassies and high commissions of African countries, together with private organisations that are trying to facilitate strengthening of trade links, can arrange for trade exhibitions and delegations, which can meet relevant government departments and interested companies.

Africa is made up of 54 countries and each does business in a slightly different way. Local knowledge will help us shape investment models that present African ventures to reflect their true commercial value. The UK will be left behind if we do not address our international trade engagement strategies with Africa. For future growth, and to see new UK companies enter the African markets, we need to look at individual sectors and have more of a business approach to engagement with Africa.

Particular areas that UK companies can look at are construction, infrastructure, manufacturing, minerals, IT, agriculture, the financial services sector and export of goods from the UK. We must act now and connect our businesses at home with the overseas markets of the future. From more overseas trade will come growth, and from growth will come prosperity and stability. We have unique services and products which we can offer to Africa. No other continent offers such a unique mix of opportunities and challenges. Indeed, I believe that the opportunities far outweigh the challenges.

5.16 pm

Lord Pearson of Rannoch: My Lords, it is an honour for me to speak in this debate because it was opened by the noble Lord, Lord Maude, with his maiden speech. I have had a nodding acquaintance with the noble Lord for many years, which from my side has always been respectful, although I suspect that the noble Lord may have sometimes regarded my views on the EU as coming from a rather unruly lower boy at the bottom of the lower fourth. So it is a privilege to be allowed to join the grown-ups today and I promise to be on best behaviour in his honour.

Even so, I must pick on one central tenet of the Government's position on trade and investment in this country, and that is the Government's support for the

idea that our free trade with the EU and the rest of the world is best secured from within the single market and that that trade and the jobs which depend upon it would be in danger if we left the EU. I suspect that this question—what I call the “3 million jobs” question—will be one of the key battlegrounds in the forthcoming national debate about our EU membership. I have wearied your Lordships several times over many years as to why, given political will, jobs will be created if we leave the EU, if we get rid of the unnecessary EU regulation in our domestic market which comes with that membership, if we keep our trade with the single market and if we expand it in the growing markets of the future. So I will not repeat all the facts and arguments of us “come-outers” as to why we would indeed be better off out of the EU; I suspect that there will be time for that in our coming debates on the referendum and other matters.

However, I would like to take this opportunity to refer the Minister to the briefing notes on the globalbritain.co.uk website. I have recommended these to your Lordships before but I am not sure that Ministers or their officials in the Department for Business, Innovation and Skills have yet concentrated on them with the enthusiasm which they deserve. They have the advantage of being very brief, as they are designed for businesspeople, who do not have time for lengthy papers and, using official statistics, they constitute most of the economic case for the UK to leave the EU.

To make the noble Lord's task easier, I shall pick out just a few of those briefing notes now. For instance, there is No. 82, entitled “Post-withdrawal, agreement on free UK-EU trade is inevitable”. This deals with the central fallacy of those who wish to stay in the EU because they fear that jobs might be lost if we left. These Europhiles, if I may refer to them as such, often give our car industry as a key example of one in which we would face new tariff barriers and so on, and thus lose trade and jobs.

If the Minister reads only one Global Britain briefing note, I recommend that he reads No. 96, entitled, “Post-Brexit, tariff-free UK-EU trade in cars will continue”. It is only one page long, well-spaced out, and most of the print is quite large. Its facts speak for themselves. We import twice as many cars from the EU as we export to it—1.4 million cars are imported and 0.6 million are exported. Of the 1.7 million cars imported into the UK in 2011, 83% were from the EU. EU manufacturers own 53% of the domestic UK car market, the Germans having 32%, with Volkswagen alone having 19%. The Renault Nissan Sunderland plant is the UK's biggest car exporter, with 37% of all UK car exports. Our case—us Euro-sceptics—is that these EU manufacturers will ensure that EU-UK free trade in cars will continue tariff-free in both directions, whatever politicians now pretend.

The EU is of course a customs union, not a free trade area. Briefing note No. 101 shows how customs unions have become an expensive and redundant relic from the 1950s, which is why there are now no significant customs unions left anywhere else in the world. The Minister and his officials might care to absorb, together with briefing note No. 101, briefing note No. 98, which reveals “The Hidden Cost of Exporting to the EU Single

Market”—costs borne by an EU member state, such as ourselves, but not by countries outside the EU, such as the USA, China, Japan, South Korea and many others. This note sums up the 10 more respectable cost-benefit analyses over recent years, including one from the French Government’s leading think tank, one from the Swiss Government and even one from our own Treasury in 2005, which between them all put the costs of our EU membership at anything between 4% and 10% of GDP.

For those noble Lords who want to go more deeply into the subject, there is briefing note No. 92, which deals with global supply chains, through which much of modern international trade now passes, which take time to set up between suppliers and clients all over the world and which cannot be replicated overnight. We say that existing world trade arrangements will continue under the World Trade Organization, whatever we do about our EU membership. It is in the EU’s interest to continue existing arrangements with us because we are its largest client.

A number of your Lordships have suggested that we benefit from the weight of the EU’s account when it makes free-trade agreements on our behalf. We Eurorealists reply that, as the world’s fifth or sixth-largest economy, we would do better on our own in this area. We mention in passing that Singapore has had free-trade agreements with Japan, Russia and India for over 10 years, which we, as EU members do not enjoy. We point out that Switzerland has an FTA with China, which we do not, as indeed does Iceland—not exactly a vast economy.

In conclusion, I would be most grateful for some assurance from the Minister that he will look at the Global Britain briefing note No. 96—the one-pager—and encourage his officials to look at those that I have mentioned and the others on the Global Britain website. Their author, Mr Ian Milne, and I will be happy to meet the Minister or, if we are not grand enough for him, perhaps his officials, for any elucidation that they may require. I trust that we could thus inform the forthcoming national debate in this vital area.

In the mean time, I wish the noble Lord well in his new appointment.

5.24 pm

Lord Leigh of Hurley (Con): My Lords, I welcome the chance to speak in this debate today and, in doing so, refer your Lordships to my registered business interests, which include advising companies on direct investment from overseas.

I join the congratulations to my noble friend Lord Maude of Horsham. He and I first worked together in 1995, when I served on the tax group sub-committee of the DTI Deregulation Task Force. Sadly the Deregulation Task Force was abolished by Labour in 1997. We then worked together when he was chairman of the Conservative Party—a post it has not abolished—and thereafter I watched in admiration his work in the Cabinet Office, where he saved the taxpayer not just millions or billions but tens of billions of pounds. The country is lucky that he has chosen to dedicate the next stage of his career to public service, following, as has been said, in his father’s footsteps. He will be a great asset to the House.

I want to talk about how we should be building on our legacy and to answer the oft asked question: what should Britain’s place be in this world? At least one part of the answer is: as an open trading nation, exporting the world over and attracting investors into the UK. We have history. In 1596, when Captain Benjamin Wood set sail, it was the first attempt by Britain to find trade routes to China, a land thought to contain untold riches and wonder. He was, I am sorry to report, never heard from again. Fortunately, his successors fared better and, in 1637, a Captain Weddell landed in Canton and our trade relationship with China began in earnest. As many will know, we enjoyed similar successes elsewhere in the globe and became the world’s pre-eminent trading nation, a capital of a newly globalised world.

Coming to the present day, we should start by showcasing the incredible story unfolding in foreign direct investment. While much emphasis is often placed on the importance of exports, we also need to encourage FDI. This should not be criticised as “selling off the family silver” but rather the reverse. In FDI we have consolidated our leading position and, once again, remain the number one country in Europe, as the Minister told us. This is a position we have held for four years in a row and we are second in the world to the United States.

The UKTI 2013-14 report shows there were 1,773 individual projects with UKTI involvement, and the majority of these took place. We look forward to the Minister’s report next month on the years 2014 to 2015. These projects have helped to create and safeguard 111,000 jobs. These are not just any old jobs but future-facing jobs, with 37,000 of them coming from an advanced manufacturing base.

The investment is coming from all over the world, too, and not only the obvious places. As the noble Lord, Lord Bilimoria, has pointed out, it is coming from growing markets such as India. We all continue to hope that the rest of the European economy will soon be as fast growing as ours.

There are many reasons why our economy is growing like it is and these reasons resonate with overseas investors. Chinese investment into the UK is growing at an astonishing 85% per annum. I was privileged to be part of the largest trade mission to China, assembled during the previous Parliament, in which the Prime Minister conceived the programme Partnership for Growth. That trade mission was full of SME businessmen and women seeking to do business in China. So, while the EU will always be a key trading market for the UK, we are leaving nothing to chance in the rest of the world—hence the mission to China, which is already bearing fruit. Exports to China have doubled in the past five years.

Whereas generally exports are improving, there is still more to do. The trade deficit has been mentioned. This is significantly down as an average of GDP to less than 2%, as opposed to 2.5% under the last Labour Government. However, I am sure the Minister will agree that there is often too much focus on the headline number. The latest figures for the most recent month, April, which have just been published, show that the UK deficit was £1.2 billion. In fact, looking behind those numbers, it comprises an £8.6 billion deficit on goods and a surplus of £7.4 billion on services, which

[LORD LEIGH OF HURLEY]

is a dramatic difference—well done the services sector, including of course, the legal services championed by the noble Lord, Lord Clement-Jones.

Turning to my industry, the financial services industry, I note that in his 2013 Budget, the Chancellor announced the establishment of the Financial Services Trade and Investment Board, now headed by Sue Langley, and this and other UKTI initiatives are clearly having an effect. But perhaps my noble friend can explain how much of UKTI's resources will, hereon in under his watch, go directly to exporters rather than to internal initiatives. I am aware of the medium-sized initiative, the MSI, but remain concerned that in the UK only one in seven medium-sized businesses export outside the EU, whereas in Italy one in three medium-sized businesses export outside the EU. We are behind the curve in respect of SMEs.

The UK's reputation as an economic powerhouse has been steadily restored over the last five years. Businesses are investing here, helping to create more jobs and in turn opening up new markets for export. Brand Britain is as strong as it has ever been, respected by consumers and businesses the world over. As my noble friend Lord Risby has pointed out, one reason for this is the transformation of the Foreign Office, mainly under William Hague, which has become a pro-business, helpful resource to the UK economy, dramatically better than its previous indifferent approach to something that it regarded as mere trade. In the last Parliament, we also saw much-needed stability in the corporation tax road map—a clear sign to businesses and investors of the direction in which the Government want to take the economy.

I would, though, make just one point, and that is on the role of the FCA, which is relevant to trade and exports. Sometimes, through its overzealous enforcement of its own rules, and sometimes its opacity and inefficiency when it comes to approval, firms that want to find overseas investors, even where FCA-regulated business is only a tiny part of their revenues, require FCA approval. I have seen with my own eyes businesses with turnovers of £30 million or £40 million, which happen through their websites to offer customers consumer credit—or opportunities to buy goods under a consumer credit licence, which may be for as little as £10,000—have to apply to the FCA for approval, which can take at least a month and frequently six weeks. It is, of course, important that firms operating here are properly regulated, but we need to consider a more streamlined approach and perhaps a *de minimis* level to better enable more foreign direct investment, not just in financial services but in trading companies.

On the core subject of this debate, I am worried that the idea that trade deals are somehow bad for the countries involved is gaining credence. This is of course pure economic illiteracy, but look at President Obama in the US being potentially denied his trade promotion authority, which would allow him to fast-track agreements, or the trade unions here in the UK criticising the Transatlantic Trade and Investment Partnership. This would in fact boost growth and create jobs, not just here but right across Europe—and heaven knows the eurozone needs all the help it can get as our biggest single export market continues to flail, hurting our

exports. Trade deals ultimately make the world a richer place by breaking down artificial barriers that only increase inefficiency and waste. It is incumbent on us who understand the benefits for the UK to do a better job of explaining how this is the case, because I certainly believe that the more agreements we can make with key trading partners, the better off the whole of the UK will be.

I will point to just one example, South Korea. Since the agreement was signed, exports to South Korea have doubled—up 50% excluding oil—and we now have a substantial trade surplus with South Korea. We need more trade deals and I am sure that we will learn of some soon from my noble friend. Those who oppose such deals are hurting the UK and we need to drown them out with the simple truth that they are good for the whole of Britain. I am sure that my noble friend, with his huge experience of government, will want to ensure that the proper message is delivered to the public about the importance of trade.

I commend the last Government, in particular my noble friend Lord Livingston and UKTI, for continuing to bang the drum for the UK to bring in that inward investment we need and boost our exports to reduce the trade deficit still further. That, combined with more trade promotion and agreements with key partners across the globe, will ensure that the UK continues to lead the world out of crisis and into more prosperous times. The world is very keen to do business with us. It likes our products and services, our rule of law, our quality of product and our efficiencies, and it likes our business-like approach.

The new business-friendly Government, whether in or out of the EU, will give confidence to many that this is the time to come here to the UK for business. Our future is enshrined in our past. Just as we sent ships into uncharted waters in search of new markets 400 years ago, I look forward to hearing how my noble friend will chart the course for us. I am delighted that we are proverbially doing so again.

5.34 pm

Lord Empey (UUP): My Lords, I want to make a brief contribution in the gap. It is encouraging that the Minister is in his current post. Having someone who has been at the centre of government in the past five years come into this post I hope illustrates that the Government are taking the issue much more seriously and putting our exports and trade further up the agenda. I wish him well in his new task.

Like other noble Lords, I was privileged to be a member of the Select Committee on SMEs and exports in 2012, to which the noble Lord, Lord Popat, referred. I commend our report to the Minister for consideration because there are important lessons to be learned there.

The principal reason why I wanted to speak is that I have the honour of being a vice-president at the Institute of Export. The Minister will know that the institute is an educational charity that has existed since 1935. It is an Ofqual-regulated body, which allows it to give qualifications up to degree standard to students, both young and old, with various levels of experience in exports. Listening to the debate and the very significant

contributions—some very encouraging, others more worrisome—there is one thing missing. As a nation we no longer value to the same extent as many of our competitors people in business, in trade or who are exporting. We do not give it the same amount of priority.

All of us can come here and ask for more money for this service, for health, for transport or for infrastructure—we are all good at it. Indeed, if we did, we could pump up expenditure with very little difficulty. But the fact is we are less good at telling Governments how this money is to be provided and where it is coming from. We have not had a trade surplus since 1983, if my memory serves me correctly. Obviously that cannot go on. I ask a simple question: would you allow someone to perform dental work on you if that person did not have a qualification in dentistry? Would you allow somebody to fix your car if they had not been trained in fixing cars? I suspect not, but we are quite happy to have people come into exporting who are not trained in exports. We are quite happy not to train people, to give them qualifications, or even to give them tax incentives to be trained in exports. The basic knowledge that qualifications in exports can give is a very simple thing. If we prioritise that, such as through providing a tax incentive for people who are trained in export qualifications, that would be one small step to help businesses move forward.

The far bigger issue is the attitude of our country. We just do not put the same value on other skills as some of our major competitors, such as the Germans. The title “Herr Engineer” is really big among our German colleagues; here, it is a person with an oily rag in their back pocket. That is the core issue that is wrong with our approach. I hope, with the Minister in his new role and with the profile and contacts that he has, that perhaps we will be able to break through this barrier. Many people talk about glass ceilings; we have a concrete ceiling in this country that we need to break through to get people to realise that we have to do trade to pay for the public services that we all want.

5.39 pm

Baroness Kramer (LD): My Lords, on the night of the general election, the noble Lord, Lord Maude of Horsham, and I sat for a time on the same panel for the BBC—of course, he did not yet have his title. I cried; he smiled. However, it gave me the opportunity to welcome him to this House, even though, very discreetly, he said absolutely nothing. It is a delight now properly and formally to welcome him to this House. I listened with enthusiasm to his opening speech in which he talked about cross-party working. Many aspects of export and investment are commonly supported around this House and are areas on which we can work constructively together.

Many noble Lords talked about the importance of the WTO and bilateral free trade agreements, as did the noble Lord, Lord Maude. There has been much discussion of the EU. The noble Lord, Lord Maude, will have heard my noble friends Lord Stoneham and Lord Clement-Jones, the noble Lord, Lord Davies of Stamford, and other noble Lords talk about the importance of having an early resolution of the uncertainty that hangs over our role in the EU, given

the inhibiting effect of that uncertainty on investment. However, I suspect that the noble Lord, Lord Pearson of Rannoch, does not agree with their views.

The noble Earl, Lord Caithness, spoke in support of the potential that the EU offers the UK. In my role as a Transport Minister, which is sadly over, I had the opportunity to go to Asia and meet a number of companies that have made very substantial investments in the UK, and which promised future investment. However, they are hanging back on making that decision until they are certain what role we will play. It was very clear to me that they considered it crucial that we remain in the EU. Many of these major investors have plants and operations right across continental Europe and are constantly deciding where they will invest next. We cannot be certain that it will be the UK if we decide to exclude ourselves from one of the largest and wealthiest markets on the planet.

We have heard today of many success stories. The noble Lord, Lord Kakkar, talked about extraordinary success stories in healthcare and life sciences, and urged further support. No one can match the enthusiasm of the noble Lord, Lord Bilimoria, but he underscored an issue often raised in this House—namely, the importance of allowing immigration. Home Office policy is constantly to restrict and restrain immigration to the “tens of thousands”. However, we know that such a policy starves the key industries that we require to enable our economy to grow. We look to the noble Lord, Lord Maude, to fight the corner for UK business and the economy around the issue of immigration.

I wish to take a few minutes to pick up on the issues of SMEs and exports. Like the noble Lords, Lord Empey and Lord Popat, I had the privilege of serving on the Select Committee. Indeed, the noble Lord, Lord Popat, had the idea of setting up the committee, which was brilliantly chaired by the noble Lord, Lord Cope of Berkeley. Given the work we did on the committee, it was a shock to me to recognise how crucial to UK exports the SME sector continues to be. The report states:

“Our great companies are already highly successful worldwide, but many are wholly or partly foreign owned and for a step increase in exports we must look to our SMEs”.

However, in the transport field that I know well, which I think is not dissimilar to other fields, over the last couple of decades we have lost most of our British-owned tier 1 companies. Although our SMEs are still successful in the domestic supply chain, they find it very hard to participate in projects overseas because they are not part of the natural global supply chain for companies that now own what were once UK tier 1 companies. I am sorry not to be quite clear in saying that but it is an ongoing problem that our small SMEs manage to operate in the UK supply chain but find it very difficult to then follow a company as it exports overseas and to participate in the supply chain elsewhere. The noble Lord, Lord Green of Hurstpierpoint, gave excellent evidence to the committee. He pointed out that 5 million SMEs in the UK export something like £100 billion a year and that an increase of a mere one-third would eliminate our trade deficit. So the potential with SMEs is huge.

[BARONESS KRAMER]

I join others in recommending the report to the noble Lord, Lord Maude. It identifies a number of barriers and contains some important recommendations, some around skills—the noble Lord, Lord Empey, talked about the importance of skills and the lack thereof, particularly at SME level, when it comes to exports. The noble Lord, Lord Davies, talked about the importance of productivity, which, again, ties very much into the skills agenda. The noble Earl, Lord Caithness, too, addressed the lack of relevant skills to provide the basis for our SMEs to drive forward the export sector.

Some issues were not addressed at all in the debate. The lack of export finance on reasonable terms was raised over and over again by almost every SME. Our UK banks are extremely poor at providing finance to SMEs generally but when it comes to providing export finance—and dealing with foreign currency exchange rates, which small companies face; big companies rarely do—their weaknesses become even more evident. Much of the advice we heard was that a company looking for export finance should ignore British banks altogether and try to find a European bank with an outlet in the City of London because it might provide support in a way that no native bank would.

I raise this issue particularly at this point in time because we are about to divest ourselves of RBS. I have raised it before and it is one of my eternal frustrations that we have not restructured that bank in a way that meets the gaps within our own domestic banking sector, whether it is community banking, regional banking or a capacity to really deliver hard on export finance for the SME sector. I wish the Government would take the opportunity to look at that set of issues again before an opportunity is lost for ever.

The committee also looked at the UK Export Finance programme. In 2012 it was just starting to have some programmes potentially targeted at the SME sector. Perhaps the Minister can fill us in on how successful that programme has been because, quite frankly, the take-up when we looked in 2012 was virtually negligible. This area is critical if we are going to get the growth in exports that we seek.

Many people, including the noble Lords, Lord Bilimoria and Lord Risby, praised UKTI, and I join in that praise. After neglect for generations, frankly, the coalition turned it into a really effective body with some superb people, but it remained small and its reach remained exceedingly limited. The Select Committee report recommended a fund for LEPs to work with UKTI and introduce it to the relevant SMEs within their territories. I do not know if anyone has taken up that idea but it struck me as exceptionally important.

Of course, in places such as Germany, the Government can reach and talk to small companies, make them aware of opportunities, help them and support them, because they know about them because of their membership of the chambers of commerce. We have a purely voluntary system for membership of chambers of commerce, the result of which is that barely a single company joins. The example that the noble Lord, Lord Heseltine, often quotes is that a chamber of commerce of standard size in Germany will have 30,000 members; a similar one in the UK will have 400. Surely we can use the vast

reach of government to try to identify SMEs so that we can at least communicate with them and make them aware of potential opportunities. Government seems to constantly operate in silos, and other government departments could assist us in trying to compile that list and making sure that we have access. Even a simple tick-box, frankly, on a tax form ought to let us know which companies are out there and give us the opportunity to get to them.

I also want to raise what I fear is the constant exhortation for small companies to focus on exporting to the rapidly growing emerging markets. I am delighted if we can help SMEs get to China. The noble Lord, Lord Sheikh, talked about the potential in Africa and the noble Baroness, Lady Mobarik, about the potential in Pakistan. It is crazy that so many companies fail to recognise that we have people with ethnic roots here who could help them to access those markets, because they have the cultural understanding, contacts and specialised knowledge to make that possible. However, it is extraordinarily hard for many SMEs to get into these more distant markets. There is everything from regulation to—let us be honest—corruption, which can be an issue. Frequently, you have to know certain families or be tied to key decision-makers. There is also the whole area of intellectual property. That is surely the reason why one in five SMEs exports to the EU but only one in 20 goes beyond it.

I have talked to a number of SME companies within the transport sector. A highly respected company engaged in accreditation told me with excitement of the sale of one of its products to China. I congratulated it on what would be a growing business but it said, “No, you don’t understand. With China, you make one sale; after that, they have the intellectual property and make the future sales. It is one product only”. I have heard that over and over. We have to tackle these issues and provide appropriate and proper support for SMEs, even when going into the US market. People at one of the companies that we spoke to during the work of the Select Committee sounded very positive about the American market but I happened, by chance, to have a follow-up meeting with them. They had decided that their only way to access their market was in a joint venture because only in that way could they afford to defend their patent. The consequence is that all future exports anywhere outside Europe will now go through that joint venture, not the UK company. We repeat those problems again and again.

Could the noble Lord, Lord Maude, talk to us about how he is reorienting the work that his department does to support SMEs? The large companies will tell him what they need, and they frequently need no help. But we depend for our growth and exports on small and medium-sized companies, which desperately need appropriate support and vigorous resource from the UK Government.

5.52 pm

Lord Mendelsohn (Lab): My Lords, I draw attention to my registered business interests in roles connected to being an inward investor and an exporter who is involved with government agencies. It was a real pleasure

to witness the maiden speech of the Minister, the noble Lord, Lord Maude of Horsham. He is an excellent addition to the Government's Front Bench and I wish him well in his duties. He has certainly shown that he is an effective and canny operator, and many achievements are to his credit. The rise of David Cameron to lead the Conservative Party was hugely guided by the noble Lord's careful management of the leadership process. He guided his party to the candidate who embraced the "No change, no chance" lessons of an election defeat. I think there is a demand for such a role in a number of other places at the moment, but I am sure the Minister is very pleased that he has chosen this duty.

I am also pleased to be able to acknowledge the Minister's work in reforming the Civil Service and upgrading the capability of the UK Administration by tapping into a pool of talent, including his excellent decision to involve individuals of the calibre of Dr Martin Read and others. As someone who has been involved in business turnarounds and restructurings, I can only admire anyone who is able to change the direction of the Civil Service. Looking at what the noble Lord has done and how it operates, there is a real sense of accomplishment in achieving such great results. His exhortation to make sure that we keep attentive—that more can always be done—is also a very modest way to look at his achievements. He takes on a hugely important brief and I hope that in this task, he can show some of the skills he has shown in other areas. In a very impressive maiden speech, as one would have expected, he covered many areas—including the broadest possible effort to support trade and investment, which I think this whole House responds to. I hope the Minister enjoys this House as I have. Debate and discussion in your Lordships' House provides sometimes critical but usually constructive and useful perspectives that can serve to clarify one's thinking.

We on these Benches are firmly committed to open, competitive and dynamic markets and to a very strong approach to exports and encouraging inward investment. We have had a very interesting and wide-ranging debate, with a great deal of honesty from all sides. I will make a number of points that I hope highlight some of the current key concerns on this side of the House.

First, we are also committed to finding ways to establish a firm recovery and to ensure growth and the conditions for our long-term competitiveness, as well as the right sort of capability and adaptability to ensure that we are ready to capitalise on the future shape of business technology, markets and trade. In this regard, we hope that the Minister uses his considerable reputation and ability to fashion a new strategy for the Government to follow.

Our future is at risk, and trade and investment are at the heart of many of the challenges we face. Growth is better than austerity as a policy for bringing debt under control. In business, we cut hard so that we can grow, but government can certainly adopt different approaches, not least through their ability to reform markets and make interventions. I agree with the view that the recovery is too weak to allow for a normalisation of monetary policy. Focusing on the latter would leave us weak and unprepared for any downturn, whether here or in Europe, and very exposed if the growing

emergence of highly leveraged instruments were to cause even a small shock. We need to add lustre and sustainability to our economic recovery.

Britain's widening trade deficit dragged down growth for the first three months of the year. The data show that net trade took a chunk out of the economic position. Imports surged by 2.3% and exports fell by 0.3%. The performance reflected a rise in imports of oil, machinery and transport equipment which knocked almost 1% off growth. Recent published data identified that the UK ranks almost at the bottom of the OECD countries in respect of export growth since 2010. I note the comments from all sides of the House, including the very thoughtful ones from the noble Lord, Lord Popat, and the noble Viscount, Lord Hanworth. The data from the Office for National Statistics show that the deficit is still strong and now in its 18th year.

The 2011 government paper, *Trade and Investment for Growth*, was a useful attempt to synthesise an effective operating strategy, but it urgently requires renewal—in fact, it requires change. The Government have grasped one very important nettle, but the UK regions will not become the powerhouses of growth and trade unless they are powered up by investment in skills and growth, which is a hoped-for benefit of the northern powerhouse. From that point, they can help to encourage exports, imports, investment and growth.

I hope the Minister takes the support he has received in this debate as licence to think more broadly, deeper and harder about what we can do. In this context, his comments about the UK-Israel tech hub being a new pioneering method are warmly welcomed. I hope that when he responds, he will further set out his thoughts on how he can make some changes.

Secondly, an effective trade and industry strategy is critical given the need to deal with our productivity crisis. A profound area of concern and one very relevant to the trade and investment debate is the huge problem with our foreign direct investment. I have previously clearly stated that our foreign direct investment is a great source of pride to us, but in recent years we have started to see some significant challenges, which the noble Lord, Lord Davies of Stamford, spoke about. Foreign direct investment may well have reached a tipping point where, as an aggregated measure, it does not provide us with greater productive capacity for the economy.

There is a long-standing concern that the size and scale of financial and asset purchases make our FDI numbers look more flattering for the UK economy. We have long trailed the levels of actual job-generating investment by other companies, including in the UK. Recently, there has been not just the idea that deals and high-end property are not hugely significant, but a growing concern that levels of foreign ownership have started to affect the productivity of investment itself. If the general and standard investment in public utilities is done by foreign companies, is it really the same measure of foreign direct investment as a similar investment in France and Germany? If we strip out this type of investment, do we really have more manufacturing projects than Germany? Do we have more jobs created or preserved?

[LORD MENDELSON]

We also believed and always said that much of the benefit of the asset sales was that the jobs could not go overseas. Can we now properly distinguish between business and corporate development locked into the UK and the investment we use to generate new growth in new areas? It is perhaps time for some revision of the measure of FDI. I am sure that the Government agree too that the long-term approach to earn and grow our way to higher living standards is through a high-productivity, high-skilled, innovation-led economy. To get there we need more British-based businesses creating good jobs, investing, innovating and, of course, exporting. Does the Minister support evolving our approach to reporting and monitoring FDI to ensure that we support this aim? In the next few years, might we develop a plan to help increase not just the quantum size of FDI but its quality? Not all investment is the same and not all of it will help growth and our productivity challenge.

Thirdly, we are firm believers in the principle that if you do what you have always done you should expect the results that you always have had. We embrace change, experimentation and innovation. Undoubtedly having a branding campaign, such as the GREAT campaign, is a useful and modern approach. It has many advantages and I thought that the National Audit Office report provided a useful series of suggestions for its future work. However, the National Audit Office was very sceptical of the methods used to suggest the return. The Cabinet Office's numbers suggested a £1.2 billion return on £113 million layout. I, too, am sceptical of the return. I believe that there are a variety of data deficiencies, not least that much of it was the expectation of what overseas students would be able to bring in, when we have before us the proposal to require our overseas students to go home as soon as they graduate. I urge the Minister to look at this carefully. If direct economic impact of investment can be 10:1 then we should expect the Budget to raise the amount we are spending on this into the many billions. I suspect it will not. However, it is important that we report these things openly and sensibly so that we can all really help to start looking at how we can do things better. I urge the Minister to consider a new evaluation of our strategy and to provide a greater degree of reporting and scrutiny of the performance of the whole of the Government's approach to the trade and investment framework for action, and especially the country and region-specific actions. Many noble Lords across this House have raised a number of very good initiatives, ideas and suggestions of where we should focus and it would be very helpful to emphasise those.

Fourthly, we are broadly supportive of the Transatlantic Trade and Investment Partnership, provided that the benefits flow to consumers and to employees of the companies involved. Our position has always been that these are the benefits of open and competitive markets. It will be the biggest trade agreement of its kind and the negotiations to cut tariffs and lower regulatory barriers to make trade easier between the two markets can lead to great benefits. However, the negotiations must make sure that those things that require preservation are preserved. We have already made clear our views on the NHS and the objectives of the United States

negotiators. A recent peer-reviewed research paper from Tufts University made tough predictions about the impact of TTIP on Britain and, tellingly, it predicts a shift in GDP of 7% from labour to capital with all the likely consequences for inequality, wages and jobs. This would be hugely challenging for us but it is not a reason to stop our support for open markets and free trade, more a reason to improve discussions to a speedy conclusion. We need progress on this but not at any cost. I would be very grateful if the Minister could outline how he sees the development of the negotiations, where he feels the key issues are and what the Government's current predictions are for its opportunity or impact.

Finally, the Minister honestly addressed our weaknesses in our export performance. There is considerable concern that we are not where we need to be on this. Major exporters do not report a universal story of support and frequently point to the better service they perceive international competitors to get from their Governments. I am not sure that all these issues are justified and we have heard a number of very powerful stories from noble Lords of where our agencies have been highly supportive. It is very important that we get business as a whole engaged in this mission and that we approach this as a very strong pro-business mission. It was good to hear the noble Lord, Lord Risby, again championing the cause of taking this strong, business-focused approach.

I was encouraged to hear that the Minister had taken an interest in the Cole commission—an independent commission established under the leadership of Graham Cole to galvanise industry to develop ideas about how we can improve exports. Its interim report was a very useful addition to the debate and had some good ideas. The report showed that we had a lot to celebrate—cars, planes and pharmaceuticals. As the noble Baroness, Lady Kramer, said, it identified that many firms do not always make the most of the supply-chain opportunities that our major exporters present. Submissions to the report made clear that riding on the coat-tails of major exporters can be a road to exports for smaller firms, and we need to find ways to add to that and support it.

In addition, the report suggested that we should look at whether public authorities could set a lead in developing local supply chains by making an export plan mandatory—including for SMEs—in all public procurement bids that have export potential.

I urge the Minister also to champion the existing potential of our education and health areas, and our services sector, including of course our legal services sector, which was raised by the noble Lord, Lord Clement-Jones, and to champion and redouble the work of our creative industries.

The Government's commitment to reach a target of £1 trillion in trade now falls on the Minister's shoulders. It is a big task which I suspect no amount of journeys, air miles, calories or dinners will make it possible for him to achieve alone. I look forward to hearing of his future progress in developing strategies to reform and galvanise all parts of government in this crucial mission. As he said, this is a cross-party effort. I can assure him that we will respond positively and work with him if he continues in the manner in which he has started.

6.06 pm

Lord Maude of Horsham: My Lords, I am very grateful to your Lordships for the warm welcome and the very bipartisan spirit in which this debate has been conducted. I said at the outset that I knew that your Lordships' House contained a wealth of knowledge and experience on all matters pertaining to trade and investment, and the debate has amply borne that out, with a majestic and historic sweep going at least back to Magna Carta—very appropriately on this day—and a positively cosmic geographic sweep embracing joint space initiatives. It has been hugely impressive and I am enormously grateful for the breadth and depth of the contributions to the debate. I am afraid that time will not permit me to do full justice to all the points that have been raised, but I will deal with as many as I can.

The noble Lord, Lord Stoneham, began with issues around the commitment in Magna Carta to free trade. It is good that we remember that today. He and a number of other noble Lords talked about the proposed EU referendum, and the desire that this should be conducted as quickly as possible. I was rather sorry to hear the noble Lord, Lord Pearson of Rannoch, say that he was going to be well behaved; that was rather disappointing. He and I have not always been on opposite sides of the argument. When I was shadow Chancellor in the last part of the 1990s, we were joined in our opposition to Britain joining the single European currency, the euro. How right we were, and how glad we should all be that we avoided that trap and snare. Many thought that it would be a disaster—that was the word that often crossed people's lips—if we stayed out, but we were right then, and it was a pleasure to collaborate with him on that occasion.

The noble Lord, Lord Davies, talked principally about productivity, which of course is a huge issue. A number of noble Lords talked about the puzzle over why our productivity, as measured, falls below that of our competitor countries. Of course, in 2010 Britain was just emerging from a major recession—a recession that, if I may be slightly partisan, happened to start around the time that the noble Lord left the Conservative Benches to join Labour. I am sure that that was just a coincidence. The challenge, obviously, was to stabilise the economy and to create jobs. There is a productivity puzzle, but there is also an employment puzzle. Economists have scratched their heads for the past five years about how an economy which, certainly in the early period, did not have a strong level of economic growth was none the less creating jobs. It was extraordinarily successful at creating jobs. Of course, these are two sides of the same coin, but none the less we take the productivity challenge very seriously indeed. The Government will be publishing a productivity plan. The Government cannot create greater productivity. We can remove barriers to greater productivity, and we will do our best to do that. This is hugely important, and it will be a key challenge for this Administration.

My noble friend Lord Caithness, a member of the club of former Paymasters-General—which includes my father, if we are going to go back into the depths of history—talked about the progress towards doubling exports. He asked about progress with implementing

the recommendations of the Cole commission. It has not yet published its final report. I met the members of the commission last week, and very productive that was, and I am looking forward to their full report. I think there will be some interesting ideas which we will certainly want to take forward.

My noble friend asked about progress on the implementation of EU single-market directives. He is quite right to focus on that. Our record is not always quite as stellar and perfect as we like to maintain, but none the less if single-market measures are to create the economic upside that we all hope for, they need to be implemented properly and rigorously. The European Commission will be publishing a single market strategy in the autumn. I know that the new Commission, particularly the vice-president of the Commission who has responsibility for the digital economy and the digital single market, is deeply committed to making rapid progress on that front.

The noble Lord, Lord Kakkar, spoke with great expertise about healthcare and life sciences, in which he has enormous knowledge. He is completely right to emphasise that these are areas of great strength and that with the growth in healthcare markets, particularly in China, India and the Middle East, this is a huge opportunity for Britain. I am delighted that my friend the Minister for Life Sciences, George Freeman, is hugely committed. He sees it as a key part of his role to support British businesses in making the most of those opportunities. Of course, public procurement can support our export initiatives. The noble Lord on the opposition Front Bench and the noble Baroness, Lady Kramer, also talked about the potential for using procurement to support exports. They are right about that. This is a big opportunity.

The noble Lord also spoke about the role of trade within the Commonwealth. He gave an interesting and, I am sure, completely accurate statistic that the cost of trade between Commonwealth countries is nearly 20% less than outside. I did not know that, but that is powerful. We do underplay. I sometimes think that the "C" in "FCO" is a little underemphasised. I pay great tribute to the role of my noble friend Lord Marland in promoting trade and business activity within the Commonwealth. It is an underexploited opportunity for British business, and we will be looking to take all of that forward. I know there is a programme of activity in the margins of the Heads of Government meeting in Malta in November, which I am hoping to take part in, that will support this initiative.

On the same theme were the remarks of my noble friend Lady Mobarik, whom, as she said, I met earlier this month. Of course, she is completely right to talk about the potential in emerging markets. The seduction is always to try to target down and limit the number of places in which we give government support for exports. It is absurd that we should not take seriously this market of nearly 200 million people in Pakistan, with all the affinity that there is and the connection with the Pakistani diaspora in Britain. I am sceptical of the overtures sometimes made to me that we should narrow down our focus, either by way of sectors or by way of geographies. The truth is that we have a very well-developed network of overseas missions, and every single

[LORD MAUDE OF HORSHAM]

one of those overseas posts—not just the UKTI people—should be really focused on looking for business opportunities. It is not just for UKTI; it is for everyone concerned with government to look on behalf of British businesses for opportunities.

I completely take the point that my noble friend makes that Pakistan is too big an opportunity to be ignored. It is a hugely strong relationship. I visited Islamabad just before the election, and I was struck by the fact that too much of our relationship and the Government's interaction with the Government of Pakistan has, understandably, been around issues with security, counterterrorism, Afghanistan and so on. Far too little of it has been about developing the economic and commercial relationships that can create huge benefits for Pakistan and Britain.

My noble friend Lord Risby mentioned that we had worked together on four different occasions. When he decided to leave the House of Commons five years before I did, he must have thought that at last he was getting away from me—but foiled again. I pay huge tribute to the work that he has done in opening up on behalf of Britain, and with the support of the Prime Minister, this important market in Algeria. Again, that makes the point—if you were going to draw up your list of the 20 most important markets for British business, it would not necessarily include Algeria. Yet there is an opportunity that we can exploit and open up if we do it in different ways.

The role that my noble friend takes as the Prime Minister's trade envoy in Algeria is one example of doing things differently. With the commitment that he shows and the knowledge and expertise that he brings, we can open up opportunities for British business. The initiative of trade envoys is completely bipartisan—Members of both Houses, from all parties and no parties, are involved in it—and I am happy to restate my commitment to it and that of the Prime Minister. We will build on this; it has worked for the most part extremely well, and we think that we can go much further.

My noble friend talked about the commitment of ambassadors. That is not, I would say, completely universal, but it needs to be. It is really important that the official leadership of the Foreign and Commonwealth Office makes it clear that it is a primary duty of the heads of mission overseas to give enormous support to British business and Britain's commercial interests.

The noble Lord, Lord Clement-Jones, talked very knowledgeably about the importance of professional and particularly legal services. He and other noble Lords talked about the tensions that can exist between a concern that immigration should be properly controlled and the constraints that that can be seen to impose on economic and commercial development. He is completely right to draw attention to that. Frankly, any Government will have to grapple with those tensions and manage them in a grown-up and mature way.

The noble Lord also asked about savings in the UKTI budget, which is relatively small in the context of overall government spending. We will be expected to make efficiency savings—that was my day job for the last five years, and I can see scope for that. However,

to pick up the point that my noble friend Lord Leigh raised about the balance between what UKTI spends on its own resources, as it were, and giving financial support to businesses to enable them to develop their exporting, I see scope for rebalancing within that budget.

My noble friend Lord Popat talked about SMEs, as have many noble Lords. SMEs are very dear to my heart; part of the work that I led in the last Parliament was on increasing the amount of government procurement spend that was spent with SMEs. We said that our ambition was that it should rise above 25%, and in 2013-14 it went up to 26%. There is a relationship between procurement and exports. He and other noble Lords are right to say that there is huge scope for building on SMEs' propensity to export, and for understanding properly why too many SMEs start exporting and then stop. That is something that we need to understand better than we do at the moment and to address.

Regarding my noble friend's focus on Africa, I again make the point about targeting. We know that, while this will not be at all uniform, parts of Africa are growing and will continue to grow very fast, and we need to ensure that our presence in those markets is equipped well to ensure that British businesses can take advantage of that.

The noble Lord, Lord Bilimoria, spoke with huge passion and knowledge about the progress that has been made in the British economy in the past 30 years. I was impressed that, in his long list of sectors where Britain has strengths, beer came in only half way through; he slipped it very elegantly into the middle of his list. He referred to the tour that we both had of the Rolls-Royce facility at Goodwood. He asked about JLR and said that he had last been there a couple of years ago. Yes, he will find next time he goes that that is out of date. I recently visited the new line producing the new XE car. It is amazing in terms of productivity: you will see very few people on that line and a lot of robots. It is gleaming and smart—there is not an oily rag on site—and hugely impressive.

With the success of sectors like automotive, we need to ensure that we build more of a supply chain as well. When a vehicle gets built in this country, typically 45% of its content is imported. That compares with America or Germany, where typically 25% will be imported. We have strengths in this area but we need to build on them and go further.

The noble Lord referred, as did other noble Lords, to the "Great" campaign. It is an unusual example of consistency, where we built a brand and have continued to invest in it. One of my jobs in the last Parliament was to prevent government departments spending money on advertising and marketing, and we managed to cut out spending that did not continue to focus on that channel. It is very powerful and, although the methodology may not be perfect, as the noble Lord, Lord Mendelsohn, mentioned, that it works and succeeds and we should stick to it is beyond doubt.

My noble friend Lord Sheikh talked very knowledgeably about Africa. He knows it extremely well and is deeply committed. He asked whether the co-ordination between departments is sufficient. The answer to that is that it is never completely sufficient

but it is better than it was, and I will continue to work hard to make it yet better. On his suggestion that our overseas posts should be tasked with preparing really good plans based on an assessment of opportunities, frankly, whether or not there is a big UKTI presence there, that is absolutely what our posts should be doing. I take that extremely seriously.

I enjoyed the contribution of the noble Lord, Lord Pearson; I can assure him that I am capable of reading more than one page at a sitting, but I am grateful to him for his pointers towards the short versions, and will add that to my reading list.

My noble friend Lord Leigh talked about China and its importance. China is very big; we have doubled our exports, but we are only at the very beginning of this. British businesses are not yet getting into the tertiary let alone deeper cities that are there, so that should be a huge focus for us. We have overtaken France to become the second-biggest European exporter to China, but we can do much more. He talked about financial services, which is a huge strength for us, and we need to build on what can be done there.

The noble Lord and others talked about the EU-US free trade agreement. Noble Lords will have noticed that the Obama Administration has had one or two difficulties with Congress in recent weeks—that is not unusual. However, there is a huge commitment from that Administration to use its remaining time in office to achieve a complete negotiation.

On the concerns raised about the NHS, on which I had a meeting with some representatives of trade unions this morning, I am confident that the issues are not well founded. However, I understand the concerns and will ensure that they are properly addressed.

I am enormously grateful to all noble Lords who took part in this important debate and I hugely appreciate the warm words and good wishes expressed to me as I take on these responsibilities. Making a success of this endeavour is hugely important to the success of our country, and I take great heart from the support given in the course of this debate.

Motion agreed.

United Kingdom: Election Law *Question for Short Debate*

6.27 pm

Asked by Lord Kennedy of Southwark

To ask Her Majesty's Government what plans they have to review the law governing elections in the United Kingdom.

Lord Kennedy of Southwark (Lab): My Lords, in opening this debate on what plans the Government have to review the law governing elections in the United Kingdom I should first say that for many years of my working life I have been involved in elections at all levels, and until 2014 I was a member of the Electoral Commission.

The law governing elections is spread across 25 major statutes. It is complex, fragmented, and not easy to understand. For a mature democracy such as ours to

find itself in such a position is not good enough. Today we can be asked to vote for a variety of positions at the same election, including local councillors, mayors and police and crime commissioners, along with voting for an MP—although not your Lordships—and if you live in Scotland an MSP, in Wales an AM, in Northern Ireland an MLA, in London an AM, and on top of that we can all vote for MEPs. In addition, there are different methods of electing people to these positions, often with their own set of rules governing each election. This is not a good place for us to be, and the law needs urgent review and reform to bring it up to date and to make it fit for purpose to regulate elections in 2015 and beyond. All this legislation and regulation needs to be simplified, clear, easy to understand, modernised and easier to enforce; and, where infringements take place, it needs to be easier for action to be taken.

I am fully aware that the Law Commission issued a consultation paper, which could be seen as a precursor to legislation coming forward at some point in this Parliament. I very much hope that that will happen, but that legislation must deal with the points I outlined previously, it must also come forward embedded in the principle of seeking robust and fair laws governing elections, and no attempt must be made to seek party advantage out of that process. I hope that the noble Baroness can confirm that this is the only way in which the Government would consider bringing legislation forward to update this area of law in this Parliament.

I move on to outlining what I would like to see in a number of areas in any future legislation. I would like to see the laws governing elections placed into a single Act of Parliament to give us consistent and clear rules about how to conduct elections with a minimum amount of differentiation. Any such differentiation would then be due only to the voting system used or some other very important point of principle or policy that needed to be taken account of. We need clear powers for returning officers, and clear powers for the Electoral Commission to give directions to returning officers, in specific areas with no ambiguity.

The procedures in areas such as the review of boundaries in local authority wards need to be looked at carefully. I invite the noble Baroness to look at the actions of Northampton Borough Council in the recent review. I am not convinced that the action taken was necessarily in the best interests of all voters in all parts of the borough.

On registering voters, we need clear and consistent rules, and we need the franchises for all elections to be set out in primary legislation, along with placing a clear and unambiguous duty on returning officers to maintain an accurate, comprehensive and up-to-date register of electors. Nothing in the legislation that brought in individual electoral registration was intended, or should be used or be hidden behind, to allow the number of people registered to vote in the UK to decline even further. We always have had and continue to have a serious under-registration problem here in the UK.

Clear duties should also be set out for a number of organisations and individuals, such as university vice-chancellors, head teachers in secondary schools and other institutions where young people attend, to assist

[LORD KENNEDY OF SOUTHWARK]
 the ERO in maintaining an accurate and up-to-date register of electors. The same can be said for other organisations where data-matching has been, or could be, undertaken. We must also make it clear that nothing in the Data Protection Act prevents this sort of co-operation taking place. By working together in a co-operative manner, we can enable the ERO to identify more people who could possibly be registered to vote. There are other groups of voters, such as the elderly, who may need specific help in getting registered to vote. Academic research has suggested that anything between 6 million and 9 million people who are eligible are not registered to vote in the UK.

I think it is time for the Government to review the whole operation and set out clearly what can and cannot be done in the days running up to polling day and the day itself. In my opinion, too much seems to be left to local returning officers, and different practices which appear to be acceptable in one place but not in another have sprung up. One example of this is the attaching of posters to lamp-posts. That is perfectly acceptable in Birmingham but outlawed in Coventry. Personally, I think that it is a complete waste of time and money but I can see that if one party puts posters on lamp-posts, all the other parties will do the same. A poster in a resident's window or on a stake in a garden demonstrates support from voters and is much more important and effective for the campaigners.

There also needs to be a proper review around the whole question of absentee voting and the effectiveness of the code of conduct that has been in operation in recent years. The nomination process could be made much simpler for candidates and agents alike. Getting everything you need in order to be nominated on to one form that the candidates, agents and nominators could sign could be a way of making progress.

Nor am I convinced that the legislation surrounding emblems and party descriptions has been as effective as it should be, although it has created quite a bureaucracy. Why cannot one form be used, to be submitted to the returning officer in a local government area saying that all the people listed are authorised to use the party logo and description as detailed below?

I hope that we can have a proper debate on issues such as which is the best day on which to vote, whether we should move to a weekend or whether we should have early voting in a couple of places in a local area so that people can vote in person before the Thursday or whichever is the normal polling day.

I have no fixed views on those points, other than to say that we need to improve the way in which we conduct our democracy at present. Nothing in the conduct of elections in any part takes account of the transformation in communications in recent years through things such as blogs, Facebook and Twitter. That is a major omission and, frankly, it is ridiculous in 2015.

I am also clear that in any review of electoral law we should include the Electoral Commission—its workings, its areas of responsibility and its governance. The legislation that brought the commission into being has been on the statute book for 15 years, and I contend that not to review it when conducting a major review of electoral law would be a major error. The

creation of the commission has been a good thing but, from my time as a member of the Parliamentary Parties Panel and then as an Electoral Commissioner, I am clear that a review needs to take place so that we are agreed that it is focused on the right areas and in the correct proportions, and that the governance arrangements are commensurate with the important work we ask it to do.

I would like the Electoral Commission to have a much more hands-on role in the electoral registration process and in respect of EROs and returning officers, to ensure consistency of approach at a local level. The performance standards compiled by the commission are not effective enough. There is no independent audit of the return that an ERO submits, so we cannot be confident that everything is as good as it is said to be.

I also think that the Electoral Commission reporting to Parliament should be reviewed. I am not convinced that the Speaker's Committee gives the organisation the required level of challenge. I would like consideration to be given to the Electoral Commission reporting to the House of Commons' Public Accounts Committee in respect of its annual budget and how it spends public money, and to the Constitutional Affairs Committee in respect of more policy-based and general activities.

I could go into many other areas, and I am delighted that a number of experts on elections have decided to speak in this debate at such short notice. There is much we can be proud of in how we conduct elections in the UK. My purpose in putting the Question for Short Debate was to ensure that, at the start of this Parliament, the Government can hear from Members across the House just how important it is that we always strive to have the best possible electoral systems, best methods and best regulations to ensure that elections in the United Kingdom are always conducted to the highest standards. This is an area where, on a cross-party basis, we can work together to constantly improve the conduct of elections in the UK.

6.36 pm

Lord Tyler (LD): My Lords, on the 800th anniversary of the signing of Magna Carta, it is somehow ironic that it is left to just six of us to debate some of these fundamental issues. However, I warmly welcome the fact that the noble Lord, Lord Kennedy, has secured and opened this debate. He does so, of course, with considerable expertise and experience as a former commissioner of the Electoral Commission. I also very warmly welcome the Minister, as she is a neighbour from Gloucestershire.

I wish to touch with speed on six elements of current electoral law. The first, naturally, is the electoral system for the House of Commons. I need only refer very briefly to the results of last month's general election, because so many others, less partisan than me, have already declared the first past the post system no longer fit for purpose.

Last December, at a British Election Study seminar, I forecast that there would be wide discrepancy between votes and the seats gained by different parties. As we now know, UKIP supporters have been cheated by the system and SNP supporters over-rewarded by it.

The excellent report by ERS, *A Voting System in Crisis*, demonstrates the scale of this distortion. I also forecast that the inhabitant of No. 10 would get there with the support of less than 25%, or a quarter, of the eligible electorate—and sure enough he has. If equality before the law includes an attempt to ensure that every citizen has rough equality of electoral influence, we are a long way from that right.

That brings me to my second issue. It is now widely accepted that a drastic change to almost every parliamentary constituency boundary every five years is unnecessarily disruptive. The motive of the 2011-12 exercise was undoubtedly correct, since the variation between the sizes of some constituencies led to unacceptable inequality. However, there clearly needs to be a further reassessment along the lines suggested just before the election by the late, lamented Political and Constitutional Reform Committee in the House of Commons.

I noted also, in the last few days, a report in *Total Politics* that the 1922 Committee of Conservative Back-Benchers may no longer be so wedded to the idea that changes similar to those postponed in 2013 should now be resurrected. In particular, any reduction in the number of MPs without recourse to the other changes needed in our constitution is likely to be controversial with colleagues of all parties recently elected to the other end of the corridor.

My third issue relates to local authorities. As I said during the debate on the gracious Speech, after a political lifetime of seeking a fairer voting system, I am sufficient a realist to know that newly elected MPs are unlikely to rush to reform the way that they have just been elected. MPs have always proved more enthusiastic in favour of proportional systems for everyone else—for Holyrood, Cardiff, Stormont and even the European Parliament—just as your Lordships' House has for internal elections here.

However, that need not stop us tackling the appalling way in which the system currently cheats those who vote in local authority elections. Here we have empirical evidence of the huge benefits of moving to a better system. I am indebted to Dr Lewis Baston for his meticulous comparison of the results of Scottish council elections before and after the change made by the Labour and Liberal Democrat coalition there to introduce the single transferable vote. The core of his case is that the consumers of the democratic process—the voters—now get a considerably better deal north of the border than south of it. They are more likely to be “happy voters” whose choice contributes towards the election of someone who can truly represent them. In Scotland, fully three-quarters get to see the candidate they gave a first preference to elected, and 90% of them see a candidate to whom they gave either a first or a later preference.

My fourth point follows immediately on from that. The Cities and Local Government Devolution Bill, currently before your Lordships' House, offers an early opportunity to address this deficiency in our election law in England. As it stands, the Bill will create a potentially unprecedented concentration of political and economic power in one person's hands, or that of a very small clique. Without effective electoral

authority and constraints, the new mayors and their immediate entourage will clearly be a classic case of elective dictatorship in one-party states—totally unrepresentative new rotten boroughs—and, as the Minister may have noted, they are unlikely to be, at least in the first tranche, dominated by her party, or mine for that matter. We will start work on improving the Bill next week, when I anticipate there will be concern in all parts of the House to address this democratic deficiency.

My fifth issue concerns the franchise. We have yet to have conclusive evidence of the success or otherwise of the efforts to transfer from the old electoral registration system to the new one before the May polling date. My impression is that the pessimists will prove to be excessive doom-mongers but that the Liberal Democrats were right to insist on a steady transition, which will not end until after the Scottish, Welsh and London elections in May 2016. It could also be the register for the forthcoming referendum to decide our future membership of the European Union.

Obviously, there are different opinions about the date for the referendum. Personally, I think the sooner the better—as was indicated by the previous debate—as indecision could do much harm to the UK's economy and individual job prospects.

However, there seems to be a growing conviction that the political establishment cannot exclude 16 and 17 year-olds from this crucial decision about their future. After the triumphant involvement of this age group in registration and voting in Scotland last year, I pity the poor politician who tries to pretend that English, Welsh and Northern Ireland young people are somehow less mature, less well-informed and less responsible than their Scottish counterparts. As a long-term advocate of this change, I welcome new recruits to the cause.

My sixth issue, and by far the most urgent, relates to the law which seeks to monitor, constrain and illuminate the money spent on electioneering. The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014—it is quite a mouthful—attempted to ensure that the efforts of non-party campaigners to assist the election of candidates and parties became more transparent and that the amounts spent were limited. Despite huge concerns at the time, we have yet to hear from the Electoral Commission if there were any serious infringements or confusions arising from it. In due course, I know, we will get the report of the reviewer, the noble Lord, Lord Hodgson.

Meanwhile, however, the comparable weakness of the law relating to the political parties themselves is now shown in sharp relief. I take just one disturbing example. All Members of your Lordships' House who have previously contested parliamentary or local authority elections will recall the dire warnings from our agents about incurring any expenditure over the limit set which could be said to enhance our chances of election—that an election court could declare our election invalid.

But in the recent contests vast sums were spent, no doubt by all parties, to persuade electors in marginal, target constituencies, by means of mailshots, telephone calls and social media, to change their votes. However,

[LORD TYLER]

since the candidate was not explicitly named, all this activity fell outside the constituency limits. This tears up the principles controlling payment for local electoral advantage which have been in place since 1883. What is good for the goose must be good for the gander. If non-parties are to be subject to constituency-based regulation on any and all targeted spending, the same should apply to political parties. Surely now is the time to grasp the nettle on a full party funding reform—and the template is already there to do it.

Following the excellent report of the Committee on Standards in Public Life in 2011, I convened a cross-party group, with Andrew Tyrie MP and Alan Whitehead MP, to develop a draft Bill based on the CSPL recommendations and on the previous recommendations of Hayden Phillips. That draft Bill sought to provide material on which a consensus for reform of party donations and party expenditure could be built. This is classically an issue that needs to be addressed well in advance of general election campaigns. The CSPL should be invited, under its current chairman the noble Lord, Lord Bew, to advise urgently on the next steps, and this time the search for complete consensus, which amounts to giving the veto to the most reluctant and recalcitrant, must not be allowed impede the whole process. Ministers can retain credibility only if they proceed with the whole CSPL package. If they do I will stand with them in facing down its detractors. They cannot simply deal with the relationship between the unions and the Labour Party.

My noble friend Lord Rennard will deal in detail shortly with issues of electoral fraud, and the continuing opportunities for potential fraud, and I am grateful to him for his continuing efforts in your Lordships' House to highlight and prevent these problems.

Some noble Lords may take a relatively complacent view of the health of our democracy and the extent to which it is reinforced by our electoral laws. I am far from optimistic and certainly not complacent. The perception among the public is that we no longer occupy a leadership role in these matters, and can hardly lecture other countries on how to run their democracies. In recent days, I have heard people suggest that the outcome of the elections in Turkey was not legitimate. We should note that success there was built on 41% of the vote. Our own Government were elected with just 37%.

The barons at Runnymede may not have known just what they were starting, 800 years ago. I trust that Barons and Baronesses today will surely realise that the price of democracy is eternal vigilance and that clearly our electoral laws are well short of perfection.

6.47 pm

Lord Cormack (Con): My Lords, I thank the noble Lord, Lord Kennedy, not only for choosing this subject but for the moderate, balanced, sensible way in which he introduced it. His call for a review of electoral law is a powerful one and it was made more powerful by the fact that he understated it. I hope that my noble friend, who I welcome most warmly to this debate, will be able to give him an encouraging answer to the moderate points that he made.

It is difficult to accuse the noble Lord, Lord Tyler, of moderation when it comes to electoral law and I will not do him the injustice of accusing him of that. He talked about Magna Carta and Runnymede. I had the honour to be at Runnymede this morning in the meadows for the 800th celebration. It was, I am pleased to say a very happy, warm and splendid occasion. A number of fine speeches were made, not least by the Attorney-General of the United States at the rededication of the American memorial at Runnymede.

Of course, Magna Carta was not the foundation of democracy, but it was the foundation of our liberties. From that shaky start—it was annulled within 10 weeks by the renegade King John—nevertheless it planted some seeds that have grown and grown remarkably, not only in this country but around the world.

I would like to touch on one or two of the points made by the noble Lords, Lord Kennedy and Lord Tyler. The noble Lord, Lord Kennedy, made a plea for clarity, precision and an end to confusion in the law governing our elections. His points were well made and should be heeded. In a civilised society it is important that all should fully understand just what the electoral law is.

In that context, I reiterate a plea that I have made several times in your Lordships' House for better citizenship education in our schools. All young people leaving school should have a full and proper knowledge of the electoral system, which is not the same as saying that they should have the vote. The noble Lord, Lord Tyler, and I have clashed on that before. I fully respect the integrity of his opinions but I disagree profoundly with them. Where I do agree with him is that it was a pity that it had its introduction in Scotland. There should have been a greater examination of it. We now have a precedent that is difficult to fight against in some respects, but I am glad that the Prime Minister has made it plain that in the European referendum the franchise that we understand will apply. I sincerely hope that that will be the case. There are always inconsistencies in life, but when young people are not allowed legally to drink alcohol, smoke and drive motor cars it seems a bit odd that they should be given the franchise. I therefore hope that we will stand firm on that.

I also think that it is very important that we recognise the real disappointment that many of us feel in the percentage of people who vote. That is why I am so keen on citizenship education. I fought my first general election in 1964; I fought every general election from then until 2005. I have been involved in the last two general elections, just as I was in the one in 1959. What has been the most disappointing aspect over this long period has been the drop in the percentage, with the exception of the Scottish referendum last year, where there were very particular and peculiar—I use the word in its proper sense—circumstances.

There is a case, which I have raised in your Lordships' House before, for compulsory registration—that everyone should be registered to vote. It is a civic duty. I would actually go further: I have become convinced that Australia has something to commend it in this regard. To oblige people to cast their vote, or to cast a vote and go to the polling station, is not saying that they cannot write rude slogans on the ballot paper or refuse

to vote for anybody at all, but it concentrates the mind. The mind should be concentrated, because democracy—a system that we were celebrating this morning at Runnymede and which has been fought for bravely by people in all parts of the world over many centuries—is in danger of dying from apathy and from single-issue politics. Therefore, although my noble friend of course cannot give an undertaking from the Dispatch Box tonight, I hope that she will agree to talk to her ministerial colleagues about compulsory registration at least. It has a great deal to commend it.

Where I find myself in some agreement with the noble Lord, Lord Tyler, is in his remarks about the size of the other place. There is a case, of course, for proper boundary reviews, but to link that with a reduction in the size of the House is not necessarily the best way forward. Therefore, although I applaud the Prime Minister's seeking to have proper boundary reviews, I urge him to reflect a little on the wisdom of linking that with a reduction in the size of the House of Commons from 650 to 600. That is perhaps a step too far at the moment.

I again agree strongly with the noble Lord, Lord Tyler, about the financing of elections. We have to look extremely carefully at how we finance our politics, without being partial in the direction of any particular group of people. There is a case for making a tax optional. There is certainly a case for saying that no individual or corporation should give more than a certain amount. Although it is entirely reasonable to say that individual members of trade unions should opt in to whether they pay a political contribution, we should not treat that group of people less fairly than others. There should be parity.

I agree strongly with the basic plea made by the noble Lord, Lord Kennedy. I accept, as the noble Lord, Lord Tyler, said, that nothing can be done until the group of elections that will be held in 2016. However, at the beginning of a new Parliament, there is a strong case for a commission or committee of both Houses—I am a great believer in committees of both Houses—to look at our electoral system thoroughly, dispassionately and in an unbiased way to see how we can improve it and make it clearer and more consistent, with the fundamental aim of engaging the interest of people, particularly young people and those who do not necessarily have a long history of residence in this country. We should engage their interest to take part in something which it is a privilege to take part in, and to do so in a way that makes it almost impossible for fraud to prevail. Another situation such as that which occurred at Tower Hamlets would do very little for our electoral system.

6.57 pm

Lord Pearson of Rannoch (UKIP): My Lords, it seems that the law governing elections in this country may have been designed for a two-party system. Now that there are more than two parties I fear that it is no longer fit for democratic purpose. The most obvious proof of this is that modern Governments are elected by only about 24% of the electorate. Roughly 40% do not bother to vote and modern Governments are elected by about 40% of the 60% who do vote. Indeed,

the present Government were elected by 37% of those who voted, or 11.3 million votes, which gave them 330 seats and an outright majority in the House of Commons. The SNP got 4.7% of the votes, or 1.4 million votes, and was rewarded with 56 seats in the Commons. The Liberal Democrats got 7.9% of the votes, or 2.4 million votes, and were rewarded with eight seats. My party, UKIP, got 12.6% of the votes—some 3.8 million votes—which gave us just one seat.

I submit that these figures speak for themselves. If we want to live in a democracy, I suggest that we have to change the system of election to the other place. I do not know to what, but to something which more accurately reflects the will of the electorate and respects minority views. In this respect I am most grateful to the noble Lord, Lord Tyler, for his remarks.

When we come to your Lordships' House, the situation is just as unsatisfactory. Of course, your Lordships' House is not appointed by any obviously democratic process, except that over the years the Prime Ministers of the day recommend peerages to Her Majesty. It is the law governing elections in the UK that decides the make-up of the Government of the day, thus who is the Prime Minister and thus who sits in your Lordships' House. In your Lordships' House, we are blessed with about 31% of our number sitting as Bishops, Cross-Benchers and independent Peers—perhaps the most valuable of us all because they provide the essential independence of your Lordships' House and stop us being a rubber stamp for the House of Commons, where the Government of the day tend to get their way, which of course is democratically as it should be, but the Government are not always right.

After the 2010 election, the coalition Government said they would appoint new Peers in accordance with the votes cast in that election. I did not think that a wise policy because, as I have said, one of our great strengths is precisely that we do not reflect the composition of the Commons. But UKIP got some 3% of the votes in that election and so the Government's policy should have given us some 23 Peers, whereas at the time we had only two. As the leader of UKIP at the time, I wrote to the Prime Minister in May 2010 and suggested that we should have perhaps four more. Three months later he wrote back, very politely, and said that he took the point on board and would keep the matter under review but that press speculation vastly inflated the number of Peers he could recommend to Her Majesty and he was not intending to do any UKIP Peers just then. At the time the media were speculating that he would recommend about 60 new Peers. In fact, he went on to recommend 185, but not a single one for UKIP.

I did not let the matter rest during the previous Parliament. I wrote again to the Prime Minister on 27 March 2013 when I heard that more Peers were on the way, and chased him for an answer on 9 May, to which I did not even get an acknowledgement from Downing Street, and again on 4 December 2013. In the mean time, my noble friend Lord Stevens of Ludgate had put down a Written Question which was answered rather beautifully for the Government on 21 May 2013 by the noble Lord, Lord Wallace of Saltaire, thus:

"It remains the Government's intention that appointments to the House of Lords will be made with the objective of creating a

[LORD PEARSON OF RANNOCH]

second Chamber that is reflective of the share of the vote secured by the political parties in the last general election. The Prime Minister exercises his powers in relation to appointments to the House of Lords in order to deliver this coalition commitment and will continue to keep numbers under review".—[*Official Report*, 21/5/13; col. WA 57.]

That seems pretty clear, does it not?

My colleagues and I raised this matter with the Government several times in Written and Oral Questions and were given the same Answer by the noble Lords, Lord Strathclyde and Lord Hill of Oareford, and even by the noble Lord, Lord Maude—as he now is—when he was in charge of the Cabinet Office, to which No. 10 appears to have passed the file. All those Answers confirmed the coalition Government's policy, just that the Government had not got round to it.

I trust your Lordships will agree that this is a good example of a Government saying they have a policy which they intend to fulfil when in truth they have no intention of doing anything of the kind. Your Lordships will not be surprised that I have written again to the Prime Minister suggesting that UKIP should be better represented in your Lordships' House. I have confirmed to the Prime Minister that I still do not think that the coalition Government's policy of appointing Peers in proportion to the votes cast in the previous general election was a wise one.

However, the present composition of your Lordships' House is perhaps even less representative of the views of our people than that of the other place. To make this point, the only guide I can take is as though that policy was indeed reflected in our membership. Thus we find that the Conservatives, with 11.3 million votes from 37% of those who voted, would have 202 Peers in your Lordships' House, whereas they enjoy 226—24 more than they would have had under the previous Government's policy. Fair enough, your Lordships might think, and I would agree. The situation with Labour is quite a bit worse: 9.3 million votes from 30% of those who voted would give Labour 166 Peers, whereas it has 212—46 more than it would have had under the previous policy.

However, it is when we come to the positions of the Liberal Democrats and UKIP that we see that things have gone badly wrong. The Liberal Democrats got a mere 2.4 million votes from 8% of the electorate in the election we have just had, which would give them 43 Peers. Yet they have 100, or 57 more than they would have under that policy. But UKIP got 3.8 million votes from 12.6% of those who voted and we have only three Peers, or 66 fewer than we would have under the previous policy. I repeat: the Liberal Democrats have 57 more and we have 66 fewer. I trust that your Lordships will agree that UKIP deserves a few more.

Apart from the inequity of the present position, one great advantage would be that your Lordships would hear less from me and more from my new, and I trust energetic, colleagues. I have heard another and perhaps complementary suggestion: that a number of Liberal Democrat Peers might care to stand down—perhaps quite a large number. I seem to remember that the Liberal Democrats have not been all that committed to your Lordships' House or to its present system of appointment, so I hope that they will take this great opportunity to put words into deeds.

7.06 pm

Lord Rennard (LD): My Lords, first, I thank the noble Lord, Lord Kennedy of Southwark, for securing this debate. He brings considerable experience to this issue from his years of working for the Labour Party and as an Electoral Commissioner.

Tonight's short debate is very timely in different ways. As my noble friend Lord Tyler and the noble Lord, Lord Cormack, said, it is of course 800 years to the day since the sealing of Magna Carta, the 14th clause of which sets out the role of the "common counsel" of the realm. Historians regard this as the initial basis for our modern Parliaments, although the emphasis then was on the role of,

"the archbishops, bishops, abbots, earls, and greater barons",

rather than, as it states, those,

"summoned generally, through our sheriffs and bailiffs".

We are now in the process of reviewing what can be learned from the conduct of a parliamentary election eight centuries later.

While the text of Magna Carta can be seen on a single page, our electoral laws are now expressed in 25 Acts of Parliament, as the noble Lord, Lord Kennedy, said. I do not know how many pages in total they would cover. These laws have not been consolidated since 1983—when I was the election agent for the noble Lord, Lord Alton of Liverpool, when he was elected to represent my home area of that city in the other place. Much has changed since then in the way in which elections are contested, and they are now held for many more bodies than when the Representation of the People Act 1983 had simply to cover Westminster parliamentary and local government elections. So now we wait to see how the Law Commission proposes to recommend changes, in the first major overhaul of all our election laws in the 32 years since I was a constituency agent.

The commission's excellent consultation document of December 2014 poses a number of questions and makes clear the need to review our electoral laws, and to consolidate them. In this brief debate, I want to focus on the need to examine changes in electoral law to reduce the incidence of electoral fraud, which I believe must also be matched by efforts to improve voter registration and turnout. Measures to make it harder to commit electoral fraud should be one of the prime objectives of any review of electoral laws, even if the scale of electoral fraud under the present ones is hard to determine. I have often heard Ministers here make very complacent remarks on this subject because of the relatively low number of successful prosecutions made in relation to it. But as most crimes of any kind go unreported and undetected, this is clearly not a reliable indicator of the scale of the problem. Major problems may be confined to a few particular areas but the ease with which fraud can be committed means that we really have no idea how widespread it is.

The various judgments of Richard Mawrey QC, from different election courts, are required reading for anyone examining the need to review our electoral laws, especially his most recent, 200-page judgment in the case involving the disqualification of the former

mayor of Tower Hamlets, Lutfur Rahman. The court over which he presided in relation to Tower Hamlets found that,

“corrupt practices extensively prevailed at the election both of the Mayor and of the Councillors for the twenty wards of Tower Hamlets held on 22 May 2014”.

His judgment explains carefully the ease with which fraud can be committed in relation to postal votes and the difficulty of assessing the scale of it. He was satisfied that people were registered to vote who did not exist, but on whose behalf postal votes were cast. Other people, he said, had their postal votes taken away from them against their will, and their votes were actually cast by others. In his judgment, he described “bribery” by the distribution of grants and the use of “undue spiritual influence”. He referred to,

“thuggish conduct at polling stations”,

and said that the bar for legal challenge is set,

“much too high for dealing with intimidatory behaviour during the conduct of the poll”.

In presiding over other election courts, he has concluded that these sorts of problems are by no means unique to Tower Hamlets. In 2005, he barred six councillors in Birmingham from standing for election after uncovering fraud that he said would “disgrace a banana republic”. In 2008, a case in Slough involved the use of bogus postal votes and, in spite of some reforms, he observed that, “opportunities for easy and effective electoral fraud remain”.

We may, in my view, have reached the point at which it is no longer desirable to permit postal voting on demand and without reason. With my noble friend Lord Greaves, we secured some greater measures of security for the postal voting process in the past, such as requiring a signature to accompany a postal vote that matches the signature on the application to vote by post, and requiring a reason to be provided for a postal ballot to be sent anywhere other than the address for which the voter is registered. But these measures appear to have proved inadequate. The widespread incidence of postal voting in many areas means that we have now, in my view, effectively removed much of what was achieved by the ballot Act of 1872. The postal voting process means that ballot papers are often not completed in conditions of secrecy—and probably often not by the people entitled to complete them. Their votes are therefore stolen from them. Perhaps a reason should now be given for choosing to vote by post rather than going to a polling station and voting in supervised conditions of secrecy. A reason is required for the appointment of a proxy to cast a vote on someone’s behalf, and we should now consider if this principle should be extended to postal voting.

Certainly, some greater safeguards are required to prevent the democratic process from such abuse, but the measures taken must be proportionate, and care must be taken not to reduce participation in elections unnecessarily. Changes such as these should only be considered if we also properly address other and perhaps even more significant problems with our electoral laws, in particular the way in which many people qualified to vote are not included in the electoral register, and thereby denied their chance to participate in elections. This remains the most serious issue in terms of modernising our electoral laws.

In the last Parliament, I argued successfully in favour of the principle that registering to vote should remain a requirement, with at least civil penalties to be part of the process of enforcing compliance. But I am far from convinced that every appropriate effort is being made to make people properly aware of this principle and to address the issue of under-representation.

Irrespective of possible changes to the voting franchise that I support, involving 16 and 17 year-olds, we still need to ensure the proper involvement of all schools in the registration process throughout Great Britain, in the same way as now happens in Northern Ireland. This could be part of the civic education process that the noble Lord, Lord Cormack, referred to earlier. We should also look again at how students are registered and how people with two homes determine where their general election votes should most properly be cast. Above all, we need to look at how we increase participation in the democratic process.

There was an excellent article in the *Guardian* during the recent election campaign about the inconvenience to many schools from polling day always being on a Thursday. Thursday is generally a convenient day to vote for people not in work but it is much less convenient for many others. We therefore need to look more at polling stations perhaps being open on Saturdays and Sundays when many more people might be able to participate. All these potential changes will require careful scrutiny of the kind that was undertaken in the last Parliament in the other place by the Political and Constitutional Reform Committee. Therefore, further to my recent Question in the House on 4 June, can the Minister please explain to the House the Government’s justification for the abolition of this committee?

7.16 pm

Baroness Chisholm of Owlpen (Con): I thank the noble Lord, Lord Kennedy, for this debate. After a general election and a new Parliament there are always points raised about the electoral system and it seems that this year is no exception. This debate has raised many interesting issues and I thank all noble Lords who have taken part. I will start by making some points I feel are important and then answer noble Lords. I apologise if I miss out any of the points that have been raised, and I hope noble Lords will come to me at a future date so I can answer them—there is a lot to try to get through.

The Government have already set out our intentions on a number of points that affect elections or involve polls, such as removing the 15-year limit on voting by British citizens living overseas and carrying forward commitments to devolve electoral responsibilities to Scotland and Wales for the polls relating to their national and local governments. As part of looking at devolution across the UK, there are plans to allow for the election of metro mayors as part of packages to give powers to the cities so they can develop their local economies and take responsibility for matters such as transport, housing and policing to bring decision-making into a more local arena. I think the noble Lord, Lord Tyler, expressed reservations about this but there is no evidence to suggest that metro mayors will not be a positive move towards more effective local democracy. Party funding is a long-standing debate that I am sure will continue to be a subject for change in the future.

[BARONESS CHISHOLM OF OWLPEN]

There will be other areas to look at too during the course of the Parliament but, specifically related to the noble Lord's question is the ongoing review of electoral registration being taken forward by the Law Commission with the support of the Government and input from the Electoral Commission. This will report later in the Parliament with proposals to simplify electoral legislation and will doubtless benefit us all in allowing a clearer understanding of the now complex law governing electoral matters. This area requires a much more streamlined approach, making it much simpler for the election registrars to understand and implement. The Electoral Commission is charged with ensuring consistency through performance, standards and guidance, which is a point the noble Lord, Lord Kennedy, raised. Other work started in the previous Parliament is continuing, in particular the transition to individual electoral registration, or IER. This has been a positive process so far, with the introduction of online registration being recognised as a major achievement by electors as well as by those who run elections. Record numbers of people applied to register ahead of the elections on 7 May and we now have a more secure registration system. We are committed to taking the process forward to completion in order to safeguard the electoral process and ensure that the electorate can have trust and confidence in it. If we are going to get more people to vote, public trust and confidence in the integrity of elections is of paramount importance.

There is a programme of work that is looking at building on the successful implementation of IER to date and, in particular, the online registration service. We are keen to build on the benefits that flow from the system. For example, it takes only three minutes to register online. This can be done on a smartphone or tablet, which is obviously popular with the young.

There will be a decision on ending the transition to IER in due course, informed by the report from the Electoral Commission that is due later this month. Underregistration remains a challenge, but important steps have been taken to improve the position: for example, the introduction of online registration and the investment of more than £14 million over the last two financial years to support activities aimed at increasing levels of voter registration. All political parties and community organisations have a responsibility to encourage people to register to vote and take part in our democracy. Before the general election, we communicated with organisations such as the British Youth Council, UK Youth and the National Union of Students, and undertook media advertising, which included the Sol Campbell and David Harewood poster where they whitened up and said, "If you don't vote, you're taking the colour out of voting". It is clear that online registration has helped all these things.

On a more mechanical level, as with any area that attracts close scrutiny, there will be issues of detail raised throughout the Parliament that will require some changes. For example, forms and notices are constantly kept under review and improvements made where they will assist electors and the process in general. We need to look at the Electoral Commission's report on the May polls when that is available in the summer and see what recommendations are made.

I turn to some points raised by noble Lords. The noble Lord, Lord Kennedy, suggested that the Electoral Commission should be reviewed and that the Speaker's Committee should do more. The Electoral Commission was reviewed in 2007 by the Committee on Standards in Public Life. This led to some changes in the commission's focus. The Speaker's Committee has now been set up for this Parliament, and I am sure that the Speaker will be made aware of the noble Lord's comments so that he can take them into consideration in looking at the commission's work.

The noble Lord also said that the Law Commission needed to produce a review with no party bias. The commission is operating in an independent capacity. It is consulting all relevant organisations, including political parties, but its recommendations will be its own.

The noble Lords, Lord Kennedy and Lord Rennard, mentioned weekend voting. It is not clear that voting at the weekend would be more convenient than on a Thursday. Voting at the weekend would also raise concerns for faith groups and potentially increase the cost of elections.

The noble Lord, Lord Tyler, brought up the point about 16 and 17 year-olds and why they could not vote. The Government have no current plans to lower the voting age. However, they welcome the ongoing discussion and debates on the issue and believe that it is important to engage with young people, so this will be kept in mind for the future.

The noble Lord, Lord Tyler, also mentioned lobbying. The transparency Act is about giving the public more confidence in the way third parties interact with the political system. My noble friend Lord Hodgson of Astley Abbots has been appointed to conduct an independent review of the impact of the new rules, as required by the Act. The report must be published before November 2016, and the Government will consider it carefully.

My noble friend Lord Cormack brought up compulsory registration. There are no plans to introduce such a system at present. Electoral registration officers have the discretion, after completing several safeguards, to issue a civil penalty for not responding to an invitation to register to vote. It is equally important for all in our society to work together to explain why registering to vote is important, not simply to penalise those who are not registered. My noble friend feels that voting is a civil responsibility and that the importance of political participation should be reinforced without making voting compulsory. We feel it is up to individuals to decide whether they wish to vote.

My noble friend Lord Cormack brought up reducing 650 MPs to 600. He feels it is a step too far. Change is already in law. The review will start in 2016 and will report by 1 October 2018. He also mentioned better citizenship education in schools. Citizenship education has been a statutory programme of study in schools since September 2014. Schools have been encouraged to do much more in this regard. My noble friend also feels it is time for a review of the electoral system. The Law Commission's work will provide a basis for considering legislative change. It provides an opportunity for people to raise views on change. No doubt it will be put forward for a debate in future.

There are lots of questions still to be answered about this subject.

Lord Pearson of Rannoch: I sense the Minister may be coming to the end of her remarks without mentioning my speech. I quite accept that my suggestions are not within her department's remit, but what I said is within the remit of the Government and the Prime Minister, so I trust she can pass my remarks on to No. 10, the Cabinet Office and even, perhaps, to the Liberal Democrats.

Baroness Chisholm of Owlpen: The noble Lord got in just before I was about to say that, indeed, he is right that it is not within my remit. However, I was going to say that I will certainly come back to the noble Lord with a written reply as soon as I can.

Many interesting points have been raised during this debate. We will probably have further debates on these subjects. Voting is enormously important. It is our democratic right, and everybody should be encouraged to take part. Overall, we have a challenging programme of work and reform before us. It will include a number of changes to the law governing elections in the UK through direct changes to the process and systems, such as full transition to IER and ensuring that Brits abroad are not excluded, and wider changes that include electoral events, such as devolution across the UK, to ensure that decisions are made closer to the people they affect and that those people have more input.

Lord Kennedy of Southwark: Before the Minister sits down, I am conscious that she said that she could not respond to all the points in the debate today and that we could speak to her later. Could she go a bit further and agree to write to the five noble Lords who have spoken in the debate, as some very important issues have been raised here today?

Baroness Chisholm of Owlpen: Indeed, the noble Lord is right, and I shall certainly be doing that. I have made a note of several of the points that I would like to go back to, to make sure that I have a fuller answer, rather than just giving a short answer now. I shall certainly go back to noble Lords with written replies.

Lord Pearson of Rannoch: Could the Minister give an undertaking that she will pass my speech on to No. 10 and the Cabinet Office—and I leave the Liberal Democrats as an option? A reply to me may not get into the system in the way that I hope it will.

Baroness Chisholm of Owlpen: I shall certainly make sure that the noble Lord's speech goes to everybody, including to those on the Liberal Democrat Benches, as I am sure they would like it.

House adjourned at 7.30 pm.

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