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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

Questions	
Kids Company.....	1307
United Kingdom and the European Union.....	1310
Higher Education: Part-time and Mature Students.....	1312
Refugee Crisis.....	1315
European Union Referendum Bill	
<i>First Reading</i>	1317
Northern Ireland: Political Situation	
<i>Statement</i>	1317
Women in News and Current Affairs Broadcasting (Communications Committee Report)	
<i>Motion to Take Note</i>	1327
Civilian Use Drones (EUC Report)	
<i>Motion to Take Note</i>	1356
United Kingdom: Productivity	
<i>Motion to Take Note</i>	1387

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
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

Tuesday, 8 September 2015.

2.30 pm

Prayers—read by the Lord Bishop of Peterborough.

Kids Company

Question

2.37 pm

Asked by **Baroness Barker**

To ask Her Majesty's Government what action they intend to take as a result of the closure of Kids Company.

The Parliamentary Secretary, Cabinet Office (Lord Bridges of Headley) (Con): My Lords, the welfare of the young people who used Kids Company services has always been and continues to be our top priority. We are working with local authorities, charities and youth clubs in Lambeth, Southwark, Camden and Bristol to support young people with the services they need. Meanwhile, investigations into Kids Company are being conducted first by the official receiver and then by the Charity Commission.

Baroness Barker (LD): My Lords, I thank the Minister for his Answer. A cursory examination of the Kids Company annual reports, which are available on the Charity Commission website, shows that the organisation repeatedly ignored warnings that failure to put money into its reserves was putting the charity at risk. Does the Minister agree that that is a significant failure on the part of the regulator, which had the information and did nothing, and that that should be the subject of a future inquiry, as should the Government's continued funding of an organisation that was clearly inadequately managed?

Lord Bridges of Headley: My Lords, I should like to say first that obviously the noble Baroness speaks with a great deal of experience of the sector, so I take great note of what she is saying. She needs no reminding, but I would like to stress that it is ultimately the legal responsibility of a charity's trustees to protect the charity and its assets. The Charity Commission has neither the legal authority nor the ability to assess the financial health of the more than 160,000 registered charities; that is the job of each charity's trustees. However, I hear what the noble Baroness is saying. As I have mentioned, the Charity Commission will be conducting a statutory inquiry into Kids Company, and I am sure that it will wish to consider what lessons the sector as a whole and the commission itself might learn from this episode.

Baroness Armstrong of Hill Top (Lab): My Lords, I declare my interests as set out in the register, as I am involved with a number of charities. I hope the Minister recognises that the sector is highly regulated, and that

it is largely well regulated. The vast majority of charities pay attention to good governance, make sure that they have reserves and fully accept that they are accountable to those who fund them. Will the Minister and the Government relook at what they can do to encourage the many rich people we have in this country to take up philanthropy? One of the possible consequences of the panic and concerns around Kids Company is that charities which are struggling will actually continue to lose money when really they need to be supported.

Lord Bridges of Headley: I entirely agree with the noble Baroness that the large majority of charities do a very good job and that we need to tread with extreme care and caution. I also entirely agree that charities need to be able to raise funds and donations in a way that is not overly burdensome when it comes to regulation. I am sure that my right honourable friend the Chancellor will heed what she has to say about encouraging giving. I would note only that there has been a considerable amount of public donations to a number of the causes that have asked for money, especially the Nepalese earthquake and, of course, the Syrian refugees in the last few months.

Baroness O'Cathain (Con): My Lords, does my noble friend feel that people who are asked to be trustees of charities are given enough information beforehand against which they can check whether they have any experience in those areas and are able to deal with things such as accounts? I know that friends of mine who are willing to work for charities do not really understand things such as balance sheets or income and expenditure—they do it because they have time and they want to help the charities. Something has got to be done about that.

Lord Bridges of Headley: My Lords, I should declare an interest as I am a trustee of a charity. I entirely agree that there are a number of responsibilities and obligations that every trustee needs to heed. As a number of your Lordships will know, the Charity Commission provides clear guidance on the role and responsibility of charity trustees; indeed, it has recently updated its guidance, *The Essential Trustee*, which is designed to be easy to use and to support trustees in complying with their duties. That said, as I mentioned at the start, I very much hope that the Charity Commission will use this as an opportunity to look at what lessons the commission itself may learn from this episode.

Lord Morris of Handsworth (Lab): My Lords—

Baroness Hayter of Kentish Town (Lab): My Lords, I hope that the Government will also learn some lessons. The responsibility for the grants that the Government give is with the Government. We understand that the Ministers overruled the advice that they had from civil servants and continued to give grants. We suggest that the National Audit Office should do a wider review. We should look not just at the official receiver and the Charity Commission but at the role of government Ministers.

Lord Bridges of Headley: My Lords, I hear what the noble Baroness has to say. When a ministerial direction is given, it is automatically referred to the NAO, as a number of your Lordships will know. It is then expected to be passed to the Public Accounts Committee, and it is up to the PAC to decide what it wishes to do.

Lord Tugendhat (Con): My Lords—

Lord Morris of Handsworth: My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, it is the turn of the Conservative Benches, and I am sure the House wants to hear from my noble friend Lord Tugendhat. I think we should go then to the noble Lord, Lord Morris, who has been very patient.

Lord Tugendhat: My Lords, the Minister will be aware that in the corporate sector, rotation is the normal rule. It is very rare for non-executive directors to stay for more than three terms of three years. I read in the press that the chairman of the trustees of Kids Company has been in office for some 18 years. I do not know whether other trustees have been in office for an equally long time. Does the Minister agree that the lack of rotation is perhaps one of the causes of the difficulties that have occurred and that bringing new blood on to boards of directors or trustee boards is one safeguard against the sorts of problems that have arisen on this occasion?

Lord Bridges of Headley: I entirely agree. That is a very interesting point. Again, I point to the Charity Commission's investigation into this. It will look at the role of trustees—not just in Kids Company but more broadly, I hope—and the lessons it can learn from that. I hasten to add that trustees obviously provide a considerable wealth of experience. One needs to get the balance right between rotation and retaining that experience on a board of trustees.

Lord Morris of Handsworth: My Lords, the House will note the steps that the statutory authorities and others are taking—but in the mean time, can the Minister tell us what is being done to safeguard the immediate and short-term interest of the children concerned?

Lord Bridges of Headley: The noble Lord makes an extremely valid point. I entirely share his concern, which is and has been paramount since the closure of Kids Company. Government officials have been working closely with local authorities. I take this opportunity to thank the local authorities in Lambeth, Southwark, Bristol and Camden for all they have done. This work has encompassed not just the Cabinet Office but other departments in government. I also pay particular thanks to the dioceses of Southwark and Lambeth, which have offered to provide practical support to local authorities, including food.

United Kingdom and the European Union *Question*

2.45 pm

Asked by Lord Monks

To ask Her Majesty's Government when they will publish the changes they are seeking to the United Kingdom's relationship with the European Union.

The Earl of Courtown (Con): My Lords, as the Prime Minister set out in another place on 29 June, the Government are seeking substantive reforms in four areas: sovereignty, economic governance, welfare and immigration, and competitiveness. Following the June European Council, talks have begun on these issues in Brussels. The European Council will return to the issue at its December meeting. The Government are committed to holding a referendum on EU membership before the end of 2017.

Lord Monks (Lab): I thank the noble Earl for that reply, but is it not the case that in many areas the Government's intentions are as clear as mud? Take, for example, employment law and social Europe: there are rumours about the Government seeking an opt-out from social Europe, and about ditching the working time directive and the agency worker directive. By the way, the working time directive gives four weeks' paid holiday entitlement a year to workers. Is it not right that the British people should be given full details of what the Government are trying to achieve? At the moment we simply do not know what is true and what is innuendo. When can we learn that?

The Earl of Courtown: My Lords, the first phase of the work requires just these technical discussions. This is the start of the process. These discussions should be led by substance, not schedule. I quite understand the points made by the noble Lord, with all his experience of the trade union movement, but we are not going to show our hand and give our position away to other members.

Lord Garel-Jones (Con): Does my noble friend the Minister agree that few things could be more damaging to Britain's negotiating position than to go beyond the broad areas that he has just pointed out and to go into the fine detail referred to by the noble Lord?

The Earl of Courtown: My noble friend is quite right. He has great experience in this area as well. To show our hand too early would not be conducive to help.

Baroness Ludford (LD): Does the Minister agree that it was absurd of No. 10 to tell businesses to shut up about Europe on the ridiculous pretext that it would undermine the renegotiation? Does this not again demonstrate that the best strategy would be for the UK to lead a multilateral effort to reform the EU to enable it competently to tackle all those critical

economic, security and humanitarian challenges that press in on us—an approach that would have a unifying, not divisive, effect?

The Earl of Courtown: My Lords, as far as the business community is concerned, both the CBI and the British Chambers of Commerce have supported my right honourable friend the Prime Minister's proposals. On the other matter the noble Baroness raised, all other member states are being consulted on these issues.

Lord Kinnock (Lab): My Lords, does the noble Earl agree that not declaring or showing your hand is appropriate for a game of cards but not for deciding the fate of a nation, especially when the people most interested in the outcome, and, indeed, the inputs, are the British public? Will he reconsider that position? Will he also consider what we read in the *Financial Times* yesterday: that the Government are seeking to persuade businesses not to declare their pro-European Union views for fear of upsetting the apple cart? Is it not appropriate for large investors and large employers in our country to say categorically and candidly where they stand on the future of our participation in the European Union and in the single market?

The Earl of Courtown: My Lords, the noble Lord brought the House's attention to the recent newspaper article, which I did not see. If there is anything on which I can inform him, I will, of course, write to him. However, he is talking about making sure that Parliament is kept informed, and it will be. We are already keeping Parliament informed. My ministerial colleagues are having a conversation with a broad range of colleagues and Peers, and will continue to do so. In addition, the Foreign Secretary has indicated that he will be willing to appear before the EU Committee of the House of Lords at a later date.

Lord Hannay of Chiswick (CB): My Lords, will the noble Earl think again a little about this brilliant tactic of not revealing our hand? How are we to get 27 other member states to agree to some firm substantive decisions if they do not know what it is we are trying to get? Might we not cause a little confusion by concealing our hand for too long?

The Earl of Courtown: I think there are far too many hands around, to be perfectly honest, my Lords. My right honourable friend the Prime Minister has spoken to all 27 member states on this issue. It is just as important to speak to some of the smaller states as it is to speak to the larger ones.

Lord Lea of Crondall (Lab): Does the noble Earl agree that some members of his party are tending to the view that if Europe did not exist we would have to invent it? Recent events, ranging from refugees to wider international questions, demonstrate that. Will the White Paper that is the result of all this have to demonstrate also that we are aware of all the legitimate points being made by the other 28 states—or 29, including the EEA and so on—and that we need to find consensus among all of them?

The Earl of Courtown: My Lords, consensus is very important. However, we should get back to the basics here. It has been 40 years since the British people had a say on our European Union membership. The organisation has changed vastly since then and it is time to put that right.

Lord Anderson of Swansea (Lab): My Lords, is it the Government's intention to set out their aims and policy with total clarity after the negotiations have concluded?

The Earl of Courtown: My Lords, the noble Lord, as ever, makes an important point. Of course, those matters will, where necessary, be presented before Parliament.

Higher Education: Part-time and Mature Students Question

2.52 pm

Asked by **Baroness Sharp of Guildford**

To ask Her Majesty's Government what plans they have to reverse the decline in the number of part-time and mature students at higher education institutions.

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, the decline in part-time and mature students partly reflects dramatic improvements in the job market and the strength of our Government's long-term economic plan. However, we are committed to helping those who wish to enter higher education. That is why for the first time we have made available non means-tested loans to cover part-time tuition fees. We are also investing in higher level apprenticeships, with 13,200 new starts in the nine months to April this year, compared with just 2,200 in 2010-11.

Baroness Sharp of Guildford (LD): My Lords, part-time education has traditionally been the route by which those in work have been able to upgrade their skills. We have seen this enormous drop of 55% in the number of part-time students—143,000 people dropping out of part-time education over the last four years since 2010-11. Given that we have an ageing population whom we expect to work ever longer hours, and that, as the CBI reports, there are already skill shortages, does the Minister agree that it is vital for us to retain this route whereby people can upgrade their skills—it is a far more flexible means than apprenticeships—and play a useful part in the economy?

Lord Nash: I agree that we are very keen to stimulate this sector and that is why we have introduced the loan scheme to which I referred. We had a very weak economy, which resulted in a number of employers not funding these schemes. We then had a dramatic turnaround and recovery in the economy, with the creation of 2.5 million new jobs in the private sector, which obviously has had an impact on people deciding

[LORD NASH]

what they want to do and what employers will fund. Of course, over 80% of students in part-time education are in work. We are very keen to stimulate demand in the sector. We have written to key players in the sector asking for their thoughts, and we are extremely open to ideas.

Lord Quirk (CB): Is the Minister aware that the appalling drop in part-time studies affects seriously not only the major providers such as Birkbeck and the Open University but universities across the entire system, where part-time study has been held to be a little marginal and now risks being entirely junked, with the loss of a great deal of useful input into the higher education system? Is he further aware, as the noble Baroness, Lady Sharp, has just said, that at a time when employers are crying out for a flexibly minded, flexibly trained workforce, this is an exact description of the output of part-time students, a third of whom are intent on changing their career as a result of such education?

Lord Nash: I have already made a similar point to the noble Baroness: we are aware of the decline. We are keen to stimulate further but it not just about university education; for instance, our higher and degree-level apprenticeships are the fastest-growing part of our apprenticeships programme. This is all about widening access and helping people to develop the skills they need so that British industry can be competitive internationally. More than half of the people on these courses are over 25.

Baroness Bakewell (Lab): My Lords, I ask the Minister to address the solution to this problem, which lies within the remit of the Government. I speak as the president of Birkbeck, which has been very badly hit. Part-time education is being prevented from moving forward, and what is needed is the repeal of the 2008 policy that makes equal level qualifications not available for grant. If that folly of a policy was repealed, it would make a huge difference to those coming into part-time education. The Government are missing an important strand of policy, which would bring them great benefit.

Lord Nash: We have already relaxed that policy, which was introduced by the Labour Party, in relation to student support for those taking a second degree in part-time education in technology, computer science and engineering.

Lord Brooke of Sutton Mandeville (Con): My Lords, can my noble friend remind me which Government were in power in 2008?

Lord Nash: I do not think the noble Lord really needs reminding. I think he knows the answer.

Lord Stevenson of Balmacara (Lab): My Lords, the original Question asked Her Majesty's Government what plans they had to reverse the decline, which is very substantial. The Minister has offered only one

suggestion, which is that loans will be available. Loans, on top of having to raise huge amounts in fees, mean that these students are going to be further in debt. Is that the only proposal he has?

Lord Nash: No, as I have already said, we have the higher and degree-level apprenticeships. We are committed to expanding the apprenticeship programme to 3 million over the next five years, adding to the 2.2 million we have already introduced. These are high-quality apprenticeships, involving employers at every level in curriculum design and delivery methodology. Some 140 trailblazers have already come up with 350 new standards, which have either been published or are in development.

Lord Bilimoria (CB): My Lords, the questions so far have been about part-time students, and of course Birkbeck does brilliant work on that. The Question also asks about mature students. Can the Minister tell us what sort of funding is available to mature students for postgraduate degrees, particularly PhDs, and is supporting them a government priority? I speak as the chancellor of the University of Birmingham.

Lord Nash: For the first time, anybody under the age of 30 who is eligible to study a postgraduate master's degree is now able to apply for an income-contingent loan of up to £10,000. This is also available to part-time students, up to 50%.

Baroness Andrews (Lab): My Lords, the Minister has alluded three times so far to—

Baroness Brinton (LD): My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, I am so sorry to interrupt. I know that the noble Baroness, Lady Andrews, would not have been able to see that the noble Baroness, Lady Brinton, is trying to get in, and it is the turn of the Lib Dems.

Baroness Brinton: My Lords, the Minister has said repeatedly in answering this Question that the Government want to stimulate the sector. If the issue is that employers will not provide support, what can the Government do to encourage employers to support part-time students, perhaps with some tax relief if they are supporting students gaining high-level qualifications which will benefit their businesses?

Lord Nash: I have already said that we have extended the loan scheme. The noble Baroness makes a very good point about tax breaks. We are looking at a number of alternatives and I will certainly take that point back.

Baroness Andrews: My Lords, the Minister has referred three times to the expansion of apprenticeships, which is excellent, but that expansion should not take place at the expense of the destruction of further education. The cuts of 24% in the FE budget and

the adult skills budget earlier this year mean a loss of 400,000 FE students in this year alone. How many of those will be in construction, engineering and creative skills—the future of the economy—and how many adults will not be able to access literacy and numeracy? How will that help us build the houses we need and the economy we need, and to get more families into work—the ambition of his Government, as I understand it?

Lord Nash: We have created 2.5 million more jobs in the private sector, which is about 2.5 million more than the Labour Party thought we would create. We fully recognise the importance of further education in getting people the skills they need. That is why we have committed nearly £4 billion in 2015-16 to adult learning and further education, including nearly £800 million to apprenticeships funding.

Refugee Crisis

Question

3.01 pm

Asked by Lord Roberts of Llandudno

To ask Her Majesty's Government what steps they are taking to tackle the refugee crisis affecting Europe.

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con): My Lords, the Prime Minister has announced, as we heard yesterday, that over the course of this Parliament the United Kingdom will resettle up to 20,000 more Syrian refugees under the vulnerable persons relocation scheme. The Prime Minister has also announced a further £100 million of aid, bringing the Government's commitment to £1 billion, more than any other country in the world with the exception of the USA.

Lord Roberts of Llandudno (LD): My Lords, I thank the Minister for adding to the Statement of yesterday, but we have a great deal of confusion. What is the Government's policy? A week ago, we were told by the Prime Minister that we did not need to welcome any further refugees, as it would not answer the question, and that we should invest in the countries from which they were coming. Then this Sunday, on the Andrew Marr show the Chancellor of the Exchequer said that we need to invest in the work of local authorities in giving housing to refugees coming here. When we think of those 5,000 refugees, it is really 4,000 every year for the next five years—and that is as individuals. In families, it will probably be between 1,000 and 2,000 families a year. What is the Government's policy? In all this, we have not a penny to be given to those who are most in need: those on the roads for hundreds of miles, and who even suffer drowning and so on, because the Government here are sitting on their hands and not doing anything in a practical way.

Lord Ahmad of Wimbledon: My Lords, I say from the outset that it is preposterous to suggest that the drowning of migrants is somehow attributable to the

Government here—it is attributable to those criminal gangs who actually pick on vulnerable people. Every one of us was moved by the pictures we saw of those drowning children, but that drowning child was just one example of what we have seen with those criminal gangs. The Government are at the forefront of working with EU partners to ensure that we tackle those criminal gangs. The noble Lord asked about government policy. Let us be clear: it is comprehensive. As I said in my original Answer, £1 billion has been sent to those countries which are supporting the people—the real refugees—across the Syrian crisis in Turkey, Lebanon and Jordan—as I saw myself in the Zaatari camp. The Prime Minister has announced an additional 20,000 on top of the 5,000 places that we have guaranteed here to those people under the vulnerable people scheme. These are practical steps of a comprehensive policy in dealing with a situation which is impacting not just the region or Europe but globally. It needs a global solution and the UK is playing its part.

Lord Rosser (Lab): The Government said yesterday that the full cost of supporting Syrian refugees in the UK for the first year would be met through the international aid budget, easing the burden on local authorities. Is it the Government's intention that local authorities, rather than the Government, will pay some or all of the cost of supporting the up to 20,000 Syrian refugees after the first year, and over the rest of this Parliament, or are the Government prepared to give a commitment now that they will continue to pay the full cost after the first year?

Lord Ahmad of Wimbledon: The Government have made a commitment in supporting an additional 20,000—it is an evolving situation and the Government will continue to review the situation in terms of numbers. The noble Lord raised the issue of finance. Again, my right honourable friend the Chancellor has announced that the Government will be looking at the increase we are seeing in the international development budget because of the growth in GDP and how local authorities—which have a crucial role in resettlement—can also be supported. The Government will continue to review the situation and monitor it closely to ensure that we get assistance to those people most in need. That is our history and the legacy of this nation. This Government will proudly continue with that legacy.

Baroness Warsi (Con): My Lords, the noble Lord opposite asks an important question. What will be the legal status of the refugees who we intend to take and what will be the length of their leave to remain? How will we ensure that resources follow their legal status?

Lord Ahmad of Wimbledon: My noble friend has campaigned extensively on this issue, and she is quite right to raise the question of status. The grant will be for a five-year period, after which their situation will be reviewed in line with our immigration and asylum policy. Their situation will be reviewed in the same way as for the 5,000 who have claimed asylum so far in the UK from Syria.

Lord Hylton (CB): My Lords, would the noble Lord agree that it is not right that such a heavy burden should fall on countries such as Greece, Italy, Malta and certain Balkan states? Should there not be far greater solidarity across Europe, regardless of whether countries are in the euro or in the Schengen agreement?

Lord Ahmad of Wimbledon: I think I speak for Her Majesty's Government when I say that the countries most in need—let us be clear about this—are those bordering Syria, such as Lebanon and Jordan. If you visit the camps, you see the desperate plight of the refugees there. The Government have provided assistance: we are providing vital support to the most vulnerable in terms of health, vaccination and education in the surrounding countries in that crisis area. However, I agree with the noble Lord that it needs a unified effort across Europe and beyond.

European Union Referendum Bill *First Reading*

3.07 pm

The Bill was read a first time and ordered to be printed.

Northern Ireland: Political Situation *Statement*

3.08 pm

The Parliamentary Under-Secretary of State, Scotland Office (Lord Dunlop) (Con): My Lords, with the leave of the House, I will now repeat a Statement by my right honourable friend the Secretary of State for Northern Ireland in the other place.

“Over recent days I have been involved in a series of discussions with the Prime Minister, the five largest Northern Ireland parties and the Irish Government. On Thursday, we announced a fresh round of intensive cross-party talks. Those talks will begin at Stormont this evening and will be conducted in accordance with the established three-stranded approach.

The Government's objectives are clear. We are committed to working with Northern Ireland's political leaders to ensure that we have a fully functioning Assembly able to deliver for the whole community, a Northern Ireland where a stronger economy brings greater prosperity for all and a Northern Ireland that is no longer defined by its divided past but by its shared future. But to achieve this, we need urgently to tackle the two main sources of current political instability. These are, first, the issues arising from continued paramilitary activity and, secondly, the implementation of the Stormont House agreement.

Turning to the first of these, on 12 August, a prominent republican, Kevin McGuigan, was brutally murdered in the Short Strand area of East Belfast. This followed the gunning down of another senior republican, Gerard Davison, in the Markets area of Belfast in May.

Although it is not yet possible to know with certainty who was responsible for these murders, on 22 August the chief constable set out the PSNI's assessment of

the McGuigan case. This was the chief constable's estimate at that date, but we should recognise that we do not yet know where the investigation will ultimately lead.

The chief constable confirmed that the police were following a line of inquiry that indicated that members of the Provisional IRA were involved in the crime. He said that the PSNI did not at that stage have information to indicate that this involvement was sanctioned or directed at a senior or organisational level in the Provisional IRA.

On the status of the Provisional IRA, the chief constable's assessment was that some PIRA organisational structures still exist, but for a radically different purpose than before. His view was that the organisation was committed to a political path and was no longer engaged in terrorism although some current and former PIRA members continued to engage in criminal activities for personal gain and for personal agendas.

I do not intend to comment further on what is a live police investigation. The PSNI must be allowed to pursue its lines of inquiry wherever the evidence leads. The police assessment that I have outlined may change over time, but I do want to make this clear: there was never a justification for politically motivated violence in Northern Ireland, from whichever side of the community it came. During the Troubles, paramilitary organisations inflicted huge suffering on thousands of ordinary people. These organisations should never have existed in the first place; they should not exist today; and they should disband.

For our part, the Government believe fundamentally in the rule of law. We will not compromise it. We stand fully behind the Mitchell principles of democracy and non-violence. Only parties committed to exclusively democratic and peaceful means can or should be eligible to participate in Northern Ireland's political institutions.

I believe that all the parties in the Northern Ireland Executive are committed to these principles, but I am fully aware that the fallout from the murder of Kevin McGuigan and the continued existence of PIRA structures is a cause of grave concern, as is the continued existence of other paramilitary groups, so we have moved swiftly to convene talks to address these matters and to consider how best we can make progress towards the day when paramilitary groupings are consigned to Northern Ireland's history.

The second matter for the talks is the implementation of the Stormont House agreement. The Government believe that the agreement is the best hope of building a brighter, more secure future for Northern Ireland, but for that to happen it is essential that the agreement is implemented in full by all those who participated in the negotiations last autumn.

We are delivering on our side of the deal. In March, we passed legislation to open the way for the devolution of corporation tax powers. In line with the Queen's Speech, we are on course to introduce a Bill in October to set up important new institutions to help deal with the painful legacy of the past. We are now releasing funding to enable the planned voluntary exit scheme to proceed in order to take forward much-needed public sector reform.

The manifesto on which we were elected commits us to working with each of the other participants to ensure that all aspects of the agreement are implemented. That has to include the financial provisions of the agreement, including welfare reform. Without welfare reform and measures to deal with in-year pressures, the Budget passed by the Executive in June simply does not add up. That raises the real prospect that the Executive will start running out of money, with resulting damage to front-line public services such as hospitals, schools and policing.

In those circumstances, the Government cannot stand by and let the situation drag on indefinitely, with Stormont less able to deliver key public services. As a last resort, we would be prepared to legislate here at Westminster for welfare reform in Northern Ireland, but I must emphasise that we would do so reluctantly and only after we had exhausted all the other realistic alternatives. By far the better outcome would be for the Northern Ireland parties to reach agreement to resolve this blockage themselves without the need for Westminster intervention. I still believe that is possible, and that is why we will press ahead with talks this evening, determined to see the implementation of all aspects of the agreement.

We are a one-nation Government, and we want to build a Northern Ireland where politics works, the economy grows, and society is stronger and more united. We strongly support the power-sharing devolved institutions established under the Belfast agreement. The future of those institutions is in jeopardy if the two very serious matters I have outlined today are not resolved. I do not underestimate the challenges that we face, but I believe that a way through can be found, and that is what we will be striving to achieve as we embark on this new talks process with urgency, focus and determination.

Northern Ireland's political leaders have shown remarkable courage over the past 20 years and have achieved great things working together. We need to show the same spirit over the next few short weeks. I commend this Statement to the House".

My Lords, that concludes the Statement.

3.15 pm

Lord McAvoy (Lab): My Lords, first, I thank the Government for giving us advance sight of the Secretary of State's Statement. We in the Labour Opposition strongly support the UK and Irish Governments' decision to convene all-party talks this week in an attempt to secure a positive way forward on the challenging issues raised by the murder of Kevin McGuigan Sr and its aftermath, together with the implementation of the Stormont House agreement.

There is no doubt that the combination of real concerns following the assessment of the chief constable of the PSNI of the status of the Provisional IRA and the failure to agree a sustainable budget poses the biggest threat to stability in Northern Ireland for many years. We must not lose sight of what has been achieved by all parties talking to each other and, like the Government, we urge all parties to seek the necessary compromises and confidence-building measures, which can avert the collapse of the institutions. The people of

Northern Ireland and all sections of the community have had their faith in politicians and political institutions badly damaged by the perpetual crises of the past few years. There should be no doubt that the vast majority want to see progress and a return to a focus on issues such as jobs, education, health and opportunities for young people. It is also the case that business confidence, and therefore investment, is being put at risk by political uncertainty. Many people feel—I understand the feeling—that there is a sense of drift which needs to be tackled head-on by the Secretary of State for Northern Ireland. However, all parties in Northern Ireland as well must take responsibility for stepping back from the brink and finding a way forward.

I should like to put some questions to the Minister. In the aftermath of Mr McGuigan's murder, the Secretary of State said that the Government had always been aware of the continued existence of the Provisional IRA. Can the Minister clear up exactly what was meant by that statement? Is there any evidence of activity by the Provisional IRA, or indeed any so-called loyalist paramilitary groups?

There have been suggestions to reintroduce the Independent Monitoring Commission, although I know that doubts about that have been expressed by the noble Lord, Lord Alderdice. Has an assessment been made of the feasibility and desirability of such a measure?

Precisely at what stage in this financial year will the Northern Ireland budget cease to be sustainable? In the event of this round of talks failing, are the Government actively considering emergency legislation through the House to suspend political institutions and return to direct rule?

Can the Minister provide any detail on the yesterday's statement that the Government will now consider legislating for welfare reform and releasing funding for the Civil Service voluntary redundancy scheme, and what will be the timeline on that?

I finish by urging, along with the Government, a return to the discipline shown by all parties in Northern Ireland over the past 20 years, which has been considerable and very worth while. May we all plead for that?

Lord Alderdice (LD): My Lords, for a number of years when I was on the IMC I focused a great deal on the monitoring of paramilitary organisations. Is the Minister aware that the balance and order of things in this Statement could potentially be misleading? It focuses heavily on the question of whether there has been IRA activity, as though that was the real primary cause of the current crisis, when in truth this crisis has been developing for months and months over the failure of the political parties—particularly the two leading political parties—to work together in a proper governmental way. This recent event is important, but it should not be allowed to distract us from the fact that if it were magicked away tomorrow morning, the problems would remain.

Secondly, is the Minister aware that even if welfare reform were taken back to Westminster—and if it has to be so, I certainly would not oppose it—that would still leave a complete breakdown in the relationship between the Democratic Unionist Party leadership

[LORD ALDERDICE]

and the Sinn Fein leadership? Without a working relationship together, the devolved structures will not be able to continue, whether or not they have a problem of welfare and whether or not there is any indication of IRA activity. One must say that Sinn Fein has said the kind of things that many people wanted it to say for years on the IRA: that this was criminal activity; that people should go to the police with information; and that there was absolutely no justification. The Statement refers to “politically motivated violence”, but I have the sense that everything we know about this incident means that it was personally motivated violence rather than for the purpose of destabilising Northern Ireland.

Therefore, will the Minister take back to his colleagues who are engaged in this process that we do not need another monitoring commission or another short-term political fix but a change in the kind of relationships there are between the senior leaderships of the DUP and Sinn Fein? If not, we will be faced, as the noble Lord, Lord McAvoy, has suggested, with legislation in this place to take back powers, which would be a disaster.

Lord Dunlop: First, I thank the noble Lords, Lord McAvoy and Lord Alderdice, for their remarks and support. I do not think that anybody can doubt the seriousness of the situation or the Government’s commitment to help resolve the current challenges. I am sure that noble Lords in all parts of this House want to see devolved institutions in Northern Ireland that work and deliver for people in Northern Ireland. We all want to see, as the noble Lord, Lord McAvoy, said, a Northern Ireland that attracts jobs and investment and where people can be optimistic about their family’s future. There can be no doubt at all that the best route to achieving this is to see the full implementation of the Stormont House agreement. That is why my right honourable friend the Northern Ireland Secretary is convening urgent and intensive talks to find solutions to the critical issues that threaten the effectiveness and credibility of Northern Ireland’s democratic institutions.

I turn to some of the specific points that have been raised. First, on the Provisional IRA, the chief constable of Northern Ireland has set out his view that the Provisional IRA continues to exist organisationally but its purpose has radically changed. Individuals are engaged in criminality for personal gain, but the Provisional IRA as an organisation is no longer engaged in terrorism. We share that assessment, which is why some of the key issues that these intensive talks has to address are the implications of that situation.

Secondly, a question was asked about the IMC. Certainly, that is one option for consideration. However, the current situation—as the noble Lord, Lord Alderdice, will know all too well, given his previous involvement in the IMC as a commissioner—is clearly very different. Were we to ask a similar body this time, the questions that we would have to ask would be very different.

Suspension would be a very big step. The Government’s view is that that is not right in the current circumstances but, clearly, should the circumstances change, we would need to look at the full range of options that are open to us.

In terms of the budget and its sustainability, in some respects it is already unsustainable, and departments are struggling to deal with the consequences of that. We have made it clear that the voluntary exit scheme should go ahead as planned, because it is only through that route that we will start to get the public sector reform that is such an important part of putting Northern Ireland’s finances on a sustainable footing.

Welfare reform is part of the package of the Stormont House agreement. The Government are delivering their side of the bargain and we would like to see the other parties deliver theirs. In our view, it is primarily for the parties to resolve this issue and to come together and find a way through. Clearly, were there to be a failure to agree then, as my right honourable friend the Northern Ireland Secretary has made clear, the Government would, reluctantly and as a last resort, be prepared to step in if all other options had been exhausted.

3.26 pm

Lord King of Bridgwater (Con): My Lords, the hazards are made clear in the Minister’s Statement and the comments of the noble Lord, Lord Alderdice. No one among those who care about Northern Ireland would underestimate the gravity of the Statement that the Minister has had to make and the vital importance of finding an improved relationship going forward. Is not the reality of the current situation that the challenges and pressures of austerity, which are inevitable for all of us in this country, have brought to a head the tensions between the two major parties in the power-sharing agreement? If there is one statement that gives any encouragement, it is the Secretary of State’s comment that she believes it is still possible to maintain the agreement. I hope the message will go out from this House that, in the interests of everybody in Northern Ireland and the United Kingdom, it is vital that the discussions at Stormont come to a successful conclusion.

Lord Dunlop: I thank my noble friend for those comments. I entirely agree that the whole purpose of these talks is to get all the parties round the table and to find a way through this very difficult situation. My noble friend mentioned austerity. I think it is worth putting all this into context. The Northern Ireland block grant is still higher in cash terms than it was in 2010 and is only 1% lower in real terms. I repeat that we need to put that into context. It does not diminish the responsibility of, and importance for, the Northern Ireland Executive and all the parties involved in it to undertake the measures to put Northern Ireland’s finances on to a sustainable footing for the long term.

Lord Rogan (UUP): My Lords, I also thank the Minister for making this Statement. The noble Lord, Lord Alderdice—unfortunately, I thought—moved the probable link between elected Members and paramilitary groups into second place. No democracy can function if such a link exists. The chief constable of the PSNI stated that the military wing of Sinn Fein still exists. Elected Sinn Fein Members of the Assembly have constantly denied the existence of the Army Council, but the fact remains that 17 years after the signing of

the Belfast agreement, the IRA still exists. It retains a command structure and its members continue to murder people on the streets of Northern Ireland.

I ask a simple question: do Her Majesty's Government believe the chief constable or Adams and Gerry Kelly? If the Government believe their security forces, what purpose do they think the IRA Army Council serves? What is its current status?

Lord Dunlop: As I said in my earlier remarks, the Government share the assessment of the chief constable of the PSNI, and that is why one of the two key focuses of this intensive talks process is to consider the implications of the existence of paramilitary structures—on both sides of the community—as part of this talks process.

Baroness Blood (Lab): My Lords, I, too, thank the Minister for repeating the Statement. Of course we all agree that the way forward for Northern Ireland is a strong economy and an assured future. I should like to ask two questions that are bewildering ordinary people in Northern Ireland. We will hear today from some political people who will be able to describe that better, but I want to speak about ordinary people.

The first thing that confuses people in the community is: why did it take the Secretary of State so long to respond to the breakdown of the Stormont House agreement, which happened last March? Someone once said that in politics a week is a long time; well, I think six months sounds extraordinary, and yet Northern Ireland has been through the whole summer with this hanging over the people's heads, and there has been no movement. All of a sudden, the Secretary of State has come to life. I just wonder: does it take a crisis on Northern Ireland to have some movement, or is there just a lack of leadership? I have to tell the noble Lord that people on the ground are, first, really worried—naturally. Secondly, they are really amused that people can make all this talk but nothing come out of it at the end of several months. Why did it take the Secretary of State six months before this breakthrough in the talks? I wish them well.

As to my second question, I know that the Minister will tell me that the PSNI is still investigating this matter, and I agree. However, I should like to know what makes this man's murder so important. In the past 20 years, countless people have been murdered in Northern Ireland. I think back to young Paul Quinn a couple of years ago, who everyone knew that the IRA had murdered. Yet there was nothing. What makes this man's murder more important than anyone else's? As I say, I know that the PSNI is investigating, and that is right and true. Even the chief constable came out and said that while there was Provisional IRA involvement, he stated categorically that there was no hierarchy as we know it. What makes this different? People on the ground do not understand how this brought on the crisis.

I have to say that if anyone in this House, in this country or in Ireland believes that the paramilitaries on both sides have gone away, they must have been asleep for the past 20 years.

Lord Dunlop: I thank the noble Baroness for her questions. First, this Government are very committed to devolution, which has widespread support in Northern Ireland. The crux of devolution is local elected representatives being responsible for local issues. As I have said, the Stormont House agreement is a package of measures and the UK Government are delivering their responsibilities under that agreement. We have already legislated on corporation tax and are bringing forward next month legislation to implement aspects of setting up institutions under the Stormont House agreement. However, we feel that it is important that the parties in Northern Ireland have responsibility for taking forward those aspects of the agreement for which they are responsible. The Secretary of State has now stepped in to facilitate these talks, and she will progress them with urgency over the next three to four weeks.

The noble Baroness is absolutely right with regard to the police investigation. We support it, and it is important that the lines of that investigation are pursued without fear or favour and that the perpetrators are brought to justice. It would be inappropriate for me to comment further.

Lord Bew (CB): My Lords, already in this discussion there has been mention of the IMC, and we all listen with enormous respect to the words of the noble Lord, Lord Alderdice, on this subject. He is quite right: the return of the IMC is not a silver bullet—there are wider issues at stake here. However, does the Minister agree with the Irish Foreign Minister that it is something worth discussing, for two particular reasons?

One reason is that, since the Good Friday agreement in 1998, which had only a slender majority within the unionist community, there is now much wider acceptance within that community of the institutions of power-sharing devolution across a very broad spectrum. That underlying stability is helpful at this moment. However, there is also a need to send a signal of clarity about criminal activities. There are not just two choices; there are three. Is there a terrorist organisation in play here? Not in the old sense—the IRA is not that. But is this personal crime? That, I think, is open to question. The report of Committee A of the British-Irish Parliamentary Assembly, on which I sit and which has support across this House and across all the parties in Dáil Éireann, drew attention to the fact that it appears to be a criminal empire designed to support a political party. That is a slightly different question. So there is need for reassurance. Lord Alderdice is quite correct: the IMC is not a simple solution to many problems. However, does the Minister accept that it could have a role in giving that reassurance and reinforcing the underlying political stability that does exist in Northern Ireland, because there is widespread community consensus in favour of the power-sharing institutions?

Lord Dunlop: The noble Lord, Lord Alderdice, has drawn attention to quite a number of practical considerations. I can confirm that the Government do regard this as an option that is worthy of consideration and it will certainly form part of the talks that are about to start.

Baroness Harris of Richmond (LD): My Lords, the chief constable has said that he accepts the assurances Sinn Fein has given that it wants to support the police in bringing those responsible for these murders to justice. It would be a very good idea for Sinn Fein to demonstrate openly how it will do this. Producing internal door-to-door inquiries of its own is tantamount to providing an alternative police force and it cannot do this legitimately. Therefore, I hope that Sinn Fein will now actively help the police find those responsible for the murders.

Does the noble Lord agree with the comments made by Mark Lindsay, the chair of the Police Federation of Northern Ireland, when he said that:

“It is a very worrying development if a command structure can be activated at will. Our members view developments with great and justifiable concern. Officers are doing their best to police and safeguard this entire community and that means there is no place for murder gangs or paramilitary organisations which have nothing but misery to offer”?

The truth is that the leaders of some of the parties in Northern Ireland have not been doing their job to solve the problems that are still faced there. Some of the language they use is deeply unhelpful. It is vital now that they step up and help solve the problems that people living over here find incomprehensible after all the time and money that we have spent on Northern Ireland. It has been done in the past—it needs to be done now and urgently.

Lord Dunlop: I very much agree with the noble Baroness that the Police Service of Northern Ireland needs the support of the community in pursuing these investigations. If people have information that will help the police with their inquiry, we would certainly encourage them to come forward.

Lord Reid of Cardowan (Lab): My Lords, there is very little in this Statement that anyone here would disagree with and I thank the Minister for it. However, I think the reason there would be very little disagreement is that there is actually very little that is new in it. As my noble friend Lady Blood pointed out, these events have been going on for some time now. There is, however, one significant new element, which is the expressed intent of the Government to, as they put it, as a last resort be prepared to legislate here at Westminster. For those of us with a sense of *déjà vu*—I declare an interest, as I was involved, I think, as Secretary of State in three suspensions—this is a profound statement wrapped up in rather quiet words. Can the Minister therefore confirm to us that what this actually means is a suspension of the legislative powers in that area at Stormont, or is there another way of legislating here on a subject which is, after all, devolved?

The second question relates to the predication of that intention not on the political differences per se and particularly not, as the Statement makes clear, on the murder of Mr McGuigan, but on the real prospect that the Executive will start running out of money, not least in the public services and no doubt starting with health. In view of that link between the Government's intention, presumably, to suspend Stormont—or at least to take legislative powers here from Stormont—and the running-out of money, the Government must have

carried out some estimate of how imminent that is. Given that Parliament will rise next week, this is an important question. I notice that the Minister said that the situation is already difficult, but is he in a position to be a little more specific and tell us whether we are talking about a period of a week, a fortnight, a month or two months? As I have said, these innocent-seeming words have a profound implication for those of us who have lived through such a situation before if it results in the suspension of power-sharing at Stormont.

Lord Dunlop: I thank the noble Lord for his question. The first thing that I need to make clear is what I said earlier: that the Government do not think that suspension of the devolved institutions is right in the current circumstances. The noble Lord is absolutely right to say that the budgetary situation is acute. That is why these talks will be intensive, urgent and focused, and will last between three and four weeks.

On welfare reform, as I said earlier, if all other options have been exhausted and given the acuteness of the budgetary situation, the Government would be prepared as a last resort and extremely reluctantly to legislate here in Westminster on welfare reform.

Lord Brooke of Sutton Mandeville (Con): My Lords, in the penultimate sentence of the Statement there is a reference to “few short weeks”, and the Minister has amplified that by saying three or four weeks. Pursuant to that, the noble Lord, Lord Reid, came back to the subject of time. Given the scale of the agenda which has been set out before us today, will the talks be time-limited and, if so, for how long?

Lord Dunlop: I thank my noble friend. I do not think that I have anything to add to what I have already said on that matter.

Lord Hay of Ballyore (DUP): My Lords, I welcome the Statement. Let me say clearly to the House that these are very serious issues. We are probably in the worst situation in Northern Ireland since 2006 or 2007. I have been saying for some time to the parties in Northern Ireland that I believe the Assembly has been on a life-support machine for a long time—the noble Lord, Lord Alderdice, was right. As far back as 2 June, after the Secretary of State met the five parties along with Charlie Flanagan, the Foreign Affairs Minister from Dublin, she made clear how bleak was the outcome of those talks and warned us of the possibility of Westminster taking back powers relating to welfare reform. I believe that that would be a backward step, and the Secretary of State has said that it would be a last resort.

The other issue in Northern Ireland is the breakdown of trust within the parties. This, too, has been going on for several months. I ask the Government what action they can take to try to build trust in all the political parties in Northern Ireland.

I also firmly believe—and say to the House—that the only way that this can be resolved is by staying in, not by walking away. It cannot be resolved by people

standing at the door and shouting in; they must be in there, round the table, trying to resolve these very serious issues.

On the issue of recreating in some form the IMC, I have to say that it would not work at this moment, unless it had a different remit with different powers.

I also ask the question: given the seriousness of the situation, will the Minister tell the House whether the Prime Minister has any plans to visit Northern Ireland and take part in the talks?

Lord Dunlop: I thank the noble Lord for his question. On the latter point, I have no information to share with the House at this point. I very much agree with what he said about building trust and confidence. The best way to achieve that is to get people round the table to discuss in a very focused way the challenges that face Northern Ireland. There is no doubt that the best route forward for Northern Ireland is the full implementation of the Stormont House agreement. Without progress on that, there is a real threat to the devolved institutions of Northern Ireland. I reiterate that these talks are not a renegotiation; they are about a full and fair implementation of what the parties have already agreed.

Lord Cormack (Con): Should not all of us throughout the United Kingdom remember the courage of my noble friend Lord Trimble and John Hume, and the courage and imagination of the late Lord Bannside and Mr McGuinness at that difficult stage, and should we not realise that if welfare reform is indeed taken back into the Westminster Parliament, that will be not the last resort but the first step towards direct rule being reimposed? That would be an ill vote of thanks to those who have struggled so much, and a very sad new chapter for that part of the United Kingdom.

Lord Dunlop: I echo what my noble friend said about the original architects of the Good Friday agreement. All of us in this House should recognise that the Stormont House agreement of December 2014 was a fantastic achievement by all the parties in Northern Ireland. I hope that the message will go out from this House that we want to build on that achievement. That is what the talks that will start this evening are all about.

Women in News and Current Affairs Broadcasting (Communications Committee Report)

Motion to Take Note

3.47 pm

Moved by Lord Best

To move that this House takes note of the Report of the Communications Committee on Women in news and current affairs broadcasting (2nd Report, Session 2014-15, HL Paper 91).

Lord Best (CB): My Lords, I am delighted to open this debate on the report *Women in News and Current Affairs Broadcasting* from the House of Lords Select Committee on Communications, which I have the honour to chair. I am grateful to the Government, Ofcom and the broadcasters for their various responses to the report. I thank my fellow committee members for their input, and our clerk, Anna Murphy, our second clerk, Nicole Mason, our policy analyst, Helena Peacock, and our special advisers, Professor Lis Howell and Andrew Worthley—and in advance, I thank all those who will be speaking in this debate.

In essence, our report reflected the committee's concern that progress in achieving the proportionate representation of women in broadcasting was losing momentum. In the population at large, women outnumber men—just. In a high-profile industry such as broadcasting, one would expect to see roughly equal numbers of men and women at all levels, both behind and in front of the camera and the microphone. However, we discovered that this was not the case. Although women make up almost half the BBC's total workforce, they constitute only 37% of the leadership in network news and 35% of the leadership in global news. The most recent figures published by Ofcom, the regulator for broadcasting and telecommunications, showed that this was reflected in the industry more widely. Women make up 43% of the total industry workforce but only 36% of senior managers and 26% of board members. In terms of the expert commentators booked for news and current affairs programmes, men outnumbered women four to one, which we noted was even worse in sports programmes.

Of course, things have moved on a long way from the early years of broadcasting. Caroline Hodgson's book, "For the Love of Radio 4", recalls those all-male newsreaders required to wear dinner jackets, with the announcer, Charles Lister, being severely censured in the 1930s for wearing yellow socks. "Woman's Hour" was first presented by a man, and the experiment of a female announcer, Sheila Borrett, in 1933, generated a mountain of complaints and was abandoned after just three months.

It took another 40 years before a permanent female news reader, Sheila Tracy, was appointed in 1974, and another 40 years before listeners to the "Today" programme were able to hear it fronted for the first time by four women: Mishal Husain, Sarah Montague, Corrie Corfield and Alison Mitchell. Indeed, the BBC told us that recently more than 41% of panellists on "Question Time" have been women.

However, the current position is by no means an entirely positive one. We were disturbed to receive testimony in private and on the record from women who had experienced sexist bullying and been held back by discriminatory behaviour. We did not buy the argument that men were usually better equipped to handle the rough and tumble of the newsroom or were likely to be free of family commitments to take on arduous reporting assignments. On every count, we noted brilliant examples of women performing all those roles with great distinction.

We felt it necessary to single out the BBC, not because we believed it was consistently lagging behind other broadcasters, but because of its special status

[LORD BEST]

and its funding by the public at large. We felt that the BBC should be exercising a leadership role in influencing not only the industry of which it is so important a part, but other employers and society as a whole. This led us to our central concern that moves toward the collection and monitoring of data on gender equality—the basis for holding a broadcaster to account—had, in recent years, gone into reverse.

Until 2011, Ofcom kept a close watch on broadcasters' equality and diversity records through the Broadcast Training and Skills Regulator—later the Broadcast Equality & Training Regulator. In 2013, a draft Public Bodies (Modification of Functions of OFCOM) Order was laid before Parliament. Although it was subsequently withdrawn in 2014 due to views expressed in Parliament, the order sought among other things to remove from Ofcom the duty to promote development opportunities for training and equality of opportunity. As a result of the Government's stated intention in this regard, and due to financial pressures, Ofcom closed down the BETR.

However, without the facts, transparency on progress or lack of it is hard to measure. The committee was not calling for quotas—for fixed proportions of men and women in each aspect of broadcasting—but we did advocate the setting, not just by the BBC but by all the public service broadcasters, of broad targets with regular analysis of the evidence of success in meeting those targets, and we recommended that the Government should once again ensure that Ofcom requires the necessary data and holds the BBC to account on this.

Eight months have passed since our report was published back in January and I can now report to the House on progress. We were pleased to note from the Government's response in March that they were,

“keen to see more media companies ... being more open about how many women they employ and the jobs they do, and we”—
the Government—

“have asked Ofcom what more can be done around data transparency for this sector and for Ofcom themselves as an employer and influencer”.

It would be most helpful if the noble Baroness the Minister provided an update on progress over recent months.

It is clear that there have been some significant steps in the direction we proposed by both broadcasters and by Ofcom. I have heard from the BBC of a number of steps it has taken since the publication of our report to address the issues we raised. I was pleased to learn that the BBC now has more women correspondents in Europe than men, and half the BBC news correspondents are female. Changes are also taking place at a local level, and the BBC has reached its goal of 50% of local radio breakfast shows with a female presenter either in a solo capacity or as part of a team. On fairer recruitment, BBC News has announced that it will always have gender-diverse recruitment panels for all jobs, and all hiring managers will have “unconscious bias” training to raise awareness of the potential for bias when making recruitment and promotion decisions. These and other developments are good news, and I hope and expect that the BBC will build on them.

Other broadcasters have also informed us that they are on the case. Earlier this year, Channel 4 launched a 360° Diversity Charter, which includes 30 commitments to improve diversity within the organisation and proactively across the media. It has a number of strands specifically aimed at improving gender balance. For example, it has set a target for a 50:50 gender split of C4 leaders by 2020; the current figure is 44%. ITV told us about its social partnership initiative, through which it works in partnership with independent producers to ensure that they deliver inclusive programming. ITV reports that in pitching and commissioning meetings, its suppliers say that they welcome this collaborative approach aimed at reflecting on-screen the diversity of modern Britain.

Although we had reservations about gender discrimination being regarded as comparable to discrimination on grounds of race, ethnicity or other minority characteristics, we applauded the Creative Diversity Network and the great work it has been doing to set up what is now Project Diamond, a new diversity monitoring initiative covering all the major broadcasters. It plans to launch this later in the year and to publish full equality data quarterly. Ofcom will now be working closely with the Creative Diversity Network and sits on the CDN's education and training working group. It is also working with the Equality and Human Rights Commission on a diversity and equal opportunity toolkit specifically for broadcasters.

In the light of the steps now being taken by Ofcom, backed by the Government, the Creative Diversity Network, the BBC and other broadcasters, I conclude that the issues raised by your Lordships' Communications Committee are getting serious attention. The danger that inequalities in the treatment of women in news and current affairs broadcasting will be ignored or sidelined has, at least for the moment, receded. But vigilance is needed, not just by Ofcom and the diversity network, but by everyone in this influential industry. Broadcasters set the tone for behaviour throughout society and we should all be watchful of their progress towards real gender equality, and be appreciative when they do better. I beg to move.

3.58 pm

Lord Dobbs (Con): My Lords, it is a pleasure to join this debate and to follow the excellent introduction made by the noble Lord, Lord Best. I refer to my interests as set out in the register, and express my pleasure and indeed honour at having recently become a member of the Communications Committee, which is so ably led by the noble Lord.

The committee's report is commendable. It covers a lot of excellent ground and the topic is of fundamental importance, yet I will offer what are perhaps a few small hesitations. We need to be clear about precisely what it is we are trying to achieve. Is it equality, equality of opportunity or gender balance? Are we seeking parity of treatment or simply to reflect society? All those phrases are used in the report and all mean slightly different things. But that women are underrepresented in news and current affairs is undeniable. It is far from being the only area where there is a challenge. Women are underrepresented in vast swathes of society—in politics, for instance, and even in this House today.

We cannot simply demand that broadcasters achieve what we have failed to do. For example, the National Union of Journalists offered some pretty forceful evidence to the committee but it is interesting to note that the NUJ has only ever had one female general secretary—its current incumbent, Michelle Stanistreet. While her role might suggest progress, the NUJ's deputy general secretary is male, as is its president, the two vice-presidents and the general secretary for Ireland. Even for the NUJ it seems like a case of, let us say, work in progress—as it should be for all of us.

Very helpfully, the report highlights the progress that has been made in areas such as equal pay for equal work and in finding an accommodation for those women who choose to devote a large part of their lives to caring responsibilities. More needs to be achieved but let us not turn a blind eye to what has already been achieved.

One area in particular to which I was glad that the committee gave attention was discrimination against older women, particularly as presenters. The case of Miriam O'Reilly raises disturbing questions about the inner workings of the BBC but the BBC is scarcely alone in this. It is folly to blind ourselves to the value of women presenters of a certain age whose looks and voices convey all the wisdom and experience of their years. Being a great newscaster is not simply a matter of getting lip gloss around the words of a teleprompter. Experience and understanding count.

I find disgraceful the practice of the BBC and others in trying to settle complaints about these matters of discrimination through the use of gagging clauses. The BBC has suggested that gagging clauses will no longer feature in new contracts, which is very good. But what about its existing contracts? The use of gagging clauses by a public sector broadcaster in all normal circumstances is simply inexcusable.

However—here I have another little hesitation—while we try to change and improve our world, we have to be conscious of the costs involved. As the report acknowledges, production budgets are being slashed across the board. That is not an excuse to fail to do what ought to be done but we need to know who is going to pay for it and how much. I fear that the report is rather cost-light. We should know more, simply as a matter of good practice, which is in part why I am dubious about the report's suggestion that broadcasters, before signing contracts with independent production companies, should consider imposing recruitment and promotion obligations on them. That comes close to excessive interference. As the report and the committee has tried to do, how much better it would be for us to ensure that our major broadcasters lead by example.

If I had hesitations, they are as nothing compared to the enthusiasm I had that the committee should have tackled this subject. Finding the right balance and establishing the merits of equality of opportunity will be one of the key battlegrounds in the years ahead, not just in Britain but around the globe. Although we have not completed the effort in these areas and our own shortcomings are perhaps too easy to dwell on, we are still in this country way ahead of most.

Let me try to put this in a context: in the 20th century, we defeated communism not just through military might but because millions of people in eastern Europe

wanted what we have—that is, the benefits not only of our free economy but also of our free culture, our free association of ideas and values. That is why they tore down the Berlin Wall with their bare hands. In the 21st century that is how we will defeat many of the new challenges we face. Imagine a world in which our message about equality of opportunity for women reaches every corner. There would be no place in that world for female genital mutilation; there would be no place for communal rape and no place for creeds such as ISIS. The threat of ISIS simply could not survive in a world of gender tolerance and equality of opportunity.

The BBC, along with others, has a vital role to play in that global battle for tolerance. Aung San Suu Kyi, the Burmese leader who was under house arrest for 15 years, has told of how the BBC kept her in touch throughout her struggle. She said:

“Everywhere I have been, the BBC has been with me”.

I am delighted that brave individuals might soon be able to say that in North Korea, too. That effort to establish tolerance and balance, not just in this country but worldwide, will be helped by this report. I thoroughly commend it.

4.06 pm

Baroness Healy of Primrose Hill (Lab): My Lords, I welcome the opportunity to highlight some of the key recommendations in this wide-ranging report produced by the Select Committee on Communications, on which I serve under the excellent chairmanship of the noble Lord, Lord Best. As the report states,

“despite making up 51 per cent of the population and a larger proportion of the TV and radio audience, women are severely underrepresented both on and off air in news and current affairs broadcasting”.

Our committee wanted to find out why this should be the case and what solutions could be found to improve this situation.

In our view, news and current affairs broadcasters have a particular responsibility to reflect society by ensuring a gender balance. This is especially incumbent on the BBC and other public service broadcasters, which receive statutory benefits. I want to highlight one area in particular that poses an obstacle to the progression of female employees in the industry: the demands of the job for those with caring responsibilities, especially mothers.

The committee of course understands that the demands of a fast-paced, responsive and stressful environment in a television or radio newsroom place exceptional pressures on those working in them, but we believe that the broadcast industry should do more to recognise the needs of those with family responsibilities and thus do more to promote flexible working. Evidence from witnesses highlighted the fact that the immediacy of news and current affairs broadcasting meant that caring responsibilities could be an acute problem for broadcast journalists. Notably, Miriam O'Reilly, a BBC employee for 25 years, said:

“In BBC News you have to be available 24/7, including nights. Women wanting to push through cannot contest overnight working, even when their children are very young ... you can always say no and find other friendlier patterns, but the risk is that your career gets parked and opportunities to develop dry up”.

[BARONESS HEALY OF PRIMROSE HILL]

Penny Marshall, an award-winning reporter for ITV, echoed this view, saying that the “got to be there, got to do it” atmosphere in the newsroom meant that it could be seen as “unacceptable” to turn down work due to childcare arrangements.

Broadcast managers, in evidence to the committee, acknowledged that this was a problem. The BBC revealed that a recent survey undertaken by its global women in news group found that 85% of members felt that having children or caring responsibilities affected their career prospects. Fran Unsworth, the then deputy director of news and current affairs, said that childcare responsibilities could result in women ruling themselves out of senior roles.

Although our committee acknowledges that efforts are being made by the broadcasters to address this issue—for instance, the BBC has launched a job share register across its news group and ITN said that flexible terms of employment, such as part-time work and more regular hours, had helped women get back into work—there is still an issue to be addressed. As the Government said in their response to our recommendations:

“We firmly believe that inequalities in this sector cannot be solved overnight and a culture change needs to take place which has to be industry led”.

I welcome the Government’s continuation of the work put in place by my right honourable friend Harriet Harman MP in the last Labour Government. This Government, in their response, recognise their duty to help,

“modernise workplace culture so both men and women can better balance work and family life by extending the right for all to request flexible working, as well as introducing a system of shared parental leave, and supporting working families with childcare costs”.

Importantly, the Government have said:

“By extending the right to request flexible working to all employees, we intend to create a cultural change that means that flexible working is standard working practice”.

I think this is especially important as the NUJ told the Committee that in practice the BBC was not sympathetic to women’s childcare arrangements and that many women had faced “bullying” after raising requests for flexible working hours and raising childcare issues. A number of other respondents raised concerns that taking maternity leave or opting for flexible and part-time working arrangements could affect their career prospects. So our key recommendation 8 states:

“Broadcasters should ensure they have in place policies on flexible working practices which encourage women to have fulfilling careers alongside caring responsibilities”.

It is not enough to have policies on paper but, as our recommendation 9 makes clear, in order to address the widespread view that women will be “side-lined” after having children,

“efforts should be made to ensure that women who return from maternity leave receive appropriate training. Employers should also consider using other flexible solutions such as allowing women to choose to continue working on an ad hoc basis during an extended period of maternity leave”.

I welcome the Government’s response to this when they state:

“Employers can provide support for women making that transition back into the workplace. For instance employees can work up to 10 days during their maternity leave without losing

maternity pay or benefits, or ending the period of maternity leave. These are called ‘keeping in touch’ days and can be hugely beneficial to both employer and employee”.

Finally, our report calls for practical proposals to help women with children. We say:

“Broadcasters should make every effort to ensure support for childcare arrangements, both culturally and financially. Support mechanisms such as childcare vouchers, childcare advisers, and crèches to accommodate women with young children working unusual hours are examples of good practice”.

Judging by the briefings I received last night from a number of broadcasters, change is already under way, which is most welcome. I hope that our report will shine a light on the attitudes of the news and current affairs industry towards women who are both highly qualified professionals and mothers, and help ensure that long-term and fulfilling careers are made possible.

4.13 pm

Lord Razzall (LD): My Lords, I declare an interest as my daughter has for many years worked in news and current affairs, initially for Channel 4 News and subsequently for BBC “Newsnight”.

Initially, when the committee discussed whether we should produce this report, I was not in favour, not because I did not think that my daughter had been discriminated against but because I felt that the report would not add significantly to the general knowledge of noble Lords or, indeed, of the public. It was difficult to see what recommendations we could make other than simply to ask broadcasters to do better. At an early stage of the evidence, however, it appeared to me that I was wrong in that judgment and that we were right to produce the report. I was wrong for two reasons.

First, it became clear quite early on that the issue is not just about discrimination against women presenters. I had, of course, always been aware of the dominance of male political editors. When I chaired the Liberal Democrats’ daily press conferences in the 2001 and 2005 general elections, the etiquette was that you called the broadcasters for questions in order of seniority. I was quite surprised once in 2001 when Jackie Ashley, political correspondent for the *Guardian*, intervened and asked me when I would call a woman because the first five people I had called for questions because of seniority were men, as Elinor Goodman, the only woman political editor at the time, at Channel 4, was not there that day. Of course, Jackie did not care that the first person I had called was her husband, Andrew Marr. She regarded this issue as more important, and she had a point.

The evidence we heard demonstrated to the committee that the problem is much more fundamental than simply whether a woman or a man is in a senior job. As the noble Lord, Lord Dobbs, indicated, we found clear evidence of bias against older women. Everybody is aware of the high-profile complaints by people such as Anna Ford, Selina Scott and others who felt that they had been “got rid of” because they were too old. Of course, John Humphrys and David Dimbleby carry on. Indeed, when we took evidence, David Dimbleby—well into his 70s—had just been appointed the front person for the BBC coverage of the general election. When I asked a BBC executive why, he said, “Well, of

course, he is very well qualified to do this job”, to which I replied, “No doubt he will also be very well qualified in 2020”. It is quite clear that there is prejudice against older women in the BBC. As the noble Lord, Lord Dobbs, indicated, we had strong evidence that the BBC particularly has been making settlement agreements to older women when they leave and are compensated and imposing confidentiality agreements so that when the older woman leaves she cannot complain about her treatment. Clearly, the committee was quite right to highlight the iniquity of that practice. We also had significant evidence that the situation for older women in the UK is particularly stark compared with, for example, the United States and Australia. In the United States in particular, there are a number of high-profile older female anchors, far more than we have in the United Kingdom.

Secondly, the clear issue on this point is not just about presenters; we also obtained evidence that women are seriously underrepresented as experts before the camera. Of course, the committee had to accept evidence from broadcasters that they can do nothing about the fact that the Prime Minister is a man and the Chancellor of the Exchequer is a man. But the figures regarding experts are stark. As we indicate in our report, City University sampled 38 programmes and found:

“Ten times more men experts than women experts are interviewed about politics, but only twice as many men experts are interviewed about health”.

If you break down those numbers by topic, business was four men to one woman; home news, five men to one woman; foreign news, five men to one woman; entertainment, four men to one woman; sport, six men to one woman; and other topics, seven men to one woman. This is clearly unacceptable.

The other reason I realised I was wrong not to want to do this report is that it is clear, as the noble Lord, Lord Best, who so ably chaired our committee, has indicated, the broadcasters have significantly responded to the report. The BBC, ITV and Channel 4 have all indicated the changes that they have made and are proposing to make in response. Ofcom has indicated its support, as the noble Lord, Lord Best, said, and confirmed how it will exercise the statutory powers that are available to it. As an antidote to recent criticisms of the House of Lords, this report demonstrates the valuable contribution this House can make to our public life, and the noble Lord, Lord Best, is to be congratulated.

4.20 pm

Baroness O’Neill of Bengarve (CB): My Lords, I, too, thank the noble Lord, Lord Best, for a very interesting report with a great deal of detail which repays close study. I declare two interests, first, as chair of the Equality and Human Rights Commission and, secondly, as a member of an advisory group for a project on the future of the BBC that Goldsmiths, University of London, is running with some help from the British Academy. The Equality and Human Rights Commission has recently published a congruent report on supporting the television and broadcasting industry to increase diversity, not merely of women but in other respects, including age but also disability. I shall not refer to it since I hope and expect that the noble Lord,

Lord Holmes of Richmond, who has been specifically involved with this part of the commission’s work, will do so better than I could.

We are indebted to the committee for its close focus on a specific area in which diversity and equality matter and, as it says, for noting that this is the one area where the population is divided pretty well 50:50 and it is therefore particularly easy to see significantly deviating patterns. Its recommendation is the right one: the way forward in view of the current situation of women in broadcasting, and specifically in current affairs broadcasting, is not to hanker for quotas but to engage in positive action. I think we all understand the temptation to think about quotas, and that they must be relevant where there is suspicion—let alone evidence—that things are not going well and there is a lack of diversity in certain areas, and where there seems to be some reason to think that some people, or people of some sorts, are not being given a fair chance.

The committee noted two broad ranges of evidence that this was the case in certain sorts of broadcasting: the relative dearth of women, and more specifically of older women, in news and current affairs broadcasting. I wondered whether I should declare a potential interest here. However, I am not sure whether the situation is best described as one of underrepresentation of women, or specifically of older women. The report focuses mainly on employment, not on representation, and in employment our legislation requires equal opportunity and taking proper account of relevant qualifications and experience rather than the equal representation of people from different backgrounds or different groups. When we note a statistical discrepancy in the proportion of people of certain sorts in some line of activity, we may or may not have discovered something that is a cause for concern. It is a red flag rather than conclusive evidence. However, the use of “underrepresentation” is easily misread as suggesting that there must be something amiss when the proportion of persons in some line of activity differs from their proportion in the population at large. What we have is something less than that but still important. There may be reason for concern.

That is why, as the report proposes, the remedy is not positive discrimination, which is unlawful, but other forms of positive action such as making sure that opportunities are specifically drawn to the attention of those who may be getting a tacit message that people from their background will not be appointed—such as providing mentoring to promising candidates from backgrounds that may be missing, and such as ensuring an atmosphere of encouragement and information-sharing that is inclusive. To do this, as the noble Lord, Lord Best, emphasised, data are essential. So that one can tell what is going wrong or right, one needs to know what the actual situation is.

I first met this problem quite early in life when I was a research student in the United States during the days of its civil rights movement. In Memphis—not a small city—all the public employees were white; the city population was half white and half black, and both the white and black populations were fairly homogeneous. It turned out that one of the reasons for this was that all posts were advertised only in media that were read in white communities or by white people and that

[BARONESS O'NEILL OF BENGARVE]

there was a total failure to advertise to the black community. That seems an admirable example of why positive action—rather than quotas—matters.

People often ask whether positive action is effective enough or fast enough. It can be effective if it is well used. Discussion of the positive measures that may be taken often focus, in my view rather too much, on the idea of a tie-break, by which if the two leading candidates for a post are of equal merit, it is permissible to choose the one with the less represented background. That is very nice, but the measure by itself, if honestly used, is not likely to make a vast dent in the problem. That is because, as anybody who has served on a lot of appointment committees knows very well, it is not very usual to have ties that need breaking. But I think there are other measures of positive action that are more effective.

As has already been mentioned, the most difficult stage in many women's working lives arises when they have childcare responsibilities. We and many other developed societies have addressed this in part by instituting maternity leave. This is a wonderful change, which those of us who did not have that possibility look on with great envy—how much easier it would have been. But, of course, children need time from their parents long after they are babies, and for many women and men the crunch is drawn out for far longer.

The Royal Society addressed this a few years ago through a scheme that bears some thinking about. It instituted what I think of as “long, thin” research fellowships—that is, one or two days a week but with five years' security. This is revolutionary because you can arrange other responsibilities around it. It also seems a very good form of positive action because it addresses a problem about which the report says rather little, that of losing skilled manpower—or, in this case, womanpower. Deskilling is a real issue, and if we expect people—women and men—to have working lives of great length, which we now do, we should be thinking about the structures that preserve their skills across periods in which the commitment they can make has to be less than full-time. That seems a very positive reason—and one connected to the long-term productivity of the economy—for taking positive measures very seriously.

We should also address some of the other obvious barriers for those with heavy non-work commitments. For example, in some lines of work, there are still tacit assumptions that certain milestones must be reached by a certain age. It is very notable in professional services: people are thinking about a tacit age when they ask when someone should become a partner in an accountancy firm. That of course bears very differently on women from on men.

We should not focus too much on only the most successful careers and neglect more modest ones. I am convinced that equality for women of middling ambition, talent and commitment should allow them to achieve success that matches that of men with middling ambition, talent and commitment. We think about this too little. We should not concentrate too much on the number of women judges or the number of FTSE board members who are women, important though these

demonstrable beacons are. The objective is not positive discrimination. The need is not for quotas but for intelligent positive actions at all stages of our long, and lengthening, working lives.

4.29 pm

Lord Sherbourne of Didsbury (Con): My Lords, this report has the title *Women in News and Current Affairs Broadcasting*. It is a very straightforward title, but it understates the importance of the report. Of course, it is about making sure that there are opportunities for women in broadcasting and no barriers. But it is also about the extraordinary impact of television: how it can shape perceptions, change attitudes and provide role models. Role models can be tremendously important to inspire young people and raise their ambitions.

I remember when I was at school, which is now many years ago, parents of friends of mine being astonished when one girl said that she wanted to be a barrister and another that she wanted to be an engineer. After university, when I came to London, I remember a friend who started work on “Panorama”. She said that whenever she phoned up an MP or any organisation, they automatically assumed that she was the secretary calling on behalf of a man.

Today, we live in a very different world. There are role models for women in every sector of society, and in broadcasting there are many female newsreaders, political editors and reporters on radio and television, but why not more? Why are there still so many more older men on our screens than older women?

So I believe this report is of great importance. We were fortunate to have as chairman the noble Lord, Lord Best, who steered the committee with skill and focus, and to have on the committee several members with first-hand knowledge of the broadcasting world. Half of our committee members were women. We also had two excellent special advisers.

The report is detailed, so I want to single out just a few of the points which struck me as we looked at the available evidence—evidence, as has been said already, which was not as clear as we would have liked. The broadcasters need to collect and publish better and clearer data.

What did we discover from the evidence before us? First, there are far fewer women reporters in flagship news than male reporters, and women are given many more of the softer news stories to cover. I was also struck by the fact that, of the experts and commentators interviewed on television and radio, only about one in four were women. To take just two examples of high-profile BBC programmes, men dominated BBC's “Question Time” and dominated even more the “Today” programme on Radio 4—I am talking about experts as well as broadcasters. I have to say that Britain is not alone in this, and a study into 10 countries across the world showed that men also clearly outnumbered women on television news stories there.

But why is this the case in the UK? There are legal obligations on broadcasters, and the public service broadcasters all have diversity policies, so we began to look at what the barriers to women might be in practice. After all, the majority of journalism students

are women. Why do they not get into broadcasting? Is there a bias in recruitment? On this, there were differences of opinion among our witnesses, but it is clear that we need greater transparency so that people can see and be reassured that there is fair and open competition.

As has been said by other noble Lords, what emerged clearly was the difficulty faced by women in having to be available 24/7 or working nights, because of their need to look after young children. Some witnesses were very vociferous about this problem. Others from ITN, Sky News and Channel 4 News were more encouraging, and the BBC told us that it had made changes to help women combine their work and domestic responsibilities.

The next question, which has also been raised today, was: why do there seem to be so many more older men in broadcasting than older women? Have they been pushed aside? Is there a deep-seated cultural bias against them, an informal culture of discrimination? We were really worried about the way that the BBC had in the past included in its settlement agreements so-called gagging clauses.

We in the committee did not get at why that culture exists in the broadcasters. The witnesses were insufficiently forthcoming as to why there are fewer older women. As has been mentioned, we have John Humphrys and David Dimbleby in news and broadcasting and elsewhere we have Maggie Smith and Mary Berry, but why do we not have people of that vintage in current affairs?

There have been improvements and, as has been said, information on certain changes has been sent to all committee members by the broadcasters on what they have been doing since our report was published. We have been told about new appointments—so-called key diversity appointments, internal diversity targets, leadership diversity objectives, diversity guidelines and so on. They are all fine-sounding and no doubt genuine and well intentioned. I do not want to see quotas, and I certainly do not want to see direct intervention by government. I am comfortable with targets and nudging.

Targets and guidelines are fine, but the proof of the pudding will be in the eating, and I hope very much that our committee will at some future date look again at what progress has been made not just in setting objectives but in actually achieving them.

4.35 pm

Lord Dubs (Lab): My Lords, I was delighted to serve on the Select Committee for this report but, as the rotation system has thrown me off, I now have to look at the committee from a distance. I pay tribute to the noble Lord, Lord Best, for the way in which he steered us through this report and, indeed, others, and how he introduced this debate. I also pay tribute to my noble friend Lady Bakewell, for how she inspired the committee and influenced us into taking this on board as a topic, contributing significantly to discussions from her very informed knowledge.

I think that the report was broadly welcomed, but it would be very difficult for any broadcaster to say that the report was no good or to deny the conclusions—so they listened. One key point that came out of this was that we believed, or I certainly believed, that public service broadcasters have a responsibility to set very

high standards and high social norms. That must include how women feature at a management level and at reporter level—in fact, at all levels—in our broadcasting, because that influences our society quite significantly. In the past, I would judge that men were far too dominant. Things are better, but we still have some way to go. I think that that is broadly the conclusion of the report.

I turn to a few specifics, some of which have already been referred to. We have found it difficult to get our teeth into sufficiently accurate records and data of what was going on. One of our recommendations is that broadcasters should keep proper records of their policies in terms of how women feature at all levels. But there needs to be far more transparency in the recruitment processes and in pay and reward. There is still a suggestion that women do not get the same pay as men on quite a lot of levels of broadcasting. All appointments and promotions should be advertised internally and externally, with fair and open competition. One would think that that was a given, yet it is not a given, and we believe that broadcasters should adhere to that.

Then we came across the difficult problem of freelancers. Quite a lot of the jobs in broadcasting are given to freelancers for specific projects. Of course, it is much more difficult to suggest that there should be an open equal opportunities recruitment policy, because it may well be that a freelancer is selected for a particular skill, which may be a unique skill to that person. So it is not so easy. Nevertheless, we felt that Ofcom should use the powers that it has under the Communications Act 2003 to require broadcasters to collect data on age and gender of the freelancers that they employ. It may well be that freelancers are a large proportion of those who are employed, and therefore discrimination can apply there.

After all, we have not yet had a woman as director-general of the BBC and, from memory, apart from a brief period when Channel 5 was headed by Dawn Airey, I believe that no woman has been in the top job of our leading broadcasters—but I hope that someone proves me wrong on that. We found that, as regards the leadership positions in the media and among broadcasters as a whole, very few women reached board level. I think a survey suggested that 26% of board members were women, and at a lower level the number was higher. I got some figures from ITV which suggest—without wishing to quote them all—that ITV is doing a little better than the BBC. However, as we do not have the hard figures, it is hard to pay too much attention to that.

Many years ago the Dimblebys' father, Richard Dimbleby, was a very noted broadcaster who covered pretty well everything. I remember an imaginary headline that was published in a newspaper: "Dimbleby III: Coronation Postponed". Such was his power. He went on for quite a long time, but his two sons are also excellent broadcasters. I am not against them being in their positions, but there should be women in similar positions and there are not, and that is the nub of it. I do not mind the Dimblebys having a key position—they are very professional—but women of the same age should be in equally senior posts to show that there is equal opportunity across the board.

[LORD DUBS]

Discrimination against older women, which I found particularly disturbing and shocking, has already been mentioned. It has been covered in the newspapers, and we have much clear evidence of it. Reference has already been made to the gagging clauses. It is preposterous and shocking that our broadcasters, particularly the BBC, should have gagging clauses that restrict women who have been sacked on the grounds of age from indicating that this is what has happened to them. I can see no other way to describe that except in those terms. One or two women who had been sacked gave us evidence on condition that we did not use their names, while others allowed us to use their names. I believe that the BBC has now stopped that, I hope as a result of our report. However, as somebody said, it applies to new contracts but not to existing ones. These gagging clauses should be expunged from all contracts by the BBC if they apply to other broadcasters.

Then there is the shortage of women experts or commentators. There are plenty of women who are expert in pretty well every field we can think of in the country, yet time and time again people go for the men. It has already been said that 72% of "Question Time" contributors are men over a particular period, and 84% of reporters and guests on the Radio 4 "Today" programme were men. I have never been on "Question Time" but I have appeared on Radio 4; perhaps I should not have done, but there you are.

On the question of caring responsibilities that affect women, I talked at a reception here to one woman broadcaster who said that she had to work very hard to juggle her job with her domestic responsibilities with her children. Of course men could share in those caring responsibilities, but it seems that that is not always the case. However, the broadcasters should have enough flexibility in the way they give job opportunities so that women do not feel that they are side-lined after having children. I think it is better in some countries—perhaps in the States—and it certainly seems to be better in Scandinavia, where giving women better opportunities is part of the culture there.

I hope that our Select Committee report has helped to change attitudes and that things will change as a result of it in the media and in Ofcom. Let us look at it in a few years' time and see whether we have been successful.

4.43 pm

Lord Watson of Richmond (LD): My Lords, I declare an interest: I was a broadcaster for some 27 years with the BBC and with London Weekend Television, and I currently chair a multimedia production company, CTN Communications.

Last night there was a very interesting programme on BBC1. It started at 9 pm—one of the prime slots on broadcast television—and the presenter was Sophie Raworth, whom I know well and is an excellent broadcaster. The programme was very good, and I hope it got a large audience. The subject was, as many noble Lords will know, the celebration of, as of tomorrow, Her Majesty the Queen overtaking Queen Victoria in longevity on the throne. However, as I watched the programme the thought occurred to me:

if we were celebrating the longevity on the throne of two men, would a woman presenter have had that slot on BBC1?

I raise that question for a very specific reason. The report clearly identified—perhaps sensed as well—a sensitivity to the suitability, in the view of producers and executives, of women presenters, and that that was still embedded in the culture of broadcasting. Paragraph 9 of the report talks about "softer" subjects being chosen more predominantly for women reporters. It may not be specifically just a question of "softer" subjects; there may be a subtler cultural judgment. Does the subject being examined require empathy, which is more likely in this case to come from women reporters than from men? If that judgment is there, even somewhat in the background, it is significant.

The report also notes in the summary that there has been considerable progress, and indeed there has. Thinking back to when I joined the BBC Current Affairs Group in the mid-1960s, I do not think that there was a single woman presenter in it, and there was certainly no discussion whatever of the importance of having women presenters in that sort of role. When telephone calls were made from Lime Grove, I do not think that the assumption was always that if it was a woman's voice it was the secretary to a man, but certainly there was no expectation or realisation that something was not right. So there has been great progress and "gone are the days", but, as the report makes clear, there are three male reporters on flagship programmes for every one female.

The BBC briefing on the report sent round prior to this debate makes much of seven recent on-air appointments for BBC News. It also reports—I welcome this tremendously—that the BBC now has more women correspondents in Europe than men, including in Paris, Berlin and Moscow. That is indeed significant. However, the BBC is also currently expanding its External Services, including, as is noted, potentially to North Korea. I welcome that, having attempted to draw attention both in this House and elsewhere to the contraction of BBC external broadcasts to Russia at a time when we ought to be communicating much more to Russia, not less. I hope that the initiative with regard to North Korea will be progressed with real determination and that the journalistic skills and the tenacity of women reporters, so powerfully demonstrated by, for example, Kate Adie and others, will be fully utilised in that communication. The point has been made in this debate that one thing that we need to do in communicating with states such as North Korea is to demonstrate that we understand diversity and parity and that we practise what we preach. That is extremely important.

In mentioning Kate Adie, perhaps I may also single out another woman whose journalism and investigative courage has been inspiring and of historic significance. Clare Hollingworth soon celebrates her 104th birthday. As a young woman in the later days of August 1939 she was reporting in Poland and in Katowice on the then German-Polish border. She managed to go from Poland into Germany days before the Nazi invasion and she realised that the valley in Katowice was being hidden by huge canvas sheets. As she went down the road, the wind whipped up some of these sheets and behind them she saw hundreds of tanks and thousands

of German soldiers waiting for the signal to invade Poland. She broke the news—she got it back. That is the sort of achievement that Kate Adie would be greatly proud of. It is marvellous that Clare Hollingworth did that and I am proud that two companies with which I am involved—CTN and Burston Marsteller—will be marking her achievement with a major film documentary later this year.

Clare Hollingworth was a trailblazer, and many more have followed, but the message of this debate is that many more are needed. I am grateful to the noble Lord, Lord Best, for both the report and the debate, which is excellent and will be influential. As he pointed out, this is not an academic subject. The gender balance in broadcasting has to reflect the balance in our society. Because broadcasting is such a powerful determinant of societal views, this matter is urgent. We require—society requires and the BBC should enable—parity.

4.50 pm

Lord Holmes of Richmond (Con): My Lords, it is a pleasure to participate in this debate. In doing so, I declare my interests as set out in the register.

I welcome the report, published under the excellent chairmanship of the noble Lord, Lord Best. It is welcome that it has been brought to a debate in your Lordships' House. The report shines a spotlight on a stubborn stain on our broadcast industry—a stain that has been there for far too long. The report clearly shows a world that is far more like the world of Ron Burgundy than of 2015. It is a world in which women find it difficult at every stage to climb up the difficult career path within news media organisations. It is a world in which women have said that they have had facelifts to ensure that they can have careers beyond the age of 50. As Anne Robinson recently suggested, would a female version of Evan Davis have got the job of hosting "Newsnight", the flagship BBC programme?

It is a scandal that women are excluded in their careers once they get to a certain age, particularly if they have childcare responsibilities. The comparators with their male contemporaries are clear at every stage of the journey. I was lucky to get involved in broadcasting when I was involved in sport, quite a few years ago. Sport, particularly at that time, illustrated just what a male bastion news broadcasting—particularly in sport—could be.

The broadcasters are keenly aware of this. It is great to see, particularly this year, the plans from the BBC, Channel 4, ITV and Sky demonstrating a clear understanding of the situation that we are in—not least the BBC's plans and the 360° *Diversity Charter* from Channel 4. We have great leaders at the top, particularly the noble Lord, Lord Hall, at the BBC, and David Abraham and the marvellous Dan Brooke as chief marketing officer at Channel 4, who not only has the great joy of being chief marketing officer but possibly has a greater start in life than most of us by being the eldest son of my noble friend Lord Brooke of Sutton Mandeville.

The work has been laid out in those plans. They are ambitious, but we have been here before. This is not new ground that we are treading. When I mentioned to my noble friend Lord Grade the issue that we are

trying to address around diversity and inclusion in broadcasting, he said that the first time he spoke on the subject was at the Edinburgh Festival in 1974. What message is television and news broadcasting sending to young people, particularly young females, about their potential career prospects in broadcasting? There are so many options available now. If you are a young female and looking at the current situation in news, and indeed across broadcasting as a whole, you may well prefer to ply your talents and creativity in the gaming industry, the burgeoning apps industry and in all the opportunities that the digital economy offers. That is understandable but a tragedy for our broadcast industry.

If one goes higher up, one sees the problem writ large. Look at the boards of our major broadcasters. The question is simply this: where are the women? The BBC executive board has two female executive directors and Channel 4 has one. That is the extent of female executive directors across the entirety of the British broadcasting family.

It goes wider than that. If we broaden it out to the whole issue of diversity and inclusion, we see similar figures. Last year, of the 62 board members at BBC, ITV, Channel 4, Sky and Ofcom, only one was non-white and none was a disabled person. This is British broadcasting in the 21st century.

Yes, as we have seen from the recent plans announced by the BBC, Channel 4, ITV and Sky, there is great ambition, and it is to be commended. But we are on the first tiny steps of a journey that we need to take. If we consider other industries as comparators, we see that the broadcast industry is not even as diverse as the average of the FTSE 100.

I would recommend to broadcasters two things. The first is to end unpaid internships—they simply perpetuate this situation and do not enable diverse intakes. It is not just about diversity for the sake of it or to do the right thing; it is about the fact that diversity makes economic sense and gives a competitive edge. Secondly, I would recommend that all broadcasters, indies and small production houses pick up the advice that we produced in the Equality and Human Rights Commission on the broadcasting industry, which I was lucky enough to launch in Edinburgh a couple of weeks ago. Entitled *Thinking Outside the Box*, it myth-busts and breaks the lie that it is impossible to have diversity in such a complicated business as the broadcast industry. Yes we can have ring-fenced funds, as we do with nations and regions money; yes we can have targets; yes we can put adverts in a place where diverse communities are likely to see them; yes we can have databases of protected characteristics to enable people to have a fair go at getting a job and a fulfilling career in broadcasting.

I do not want to stand here in five years' time and have to have another report that highlights this massive lack of diversity in British broadcasting. Our guidance is out there—there is now no excuse. We need to end the constant clone recruitment of people who look the same, sound the same and, crucially, think the same. The task is massive. Everybody in broadcasting needs to get behind it because we have to crack this. We have to break the perception that "TV is not for me".

[LORD HOLMES OF RICHMOND]

We have to break the view that broadcasting is run by a cadre of luvvies—of muffin-munching, cappuccino-sipping, white, middle-class, middle-aged men.

4.58 pm

Lord Hastings of Scarisbrick (CB): My Lords, I am grateful for the opportunity to contribute to this debate. I am very grateful to my noble friend Lord Best for his chairmanship of this Select Committee, which I originally sat on some years ago, and to the committee for a report that the broadcasters have all stated is excellent, well defined and to be supported. That is a rare achievement for a Select Committee report—to have had briefings from different broadcasters affirming what the committee report has said but extending beyond that is rare.

I declare an interest also as the former head of public affairs at the BBC and head of corporate responsibility during the last two charter renewals.

As I stand between previous speakers in this debate and the concluding speeches, I shall not detain the House by going over facts which have been stated clearly in the report and in the speeches so far. However, I have a series of short reflections which come not so much from my period at the BBC and ITV as from my nine years serving as a commissioner for the Commission for Racial Equality, when we looked at similar issues through the lens of understanding how different ethnic minorities have struggled with representation and therefore with equality and fair play. In its brilliance, this report focuses in its conclusions and recommendations on gaining increasing factual data on the number of women in different aspects of broadcasting, particularly news and current affairs, and multiplying, increasing and ensuring that the bridge between representation is most appropriate. What I learned as a commissioner for the Commission for Racial Equality is that what is important is not just the number of black or Asian people who sit in different public institutions or companies but the culture of our public life. This is an area where I felt that the report could have said more and the Government could have responded more appropriately.

All of us have extremely wise women who speak strongly to us, whether we are men or women. The women closest to me, especially legal daughters, remind me of the fact that there are qualities which a more appropriately feminised world—I do not want to use “feminised” meaninglessly—would embrace better and which would allow cultural understanding to be more acute. It was said in a lot of the responses to the global financial crisis that, had the City of London had more women involved in executive decision-making, some of the more rash decisions that were made—some of the more instant rather than intelligent decisions, for which the nation has paid dearly in the past 10 years—would not have taken place. I am told by the close women around me that these cultural realities need to be stressed, not just the facts and figures of representation. They gave me three phrases: that the culture with an increasingly strong female presence should be less rash, not less rational; that it should be more contextual and not have less content; and that it would be more intelligent, not just more intriguing. All that is important in helping us approach a drive towards representation,

towards equalisation and towards encouraging in our broadcasting culture—as the noble Lord, Lord Holmes, rightly said in his very strong speech—a change in the representation, view and perspective of what broadcasting brings to the nation as a whole.

I was at the BBC at the point at which—and was partly responsible for it—the famous statement was made by the then director-general, Greg Dyke, that the BBC was “hideously white”. He was attacked heavily for that. What he was really seeking to say was that there was nothing wrong with being white, and nothing great either about being black, Asian or brown, or whatever phrase one wants to use, and that the dominance of extremes does not allow representation to be just or to be open. There is a need to look at our world honestly with this kind of open intelligence that allows us to see the painful horrors of the way the world is, as well as to enjoy its pleasures and its pursuits. That will not be fixed by having just more numbers; it will be fixed by having a different context.

I cannot let the moment go by without commenting on the very intelligent, gripping, captivating speech made yesterday by our noble friend Lord Hall, the director-general of the BBC. He set out in lucid terms some of the new promises that he and his board will wish to make during the period of charter renewal up to the end of 2016 and hope to implement. He also set out the financial constraints that the BBC will struggle with. He said:

“Let me start with the single point I make most often and am keenest to register. The case for the BBC doesn’t rest on ideological arguments, nor on debates between economists. It rests on what we do. We’re here to make great programmes and services. That’s why people like the BBC. That’s why they enjoy it. That’s why they trust it. That’s why they value it. That’s what they pay us to do”.

Of course, I agree and I disagree. The noble Lord is right that the nature, quality and content of BBC programmes are what you expect to come from the licence fee. But big institutions of significant impact in our national life go beyond the actions they undertake; they also have to represent certain values and virtues, positions and propositions. During the last charter review in 2005-06, when I was at the BBC, we had written into the charter’s purposes for the BBC that its function should be to uphold the civilisation and citizenship of the nation. That is not necessarily about the programmes it makes but about the stance it takes, the things that it represents, how it positions itself and the values it holds out to the nation. That is where I agree with the noble Lord, Lord Hall, but I also encourage him to go back to representing the values and virtues of the BBC and its place in driving and supporting the civilisation of the country.

The noble Lord goes on to say in his speech that with the great advance of the internet age, one of the wonderful things that myBBC—a new part of the internet BBC—will do is help people broaden their understanding beyond the things that they would naturally watch were they left to choose; they will also receive other things that will benefit their wider understanding.

I hope that this wonderful report from the Select Committee that encourages the right, enhanced numerical approach to advancing women in broadcasting will also advance those values and positions that support a richer nation and a more diverse country.

5.06 pm

Baroness Bakewell (Lab): My Lords, I am not on the speakers list so I will take advantage of the gap to offer a few spontaneous comments on the debate and the report. First, I congratulate the noble Lord, Lord Best, who chaired the committee, on which I was proud to serve. He did it with enormous discretion and understanding.

Back in 1977 I prevailed on Granada Television to let me chair a programme in which we discussed justice one day, education the next, travel the next and so on. It was a panel programme with four people that I chaired every day. One thing that was not explained about the programme was that every panel was made up exclusively of women. That was in 1977; feminism was running high and I thought the battle was won. Four decades later, I am still wondering whether the battle was won. As the noble Lord, Lord Razzall, said, when we approached the subject, some of us thought, “We have been here before. We have talked about this often”—as indeed we have.

When we started the inquiry, the evidence poured in. Presenters, experts, directors and BBC executives all came with their own point of view. As the noble Lord, Lord Dobbs, and the noble Baroness, Lady O’Neill, suggested, people brought their different concepts of what was meant by equality and of the objectives of equality in broadcasting. We let that stand because in a sense it is self-defining when they come to make their critique.

What we found on the whole was interesting. The academics who studied the subject and looked at the data, and the people who addressed classes in media studies, all said that there were lots of women represented in those groups. The broadcasters—particularly the executives—said, “Look around you: there are lots of women in broadcasting. Why are you making so much fuss?”. The academic world knew that there was an issue but the contributing people from the broadcasting world who moved in this soup felt that the battle had already been won. The academics gave us the ammunition to demonstrate to the broadcasting fraternity that the case had not been won.

In the light of what I have heard today, I want to add a caveat. As we heard, lots of evidence came from the past. Over the four decades since I made my Granada programme, there have been reports, investigations, feminist groups and all sorts of other lobbying groups and there is lots of paperwork about good intentions. I am moved by the support that the report has had and particularly delighted that there has been so much positive response from all the broadcasters. I commend the BBC for having taken steps that we can actually see on screen. I congratulate the BBC on the understanding of those women who are foreign correspondents. They are truly outstanding.

However, my warning is that the response made has in one or two cases had practical results that we can see, but what we have heard by and large is the expression of good intentions. There are lots of good intentions written in reports and drawn up in recommendations. They have been pouring out of broadcasting institutions for 30 years. What matters now is sustaining the momentum—the momentum that this report adds to

the movement towards greater opportunities. I speak as an older broadcaster. We need to press forward with our intentions and keep noses to the grindstone. Good intentions are one thing, but they will not win the scale of difference that we would like to see. This report is an amazingly important document in that tide of reports that have been drawn up. It must not be neglected. I commend the report.

5.11 pm

Lord Stevenson of Balmacara (Lab): My Lords, I declare a previous interest in that I was briefly a member of the Communications Committee and therefore I suppose I am disposed to like what it does. In mitigation, I was there for only a short time. But it does a very good job and this debate has exemplified that. We owe a great debt to the Communications Committee for its excellent choice of this topic and to all those who have spoken this afternoon. Having said that, I am bound to say that I did not think the noble Lord, Lord Dobbs, got it right. I felt he hit a couple of wrong notes, perhaps harking back to some earlier golden age that he believes would better represent how women should behave. Indeed, as he went on, I thought he had been script writing on the side for Donald Trump and his views about how women should be presented. I may have got him wrong and I am happy to have a further discussion with him, but he was the only one who did not seem to pick up the main points made by this excellent report. I hope that he will reflect, as we all should, on the points made by the noble Lords, Lord Sherbourne and Lord Holmes of Richmond, and pick up on the very powerful case argued by my noble friend Lady Healy.

At any rate, the great majority of those who contributed today also have the authority and presence born of experience. As a result, this shows again, as the noble Lord, Lord Razzall, said, what a significant contribution our Select Committee publications make to the development of public policy.

As we have heard, diversity in broadcasting was in a dire state in recent years. I agree with the Government that the report has played a valuable role not only in gathering evidence and looking at solutions but in raising awareness of where inequalities still persist in this important part of our creative industries. At this point, I pick up the recent Ofcom and EHRC reports mentioned by the noble Baroness, Lady O’Neill, and the noble Lord, Lord Holmes of Richmond, which are excellent contributions to the issues raised in this report. I also agree with the Government and the noble Lord, Lord Holmes, that making progress on this agenda not only support women to fully utilise their skills and increase women’s contribution to the UK economy but can help to have a lasting impact on future generations of women and to tackle outdated gender stereotypes. As the noble Baroness, Lady O’Neill, brilliantly exemplified, the report makes one think very widely about how work is organised in advanced societies and makes one ask why things have to be as they are at present.

However, despite some good progress reported in recent responses by the major broadcasters, we have heard that a lot more work still needs to be done. This issue,

[LORD STEVENSON OF BALMACARA]

as the report makes clear, is not just about fairness. It raises fundamental questions about gender relations and employment practices, and about what gets selected for coverage on our screens and on radio, how that is done and what impact it has on those of all ages and backgrounds who consume the output. It is that important.

Some have said that, at heart, what is required is a culture change, and of course the issue is not limited to the broadcasting industries, let alone news and current affairs. But that simply proves that this is a complex issue which requires action at many levels. The good news is that the report provides compelling evidence and is an excellent basis for the action that now needs to be taken by individuals and groups, broadcasters, the Government, regulators and other key stakeholders. As the noble Lord, Lord Best, confirmed in his excellent speech, this report is convincing on what now needs to happen in senior management, on screen, in the technical areas, in the use of experts and freelancers, and in the commissioning of and creative support for the programmes that are made. There is also a read-across to other protected characteristics such as age, minority ethnic representation and GLBTI.

A large number of points have been raised by speakers in this debate and I do not want to cover them all. Rather, I will focus on two areas, one of which is the letter from Ofcom which was received by the committee and has been made available in the Library report, and the other is the Government's response. Although I broadly support it, it does leave some gaps.

On the Ofcom recommendations, it was good to note that the Government have written to Ofcom,

“highlighting the long lasting, positive impact transparency can have in relation to women’s economic empowerment”.

But, really, is there not a bit more that the Government could do here? For example, the report makes it clear that currently there are insufficient data on the gender of freelancers and on whether women are adversely affected by the widespread use of freelance contracts in the industry. The report recommends that Ofcom should use its powers under Section 337 of the Communications Act 2003 to require broadcasters to collect data on the age and gender of the freelance workers they employ. I find the Ofcom response, which is important because the legislation is specific on this point, a bit puzzling. When she comes to respond, I wonder whether the Minister could comment on what the regulator is saying. On the one hand, Ofcom agrees that freelancers must be included in any monitoring system in order to have a full picture of diversity in the broadcasting sector. As it has powers under the Act, why do Ministers not insist that it uses them?

It is true that Ofcom has said that it is working with and fully supports the implementation of the Creative Diversity Network’s diversity monitoring system. That is Project Diamond, which has already been referred to and is clearly a good thing. But the project is only in testing at the moment and we will not get the first data from it until early next year. Even more worrying is that I understand that the broadcasters have not yet worked out how and when news and sport will be

integrated, so the results will be patchy and will not include the key areas that we want to look at. Is that the case? Does the Minister agree that in understanding the barriers facing women in journalism, we need to ensure that news is included as soon as possible? Perhaps I may suggest to the Minister that she undertakes to impress on the broadcasters the need to get news integrated into the whole system as soon as possible.

Finally on this point, Ofcom has said that it has considered whether carrying out additional monitoring would make a difference above and beyond what Diamond may provide, and is currently of the view that it would not be proportionate for Ofcom to duplicate the work of the CDN. I suggest that this seems a rather more relaxed approach than is warranted by the seriousness of the issue as raised in the debate. I would therefore be grateful if the Minister could say whether she agrees with Ofcom on this point, and if not, whether she will press the regulator at least to have some contingency plans ready if in the end the data are not sufficient. Whatever, I think that there will be a gap, which is to be regretted.

I turn now to the recommendations for the Government set out in the report and their response to them. It is common ground between us all that the Government have the duty to ensure that there is a strong legal framework which promotes equality of opportunity for both men and women. However, I would be grateful for some specific comments from the Minister on the following. First, the Communications Act places duties on Ofcom to promote training and equality of opportunity for providers of TV and radio services. In light of the report, have the Government recently reviewed whether this is sufficient? Ofcom seems to be strong on the training that needs to be available, but not so strong on the equality of opportunity that is required in practice. Will the Government act on this?

Secondly, the licence conditions for Channel 3, Channel 4 and Channel 5 require licensees to promote equality of opportunity between men and women with respect to employment. Can the Minister share with us what discussions took place with these broadcasters when their licences were recently renewed? Did the Government consider whether it was necessary to change the current wording in the light of the report, and if not, why not?

The BBC framework agreement imposes an equality of opportunity duty on the BBC executive board. Will the noble Baroness confirm that this issue will be taken up in the charter discussions currently ongoing? Of course, the BBC, S4C and Channel 4 are required to comply with the public sector equality duty under Section 149 of the Equality Act 2010. Can the noble Baroness tell us whether any prosecutions have been brought against the BBC, S4C or Channel 4 under this Act?

Since 1 October 2012, BSKyB and ITV, which are FTSE 100-listed companies, have had disclosure requirements on gender diversity at board and senior management level. Does the Minister think that there is a case for extending these requirements to BBC, S4C and Channel 4, so that—to pick up on the point made by the noble Lord, Lord Holmes—we get better disclosure

across the sector for the numbers of men and women on boards, in senior management and in the businesses as a whole?

Finally, the Government's response mentions the amendments to the small business Bill that will implement Section 78 of the Equality Act 2010 requiring the introduction of mandatory gender pay gap reporting for larger companies. May I take it that the reason that this point was included in the Government's response is that the Government intend to include broadcasting companies in these regulations when they come through? It is not clear in the response whether that is the case. It simply refers to the fact that there will be a consultation shortly. Clearly, if the Government believe:

"Greater transparency around the gender pay gap will encourage employers to address the underlying factors and share best practice", surely they should include the broadcasting bodies in the implementation of Section 78. I look forward to hearing the Minister on that point.

5.21 pm

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Williams of Trafford) (Con): My Lords, I thank the noble Lord, Lord Best, for securing this debate and for his excellent speech and I thank all noble Lords who have contributed. I also take this opportunity to thank the noble Lord, Lord Best, and his colleagues on the Select Committee, for the report that they produced in January. It is timely and comprehensive, and highlights the obstacles that women face in trying to progress in news and current affairs broadcasting, as is often the case in many sectors. The committee's report rightly said that making progress within this sector is so important because of the huge influence that mass media can have on us all, in particular in shaping the aspirations of future generations. Many noble Lords, including my noble friend Lord Holmes of Richmond, mentioned that.

The report is set against a backdrop that under this Government we have more women in the workplace than ever—the gender pay gap is the lowest it has ever been and has been eliminated altogether for women working full-time under the age of 40. The Government consider supporting women to fulfil their potential an absolute priority. When the Government responded to the House of Lords Select Committee, at which Ed Vaizey and Nicky Morgan presented in November, they made it very clear—I emphasise it again—that this is not just an equalities issue, as questioned by my noble friend Lord Dobbs. Increasing the opportunities and participation of women at every level, in every sector and at every age is vital in boosting the UK economy.

There are strong supporting facts to back up this statement, which makes it imperative to increase the efforts to remove the obstacles to women's progression, not just in the media industry but across all sectors of society. For example, equalising women's productivity and employment to men's levels has the potential for increased gross domestic product of 35% in the UK. This could be equivalent to an additional £600 billion to our economy. Studies regularly show that higher numbers of female students than male students are

studying in higher education in the UK—for 2013-2014, this was 56.1% and 43.9% respectively—yet women represent only 47% of the workforce.

We have come a long way since "Woman's Hour" was presented by a man, as the noble Lord, Lord Best, told us, and the thought that the coronation might have been postponed because Richard Dimbleby was ill. But, for example, still in the news media only 35% of employees are women. We would like to see more women behind the camera, not just in front of it.

In news media, women are particularly under represented in certain roles. The Select Committee's report made that very clear. One example that it quoted is that in flagship news programmes—noble Lords have mentioned this—three male reporters exist for every one female reporter. It is clear that news broadcasters should ensure better gender balance in their wider workforce. In the news and current affairs broadcast sector the "ripple" effect that can be created by not having women in visible senior roles has an impact not only on today's working women but on future generations, which my noble friend Lord Holmes also mentioned.

The Government believe that it is for the media industry itself, including broadcasters, producers, media organisations and others, to take the lead and to promote equality among its employers. This business-led approach has worked well in the FTSE 100—an approach spearheaded by the noble Lord, Lord Davies. Unprecedented progress has been made in increasing the number of women working at board level in the FTSE 100. In four years those figures have doubled from 12.5% in 2011 to now nearly 26%. We now have no all-male boards in the FTSE 100. This approach was so successful because of the impressive collaboration involving UK businesses, investors, regulators, headhunters, the media and other stakeholders, such as the 30% Club.

We believe that this approach can be applied to all sectors, including broadcast and print media. The Government are working with stakeholders with expertise in this area to establish a firmer base of evidence surrounding this agenda and to look at what further action can be taken by all stakeholders to speed up progress. We wrote to Ofcom highlighting the long-lasting positive impact that transparency can have on women's economic empowerment—the noble Lord, Lord Dubs, mentioned this. We also supported the 30% Club in the development and launch of Women for Media UK, a database of female leaders in business, finance, government and not-for-profit sectors who are available for media comment on key topics of the day. We believe that the database will help increase women's visibility and voice within broadcasting and demonstrate the huge talent pool of women out there who are qualified and suitable to speak on key issues of the day. The noble Lord, Lord Razzall, mentioned the lack of female experts being utilised in the media. I know that that was one of the key issues raised by the committee.

The Government also have a more direct role here to help to modernise the workplace culture so that men and women can better balance work and family life by extending the right for all to request flexible working, as well as by introducing a system of shared parental leave and supporting working families with

[BARONESS WILLIAMS OF TRAFFORD]

childcare costs. The noble Baroness, Lady Healy, mentioned that; I will expand on it later. We also agreed with the committee's finding that transparency is key to making progress. That is why we will require employers with at least 250 employees to publish the difference between the average pay of their male and female employees. It is why we welcome the Creative Diversity Network building a new diversity monitoring system for broadcasters, which will standardise, benchmark and report on all the main broadcasters' data on diversity. It is also why we are continuing to encourage all employers, including media companies, to sign up to the Think, Act, Report initiative, which helps them to tackle the underlying causes, such as recruitment, retention, promotion and pay. I urge all media companies to sign up to this initiative.

I turn to my noble friend Lord Holmes's point on raising girls' aspirations. Girls are, of course, the future and the next generation in broadcasting. As I mentioned, the topic of this inquiry goes beyond the scope of women of working age today: it talks about the girls who will be the women of tomorrow. The media as a whole plays an important role in perpetuating or challenging cultural and societal norms, so it is important that this industry is more representative of today's society.

Investment in the future of our girls and young women will not only benefit them directly but also allow us to maximise their economic potential. The Your Life campaign launched in 2014 aims to help the UK find more engineers, more scientists and more computer scientists to compete in the global economic race. However, we need more visible female role models, and the media can help to achieve this. Having visible, positive role models can challenge the gap between the reality of women's and men's lives. By transcending gender stereotypes: for example, those that portray women as solely carers or victims, female role models can give women and girls the confidence to overcome the barriers that stop them reaching their full potential.

The noble Lord, Lord Best, raised a number of points, including the fact that significant steps have been made since the committee's report in January. This is testament not only to the great work of the committee itself but also to how seriously this agenda is now being taken by all stakeholders. He also raised the important influencing role that Ofcom plays. In its final report, the committee recommended that the Government make it clear to Ofcom that they no longer wish to remove the power Ofcom has to ensure gender equality under Section 337 of the Communications Act 2003, and that Ofcom should not hesitate to use this power. In our response to this report we stated very clearly that we agreed with this. We have no plans currently to remove Ofcom's duty to promote development opportunities for training and equality of opportunity under the Communications Act. I think that partly answers the point made by the noble Lord, Lord Stevenson.

During the last Government, Jo Swinson wrote to the chief executive of Ofcom in February highlighting the long-lasting, positive impact that transparency can have in relation to women's economic empowerment. My noble friend Lord Sherbourne also raised this

point. She asked Ofcom to support and publicise the data monitoring system being developed by the Creative Diversity Network in order to promote more transparency. We also suggested that it support Think, Act, Report. Also at this time ministerial letters were sent to those media companies—11 in all—in the FTSE 350, encouraging them to sign up to TAR and highlighting the importance of transparency. I am pleased to say that Ofcom has signed up to TAR and a number of high-profile media companies have also signed up: SKY, Virgin Media, ITV and Viacom. Ofcom also confirmed that it is working closely with the Creative Diversity Network on Project Diamond, which the noble Lord, Lord Stevenson, also mentioned.

Ofcom also worked jointly with the EHRC to produce the recent guidance on equality for broadcasters launched on 28 August, which will support employers, commissioners and others in expanding the talent pool from which they find the best candidates. Since the publication of the committee's report, the Government have worked closely with the Chartered Management Institute to gather together a number of key stakeholders from the broadcast and print sector to discuss the barriers women experience in rising up through the pipeline, and the best way to go about establishing a firmer base of evidence. We hope to be able to drive forward this work over the next few months.

The noble Lord, Lord Best, and the noble Baroness, Lady O'Neill, talked about the benefits of broad voluntary targets. We agree with the committee that quotas are not appropriate here. It was suggested that the Government ensure that Ofcom holds the BBC to account in regard to any voluntary targets. Within the existing charter period it is still a matter for the BBC Trust to ensure that its public purposes are delivered, that the BBC is held to account and that its licence-fee payers are represented in terms of their interests and their gender and identity by the BBC. Of course, BBC governance is one of the key issues being examined in the charter review. The Government have been clear about their role here: that is, to set a regulatory framework of law and responsibility for broadcasters, as with all employers and especially public service employers, and ensure that they understand those responsibilities.

The noble Lord, Lord Dobbs, asked what the Government were doing about getting their own house in order, which is a very reasonable question. The Government have set a target of 50% more women in public appointments. Very good progress was made from April to September of 2014—44% of new appointments were women—and we expect the new figures to be even better. We have the most diverse Parliament ever with nearly 30% of MPs being women, up from 23% in 2010, and 20.5% of Conservative MPs are women. There are also 10 women now in the Cabinet.

The noble Lords, Lord Dobbs and Lord Razzall, and the noble Baroness, Lady O'Neill, talked about ageism in the broadcast media. Other noble Lords may also have talked about this. The Government agree that women of all ages should feature prominently throughout broadcasting. I believe that broadcasters have woken up and should have learned from the mistakes with the Miriam O'Reilly case at "Countryfile".

We are playing our part to tackle underrepresentation. The Equality Act 2010 protects employees in all businesses from discrimination on a number of grounds, including sex and age. The Government have appointed the noble Baroness, Lady Altmann, as the business champion for older women. A recent report about older workers shows the valuable contribution that older women could and can make to further the economy. Companies are not fully utilising their skills and are missing out. The Equality Act 2010 provides legal protection for employees facing discrimination on the ground of age.

My noble friend Lord Dobbs also mentioned a very interesting point about how the media can promote cultural change in terms of respect for women—for example, in highlighting the dreadful practice of FGM. The noble Baroness, Lady Healy, talked about childcare and flexible working. We will double the free hours of childcare for working parents of three to four year-olds from 15 to 30 hours and we will also introduce tax-free childcare which will save around 2 million families up to £2,000 per child annually. I appreciate just what a barrier lack of childcare is to progressing in any profession, as I am sure do other noble Baronesses. We extended flexible working to all from June and introduced shared parental leave from April 2015. The Government are very much committed to creating a modernised and flexible workplace so that all employees can thrive.

The noble Baroness, Lady O'Neill, and my noble friend Lord Sherbourne talked about the remedy being positive action, not positive discrimination, and said that good data are essential to identifying the problem. These are very important points. I agree that positive action is key and the Equality Act allows companies to take positive measures to enable employees to take action. I welcome the initiative of the EHRC and Ofcom, referred to by the noble Lord, Lord Best, which will help broadcasters take positive action under the Equality Act 2010.

On the second point of the noble Baroness, Lady O'Neill, I welcome the Creative Diversity Network's initiative, Project Diamond, to which I alluded earlier, which all main broadcasters have committed to share and report their data on diversity on and off screen. That is progress in the right direction.

The noble Lords, Lord Dubs and Lord Stevenson, talked about freelancers. We expect the industry to take the lead here. With freelancers continuing to make up such significant parts of the workforce, it stands to reason that data should be collected to assess whether there is a problem with gender balance in the freelance sector and across the industry more broadly, and, if so, to enable the industry to take the requisite steps to address it.

My noble friend Lord Sherbourne made a very good point about the impact of television, and he talked about the lady ringing up from Lime Grove who was always assumed to be the secretary. When I came into your Lordships' House I was asked by a noble Lord who will remain nameless, and who has since been for ever ashamed of it, whose secretary I was. My noble friend also made a good point about women being used as "soft" news presenters, never being seen as able to tackle the hard news elements.

It is very good news that Laura Kuenssberg has been appointed the BBC's political editor. That is very good progress indeed.

My noble friend Lord Holmes of Richmond talked about the lack of women in media and broadcasting impacting on the reputation of the industry generally. I totally agree. Research undertaken by the Government Equalities Office shows that there is a significant gender pay gap of 11.4% for media professionals, 8.4% for print media and 18.7% for advertising. The gender pay gaps in various sectors will become more apparent when gender pay gap reporting comes into force. I hope that will focus minds towards positive action. He also talked about the really poor diversity generally in British broadcasting. I totally agree with that point. He also mentioned disabled people. Only 3% of BBC staff are disabled and it is similar for other broadcasters. The number of BME people in the media actually declined between 2009 and 2012 to below 6%.

I am aware that time has run out. I hope I have answered most points but if I have not, I will write to noble Lords. Once again, I thank all noble Lords who have taken part in this debate.

5.42 pm

Lord Best: My Lords, I, too, thank all noble Lords who have taken part. I wonder whether Conan Doyle would have raised an eyebrow in noticing in the list of Peers that Watson was followed by Holmes and then by Hastings. Everyone who contributed made positive, welcoming remarks and I am deeply grateful. The Minister summed up a list of points which mirrored exactly the ones I was going to sum up with myself, and I am very grateful to her and to the Government for getting behind this report and helping what has been a remarkable response across the piece from the broadcasters. They have come forward and there are changes afoot that will, I think, make a difference. So perhaps I can confine myself to agreeing with the noble Lord, Lord Razzall, who said that this report may be one of the ways in which we demonstrate our antidote to all those criticisms of the House of Lords. We seem to have made something of an impression and I am deeply grateful to all my colleagues for their participation in that. I beg to move.

Motion agreed.

Civilian Use of Drones (EUC Report)

Motion to Take Note

5.43 pm

Moved by Baroness O'Cathain

To move that this House takes note of the Report of the European Union Committee on *Civilian Use of Drones in the EU* (7th Report, Session 2014–15, HL Paper 122).

Baroness O'Cathain (Con): My Lords, I am very pleased to move this Motion to Take Note. In this debate, I will refer to RPAS—remotely piloted aircraft systems—as drones. Not only will this make the language

[BARONESS O’CATHAIN]

of my contribution less clunky but I hope that it will make it more accessible to the public. However, I am also sensitive to concerns that drones have major military and security implications, and make it clear that today’s debate will focus solely on the civilian use of drones.

Our report opens with the sentence:

“2014 could be described as the year of the drone”.

That was a major understatement. Its year has continued into and extended throughout 2015. Drones are widely discussed in the media. Some weeks it seems that they are talked about every day. They are the subject of many personal anecdotes. Small toy-like drones were tipped as the must-have gift last Christmas. Such a description could make the business of drones seem easy to dismiss. Indeed, I did not realise until the committee embarked on this inquiry that drones also represent a valuable commercial opportunity for jobs and growth. From agriculture to wedding photography—I could not think of anything beginning with Z—more than 670 permissions for commercial drone operations in the UK alone were granted by the Civil Aviation Authority in 2014. There are said to be 2,500 drone pilots across the EU. It should be remembered that all drones have pilots—yes, each drone is piloted, albeit from the ground. The European Commission estimated that the drone industry could generate 150,000 jobs by 2050. The aim of this inquiry was to find out if the European Commission’s estimate was credible and, if so, what needed to be done to help it grow.

Custom and practice in this House oblige me to thank the committee, our clerk, our policy analyst and the Committee Office. In this instance, it is no obligation but a sincere realisation that without them we would not have taken off. I thank them all; they all worked so very hard. The committee was ably supported in its work by its specialist adviser—I do not know who nominated him—Tony Henley, who has an encyclopaedic knowledge of the subject area. We all thank him. The committee is very grateful to the large number of businesses, trade associations, regulators and individuals who were so willing and enthusiastic to share their experiences with us. I particularly want to say that we found the Government to be proactive and most engaged on this subject. Their swift and supportive response to the report, which came within 13 days of its publication, is a clear demonstration of their commitment to support businesses in this area and, indeed, to protect the public.

This report is a big first step in analysing the potential for a civilian drone industry. A considerable amount of work remains to be done before we will see small drones delivering parcels or large drones freighting cargo, although the newspapers are constantly speculating about this sort of activity. We must realise that important regulatory and technological challenges remain.

In this debate, I will focus on public acceptance of drone technology. The Government’s response said that if the drone industry is to be successful,

“more work will have to be done to reassure the general public”.

Certainly, that is true. In addition to privacy and nuisance concerns, there remains widespread anxiety about the possibility of a mid-air collision between a

small drone and a commercial aircraft. This is a common concern with private and leisure users, who can purchase and operate a drone without even realising that they are piloting an aircraft when they utilise it. As was expressed by Paul Cremin from the Department for Transport, a witness to our inquiry:

“The question, as you quite rightly say, is that when you get the box home, where, first of all, does it tell you that you are buying an aircraft, let alone anything else? These are aircraft. They are viewed in the Air Navigation Order as aircraft, and you have responsibilities under that order”.

This concern is even more alive in the wake of reports of near misses and the operation of drones over football stadiums and close to the Eiffel Tower. By the way, I must state that we did not consider the use of drones for nefarious activities but that anxiety remains very strong indeed.

We heard that the CAA and others were taking action to raise public awareness. Small businesses such as First Person View are including leaflets in the boxes of the devices that they sell. The CAA published a video online just before Christmas and the Metropolitan Police posted information on social media. No doubt awareness of this inquiry has also helped. I found that the press office of the House of Lords did a great job in publicising the inquiry, even helping to organise a slot in the “Today” programme on the day of publication, when I was interviewed live from Riga where I was speaking at an EU conference on drones. They actually work very hard behind the scenes. In their response, the Government confirmed that they intend to consult the general public about the rules regarding the use of drones. The Government also agreed to consider acceptable future applications for drones by the media and police. Is the Minister in a position to share more details about this consultation, in particular its objectives and time schedule? There is no time to lose.

The committee also felt that it was important that misuse of drones was adequately punished. While our report applauded the work of the CAA in general, it concluded that the police should play an increasing role in enforcing the existing law. This is because in addition to aviation regulations, the misuse of a drone often breaches nuisance or privacy laws. Both the CAA and the Metropolitan Police have recently contacted the committee to confirm that this approach is now being adopted. That was a minor victory for us.

The report noted that,

“the workload of regulators at EU and at Member State level ... will increase in the near future”,

and urged,

“that regulators be sufficiently resourced to deal with this”.

Research conducted by Dr Alan McKenna on the back of our report found that there had been more than 400 calls made to the police regarding incidents involving drones over the last two years. Does my noble friend the Minister believe that the police have adequate resources to take on this new role? Are police officers being adequately trained in this area?

In our discussions with the Metropolitan Police, the committee also learned that it remains difficult, if not impossible, to identify the operator of a drone. This explains why successful prosecution is so rare. We recommended the creation of a system which could

track and trace all drones, especially those flying below 500 feet, irrespective of whether they were flown by commercial or leisure pilots. I am certain that there will be a technological solution to this problem which will be simple and affordable for consumers and businesses alike.

Since our report was published on 5 March, I am pleased to say that our recommendation is being considered by industry, EU regulators and the Government. The Government's response indicates that they are working with NASA in the United States on this issue. An additional risk we now face is perhaps one of duplication of effort. Can the Minister describe in further detail the Government's involvement with NASA and inform us whether industry has been involved?

I recognise that there remain a number of other important issues which I have not had an opportunity to touch on this evening—namely the effectiveness of JARUS, which is the body nominated to draft the European regulations; the development of important technologies such as detect and avoid; and the challenges that many businesses face in finding affordable public liability insurance. None the less, I am sure that noble Lords contributing to this debate will bring some of these issues and others to the fore, and that all noble Lords taking part will realise how grateful I and the committee are for their involvement.

Finally, although not in keeping with British modesty, I close with a quote from the European Commission's response to our report:

"The House of Lords' opinion is most useful and addresses all the relevant issues for opening the market for drone services in a detailed and open way. The opinion will become an important reference for all policy makers, including the Commission".

This is a great commendation and perhaps a little help in our relations with the Commission and the other 27 member states. I beg to move.

5.55 pm

Lord Giddens (Lab): My Lords, let me congratulate the noble Baroness, Lady O'Cathain, and other members of the committee on their excellent report. As the report notes, two types of drone probably get most attention in the media: those that are used to play with and those that are sent to kill. Yet there is a huge variety of other uses to which drones can be put in between these two extremes.

The report mentions continuities with model aeroplanes in the past, but I argue strongly that we have to understand drones in the context of the digital revolution. To me this is crucial to the issue of regulation and their future. That revolution, however, is widely misunderstood because it is often identified with the internet. The digital revolution has to be seen as the interplay between the internet, supercomputers and robotics, with supercomputers having the core role because of their massive algorithmic power. The iPhone in your pocket or handbag is a supercomputer more powerful than the biggest supercomputer of 30 years ago.

Drones are essentially flying robots and their extraordinary range of actual and potential uses comes from this conjunction of factors. In my speech, I shall continue to deploy the word "drone" in spite of what

one source describes as "the interminable debate" about the use of the term. Drones are converging with orthodox aviation as well as providing ticklish challenges to airline safety. Most planes, most of the time, are flown by their computers in interaction with the supercomputers on which global air traffic depends. Used appropriately, drones can be deployed to protect orthodox air traffic rather than just pose problems for it, as the Government's response to the report notes.

As the report makes clear, drones have the potential to be used positively in a vast range of environmental, ecological and scientific applications, in addition to their more commercial ones. They can even be combined with 3D printers. A drone has recently been wholly 3D-printed on a ship and carried out a successful short flight afterwards. My point is that this is an extremely rapidly evolving field, which overlaps in a fundamental way with dramatic advances in other areas of technology. It will be a demanding task indeed to reconcile the extraordinary potential of drones with the many risks that they present, not the least of which is their overlap with terrorism. Two IS militant figures were killed by drones, we were told yesterday, but IS is already using drones for reconnaissance and battlefield co-ordination and is said to be plotting to use drones to execute small bombing attacks on public events in the West. I know that the report concentrates exclusively on the civilian use of drones, as the noble Baroness said, but this must be watched because the division between civilian and more noxious uses of drones is going to be pretty fluid and difficult to draw.

I have three basic questions for the Minister. There is a great deal of agreement between the committee's report, the Government and the proposed framework for the EU—an unusual event, I must say, in this House to say the least. However, I hope that the Minister will respond to this and that the Government will recognise just how fast the pace of change is likely to be in this area. I shall pick up what to me is the central point: this is part and parcel of the digital revolution, which is not just about drones themselves but about the total system within which they are enveloped. Constant updating and revision of whatever regulations are established will be absolutely essential in my view, and it would be good if the Minister could say something about that. It is not easy to have regulation which is continually evolving.

Secondly, there is not much here about drones and privacy, which is a huge issue already in the US, and rightly so. No existing category of law, either in the United States or the EU, is as yet robust enough to cope with this issue. The EU does have plans to deal with this, but it would be good to hear some comment from the Minister.

Finally, the Government are preparing a public dialogue this year on the use of drone technology. What form will this take exactly? I hope, again, it will recognise that the dialogue will have to be an evolving one. If I am right in my emphases so far as drones are concerned, we ain't seen nothing yet. We are at the very beginning of their evolution and their integration with the wider digital revolution, which to my mind is probably the greatest transformative force to have global impact within such a short period of time ever in human history. The Industrial Revolution was crucial,

[LORD GIDDENS]

but it moved quite slowly; when the first telephone was invented, it took 50 years to reach 75 people. The iPhone first came out in 2007, and there are now almost 1 billion in the world, and 3 billion smartphones. There has never been any pace of technological innovation like this, and it would therefore be a really bad mistake to treat drones just on their own, as an isolated phenomenon. They will be deeply integrated in the evolution of this revolution.

6.03 pm

Lord Rees of Ludlow (CB): My Lords, this debate is welcome and timely. Although I have recently joined the EU sub-committee, I was not a member at the time of this report, so my comments are independent and perhaps peripheral to the main thrust, although I shall focus entirely on civilian drones.

The report highlights the potential economic and social benefits that could stem from drones and the importance of encouraging the expanding manufacturing and technical advances in the sector. But there are much-publicised downsides, and regulations governing their usage will be hard-pressed to keep up with the pace of innovation. There are plainly civilian contexts where drones can be hugely and unambiguously valuable: in farming, in surveillance, in disaster management and in reaching remote or dangerous locations. Here, there is a clear net benefit. But the report makes clear that the mass market will depend on two developments: first, growth in the amateur and recreational community, whose numbers could run into millions; and, secondly, deployment of small drones in cities and built-up areas for deliveries and so forth. Indeed, there are commercial operators who aspire to use drones to revolutionise online retailing and fast-food deliveries. A US company recently put on the market a miniaturised drone only slightly larger than an iPhone.

I am concerned that the report, in its wish to encourage an emerging high-tech industry, might be underestimating the level of nuisance that could stem from proliferation of these machines. For the larger and longest-range drones, the report accepts that air safety requirements need to be analogous to those required for manned aircraft. It is realistic to expect a high degree of compliance with these rules, because the handlers of these larger machines will be skilled and will be using upmarket and reliable machines. Big drones can be as robust as aircraft, and they can be well instrumented.

However, the situation is surely different for the smaller and cheaper machines. The regulations for their construction and robustness cannot realistically be as stringent. But more than that, my worry is that the level of compliance, even with more relaxed regulations, will not be as high for these small machines as for the bigger drones—not only because of intentional violations but because of mechanical failures, loss of control or errors made by inexperienced users. These small and slow-moving drones are vulnerable to winds, turbulence and the unsteady airflows near buildings. Except in very calm conditions, they may prove genuinely hard to control. There is a need to regulate against intrusion and invasion of privacy. There need to be safeguards against them entering prohibited areas or

getting too close to buildings. This will be ever more important as numbers proliferate. So even the smallest drone should be required to carry some kind of identification mark so that ownership can be traced.

Some claim that we can be reassured by an analogy with traditional model aircraft enthusiasts, who have pursued their hobby harmlessly for decades. But these people are all skilled and tech-savvy. Moreover, their activities are restricted to open areas suitable for flying, where line-of-sight contact can be reliably sustained. Neither of those requirements will be true for the mini-drones and most of their users. Realistically, as these small drones proliferate into swarms, the likely outcome will be a burgeoning rate of mishaps and infringements of regulations. That will lead to a rising nuisance level for us all and a lot of unproductive time being devoted by police and regulators to dealing with violations—tracking offenders and calling them to account. There are many examples already. In California, pilots engaged in firefighting had to ground their planes when it was reported that five drones were flying around to get close-up views of the fires. In one case, someone attached a small gun to a drone. Such concerns have led to wide debate in the United States and to many different regulations at state level and proposed moratoria on drone use in some cities.

Obviously, there will be pressure from potential pizza deliverers and suchlike against any such ban—and such a ban might indeed be an overreaction. On the other hand, it is unclear what range of uses will be acceptable in built-up areas, where the drones would be automated and not controlled by someone within the line of sight—still less by an expert. There is plainly pressure to exploit the commercial opportunities of what is undoubtedly an exciting new technology. The regulations proposed by the EU may well be balanced and appropriate, but whatever the regulations say, it is surely a safe prediction that there will be many infringements—invasions of privacy, annoyances and accidents, which could sometimes be serious. Indeed, there could then be a public backlash. For that reason, the net benefits, at least of the cheap microdrones, are far from obvious.

Regulations need to achieve a delicate balance between the multiple competing interests of legitimate commercial uses and policing, public safety and privacy concerns, and this has to take place against a background of fast-advancing technology. It would be wrong for regulations to suppress innovation in this area; on the other hand, we should surely recognise that it is not clear how bright the commercial future of this sector is or what degree of welcome these innovations will actually get from the public.

6.10 pm

Viscount Astor (Con): My Lords, this summer I spent an afternoon learning to fly a drone. It is not very difficult and it is great fun. With an iPhone and a camera, one can fly within line of sight, which is legal, but it is also easy to put in way-points via a GPS and set the drone to fly a circuit out of sight, which is not legal but is the way that Amazon is testing delivering goods to customers.

One can fly close to a window and not only photograph people but listen to and record conversations. Drones can be big, noisy and easily spotted, or they can be small, hardly bigger than a bumble-bee and very quiet. One's garden may no longer be a private place, and it is with the rights of the individual compared with the rules of the drone operator that we should be concerned.

At the moment, the rules are complicated. The CAA has given permission for more than 850 drones to be used by commercial operators. There are thousands more drones sold for as little as £200 as children's toys, with more expensive ones for teenagers and sophisticated ones for enthusiasts—most of whom have no idea about the CAA rules. Does the Minister have any idea how many drones are sold in this country? Even if the purchasers know a bit, do they really know about the Air Navigation Order? They also have to contend with the Data Protection Act and the CCTV code of practice, which regulates the use of images of people that are collected without their consent. The CCTV code of practice states that,

“it will be good practice for domestic users to be aware of the potential privacy intrusion which the use of UAS can cause to make sure they're used in a responsible manner”.

That is a sound piece of advice, but it is not written on the box when you buy a drone, nor are the CAA regulations. Should not manufacturers have to attach some advice on the use of drones to their packaging?

It is a complicated legal minefield. I do not know what one does if one finds a drone hovering a few feet above the ground in one's garden, contrary to the CAA rules. Is it legal or illegal to knock it down or disable it? How does one know who owns it or who is flying the machine?

This is a new industry. It is largely unregulated, with rules that are very relaxed. The rules are perhaps a little more thought-out in the US, where they have had longer experience of drones. I am not calling for overregulation—I dislike gold-plated regulations—but I support the conclusions of the committee's report. I congratulate my noble friend and her committee on her very important report, but I am concerned about the right to our quiet, relaxed enjoyment, whether it be in a town or in the countryside. We must not allow it to be ruined by the constant drone of drones.

Noble Lords have highlighted the danger of collisions with aircraft and of flying close to military bases and nuclear facilities. Enthusiasts claim that no one has been killed or seriously injured so far, but I fear that it is a question of not if an accident will happen but when. We should not have to wait until an accident, however minor or major, or for someone to be injured, to have a sensible plan of action.

Drones have uses. They have been used to film accidents to help the rescue services, but they have also hindered them. An important question raised by the report is: should drone users have some form of insurance to protect themselves, as well as anyone whom they injure? In California, a Bill has been proposed that bans drones from flying lower than 350 feet over private property without the consent of the owner or occupier. It has been said, though, that that is just to allow film stars to get married in their garden without

being filmed from above so that they can then sell their wedding pictures for a vast sum of money to the appropriate magazine.

Interestingly enough, Amazon is lobbying in California, where drone technology seems to be more advanced than anywhere else, for the airspace for drones to be designated between 200 feet and 400 feet for the autonomous drones to deliver their goods, with other aircraft unable to fly in that space. It is interesting to know whether the drones will have to fly down a public road, the highway or over private property.

Of course, drones can be very useful in delivery. They can be useful as lifesavers delivering water or medical supplies in remote areas, although they have a limited flight time. They have many surprising uses, one of which I witnessed last year. Crossing the Empty Quarter in Saudi Arabia, our Bedouin guide produced a drone from his sack and flew it ahead over a dune so that he could see the best way for the camels to come down the other side of the hill. It is extraordinary how many people have drones and use them.

This debate and report will give much needed clarity to some of the issues that the Government will face. It is important that we allow this industry to grow and flourish, but that we also safeguard the rights of the ordinary citizens, so that they can enjoy themselves without the constant intrusion of invasions of privacy or finding themselves threatened by improper use of a drone.

6.16 pm

Lord Whitty (Lab): My Lords, I enter this debate principally to congratulate the noble Baroness, her committee, staff and advisers on producing what I think is an exemplary report. I say that although until very recently it was a subject about which I knew pretty much nothing. Two things happened to me before the turn of the summer. The first was that I attended a family wedding in the depths of rural Somerset on a lovely summer's day, when, after quite a few glasses of champagne, the gathering was summoned out into the open for photographs. I was expecting to see a bloke underneath a black shroud—crash, bang, wallop, stick it in the family album—but no, there was a speck in the sky coming ever closer, darting around and taking photographs. To be honest, I had not encountered that before and I was astonished. Many of my fellow guests, who were much younger and more conversant with the technology than me, were equally fascinated.

The second thing that happened to me was that, in their wisdom, the usual channels have now made me chair of the very committee which the noble Baroness, Lady O'Cathain, has recently vacated. I am therefore responsible for taking this forward, along with the other responsibilities of the committee. I am glad to say that at least two new members of the committee are participating in this debate.

As my noble friend Lord Giddens said, this is an entirely new technology but part of a whole range of new technologies which are taking over the globe. It is very difficult for those who are not intimately involved in it, except possibly as users, whether as toys or as part of their business, to see the big picture. The great

[LORD WHITTY]

thing about the report is that the committee saw the big picture. It saw, first and positively, that this was an infant industry; secondly, that the regulatory structure was at present inadequate at both national and international level; and, thirdly, that there is a very important role for the European Union in this respect—something that justifies the committee in choosing this area to examine.

As has been said, the technology has multiple applications and raises multiple issues of safety. What are the design standards and requirements? It also raises issues of privacy and security for individuals, businesses and the state, and serious issues about data protection. Using general rules does not always deal adequately with new technology.

There is a problem of invasion of and impact on the space used by aviation and by us in our gardens and recreation. There is also an economic impact on a lot of existing industries from traditional means of communications and delivery. If this technology grows as rapidly as some are saying, it is clear that it will need a lot of attention from various state organisations and that it will need some coherent framework of regulation, which the committee is asking for. It is a nascent industry and, like a young child, a nascent industry certainly needs encouragement, nurturing and investment, but it also needs boundaries and rules—and it needs rules that protect others with which it comes into contact. It is important that we in Britain recognise that and that the CAA and the Government take that on board, and it is clear from the positive reaction of the Government to the report that they are beginning to grapple with that. But it is even more important to recognise that it would be utterly absurd if, in this complex area, we ended up with 28 different jurisdictions all attempting to deal with this new phenomenon in ways that suited their own economy and own society. Recognition that an EU initiative is necessary is vital.

Who should actually perform those initiatives, in terms of regulations, is a difficult one. The committee ends up by recommending that JARUS, an organisation that I had never previously heard of, should take this responsibility. But it also recognised that the resources, expertise and backing that JARUS has are not really adequate to the task. Others have pointed out that the CAA and the police in this country are not really resourced or expert enough to deal with this technology. The challenge facing the Minister tonight is really to give an indication not that the Government have done something about it but that they are clearly aware of the need to ensure that the CAA—and via the CAA the European organisation building on JARUS—has adequate resources and expertise, and that that expertise and those resources are available within this country.

This is a big subject, and the committee has dealt with it in a very effective manner. There are graver spectres of how this technology could develop if we go for the wrong form of regulation or non-regulation or submit this new industry to powerful interests, legitimate or non-legitimate. This overlaps with the new field of inquiry, which my committee is undertaking in relation to the operation of platforms within the digital market. There are anxieties there that large platforms in effect have an impact on traditional sectors which is not

accountable or clear and crosses the boundaries and alters issues of accountability and contract law. Also, as the noble Lord, Lord Giddens, indicated and as the noble Lord, Lord Wei, pointed out in the committee only the other day, they run on algorithms which almost nobody—even the owners of the companies—entirely understands. If we envisage a situation in which a large proportion of these drones were actually owned directly or indirectly by a single entity run on the basis of algorithms, we are talking about a very sinister development indeed.

I hope that this report will aid the institutions at British and European level to ensure that this development operates in a positive and not a negative way. We should all be aware that there are vast problems here, and ones that we hope that the Minister will reassure us the Government are aware of and are addressing.

6.24 pm

The Earl of Liverpool (Con): My Lords, I start by thanking my noble friend Lady O’Cathain, chairman of the committee, for enabling us to have this debate today and for her guidance, leadership and support throughout every process involved in compiling the report entitled *Civilian Use of Drones in the EU*. I also associate myself with her remarks thanking our clerk, Alicia Cunningham, our policy analyst, Paul Dowling, and the committee assistant, Deborah Bonfante, as well as our special adviser, Tony Henley, who all in their own way played a vital part in helping in our deliberations.

My noble friend’s introduction was wide-ranging and I therefore intend to restrict my remarks primarily to the innovative use of drones and some safety aspects. The drone, UAV and RPAS market is incredibly exciting. As we have heard, it is doing so many different things, and it could best be described as technology on steroids. Novel ideas for their use include fast movement of blood, plasma and medicines where it is urgently needed. Alec Momont, a graduate student of Delft University of Technology in the Netherlands, has developed a drone with a defibrillator attached for rapid deployment to someone having a heart attack that is able to home in on his or her location using the GPS signal of the mobile telephone used to call up the service. Drones with day and night vision cameras are being used to spot refugees trying to cross the Mediterranean into Europe. This year at Henley Royal Regatta, a drone equipped with a camera was used to film a large number of the races to great effect, perhaps heralding the use of this technology at other sporting events in future. Then we have heard it said many times that Amazon plans to deliver packages to our doors some time in future by a drone.

As this new technology develops, we have to be mindful of the inherent dangers that come with it. I believe that invasion of privacy and safety are the two issues that need to be addressed, and I am pleased to see that the Government have taken these on board in their excellent response to the committee’s report.

I am going to go off-piste for a moment and mention a certain Captain Chesley Sullenberger. The reason for this will, I hope, become clear later on in my speech. On 15 January 2009, he was piloting an Airbus A320

with 155 people on board that took off from LaGuardia Airport in New York; about three minutes into the flight, it was struck by a flock of Canada geese, two of which were ingested into the engines. The aircraft was at just 2,800 feet at the time of impact and was effectively a glider from that moment on. By some miracle of happenstance, Captain Chesley “Sully” Sullenberger was also a glider pilot, and his quick thinking and skill enabled him to carry out a textbook ditching into the Hudson River, and everyone survived. It became known as the “Miracle of the Hudson”, and a short time afterwards a new cocktail was developed named a “Sully”, which consisted of two shots of Grey Goose vodka and a splash of water.

Now to the reason for recounting this amazing story. About three weeks ago, I was going through the television channels and chanced upon the American channel ABC, where Captain “Sully” Sullenberger, now a retired airline pilot and in his new role as an aviation safety expert and accident investigator, was discussing the dangers of drones to commercial aircraft. He said that in America today there are an average of four sightings of drones a day in close proximity to airports and/or aircraft and that, unless some means can be found to curtail this, the danger of one being ingested into a jet engine becomes not a matter of if but when. He went on to say that the consequences of this happening would be far worse than a bird strike because the metal components in the battery would effectively become shrapnel, which would penetrate the cabin area and cause massive damage to the airframe and flying controls.

Every effort must be made to guard against something like this happening. I was therefore delighted to see that the Government have responded positively to our recommendation in paragraph 232 by setting up a cross-government working group with various RPAS and drone manufactures and operators to find ways of using geo-fencing in the UK as a means of making it impossible for drones to fly in or near sensitive areas such as airports or heli routes, such as heli route H4, which goes above London, where pilots must follow the River Thames at a height of 1,500 feet, depending on position and advice from air traffic control.

Having said that, I believe that this industry has immense potential to work for the good of mankind and is limited only by the horizons of man’s imagination. With that in mind, we must do everything we can to ensure that it develops safely and does not suffer a serious setback as a result of a major accident or terrorist attack.

6.30 pm

Lord Brooke of Alverthorpe (Lab): My Lords, I, too, as a member of the committee, wish to express gratitude to the people who helped. In particular, I thank the noble Baroness, Lady O’Cathain, for her sterling and interested leadership. She was given a task to pursue which she was not initially enthusiastic about, but in the event it has turned out to be a very worthwhile exercise indeed; she thoroughly enjoyed it and we enjoyed working with her. I also thank our clerk, Alicia Cunningham, who worked extraordinarily hard for us, as well as our policy assistants and Tony Henley, who was our adviser.

In particular, I would like to express gratitude to the many organisations and individuals who came not just once before us but several times to give us their evidence and to guide us in particular directions. They were generally a very enthusiastic bunch who are keen to see drones moving forward quickly and expanding, and most of them are very much interested in light-touch regulation—they are real entrepreneurs in many respects—and it was very interesting for us to see how it worked. At the end of the day we produced a report that will be quite influential. When we turn to Europe and see that they are preparing to produce some further legislation towards the end of the year, and as the noble Baroness, Lady O’Cathain, just read out to us, what we have had to say on this will have a fair impact on Europe.

The report demonstrates the value of the House of Lords; when it turns its attention to serious business it produces a very serious and influential report which has wider implications. In addition, the issue before us proves the case for Europe and the single market. I do not know what some political parties will do when they start to see drones not just flying around within sight but flying from France to England and vice versa. This is a case where, because they can cross borders, we need to have regulation across the whole of Europe and not only there but throughout the rest of the world. While a non-appointed, not particularly accountable body is working on much of the regulation at the moment, most people have a general confidence in it. It will produce a report in due course, which will help Europe and which in turn will influence what happens at international level. The United Nations has a body that governs civil aviation, and what we are doing in Europe will be a very big factor in determining what applies throughout the rest of the world.

Our report, as others have mentioned, does not pick up on the defence side. It is quite interesting that the internet came from defence, as did drones in the main, and as we heard yesterday, drones will not be off the agenda.

The pace at which change takes place will be governed to a very fair extent by public opinion. I am not quite sure whether those in the industry felt the Prime Minister’s Statement yesterday helped the industry to move forward at a faster pace. It is appropriate that he made it, but I do not know whether it will help the civil side of it to move faster. A whole range of questions about drones will come to the fore in people’s minds. Yes, they will help the police, but what will they use them for? We could not quite get to the heart of what police forces were doing—different forces were doing different things. There is a case there for an open public debate about how drones will be used by public bodies such as the police in the future. We asked questions about the security industry in this country, which of course takes so much work that used to be done by the police. How will it use this technology, how will it be held accountable and where will the public be able to engage with it? Again, those questions still remain unanswered and need to be addressed.

I was in Richmond Park a week last Sunday, and to my surprise I found notices all over the place saying “No drones to be flown here”. I had never seen that before. I am not quite sure under what regulation that

[LORD BROOKE OF ALVERTHORPE]

was done, but I presume that because they are the Royal Parks they can say, “Do not come on our patch”. Equally, however, there will be people in this establishment who have quite big patches, who might say, “Why shouldn’t I be able to say that nobody should be able to fly within the area above my lands?”. These are interesting points of development, and I wonder whether some changes have taken place here which now give people the right to decide that they do not want drones coming into their area.

Going back to the defence side, it is very concerning indeed to read reports that the Russians are now moving very quickly into this sphere. According to some press reports, they have now developed technology which will enable them to bring down a surveillance plane which British defence is currently working on. Whether or not the Minister can comment on that, it would be very interesting for us to find out.

I also sense that, with the change I saw in Richmond Park, a general toughening is taking place in attitudes to regulation, even within the CAA. When we saw it in the early part of the year, the CAA seemed to be fairly relaxed about trying to be hands-off and let the industry get on with it. However, I read a couple of weeks ago in the *Times* that it is now pressing the Department for Transport for legislation which would substantially increase the fines it will place on people if it catches them flying drones in restricted airspace or breaching the rules within high-density built-up areas. Can the Minister say whether some legislation is in prospect, with fines of £7,500?

These are all shifts which will tend to tighten up on the regulatory side and which will, to a degree, slow down the growth of the industry so that it does not progress quite at the pace my noble friend Lord Giddens talked about. As we have seen over the course of the past two weeks, something happens, it is immediately photographed and goes round the world, and immediately we see changes in policy taking place which three, four or five weeks ago we would never have envisaged would occur. Similarly, with drones we can see changes taking place there that could make a very significant impact on public opinion and in turn on the pace at which they will move.

Overall, we have done our best to produce helpful guidance over a very wide area. Again, I thank all those who I have worked with, and in particular the chairman for her leadership on this. We have produced an outstanding report, and looking at reports that go into Europe from the House of Lords, this one will make a change in the future—hopefully for the better, so that the industry will grow, but also so that in turn we get a proper balance with the right regulation that is needed, and that in due course we get that all around the world.

6.38 pm

Lord Wilson of Tillyorn (CB): My Lords, it is a great pleasure—and it has been very instructive—to have been a member of the European Union Committee, which approved this report, and of its Sub-Committee B, which, under the chairmanship of the noble Baroness, Lady O’Cathain, produced the draft of the report.

The noble Lord, Lord Brooke, referred to our chairman as having been slightly doubtful at the beginning. I confess that, at the beginning, I was a sceptic on this: I thought that the time had not yet come when we would be able to look at the question of drones in a sensible way. I was wrong. There is no doubt at all that the evidence produced for us showed that the time is right. Plenty needs to be done, and needs to be done urgently, and as the noble Lord, Lord Brooke, said, it needs to be done at a European level—indeed, at an international level, but at the very least at a European level.

It is clear enough, as all noble Lords have said so far, that we are at the beginning of a very significant development in the use of unmanned civil aircraft. I share the view of the noble Baroness that “remotely piloted aircraft systems”, or RPAS, is a hell of a mouthful and that “drones” is a much better way of referring to them. We are at the beginning of some enormously important developments with the use of drones. Some have compared it with the beginning of the internet but, as the noble Lord, Lord Giddens, said, it is part and parcel of the whole development that follows from the internet and all the technology that goes with it.

Despite all the newspaper stories about pizzas being delivered by drones or Amazon delivering all its books by drones, it is clear that what we are seeing is not some sort of version of Hogwarts’ owl mail service but something much, much bigger. It is clear that drones are going to be used for all sorts of very important things, such as inspecting power lines, surveying crop use and checking on high-rise buildings. My noble friend Lord Rees of Ludlow mentioned a number of other things and the list can go on and on—drones are going to be very important. In the evidence to the committee, we were told that the day may not be very far in the future when it will be possible to carry freight long distance in an unmanned aircraft remotely controlled, for instance, from London right up to the Shetland Islands.

The potential for jobs, too, is enormous. One figure quoted by the European Commission is an estimated 100,000 new jobs in the United States by 2025 and another 150,000 in the EU by 2050. If the first is true, the second is surely an underestimate at the very least, and all one can say is that this is inspired guesswork. However, the economic significance and the significance for jobs is huge.

Surely it is important, too, that this matter is dealt with at a European level. It is very EU-worthy. Drones are not going to be limited by borders and, if the European Union is to be right at the forefront of developing drone technology, it is terribly important that early on there should be European-level regulations for drones so that those who are engaged in their development and manufacture can know the direction in which they are going and there will not be a limitation on the speed of development in Europe.

I will not go into the details of the recommendations. Our chairman covered a number of them and they are in the report in detail. I should simply like to make two points. The first is that the European Commission deserves credit for the work that it has already done on

this, putting forward proposals early in 2014, and also for responding very quickly to our report. That was very encouraging. Sitting on the EU Committee or one of its sub-committees, there are times when one gets almost overwhelmed by the amount of paper that pours out of Brussels. One also has a feeling that quite often there are proposals which should not really be dealt with at a European level; they should be dealt with at a national level. There were even occasions when the previous Commission—not this one—was pretty cavalier in how it treated comments from national parliaments, saying that they had gone in the wrong direction. In this case the European Commission responded very promptly and positively to the report that we put to it, and it has said that it is going to produce concrete proposals by the end of this year.

My second point is that HMG also deserve credit for responding quickly—a point that has been made. The report came out on, I think, 5 March and before the end of March the Government had responded. It may be that the advent of the Dissolution of Parliament concentrates the mind wonderfully but, whether or not that is true, it is wonderful to get that sort of quick, and indeed positive, response from the Government.

Lastly, the Sub-Committee B that drafted this report is no more under the rules governing the length of tenure of any committee. Only one member of that Sub-Committee B has survived in the present Sub-Committee B under the noble Lord, Lord Whitty, and he had to excuse himself from taking part in this report because of a possible conflict of interest. Therefore, this report really was the swansong of the old Sub-Committee B and I submit that it was a pretty good swansong.

6.45 pm

Lord Wei (Con): I, too, want to thank my noble friend Lady O’Cathain for instigating this debate. I declare an interest as a recently signed-up member of the present EU sub-committee, as well as having various commercial interests, as can be found in the Lords’ register, in relation to cutting-edge technologies and insurance respectively.

The publication of this report and today’s debate on its findings and recommendations are extremely timely, given the huge growth in the use of drones for commercial and leisure uses, and the potential benefits and risks that this growth poses for us here in the UK and across the world. I, too, commend the authors of the report for work that is extremely well-informed, despite the incredibly technical and emergent nature of this field, and for the proportionate recommendations put forward, which clearly seek to balance leaving room for innovation while seeking to deal with the near-term risks appropriately. The call for risk-based management of certification and regulation, the recommendation to introduce a database of commercially and non-commercially operated drone flights, and the recommendation to strengthen the research and co-operation and communication around drone development—these are all sensible ideas. And it is appropriate on the whole to encourage the EU to help play a co-ordinating role, given the global nature of drone manufacture and import/export, and the potential

cross-border nature of commercial drone operations as the market develops, while recognising that the UK is a leading innovator in this field.

In view of the comments already made, I want to focus my remarks on a particular challenge highlighted by the report in the light of the need to balance and recognise rapid innovation, alongside mitigating risks associated with both commercial and leisure use of drones; namely, how to foster a regulatory framework that works and is cost-effective but does not become obsolete before it has been enshrined in global, EU-wide and national legislation and regulation.

On the one hand, the report highlights the voices of some who would like, or who default to, blanket legislation, which would be hard to police given the limited resources of the obvious regulators such as the Civil Aviation Authority or indeed the police. And there are other voices, such as Jay Bregman, cited towards the end of the report, who highlight the role that private sector-led initiatives and innovators such as Verisign can play in developing technologies and tools for self-regulation in the management of internet security.

Clearly the blanket approach is unworkable, and I would like to see whether my noble friend the Minister agrees that in our discussions with EU bodies looking into drones we should avoid any top-down regulation of a one-size-fits-all nature, which, as the report highlights, has hampered innovation and the development of a drone industry in, for example, the United States. Equally, I personally disagree with the comparison of any internet-of-things sector, such as drones, with the digital internet as we have known it, given that a key difference is that a drone can fall out of the sky and kill or injure someone, whether deliberately, such as through an act of terrorism, sabotage or hacking, or by accident.

Surely the way forward is to work out where the long-term development of smaller drones, in particular, is headed, and to try to work back to the key inflection points along the way, where we will need to evolve legislation at global, regional, and national levels. To me, it is very clear that drones will and should form part of the wider internet-of-things ecosystem, and that ultimately this is about a transportation and logistics revolution that will be as dramatic as the work we are seeing in the introduction of self-driving vehicles. As such, in the short term we need to consider not only how drones will operate purely in terms of their relationship with aviation but how they will function within a future transportation web of which cars and airborne vehicles delivering people—or, more likely in this case, goods and objects—are a part. We need to consider that ultimately drones will be part of a worldwide hive of robots, operating even in indoor environments—for example, to carry items such as the food that we may end up eating in restaurants, or enabling goods to be delivered to remote and rural areas cost-effectively.

On the one hand, taking this integrated view is incredibly complex but, on the other, ultimately realistic given the passing of time. It should be remembered that smartphones themselves are barely a decade old—and look where we are today. This view can allow us to encourage a mix of approaches through different global,

[LORD WEI]

EU and national bodies to develop proportionate, cost-effective and workable regulation. The report highlights a number of ideas that would fit with this approach, such as the creation of a database of flights by unmanned drones, and resourcing the development of enabling technologies to avoid collisions. But I would be minded to go further than this, and utilise our governmental, civilian and EU influence to push for a more integrated framework.

For example, how do we utilise our influence to ensure that higher-risk internet-of-things devices, of which drones are a part, can be tracked and identified, and even traced using GPS when in the air, and that any database for drones could be integrated with others developed for robots in general? How do we harness, for example, the lever of insurance, to encourage registration of drones, both commercial and civilian, with higher or no cover for those that are not registered? How do we encourage the kind of catapult-backed funded research in autonomous transportation that we are seeing in the ground vehicle space to ensure drones are geo-fenced from high-risk areas, and avoid harming people on the ground even when their pilots, by accident or design, crash them into crowds or built-up areas? How do we assess the impact of drones in the workplace on lower-skilled jobs, as part of the wider debate on the impact of robotics and automation generally into service environments, and help smooth the labour market transitions that are on their way as these systems become more widespread?

I would like to ask the Minister, therefore, given the likelihood of serious accidents or even future terrorist events using drones, which could set back industry and dent public confidence, how the Government are seeking to build a holistic and integrated vision for how drone services and the industry can be supported to develop safely amid the wider transformations taking place in a world that in decades will look quite different from today's—one incorporating trillions of devices, of which millions or billions may be airborne. Or will the Government's approach to this area primarily be one of *laissez-faire*, in which we will regulate or seek to regulate through the EU and other bodies, only mainly after the event?

The advent of smaller, affordable and innovative drones is one of the most exciting developments of the era in which we live. But, as with all internet of things and robot-related developments, there are serious risks, many of which this report admirably highlights. What can we do as a country, and what can we do through Europe, to safeguard both the public and our national interest, while at the same time fostering the dynamic entrepreneurialism and innovation that we are helping to lead? If we can pull off this delicate balancing act, we will be able to harness drone development to strengthen our economy, I hope create lots of interesting jobs, and ultimately benefit consumers and businesses alike in ways that we can only begin to conceive of today.

6.52 pm

Lord Haskel (Lab): My Lords, as many noble Lords have indicated, there are two ways in which to look at new technologies such as drones. They can be a tool

for invasion of privacy, a tool for terrorists and criminals, and for war, and must be kept under strict control. Or they can be welcomed as a useful new technology—a technology making us more productive and more efficient, and making life easier and more fun. Nevertheless, this requires some regulation.

I am most grateful to our chairman and the rest of the committee members for inclining towards the second alternative—the more progressive choice. I thank, too, our special adviser Tony Henley, and Alicia Cunningham, our clerk, who not only helped our work along but encouraged this progressive attitude. I agree with my noble friend Lord Giddens and the noble Viscount, Lord Astor. During a visit to the USA earlier this year, I could not help but notice that they inclined the other way. I can tell my noble friend Lord Brooke that, as a result of a drone crashing on to the White House lawn, some US states have introduced laws whereby one can register a no-fly zone around one's house.

However, it was the positive nature of our report that created a lot of interest in the industry. In March, some 50 stakeholders from the industry came here to Parliament to discuss various aspects of our paper. They particularly agreed with our recommendation that rules should be the same across the Union. That would encourage a single market in drones, and particularly in drone services. This seems to be happening within the European Aviation Safety Agency's current consultation on regulating drones. Perhaps one of the main points that came out of this meeting was the wish to avoid a closed engineering culture in order to encourage outside influence. People said this would bring in fresh perspectives, and so it has done.

Noble Lords have mentioned interesting uses. The CAA says that in the UK alone there are now some 850 mainly small companies that have received permission to conduct aerial work. As other noble Lords have said, drones can be fitted with scientific instruments, trace radiation or find people through thermal imaging. The British Antarctic Survey has many drones to help with mapping. Indeed, drone technology is being used to survey European coastlines where there is sometimes less than an hour between tides in order to do the work. In Halifax, Yorkshire there was the first race meeting, with drones having to follow an obstacle course through a forest.

Of course there are dangers. As the noble Lord, Lord Rees, told us, equipment could drop out of the sky if it loses its signal, or something can go mechanically wrong. But the meeting agreed that the safety rules should be not only harmonised throughout the European Union but be directed towards the risks, rather than define prohibitions. The risks include air-worthiness standards and pilot training. CE European origin marking for small RPAS should be introduced throughout the single market. We thought that JARUS was the right body to do this, especially after we visited it. Insurance companies advised that for larger drones the amount of third-party liability insurance required by law needed to be increased, and there must be clearer guidelines on the obligations of operators. Equally efforts must be made to increase awareness by the public of safety rules, as many noble Lords have said. There need to be distance and height restrictions,

and no cameras within 150 metres of congested areas. In its evidence, BALPA was in favour of stricter rules. What is the Government's view?

Evidence we took from the police during our inquiry indicated that they were still feeling their way. It appeared to me that the task of the police to enforce these safety rules must be more clearly defined. At the same time, more work is needed to better inform users on how to fly drones more safely. Again, this should be encouraged through the press, social media, radio and TV. I presume that the committee that has been set up by the Government to make recommendations will do so on this, too.

Most importantly, there will have to be some way in which to identify a drone's owner or a responsible person. We recommend a European register. When something serious happens, steps can then be taken to connect the drone with somebody responsible. Phone identification technology is being introduced to do this. All this will, I assume, take place within the general data protection regulations.

I agree that there are technical restraints, particularly with the small drones. Battery life is still limited to 20 minutes and engineers are still working on collision avoidance technology. However, I agree with my noble friend Lord Giddens; perhaps, as artificial intelligence is developed, autonomous vehicles will regulate themselves and find their own way to a charger. Therefore, in order to arrive at better regulation that encourages progress in the use and the technical development of drones, it is important to think about how the future may look and examine the potential. I am indebted to Professor Andy Miah of Salford University who, together with funding from NESTA, is working on developing the potential of drones. I learnt of this work because I am an alumnus of Salford, from before it was a university—when it was a technical college. I must say that much of that work looks like science fiction.

In spite of tougher regulation, things are also moving in the United States. As the noble Viscount, Lord Astor, told us, in May 2015, Amazon was licensed to make deliveries by drone, but the development work is being done here because of our more relaxed rules. The gimbal is an interesting US development. It won a prize for indestructibility by having an external skeleton so that it can bump into buildings or trees without being damaged.

A word on jobs. As with many new technologies, it will certainly create jobs, but it will also destroy some. We have to take that calculation into account. As many noble Lords and I have tried to show, there is much going on in the civil world of drones. We in Parliament need to help it along with up-to-date, sensible and progressive regulation—regulation that will help it thrive in the market, yet be resilient to failure. I hope that this debate and our report will be a contribution towards that end.

7.01 pm

Lord Jay of Ewelme (CB): My Lords, I was not part of the sub-committee that drafted this excellent report, but I think the subject is of huge importance and want to intervene briefly in the debate.

The image that many people have of drones today is, I suspect, either of military weapons such as those used recently in Syria, which do indeed raise some very fundamental questions about the rules of conflict and war, or of irresponsibly flown drones getting too close to aircraft, as the noble Earl mentioned a little while ago. The merit of this excellent report is that it focuses on the rather less well-known subject of civilian drones, which, to many of us, may still seem rather alien but will, in about 10 years' time, seem as familiar and have as important a role in our lives, one way or another, as mobile phones and iPhones do today, as the noble Lord, Lord Giddens, said.

The advantages that drones can bring are huge in all sorts of ways: connecting remote communities and islands, mapping, land surveys, monitoring accidents or fires, looking for missing or injured people, providing medical help, as was mentioned some time ago, and, of course, for the leisure industry. However, there are disadvantages—or potential disadvantages—too: excessive or unauthorised surveillance, intrusion and disturbance. These have led some people even to argue that perhaps drones should be banned or, in some way or another, limited. I think that that is not technologically possible—when a technology such as this exists, it is going to be used and exploited. So the questions become how it should be regulated, by whom it should be regulated and in what way it should be regulated.

Given that drones can, do and will continue to fly across borders, it seems to me that they need to be regulated, at least as far as we are concerned, in the context of the European Union—European-level regulation seems necessary and desirable. It is essential that that regulation focuses on what needs to be done to deal with and discourage the risks and does not discourage the innovation and investment that will be needed as civilian drones—if I may use the expression—really do take off; otherwise, we shall find that it is not Europe or the United Kingdom but the US, China, India or elsewhere that becomes the market leader in drones. That is not something that we should in any way accept.

I have tried to avoid acronyms when speaking today, but one acronym, JARUS, seems to me and to the committee to be the body that is a suitable vehicle for developing the necessary regulations. However, that will work only if JARUS has the full participation of industry, including British industry and small and medium enterprises, because SMEs are clearly going to be crucial in the development of drone technology. Does the Minister agree that JARUS is the right forum for developing regulations for drones? If so, will the Government do all they can to ensure that it is appropriately structured and governed and has the support and participation of industry, including SMEs? Will he give an assurance that he will work with the CAA, or with the companies themselves or their representatives, such as the ADS, to make sure that they have the necessary resources to participate in and influence the development of JARUS, and that JARUS itself—this is hugely important—will act quickly enough to reflect the immense speed that we must expect in the development of the drone industry? If we do not do this, and risk the development of a regulatory regime that does not move swiftly enough or have the full

[LORD JAY OF EWELME]
support and participation of industry, it could stifle the development of that industry in the EU and the UK. That would be hugely to our disadvantage.

7.06 pm

Lord Balfre (Con): My Lords, first, I declare an interest, which is listed in the register, as an adviser to the British Airline Pilots Association. Secondly, I add my congratulations to the committee on producing such an excellent report, to which, I am pleased to note, BALPA contributed both written and oral evidence.

There have been a number of safety incidents involving drones—I will call them drones, rather than remotely piloted aircraft systems—but they are all very recent because, as the noble Lord, Lord Giddens, said, there has been an explosion in the technology. Indeed, the first prosecution was as recent as 2013, when a man from Cumbria became the first person to be successfully prosecuted for the dangerous and illegal flying of an unmanned aircraft after flying a quadcopter over a nuclear submarine facility, then over a bridge and then crashing it into the water, for which he was fined some £800.

I know we want the maximum attention to be paid to safety. But, as this is such a rapidly developing sector, I think we will have to have a good degree of flexibility in the regulations. Whatever regulations are adopted, they have to be flexible enough to be adapted and, of course, have to be at a European level. It is when I look at a report such as this that I privately think how ridiculous the whole notion of not being part of the European Union is. This is yet another example of where we need European regulation.

It is my belief that every operator flying small drones for commercial purposes should be licensed, appropriately trained and fully insured in respect of any injury to people or property. This seems a sensible basis. However, the noble Viscount, Lord Astor, gave us a very good example of how to buy a drone. I wonder whether one should be able to buy a drone quite that simply. They need at least to be adequately insured. I am struck by the fact that I am advised by my insurance company to take out public liability insurance—I believe it is for £1 million—in case the postman trips on my front step and I could be sued for having a dangerous premises. In those circumstances, it seems bizarre that one can be in charge of a drone without training or insurance, and that in the case of an accident a person could be left without recourse to compensation. I therefore say to the Minister that I have no solution but I have a problem that needs to be carefully looked at in the context of the regulations that are drawn up.

The noble Earl, Lord Liverpool, referred to the need for particular vigilance when drones are flown in airspace used by other passenger, freight or light aircraft. There was an incident last July when a drone was flown within 20 feet of an A320 aircraft landing at Heathrow. It is clear that there is a need for some regulation. Geo-fencing should certainly be considered in certain areas and areas around airports would be an obvious place to do it. I would also suggest that only a trained pilot be allowed to fly a drone in airspace in close proximity to airports.

Another danger that has been alluded to is that of a collision between a drone and a helicopter. A helicopter is a much more vulnerable aircraft carrying people than an aeroplane and the environment in which they work could increase that vulnerability. For example, a helicopter emergency medical service flight will often attend a high-profile incident where there is likely to be competition for airspace between the helicopter and news-gathering drones. There may not be at the moment, but we should look at the speed at which technology has developed. I could easily see it being possible that a report of an accident would come in and a local news station could have a drone on the scene as quickly as the helicopter service. In such circumstances, there must be a code of practice, but the civil law authorities must be given authority to take urgent action on the spot either to ban or regulate the drones or to move them out of the area in the interests of safety.

The report calls for the development of a robust system to track and trace all leisure and commercial drones, including identifying their owners, and proposes in the mean time an online database for commercial users to log their flight patterns and to inform others using the airspace. Pilots are concerned that, unless commercial drone users are required to enter their details, the take-up and use of the database is unlikely to be sufficient to provide any full safety benefit. I urge the Minister to look at that.

As the pilots' union, BALPA believes that use of the database should be mandatory, but it is also considering opening up its membership to professional drone operators so that they can have the benefit of belonging to what is not only a trade union but a body deeply concerned with safety that would be able to involve them in the development of safety regulations and publicise them.

I have mentioned that this is an international issue and I welcome the attention that is paid to it in the report. I hope that the Minister will be able to assure us that UK and EU flight safety regulators will be at work to make the maximum protection available to the public, because, as the noble Lord, Lord Giddens, said, there will be large development in this area. I think that we are looking at only the beginning of it. Given the way in which GPS technology has developed, it will probably develop astronomically. A robust European and UK approach is needed. We need to identify the people who are flying the drones, otherwise there can be no public protection for anyone who may be affected. Having said that, I welcome the opportunity to contribute to this debate. I thank the committee for its report and I look forward to the Minister's response.

7.15 pm

Viscount Goschen (Con): My Lords, with the leave of the House, I should like to make a short intervention in the gap. Perhaps I could start by declaring my interests, first, in that the business with which I work has extensive activities as a consultant to the aerospace and defence sector; secondly, that I am a private pilot; and perhaps, thirdly, that my young son is a rather skilled operator of a toy drone—he is a rather better pilot than his father.

This is an extraordinarily complex subject which we have sought to tackle both in the excellent report of the committee chaired by my noble friend and in the debate today. It feels like the House of Lords at its very best in terms of bringing together diverse strands, technical interests, futurology, regulation and a number of different areas of expertise.

I strongly feel that we are at the dawn of a new age of aviation. I was struck by the remarks of the noble Lord, Lord Giddens, who talked about convergence—it is a much overused term but in this circumstance it makes a lot of sense. My noble friend Lord Wei spoke about the internet of things. When we look to regulate this amorphous physical manifestation of the digital age, it is extremely difficult, and we are in danger of creating a regulatory structure where, by the time we have got it up and running, the target has moved away.

The potential for this field is enormous, and we have heard about a number of the applications today. Beyond physical surveillance and carriage of goods, there will be limitless applications that we have yet to consider or even to dream about, but I am very struck by the old technology and the new. The aircraft that I fly was designed in the 1930s; the engine that it flies behind is essentially the same as one that can be bought new off the shelf today. It is very low technology but it is very reliable. The computer in the aircraft that I fly is nearly 50 years old—it is standing addressing your Lordships' House this evening, and it is deeply fallible compared with the iPhone and smartphone technology that we have heard about. However, we should embrace this new technology and this new industry. It offers fabulous potential not only in the aerospace industry—in its training and operations—but, most particularly, in a wealth of value-added services. I particularly welcome the analysis of the report in that regard.

Of course, there are very clear dangers. Twenty years ago, when I had some responsibilities for aviation regulation, this type of activity was only really thought of in terms of hobbyists' remote-control aircraft. Now it is open to a much broader field. We know that potentially enormous conflicts could occur with civil commercial aircraft and military aviation; there are privacy implications; there are nuisance concerns; and there are the dangers of the technology being used for nefarious purposes by terrorists and others who seek to commit criminal acts.

We cannot possibly cover all this within the short time available to us, but I want to say just a word about regulation. I believe that the CAA has made a strong start with CAP 722 of the Air Navigation Order, which is the basic mechanism by which our physical aviation is governed. Airspace is at a premium, particularly class G open airspace. I want to make one plea to the Minister, which is that he takes fully into account all users of airspace including light aircraft operators and those who use the precious and limited class G airspace. We are looking at the convergence of regulation here; we are looking at how the CAA interacts with the police and those who seek to regulate digital access and digital technology. I am very much reminded of the passage of the Regulation of Investigatory Powers Bill. By the time it became an Act, the world had moved on and we needed to start again.

I know that, having had the temerity to speak in the gap, I should now conclude my remarks. It is a fascinating field and I suspect that this report will provide a platform for many future debates.

7.19 pm

Lord Rosser (Lab): My Lords, I add my thanks to those already expressed to the committee and the noble Baroness, Lady O'Cathain, for their report on the civilian use of drones in the European Union. Whether we are concerned or unconcerned about the impact of drones, the reality is, first, that they are here to stay and, secondly, that their use will dramatically increase, both numerically and in scope, and with it their importance in our daily lives.

Drones are a bit like the internet and social media. While having many benefits and providing many pluses, they also have downsides, since the uses to which they are put and the way in which they are used and deployed by some individuals and organisations will not always be deemed acceptable or appropriate.

As the report sets out, drones usually associated with military use are already being used extensively for a variety of civilian and commercial uses in the fields of logistics, security, construction, agriculture, energy and conservation, to name but some. My noble friends Lord Giddens and Lord Haskel emphasised that the potential future beneficial uses to which drones could be put are amazing.

There are clearly major opportunities for British companies, and indeed for Europe, to take a lead in the development of new technology in this field, and in so doing, to secure the creation of new jobs, both those directly engaged in the production and development of drones and those within the associated activities and businesses supporting this new industry.

However, our justifiable enthusiasm for wanting to be leaders in this field, and our justifiable enthusiasm for wanting to secure the many benefits that the use and development of drones will surely continue to bring, must not be allowed to obscure the potential adverse consequences arising from the development and expansion of drones and the urgent need for effective measures to address and mitigate those adverse consequences.

A recent report from Lloyd's of London suggested that while spending on drones is likely to double by 2024, those who produce and use such equipment, as well as insurers, do not seem fully prepared for the emerging consequences. These include the risks of cyberattacks, reckless pilots, privacy issues, the danger of collisions or damage to third parties, and conflicting international regulations.

There have already been proceedings arising from the use of drones, including that of a person in a restaurant in New York who was injured by a drone being used to take photographs of diners, and an Australian triathlete who was struck by a drone that fell from the sky.

There have also been questions in this House about the regulation of drones. In November last year, the then Government stated in a Written Answer that the Department for Transport was currently developing

[LORD ROSSER]

its policy in respect of civil remotely piloted aircraft systems and intended in 2015 to engage in a public dialogue on issues such as the environmental impact, safety and privacy. No doubt the Minister will update the House on the progress being made with this public dialogue when he responds. I hope that he can be a little more specific than the statement made on this point in the Government's response to the committee's report.

The noble Baroness, Lady O'Cathain, set out in her opening comments the conclusions and recommendations of the committee and I will not take up the time of the House by repeating them. The report by her committee, which strongly supported the European Commission's aim to create an internal market in the EU for the commercial use of remotely piloted aircraft systems, has been well received. In the light of its recommendations, the committee has welcomed the Government's continuing commitment to contribute actively to the development of harmonised safety rules for remotely piloted aircraft systems across the European Union, and for a proportionate and risk-based approach to such regulations.

Perhaps the Minister will say what progress has been made by the Joint Authorities for Rulemaking on Unmanned Systems in drafting the safety regulations for Europe, and whether the Government are satisfied with the way JARUS is carrying out its role, or indeed is able to carry out its role.

In his letter to the relevant Transport Minister dated 9 July 2015, the chairman of the European Union Committee drew attention to a number of points on which his committee wished to request further information, and said that he hoped for a reply to his letter before the Summer Recess. I may be wrong, but as I understand it no such reply has been received. It would be helpful if the Minister would take this opportunity to respond to the points raised in the letter.

Among other issues, the letter asked what steps the Government were taking to ensure that the Civil Aviation Authority was adequately resourced to monitor the safety of remotely piloted aircraft systems operations and to support SMEs in the United Kingdom that are entering the industry. The noble Baroness, Lady O'Cathain, raised the issue of police resources in her opening comments.

The European Union Committee also asked what steps the Government were taking to ensure that the Civil Aviation Authority complied with its recommendation that national aviation authorities be required to share statistics regarding drone incidents with regulators, insurers and operators in other member states in order to improve the information used by insurers to assess the risks of different RPAS operations.

A further question raised that I hope the Minister will address was whether the Government were engaging with the industry on the development of an online database or app that would enable drones to be tracked and identified, and what the Government's assessment was of the progress that has been made towards this goal.

As the committee's report says, concerns including but certainly not confined to safety regarding the use of drones by state authorities, the media or leisure users among others could, if not addressed, undermine

public acceptance of this new technology and put at risk the many beneficial impacts for society that the new technology can deliver.

The committee has done a real service in drawing attention to the issues involved, to the actual and potential beneficial impacts of drones and, above all, to the need to ensure that appropriate action is taken now to minimise the likelihood of unnecessary and avoidable difficulties in future over the way in which drones are used or misused by those who, intentionally or unintentionally, may be less than sensitive to the safety, privacy, security or data protection questions raised by this new and fast-developing technology.

7.27 pm

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con): My Lords, first, I join the chorus of gratitude that has been put on record to the committee and in particular to the chairman, my noble friend Lady O'Cathain, both for her leadership of the committee and for the production of what rightly has been termed an excellent report.

I am the father of three young children who thus far have not quite got on to drones; we have got to the point of flying planes and helicopters by remote control. The issue of how drone technology will develop in the leisure industry, which was mentioned by several noble Lords, and the implications for parental responsibility are things that certainly I look forward to.

We have had an absorbing debate today. In debates such as this, we hear a great deal. We have heard about the practical flying skills of two of my noble friends. We heard about the piloting skills of my noble friend Lord Goschen, and I was pleased to learn that my noble friend Lord Astor admirably spent his summer learning how to fly drones. I am sure that in any future committees under the chairmanship of the noble Lord, Lord Whitty, that are set up to seek evidence about drones, they can ably supply some practical drone-flying skills.

The Government welcome the growth of this industry. The noble Lord, Lord Jay, talked about acronyms. As a government Minister, one thing you are constantly faced with in any briefing that you receive is acronyms. On a lighter note, I asked my officials whether I should use the word "drones" or the term used by several noble Lords, "remotely piloted aircraft systems" or RPAS. In the public interest, I think that "drones" is the right way to progress and that is what I shall use, much against the advice of my officials, for which I apologise.

The Government's aim is for the European Commission to enable safe integration of drone technology into the same airspace as their manned counterparts. The new emerging aviation sector represents a great opportunity for the United Kingdom, as we heard from several noble Lords. We are already seeing small, innovative UK SME companies using this technology to great effect in the energy sector, agriculture and media industries—points mentioned by the noble Lords, Lord Rees and Lord Wilson. However, we have also seen that these industries are prevented from realising the full potential of this technology by the current lack of

a cohesive regulatory environment. For example, the flying of remotely piloted aircraft systems is restricted to within line of sight or in segregated airspace.

The Government therefore welcome the European Commission's recent Riga declaration, which established drones as a new type of aircraft. The declaration shares the Government's view about the importance of drones to the economies of Europe, including through the potential for new jobs in the manufacturing industry. This is particularly true for the United Kingdom. In addition, the Government agree that the incremental integration of drones into unsegregated airspace must not reduce the level of safety presently achieved in civil aviation. As several noble Lords pointed out, including the noble Lord, Lord Wilson, there is a need for an EU-level response to this. Certainly, the Government support that.

However, we believe that it does not make sense to have the full weight of aviation regulations, designed around the safety of passengers and crew on manned aircraft, applied to small drones that will predominantly weigh less than 25 kilograms. Regulations should be risk-based and proportionate. The challenge is that the regulations are already lagging behind the technology, and this gap will only increase if the Commission and European Aviation Safety Agency fail to address the regulatory issues more quickly.

The noble Lord, Lord Balfé, and my noble friend Lord Wei also mentioned the issue of European action. The Government were pleased to note that the European Aviation Safety Agency published its proposals for the concept of operations earlier this year, which, on the face of it, appear to be a risk-based approach to the regulation of drones. The Government welcome the agency's attempt to establish different categories according to the complexity of the operation, a point made by my noble friend Lord Wei. The European Aviation Safety Agency has proposed: an open category for very low-risk drone operations that might not need the involvement of civil aviation authorities; a specific operation category which will be dealt with on a case-by-case basis by civil aviation authorities; and a certified category for complex operations, which will be comparable to what is done with manned aviation. The agency is currently consulting on these proposals.

The noble Lords, Lord Whitty, Lord Jay and Lord Rosser, all talked about JARUS—yet another acronym—which stands for the Joint Authorities for Rulemaking on Unmanned Systems. As noble Lords will know, this is an informal consortium made up of national aviation authorities from within and beyond the European Union. The joint authorities have been asked by the European Commission to help develop the detailed rules for remotely piloted aircraft systems and small drones. This has placed the joint authorities in a difficult position, because it is an informal group and not a legal entity, with membership spanning the globe, including China, the US, Brazil, Australia and Israel. In addition, it has been very difficult for industry to contribute to this group's important work, which remains a challenging issue for the very important partnerships built up in JARUS.

The Government have been concerned for a while now about the lack of accountability of the joint authorities group. Little progress appears to have been

made on the development of rules needed by the industry. The Government believe that it is essential that some form of oversight body is put in place to ensure that the work that the joint authorities are undertaking is properly resourced and prioritised to best meet industry requirements. I assure noble Lords, including the noble Lord, Lord Jay, that the Government have been engaging with other member states and the agency to seek their agreement on this issue. We hope to see progress later this year. In addition, we are seeking greater reassurance on industry's active involvement in this work.

The UK already has regulations for users of drones. Article 166 of the UK Air Navigation Order 2009 requires operators of drones to,

“maintain direct, unaided visual contact with the aircraft sufficient to monitor its flight path in relation to other aircraft, persons, vehicles, vessels and structures for the purpose of avoiding collisions”.

It also states that an operator may fly the aircraft only if they are reasonably satisfied that the flight can be made safely. Article 167 of that order requires that all drones fitted with cameras must have the permission of the Civil Aviation Authority to be used within 50 metres of people or buildings that are not under the control of the drone operator. In addition, Article 138 of the ANO 2009, which also applies to drones, states that,

“a person must not recklessly or negligently cause or permit an aircraft to endanger any person or property”.

That includes persons within another aircraft, and of course the aircraft that those persons are within. The Government expect users to understand and comply with this type of regulation, which has been in place for many years, albeit covering the flight of more traditional model aircraft.

My noble friends Lord Astor and Lord Goschen also raised the issue of CAA rules. As with all other aircraft, drones will be permitted to operate in UK airspace only if it is considered that it is safe for them to do so. Drones that have a mass exceeding 20 kilograms may be flown only under an airworthiness certification issued by the CAA or under an exemption issued by the CAA. Those requirements are identical for those required for manned aircraft.

As several noble Lords pointed out, we have seen a big increase in the use of small drones in the UK. The Civil Aviation Authority has experienced a jump in applications for commercial use of small unmanned aircraft. My noble friend Lord Astor asked how many had been sold. I do not have that figure to hand, but the CAA has issued more than 670 permissions to fly in 2015. We also note that the availability of relatively low-cost small drones over the internet and in high street electronic retail outlets has resulted in a radical increase in the number being purchased for leisure activities. With Christmas fast approaching, I am sure that they will prove a popular purchase.

I am also aware that there have been a few incidents that have caused some concern to commercial aircraft, a point made by my noble friend Lord Balfé and the former chairman of the committee, my noble friend Lady O'Cathain. Concern has been expressed about recent incidents at both Heathrow and Manchester airports. I am pleased to say that the Civil Aviation Authority has been thinking about this problem and

[LORD AHMAD OF WIMBLEDON]
has launched a publicity campaign called “You have control. Be safe, be legal”, which is aimed at raising the awareness of the general public, at the point of purchase, about their responsibilities as unmanned aircraft operators. I assure my noble friends Lord Astor and Lord Liverpool and the noble Lords, Lord Giddens and Lord Haskel, that the Government recognise that an increase in the popularity of small drones with cameras raises a number of questions, as they said in their contributions, about safety, security, privacy and data protection.

Safety and security must always be the overriding priorities, and both commercial and leisure operators must operate drones responsibly and within the rules. Indeed, we heard from the noble Lord, Lord Rees, and other noble Lords about incidents elsewhere, particularly in the United States. Of course this leads to public concerns around the issues of safety, security and privacy, and I am able to confirm to noble Lords that the Home Office is currently in discussions with police forces with regard to the policing and monitoring of such vehicles and that initial guidance has been provided to constabularies across the UK. In addition, my noble friends Lord Liverpool and Lord Astor, and the noble Lord, Lord Giddens, asked about drones and personal data. Let me give an assurance that the operators of drones which collect personal data must comply with the Data Protection Act 1998 unless a relevant exemption applies. The requirements of the DPA are regulated by the independent Information Commissioner’s Office.

My noble friend Lady O’Cathain and the noble Lord, Lord Rosser, raised the issue of police resourcing in respect of drones. The National Police Chief Council’s national strategic working group on drones has oversight of police activity in this area and is responsible for ensuring that there is a standardised and co-ordinated response to the threat. This includes ensuring that all police use of drones is undertaken by qualified pilots in line with CAA regulations and providing national guidance to forces on investigating drone misuse. Any decision to use drones to support operational policing rests with individual chief constables, who will allocate the resources they deem necessary to meet such requirements. The police will assess any report of drone misuse and will take a decision on further action subject to an assessment of the threat, risk and harm. The CAA, of course, retains responsibility for dealing with misuse that directly affects civil aviation. In addition, the Home Office is providing support to Sussex Police via the Police Innovation Fund 2015-16 to consider strategically the opportunities that UAVs present to policing nationally: those that help to protect the public as well as the threats associated with this evolving technology, which is being kept under constant review.

My honourable friend and fellow transport Minister, Robert Goodwill, the Minister for Aviation, recently announced in his evidence to the sub-committee that the Government are committed to engaging with the general public to seek views on the use of drones in the UK. This is an important step. As several noble Lords have said, the public must have confidence in this new technology and be aware of how it can potentially

impact on their daily lives. My noble friend Lady O’Cathain and the noble Lord, Lord Rosser, asked about public consultation, and I am pleased to be able to say that the Government have engaged a public dialogue specialist, Sciencewise, to hold a series of public dialogue events around the country to better understand the public’s concerns about the use of drones. These events will start in November and are designed to attract a range of people from all walks of life. They will be followed by a specific public consultation on the issue which is scheduled for spring 2016.

I turn now to some of the remaining questions that were raised by noble Lords. My noble friends Lord Wei and Lord Balfé asked about matters related to insurance. Issues relating to insurance of the industry will be covered in the public consultation to be published in 2016. The CAA and the industry are talking to several insurance companies about the issue of drones. The noble Lord, Lord Rosser, asked about the letter from my honourable friend Robert Goodwill which is outstanding. My understanding is that it will be issued shortly, and after the debate I will follow up on the points raised by the noble Lord in this respect. He also asked what the Government are doing in terms of talking to industry about the development of an app to track and manage small drones. The Government have received several proposals for such an app, but the development of this technology is still at an embryonic stage. We will continue to work with SMEs in the development of such a tool and I will update the noble Lord accordingly.

The noble Lord, Lord Brooke, talked in specific terms about Richmond Park and the notices which have appeared there. As someone who lives not that far from the park, I will certainly go and examine them at some point soon. My understanding is that this decision has been taken specifically by the local parks authority. We are also focused on the fact that the public consultation will flush out any issues where regulation needs further attention.

The noble Lord, Lord Haskel, talked about the Government working group, its specific recommendations and indeed the terms of reference for the group. As he will be aware, it is to be jointly chaired by the Department for Transport and the Ministry of Defence. It will seek to inform drone-related departmental priorities and will publish a UK cross-government strategy. It will look at synergies and opportunities, as well as identifying and addressing the barriers to a successful UK industry base. I am sure that the group will pick up on the points that the noble Lord has raised about using technology in this manner.

My noble friend Lady O’Cathain specifically mentioned NASA and the involvement of the Government with it, as well as industry engagement. The Government are in early discussions with NASA about the drone traffic management system, and it is hoped that those discussions will lead to a UK involvement in the development of that system and the participation of UK industry in future trials to test the robustness of the technology.

If there are any remaining questions, I will certainly review *Hansard* and respond to noble Lords accordingly. The Government believe, as all contributors to today’s debate have said, that drones represent a significant

opportunity for economic growth in the United Kingdom which businesses are already starting to realise, but the integration of remotely piloted aircraft into airspace must not reduce the level of safety presently being achieved in civil aviation. The key to achieving success in both these areas will be the understanding and support of the public and, indeed, of drone users. As I have said, the views of the public are to be sought and taken into account as we move forward and safely grasp this important opportunity for economic growth in what is an exciting sector.

This has been a fascinating, informed and absorbing debate. It has covered issues ranging from defence to leisure. Indeed, we heard about the surprise of the noble Lord, Lord Whitty, at a wedding and of the camel guidance experienced by my noble friend Lord Astor in the Middle East. This shows the spread, depth and breadth of drone technology. It is an evolving field and this is a debate that I am sure we will return to. However, it falls to me finally to thank once again all the members of the sub-committee, particularly the chairman, my noble friend Lady O’Cathain, and indeed all noble Lords for their participation in what has been an excellent debate.

7.47 pm

Baroness O’Cathain: My Lords, it just remains for me to thank everyone who has taken part in the debate. Perhaps I may particularly thank my noble friend the Minister because he has been assiduous in taking note of all the points that were raised. I am sure that once he reads *Hansard*, he will see that he has forgotten nothing. His speech was exemplary and I thank him very much. I know that we have all said that the drones are an industry of the future. The development of drones has been described as going from the ordinary phone or huge computer to the terrific smartphones and iPads we have now. It represents a revolution for the aviation industry akin to the development of the jet engine, or even of the first flight by the Wright brothers. Again, I thank everyone who has taken part and I hope that noble Lords will agree to this Motion.

Motion agreed.

United Kingdom: Productivity

Motion to Take Note

7.48 pm

Moved by Lord O’Neill of Gatley

To move that this House takes note of Her Majesty’s Government’s plans to boost productivity in the United Kingdom.

The Commercial Secretary to the Treasury (Lord O’Neill of Gatley) (Con): My Lords, as ever, it is a pleasure to discuss a subject that is so vital to this country’s economic well-being: how we can step up our productivity an additional gear. I cannot resist the temptation also to point out that this debate will be coinciding with the time when, we hope, the one and only Wayne Rooney will break the goal-scoring record for the English

national football team. I applaud my noble friends and fellow noble Lords for giving up the time to watch that fun to be with me here.

The extent of the productivity challenge is very well known and something that we have discussed recently. The OBR estimated in 2014 that a high productivity scenario would see public sector debt fall in net terms to 56.7% by the end of this decade, while in an alternative poor productivity scenario, national debt would continue to rise to a level not far shy of 90%. As we all know, the statistics show that the level of our relative productivity is considerably lower than that of many of our G7 competitors. These statistics are well known and have been discussed here often, and I do not wish to go over old ground. However, as I set out in my maiden speech, there are, have been and remain many valid questions about the accuracy of our productivity statistics. Despite that, the fact remains that the UK can do a lot better. Indeed, if we are serious about long-term economic growth, we have to do a lot better. That is no small challenge, but it is a challenge to which we are rising.

At the last Budget, we published a productivity plan setting out precisely how we will improve national productivity. The first way we will do this is by encouraging long-term investment in our economic capital, including infrastructure, skills and knowledge. That means putting in place an even more competitive tax system and sending out a clear message that Britain is open for business. But a nation truly flourishes when it uses the full skills of all its people in all parts of that nation. As I have said previously in this Chamber—notably, just before the Summer Recess—of all the factors that will contribute to delivering a step change in our productivity, perhaps education and skills are the most important.

The previous Government made huge progress in getting people back into work. We now need to think holistically about all the basic, further and higher education that individuals need to contribute more productively in the workforce. We are increasing the number of apprenticeships to 3 million starts this Parliament and, crucially—I repeat, crucially—we are also improving the quality of apprenticeships by putting employers at the heart of paying for and choosing apprenticeship training.

Professional and technical education should provide a clear route to employment and deliver the higher-level skills that employers need. To achieve this, the Government will simplify and streamline the number of qualifications, and create a network of prestigious institutes of technology. This country is home to many of the best universities in the world. We need to make sure that our universities continue to lead the world with high-quality science and innovation, and by sharpening incentives for providing outstanding teaching to university students.

Changes need to be made in the workplace, too, and the Government have been engaging all parts of industry to make sure their voices are heard. I particularly welcome the work of Sir Brendan Barber and ACAS in finding a human solution to the productivity puzzle and, in particular, to how best management practice can provide levers for boosting productivity in the workplace. I have enjoyed some conversations

[LORD O'NEILL OF GATLEY]

with Sir Brendan and his colleagues and look forward to learning more from them about these important issues.

To ensure that the UK has the right skills base to deliver and maintain world-class infrastructure, a national infrastructure plan for skills will be published shortly. We remain committed to delivering the high-quality infrastructure we need to build and sustain a more productive economy, whether that is our transport system or our digital infrastructure. We have a clear, comprehensive and cross-sector plan for delivering this—the national infrastructure plan—a new version of which is being worked up as I speak. This will build on the progress that has been made in maintaining continuity and stability. It will remain in place until the end of the Parliament, and be supplemented by annual delivery updates. It will continue to be underpinned by an infrastructure pipeline of more than £400 billion of planned public and private investment.

I have set out our plan to encourage long-term investment in economic—and, crucially, human—capital. We also have to promote a dynamic economy, one that encourages innovation and helps resources flow to their most productive use. The productivity plan also sets out how we will liberalise the housing market by reforming our planning system and making more land available for housebuilding. We also need financial services to work better to invest for growth and we have set out plans to promote competition in banking, to free up markets from unnecessary regulation and to open ourselves up even more to international investment. A dynamic workforce is key. The reforms set out in the Budget are important steps towards a higher-pay, lower-welfare society, in which more people can work and progress up the career ladder.

Perhaps the final piece of the picture is making sure that the economy prospers across the UK. I have talked here previously at some length about the importance of strong, interconnected cities beyond the capital. That is one of the major features of highly productive countries elsewhere in the world. The concept of the northern powerhouse—greater investment mixed with wide-ranging devolution—sets out a blueprint for stronger regional growth in the UK. However, devolving powers alone is not sufficient. It is about transferring powers and responsibility to those who know best what will work for them. This will likely be the most effective way to identify and deliver the measures needed to boost the supply side across the country's regions.

I have been highly encouraged by the dynamism of many city regions and by the local leaders I have met while travelling up and down the country as they bid for greater devolution and greater responsibility. I have been particularly pleased during many such visits in recent weeks. I am sure noble Lords will hear quite a bit more about this topic in the coming days and weeks. The northern powerhouse is a key part of our plans to rebalance the UK economy, but we want to see every part of the country, not just the north, reach its full potential. As the Chancellor's launch of a rural productivity plan makes clear, productive growth is by no means limited to urban areas. This 10-point plan

will boost mobile and digital connectivity in rural areas, support a skilled workforce and create strong conditions for rural business growth.

As has been noted previously in this House, writing a productivity plan is the easy part. Now we have to put it into practice. There is some sign already that headway is being made. On city devolution, and more broadly on devolving powers, the deadline for entering proposals has now passed and we will consider submissions from a number of places, especially those that have strong, credible proposals. Areas are increasingly signing up to the concept that having a devolution deal means that they need to move towards a city region mayor as a single point of accountability to represent the greater responsibility involved in these devolved powers.

BIS has launched a consultation that will pave the way to introducing the levy on large businesses to help fund apprenticeships. The Prime Minister has created a series of implementation task forces, including on housing and exports, to deliver our productivity plan commitments. Government departments will have to report on the key commitments that will be included in their single departmental plan. At the official level, a Treasury director-general has been appointed, who will report directly to me, to oversee the implementation of the productivity plan across Whitehall.

We are also engaging industry and Sir Charlie Mayfield, chairman of the John Lewis Partnership—by coincidence, I met him earlier today—will lead a business-led review of what UK firms can do to raise their productivity. The first output from Charlie's review is likely to be published later this year. Of course, this is just the start; much more remains to be done. I know that this House will be scrupulous in holding the Government to the implementation of this plan.

There has been some better news recently from the reported productivity statistics, showing some signs that productivity has started to improve. In the first quarter of 2015, output per hour grew by 0.3% compared with the previous quarter. In a long-term historical context, that is of course still very modest, but it puts productivity 1.3% higher than in the same quarter of 2014. That happens to be the fastest annual growth rate since the first quarter of 2012.

That said, we have to be careful in believing that these statistics are necessarily persistent or truly accurate, because, as I and many others have commented tonight and previously, the question of whether these data accurately measure productivity in the true complex, modern, service-based economy remains valid. In this regard, it is worth noting that a number of commentators suggested during the Summer Recess that our productivity data, as well as those of some other nations, perhaps underestimate the actual performance due to growing technological advances and possible overestimation of the so-called price deflators. As many noble Lords know, but to remind them, to examine this in more detail we have established an independent review of economic statistics, launched as part of the Government's productivity plan.

More recently, other economic indicators have been generally promising, although in some cases there is evidence of modest slackening. Among them all,

what is particularly encouraging for the productivity story are signs of accelerating business investment. Business investment increased by 2.9% in the second quarter of this year, up from—the then also quite encouraging, by previous recent trends—2% rise in the first quarter.

In conclusion for now, before I hear the undoubtedly stimulating thoughts of many noble Lords, it would be wrong to assume that productivity can be transformed overnight. Many advanced economies, ourselves included, have historically picked what might be called the low-hanging fruit. Many of the decisions to make a step change need further boldness, political courage and close monitoring to ensure the policies announced are actually implemented. For the biggest long-term gains to occur, we will need to mobilise more consensus and draw from expertise across the political spectrum. The contributions that noble Lords can make to this debate will be particularly welcome.

Stepping up our productivity a gear will be one of the major tasks over the coming years and remains one of the priorities of the Government. Through the publication of the plan, we have made a strong start; the challenge now is to deliver on it. That is what the Government are planning to do. I look forward to our debate and I beg to move.

8.03 pm

Lord Monks (Lab): My Lords, I share the Minister's football allegiances. I welcome most of the things in the Government's document, to which he has been speaking, especially the ideas of a training levy and of the northern powerhouse, for which he has particular responsibility.

These worries about British productivity are not recent. They can be dated back to the 1870s by some people, when it was recognised that we were slipping behind the United States and Germany. It has troubled successive Governments since then. The high oil revenues and financial services bonanzas of recent decades took the pressure off, but it is back with a vengeance after the crash of 2008—there are no bonanzas around. Our productivity rates are such that it takes a British worker five days to do what a French worker does in four, which is a pretty stark comparison with a country of a similar size, importance and development. Our productivity problem is caused in part by the problems addressed in the Government's document and which have been listed by the Minister. However, I want to apply my remarks to other factors that do not get the same prominence in the document.

Take executive pay: poor productivity is to a large extent a consequence of low investment in equipment and skills, and a major cause of that low investment is the incentives governing executive pay, particularly the practice of rewarding short-term success. Since 1990, despite the recent welcome improvements to which the Minister referred, investment in the UK declined from 26% to 17% of GDP. How much a company chooses to invest is, of course, a decision for its managers. The way they approach that decision inevitably depends on how they are rewarded and what their incentives are. Bonuses encourage executives to emphasise the short term, for which they

are rewarded, and as a result give less weight to the long term, often despite exhortations to the contrary. Andrew Smithers said in a recent article in the *Financial Times*:

“Ten years hence, shareholders might rue your decision to cut investment or raise prices”,

but you probably will not be around: you will have taken the money and gone. To raise investment levels we need to change executive pay systems, linking them more to market share and organic growth. These are common criteria in German executive pay systems and in other EU countries comparable to ourselves, all of which have enviable productivity records.

Executive pay is linked to the wider problems of British corporate governance. Our model of capitalism—a word we will perhaps use more and more in the Labour Party in the near future—provides a privileged place for shareholder and shareholder value. As I said, the resulting focus is on short-term results. Some executives I know dream of a generous takeover bid and the windfall that it would provide for them. That dimension of corporate governance being short-term oriented is very important for looking at the productivity problem. It means that there is less emphasis than should be the case on relations in the workplace between employees and management, between unions and employers and generally on ensuring that a place works as a good proper team that is well motivated, well skilled and well equipped.

An excellent recent publication—referred to, I was pleased to hear, by the Minister—by ACAS on productivity highlights some of these factors. In too many British companies, there tends to be a premium on financial engineering as the core competence. The finance function tends to rule: the accountant is king in the decision-making process. It is a bit like making the scorer the captain of the cricket team. Add to this the strengthening view that sees the firm as a contracting unit, with the employment contract no different from other contracts—a market transactional relationship. The result is a growth of non-standard contracts—zero-hours contracts have perhaps been most in the news recently. Self-employment is growing. The Uber kind of employment relationship is also developing in many areas. These are not conducive to high-skilled, high-commitment workplaces. They may work in certain service trades, but they do not work in factories doing difficult things, nor in services that need to be provided consistently to a high quality over many months and years. This is, if you like, the dark side of the much-vaunted flexible labour market.

Indeed, any attempt to rebalance the economy or develop an industrial strategy without taking the workplace centrally into account will end in failure, as too many initiatives have done before. The emerging picture is that of a UK that is too often pressing workers to work harder and longer, not one where the emphasis is on employees being encouraged to work more skilfully and to be smarter in the way that they approach things. Not enough of our firms are seeing the clear link between improved productivity and workplace-management approaches to their employees. I believe that central to any such strategy that involves improved workplace relations is dialogue. In successful

[LORD MONKS]

examples of high-productivity workplaces, managers working closely with union representatives has often been key to improvement.

Hardly a week goes by without seeing pictures of the Chancellor in a hard hat visiting a successful factory. I hope he recognises from these visits the constructive role that unions have played in companies such as Rolls-Royce, Airbus, BAE, GKN and all the car plants, in improving productivity and performance. Instead of encouraging more of that, I am sorry to say, the Government are again attacking unions through the Trade Union Bill, soon to come to this House. Clouting unions is not the best route to high performance. Instead, the way to go is developing social dialogue arrangements to deal with issues such as skills and work organisation, as they do as a matter of course in some high-productivity countries such as Germany, the Netherlands and Sweden. It is time to bring our corporate governance arrangements more into line with those practices, even to the stage of having more diverse boards, not focused just on the short term but including other interest groups with a longer-term perspective, because they work there or they have a factory located in the relevant city or area. That seems to me very important.

Study after study has shown that consultation and involvement in workplaces bring improved job satisfaction and performance. Therefore, I ask the Minister, building on his talks with ACAS and Sir Brendan Barber, to fill in the gaps in the document and bring employment relationships much more into the debate that we are developing on this very important subject of productivity.

8.11 pm

Lord Stoneham of Droxford (LD): My Lords, I share with some sympathy the worries of the two previous speakers about missing a football game. However, those who think that our international competitiveness is even more critical in tonight's cricket match might like to know that Australia is 140-5 after 30 overs.

We were promised a plan to raise productivity, but this is a presentational document published alongside the Budget. It is less a plan than a repeat of the Conservative manifesto objectives printed out in a government paper, and, sadly, I have to say, it hardly inspired my Summer Recess reading. One of my senior colleagues who had a spell in the coalition Government said that you can always judge the lack of specific quality in a government publication by the amount of blank pages in it. I gave this publication the test. It is an 82-page document, with 11 completely blank pages. Counting the 10.5 half blank pages, that is 16.5 blank pages in total, 20% of the content. That does not set a very good example, given that it is a document supposedly about productivity. We know we have a productivity problem, but what we could have done with is a detailed analysis of what that problem is and a delivery plan to address it. Policy objectives are fine but, as the Minister said, they are worthless without a proper analysis, implementation plans and clear output objectives.

Aiming for productivity growth should be about how we get competitive advantage in international markets and safeguard it so that we can counter our

poor balance of payments performance and improve real incomes domestically. Management leadership quality, investment and the skills of our labour force lie at the heart of what we must do. I agree with the Minister's point that skills and labour quality are the key to this problem. I am concerned that the wide horizons of the paper—the fact that it is like a box of liquorice allsorts, in that you never know what is coming next—means that it fails to grapple with the specifics of what matters.

In the time available, I can deal with only three aspects. First, on broadband, there is one page on infrastructure. I accept that this is important, but I have always had doubts about the delivery of 95% superfast broadband by 2017. Frankly, I am worried that I will be part of the 5% that is left out, not least because I do not know where we are now on this issue and I am suspicious that Ministers do not know either or are hiding something. Perhaps the Minister will tell us what percentage of households now have the opportunity to have superfast broadband, given that we have only two and a bit years to get to the 95% target.

However, more important than the broadband infrastructure is this. Until superfast broadband is uniformly provided, I can read my newspapers on my tablet only in my London home. However, in Hampshire where I live, I am dependent on a huge logistical enterprise of printing plants, huge motorway-bound trucks and wholesale distribution centres, and then a man in a white van having to survive my dogs to deliver my paper because the internet bandwidth is pathetic and downloading my papers is impossible. Incidentally, in rural France this summer, where newspaper delivery can even involve planes to deliver English newspapers, I had the capacity to download even the full *Sunday Times* on my tablet.

What this illustrates is more important than infrastructure. Infrastructure is critical but, even more importantly, digital technology is re-engineering all the processes of manufacture, distribution, sales and income collection in every sector—public and private—and anyone who says that productivity opportunities are slowing down is talking out of their hat. They are going to speed up even more as the international economy picks up speed. This report should be addressing that question. Are we going to have competitive advantage in this digital world, or will we be left behind? It is fast-moving and, in my view, the Americans and even the Germans are way ahead in terms of this digital re-engineering. I support the northern powerhouse and living wage initiatives, but they will take time to have an impact on productivity; the threat from those more fleet of foot and a failure to take advantage of the digital opportunities are immediate challenges.

I worry that, despite the initiatives we are taking in our schools and universities to raise skill levels, we are still not doing enough in our colleges and adult education institutions to grapple with the challenge of the need for competitive advantage in skills. Budgets for adult education and colleges are being cut while we try to chase the politically attractive targets of 2 million and then 3 million apprenticeships—of uneven quality. In the previous generation, car plants were located in Great Britain because our labour force was regarded as more flexible. But Toyota still went to France

because, although the labour practices there were seen as less flexible, the labour force's mathematical skills were better—it was more IT literate and its precision was more reliable—and that made up for the inflexibility. That will be the required competitive advantage for the future. The plan needs to highlight our weaknesses and deliver a remedy.

One of the most frightening figures is that Volkswagen invests €11 billion in R&D each year—more than what the whole UK Government, universities and research councils could contemplate; in fact, approaching a third of the whole R&D budget of this country. It is adapting IT systems with its excellent engineering motor products. In the future, garages maintaining cars are going to more reliant on IT skills than mechanical skills. It shows the challenge one country on its own will have going forward.

So my final point is about Europe. One of the factors behind the United States' productivity is the scale of its domestic market. It encourages big-scale investment as well as the development of niche businesses. One of the sadnesses of the pettiness of our renegotiation saga is that we are neglecting the bigger prize we could get if energy, negotiating skill and diplomacy could go into the opening up of the European markets. Sadly, competition does not naturally happen; it needs regulation and policing to bring it about because vested interests and established individual businesses much prefer protected markets. In a digital economy, it will be even more important to protect consumers internationally. This report needed much more than the three lines given to the opening up of services, energy utilities, financial and digital markets in the EU—in all of which we have competitive advantage to exploit. With the scale of re-engineering coming from new technology developments and the international competition and opportunities it will open up, we cannot afford to operate alone as one country in a global world.

8.20 pm

Baroness Noakes (Con): My Lords, I am delighted to be spending this evening debating the productivity report because I have little interest in football and even less in cricket.

The productivity gap is not a new issue and it is not surprising, therefore, that the Government's *Fixing the Foundations* report contains no startling new insights. It is a modest but sensible approach to raising productivity levels. In particular, I commend the Government for focusing on what they can do to liberate the productive potential of our economy. With the exception of the public sector, to which I shall return later, the Government should be an enabler rather than a doer.

The country absolutely does not need a dirigiste industrial strategy and the Government have wisely avoided that elephant trap. With that in mind, I am wary of the proposed revised national infrastructure plan. I am particularly concerned that an obsession with major infrastructure projects such as HS2 will do more harm than good. That particular project will certainly offer no productivity enhancement—at least for the first £50 billion or so of expenditure, which will shave only a few minutes off the travelling time to Birmingham.

I do not want to spend a long time on the rather dry subject of the measurement of productivity because I do not believe that it should detract from the directional need to raise UK productivity. But as my noble friend the Minister said, it is clear that there are issues about how we calculate productivity and understand the figures that emerge from the statisticians. The Bank of England's analysis of the productivity puzzle last year highlighted some of the problems. We are a service-based economy and there are known problems with capturing service output accurately. Many have pointed to the impact of technology, which we can see with our eyes but not in the statistics. This includes measuring the change in quality of output that technology delivers, as well as trying to understand the time lags between innovation and the visibility of productivity benefits in the statistics.

Your Lordships would expect an accountant to say that we really must have numbers that we can rely on, and for that reason I certainly welcome the appointment of Sir Charles Bean to lead the independent review of national statistics, which my noble friend the Minister has already referred to. There are many technical challenges in productivity measurement; it is also clear that all is not well at the ONS. I certainly hope that we can see some improvements.

I would like to touch on three areas covered in the *Fixing the Foundations* report where the Government should perhaps think further. The first is taxation. The Budget announced a path to an 18% corporate tax rate, which is a fantastic environment for existing businesses and for encouraging inward investment. The new business tax road map next year will reinforce this positive environment but being a low-tax economy needs more than low corporate tax rates. The 45% rate of personal tax, or 47% if you are in employment, is too high. The UK is near the bottom of the G20 in terms of taxes paid by high earners. High tax rates act as a barrier to high savings. They disincentivise wealth creation and discourage highly mobile international talent. The Government should give this a higher priority.

Secondly, I applaud what the Government have been doing to facilitate the development of fracking in the UK and to call a halt to some of the most inefficient renewable subsidies. But energy costs remain a huge concern both for households and for energy-intensive industries. Even after the changes announced in July, environmental levies will still be more than £4 billion this year and will more than double by 2020-21. These levies are borne by energy consumers, including our productive industries. The Government need to look again at whether the costs imposed in the name of climate change represent value for money for our economy or another drag on the cost base and competitiveness of British industry.

Thirdly, the Government recognise that competitive markets with a minimum of regulation are essential for productivity, and I applaud the actions that have already been taken on deregulation. But the fact remains that there is a considerable regulatory burden on businesses in the UK and that this bears down disproportionately on small and medium-sized enterprises. Exactly how much regulation costs is extremely difficult to pin down; the most recent estimate by the Institute of

[BARONESS NOAKES]

Directors was £80 billion a year. The amount attributable to our membership of the EU is also tricky to establish, with some estimates of up to 80% of regulation being attributable to the EU. That EU-derived regulation applies to the whole of the business sector, even though a minority is actually involved in exporting to Europe. The Government are currently pursuing a largely invisible reform agenda within the EU, ahead of the referendum. I hope that the Minister will agree that EU reform should include a significantly lower amount of EU-mandated regulation. Can he assure noble Lords that the Government are indeed pursuing this?

I said earlier that I would return to the public sector, which accounts for around a fifth of our GDP and so cannot be ignored in the pursuit of a more productive UK. Here the picture is even more difficult to establish, with complex measurement issues and considerable delays in getting data. The latest ONS statistics on public sector productivity are for the 15 years to 2012. They show 13 years, broadly, of flatlining productivity but with a surprising average of 1.8% productivity gains in the final two years. More recent estimates from sources other than the ONS for the NHS, which is the largest single element of public sector output, suggest that productivity fell by 1% in each of the following two years, so this is not necessarily an encouraging background. I invite the Minister to say what productivity gains the Government expect to get from the public sector over this current Parliament, and in particular in health and education. The *Fixing the Foundations* report gave only the barest of outlines of the Government's approach to productivity in the public sector. It is certainly the case that productivity in the public sector does not just happen. It has to be managed with determination and consistency of purpose, so I hope the Minister can assure the House that there are definitive plans which will deliver the Government's aims.

I hope that the Government will remember two things in pursuing productivity. First, they should set the framework for business but not interfere beyond that and, secondly, since they are accountable for public sector productivity, they should be managing that with great purpose. If the Government can deliver these two things, we may be quietly confident that our future productivity performance will improve.

8.29 pm

Lord Flight (Con): My Lords, I will focus, separately, on the unusual period of 2007 to 2015 and the general long-term structural weakness in UK productivity growth. The UK economy did not get back to its 2007 level until the beginning of 2015, but with some 6% more people employed, remarkably. In a sense, this was socially good. Historically, after a financial crash, thousands of people may have been thrown out of work, but generally companies kept them employed. The companies may have reduced their hours, but there was not a massive rise in unemployment. One has to face up to one of the main reasons for that, which is that labour was cheap—labour costs could be cut—and, in turn, the reason for that was income tax credits. Former Chancellor Darling has admitted that tax credits, which were intended to boost living standards

for those on low pay, have served to freeze or reduce pay, in turn causing productivity to fall: there is no need for employers to pay if the state is going to top up pay. The cost of income tax credits, originally around some £7 billion, has gone up to £34 billion.

We have been here before. In the late 18th and early 19th century there was something called the Speenhamland system, named after the village where it was invented, under which pay was subsidised. That led to massive labour hoarding, largely in the agricultural sector. When it was eventually ended in 1834, there was a huge shake-up, and agricultural employment fell by roughly one-third. Indeed, labour was released to go and work in the new industries that were coming up, causing the great economic success of the 1840s. One has to face up to the fact that if you are stuck with tax credits—and I believe we should not be—the only way to reduce their effects is to have a much higher minimum wage. This is of course why the Government are introducing the NLW. Personally, I do not like Governments interfering in pay, and I think our growing regional differences in the cost of living need to help determine pay rates locally. However, a higher minimum wage is unavoidable if government is continuing to subsidise pay.

A second big factor during the period was the growth in regulation and regulatory burdens. Many more regulators were employed in the financial services industry and many more staff were employed by companies—tens of thousands. There was also huge growth in energy and agriculture. In all these areas, output did not increase at all but the number of people involved rose dramatically.

Interestingly, productivity during the period was actually up in manufacturing but down substantially in services and in the public sector—I very much welcome what my noble friend Lady Noakes had to say about the public sector. Also, despite its strained infrastructure, London performed much better than the rest of the country in terms of productivity—29% above the UK average. However, colleagues on all sides of the House whom I have spoken to rather agree with me that the big issue causing the fall in productivity was the knock-on effect of income tax credits.

As has already been pointed out, the long-term poor productivity trend goes back more than 100 years. The average increase pre-2007 was 2.4% per annum, and of course poor productivity restricts growth. Indeed, successful recovery and continuing economic growth requires much better productivity. The only other way it can be made up is by growth in the labour force, which is one of the reasons why the UK has permitted significant immigration going back nearly 50 years. The figures show us to be poor versus the US, Germany and France: the UK is some 19% below the G7 average for productivity and 31% below the US. Interestingly, among the G7, only Japan has been worse than us.

I believe that the statistics are materially wrong. Living standards are a knock-on symptom of productivity growth and, remarkably, living standards in the UK are just as good as in much of the rest of the EU—in some cases, better. In many ways, the UK has done better over the past 35 years generally. I very much welcome the fact that Charlie Bean will be reviewing the statistics.

The main difference between the UK and the economies that have performed better is that we have had such a low savings rate for a long time. Never forget Keynes's famous dictum that investment equals savings and savings equals investment. If you have a low savings ratio, you are likely to have less investment. The UK has got by on borrowing other people's saving surpluses and selling the family silver to finance it. We have had a £700 billion current account deficit built up over 15 years. Now, for example, 46% of city properties are foreign-owned and 53.8% of listed UK-domiciled companies are foreign-owned. The UK always used to have a big net surplus of foreign assets; there is now a substantial deficit of international assets that we own versus UK assets that are foreign-owned. It is clear that a low savings rate generally leads to low investment, and that that leads to poor productivity growth. That has been the biggest single factor contributing to our poor productivity growth.

Today, investment is not so much about old-fashioned physical plant but about intangible knowledge-based assets. I suspect accounting may often treat such investment, important though it is, as expenditure rather than investment. In the UK, we have, over the past few years, had a major growth in entrepreneurship: 1.5 million new companies in the past two years, not just in London and the south-east, many in new, digital technology. We have been much more successful in that context than the rest of Europe. Also, the UK may have effectively rationed its investment better than others—than Japan, for example, which has been building bridges to nowhere to keep the economy afloat.

There are clearly some useful things in the Government's plan, but I felt that it mostly cobbled together various policies already in place, such as cutting corporation tax and freeing up planning, and attaching all that to a productivity plan label. I found nothing hugely innovative or major. There are some positive things: upping the annual investment allowance to £200,000; a new compulsory apprenticeship levy; and a new 2020 road fund. UK infrastructure is clearly fundamental, particularly in the south-east, where the road network is wholly inadequate and has been neglected for a long time. The 95% target for superfast broadband is good news. The Government can contribute ingredients, and macro policy can help. Improved skill training is obviously a good idea. No one speaks up for the university technical colleges of my noble friend Lord Baker, which will be incredibly important in improving the flow of people through education into skill training and into work—the more the better.

I question the Government's initiatives to raise exports. We have heard a lot about them for a long time but nothing much happens. The crucial thing is export finance, which needs to be more easily available and cheaper to be competitive with that in France and the US.

Above all, now that the economy is back on its feet, there is a clear need to increase the savings rate if we want higher investment and productivity. It is not happening; indeed, the savings rate is falling. We need better fiscal incentives for people to save—dare I say it, making it clear to people that if they do not save, they may not be able to rely on the state in their old age because, as the baby boom explodes, that will

simply not be affordable. Above all, we need a savings rate that averages 10% per annum. That would underpin a considerably better performance in productivity.

8.39 pm

Lord Desai (Lab): My Lords, it is a great pleasure to take part in this debate, especially following the noble Lord, Lord Flight. I will not go back to the early 19th century, as he did, but we have certainly been debating the backwardness of British productivity compared to the German for at least 125 years. I have done some work for this debate, and I am very grateful to the Library for having helped me out.

There are two problems. First, as the noble Lord, Lord O'Neill, said, the level of productivity in the UK is low relative to other countries, especially the United States—it could be the size of the domestic market but I am sure that the persistence of that gap is quite an interesting phenomenon. Secondly, we have the problem of growth in productivity. However, these are two separate problems. My own views is that what the Government are proposing is quite rightly taking care of the level of productivity across the economy by dealing with transport, housing and all sorts of other things that are time-saving devices, in a sense—by improving the quality of the input, they will raise productivity generally. But whether there will be productivity growth is a separate issue.

On the level of productivity, as I have said before, the British economy is a 60:40 economy, in that 60% of the labour force is employed in areas that produce only 35% of total output, and 40% is employed in producing 65% of total output. I am not saying that the 60% are unproductive; they are engaged in activities that I have before called welfare producing or happiness producing—or whatever it is. The productivity growth is much more marked and easily measurable in sectors that produce solid, practical things.

What happened during the long recession of 2007 to 2013 made it clear that, when growth collapses, productivity collapses. There is a simultaneity. Not only does productivity help growth, but growth helps productivity. During that period, by and large people went into the 60% of the 60:40 economy, into public and professional services, which sheltered them. The wages did not grow, because people went into low-productivity sectors, but unemployment stayed low. Labour market flexibility helped to absorb people who moved into low-productivity areas, because highly profitable, high-productivity areas had suffered a huge output shock and were shedding labour, especially in financial services. So in a sense, productivity and output were low because, in a sense, the productive sector was shedding labour and the less productive sector was absorbing it. There is nothing new about that, but that is a phenomenon which we have to live with.

Our problem would obviously be, as the noble Baroness, Lady Noakes, said, that we have to concentrate on what I call the less productive areas. It is very difficult to enhance the productivity of health and social workers, but 13% of the labour force is employed in health and social care, which produces 6% of output. It is very difficult to say how you can raise the productivity

[LORD DESAI]

of a childminder or somebody who looks after the elderly for social care. Obviously, in areas like that it would be about improving the surroundings or the technology available, improving how patients are dealt with, with support services, and so on. But we have to look very carefully at those areas. We often look at the easier areas, the wealth-producing areas, where solid things are produced that can be measured—assembly lines, and so on. No doubt we should invest in that as well. However, our real problem may be that we have to raise the productivity of the areas where the bulk of the employment is, which will be a more difficult thing to deal with than raising growth in wealth-producing areas.

Coming to the latter, obviously, what the document shows is that we have had a slow-down in investment. Not only is the share of investment in terms of GDP lower in the UK than in the OECD generally, but lately during the recession we have had a drop. I know that every time anything happens the first thing businessmen say is, “Cut our taxes and we will give you growth”. I have heard it before, and for a long time. At least as far as econometrics is concerned, the connection between investment and tax cuts is, let us say, fragile—not very solid. Anyway, we have to have happy businessmen, so we can give them a tax cut.

The problem is that we have to find reliable ways of increasing investment, and not just increasing investment but doing so in the newer technologies, where tremendous scope exists for raising output and productivity. In a sense, if you look at some of the stuff which is being said—I am not a very practical person, so I only read this in newspapers—what is going on in the IT revolution will be tremendously important and will fundamentally transform production in the next 10 years or so. As the Minister said in his introductory speech, we have the universities, the young entrepreneurs and the start-ups; basically, now the Government will have to find some trick to connect up the people who are doing the start-ups and those in the universities, with more Fraunhofers—or whatever they are called in Germany—from universities, which will raise productivity.

In the next 10 years, as I said before, GDP growth will not be very high. I am sorry that this is the bad news, but I am giving it now. We are in a downward phase of a long cycle. Output growth will be low, as will inflation. However, we will have to find ways in which we can employ people in productive jobs, because as productivity grows we will have to absorb people into other sorts of jobs. I wish the Government good luck, and I hope that they will raise both productivity levels and the rate of growth of productivity.

8.47 pm

Lord Bilimoria (CB): My Lords, matching UK productivity to United States levels would raise GDP by 31%. The graph in the Government’s report clearly shows that the United States has high living standards and high productivity. In Britain we have a lot going for us: we have less than 1% of the world’s population but have the fifth largest economy in the world. However, if our GDP was 31% higher, it would allow us to leapfrog Germany as the biggest economy in Europe and the fourth largest economy in the world.

The Government’s report very clearly outlines several factors that increase productivity, and as a happy businessman—to quote the noble Lord, Lord Desai—I commend the Government’s decision to reduce corporation tax to 18% by 2020. I am proud to be chancellor of the University of Birmingham, one of the top 100 universities in the world. The UK has more universities in the top 100 in the world than any other country except the United States. We have phenomenal capabilities in a variety of sectors. We also have one of the most open economies in the world and are a true trading nation. In fact, most people do not realise that we are the second largest inward investment destination in the world. Yet when it comes to productivity, as the Minister acknowledged, we have lagged behind other economies. We are ranked 18th out of 34 OECD countries, in the bottom half of the list.

The Government’s report talks about school reforms. Again, there have been good initiatives on this front, with the Labour Government’s introduction of academies, which the coalition continued and which this Government continue to promote, and the Government’s promotion of free schools. However, I believe that the biggest mistake that this country made was to close grammar schools, of which only 164 are now left. To think that at their peak in the 1960s there were 1,300. These grammar schools gave the opportunity to a bright child, regardless of background, to get to the very top, and no one—including Margaret Thatcher, herself a grammar school product—has had the guts to reintroduce them. Why cannot the Government promote academies and free schools but also support the reintroduction of grammar schools? That would definitely provide a huge fillip and have a direct impact on our productivity.

Where our universities are concerned, Universities UK states that the higher education sector generated £73 billion of output, both directly and indirectly, for the British economy. In Britain, government expenditure on higher education is 0.88% of GDP, which is lower than that of other OECD countries. In Finland, 1.87% of GDP is spent on higher education, in Germany the figure is 1.12%, and even in the United States more public expenditure goes on higher education, at 0.94% of GDP. In fact, universities in the United States go further. They receive a significant amount of private funding. I am an alumnus of Harvard University through its executive education, and Harvard has an endowment of more than \$36 billion. The philanthropy at Harvard is extraordinary. Last year one alumnus contributed \$350 million for the Harvard TH Chan School of Public Health, and this year an alumnus donated \$400 million for the John A Paulson School of Engineering and Applied Sciences.

Universities in the United States boost their revenues through not only private benefaction but corporate partnerships—something that we should emulate here. The University of Cambridge has made a great start, raising £1 billion for its 800th anniversary. That was excellent, with the money being raised ahead of time. And I am proud to say that the University of Birmingham has raised £160 million in its latest fundraising campaign. Looking at combined public and private expenditure on higher education, the UK spends 1.2% of GDP;

the OECD average is 1.6% of GDP and in the United States it is 2.7% of GDP—more than double that of the United Kingdom.

The Minister spoke about encouraging innovation. When it comes to R&D, the Royal Society has produced some interesting figures. My noble friend Lord Rees was an eminent president of the Royal Society, and the next president, for the first time ever, is going to be an Indian. Sir Venki Ramakrishnan is a Nobel laureate and a fellow at Trinity College, Cambridge, where my noble friend Lord Rees was master. Cambridge University has produced more Nobel prize-winners—90—than any other university in the world. Within Cambridge University, Trinity College alone has produced 32 Nobel prize-winners. According to the Royal Society, 51% of productivity between 2000 and 2008 was due to innovation. The Royal Society has also noted that firms that invest consistently in R&D are 13% more productive than those that do not.

Today I had a meeting with the Secretary of State for Defra, Elizabeth Truss. I was informed that Britain's food and drink industry is bringing 16,000 new products to markets per year. That is brilliant; it is more than the figure for France and Germany combined. This is extraordinary and very exciting, and there is a new initiative being promoted which I am delighted to be supporting.

The UK is great at research. Figures from the Royal Society show that, with less than 1% of the world's population, we achieve 3.2% of global R&D expenditure. We have 4.1% of researchers globally and we produce almost 16% of the world's most cited academic articles. This is in spite of the UK Government hugely underinvesting in research and development as a percentage of GDP. They invest 0.49% of GDP in R&D compared with 0.67% invested by OECD countries and 0.76% invested by the US. The figure for Germany is 0.85%. Does the Minister accept that we should increase government expenditure on both higher education and R&D and innovation? The Government talk about the science budget being ring-fenced. As it stands, it is not protected from inflation and is going to go down in real terms. Does the Minister accept that?

Our universities are also being stifled by the Home Office and, in particular, by the Home Secretary's economically illiterate policies on immigration, removing the two-year post-study work visa for foreign students—75% of the population think that they should be allowed to stay on and work if they want to—having a target to reduce net immigration to the tens of thousands and continuing to include students in the immigration figures. Does the Minister agree that foreign students should be removed from the Government's immigration statistics and targets? Is it any wonder that the number of students from India has declined by 50% in the last five years?

I was recently appointed as a president of the UK Council for International Student Affairs. Is it any wonder that 51% of foreign students feel unwelcome? Is it any wonder that, when the Home Secretary makes statements saying that foreign students should leave the day they graduate, headlines from India read: "Graduate, then get the hell out!". Foreign students are one of our greatest forms of soft power, with the vast majority returning to their country of origin as

ambassadors for Britain for years—for generations—to come. I am the third generation of my family, from both sides, to have been educated in this country. One in seven world leaders has been educated at British universities, including Greece's current and former Finance Ministers. Dr Manmohan Singh, the former Prime Minister of India, was a graduate of Oxford and Cambridge. Foreign academics make up 30% of academics at our top universities, including Oxford, Cambridge and the University of Birmingham. These Immigration Rules and negative perceptions are damaging our universities and directly damaging our productivity. Does the Minister agree? We should be attracting foreign graduate entrepreneurs, for example by using the Sirius scheme of UKTI, which is brilliant.

We should of course invest more in infrastructure. As regards the airports report that has just come out, we should expand both Heathrow and Gatwick. The noble Lord, Lord Desai, spoke about investment. I am proud to say that private industry is doing its job. My joint venture partner Molson-Coors has invested £80 million in the biggest brewery in the country, in Burton-on-Trent, where we brew Cobra beer, by upgrading our bottling and packaging to make it world class, and improve our quality and productivity. I recently chaired an event in Parliament for entrepreneur-to-entrepreneur exchange, at which Sherry Coutu spoke about her scale-up report. If we close the scale-up gap, the estimate is that it will be worth an extra £225 billion and 150,000 jobs in the next 20 years. Does the Minister agree that we should have a Minister responsible for reversing the UK's scale-up gap?

In conclusion, we have a lot going for us in this country. We have world-class capabilities and institutions—whether they are the Royal Society, institutes of engineering, livery companies, high-end aerospace, lawyers, accountants, beer, cars, JLR or Tata. They are shining examples. Just imagine how much better we would be if we invested more in higher education, better schooling, R&D and innovation, and had a sensible policy on immigration. We are great; but in the words of Saint Jerome:

"Good, better, best. Never let it rest. 'Til your good is better and your better is best".

8.57 pm

Baroness Harding of Winscombe (Con): My Lords, it is a great pleasure and honour to speak in this debate. I must declare an interest not in either football or cricket but as the chief executive of TalkTalk, the ISP, and as a non-executive director on the Court of the Bank of England.

I welcome not only this debate but the renewed focus across the Government on productivity. I take a moment to remind ourselves why raising productivity is such a good thing. History is littered with examples of nations that have sought to resist it. Many of the technologies and innovations that have spread the greatest prosperity were initially resisted by those who thought defending the status quo was the best way of guaranteeing living standards and protecting their political power.

For example, I should like to take noble Lords back to 1445, when the first printing press was invented in Germany. In 1473, the next one appeared in Budapest.

[BARONESS HARDING OF WINScombe]

In 1476, a printing press arrived in London. In 1485, the Ottoman Sultan issued an edict banning printing in Arabic. It took 300 years before the first printing press began work in Ottoman lands. As a consequence, the adult literacy rate in the Ottoman Empire in 1800 was 3%. The adult literacy rate of males in the UK at the same time was 60%, and 40% among females. With that came the associated difference in skills, productivity and wealth. There are thousands of other examples, including Elizabeth I, who refused a patent for a knitting machine for fear of the political unrest that the loss of jobs from hand knitting would create, and boatmen in Germany who sank the first rudimentary steam engine as early as 1705 for fear of what it would do to their industry. The lesson from history is clear: the societies and economies most open to innovation are the ones that benefit most from the growth it brings, while closed societies lose out.

Britain led the Industrial Revolution, not by chance but because we as a nation embraced the technology of the age with more vigour and skill than our rivals and our politicians refused to kow-tow to the elites of the day who had most to lose from the emergence of those new technologies. As many noble Lords have said in this fascinating debate, today's challenge is to replicate that with the technology that will define the next century. That means, as the noble Lord, Lord Stoneham, said, fulfilling Britain's potential to be the world's most advanced digital nation. Much like the invention of printing, steam power or factory automation that underpinned the Industrial Revolution, the digital revolution is a classic example of the sort of change that might be resisted because of a fear that it threatens the jobs that we have today. In doing so, we risk turning our back on the high-skilled, high-paid jobs of tomorrow. We might succeed in resisting change for a couple of years—probably not for as long as the Ottoman Empire did—but the only long-term beneficiaries of that will be our rivals, who will grow more prosperous at our expense.

We need to be much more confident in embracing and explaining the benefits of technology-based innovation. Contrary to the notion that somehow it will threaten jobs, European Commission research shows that 75% of the value created by the internet is in traditional industries. It helps small businesses trade with new markets, allows them to source cheaper suppliers and reduces running costs, which can be reinvested in traditional growth. To put that into context, according to the Copenhagen Business School, if the UK automated to the extent that Germany has, productivity would rise by 22%. That is growth we can ill afford to lose.

Britain can be rightly proud of London's status as one of the world's leading technology hubs. Since 2010, London's digital sector has grown by 46%, now employing 200,000 people. Research by EY shows that London is now the most attractive place in Europe for international technology companies to invest. That is a success story truly to be proud of, but the challenge is to ensure that it is a national success story, not just a London success story. I do not believe that there are any magic bullets to achieve that, but I would like to highlight two small but essential components.

First, there must be a relentless focus on the digital skills that will define tomorrow's economy. The noble Lord, Lord Bilimoria, spoke very eloquently and passionately about the importance of further education. I would like to talk about skills and education at a much more fundamental level. Across the UK today, 10 million adults lack basic digital skills, by which I mean the ability to send an email, do a web search or fill in an online job application. Contrary to popular perception, they are not all beyond retirement age—50%, some 5 million people, are adults of working age. That is a huge drain on our national productivity.

I am proud to serve on the board of Go ON, the national digital skills charity, which is doing a lot of work across the country with different businesses, local government and charities. But charities alone will not close the gap. There is a very significant political focus on all sides of this House on digital infrastructure, and with significant public funding going into it, but almost none and no discussion about the skills that people across the country will need to use that infrastructure. Just as basic literacy was needed several hundred years ago, driving basic digital skills across the country requires leadership from government. As my noble friend the Minister pulls together the detailed action plan behind the Government's productivity plan, I urge him to consider how building universal basic digital skills into that agenda can happen.

Secondly, we have to address the physical and cultural barriers that contribute to the productivity gaps that we see in different regions across the country. ONS data show that London has higher levels of productivity than any nation or region in the UK—almost 29% higher than the UK average in 2013. Left unchecked, that gap will undoubtedly entrench economic inequality and poorer living standards in the worst-affected regions.

I feel that very personally, as the chief executive of a business that has quite a large number of people based in London but more people based in the north-west. TalkTalk has two sites in London, one in Farringdon and one in Shepherd's Bush, and two sites in the north-west, one in Warrington and one in Irlam. Coincidentally, both are seven miles apart from each other, in the north and in London. It is considerably easier for my people to travel between Farringdon and Shepherd's Bush than between Warrington and Irlam. It is also culturally easier to do that. We find fantastic talents in the north-west as well as in London, but persuading people to move from a job in Warrington to a job in Irlam is considerably harder than it is to persuade people to move to take a job in Farringdon versus a job in Shepherd's Bush. So as a CEO of a business whose heart and soul is there, I am delighted to see the focus on building a northern powerhouse. It is clear that it is intrinsically linked to better infrastructure, but the political and social leadership to create a broader cultural entity is just as important. That does not mean turning the northern powerhouse into one amorphous entity—Greater London is not that at all. It is totally different whether you live in Bexleyheath, Clerkenwell or Highgate—just to mention three—but everyone in the Greater London catchment is part of that world-class talent base. There is just as brilliant talent in the north. We need to invest in it and create

the political and social infrastructure that will drive it. It is fantastic to see this Government bringing that to bear.

As a chief executive who passionately believes that Britain can be a real leader in the digital economy, I welcome the focus on growing productivity. It has been hugely heartening to hear the number of contributions this evening focused on the digital economy, because it is undoubtedly our future.

9.06 pm

Lord Rees of Ludlow (CB): My Lords, the maxim “if we don’t get smarter, we’ll get poorer” becomes increasingly germane to the UK as our economy and public services become more dependent on the high-tech sector and high-skill individuals. There are three interlinked prerequisites for higher productivity: better education and training at all levels, from school to PhD; excellent R&D, exploited here; and success in attracting and retaining mobile talent.

As regards the first of these, there is real concern. The UK is a laggard in educational attainment levels at the secondary school stage. This aggravates the life-chances for the cohorts whose job prospects are already blighted by current austerity. That is why we should welcome greater emphasis on apprenticeships and on a more appropriate curriculum for the 50% of 16 to 18 year-olds who are not aiming for higher education.

There are currently too few schoolteachers with specialist subject knowledge. More than 20% of mathematics and chemistry teachers, a third of physics teachers and more than half of computing teachers in state-funded schools in England have no relevant post-A-level qualifications in the subject that they teach, and language teaching is equally dire. There have been many initiatives here. The best hope lies in expanding the number of well-qualified people who transfer into teaching mid-career.

My own experience is of university teaching and research, so I will now focus on this and declare an interest as a member of Cambridge University. We are mindful of the need to transition academic expertise into the wider economy. I think our Cambridge network exemplifies how this can happen if the environment and sociology are right.

The country’s R&D effort depends on both public and private investment. An impressive recent study by Jonathan Haskel and colleagues at Imperial College revealed that there were symbiotic links between public and private investment. There is a “crowding in” effect whereby publicly funded R&D enhances the amount that is privately funded and incentivises the attractiveness of this country to foreign companies and investment. But, as we all know, both private and public levels of investment are low by international standards, and industrial research is concentrated in rather few sectors. According to 2012 data, the percentages of GDP spent on private and public R&D were 3.32% and 1.04% respectively in South Korea, which is top of the league, and 1.23% and 0.5% respectively here. And we are far below the US and Germany.

Just today, there is a letter in the *FT* from senior figures in the pharmaceutical industry urging the need for enhanced public R&D if we are to sustain competitiveness. Of course, we are lucky that medical charities donate £1.3 billion annually—one-third of all publicly funded medical research.

Incidentally, R&D levels within all government departments have undergone sustained long-term decline. They are down by a factor of more than three since 1980 and by a factor of more than two since 1994. This signals a worrying loss of expertise in parts of Whitehall where policy and procurement choices should be based on high-quality strategic advice. We need to adopt the right priorities in infrastructure and energy decisions. Let us learn from the dismal tragedy of nuclear R&D. Our national labs were once world leaders. Now, if we have any nuclear power, it will be state-owned—but by the French or Chinese state.

I will focus now on university research. Recent steps towards restoring pre-austerity levels of capital investment are welcome. But the flat cash settlement over the past five years means that the cumulative erosion of the ring-fenced science budget since the 2010 spending review amounts to more than £1.1 billion. The research community has made large savings through equipment sharing and multi-institutional alliances, but this cannot continue indefinitely. That is why the new spending review is crucial for science and why we need to close the gap between us and other major countries to which the noble Lord, Lord Bilimoria, referred.

Cuts to research and innovation in the 1980s drove many leading UK scientists to the USA. Today, generous investment in research by Governments across the world, coupled with austerity at home, risk creating a similar exodus. Perception is important, too. If we are perceived to be on a steeper upward gradient than other nations, we will get more than our share of the best talent. Our cost-effectiveness will rise. Conversely, if perceptions are pessimistic, as I fear they are, we will not merely end up with less research effort, but what we are left with will be less cost-effective. We should welcome brain circulation but not a brain drain.

A recent RAND Europe study of the worldwide correlation between research funding and output revealed, importantly, that it takes at least three years for a decline in real-terms funding to manifest itself in publications and other indicators. This is ominous because it means that we may not have seen the full downside of recent stringency, and it makes it even more urgent that we reverse the trend.

Current visa restrictions and Home Office rhetoric are real own goals. I will cite my own experience. I am based in a small Cambridge department that is world-class academically. Our last five faculty vacancies were filled by outstanding foreigners, three from outside the EU. Just last week, one of them told me that he thought it would be harder to attract people such as him now than it was when he joined us because of these perceptions.

Along with their status as research powerhouses, the most important output of universities is their graduates—both undergraduates and postgraduates—who will follow careers in all walks of life. If universities cannot attract or keep the best faculty, it will impact negatively on the quality of output of the students.

[LORD REES OF LUDLOW]

Here, the UK has an opportunity to enhance teaching through the world-leading Open University and its FutureLearn platform. Online courses may have been overhyped in the US, but they have a genuine edge, especially at the level of taught master's degrees, where they enable mature and motivated part-time learners to acquire specialist qualifications. Surely other universities should help by augmenting the OU's content so that it can expand and enhance the range of such courses, which will have great value not only in the UK but worldwide.

Finally, we should surely all hope that the UK will achieve its proclaimed aim of being the best place to do science and ensure that it thereby helps to enhance national wealth. We need to incentivise international companies to establish research bases in the UK and to encourage enterprise and start-ups. That will require changes to visa rules and public investment in the next five years that narrows the gap with other nations.

9.14 pm

Lord Leigh of Hurley (Con): My Lords, it is always a privilege to speak in your Lordships' House, and in particular on a subject so vital to the future of the UK economy as our nation's productivity. A *Financial Times* columnist—not Smithers, as it happens—wrote recently that:

“Leadership is to politics what productivity is to economics: not quite the only thing that matters but almost”.

It is therefore perhaps apt throughout this debate tonight and the continued tribulations of the leadership elections elsewhere that we can explore the validity of both facets of that claim in a single week.

In the previous Parliament, thanks to the Government's long-term economic plan, 2 million new private sector jobs were created, and at a time when all across Europe—and indeed the world—unemployment had reached levels without recent precedent. The party opposite said that this was the wrong approach. Indeed, many economists said that it was wrong. They wrote letters in the national press saying that reductions in public sector jobs would not be counterbalanced by private sector job creation. They were wrong. They said that reductions in public spending would lead to recession. They were wrong. Beware of economists making predictions, and I speak as someone with an economics degree who learned of JK Galbraith's famous comment that:

“Economics is extremely useful as a form of employment for economists”.

Many of those same critics and commentators are now, in the face of these consistent growth and employment figures, being tempted to move the goalposts and say that it has all been the wrong kind of growth or that high employment has come at the expense of productivity growth. That is a claim worth examining, and we should always look for ways to increase productivity. But first we should state clearly, as we have done, that we make no apology for keeping people in work, and helping those without to find work. At a time of financial crisis and recession, there is a moral imperative to look beyond the economics to the human cost of unemployment. The Government can be proud that they have done so.

We should also be careful as to how much weight we give to recent productivity data. The only consensus emerging on Britain's so-called productivity puzzle, as the Minister said, is that the way we collect the data needs updating. Furthermore, we should question whether today's modern knowledge economy is measurable using the techniques of yesterday. The creative and service industries are being continually overlooked in favour of heavy industry. That is why I welcome, as does my noble friend Lord Flight, the review of how we collect economic statistics that is being undertaken by Sir Charlie Bean, who as part of his mandate will, “assess the UK's future statistics needs in particular relating to the challenges of measuring the modern economy”.

Before examining ways to improve productivity, on the broader economic debate, it is worth reflecting on what we do know. The latest GDP figures suggest that the UK economy grew by 0.8% in Q2, and on what is perhaps the most unambiguous measure—the tax take—the numbers are in rude health, with July showing record income tax receipts leading to £1.3 billion surplus for the month. I am confident that in January 2016, with the second payment of this last tax year, they will be equally positive and surprisingly healthy, all of which will reduce public borrowing requirements and help speed the path towards an overall surplus as set out in the summer Budget.

However, neither the strength of the economy today nor ambiguities in the statistics should mean that we do not continue to look for ways to improve our productivity. As the Minister mentioned, it is good to see that the Government are not showing any complacency and I was pleased to see that Sir Charlie Mayfield's taskforce had been set up by the extremely industrious Secretary of State for BIS, Sajid Javid. It comprises a business-led action group for productivity—not full of politicians.

As part of the summer Budget, the Government published *Fixing the Foundations*, a comprehensive strategy to boost productivity. It sets out not just the challenges of boosting our productivity to reach a leading position, but also the rewards for doing so. Increasing annual trend growth by just 0.1%, a much more modest figure than the noble Lord, Lord Bilimoria, would seek, means that the UK economy would be £35 billion larger by 2030, which equates to £1,100 for every household. The strategy sets out numerous ways to achieve this important goal based on increasing long-term investment and economic dynamism. It is clear from the early stages that we have to focus on the benefits of flexibility. Traditional attitudes towards the workplace are changing. As of January 2015, the number of freelancers in the UK was growing and they were earning a median income of £42,857, which compares with the national average of around £24,000, and they work an average of 38.2 hours a week. Labour's approach is simply to criticise zero-hours contracts, which are in themselves an important step forwards to helping productivity, but admittedly on its own not enough to change the way we work and how we measure work.

Others have spoken eloquently about the digital aspects of the economy and ways of improving productivity, on the importance of savings and indeed on education, so I would like to focus on the two areas

that are of particular interest to me, productive finance and trade. We can analyse skills, innovation and infrastructure but, if capital is not allocated efficiently across the economy, it will be an uphill struggle for every sector. Recent travails should not distract from the fact that the financial services sector remains a huge contributor to the UK economy, and of course I declare an interest as being part of that sector. Financial services contribute £58 billion in net exports, thus contributing 8.4% of gross value added in 2014. But if the crisis has taught us anything, it should be that finance is good for the economy only if it does what it is supposed to do: channel capital to the most productive areas of the economy, creating wealth not destroying it, and fostering growth not hampering it.

Currently, 80% of all finance in Europe comes from banks, and this has to change. With the big banks engaging in much-needed restructuring of their balance sheets, we need a new model of business finance. This means lowering barriers to entry to increase competition from challenger banks, which the Government have correctly identified as an issue. We also need greater diversity of funding sources for businesses looking to grow. In the last Parliament there were many start-ups. This one, I hope, will be where they grow. The Government's paper is candid about this. Somewhat amazingly, only 3% of start-ups with one to nine employees grow to have more than 10 employees within three years. That is astonishing, and we are well down the OECD's league table. Having created a whole new generation of small companies, we need to work hard to help them flourish.

Another key plank to rebuilding our productivity is to burnish our reputation as a trading nation, pulling in foreign direct investment and exporting goods the world over. I will not go into the same history lesson as my noble friend Lady Harding, but it is true to say that I am a member of a party that was torn asunder by trade in the 19th century with the repeal of the Corn Laws, which was taken through this House by the Duke of Wellington. Then it was benefits to ordinary consumers that won the day, and that is the lesson.

I have spoken before in this House about our trading legacy and the need to rediscover it: the need to stand up for free trade in the form of trade agreements such as TTIP and others with emerging markets, and the need to lead the EU towards completing the single market in services and capital markets; as the leading exponent of both, it would be hugely to our benefit. I know that my noble friend the Minister is leading a trade mission to China next week, and I am sure that he takes with him our best wishes for every success in that important export drive. Trade drives competition and innovation, brings in investment and creates new markets for our businesses to sell to. This in turn creates better-paying jobs and increases living standards. This is not an argument for either staying in or leaving the EU; we can be equally successful either way.

There are many facets to this debate, but I will finish where I started. We are all agreed that productivity is an important issue. It is therefore ironic that the areas I have focused on, trade and finance, attract such ire from critics who purport to be sticking up for working families. But difficult though the arguments

may be to make that competitive trade policy and efficient financial services are the best way to help these families, as Conservatives I am sure that the Government will continue to make them.

9.24 pm

Lord Davies of Oldham (Lab): My Lords, this has been a most fascinating debate, although I think that I detected a common theme running through many of the contributions, which I guess will probably distinguish it from the debate to take place on Thursday on a Labour Motion. I shall dwell on the relationship between education, training and skills enhancement and the significance of that for improved productivity in a moment. Of course, noble Lords covered a wide range of issues in addition to that theme. I know the Minister will delight in responding to those contributions, including the questions posed by my noble friend Lord Monks. He spoke about the short-term nature of so much British investment and decisions by boards, which cost us dearly in comparison with those countries where it is clear that investment runs over much longer patterns and they therefore are able to reap the rewards more effectively. I am sure my noble friend is right that part of that is related to the short-term, massive rewards which go to senior people in British companies.

Should the noble Lord, Lord O'Neill, give an answer to the noble Baroness, Lady Noakes, about the virtues of HS2, I hope he can refute the suggestion that the first payback will be only after £50 billion has been spent. As regards her contribution, I think the criterion is not the travelling time from London to Birmingham, but increasing the capacity of rail to help the economies of northern England as well as the Midlands and their connection with London. I hope that the Minister is well versed in his history because he has heard elements from economic history which would be quite challenging—whether it is a question of the Speenhamland system, which thankfully gave way to the workhouse but was not always regarded as the most effective and efficient system of organisation of labour in this country, or whether the digital revolution is critical to our future, as there is no doubt that it is.

I want to dispute what has been put forward so much in this debate. Of course, I recognise the value of higher education in skilling our nation. Higher education would never have been able to expand at the rate it did if it had been able to concentrate only on a small number of grammar schools, at which only a small percentage of children qualified at that time, and their product. Subsequently, we have had aspirations to greatly expand higher education, from which we deserved, and have derived, the benefits that we have had.

Even in this period of crisis, higher education can largely sustain itself. After all, the Government have given it the freedom to enrol as many people as it wishes to enrol. They have guaranteed that the fee income can go up with inflation. As the noble Lord, Lord Bilimoria, noted, universities have access to other resources as well. I am the first to recognise that that may not be quite on the scale of Yale and Harvard, and there will never be a time when we match the

[LORD DAVIES OF OLDHAM]

endowment resources of American universities, but that has not held our universities back from achieving similar levels of excellence and being regarded so highly in the world.

With regard to skills, the issue is not the failure of universities or even their impending doom, because neither is accurate. The problem is the one that the noble Baroness, Lady Harding, and the noble Lord, Lord Stoneham, referred to, of how we enskill the vast majority of our people who are still not going to go to university. The noble Lord, Lord Rees, also recognised that point. We are so far behind. The Government have to recognise this fact. In productivity, we are 17% below the average in the G7, 27% behind France, 28% behind Germany and 31% behind the US. Those are government figures. We have a lot to do. Since we are so behind it is quite clear that we cannot tolerate the very low level of skills in our nation, the skills that are beyond and different from university-level skills. I do not want to say this, but from what I know, American students tend to be waiters while at university in their time away from college. In Britain, graduates become waiters because they cannot find appropriate jobs.

We should think about graduates, but I do not want to concentrate on whether we have sufficient graduates, because I certainly think we have. Nor is the issue resolvable through this wild chase for 3 million apprenticeships, because I do not think that the apprenticeships are anything other than a misnomer. If people are not getting training, if there is no base for the enhancement of their skills and if they are on these contracts that we all recognise are so very limited, the concept of apprenticeships does not serve a useful purpose. We need to concentrate on the skills that Polish plumbers show we are deficient in. We are pleased to see that so many of those who arrive in this country have skills that we have not got in sufficient number in our working population. That is key to the enhancement of our productivity. It means that all of us, including all of us in this House—even those in the Department for Business, Innovation and Skills—must recognise that education goes beyond universities. It is also where further and adult education keep the capacity to enhance the skills that we lack so much in our nation. It also keeps people in touch with the possibility of improving their skills throughout their lives and of being adaptable in a fast-changing economy.

If the Minister says that he agrees with that—I think that he might, because he paid lip service to it in his opening remarks—I have to say this to him: if the universities can sustain their resources, that is not true of further education, which has taken a dreadful hammering under this Government. Some 16% has been cut over the last four years and another 6% was cut in July. We are chewing up the seed corn of our education system. The Government must get beyond the idea that there are only schools and higher education. They have to tackle the points that the noble Baroness, Lady Harding, indicated—namely, that we cannot afford for people to be illiterate, in either a literal or a digital sense, in this modern world. That is where the Government have to show that they appreciate the problem and are prepared to back it with the necessary resources. Thus far, there is precious little indication of that.

If we are to meet the point that my noble friend Lord Desai indicated of how we increase productivity in the caring professions and areas of public service, I say this: the best chance we have of making people better at their jobs, more skilled in the services that they deploy using scarcer resources to better effect, is to ensure that they get the necessary skills and training often provided outside the education system mentioned so often in this House. Therefore, I want this debate to open up for the Government a big challenge on further and adult education. If the Minister cannot respond to that in full this evening, I hope that he will go back to the department and give it a little education on the need for change in this respect.

9.35 pm

Lord O'Neill of Gatley: My Lords, as always, even in my relatively short time in this place, we have yet again had an incredibly high standard of debate. I am grateful to noble Lords for a considerable number of thoughtful remarks.

I began my opening remarks with a reference to the football match taking place at Wembley. I happened to notice that there is exactly the same number of speakers in this debate as there are who generally participate in one team in a football match—that is, 11. Whatever the outcome of that game and irrespective of whether Mr Rooney has achieved his lifetime ambition of becoming the highest scorer, I suspect that the collective contribution of the 11 noble Lords participating in this debate will be greater.

Baroness Noakes: My noble friend the Minister might like to be aware that England were leading 2-0, and that Mr Wayne Rooney has indeed achieved his lifetime goal.

Lord O'Neill of Gatley: I am very grateful to my noble friend for enhancing the quality of our proceedings, making it even better than it was previously.

Before I focus on a number, if not all, of the comments that were made, it is important to comment specifically on the environment and the circumstances in which we are trying to meet this challenge. A number of noble Lords recommended higher levels of spending, notably on education but also in other areas. However, it is important to put this in the context that, despite the rather successful stance on economic policy adopted by the previous Government, the level of net debt as a share of GDP in the UK last year reached its highest level since 1967 of more than 80% of GDP. A central focus of any rational Government, based on plenty of evidence from the recent and more distant past, should be to try to reduce our level of debt significantly below that level. By definition, that will constrain aspects of how the Government prioritise their spending. This has influenced some of the things on which we have chosen to focus our spending priorities, as I outlined in the very interesting debate on the Budget that we had just before the Summer Recess.

I will go a little off-script in trying to respond to all the valuable comments that noble Lords have made. I shall do it in the same team order, sticking with the spirit of this evening. First, the noble Lord, Lord Monks,

may be surprised to hear me say that I welcome many of the ideas that he mentioned. As we stated in the productivity plan, we are in the process of exploring the whole interplay between long-term incentives to invest and the long-term management behaviour of all participants in the economy, including that of CO leadership. It is one of the reasons why it is particularly helpful, as was pointed out by a number of noble Lords, including my noble friend Lord Leigh, to have Charlie Mayfield and his colleagues leading the separate approach to what business itself can do for productivity. That is very important in the context of what the noble Lord, Lord Monks, said. There are a number of aspects on which I would like to expand. I do not have enough time to concentrate on them now but I am sure they will come up in future discussions.

On executive pay, it is of course the case that more policies have been introduced to give the boards of publicly quoted companies direct influence on executive pay. Even more importantly in terms of the broad productivity argument, the data show that levels of executive pay in the United States are, and have been for a long time, considerably higher than ours and yet its level of productivity is considerably higher. While there are aspects of long-term incentives that deserve considerable investigation and thought, I am not entirely sure that that much of the blame should be laid just on executive pay.

I was somewhat disappointed to hear the disparaging remarks of the noble Lord, Lord Stoneham, about the quality of the productivity plan. I cannot resist mentioning that the typical practice of my previous life concerning a number of empty pages was partly to encourage those who study these things in great detail to use those spaces to make notes to inform their subsequent comments. Moving on to the noble Lord's more substantive comments, there was a brief reference to the balance of payments, which I will come back to. My noble friend Lord Flight touched on it as well. There are intriguing ongoing aspects of our balance of payments performance that also deserve further detail, which I do not have time to go into, but I will come back to those in a short while.

On the noble Lord's challenge about the data on superfast broadband, I think I am right in saying, despite his observations on the productivity plan report, that we cited a goal of achieving the capabilities of what appears to be the best in the world: Singapore. In that regard, despite the fact that we have yet to reach the 95% goal, according to the data that I have seen we are significantly ahead of similar developed countries across Europe today. But that is not good enough and we should aim to have the best in the world.

My noble friend Lady Noakes touched on a variety of very interesting topics, including infrastructure projects. It was interesting to hear her particular angle because from many others there was implicit reference to the fact that we are not spending enough on important infrastructure projects, yet she drew attention to one for which a particularly large cost has been discussed. The noble Lord, Lord Davies, also referred to it. It is well known that, in my previous life, I stated a number of views about the relative priority of various train infrastructure projects in the UK. I am pleased to say that despite what appears to be a misunderstanding in

the media, we are committed to expanding other forms of train infrastructure, including making further progress in the setting up of Transport for the North, which will be a critical part of the delivery of the northern powerhouse.

Turning to the interesting comments of my noble friend Lord Flight, I found that much of what he suggested or discussed gave an extremely good rationale of the Government's strategy in this five-year term, and in particular on policies to try to induce stronger, sustainable economic growth, and with it efforts to boost savings. My noble friend made a couple of references to the linkage between savings and investments, and during one of them raised the indirect linkage to the balance of payments. Somewhat intriguingly, as another angle on why the analysis of our economic data's accuracy that Charlie Bean is undertaking is so vital, it is less well known that in the past couple of years there have been notable improvements in our trade balance, at least in the reported data. The deterioration in the current account is actually coming from the so-called invisibles account. It is probably something to do with the valuation effects relating to the considerable inflows and outflows on the capital accounts, which are an inevitable consequence of our crucial role in global finance.

In so far as some of that savings and investment balance would traditionally be associated more with the trade balance, there are, as I say, reasonably interesting signs of some improvement, at least as reported by the data. However, it is inevitably the case that we need to do more to boost the structural performance of our savings rates because, as my noble friend Lord Flight points out, if you look around the world recently, and especially historically, countries with higher savings rates typically have higher investment performance—and, with that, better productivity performance.

The noble Lord, Lord Desai, gave us some interesting statistics from his active time, by the sounds of it, in using our wonderful Library facilities. He made some particularly interesting comments on the reality of how our workforce is split between those employed to produce what are typically regarded as the more highly productive parts of our output and those who are not. I want to touch on a couple of anecdotes relating to my own observations and to comments that came up from other noble Lords, particularly one from my noble friend Lord Leigh. This is related to my focus on the northern powerhouse. It was widely feared in recent years that, as a result of the fiscal strategy and its reduction in public spending, with the loss of public sector jobs, due to the dependency of some regions of the north on public spending those economic regions would be particularly vulnerable. According to the data as produced, however, among the rather encouraging signs in recent developments is that some of these areas, notably the north-east, are showing considerable improvement in their job creation and overall employment performance. Virtually all this is being led by the private sector, which, if sustained, is a very encouraging development.

The other thing I would suggest, linked to the interesting suggestions of the noble Lord, Lord Desai, is that investing in high-producing areas that relate to

[LORD O'NEILL OF GATLEY]

future and current technologies is getting considerable attention, particularly given the role which the British Business Bank may play in supporting such developments. That is something I have had a number of conversations about.

Quickly moving on, I think that the noble Lord, Lord Bilimoria, devoted most of his interesting comments to the topic of education. He knows, from my own past, that I have spent a considerable time in that area, including as a non-executive at the Department for Education before I took on this role, as well as in a number of areas of education philanthropy. I will just pick up on a couple of comments that the noble Lord, Lord Bilimoria, made, not least because they relate to comments made by other noble Lords and focus on very important issues.

Although the absolute level of spending of this and previous Governments on higher education may appear low relative to other countries, I go back to my opening comments: at this particular moment in time, we are constrained by the high level of debt in so many other areas where one would naturally think about wanting to spend more. That is a reality that we cannot lose sight of. However, as the noble Lord, Lord Bilimoria, pointed out, it is remarkably encouraging how well our higher education stands in a global context. If we could achieve the same success with primary and secondary education, on those few measures of international comparison that are available, I suspect that we would have a lot more satisfactory views collectively about our productivity challenge.

If you look in detail at the bits we have discussed in the productivity plan—of course it could have been 162 pages if we had put everything in that we wanted to—there is indeed quite a lot of focus on dealing with educational challenges at primary and secondary level. It also relates to the important points that the noble Lord, Lord Davies, touched on before his request for us to focus much more on higher education. In that regard, I would highlight that the Government are now trying to focus on what you might call coasting schools and, importantly, schools in coastal towns and cities. These are at the core, in the evidence we have available today, of some of these particularly grave education and skills challenges.

Noble Lords made a couple of comments about the success of London. I would link again to my own experiences, which I have mentioned before in this place: the success of London in primary and secondary education in the past 10 to 15 years is, I believe, a particularly interesting case study. We should explore using that example around other parts of the country to achieve improved outcomes, which are very important. It is influencing the thinking of Governments in a number of related areas.

My noble friend Lady Harding gave a very brief but interesting history of the development of literacy, which for me was very educational and which touched again on a number of the areas that I have just referred to in respect of London and skills. One point

that my noble friend touched on, which a number of other noble Lords did too, was about the supposed success of Germany. I cannot miss the chance to touch on that. Although it is true that productivity in Germany, like in the rest of our G7 neighbours, is considerably higher than ours, what seems to be less well known is that in recent years Germany has not been so successful with productivity or investment. We have requested the data analysis because there may be something going on in common in a number of countries which is leading to doubts about how some of these data are being collected.

A number of comments made by other noble Lords touched on the importance of both secondary and higher education. Given the short time I have left, I just reiterate what I think I said at the outset and in previous comments: in my judgment, all the different areas of education and skills are probably the most important things that we need to have some success with if we are to deal with the long-term challenge of productivity; albeit less so with respect to the cyclical challenge.

Given his remarkable history, the noble Lord, Lord Rees, made several comments that are well worth focusing on and thinking about in some detail. In that regard, I shall take them away from this evening's interesting debate.

My noble friend Lord Leigh, to a couple of whose valuable comments I have already referred, also focused on the important areas of finance and trade. I would put those in the “relatively easy” pot compared to the complexity and depth of the challenge that we need to deal with in education and skills. However, as he noted, they are areas on which we are focused. Trying to increase the number of challenger banks and the competitiveness of the financial sector to provide finance for the economy, and trying to boost our trade with important rising powers around the world—I am actively at the centre of that—is a crucial part of our economic policy.

In summary, this has yet again been an interesting debate with some important and powerful contributions on which I want to ponder, reflect and incorporate to frame some of my thinking about the right policy to help in this long-term challenge for the country. I said that increasing our productivity has been the chosen next step by this Government on the path started by the previous one towards a strong and secure economic recovery. Implementing that step and achieving that goal will require action and input from across the whole spectrum, whether it be from industry, academia or policymakers—not least from the Members of this House. I welcome the contributions that have been made by your Lordships this evening and will welcome contributions from all of them and others going forward. I look forward to updating this House on progress on an ongoing basis.

Motion agreed.

House adjourned at 9.57 pm.

CONTENTS

Tuesday 8 September 2015

Questions

Kids Company	1307
United Kingdom and the European Union	1310
Higher Education: Part-time and Mature Students	1312
Refugee Crisis	1315

European Union Referendum Bill

<i>First Reading</i>	1317
----------------------------	------

Northern Ireland: Political Situation

<i>Statement</i>	1317
------------------------	------

Women in News and Current Affairs Broadcasting (Communications Committee Report)

<i>Motion to Take Note</i>	1327
----------------------------------	------

Civilian Use of Drones (EUC Report)

<i>Motion to Take Note</i>	1356
----------------------------------	------

United Kingdom: Productivity

<i>Motion to Take Note</i>	1387
----------------------------------	------
