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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

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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

Thursday, 19 November 2015.

11 am

Prayers—read by the Lord Bishop of Bristol.

Introduction: Lord Bruce of Bannachie

11.08 am

The right honourable Sir Malcolm Gray Bruce, Knight, having been created Baron Bruce of Bannachie, of Torphins in the County of Aberdeen, was introduced and took the oath, supported by Lord Wallace of Tankerness and Lord Kirkwood of Kirkhope, and signed an undertaking to abide by the Code of Conduct.

Introduction: Baroness Rock

11.14 am

Kate Harriet Alexandra Rock, having been created Baroness Rock, of Stratton in the County of Dorset, was introduced and took the oath, supported by Lord Feldman of Elstree and Lord Fellowes of West Stafford, and signed an undertaking to abide by the Code of Conduct.

Police: Officer Offences

Question

11.19 am

Asked by **Baroness Doocey**

To ask Her Majesty's Government how many serving police officers in England and Wales have been convicted of offences of violence or dishonesty in the past 10 years.

The Minister of State, Home Office (Lord Bates) (Con): My Lords, the Home Office does not currently hold data related to police officers convicted of certain categories of offences centrally. These are held at individual force level.

Baroness Doocey (LD): I thank the Minister for that response. I asked all police forces whether any of their officers who carry guns and Tasers have convictions for physical violence. Half the police forces were unable to answer; one police force said that it would require a PNC check on every officer in order to answer the question; and one police force said that the data it could provide may not be accurate because officers may not have reported the fact that they have had a conviction. Does the Minister share my concern that this appalling lack of data could have very serious consequences?

Lord Bates: I certainly do share the noble Baroness's concern about that. The College of Policing, which was set up to raise standards in this very important area, has said that in all but the most exceptional circumstances it would not expect anybody with any conviction, except the most minor conviction perhaps committed in their youth, to be on the force. Therefore,

the type of circumstances that the noble Baroness refers to should not arise. Of course, one issue is that, because of the particular legal entity of a police constable, it is a matter for the local constabulary to act upon that, and we very much hope that they will.

Lord Mackenzie of Framwellgate (Non-Aff): My Lords, is the Minister aware that when I joined the police service, many decades ago now, each applicant had to be fully vetted? As well as that, the applicant's spouse and family were also vetted. I noticed recently that pass-holders on the Parliamentary Estate are also required to go through a similar strict vetting procedure. Does the Minister draw any conclusion from that?

Lord Bates: We draw the conclusion that that needs to be improved. We recognise that. That is one reason why the College of Policing has introduced a new code about how vetting is undertaken. At the moment, it is done on a constabulary by constabulary basis and there are differences. We want best practice across all constabularies. A new authorised, professional standard of vetting is being issued and is expected to be introduced across all the constabularies in the country.

Lord Marlesford (Con): Does my noble friend agree that conviction in open court for a criminal offence is a matter of public record? Will he therefore take steps to obtain the information which the noble Baroness asked for and publish it in *Hansard*, with the names of those concerned, the dates of conviction, the offences for which they were convicted and the sentences that they were given, as soon as possible?

Lord Bates: My noble friend is right to say that it is a matter of public record. What we are trying to do here in the wider sense is to have a central role for the College of Policing, which we have established, to raise standards across a whole raft of areas. It has now introduced a "struck off" list. Some 444 police officers have been struck off, and that is a matter of public record. We have also said that disciplinary hearings need in future to be held in public and to be chaired by an independent, legally qualified individual. These are all steps in the same direction that I think the noble Lord wants to go.

Lord Rosser (Lab): A recent freedom of information request asked how many officers and PCSOs had been convicted of criminal offences since 2012 and for the total number of serving officers with criminal convictions. What was surprising from the outcome of that FoI request was the number of police forces—nearly half—which declined to provide the information sought on grounds of cost or did not respond at all. Of course, the overwhelming majority of police officers are committed to their job and to serving their community and it is important to place that on the record, but since police and crime commissioners were meant to provide greater police accountability to the public, do not the Government find it surprising that PCCs would not have already obtained for themselves the information sought in the FoI request to which I have referred about their own force, including the policy on

[LORD ROSSER]

recruiting new officers with previous convictions and retaining in the service those convicted of offences while in the force? That clearly could not have been the case in respect of those PCCs for those forces which did not provide the figures sought.

Lord Bates: One role of the PCC is to have exactly that conversation with the chief constable in their area and to make sure that they are aware. When I looked into the detail of those freedom of information requests—which, on face, cause me as much distress as I am sure they cause the noble Lord—I found that in many cases, while there was a conviction for a current officer, that was countered by the fact that they were still undergoing gross misconduct procedures or appealing a particular decision. That was one of the reasons why those figures came out, but those conversations should be going on as a routine matter between PCCs and chief constables to maintain public confidence.

Lord Clark of Windermere (Lab): My Lords, does the Minister agree that the Freedom of Information Act has been important in eliciting information on this question and many others? Will he give the House an assurance that the Government will not weaken that Act?

Lord Bates: Certainly for individual forces there can be a great cost of that. That is one of the reasons why we need better systems of central reporting. For example, from next year the annual data return will collect misconduct and conviction numbers. That can be done centrally and therefore there will not be a greater need for freedom of information requests. That will be better all round.

Lord Blair of Boughton (CB): My Lords, I think that this is actually a problem of recording rather than having convicted officers still in the force. The reason for that is that they will have been charged in a police station and that fact will have gone to the professional standards department and the chief constable. If they are convicted, they will be put on a discipline hearing, which has the power to dismiss if someone has been convicted of an offence. The problem is not that we will have lots of people wandering around wearing blue uniforms who have been convicted of violence and dishonesty but that we do not know how many have been convicted. That is still a problem, but it is not the same as the hideous idea that there are lots of people with serious convictions inside the police service.

Lord Bates: On that point the noble Lord is absolutely right. The number who have been struck off, which I gave to the noble Lord, Lord Marlesford, was 444 out of 127,000 serving police officers. It is absolutely right that the vast majority behave to the highest possible standards of integrity.

Lord Berkeley (Lab): My Lords, is there a national policy not to charge police drivers with killing people on the roads? I believe there has not been a single

conviction of a police driver for killing other people—be they pedestrians, cyclists or people in other cars—for the past 10 years or so.

Lord Bates: Whenever there is a fatality where the police come into contact with the public and those tragic circumstances happen, it is a mandatory requirement that that is reported to the Independent Police Complaints Commission and investigated. I am not sure of the actual numbers, but I will be happy to look into the issue and write to the noble Lord.

Foreign and Commonwealth Office: Funding Question

11.27 am

Asked by *Baroness Helic*

To ask Her Majesty's Government whether the current level of funding of the Foreign and Commonwealth Office is sufficient for the department to fulfil its mission of promoting the United Kingdom's interests overseas and supporting United Kingdom citizens and businesses globally.

The Earl of Courtown (Con): My Lords, the Foreign and Commonwealth Office will continue to play a leading role in delivering the Government's ambitious international agenda. The Government are committed to eliminating the deficit. The Foreign and Commonwealth Office has played its part and will continue to do so. Since 2010, the FCO has cut its operating costs by more than £100 million while flexing its network to meet new opportunities and challenges. We have opened or upgraded 18 diplomatic missions, increasing our presence in the fastest-growing economies.

Baroness Helic (Con): My Lords, I thank the noble Earl for his Answer. The terrible attacks in Istanbul, Beirut and Paris remind us that security is the most valuable currency of our times. From the Middle East to Asia and Europe we face challenges that cannot be resolved by aid or military deployments. Although hard power is sometimes necessary, these problems require diplomatic solutions, yet the Foreign Office has been at risk of being stripped to the bone. The department protects British interests in 168 countries with far fewer staff than Sheffield City Council. Its diplomatic network is the same size as that of France—

Noble Lords: A question!

Baroness Helic: Certainly. I fully understand that we have to meet our financial obligations, but I respectfully ask the noble Earl whether, as we wait for the national security strategy—no doubt with more tasks for the Foreign Office—he can assure the House that the FCO will be funded in the current spending review?

The Earl of Courtown: My Lords, we all have the greatest respect for my noble friend Lady Helic and her work on the preventing sexual violence initiative. She is quite right to draw attention to the national security strategy, but perhaps the best way of answering

her is to quote my right honourable friend the Prime Minister when considering the picture of diplomacy, which cannot be neglected and will not be. He said on Monday:

“The National Security Strategy that we are publishing next week will give Britain the resources it needs to increase both its hard and soft power and build the relationships that can project and enhance our influence in the world”.

Lord Anderson of Swansea (Lab): My Lords, it is a truism that development works best in a climate of security. Do the Government recognise the interrelationship, as demonstrated by Syria, between the military budget, the foreign affairs budget and the development budget? To reduce the FCO budget, as they are doing, not only harms our development effort but leads to a substantial decline in FCO morale.

The Earl of Courtown: My Lords, the noble Lord, Lord Anderson, has mentioned the ODA budget. We have an excellent record of leveraging the ODA for the broader priorities of Her Majesty’s Government, not just the important role of poverty alleviation but the other areas to which the noble Lord has drawn attention.

Lord Wallace of Saltaire (LD): My Lords, when the Ukraine crisis broke out, the FCO really felt its lack of expertise on Russia. If the FCO’s staff is cut further, expertise to analyse what is happening at the moment in countries in other very sensitive areas such as Central Asia, the North Caucasus and the Middle East will be in short supply. Do the Government take that into account when considering whether they can further cut the FCO both at home and abroad?

The Earl of Courtown: My Lords, I always take careful note of what the noble Lord, Lord Wallace, has to say, due to his previous role in the department. Just to go into the number of posts, yes we have fewer posts than we had 10 years ago. However, since 2010 we have not closed any sovereign posts and we have opened or upgraded 18 posts under the network shift programme and strategic reprioritisation exercises, as well as deploying around 300 extra front-line staff in more than 30 countries.

Lord Howell of Guildford (Con): Has my noble friend noted that we are now actually spending less on the Foreign and Commonwealth Office, which is the spearhead of our overseas influence, than we are expending on, for instance, one individual experimental programme for reducing carbon—namely, the carbon capture and storage system at £1 billion—which so far has produced very few results? Is it not time for some rebalancing?

The Earl of Courtown: My noble friend is an expert on both subjects, while I try my best at them. I should say that my right honourable friend the Foreign Secretary has scrutinised the FCO budgets closely and has tried to identify further efficiencies which can be delivered through reductions in running costs, travel and staff costs and by reviewing our support for arm’s-length bodies.

Lord McConnell of Glenscorrodale (Lab): My Lords, given the importance of diplomatic efforts for the reasons that have been explained by other noble Lords, will the Government give a clear guarantee that whatever the level of cuts in the Budget to be announced by the Chancellor later in this Session, the Government will bring to the House an opportunity to debate the strategy behind the implementation of those cuts to the Foreign Office budget, and in particular to look at what opportunities there are to work more closely with the European External Action Service, which now has diplomatic offices in many of the countries where we are represented as well?

The Earl of Courtown: My Lords, as the noble Lord will be aware, not long ago we had an interesting debate on the responsibility to protect, to which I was able to respond from this Dispatch Box. It is up to noble Lords to put down debates on this subject at any time, and I am sure that the noble Lord will attempt to do so.

Lord Leigh of Hurley (Con): My Lords, does my noble friend agree that it is not just about the amount of the allocation but about the efficiency with which the money is spent? Will he join me in welcoming the comments made by many businessmen, both from SMEs and from large businesses, about the dramatic change since 2010 in the FCO’s ability to help exporters abroad?

The Earl of Courtown: My Lords, my noble friend is quite right. Perhaps I should underline the facts about the good work being done by UKTI. The Foreign and Commonwealth Office has helped to deliver some £37.6 billion-worth of business wins for UK industry. We also have the GREAT campaign, which emphasises that this country is a great place to visit, a great place in which to study and a great place to do business in.

Lord Green of Deddington (CB): My Lords—

Lord Hodgson of Astley Abbotts (Con): My Lords—

Lord Hughes of Woodside (Lab): My Lords—

Noble Lords: Cross Bench!

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, I think we are going to move on to the next Question, but it was the turn of the Cross Benches.

Drones: Risks to Passenger Aircraft *Question*

11.35 am

Asked by Lord Glentoran

To ask Her Majesty’s Government what plans they have to manage the risks posed to passenger aircraft by drones flown by private individuals.

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con): My Lords, the Government are working with the CAA to develop a comprehensive education campaign on drone safety, and are talking to airports and the manufacturers and retailers of drones about the steps that can be taken to minimise the likelihood of negligent airspace incursions.

Lord Glentoran (Con): My Lords, I thank my noble friend the Minister for that reply. It seems to me to be pretty positive. Having flown around with my own pilot's licence in the various spaces we have in the country, I see that they are already very overcrowded. Privately owned drones, if not strictly controlled shortly, are almost certain to bring some other disaster into our airspace.

Lord Ahmad of Wimbledon: My noble friend raises an important point about safety and that is why the Government have also undertaken to launch a specific public dialogue on the issue of the use of drones, particularly in the leisure area. We will also be consulting next year specifically on proposals for registration, licensing and tracking of drones. My noble friend is right to point out the increased number. If we compare 2014 to current-year statistics, we have seen possible incidents going up from 10 to 64, so with the increasing use of drones, the safety issue is very important.

Lord Hylton (CB): My Lords, is the Minister aware that there have been near misses recently, and are the Government considering total exclusion zones for drones in the take-off and landing flight paths of major airports?

Lord Ahmad of Wimbledon: Again, I can say to the noble Lord that this is an important issue. It is on the Government's radar—to use an aviation analogy—and, for example, Sussex Police is carrying out a specific pilot around Gatwick Airport, addressing the very points raised by the noble Lord.

Baroness Randerson (LD): My Lords, the Government's response to the EU Committee's report on drones referred to ongoing discussions on the wider use of geofencing. The Committee recommended that the Government should look at mandatory geofencing. Have they considered this and what conclusion have they come to?

Lord Ahmad of Wimbledon: The noble Baroness refers to a very positive debate we had in this House. As I have already outlined, the Government will be introducing a public dialogue very shortly on this issue, which will be across the country, including in Scotland and Wales. In addition, there will be a full public consultation in which the point she raises will also feature. We hope to conclude that public consultation by the middle to end of next year.

Lord Geddes (Con): My Lords—

Lord Rosser (Lab): I do not share the view already expressed that the Minister's response was positive. The Civil Aviation Authority is warning that drones being flown as high as 2,000 feet are putting passenger

aircraft in danger. It has now issued safety guidelines known as the drone code to discourage hobbyists from using their equipment in areas where large aircraft are present. Frankly that seems a pretty tepid response if it reflects the Government's approach. First, the potential dangers of drones to passenger aircraft have been known for a few years and, secondly, six incidents involving drones at or close to airports were reported between May 2014 and March this year. Do we have to wait for a major incident to occur before meaningful action is taken? How can the potential risk to passenger aircraft be said to have been addressed when there appears to be so little effective control over who can acquire and fly a drone, and where?

Lord Ahmad of Wimbledon: I look forward to the day when the noble Lord says I have made a positive remark from this Dispatch Box. That remains a personal ambition. I am sure that that is not the case, I say to the Opposition Chief Whip. The noble Lord is fully aware, I am sure, that the Air Navigation Order 2009 lays out specific measures for operators, covering issues of safety and security. Equally, as I have already said, it is right that we look at this evolving area, particularly over the fact that drones available for leisure activity are more widespread. The noble Lord talked about the negative response. The CAA has launched a particular campaign for small operators, which is entitled *You Have Control: Be Safe, Be Legal*, which the Government support. I have already alluded to the public dialogue and the consultation that I am sure will yield positive results.

Lord Lawson of Blaby (Con): My Lords—

Lord Geddes: My Lords, I will try again, since I have been on my feet once. Could my noble friend advise when a model aeroplane becomes a drone?

Lord Ahmad of Wimbledon: We would have various technical responses to that. If a model aeroplane is operated by a particular individual and controlled through a remote control device, it falls within the definition of a drone. As I said earlier, it is important, with the evolving nature of this industry—in particular the availability of small drone aircraft from your high street—that the Government consult widely on this.

Lord Lawson of Blaby: My Lords, given the need to reduce the deficit, which has already been referred to this morning, would my noble friend care to suggest to the Chancellor that there might be a useful new tax base here?

Lord Ahmad of Wimbledon: I am sure that my noble friend speaks from great experience and my right honourable friend will have taken note of his helpful suggestion.

Lord Berkeley (Lab): My Lords, is this not a worldwide—or at least a European—problem, because the Americans can pinpoint bombing in Syria by controlling a drone from somewhere in the States? Who are the CAA and the Government talking to outside the UK? Surely it is much more than a UK problem.

Lord Ahmad of Wimbledon: This should not be looked upon just as a problem. There are benefits to be had from the expansion of drones; for example, in agriculture and in parcel delivery. Also, with the tragic, sad events we saw over the weekend, there is an increasing need to look at drone technology when it comes to surveillance. In that regard we are looking at this not just nationally; as the noble Baroness, Lady Randerson, said, it is also being looked at across the EU and with our international partners.

Lord Howell of Guildford (Con): Is my noble friend aware that you can buy these gadgets in the basement department of Selfridges? No doubt plenty will be given for Christmas. Surely the lesson from this is that we had better get on with proper controls PDQ.

Lord Ahmad of Wimbledon: My noble friend makes a very valid point. As I said, the leisure element of this particular expansion of drones is readily available. I am sure that many people will be getting Christmas presents from not just Selfridges but other stores that now host this—just to ensure that there is a level playing field here from the Government. The serious point is that this is an evolving area. We need to ensure that we consult widely and put the right measures in place.

Employment Question

11.42 am

Asked by **Baroness Seccombe**

To ask Her Majesty's Government, in the light of last week's employment statistics, what progress they are making towards their manifesto commitment of achieving full employment in Britain.

The Minister of State, Department for Work and Pensions (Baroness Altmann) (Con): My Lords, we are making excellent progress towards full employment, with the latest figures showing 31.2 million people in work—a record high, and more than 2 million higher than in 2010. The employment rate of 73.7% is also a record high. There are 735,000 vacancies in the economy—also near the record high.

Baroness Seccombe (Con): That is such good news, but no one can fail to be moved by the plight of a young person receiving repeated rejections. Will my noble friend the Minister tell the House how the mentoring initiatives are progressing in trying to get these people into work?

Baroness Altmann: My Lords, in Jobcentre Plus we have across the country a network of trained and dedicated work coaches. They are transforming the relationship we have with claimants, and, in turn, the relationship they have with the labour market. Since the 2010 election, youth unemployment has fallen by 285,000 to its lowest level since early 2006.

Lord Howarth of Newport (Lab): My Lords, while welcoming the increase in the quantity of jobs, I put it to the Minister that when the full employment White

Paper was published in the middle years of the 20th century, the assumption was that the jobs created would be adequately paid, secure and long term. Only a small proportion of the jobs created in recent years have been of that nature. What is the Government's strategy to improve the quality of employment, and what contribution do they consider the trade unions can make to that strategy?

Baroness Altmann: I am not entirely sure what figures the noble Lord is referring to, but since 2010 around two-thirds of the rise in employment has been in managerial, professional and associate professional occupations, which generally command a higher wage.

Baroness Howarth of Breckland (CB): My Lords, we know that the poorest families are often working families. While I welcome the Government's statistics, would it not be useful to know how many of the jobs are part-time—following the noble Lord's question—how many of them pay a living wage, and what hope there is of these families reaching a point where they are self-sufficient?

Baroness Altmann: My Lords, those are indeed important issues but over the year, and since 2010, the majority of employment growth has come from full-time work—up by more than 1.5 million posts since 2010.

Lord Wrigglesworth (LD): My Lords, encouraging though those national figures are—

Lord Davies of Stamford (Lab): My Lords—

Lord Skelmersdale (Con): My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, it is the turn of the Lib Dems.

Lord Wrigglesworth: My Lords, encouraging though those national figures are, does the noble Baroness accept that they mask massive disparities between different regions of this country, in particular between the north and south? What are the Government doing about that?

Baroness Altmann: My Lords, there have indeed been concerns about disparities but they are reducing significantly. The plans for the northern powerhouse will make a difference. The latest figures from the Recruitment and Employment Confederation and KPMG show that the Midlands and the north led a broad rise in demand for permanent staff, with salaries rising as well.

Lord McKenzie of Luton (Lab): What evidence do the Government have that docking £30 a week from half a million disabled people in the work-related activity group will act as a work incentive and help close the disability employment gap?

Baroness Altmann: It is indeed the aim of this Government to halve the disability employment gap. The reforms to the employment and support allowance are designed to ensure that we have the right incentives

[BARONESS ALTMANN]

in place to help people in the work-related activity group, of whom 61% do want to move into work, to do so.

Lord Skelmersdale: My Lords, many years ago, when I was taught economics, I was taught to define my terms. Will my noble friend explain whether the 2% to 3% unemployment rate which was valid in the 1980s still constitutes full employment?

Baroness Altmann: My Lords, there is no recognised definition of full employment as far as the economics profession is concerned. The Government's measure of full employment will be released in the first progress report on the full employment Bill.

Lord Davies of Stamford: My Lords—

Baroness Corston (Lab): My Lords—

Baroness Manzoor (LD): My Lords—

The Lord Privy Seal: We will go to the Lib Dems but, if the contribution is brief, we can get another Labour Peer in.

Baroness Manzoor: My Lords, in education, girls outperform boys in GCSEs, A-levels and graduate studies. However, across 90% of all sectors there remains a pay gap for women working full-time, particularly for those working in the finance and insurance industry. What are the Government doing to address this gap?

Baroness Altmann: The latest figures show that the pay rate for women under 35 is now higher than that for men. However, I agree with the noble Baroness, and we will look at the fact that there is still a gender pay gap for older women.

Baroness Corston: My Lords, will the noble Baroness confirm that apprenticeships are included in the figures she has given to the House? If so, is she aware that apprenticeships are now commonly for a duration of six weeks and can be for skills such as wrapping vegetables, putting flowers into bundles for supermarkets, sweeping stable floors and working in a fish and chip shop? Surely, this demeans the word "apprenticeship" and is just a way of massaging unemployment figures.

Baroness Altmann: My Lords, the aim of the apprenticeship programme is to get young people ready for work. The types of work are not as important as the fact that they are in work.

Business of the House

Timing of Debates

11.50 am

Moved by **Baroness Stowell of Beeston**

That the debate on the motion in the name of Lord Foulkes of Cumnock set down for today shall be limited to 3 hours and that in the name of Viscount Hanworth to 2 hours.

Motion agreed.

Northern Ireland: Political Agreement

Statement

11.50 am

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 made by my right honourable friend the Secretary of State for Northern Ireland in the other place. The Statement is as follows:

"With permission, I would like to make a Statement on the agreement reached this week in the cross-party talks at Stormont. But first I would like to pay tribute to Peter Robinson, who announced this morning that he will soon be standing down as First Minister and leader of the DUP. Peter has been a central figure in Northern Ireland politics for over four decades. In his long and distinguished record of public service both in this House and the Assembly, he has championed the interests of Northern Ireland with unparalleled effectiveness, determination and dedication. Peter was key to the agreement reached this week and he can be rightly proud of his contribution. I am sure the whole House will join me in wishing him a long and happy retirement.

Last December, the Stormont House agreement was reached after 11 weeks of negotiations between the five largest Northern Ireland parties and the UK and Irish Governments. That agreement addressed some of the most difficult challenges facing Northern Ireland, including: the finances of the devolved Executive; welfare reform; flags and parades; the legacy of the past; and reform of the Assembly to make devolution work better. All of this was underpinned by a financial package from the UK Government that would give the Executive £2 billion in extra spending power.

In the Government's view, the Stormont House agreement was, and remains, a good deal for Northern Ireland. By the summer, however, it was clear that implementation had stalled. There were strong differences of opinion within the Executive over the budget and the implementation of the welfare aspects of the agreement, and these were preventing other elements of the agreement going forward. We were facing a deadlock, which, left unresolved, would have made early Assembly elections more and more likely, with an ever-increasing risk that the collapse of devolution would follow. After all that has been achieved in Northern Ireland over recent years, a return to direct rule from Westminster would have been a severe setback, and it is an outcome which I have been striving to avoid.

In August, a second issue arose to threaten the stability and survival of devolution. The suspected involvement of members of the Provisional IRA in a murder in Belfast raised the spectre of paramilitary activity in Northern Ireland and its malign and unacceptable impact on society. Faced with these circumstances, we concluded it was necessary to convene a fresh round of cross-party talks with the five main Northern Ireland parties, and the Irish Government on matters for which they have responsibility, observing the well-established three-strand approach.

The talks began on 8 September and ran for 10 weeks. The objectives we set were twofold: first, to secure the implementation of the Stormont House agreement;

and, secondly, to deal with continued paramilitary activity. I believe that the document published on Tuesday, *A Fresh Start: The Stormont Agreement and Implementation Plan*, makes real progress towards fulfilling both these objectives. Crucially, it tackles the two issues that have posed the greatest threat to the stability and survival of devolution in Northern Ireland.

First, on the Stormont House agreement, the new agreement will help give the Executive a stable and sustainable budget, assisted by further financial support of around £500 million from the UK Government. These funds are to help the Executive tackle issues unique to Northern Ireland. They include support for their programme of removing so-called peace walls and an additional £160 million to assist the Police Service of Northern Ireland in its efforts to combat the threat from dissident republican terrorists. The package also paves the way for completion of the devolution of corporation tax powers to the Northern Ireland Executive, something which could have a genuinely transformative effect on the Northern Ireland economy. The measures in the Stormont House agreement designed to address issues around flags and parades will now go ahead. There is also agreement on reforms to the Executive and Assembly to make devolution work better, including on the size of the Assembly, the number of government departments, use of the petition of concern and provision for an Official Opposition.

Secondly, the agreement takes Northern Ireland's leaders further than ever before on paramilitary activity. It strongly reaffirms the commitment to upholding the rule of law and makes it absolutely clear that in no circumstances will paramilitary activity be tolerated. The agreement places new shared obligations on executive Ministers to work together towards ridding society of all paramilitary groups and actively challenging paramilitary activity in all its forms, and commits all participants to a concerted and enhanced effort to combat organised and cross-border crime, which the UK Government will help to fund.

A key element of the Stormont House agreement on which we were unable to agree a way forward was the establishment of new bodies to deal with the past. We did establish common ground between the parties on a range of significant questions on how to establish these important new structures but, sadly, not enough to enable legislation to go forward as yet. The Government continue to support these provisions because of the pressing need to provide better outcomes for victims and survivors—the people who, we must never forget, have suffered more than anyone else as a result of the Troubles. So it is crucial that we all now reflect on what needs to be done to achieve wider consensus to get the new legacy bodies set up.

I want to emphasise that in very large part, the agreement takes on board a wide range of points made by all five Northern Ireland parties during the 10 weeks of talks that have just concluded. As the overwhelming majority of issues were in devolved areas, this agreement has rightly been driven by Northern Ireland's elected leaders, in particular the First and Deputy First Ministers. I reiterate my sincere thanks to them and to all the five parties which worked with

determination and commitment in the talks. Thanks go, too, to my honourable friend the Northern Ireland Minister and to Ministers Charlie Flanagan and Seán Sherlock from the Irish Government, who devoted many long hours to this process and made an invaluable contribution to its successful outcome.

Implementation of this week's agreement is already under way. On Tuesday, the Executive voted to support it. Yesterday, the Assembly passed an LCM on welfare reform legislation at Westminster and the Northern Ireland (Welfare Reform) Bill will be introduced to Parliament this afternoon. I believe this package as a whole gives us the opportunity for a fresh start for devolution. It is a further stage in delivering the Government's manifesto commitment to the implementation of the Stormont House agreement. It is another step forward towards a brighter, more secure future for everyone in Northern Ireland, and I commend this Statement to the House".

11.59 am

Lord McAvoy (Lab): My Lords, first, I thank the Minister for his Statement and for the early sight of it. In the House of Commons, my honourable friend Vernon Coaker has paid due tribute to Peter Robinson and his contribution to society in Northern Ireland. I endorse and support that tribute; I have been a friend of Peter Robinson since our days together on the House of Commons Select Committee on Northern Ireland and always found him a straight talker. What he said, he meant—and he always fulfilled—so I join in the tributes to him. His contribution to peace and progress in Northern Ireland has been immense. He has taken tough decisions. Most recently, in an interview in the *Belfast Telegraph*, he called for complete co-operation between the nationalist and unionist communities. Northern Ireland is a better place in no small part thanks to his work. I wish him and his whole family well.

I also compliment all those who have contributed to the document, including the Irish Government. It is a document which, despite some obvious challenges and, indeed, omissions, once again offers Northern Ireland a way forward—one more stepping stone towards the brighter, better future that the people of Northern Ireland want and deserve.

Does the Minister agree that the implementation of the agreement is crucial and that the people of Northern Ireland do not want to be faced in a year or two years with yet another crisis? This really has to be a fresh start. Is the Minister, like me, confident that the measures contained in the agreement really offer a way forward in a number of areas?

In particular, we welcome the commitment to bring an end to paramilitarism. Paramilitary activity has to end, and the proposal for a new strategy to bring this about, overseen by a panel, is critical. As Vernon Coaker said in the House of Commons, there are also worries about the attraction of these groups for some young people. Apparent easy money, lack of career opportunities, educational underachievement and a false belief that membership of such groups can give them status have to be tackled, with many of them having grown up in relative peace.

[LORD McAVOY]

Will the Minister confirm that the Secretary of State will use her position to ensure that countering the attraction of those groups for some young people is one of the strategic priorities, as I believe it must be? Will the Minister say more about how, in establishing the joint agency task force, cross-border co-operation will work, what resources there will be for the PSNI and whether he expects prosecutions to increase? We also welcome the confirmation of the work to be undertaken with respect to flags and parades. Does the Minister agree that that aspect is crucial?

Does the Minister share my disappointment that no agreement with respect to legacy issues and the past has been possible? Collectively, we have done well to get here, but unless something concrete is done on legacy issues, the potential is there to return again and again to difficult situations. Will the Minister say more about the issues and how he believes that they can be resolved? For example, how will the clash between national security and disclosure be resolved? Clearly, victims and survivors have to play a key part in any agreed process. We all understand that dealing with the past is incredibly difficult, with competing narratives and contested versions of events, but a comprehensive approach is vital to continuing progress in Northern Ireland.

Does the Minister agree that in the search for truth and justice, they often seem unobtainable, yet is it not the case that the people of Northern Ireland and their politicians have made an apparently impossible compromise and built consensus when none seemed likely—thanks in large measure to Members of your Lordships' House?

Will the Minister ensure that further efforts are made to deal with the past? We cannot let this slide; we really must tackle it. What plans do the Government have to meet victims to discuss a way forward? Given that there is no agreement, is funding to be made available to the PSNI to continue its legacy work as a contribution to settling this difficult past?

The House has also been asked to legislate on welfare reform, and we will not oppose those measures, but I must say that for Northern Ireland, as for the whole of the United Kingdom, a programme for jobs and growth is also needed. What measures are there in the agreement, over and above the devolution of corporation tax, which will achieve that while also improving infrastructure?

In conclusion, as I said at the beginning, this is a stepping stone towards a shared future. Of course, there are frustrations and disappointment at the inability to reach agreement on legacy issues—that is the one big task still facing us jointly—but could not the alternative have been a situation where the devolution settlement itself was at risk, with a return to direct rule, both of which are surely unthinkable? So, whatever people see as its imperfections, whatever faults people come up with, justified or unjustified, and whatever people see as being a disappointment, there is another breathing space and another opportunity for Northern Ireland to move forward to combat criminality, banish paramilitarism, tackle sectarianism and have a stable Government financially and politically. That opportunity

must be grasped, outstanding issues resolved and a fresh crisis avoided in a year or two. The people of Northern Ireland deserve and expect no less, and Her Majesty's Official Opposition will be fully behind this.

Lord Dholakia (LD): My Lords, I thank the noble Lord for repeating the Statement in your Lordships' House and endorse fully what has been said about Peter Robinson, who announced overnight that he was stepping down as leader of the DUP. He has played a significant role in Northern Ireland politics for some 40 years.

We welcome the fact that the DUP and Sinn Féin have been able to reach an agreement with the British and Irish Governments, but we are disappointed that the agreement was not more comprehensive. Significantly, the parties were unable to make progress on the fundamental issues arising from the Haass talks in 2013—for example, on parades, flags and dealing with the past. This is a considerable failure for the agreement. However, although the deal has been agreed and will prevent the collapse of the devolved institution, the package of measures is not a comprehensive outcome and does very little to tackle the underlying issues of the divided society in Northern Ireland. The failure of the political parties to come to an agreement on those issues has the potential to undermine public confidence in politics, devolved institutions and the peace process as a whole. It is clear that these issues will have to be settled for the good of everyone in Northern Ireland.

Of course, we welcome any agreement that sustains the Assembly and we are content to support the fast-track welfare Bill. But is it not the case that this agreement does not take us beyond or even, arguably, as far as the Stormont House agreement of 2014? How do the Government propose to assist, or at the very least encourage, the parties to address the unresolved question of flags, parades and the legacy of the past? What further progress can be made towards a genuinely shared future in Northern Ireland? The additional government financial support of £500 million to assist the Executive in tackling issues unique to Northern Ireland, including support for the programme to remove the peace walls, is welcome.

We very much welcome the agreement's initiative to tackle paramilitarism and organised crime. The new commitment by all politicians to uphold the rule of law is to be strongly welcomed. There is no place in a democratic society for paramilitary activity. We also welcome the additional funding for the PSNI. Can the Minister give further details on how this will be used? Will there be scope for some of this funding to be used for further recruitment of officers to continue to tackle all crimes in Northern Ireland?

Lord Dunlop: I thank noble Lords for their words and for the indication of bipartisan, cross-party support, particularly to get the legislation on welfare reform through this House. I agree very much that the implementation of the deal is absolutely crucial, and we should be in no doubt that the agreement has broken a real impasse in Northern Ireland politics and offered a prospect of a brighter future for Northern Ireland. Critical to this is a thriving economy. The noble Lord, Lord McAvooy, mentioned this and it will

be critical as we go forward. The deal unlocks not just the corporation tax powers but £2 billion of additional spending power that was part of the original Stormont House agreement.

The noble Lord mentioned the need to stop young people being drawn into criminal activity, and I agree very much that that is a crucial part of any strategy to deal with paramilitarism. Of the new money coming forward in this agreement, £25 million will be used to support the strategy to deal with paramilitary activity. Further work is required on the details of the joint agency task force, but it will be underpinned by £160 million extra security funding to make that activity fully effective.

On the importance of dealing with flags, identity, culture and tradition, the agreement makes provision for the creation of a new commission on these matters and on the commitments into which the Northern Ireland Executive has entered. We are all disappointed that it has not been possible to include the institutions that were part of the original Stormont House agreement to deal with the past as part of this agreement. The Government are committed to reflect with the parties the best way to take this forward because, as I said yesterday, victims and their families need to achieve closure in these matters.

I reiterate that I welcome the commitment that the parties opposite will not stand in the way of the welfare reform legislation.

Disclosure was mentioned. It is a tricky issue, and it is important to balance transparency with a duty to ensure that information release must not damage our ability to protect people.

This agreement offers Northern Ireland the prospect of a brighter future, and the important work of detailed implementation now starts.

12.12 pm

Lord Trimble (Con): My Lords, the existence of private armies anywhere within the United Kingdom presents a challenge to the authority of the United Kingdom Government, and responding to the existence of private armies should be with the Government in the lead. Pretty words said in the Executive are all very good and well, but it requires something more effective. The reason that the original Independent Monitoring Commission was effective at dealing with paramilitaries was that it had the power to sanction those bodies. Furthermore, not just the character of the persons who were in it but its independence had the effect of keeping the Northern Ireland Office honest and inhibiting its tendency to brush things under the carpet. We are missing on both those counts.

Lord Dunlop: My noble friend speaks with huge authority on these matters. With regard to paramilitary activity, the assessment done a few weeks ago showed that all parties in Northern Ireland are committed to the political path. Under this agreement, all the parties have signed up to ambitious commitments to eradicate paramilitary activity. A strategy must be agreed. It needs to be backed by the joint agency task force. The monitoring body is a crucial part of this agreement. It

will need, at a date in the future, to be given statutory underpinning and will be the subject of an international agreement with the Irish Government.

Lord Eames (CB): I declare an interest as co-chairman of the Consultative Group on the Past in Northern Ireland, which published its report some years ago. Will the Minister tell us more about the efforts of Her Majesty's Government to unravel the continuing problem of how we deal with the legacy issues, because so many other issues that he mentioned in the Statement are linked with the way in which we deal with the past? Will he enlighten the House about how the Government propose to tackle that part of the problem?

Lord Dunlop: I am not sure that at this stage I can give more detail than I have already given. The Government are disappointed that creating the institutions to deal with the past does not form part of this agreement. However, it remains a huge priority for the Government to deal with the issues of the past and take forward what was in the original Stormont House agreement to get these institutions set up. I think we can be optimistic that some very intractable issues, such as welfare reform and budgetary issues, have been dealt with in the agreement. That shows what can be achieved with good will and all the parties getting around the table. We need to bring that same spirit to how we take forward the issues that were not included in the agreement, and that will be a high priority for the Government.

Lord Browne of Belmont (DUP): My Lords, I thank the Minister for repeating the Statement. I very much welcome the successful conclusion of the talks and the new fresh start agreement, which sets out a practical course to consolidating peace, stability and helping to promote economic development in Northern Ireland. I, too, pay tribute to my party leader, Peter Robinson, for his tireless work on achieving reconciliation in our community over a number of years.

I particularly welcome the additional security funding of £160 million for the Police Service of Northern Ireland to address the continuing severe national security threat, and to tackle continued paramilitary activity and criminality. However, will the Minister provide clarification about the nature of the severe national security threat and what steps the PSNI will be expected to take to address it?

Lord Dunlop: In this House a few weeks ago we had a Statement about the assessment that had been made. The Government continue to agree with that assessment, and I am not sure that I can add more at this stage to what was said on that occasion. Clearly, though, we are determined to tackle organised criminal activity, which has such a corrosive effect on the well-being of Northern Ireland.

Lord Empey (UUP): My Lords, I take this opportunity to wish Mr Robinson well in his retirement. However, I wish to disabuse the House of any idea that this is a five-party agreement. The document was pushed in front of our faces at 3 pm on Tuesday, and that applied to three out of the five parties. The final plenary session of the talks process was one hour later,

[LORD EMPEY]

and no one should be required to absorb a 67-page document in one hour. So let us be clear: this is a two-party agreement, it is less than the one that we had Statements on a year ago and huge areas are unresolved.

Will the Minister address the fact that the reason why we have a huge impasse here is not only that Sinn Fein reneged on the agreement on welfare that was made a year ago but the four consistent years of massive financial mismanagement? We are now faced with the situation that the budgets were known four years ago but no action was taken to meet expenditure on budgets, which meant that for the first time since 1921 Stormont could not balance its books. Secondly, and worse, we are now being allowed to borrow £700 million to pay off 20,000 public sector workers, instead of action having been taken at the time to gradually run things down by natural wastage and other mechanisms that would have cost the taxpayer nothing. Why did the Northern Ireland Office allow this situation to develop, watching millions of pounds of public sector money being squandered and wasted? What steps will the Minister take to ensure that the budget will be operated properly in future and that taxpayers will get value for money?

Lord Dunlop: I thank my noble friend. I note what he says about the position of other parties. All the parties have been engaged over a 10-week process and, as I said, it has broken a very damaging impasse. I hope that all Northern Ireland politicians will want to get behind the agreement and build upon it.

As for the finances, welfare reform and putting the budget on a sustainable footing have been two of the most intractable problems that we have been grappling with. It is important to say that all the new money that is part of this agreement is contingent on the Northern Ireland parties meeting the commitments that they have entered into. The agreement includes spending to save measures and there is no free ride in it. In addition to the implementation of welfare reform, instilling fiscal responsibility into managing the finances of Northern Ireland is critical to the agreement. Additional financial controls are part of the agreement—it is no longer possible to set unrealistic budgets—and it makes provision for a new, independent fiscal council. These are all things that are really important to ensuring that we do not get into the financially risky situation that we have seen over the last few months.

Lord Lexden (Con): What has been the actual cost of the prolonged welfare stand-off between Stormont and Westminster? When will the paramilitary structures highlighted so worryingly in the report published in September actually be dismantled? Are the Northern Ireland parties now confident that they can handle the consequences of the devolution of corporation tax, which I have long supported?

Lord Dunlop: I cannot give my noble friend precise figures on the cost of welfare reform, but I am very happy to write to him with as much information as I can provide. Clearly, I cannot give a specific date for

when paramilitarism will be eradicated from Northern Ireland, but I can give an absolute assurance to this House that this is a top priority for the Government.

Lord McFall of Alcluith (Lab): My Lords, the Minister mentioned that Sinn Fein was against the welfare changes. To avoid any blame game in the future, will the Minister confirm that all parties, including Sinn Fein, gave the Westminster Government power, through an Order in Council, to pass these welfare changes?

Lord Dunlop: It was a very positive sign of the commitment to see that this agreement goes forward that the Northern Ireland Assembly passed a legislative consent Motion yesterday. That is a very positive development.

Lord Elton (Con): My Lords, paramilitarism will continue, even if the paramilitary forces are dismantled, for as long as the paramilitary instinct can find recruits among young people. I have some experience in this area and I remind my noble friend that one of the top priorities of young people emerging into adulthood is to achieve an identity of their own. They wish to stop being somebody's son or somebody's nephew and want to be themselves. An easy way to do that in times when paramilitarism is rife is simply to undertake acts of criminality, preferably very public and very damaging, whereupon they cease to be Paddy's son or Maeve's brother and become "a hard man"; they become recognised as somebody to be respected among their equals. Unless we provide them with alternative activity this will go on. It is no good waiting for the economy to pick up and for jobs to bloom; there have to be accredited voluntary organisations giving such people meaningful, constructive things to do. I hope that my noble friend will see that this is treated as a priority.

Lord Dunlop: My noble friend has great experience of these matters and I agree very much with what he says. Community groups and organisations have a big part to play in creating a more prosperous, more stable future for Northern Ireland and we will certainly do what we can to support those groups.

Arrangement of Business

Announcement

12.24 pm

Lord Taylor of Holbeach (Con): My Lords, with the leave of the House, it may be helpful if I make a brief business statement to explain how it is envisaged that this House might consider the Northern Ireland welfare reform Bill. The House of Commons is due to take all stages of the Bill next Monday 23 November. We will therefore receive the Bill for a First Reading at the end of their proceedings, and the Bill will be printed overnight. Following discussions in the usual channels, we have agreed to propose that the House should take the remaining stages of the Bill next Tuesday 24 November, with a suitable interval between Second Reading and the remaining stages to allow Members who wish to table amendments to do so. The speakers' list for the Second Reading is already open, and the Legislation

Office has kindly agreed to offer drafting advice on amendments to Members who require it ahead of the Bill's arrival in this House.

Enterprise Bill [HL] *Order of Consideration Motion*

12.25 pm

Moved by Baroness Neville-Rolfe

That the amendments for the Report stage be marshalled and considered in the following order:

Clause 1, Schedule 1, Clauses 2 to 13, Schedule 2, Clauses 14 to 17, Schedule 3, Clauses 18 to 26, Schedule 4, Clauses 27 to 31, Title.

Motion agreed.

Trade Unions *Motion to Take Note*

12.26 pm

Moved by Lord Foulkes of Cumnock

That this House takes note of the role of trade unions in a democracy and their contribution to the general economic wellbeing of the nation.

Lord Foulkes of Cumnock (Lab): My Lords, I first declare an interest as a member of the GMB union, although I must confess that I am now, very appropriately, in the “retired workers” category. I very much look forward to the debate, but particularly to the contributions of the two maiden speakers, the noble Baroness, Lady Burt, and the noble Lord, Lord Robathan, whom I know from the other place and whom I know will make excellent contributions. However, I also look forward to the contributions from the many former trade union leaders—I was going to say “trade union barons”, but perhaps that is not the right phrase to use here—who know so much more about this matter than I do. We are in for a very well informed debate.

Labour's contribution to the debate on the Trade Union Bill in the other place has of necessity been somewhat defensive, because that Bill represents such a fundamental and, frankly, malign attack on trade unions. However, on behalf of Labour, I sought this debate today so that we can be much more positive and praise the work of the trade unions over the years and the contributions they have made and continue to make to our democracy and economy, as well as to protecting the well-being of the workers they represent.

Trade unions, from the Peasants' Revolt of 1387—not many Members will remember too much about that—

Lord Lea of Crondall (Lab): I remember that.

Lord Foulkes of Cumnock:—although my noble friend Lord Lea does; through to the industrial age, when, I am proud to say, the weavers in Ayrshire led the way, workers got together to challenge the injustices and abuse they faced. The state was controlled by an unrepresentative minority of wealthy people—in fact, a minority of wealthy men—

Lord Grocott (Lab): Nothing changes.

Lord Foulkes of Cumnock: My noble friend Lord Grocott says that it has not changed completely. They were intent on increasing their wealth, and ordinary workers were excluded and exploited.

The Chartists, founded by the London Working Men's Association, agitated for political rights for ordinary people and set in train the long series of events that, by 1928—only then—led Britain to become a full democracy. When we take time to look back at the achievements of the unions, we begin to appreciate how different life would be now for ordinary working people without them. I will give a few examples.

First, on workplace safety, workplaces with union safety representatives have half the serious injuries of non-unionised workplaces. In particular, the London Olympics of 2012 were the first Olympic Games ever in which nobody was killed while constructing the venues. It is not accidental that for the 2012 Games there was strong union representation on both the London Olympic committee and the Olympic Delivery Authority. In comparison, at last year's Winter Olympics at Sochi in Russia, 60 people died.

Secondly, there is the minimum wage. Unions were among the early supporters of what was arguably—it is a view I hold—new Labour's most successful achievement: lifting the purchasing power of low-wage workers, particularly women, without negatively impacting on unemployment and, incidentally, thereby helping economic growth.

Thirdly, on equal pay, as we all recall, the female trade unionists at Ford's Dagenham and Halewood plants forced the introduction of the Equal Pay Act 1970, which was a key step in the battle for gender equality in the United Kingdom. However, we are not all the way there yet. Since last week until the end of the year, women will on average be working for nothing in comparison with men in equivalent jobs.

Tremendous advantages have been won by the trade union movement, including full statutory maternity leave since 1993, and there are all those achievements without even mentioning the insurance cover, the legal representation and the other services that we ordinary union members receive from our trade unions.

Our economy also benefits hugely from the presence of trade unions at both the micro and the macro levels. At the level of individual workers within the economy, unions have had a positive effect for every type of worker. In relation to salaries and holidays, unionised British workers earn 8% more than non-members on average, and they have 29 days' annual leave as opposed to 23 for non-members. For young people, workers between the ages of 16 and 24 earn on average 39% more when they are union members. That is a huge and significant difference. Women in a union earn 30% more on average. The gender pay gap among unionised workers is 6% compared with 22% among non-unionised workers. Finally, workplaces with recognised unions are 24% more likely to offer training to their workers, and training in skills is vital to developing our economy if we are to make progress.

Unions also impact positively on the macroeconomy in three major ways. First, although some people claim that unions inhibit productivity growth, the

[LORD FOULKES OF CUMNOCK]

opposite is true—our economy is more productive where there are trade unions. Productivity growth since the recession has been disappointing across the economy as a whole. However, a recent study by the National Institute of Economic and Social Research found that this productivity gap is connected to the decline of trade unions and that, in reality, high union density is associated with stronger productivity growth. The sectors of the British economy that are experiencing strong productivity growth, such as aerospace and engineering, tend to be those with stronger union representation, where employers actively encourage and engage with the trade unions in their workplace. Professor Kim Hoque of Warwick Business School has found that workplace productivity in the public sector is improved by union representation, and he has raised concerns about the effect on productivity of the Government's impending Bill—an issue we need to return to when we debate that legislation.

Research by the New Economics Foundation found that high union membership boosts GDP by redirecting a larger share of capital to consumers or purchasers, thus expanding the domestic market for goods. Therefore, increasing the level of unionisation to that of the early 1980s, for example, could add nearly £23 billion to GDP. For every 1% reduction in the proportion of the workforce in unions, GDP is reduced by more than £2 billion.

Lord Clinton-Davis (Lab): As an active trade unionist all my life, I agree with what my noble friend says, but some trade unions are not affiliated to the Labour Party and they do an enormously valuable job. My noble friend Lord Monks and I have been presidents of BALPA for a long time. Would my noble friend say something about trade unions such as the National Union of Teachers and my own union, BALPA?

Lord Foulkes of Cumnock: My noble friend has a very distinguished record as president of the British Airline Pilots Association. Naturally, I would like all trade unions to affiliate to the Labour Party—of course I would. But I recognise that that is not likely always to be the case, and there may be very good reasons why they feel unable to do so. Part of our democracy is that they should have the right to make that decision.

If I may, I will move on to the point I was going to make about income equality. In the United States, the United Kingdom and Canada union membership has been strongly linked to greater income equality. Research has found that the more rapid rate of de-unionisation in America, for example, accounts for two-thirds of the greater income inequality compared with the United Kingdom.

I turn now to the unions' contribution to democracy. As we all know, in a democracy, it is not enough just to cast your vote every four—now every five—years; that is only part of our democratic system. Real democracy demands civic engagement from people through churches, as the Bishops will testify, charities—I am proud to be a trustee of Age Scotland and many noble Lords are involved in charities—political parties and other parts of civil society. But the trade union movement is perhaps the single strongest embodiment of such civic engagement, critical not just as a way for employees to

engage with employers on equal terms but as bodies representing and lobbying for wider changes in society on behalf of ordinary working people. We have seen trade unions do that. They serve as a vital conduit for the interests of millions to be heard here at Westminster, at Holyrood, at the Welsh Assembly and at Stormont, and in local government. They keep actively promoting the interests of working people in these areas where decisions are made. They promote the interests of a huge number of people—over 6 million British citizens—and are therefore essential to our democracy.

Trade unions also promote political participation by the citizens. According to figures from the OECD and the Institute for Democracy and Electoral Assistance, the 10 most unionised countries have an average voter turnout of 78%, while the 10 least unionised have a turnout of 62%. That is a remarkable difference and there must be some correlation.

Trade unions do not just help democratic participation; they also campaign and impact on a wide range of social issues. They fight not only for their members in the narrow confines of the workplace but also for a better society for their members. For example, on child poverty and opportunity, greater trade union membership is associated with lower rates of child poverty and significantly better economic mobility. On equality, the Trade Union Share Owners, controlling £1 billion of shares, has openly used this financial clout to pressure for more women on FTSE 100 boards. Such power could be used even further and more effectively, and I would certainly encourage it so to do. On anti-slavery, trade unions in this country have lobbied DfID, the ILO and the Home Office to fund anti-slavery programs for the benefit of people working in slave conditions, both abroad and at home.

Trade unions are sometimes cast as an anachronism, and some people say that they are redundant. But in spite of the tremendous advancement of workers' rights, the coming years point towards severe challenges that British workers will face. It is critical that we in Parliament work with employers and trade unions to mitigate and reverse some of these threats. The Trade Union Bill, which we will come to later, is one such threat.

The experience of the United States is a dire warning. Safety in the workplace is worse in the United States and wages are lower, particularly in states where there is anti-union legislation. If we compare those states with the others, we see a very significant difference.

In conclusion, the essence of a successful democracy is that the country works for the benefit of all the people. The Labour Party, which we recognise was born of the trade union movement, embodies that ideal. We are here to make the case for a more just and a more equitable society, to give voice to those who would otherwise be silent and to champion the continued journey of a nation towards our democratic ideal. Our trade unions should be a vital and valuable partner as we make this journey. I beg to move.

12.40 pm

Lord Balfé (Con): My Lords, I thank the noble Lord, Lord Foulkes, for putting down this Motion. I am sure that we welcome this debate at this important

time. Perhaps I, too, could begin with a few declarations. I am the parliamentary adviser to BALPA, the pilots' union, a majority of whose members I am pleased to say vote for the Conservative Party. I am also the president of the British Dietetic Association, a TUC-affiliated union, and I believe that the majority of its members do not vote for the Labour Party. In neither of those instances was this a matter for my being appointed to the role. Both those unions wanted to demonstrate that they were not dominated by one political party.

I should declare another interest. Since the age of 16, I have been a member of a TUC-affiliated union. For a good portion of that time, I was a member of AUEW-TASS, which I still think of as one of the finest unions that this country ever had. I am now a member of the Unite retired members section—like the noble Lord, Lord Foulkes, we are most of us, I suspect, in retired members sections—but I still look back with fondness to AUEW-TASS and in particular to its leader, my good friend Ken Gill, who would not have found a place on the Benches opposite for reasons that we will not go into.

Some 30% of trade union members vote for the Conservative Party. We have increasing evidence of this; we have done surveys and we have looked at polls. I was for five years the envoy of the now Prime Minister and then leader of the Opposition to the trade union movement, from the end of 2007 through the election to 2012. Indeed, when I came to this place, he said to me, "This has nothing to do with your distinguished service in the European Parliament; it is your service on behalf of the party".

Lord Clinton-Davis: When the noble Lord was in the European Parliament, did he hold those views at that time? Have they rather altered in recent days?

Lord Balfre: Like anyone who has known me for many years—of course, I knew the noble Lord when he was the Member for Hackney in the other House and as a distinguished commissioner—he will know that I have always had a wide range of views, which is why I was such a good friend of Ken Gill. Those views have evolved, as have all views, but they have not fundamentally changed: I am still standing here today on these Conservative Benches saying that I am proud to have been a lifelong member of a TUC-affiliated trade union.

I make the point about the Conservative Party—it is no secret; it is nothing new. The members of unions have always voted in large part for the Labour Party but in significant minority for other parties. Many of them do not vote at all; they actually mirror the population remarkably closely—much more closely than we might like to think. I am pleased that the Conservative Party has recently appointed Rob Halfon, its deputy chairman, to resuscitate the official trade union body within the party.

So we are at a bit of a crossroads, but one positive point that I want to repeat for the Minister is that one of the great achievements of the trade union movement has been the Unionlearn programme. It was recognised many years ago that active trade unionists are often

the first people who are in touch with people, particularly migrants who have come to this country, who have first-class skills but who often lack English language skills and sometimes numeracy skills.

I was very impressed when visiting one or two of the Unionlearn projects to find out that while there was a problem with English as a foreign language, there was often no problem with numerical skills. I was told by one or two of the tutors that the people they were tutoring were much better mathematicians than the person who was doing the tutoring. Of course, mathematics is an international language, unlike written and spoken languages. There are now some 30,000 Unionlearn reps in this country and almost a quarter of a million people in work are benefiting from the Unionlearn scheme. It is to the great credit of the Government that they have continued to support this scheme and I would like the Minister in her response to mention and endorse the fact that they will continue to support the scheme.

I saw the noble Lord, Lord Monks, frowning slightly. Of course the scheme has evolved, but the basic support for the principles of scheme is still there. It is there because the scheme benefits employers as well as employees. It is to the advantage of an employer to have a workforce that can read the health and safety notices; to have a workforce that has a sufficient command of the language to talk to other people on the shop floor who may also not be of a UK/English background but need to communicate in a common language. Courses in English, maths and technical studies are the backbone of the Unionlearn programme, and they have been extremely useful.

There is also a pay-off in economic return. If you improve the efficiency of workers, you improve their earnings, you improve the tax take and you improve the profits for the firms. It is not a charitable institution but one that is useful for benefiting the economy.

I have good news. Just under eight years after I first asked to meet Len McCluskey's predecessor as secretary of the T&G, I received an email yesterday saying that Mr McCluskey would very much like to meet the Lord Balfre. I have of course replied and said that I would be delighted to meet him. I wonder what that can be about.

It is totally self-defeating for the Labour Party to try to monopolise the unions, because unions need friends on both sides of the House. As the noble Lord, Lord Foulkes, said, unions play an important part in the economy. It is important for them to have friends across the political spectrum. If I was to give them one message it would be to stop backing just one horse because occasionally that horse might not win the race. You need friends on all sides of the House. My challenge to the unions is to settle down, to stop being totally dominated by one political party and to look across the House. Then they might find that they have more friends when they have difficulties with impending legislation.

12.48 pm

Lord Monks (Lab): My Lords, I thank my noble friend Lord Foulkes for bringing the positive role of trade unions to the attention of the House and for

[LORD MONKS]

doing so in such an interesting and powerful way. I too look forward to the maiden speeches of the noble Baroness, Lady Burt, and the noble Lord, Lord Robathan.

This debate is a timely curtain-raiser to the debates we are about to have on the Trade Union Bill, which will come to the House before Christmas. It is a trailer for some of the positive features of trade unions which I fear, despite what the noble Lord, Lord Balfe, said, are being ignored by the Government at present. I too should declare my interests as a former general secretary of the TUC and of the European Trade Union Confederation, and currently president of BALPA. The noble Lord, Lord Balfe, and I form a sort of odd couple in that particular union, but a very fine union it is too.

I wonder how many Members of the House have recently been through Westminster Hall, where there is an exhibition of the progress towards democracy that we have made in Britain since Magna Carta. Perhaps some have noticed that one of the banners hanging there pays tribute to the positive role of the trade union movement, and the particular role played by the Tolpuddle Martyrs. I invite the Minister and perhaps some of her colleagues to take a trip through the hall—I would be very happy to accompany them—and to take a look and remind themselves of the debt this country owes to trade unions in times of both peace and war.

I am very proud to have a strong connection to the world of trade unionism. Along with my family it is the central purpose of my life. I believe that trade unions have been, are and will be a tremendous force for good in the country, and I accept the stricture of the noble Lord, Lord Balfe, that we need friends across the political spectrum. I just wish that our friends over there were a bit more powerful in the Conservative Party than currently seems to be the case, because they are failing lamentably to have any influence at the moment, if the Trade Union Bill is anything to go by.

Just last week, Sir John Major lamented the lack of equality in Britain. He called on employers to pay more and acknowledged that the state alone was not rich enough to rescue all those left behind. In a remarkable speech, he called for a crusade and echoed similar sentiments that have been expressed by President Obama, Christine Lagarde and Mark Carney. But what Sir John omitted to mention is that the rise in inequality has been in inverse proportion to the fall in the coverage of collective bargaining. In the 1980s it was more than 70%, but has fallen to around 30% today. Strong unions pressed and even crusaded for higher pay, but by their very presence they imposed a degree of discipline on the way managements did things and on the reward packages they constructed for the people at the top. After all, it is not easy to help yourself when your employees are watching and may well be seeking some measure of comparability. As that pressure has eased, we have seen what has happened to boardroom pay.

I recognise that other countries with wider collective bargaining coverage are displaying some similar trends in inequality to ours, but the harsh fact is that the UK is the European leader in the inequality stakes, the

front-runner setting the pace for others to follow. I usually like it when the UK is the front-runner and I wish we were in the lead on skills, productivity, innovation and investment, but alas we are not; only in inequality are we way out in front. The combination of an overpriced corporate elite and weakened unions has not only fostered inequality, it has been a brake on our economic growth as the purchasing power of many of those who are worse off has been strongly squeezed.

I acknowledge that the Chancellor has made moves on the living wage, even if currently it is really a rebranding of the minimum wage, and at anything like its current levels it is certainly not a justification for slashing in-work benefits. I believe that a more fundamental approach is necessary, and that is to alter the way Britain does its business. It was President Roosevelt in the 1930s who persuaded much of US business that it was the trustee of all the economy, not just individual firms, not just the next quarterly results and not just the next takeover bid. He also strengthened trade unions and collective bargaining as a countervailing force. The historians on the other side of the House might remember that Stanley Baldwin, a Conservative Prime Minister, tried to do the same thing. With the then Minister of Labour, he promoted collective bargaining, and there was support for that across the political spectrum in the late 1920s and 1930s. I think that we need to do the same again. We need to promote mechanisms that do not involve taxpayers' money, but which provide for proper negotiations between employers and unions at the sectoral level so that we can iron out some of the inequalities and shine a light into the dark corners of the British labour market where exploitation is still rife.

However, that is not the way the Government are going. They are not going the Baldwin route; they are going a Thatcher route. Other Conservative Governments have had Bills on trade unions so it is a rite of passage for us to have ours as well. The barrel has been well and truly scraped of all the possible options in BIS. I will not debate the Trade Union Bill today; there will be plenty of opportunities to do that. We are being demonised. Blemishes here and there are seen through a prism which exaggerates them to give an impression of trade unionism that somehow we are the enemy of the state, when nothing could be further from the truth. We are a sword of justice. We wish we were a more powerful sword of justice to try and ensure that people get a fair deal.

The Trade Union Bill is to come and I hope that Members on all sides of the House will take an interest in it. I shall not go through any of the particular measures today—no doubt others will touch on them. Let us remember this: trade unions are not clapped out; they are not finished. Trade unionism is the norm in companies with more than 500 employees. It spans important sectors, such as aerospace, cars, chemicals, utilities, banking, transport and supermarkets. It would be good for equality if it spanned rather more sectors.

Will the Minister revisit the programmes of the present Government and look back a little at what Baldwin was trying to do in the 1920s and 1930s, and see trade unionism as an ally in what the Chancellor said he is trying to achieve, and what we are all trying

to achieve: a fair deal for the people of this country? That is what this debate today should be about. It was unions that brought us the weekend and many other things that we take for granted. My plea today is: work with us not against us.

12.57 pm

The Lord Bishop of Derby: My Lords, I, too, thank the noble Lord, Lord Foulkes, for this timely and important debate, and for his introduction to it. I want to say a little about the context in which we are having the debate and then make one or two points about the future of the trade union movement. As the noble Lord, Lord Foulkes, hinted, the trade union movement as we know it came out of chapels and churches and concern for the welfare of human beings in the world of work. We face similar challenges. If I may, I shall name some of the challenges that face not just churches but trade unions.

We live in what I call a non-joining culture. People want their rights and services in their lives but there is less energy to join and put your back to the wheel to make it happen. As people do not join and our numbers go down, there are fewer people to take up this important work. That is a real challenge for the trade union movement, as it is for the church, not least as the world of work gets more complex. We need more energy, more wisdom and more contribution from the experience of those in the world of work.

A second part of the context that intrigued me and which I want to name is that, in researching this, I discovered that the trade unions are relatively strong in their base in middle-income employees and in the professions. That is very much like the Church of England, if I may say so. We face a similar task in terms of people on the front line of the world of work in poor conditions—how to be alongside, encourage and support them.

The last bit of the context is about public perception. People think the church is about pitching up to a building on a Sunday. They think that trade unions are about having a fight about wages through strikes that cripple everybody else's lifestyle. The public perception is very wrong. In Derby, where I work, trade unions are involved in some of the most creative and important work in the community, supporting and paying for community workers in deprived areas. They have been involved in helping churches and other voluntary groups respond to the food crisis on the ground, using their resources, contacts and expertise in partnership to make a difference to people in need in deprived areas. That story needs talking up. That is the base to build on and to encourage.

I will name two things that trade unions are and have been about, which should be the pillars on which their future health depends. The first is interest. Trade unions have always represented the interests of their members, but, as I said, the method is often perceived to be confrontational. When there were strikes in the 1860s the *Guardian*, which was not a left-wing paper but a church paper in those days, had a very interesting article pointing out that strikes and confrontation were in the interests of nobody. They were not in the interest of the employer, the employee or the public. If unions are to represent the interests of people, it has to

be done by way of partnership, where people from different angles and views can participate and make a difference together. There is a responsibility on the unions as well as on employers, and on the public in our attitude, to challenge too simple a view of confrontation and to look for common ground. There is a shared interest that unions have to explore and step into with businesses and the public.

The second area in which unions have developed concerns identity. Historically, workers were hands—that was the word, “hands”, just a bit of a hand to help something happen. I was privileged to be part of the Joint Committee on modern slavery, examining where human beings are still commodities today. Actually, zero-hours contracts are not too different from people being in slavery, in a sense. There is a terrible way in which people are being treated as hands and commodities now, not just historically.

When the Government helped shape the then Modern Slavery Bill, the Minister's argument was rightly that businesses have to take a lead in shaping a business culture that is accountable through its auditing to ensuring that human beings are treated not like commodities but as part of the business in a responsible way. For that to happen, the workers and people in work need representation in the process of what the business audit is about, how it works, how it operates and what it is trying to achieve. Some noble Lords may have noticed that the Pope produced an encyclical earlier this year, *Laudato Si'*, which brings together the issue of slavery and sustainable economic and environmental development—that is, we are commodifying not just the planet but people. We need joined-up practices to audit business practice to see where not just the planet and the environment but people are being commodified, what that experience is about and how to challenge and change it. That can be done only through partnership—through different voices being in the mix—not through confrontation.

The Modern Slavery Act produced the anti-slavery commissioner. I am privileged to chair his reference group. Some noble Lords may have received his first strategic plan, which was published this autumn. It calls on businesses and trade unions to work together to challenge the commodification of human beings in the workplace. That cannot be done by business alone. It needs the representation and all the skills that unions have to get alongside people, to hear what is happening to them, to articulate it and to put it into the mix. As we develop better business audit systems, we must have the voice of those in work.

The Gangmasters Licensing Authority makes the same plea for businesses and unions to work together. It highlights specific areas of economic activity that have a desperate need for this partnership. It highlights agriculture, construction and hospitality, where there is not only a lot of technical slavery and a lot of very unsupportive work practices. We desperately need unions to help some of the most vulnerable in the workforce to have a voice and to make a contribution to business audit, business planning and business performance.

There is an enormous, vital and necessary future for the historical trade union movement to be alongside people in work and to be in partnership with business.

[THE LORD BISHOP OF DERBY]

We are at a stage where businesses are looking at a social and sustainable audit practice, trying to be socially responsible. Business needs the contribution of those who represent people in the workplace. I invite the Minister to comment not only on how we encourage businesses to have sustainable audit, but on how the Government can encourage the participation of those who listen to and represent the workers, and help the far from satisfactory experience of many in the workforce at the lower end of the scale, to be taken seriously and tackled creatively.

1.05 pm

Baroness Dean of Thornton-le-Fylde (Lab): My Lords, I, too, welcome very much this debate from my noble friend Lord Foulkes. Quite frankly, it is almost sad that it has been necessary to hold it and to put forward the positive contribution that trade unions have made. I look forward very much to the maiden speech of the noble Baroness, Lady Burt. Her experience in personnel will be very helpful.

We have just heard from the right reverend Prelate about history. Historical credentials are important in this House. I declare that I am a member of a trade union. I have been for more than 50 years and will continue to be until I die, because I believe in trade unions and in the rights of working people. History comes into it, in that I was elected general secretary of one of the printing unions, which was more than 200 years old—much older than any political party in this Chamber. It was formed out of hardship by people who were deported to Australia because they had the audacity to try to band together because they could not live on their wages, and if they threatened to do something about it their homes were taken off them because they lived in tied cottages.

We have come a long way. The record of the positive contribution of trade unions to this nation goes without question, in my view. I just hope that when we come to the Trade Union Bill that list of positives will be taken in the balance, because the Government pushing forward that Bill have a pretty poor record of looking after the ordinary man and woman in this nation. The party pushing forward this anti-trade union legislation—it is anti-trade union—opposed the formation of the health service. It opposed the Equal Pay Act when Barbara Castle brought it forward to try to help women. It opposed the Sex Discrimination Act. It opposed the minimum wage. If noble Lords look at the balance of where the positive contributions have been, it is a very hard argument from the Government that they are for working people.

Lord Balfre: I remind the noble Baroness, since we are in a history lesson, that the Labour Party opposed all the Thatcher trade union reforms but repealed none of them.

Baroness Dean of Thornton-le-Fylde: I take that point, but I am talking about the positive contribution for working people in Britain, not just members of trade unions. The policies that trade unions put forward benefited those in work, both within and outside trade unions.

Lord Callanan (Con): I am grateful to the noble Baroness for giving way. I am someone who has no particular knowledge of trade unions. I have never been a member of one and I have never seen them as particularly relevant in most of the places I have worked. Does she accept that the Bill we will debate is not anti-trade union but pro-consumer? Many of us who have no connection with trade unions get very irritated with the role of many trade unions as, first of all, they spend all their time campaigning against my party, so why should we have any respect for what they do? Secondly, they get in the way of many of us who want to go about our daily business.

Baroness Dean of Thornton-le-Fylde: I thank the noble Lord for that contribution. It is on the record and we will be able to remember it. I am a trade unionist; I am also a consumer, as were all my members. When I was in the trade union movement I learned a big lesson. I had 220,000 members who I was privileged to be elected to represent. Some 4% of them worked in Fleet Street. Noble Lords might have thought my union's members were Fleet Street. Yes, they were the screaming child and they did not bring a good reputation to my union, but the other 200,000-odd members were decent men and women at work, trying to get on with a decent job. They were good, decent trade unionists, yet the union's reputation was based on Fleet Street.

That is the very point I am trying to make on the Trade Union Bill, which, in seeking to deal with an issue that certainly exists, will take away the rights of a whole organisation representing decent working men and women. That organisation has more members than all the political parties put together and of any other organisation in the UK. Its members can join voluntarily. They do not have to join but choose to do so. One of the reasons they choose to join is that an employer who runs a workshop, for example, will probably have a full-time HR person, or someone he can refer to, and a lawyer to represent him. However, the individual worker has very little impact as an individual. Therefore, the right to combine with others is in my view one of the most important points of any civilised, free society. To do anything that damages that would damage our democracy and would take away the rights of working people.

I believe in industrial partnership and I tried to practise it as a trade unionist, as do most trade union representatives. We have heard reference to the Thatcher years. I recall Mrs Thatcher calling the trade unions “the enemy within”, giving a label to nearly 12 million working people in Britain. That was a nonsense. I see Members across the Chamber shaking their heads. I was a trade union official when that statement was made. It did not help me in my work but rather hindered me in trying to develop partnerships.

The contribution that trade unions make to this country depends on the freedom of individuals. Any economy that does not allow free trade unions is not successful. If the Government argue that their proposals will help our economy, I will challenge that—and it will be challenged in debate.

I will end with two points. Legislating to tackle a small but important problem in a way that penalises a whole sector of people in Britain is wrong and will not

work. Secondly, I would like to accept the invitation of the noble Lord, Lord Balfe, to make friends as trade unionists across the Chamber. I look forward to working with him to achieve a balanced outcome when the legislation arrives in this House.

1.12 pm

Baroness Burt of Solihull (LD) (Maiden Speech): My Lords, I am grateful for the opportunity to make my maiden speech today. I feel enormously privileged to be here and hope to make a productive and positive contribution to this House. I am grateful also for the welcome I received from noble Lords at my introduction and for the enormous support, courtesy and patience of parliamentary staff in the way they have helped this particular “new girl”. I have found the politeness and helpfulness of all the staff in this place without parallel. However, I am sure that it will take me a while to get used to the ways and customs here, so I feel that now is a good opportunity to apologise in advance for any faux pas I am likely to make as I feel my way.

I have been told that one’s maiden speech should be relatively non-controversial. I will try. I have been bruised and battered many times in the fray in the other place and have been impressed by the politeness and civility I have witnessed in this Chamber. It is refreshing, and I aspire to measure up to the standards that noble Lords maintain here.

Politics, in my past experience, has been a brutal game. I have served in local as well as national elected chambers, as a local councillor in Dudley—Lenny Henry country—and for 10 years as MP in the rather more genteel Solihull, overturning a 9,400 majority in 2005. This result came as an enormous surprise not only to the party that lost but also to many in my own party. At least one colleague on election duty with the media that night asked them to double-check the result before they discussed it on air. But although it was the street fighter from Dudley who originally won that seat, I chose Solihull for my peerage title because today I am a Silhillian—I live there, love it and love the people I have served for the last 10 years.

Before I discovered politics, my career was in public service—the Prison Service, in fact—in commercial business and then as an entrepreneur with my own businesses. I have spoken up for business large and small throughout my parliamentary career, so this short debate today seemed ideal for my maiden speech. My party, the Liberal Democrats, is a pro-business party. We feel a special affinity to small businesses; that independence of thinking, preparedness to back up your beliefs with actions and working hard are all traits we share with the entrepreneur. Indeed, many party members are entrepreneurs, but many also are trade union members, a lot of them in the public sector, selflessly serving in health, education and other services.

We all recognise that businesses and public services are nothing without the people who staff them, put their energy, time and creativity into making businesses grow, deliver the best service they possibly can, take pride in seeing the success they have helped to create and rightly expect to share in that success. Business is a partnership between those tasked with managing the

business and those who put energy and effort into making that business or that service the best it can possibly be. Here I cannot help being a little bit controversial. I think that anyone who seeks to profit at the expense of one side or the other will only defeat themselves. Taking sides is counterproductive—and I am sad to say that we see this all too clearly in politics at the moment.

The Trade Union Bill, to which several noble Lords have already alluded, in my view seeks to diminish union power when there is no evidence that strikes are on the increase and the number of trade union members is at its lowest for 20 years. Having said that, however, trade unions have a big responsibility, too. They serve their members poorly if they seek to push management too far, protect unproductive working practices and hamper the ability of employers to create wealth for all. That is why Liberal Democrats favour employee ownership so strongly. It is sad that many unions do little to support mutual and shared ownership when their own roots come from the co-operative movement. So, we welcome the constructive role that trade unions can play in the partnership that enables everyone to benefit from their labours.

In case anyone is thinking that I am unrealistic in my description of the working partnership I have outlined, I point noble Lords to an example of what happened in Solihull when Jaguar Land Rover fell on difficult times and we feared that either the Solihull or the Castle Bromwich plant would have to close, spelling disaster for our area and affecting the wider West Midlands. Management and unions worked together to agree a plan to reduce workers’ hours and pay, thereby enabling more skilled staff to remain in work so that the skills would not be lost when the hoped for upturn arrived—and, boy, did it arrive. Since that terrible time, JLR has become one of the most successful manufacturing companies in the UK, investing and building a long-term future to guarantee the success and prosperity of all the partners involved. That is the way to do it. Successful, long-term businesses are built on firm and committed partnerships between owners and staff.

I commend the spirit of this Motion and thank all noble Lords for listening so patiently.

1.19 pm

Lord Morris of Handsworth (Lab): My Lords, it is a privilege to follow the noble Baroness on the occasion of her maiden speech. It was a speech of content, passion and, of course, authority. The House warmly congratulates her on that speech and looks forward to many more contributions in the future.

When considering today’s debate, I was tempted to reflect on my 12 years as general secretary of the Transport and General Workers’ Union. But in order to avoid being labelled a “trade union baron”, as I anticipated, I decided instead to share my thoughts based on my 18 years as an employee and workplace representative at Hardy Spicer Ltd, subsequently a member of the GKN group.

As a believer in the values of a fair and just society, I have no difficulty in rationalising my role as a trade unionist. Today’s debate seeks to explore the role of

[LORD MORRIS OF HANDSWORTH]
 unions in a democracy and their contribution to the wider economy. I take the view that a free, independent trade union movement goes hand in hand with a fair and just society. But without playing devil's advocate, I would like to put exactly the same question to the employers: what is the role of employers in a democracy and their contribution to an economy that is fair and equitable? What are they doing that could not be done by other agents or, indeed, the state?

What I am seeking to establish is that there is an interdependence between capital on the one hand and labour on the other. Both working together, and working well, benefits society for the common good. It is clear that production and consumption are two sides of the same coin. The debate is about not the acquisition of ownership but equitable distribution. Trade unions provide a mechanism for dialogue between workers and employers, helping to build trust and commitment among the workforce. They ensure that problems can be identified and resolved quickly and fairly, bringing significant productivity benefits.

Many employers and employer bodies such as the EEF and the CBI have recognised the positive role that trade unions have played in supporting employer-led issues such as training and health and safety. Employers have long recognised the contribution that unions make in implementing organisational changes. They offer a mechanism for the effective negotiations and consultations that are generally needed to make significant change to programmes within the workplace. Trade unions are ambassadors, both at home and abroad.

In addition, trade unions have long worked alongside companies, business organisations and their communities in supporting national infrastructure projects. We have heard about projects such as the fifth terminal at Heathrow and of course the 2012 Olympic and Paralympic Games. As we speak, these groups are working together to build the case for other projects, yet some politicians and newspapers talk of trade unions as the scourge of economic well-being, in the past even describing us as the "enemy within". These claims are made even when workers seek health and safety protection for themselves and, more importantly, the general public.

A recent report produced by the independent think tank the New Economics Foundation and the University of Greenwich points out that the number of days lost per year to industrial action has fallen dramatically over the past 30 years and has today reached an historic low. The report concludes:

"The UK has paid a heavy economic price for three decades of anti-union policy and law",

and argues:

"If the recovery from the recession is to be placed on a secure footing, the status of trade unions as an essential part of sound economic policymaking must be restored".

The report argues that the UK economy is wage-led, not profit-led, and that increasing wages would kick-start spending and increase GDP by 1.6%. The collective strength of trade unions' negotiation means that on average union members take home higher pay and have better sickness and pension benefits, more holidays and more flexible working—all of which benefit the economy.

The World Bank agrees that unions are good for the economy. In a report based on more than 1,000 studies of trade unions and the performance of national economies, the World Bank found that high rates of unionisation led to less inequality of earnings, lower unemployment, lower inflation, higher productivity, and speedier adjustment to economic shocks.

So far I have looked only at the contribution of trade unions to the economy. What of their role in a democracy? I take the view that free, independent trade unions go hand in hand with a just and fair society—locally, nationally and globally. On a basic level, trade unions are agents for change and will always strive to protect and advance the interests of those they represent, including those without a voice. A major ILO study found that countries in which income inequality was on average lower tended to be those in which a greater proportion of workers were members of trade unions. It also found that higher rates of union density had a positive impact on the range of social rights afforded to citizens.

It is no coincidence that in countries in which there are free and active trade unions, there are more democratic, transparent and representative forms of government. In countries where there are no trade unions or where the movement is not visible, the vast majority of citizens continue to be trapped in poverty. It is in these conditions that instability and extremism thrive at the expense of democracy. Therefore, by pressing for better social, economic and environmental policies, trade unions are good for the economy and for society, and make democracy work better.

1.28 pm

Lord Griffiths of Burry Port (Lab): My Lords, I add my tribute to the noble Baroness, Lady Burt, who spoke earlier. Like my noble friend, I look forward very much to hearing more from her in the future. I was also delighted to hear the tone with which my noble friend Lord Foulkes introduced this debate. There is a Bill coming and we will have the opportunity to say things about it, but it is not a bad thing to remember that the trade unions are a part of our national life—not sectoral, not subdivisional but an integral part of our national life—and it is good that we hear the positive news.

I am therefore encouraged by my noble friend to bring up something that comes from a rather personal angle. I was 10 when my grandfather died. He had been a coal miner all his life and used to tell me, until I could tell the story off by heart, of how in 1910 at Penygraig in the Rhondda valleys he was one of those miners who came out on strike after there had been a lock-out. The miners were asking for 1 shilling and ninepence for mining a ton of coal. They were protesting that the price was not quite enough and the owners shut them out, so the workers came out on strike. My grandfather told me so graphically about Samuel Rhys, who died of a fractured skull right alongside him in the crowd. I am absolutely certain that every one of the 12,000 miners on strike that day told their grandchildren that they were next to Samuel Rhys. At the same time, at that very incident, the then Home Secretary ordered the British troops to move into the valleys. The Riot Act was read and bayonets were

fixed. My grandfather could tell that story pretty graphically. I was only 10, but I remember it to its last detail.

The mining industry has gone. Traditional heavy industries are no more. The injustices—let us be honest, that is what they were—under which workers went down those mines continue to exist, but they have morphed into other places. The right reverend Prelate the Bishop of Derby mentioned some of those areas. If it is a matter of justice, the fight has to go on. The champions who are behind the standard that they raise in the name of justice must not be vilified because they are doing that.

I want to go on to pay tribute to one of my personal political heroes, who is almost never mentioned in Parliament but deserves to be recognised much more. He was Jim Griffiths—no relative of mine, although he lived in Burry Port where I grew up. As a coalminer himself, Jim Griffiths came up to become president of the federation of miners in South Wales and, in that way, he became Member of Parliament for Llanelli in the 1930s. With the Labour victory in 1945, Clement Attlee invited Jim Griffiths to take up office in the Foreign Office but he refused. Clem Attlee was a little surprised: “Well, what do you want?”, he said. “I want to do something for my people”, said this former trade union leader, and so he took on the job of Minister for National Insurance. Under his leadership, four of the six parts of the welfare state as envisaged by Beveridge were put into place. He implemented the Family Allowances Act and brought the Industrial Injuries Act, National Insurance Act and National Assistance Act on to the statute book. We know about Nye Bevan and 1948; we know about Rab Butler and 1944; but nobody knows about Jim Griffiths, who did all four of the other Acts, so I pay my tribute to him here.

However, let us remember that the welfare state was itself created to address those evils that are called poverty, ignorance, disease, squalor and idleness. Let nobody in this House pretend that that battle has been won. All of us who have our feet on the ground and visit people in their homes and neighbourhoods can point to places where the scourges of those particular enemies continue to have their place. We rejoice, however, that we have had 60 years of benefiting from the implementation of those measures to address those enemies, and we stand fearfully on the threshold of the dismantling of those measures in our own day—woe to all of us. Of course they need reform and can no longer hold up in the way that they were envisaged originally but, my goodness, we are going to be a fragmented society if we lose hold of that.

I then want to pay tribute to another Jim Griffiths: my brother, who was an area organiser for the GMB. He did not live long enough to get into the retired GMB members and join my noble friend but my brother, who failed the 11-plus and did hard work on a factory floor, managed to impress the union by his ability to communicate with fellow workers. He soon became a shop steward. I have been with him many times at 6 am, when the shift ended, as he tried to recruit new members for the union. I saw my younger brother stand on a soap-box and arraign them with his oratory: Griffiths the preacher listening to Griffiths the soap-box orator. He was so persuasive in helping

the people coming through those factory gates to understand what the real benefits of joining a union were. He became an area organiser and this failure at school used to phone me to ask what I thought about John Stuart Mill, Immanuel Kant or Aristotle and Plato. He was offered a place at Ruskin College. We must not underestimate the contribution to the social fabric and leadership skills of this country that has come through the trade unions. They must not be typified and thought of exclusively in terms of certain well-rehearsed and well-publicised confrontational moments in our national life. There is far more to trade unions than that, and they ought to be honoured for it.

Finally, I pay my tribute to a Member of this House, Lord Murray of Epping Forest, a very close friend of mine. He attempted to work out something that he called pragmatic socialism in the social contract, which he played his part in establishing, and in attempts with the CBI to see that, across the employers/employees divide, there should be joint ways of solving our national problems. He had to endure the winter of discontent and understand how the new Prime Minister of 1979 had her own way of doing things. ACAS was formed in his time, but confrontation came out of the new political realities.

By paying tribute in this way to people who have touched my life, I should have added myself as a Methodist minister. Goodness me, where would the trade unions be without Methodists? One after another, they gave the public-speaking skills, organisational skills and self-confidence in public to working-class people who went on to found the Agricultural Labourers Union, the stonemasons union and, in Durham in 1832, the mineworkers union. All these things and so much more came from the Methodist Church—not Wesleyan Methodism, the posh bit that was going through a long mahogany phase, but the primitive Methodists who were out there doing their stuff in the highways and byways of the land. I owe to Methodism my self-confidence—I would not be standing here now without it—and Labour owes more to Methodism than to Marx, having come down the ILP route rather than the SDF route.

So, my friends, I just wanted to say how much I owe to the trade union movement, even though I was in it officially only as a junior member, aged 21. I was in the Association of University Teachers when I had a cameo career in that part of our life. I pay tribute to the trade unions and say that they must, in their stance for justice, continue to be approved, wanted and helped to morph into the modern realities that they face. God bless the trade unions and God bless this House, if it can see the good side of them.

1.38 pm

Lord Robathan (Con) (Maiden Speech): My Lords, this is my second parliamentary maiden speech. The first was made some 23 years ago, when I introduced a debate on recycling down the corridor. These are rather grander surroundings. Nevertheless, I approach this speech with some trepidation.

After my first speech, people were remarkably nice about it. It was not bad but probably did not deserve the praise that it received, if the truth be known.

[LORD ROBATHAN]

I particularly remember that Tam Dalyell, then the Labour MP for Linlithgow and now Sir Thomas Dalyell of the Binns, Baronet, was very complimentary. He particularly said that I was a great improvement on my predecessor in Blaby, about whom he went on to say some very disobliging things. Now, first, it was not true that I was a great improvement on my predecessor, and, secondly, I was somewhat shocked by the quite vicious attacks made on him. Here in the House of Lords, I already find that there are far better manners, much greater courtesy and real friendliness from all parts of the Chamber. For that I am very grateful; it is not always in evidence in the House of Commons.

I have been told that I should say something about myself, which of course is an irresistible invitation to any preening politician. Briefly, I was elected with the previous majority Conservative Government 23 years ago, after serving 18 years in Her Majesty's Forces, and I stood down as this majority Conservative Government were elected. I spent some four years in the previous Parliament as a Minister in the Ministry of Defence and the Northern Ireland Office. The truth is that it was time to move on, and I think that those who have been in the House of Commons would agree that 23 years is a pretty long sentence.

It is genuinely an honour to be here. Of course, there are issues and arguments about the future of this House, but I do not think there is any disagreement about its remarkable history. I would like to thank everybody across the Chamber for being so welcoming: my sponsors, my noble friends Lord Astor of Hever and Lord Spicer, my mentor, my noble friend Lord Skelmersdale, and everybody for the advice and assistance that they have given me—not least the staff of the House. In particular, I should like to mention the Principal Doorkeeper, Mr Keith Phipps. For a couple of years in the late 1980s, he and I worked together in the Army in Hong Kong and Northern Ireland. He tried to steer me in the right direction—well, usually in the right direction. As you may have guessed, he was not that keen on my emphasis on physical fitness and fitness training, but he was usually right about most matters, and I expect that he will try to put me right in this place, as well. Lastly, because old habits die hard, I would like to thank the Prime Minister for nominating me.

Turning to the substance of the debate, I am grateful to the noble Lord, Lord Foulkes, for calling this debate. We have known each other over the years and have always got on in a relatively civilised manner, I hope. I was told to be uncontroversial, which is to break the habit of a lifetime. As a frightful, dyed-in-the-wool old Tory, just my speaking on trade unions might be thought to be partisan, but I hope to avoid so being. I wish to approach this debate from an historic, discursive perspective in a genuine spirit of inquiry, because I think that there is a place for discussion on this matter. I would like to look also, only briefly, at the future of organised labour.

I say at the outset that, along with other noble Lords who have spoken, I absolutely believe in the right—indeed, the need—for any workforce to have representation. Twenty years and more ago, when I was on the Employment Committee in the House of Commons, I was astonished when chief executive

officers would come to tell us with pride that they had started having regular discussions with their workforce. Surely they always consulted their employees—but this was not the case. In the Army, paradoxically, I always knew what my soldiers thought, and I listened to them. In the SAS, we used to have things called Chinese parliaments. In a Chinese parliament, anybody and everybody had their say and said what they thought. Very often, it was extremely helpful.

As we have heard, the trade unions have hugely improved the lot of the workforces of this country over the years, from pensions to statutory sick pay and other matters. They have been assisted by the party of labour; I state that absolutely. Others here, particularly on the Opposition Benches, know the history of the labour movement much better than I: Keir Hardie, the Labour Representation Committee and the Labour Party, born out of organised labour. However, in my lifetime, I recall the 1960s: the seamen's strike of 1966, I think, and Jack Dash, who was of course a communist, leading the dockers on strike in London, which contributed toward the demise of the London docks. This, of course, was all under a Labour Government led by Harold Wilson, and it led Harold Wilson and Barbara Castle to produce *In Place of Strife*. Others on the Opposition Benches will know more about that than I, but it was not very popular.

At university, I remember, under the Heath Government, attempting to study by candlelight. I recall the electricians' strike, the postal workers' strike, and, finally, Arthur Scargill and the National Union of Mineworkers creating the three-day week under Heath and Heath then calling the election on "Who Governs Britain?". We know what answer was given. Then the Callaghan Labour Government struggled with Red Robbo and British Leyland and were finally fatally undermined by the winter of discontent, led by some trade unionists.

I will gloss over the Thatcher reforms, because that would be controversial, but, in the second decade of the 21st century, what did my former constituents in South Leicestershire think of trade unions? It was a prosperous area, I agree, but generally, the larger proportion of younger people were not attracted by trade unions and felt that they were somewhat irrelevant to them—except, of course, when they needed their assistance in a dispute. More relevant than any anecdotal evidence that I produce is the decline in membership of the trade unions from 13 million in the year of the winter of discontent to now fewer than 7 million members. That is partly why some unions have amalgamated.

Of course I deprecate strikes on the transport system and in the public sector, but trade unions still do good work. As a Minister in the Ministry of Defence, I chaired meetings with trade union representatives. They were very honest and told me at the start that they would have preferred to have had a Minister from a different party, but they were generally good people who stood up for their membership. That was their role and I applaud them for it. Noble Lords may be surprised to know that we almost invariably parted on amicable terms.

I think that we would all agree that there has been a huge impact of technology, health and safety legislation, automation, globalisation and different ways of working,

all of which have affected trade unions and led in part to their decline in membership. While I believe that representatives of organised labour have an important role to play, I pose a question to everybody in the House: does the current structure of trade unions and having a party of organised labour still best serve the interests of the workforce—of workers? Indeed, will trade unions and the TUC as currently constituted remain? Why, in the 21st century, is there still a party of organised labour? I pose that question in a genuine spirit of inquiry.

Especially now, when—I do not think it is controversial to say—we have a somewhat divided Labour Party, should those on the left of centre in politics still want to be a party of organised labour? The world has changed dramatically since the matters that I and other people have mentioned—since the 1906 creation of the Labour Party. I regret to say that even the Conservative Party has changed. Romantic views of past struggles may not best serve either those who are currently union members or an opposition party that covets power. I can see a time when the Labour Party parts from organised labour. Tony Blair and Ed Miliband enacted changes and distanced the party to a certain extent from trade unions. I would not presume to advise political opponents on what they should do, but I can see a possible realignment of those who support views that are broadly left of centre—and that would include the Liberal Democrats as well. The world has moved on and parties must move on, as indeed the Conservative Party—now caring, compassionate, et cetera—has also moved on. By the way, perhaps I may also say that whoever forms the Government, our country needs an effective Opposition. As I said, those comments are made in a genuine spirit of inquiry and for discussion, and I hope that they are taken as such.

In conclusion, I am told that people may be complimentary about my speech, probably along the lines of, “Frightfully good. Jolly good speech. Pity you were talking complete rubbish”.

1.47 pm

Lord De Mauley (Con): My Lords, perhaps I may start by congratulating my noble friend on a fine maiden performance; we look forward to many more. Taking over the constituency of South Leicestershire, formerly Blaby, in 1992, my noble friend had a rather large pair of boots to fill. He had had a distinguished career in the Coldstream Guards and the Special Forces. He then moved to the world of big business, only to volunteer to return to the colours for the first Gulf War, so he was the natural choice for the Prime Minister to ask to go to the Ministry of Defence, after service as Opposition Deputy Chief Whip, on the formation of a new Government in 2010, as Parliamentary Under-Secretary for Welfare and Veterans. Subsequently, of course, he became a Minister of State and served both in the MoD and, as he said, at the Northern Ireland Office. We all look forward to his future contributions in your Lordships’ House—as we do to those of the noble Baroness, Lady Burt.

I thank the noble Lord, Lord Foulkes of Cumnock, for bringing this debate on this very important subject. I might start by saying that, when I was at Defra, I enjoyed a highly constructive relationship with the

trade unions, especially—and I was going to say “most strikingly”, but perhaps “most significantly” would be a better phrase—in the case of making amendments to the Dangerous Dogs Act to improve the level of protection for postal workers and many other workers going about their jobs every day. The Communication Workers Union was extremely helpful—an ally, in the words of the noble Lord, Lord Monks—as was Royal Mail. Together we improved the situation quite markedly, and I thank them for that.

Trade unions have done and continue to do brilliant work for their Members—the noble Lord, Lord Foulkes, explained some of that—and long may that work continue. However, cases continue to occur where there is abuse of the system and it is reasonable to think about making changes to the law. I am aware that we will get into that in detail in your Lordships’ House over the next few weeks so, there being limited time, I shall confine myself to a few general points today.

First, I am concerned about the effects on inoffensive and uninvolved members of the public, whose efforts to get to and from work or education become severely hampered by industrial action. The public sector strikes in 2011 closed 62% of England’s schools, while the NHS cancelled tens of thousands of operations, yet the turnout for both the ATL teachers’ union ballot and for Unison’s was only about 25%. Does my noble friend the Minister think that that is fair or right? I do not think that many people would disagree with me in thinking that it is not. Indeed, the majority has indicated in polls that it strongly agrees that strike action should be undertaken only as the last resort.

My second point is that I am concerned that the number of days lost to industrial action in the public sector has doubled over 15 years, whereas in the private sector it has halved. There is a need to tackle that.

Thirdly, it must be unreasonable that industrial action can take place based on a mandate that is, for example, more than a year old. The NUT strike in 2014 led to the full or part closure of almost 1,500 educational establishments across England on a mandate almost two years old, on which there was an alleged voting turnout of just 27%. This surely has to change.

Those are some of the issues that the Bill that we are about to get into debating seeks to tackle. Other matters include bullying and harassment, check-off and transparency about facility time. The public gave the Government a mandate at the general election, and the public are looking to the Government to fulfil it.

1.52 pm

Lord Lea of Crondall: My Lords, I, too, declare an interest as a long-serving official of the TUC. Indeed, I am a lifetime member of what was the Transport and General Workers’ Union and, subsequently, Unite, having organised membership in the Economist Intelligence Unit in 1963.

Many of us are aware of the range of unions in the TUC; we do not need to be reminded of it, perhaps, but nevertheless it is an interesting and important point that people in professional occupations are now

[LORD LEA OF CRONDALL]

more likely to be in a trade union than those in the other half of the economy. Likewise, many unions with that sort of membership know very well that many of their members vote Conservative. I do not think that the TUC in its day-to-day work is working with a particular relationship with a political party—but let us put that the other way around and look for just one moment at the political connotations, as mentioned by two or three speakers on the other side of the House.

In any democracy one needs pluralism—in terms of political parties, unlike Russia, and in terms of people's right to belong to a trade union, in this case. The noble Lord, Lord Robathan, nods his head, but it so happens that the £20 million or £30 million raised for an election on the part of the Conservative Party comes from somewhere, and that is the sort of money that the Labour Party cannot compete with, or even get near to, unless some considerable contribution is made through the trade unions. I make that point in passing without wanting to start a great debate about political funding.

Unity is strength for workers and seems also to be strength for capital. I was going to say “capitalism”, but that is a word that suggests that one belongs to a particular sort of analysis. But it is a fact that what drives capital in the City of London is very much mergers and acquisitions. In the multinational corporations of today, it is very difficult to get any sort of countervailing power if you think that capital and labour should be on the basis of some degree of equality. That is a much bigger debate than we can have at the moment, but capital is organised in a developing way that has a lot to do with the difficulties of trade unions in recent years. As my noble friend Lord Monks pointed out, the difficulty of organising in recent years has been associated with an increase in inequality—and that, as the right reverend Prelate the Bishop of Derby pointed out in a very interesting speech, has in its turn produced a non-joining culture in a society of individualism. That has lots of downsides in society.

I shall briefly come back to that point if I may, but not before I congratulate the two maiden speakers. I am delighted to hear from a very strong friend of the trade union movement on the Liberal Benches, the noble Baroness, Lady Burt—and I wish her well for her future contributions. Then there was the noble Lord, Lord Robathan, whom I know to be a not particularly strong friend of the trade unions. We have had conversations in the past where the word “TUC” was treated, if not as a term of abuse, then as something along those lines—as I recall, and he will recall as well.

Lord Hoyle (Lab): You know each other.

Lord Lea of Crondall: Yes, we know each other.

The question of how we redress the balance of these forces, which go against trade union interest and tradition, is a very thorny one indeed. I am very glad that the noble Lord, Lord Callanan, made the point, which allows me to make the response—although he is not in his place at the moment. The noble Lord intervened from the opposite Benches on, I think, my noble friend Lady Dean of Thornton-le-Fylde, and said, “Of course, these organised producers are just

against the consumer”. I think I am not paraphrasing him; I think that was right. Having thrown that hand grenade, he retired from the Chamber—well, it was quite soon afterwards. Somebody must have put something on his seat, but it was not me. That is a very interesting idea, precept or fallacy to spend a couple of minutes on. We are all consumers, and that is why we want low prices and everything hunky-dory as far as consumers are concerned—but that is nothing to do with what we get paid as producers, presumably, and nothing to do with the health and safety conditions of people producing tea, lychees or textiles in Bangladesh or wherever.

I shall make this comparison: I suspect that even the Chinese economy, as it evolves over the coming period, will find that it needs a degree of pluralism in its structure, and I think that that will be the development of the trade union principle in China. It is one to watch because it will give the lie to those people who think that the future of the world will be successful in relation to increasing gross national product without any reference to the degree of inequality that might be associated with it. Does the Minister agree that there is a model of the future where producers and consumers are opposed to each other and that the problem of inequality is not associated with that fallacy?

2.01 pm

Lord Dykes (Non-Afl): My Lords, I add my congratulations to the noble Lord, Lord Foulkes, a doughty parliamentary fighter for parliamentary rights and trade union rights, for initiating this debate. Most of the speakers have been from the other side for fairly self-evident reasons, but that has been very valuable for people on other Benches. I wish there had been more Tory Peers present today to listen to the authentic voice of trade unions and long-standing experience.

It is a great pleasure and honour to congratulate the noble Baroness, Lady Burt of Solihull, on an excellent maiden speech. We used to liaise on a number of issues when I had the pleasure of being in the Liberal Democrat group. She had a reputation for being an extremely hard-working MP as well as a very distinguished chairman of the parliamentary party. We welcome her here with great warmth and look forward to her contributions.

I have known the noble Lord, Lord Robathan, less, but none the less I congratulate him warmly on his speech. It verged on the quasi-fierce at stages, but none the less it was very gentlemanly, not quite one-nation Tory but trying to get there a bit. We thank him very much and look forward to his contributions. As someone quite rightly said, taking over in Blaby was no mean task, but he did it very well indeed.

I well remember going to the office of the noble Lord, Lord Monks, when one newspaper called me the most left-wing Tory MP—I was a Conservative MP in those days—in the 1980s. The noble Lord, Lord Lea, was in the office as his deputy. I tried to reassure him that there were Conservative MPs who were not anti-trade union. That was the position we had reached in those days, and it was tragic, agonising and painful, particularly with the manifestation of the miners' strike and the use of the police. I was therefore credited equally with being far too avant garde and out of line with conventional policy in those days. When I was

MP for Harrow, a subeditor on my local newspaper, the *Harrow Observer*, wrote “Dykes lashes Thatcherism” because it was at the same time.

Although I have had a City and financial background for many years, what worries me is that if you create a society where the only thing that matters is making money, that society gradually disintegrates. You can see that in America now. The latest manifestations in American society show that effect: an insecure, neurotic society based on medieval inequalities, not just the developing inequalities in this country that John Major rightly referred to last week, but huge savage inequalities and the despair of poor citizens in the United States who feel that they have no support. Now there is a threat from the Republican Party to dismantle even the modest Medicare system that Barack Obama brought in. I hope we will not get to that. I will not get to the Americanisation of British economics and society. I would call it the “Bullingdonisation” of society as well. That is just as bad as Americanisation from the present Government.

We have to thank the Library, as usual, for its masterly research and briefing in the pack it did for this debate. I am glad the debate was extended to give us a bit more time. We thank the noble Lord, Lord Foulkes, for achieving that. When I think of the latest Conservative manifesto, I look at page 18 of the briefing pack. It states:

“We will protect you from disruptive and undemocratic strike action. Strikes should only ever be the result of a clear, positive decision based on a ballot in which at least half the workforce has voted”.

This comes from a Government who were elected by 37% of those people who turned out to vote—I think roughly 24% of the electorate. No Government without a real majority has a right to introduce such obnoxious legislation without the authority and support of the people as a whole. That is the problem with our political system, with exclusion and one party again winning with no genuine majority. Mrs Thatcher had a majority that went down on each vote and was much less than 50%. In other European countries, that is not possible. You must have at least 50%, with a coalition arrangement if necessary, otherwise you cannot govern. The only possible exception is the other country I live in, which is France, where you must have 50% on the first round but there can still be huge discrepancies between seats and popular votes. A Government need real authority to introduce legislation like that. I hope the Lords will be meticulous in looking at the various provisions coming from the Commons in this legislation to make sure that it is fair for working people. Above all now, they need fairness in a society of zero-hours contracts and wages that are still very low despite some improvements in the minimum wage figures and the so-called living wage. There are now grim prospects for ordinary working families. John Major was quite right to refer to those dangers. I remember that it is all linked together.

The more I think about it, the more I think it is a great weakness that we do not have a written constitution because the parties can never get together to agree on fundamental matters. One of the glaring absences is the leaders of the main parties agreeing on a funding system for political parties. Mr Cameron originally

proposed that there should be a limit of £5,000 on individual donations. That fell by the wayside. Ed Miliband, to his credit, started the opting-out, opting-in system to reduce the amount of support automatically, allowing people not to opt in or not to be compulsorily included, and he got no credit for that in the increasingly right-wing newspapers in this country. I think six out of nine of our hapless newspapers, with their declining circulations, belong to owners who do not pay United Kingdom personal taxes, live in tax havens, write long, boring editorials about the need for us all to be keen on work, even if it is low paid, and are very patriotic as well. I wish they would come to live in this country and pay taxes. We would be more impressed.

I go to Germany frequently and see the difference there in the trade union picture with the Government of the day. Angela Merkel regularly attends the equivalent of the TUC conference, the *Deutsche Gewerkschaftsbund*, to make a speech as the Chancellor or Prime Minister. Here, our divisions are so massive that that is impossible. The antagonism continues. There is no leadership of the correct kind to make sure that people come together. The overwhelming evidence I have from studying entrepreneurs, business and financial matters at very close quarters over many years is that if you have a happy employer-union relationship in any company of whatever size, that company usually works successfully if the market is strong enough and the demand for the products and services is strong enough. I have seen no exception to that. Occasionally you get tough guys—more guys than ladies, of course, because if there were more lady entrepreneurs, there would be less strife in industry as we know—saying, “I’m not going to have unions here”, and keeping them out and that kind of thing. Sometime employers become very benevolent, like Branson, in return for agreeing not to have unions, but that is very rare, and usually, with the inequalities we have now, you are undermining the consumption function all the time and depriving people of the opportunity of spending money or, indeed, saving money, which also contributes to the economy through the banking and investment system. That is a recipe for disaster. I hope the Government will be enlightened enough to change their mind and think again about some clauses of the Bill.

2.09 pm

Lord Hoyle: I also must declare an interest: previously I was president of ASTMS, which became MSF when we merged with TASS. The noble Lord, Lord Monk, referred to his friend Ken Gill. Along with another colleague, the noble Baroness, Lady Wall, I worked closely with Ken in taking that union forward.

I must thank my noble friend Lord Foulkes for tabling this Motion because it gives us a chance, as has been said, to show trade unionism in a positive light. At a later date we will deal with the Trade Union Bill, which makes it more difficult for trade unions to operate and protect their members. It is important that we remember what has been achieved by trade unions and employers working in partnership. When they come together, that benefits not only employees but employers and, in the case of the public sector, if there are good working relationships they benefit the public at large as well.

[LORD HOYLE]

An important point that I want to make is that in unionised companies, support for women is greater than in those that are not unionised. The unions that represent them make it easier for them to work—and indeed to return to work—through flexible working, job-sharing, sensible hours for people with families, and enhanced maternity pay. It is important to establish a relationship between unions and employers so that both take an interest in people who are on maternity leave, keep in contact with them and ensure that they get training when they return to work.

We are seeing a higher proportion of disabled workers joining trade unions. I think the House will generally agree that it is not a satisfactory position when at least 50% of people who are disabled are seeking employment. The trade unions play an invaluable role in ensuring that these people are protected, and in achieving the conditions and providing the necessary facilities to enable them to do their work. That not only makes their working lives easier but, I would hope, paves the way for more people who are disabled to come into work. Similarly, a greater proportion of black and ethnic minority workers join trade unions because they also need that extra protection in the workplace, which is very important.

The valuable role that health and safety representatives play has also been emphasised. Not only do they make life safer, in that there are fewer accidents; there is also a benefit to the company in preventing accidents. People take less time off work and work in safer conditions, which in itself makes for a stable workforce, which is of benefit to all. Another valuable role that trade unions play is pressing for better training conditions. Better training conditions mean a better, more skilled and more satisfied workforce who, if they have the qualifications, can advance within the company or leave and join another one. That is very helpful.

Moreover, where companies are in difficulties, trade unions, working together, can bring about positive results. The right reverend Prelate the Bishop of Derby referred to Derby. It is important that we look at the example of Derby because, a few years ago, Bombardier—I notice he is nodding his head—was in terrible difficulties and it appeared that the plant was going to close. Fortunately, thanks to good working relations between the management and the trade union representatives, who met regularly, worked together and looked for other opportunities, the plant was saved and redundancies were kept to a minimum. Having suffered a difficult and dangerous blow that could have closed it down, Bombardier is now in a much stronger position, thanks to co-operation between the employers and trade unions. Surely we want to see more of that.

Reference was made to Jaguar Land Rover. Here again, we see the benefits of employers and trade unions working together. I think people in this House, throughout the country and indeed throughout the world will agree that this country is now producing first-class vehicles. Again, that just shows what can be achieved when employers and trade unions co-operate. It is a fact that we get value for money, as I said earlier, from workplace training. It has been established that

for every pound the Government spend on it, there is an economic return of £9 and, as I say, it leads to enhanced qualifications.

This has been positive debate that takes us forward. It is good that it has emphasised the positive role trade unions can play in co-operation with employers, which benefits not only the company concerned but the economy at large, because there is more spending power. Improved conditions and communication between unions and employers are for the benefit of all. There is a greater need for trade unions than ever before. At a time of economic uncertainty and a lack of job security, I certainly believe, as I think do most people, that there is a great benefit to be derived from people belonging to the trade union movement.

2.18 pm

Lord Suri (Con): My Lords, I thank the noble Lord for securing this debate. Despite working in business for some 50 years, I have never had a unionised workforce, but I have been supplied by, and dealt with, many of them. I can therefore appreciate how they have improved workers' rights and secured fair pay for those they represent. Indeed, the Labour movement that they led has sired one of the great modern parties of government. It is true that in countries where unions are allowed to operate, wages are higher and workers' rights are better protected. Nevertheless, in too many cases overly militant unions are damaging to society.

Unlike some noble Lords, I am old enough to remember the winter of discontent. Rubbish was piled to the shoulder in the West End, there was no petrol in the pumps and ambulances were grounded. Of course, this is the most extreme example of unions using their power for bad, but we can see examples of the same militancy today. Speaking as a Londoner, Tube strikes lose this great city up to £10 million a day. The TSSA, the RMT and Unite are not fulfilling their important duty to preserve workers' freedoms so much as acting as pay lobbies to further raise the wages of their members, which are already far out of step with the restrained rises other workers have seen.

The majority of unions I remember in the 1980s and 1990s were led by sensible moderates, the sort of men and women who helped drag the Labour Party to the political centre and win three elections in a row. Now, they are led by a small elite of self-proclaimed communists, funding parties and activities such as TUSC, to which their members have not consented. Of course, unions have a place in providing a counterbalance to big business and, of course, they should serve as vehicles for progress in the labour market, but they should never be allowed to hold the public to ransom for wage rises way out of kilter with the public and private sectors.

The Trade Union Bill that is being steered through by the Business Secretary will go some way to addressing these problems; it will redirect unions to perform their historical functions, rather than seeing themselves as the Official Opposition.

2.22 pm

Lord Young of Norwood Green (Lab): My Lords, I, too, congratulate my noble friend Lord Foulkes on a tour de force—I mean that genuinely. He gave us the

historical sweep of the trade union movement and I am truly grateful. I am also grateful for the maiden speeches. I must confess to a slight bias towards that of the noble Baroness, Lady Burt, and her attitude towards industrial relations, rather than the SAS approach of the noble Lord, Lord Robathan. I am grateful to the noble Baroness because she was the first speaker to remind us of a really important example of the British trade union movement: when we needed careful, thoughtful action in that recession period, they negotiated not just a three-day week but an opportunity to retrain and reskill. It was a first-class example. Too often, we forget about that role.

I was thinking about this speech as I walked my dog this morning. The dog did not make a powerful contribution, but he gave me time to think about it. I sometimes wish the history of the trade union movement would be a bit more balanced. Unfortunately, it often focuses on the great struggles, and that is understandable, but in doing so it does not give enough credit, sometimes, to the solid, day-to-day work. I was a young lad of 16 when I managed to get into the General Post Office as a telecom apprentice. One of the first things that happened to me was that I was recruited into the union and I signed a form to join the pension scheme; both took place. I have been involved with trade unions for most of my life, from being what we called a local representative—what this House would know as a shop steward—until I managed, much to my surprise and that of a few others, to be elected general secretary of what was then the National Communications Union in 1989.

Trade unions do a huge amount of work. I did not agree with all his analysis, but I thank the noble Lord, Lord Balfe, for reminding us of the importance of Unionlearn. Of course, trade unions were heavily involved in education before Unionlearn. In fact, as someone who was dragged out of school at 15, I would say that the trade union movement completed my education. My mentor, although he was a member of the Communist Party, gave me a very solid grounding in how to run a branch, how to negotiate and how to write letters to management. I owe a deep debt of gratitude to him and to the trade union movement. Noble Lords may think that the education could have been a bit better, but I am what I am as a result of that involvement in the trade union movement.

I am glad that the right reverend Prelate the Bishop of Derby is back in his seat, because, in talking about modern slavery, he reminded me of my involvement, until very recently, with the Ethical Trading Initiative. Trade unions play a very big role in that, not just highlighting conditions for workers in this country but for workers throughout the world, in supply chains. That is the role of the international trade union movement as well. Trade unions play a very important role in trying to ensure fairness and justice for workers, not just in this country but throughout the world.

I could not help but smile when I listened to my noble friend Lord Griffiths. I am glad he is here. I must admit that my first attraction to the Methodist Church was not quite as pure as the examples he gave. If I recall, it ran the local youth club and my attraction was to table tennis and girls, I have to confess. Nevertheless,

it played a role in society; my noble friend's recollection of the importance of the Methodist Church in the origins of trade unionism is something I recognise.

I fear that the forthcoming Trade Union Bill will be a lost opportunity. What should the Government be encouraging? Surely, they should be encouraging more industrial partnership. If we want to improve productivity, improve the skills base in this country and get more apprenticeships, that kind of working together will make a huge contribution. If employers always got it right, why did the Government—I must admit, I was pleasantly surprised—reintroduce a training levy? If all employers were convinced of the benefits of training their workforce, presumably we would not have had to do that. Trade unions can and do play a key role in that area. I urge the Government to think very carefully about what they are doing with this forthcoming Bill. I hope we can encourage some positive things.

I do not pretend that everything the trade unions do has been perfect or that our history has been one long progression of simply fighting injustice. There are examples of where we had to reform our organisations. If I am honest, the union that I first participated in, the Post Office Engineering Union, was a very male-dominated union. It was not until we had a large influx of women members—my noble friend Lady Drake is not here—as a result of an amalgamation that we started to mend our ways. Nevertheless, we have been at the forefront of fighting for equality. We have been at the forefront, also, of fighting against racism; remember the anti-apartheid campaign. We have always been a very positive force in society.

As a trade union movement, we face a challenge. If you look at the demographics of the trade union movement, it is clear that it is skewed towards the older members of our society. We face a challenge in encouraging young people to understand the importance of the benefits of trade unions. Therefore, I will end by saying that I still believe that the role trade unions play is far and away a positive and constructive one, and I urge the Government to utilise that in their legislation. I hope that in that debate we will be able to arrive at a constructive engagement.

2.30 pm

Baroness Prosser (Lab): My Lords, I, too, thank my noble friend Lord Foulkes for putting this debate down. It is both important and hugely timely.

It has already been mentioned that we in the United Kingdom are an unequal society, and that inequality is getting wider. In fact, according to the book *The Spirit Level*, an academic study of the western world, we are second only to the United States in inequality. As that book points out, that inequality brings with it a society which is out of balance, out of kilter and not happy or cohesive. I fear that the forthcoming Trade Union Bill, should it go through in the way in which it is currently envisaged, will only make matters very much worse.

The debate thus far has pointed out a lot of the things about trade unions which we never hear about. If you believed everything we read in the press or watched on the television, you would think that the trade union movement was a proscribed organisation.

[BARONESS PROSSER]

It has already been mentioned that we have been insulted in the past, and therefore an opportunity to demonstrate the hugely useful and valuable role that unions have played over the years is very welcome.

I will touch on three aspects: education and training, which has already been mentioned quite widely; the international work of unions; and equalities. My noble friend Lord Griffiths put it very succinctly in talking about the work of trade unions as an educator, describing their contribution to the social fabric of society. In the 20 years that I was employed by the Transport and General Workers' Union as was, I must have seen thousands upon thousands of examples of people going through the union education programme and coming out at the end of it more confident and competent. Of course, that education covered such things as learning about health and safety, legislation which covers workplaces, equalities, how to be a good shop steward or branch secretary—all of that. Also, however, to correct something the noble Lord, Lord Balfe, said, the trade union education hugely covers the whole area of literacy and numeracy. That was started by NUPE, long before Unionlearn came into being. That programme patched up the education gaps suffered by so many people in our society and enabled those older workers to learn and to catch up with their learning in a comfortable and supportive environment.

I can give many examples of the huge number of people I have come across who have moved on up through education, but I will mention just two. A woman who sat on the national women's committee of the old T&G came from Bristol, worked in Bristol University as a cleaner, and was a single parent. She lost her job because she injured her back. She had already participated in a lot of trade union education and therefore after she had lost her work had the confidence to go on and learn further, and ended up going back to Bristol University as a lecturer. Another woman worked in Pendleton Ice Cream outside Liverpool; she was our convenor there and was made redundant when the factory closed. She was another example of someone who rebuilt her confidence on union learning and education; she also went on to become a lecturer. Those are just two tiny examples of my experience of union members who have the capacity and the ability but have never had the opportunity, and the trade union movement is the organisation that gives that opportunity to them.

Unionlearn, as has been said, is a massively successful experiment. It is an organisation funded by government and it pays back to government in spades, as has been mentioned, because of the greater earning power of the workers whom it trains and educates, because of the ability of those workers to participate in increased productivity, and by their spending power. Yet the funding for Unionlearn has been diminished and diminished. It is now hardly able to operate, despite being hugely popular with employers as well as employees. Clearly, however, it is not overly popular with the Government.

The second area I will touch on, very quickly, is international work. For 11 years I was chair of the women's committee of the International Chemical &

Energy Workers' Union. The British TUC is the most respected trade union organisation worldwide. It has given training, assistance and confidence to newer organisations that have been set up around the world. The TUC sent massive numbers out to east European countries after the fall of the Iron Curtain, training those workers and union reps on the whole question of democratic structures, how to be a good steward and a good representative. Solidarity, the Polish trade union which of course helped to bring about the fall of the Iron Curtain, was then seen as a great hero—admiration that is ironic from a Government who have always taken a less-than-encouraging approach to the UK trade union movement. After the dreadful tragic collapse of Rana Plaza, who was first on the scene? IndustriALL, the international union, was out there, taking evidence, gathering information to ensure that those damaged workers were able to gain some recompense for what had happened to them.

Finally, I will comment on the whole question of equalities. Unions were the first organisations to identify the use of targets, use reserved seats—when I first joined the TUC in the early 1980s we already had reserved seats for women—and get proportionality on committees, and they work with companies up and down the land enabling those companies to use positive action to bring forward underrepresented groups within their workforces.

I think the word “partnership” has been mentioned only once in this debate, but that is what it is—a partnership between representatives of the workers and the employers, and in good workplaces that partnership brings benefits to all sides. Sometimes unions are described as greedy. As JB Priestley said, there is nothing wrong in asking for the moon, but it is very wrong to just take it.

2.38 pm

Lord Stoneham of Droxford (LD): My Lords, I have always had a great admiration for the political antennae of the noble Lord, Lord Foulkes, and I congratulate him on this debate ahead of what will be quite an interesting debate on the trade union reform Bill. It is therefore useful to have this general debate on the contribution of trade unions in our democracy.

I also congratulate the two maiden speakers, the noble Lord, Lord Robathan, and in particular my noble friend Lady Burt. She is a legend in our party, the Liberal Democrats, for her victory in Solihull and for the 10 years during which she held that seat against all the odds. It is appropriate that this steely Midlander, who is the business spokesman for our party nationally, represents that part of the country which symbolises both the potential and achievement of industrial renaissance in this country with the turnaround of Jaguar Land Rover. We certainly look forward to her contributions in this House.

As a social democrat, I spent a career grappling with change in industry. I also frequently worked for a trade union so I, and these Benches, remain committed to sustaining, improving and supporting the work of trade unions in this country. I pay particular tribute to the excellent speech of the noble Lord, Lord Dykes, which supported the values of trade unions. I agreed with every single word that he said.

Given that we will be debating the Trade Union Bill, I do not think that this is the moment to go into detail on it, but I will say that these Benches are opposed to the Bill, as we opposed its measures when they were proposed in the coalition. Fundamentally we are opposed to it because we see it as a partisan Bill, both industrially and politically, and because it seeks to further weaken the influence of trade unions when, frankly, they are no longer in a strong position. We think that it is irrelevant to the main economic issues of raising productivity and enhancing the country's competitive advantage. The noble Lord, Lord Balfe, challenged the Labour Benches on why they had not reformed the Thatcher measures, but I say to him that the very fact that the Labour Government did not change those measures is an argument for now leaving this field well alone.

Trade unions are not perfect—voluntary bodies never are—and I, for one, am deeply depressed by the political and industrial path being taken by the union for which I worked, the National Union of Railwaymen, although I do not think that it is fully representative of the movement. I went to work for that union inspired by what I regard as the most remarkable and brave political speech ever made by a trade union leader. It was made by Sid Weighell at the Labour Party conference in 1978, when he warned the Labour movement of the dangers of not supporting the Labour Government's pay policy at that time. I was not the most obvious person to go and work for a trade union but I did it because I wanted to do it and because, as somebody who believed in changing management and industry in Britain, I had to understand where they came from.

On freedom of speech, we say that we may not like what people say but we will defend their right to say it, and so it is with trade unions. Despite the frustrations and the disagreements with them that we sometimes have, we will fight to maintain freedom of association to ensure that the rights and interests of employees are properly represented. Indeed, I believe that society will benefit if we do so. In this debate we have heard a number of arguments for trade unions and examples of their benefits to democracy. I will not go through them all again but I should like to draw out a few, some of which have already been mentioned.

Historically, trade unions have improved the terms and conditions of their members. I say to the House that one of the problems that we now have is that our trade unions are in a weakened position. We are now in a position where the Government have to intervene to try to arrange the living wage so that the state does not subsidise the wages paid by employers. That we are in that position is not a sign of strong trade unionism; it is a sign of weak trade unionism.

I also want to emphasise the point made by the noble Lord, Lord Monks, about boardroom pay and differentials in industry. I worked in a company which was very conscious of what it paid the board and the managers. In fact, I negotiated with the noble Baroness, Lady Dean. Frankly, I could not have faced trade union representatives if I had had a huge bonus or a huge salary increase at a time when we were announcing redundancies. That was how we behaved. It was a

counterbalance which, to be frank, is lacking in much of industry and employment today, and I think that we miss it.

Historically, trade unions have made a big impact on health and safety. In debates on health and safety, too often we have concerns about regulation. People say that regulation of health and safety is completely impossible. I say that if we had more representatives on the ground, there would be less need for regulation; it would be automatic in industry, and that is a role that trade unions have played in that field.

The noble Lord, Lord Young, said—very potently, I felt—that trade unions have played a huge role in skills and education in this country. They have been very committed to self-education in their own ranks but they have also fought for equality for their members and employees in respect of apprenticeships and training. We are missing that in industry, and we are missing it in terms of the social mobility that trade unions used to produce in their ranks—and still do to a degree, although obviously the numbers have reduced—by bringing people through training and education processes.

Trade unions have also played a very important part in social cohesiveness. Obviously they have been an avenue for grievances and protests, but the involvement of local representatives in the workplace is an important act of citizenship and of commitment to the community and the broader appeal of man. We are missing that with the reduction in the number of those representatives in our workplaces.

It might also be appropriate for somebody outside the Labour Party to comment on the huge role that trade unions have played in various aspects of life—certainly in my generation. First, they saved the Labour Party in the 1980s. I am pleased to see the noble Lord, Lord Kinnoch, in his place, because he was assisted by that. But for them, the Labour Party would not have been transformed. Secondly—here, I give due credit to the noble Lord, Lord Monks—trade unions changed the view on Europe inside the Labour Party in the 1980s. But for the commitment to the Social Charter, countering the idea that the EU was a capitalist club, we would not be in the position we are in today with the Labour Party supporting Europe and the Conservative ranks now split. Maybe the Government can learn from that experience—indeed, I think they are doing.

Finally, unions act as a check on management in industry. I worked in the print industry and at times I would complain. We were sometimes too slow to make changes. However, we as management had to work harder, do better and be more progressive to get those changes. Eventually, we did—and we did so in my company by agreement. Similarly, things are now happening in the motor industry. Fifteen years ago, I visited Nissan when it was in its early days, and now it is the most productive plant in Europe. We heard the story of Jaguar Land Rover. None of that would have been possible without the contribution or leadership of the trade unions in those areas. We need to build better, more confident management in dealing with trade unions.

I do not accept that there is not room for the trade unions to modernise and to reach out more. I did not find the turnout of 4.4% in the GMB's leadership election very encouraging, but falling membership will

[LORD STONEHAM OF DROXFORD]

not make unions more representative. Indeed, as the membership falls and unions turn into silos, we will find—unless we try to reverse it—that the unions will be less representative.

Unions have to examine their role but so, too, does management. We have given too much attention to short-term decision-making and there has been an overemphasis on shareholder value. This is a time for the employee stakeholder to have a much more determining role. Trade unions are an essential part of a progressive social democracy and, for the foreseeable future, they will be central to progressive politics in this country.

2.49 pm

Baroness Hayter of Kentish Town (Lab): It is a real pleasure to respond to this debate. First, I welcome the maiden speech of the noble Lord, Lord Robathan—I am sorry that the noble Lord, Lord Lawson of Blaby, was not here to hear it—as well as that of one of the sisters, the noble Baroness, Lady Burt. As the first female chair of the Liberal Democrat parliamentary party and the Government's ambassador for women in enterprise, she knows well the strength of solidarity and support for others. Secondly, it is a pleasure because we have heard from former leading trade unionists at national and international level with a range of experience. Thirdly, I am pleased to respond to the debate because of the role that unions have played in society for well over a century.

Together with my noble friend Lord Howarth, who is in his place, I produced a book *Men Who Made Labour* in 2006, the centenary of the parliamentary Labour Party, which was formed by 29 Labour MPs. What was exceptional about those 29 self-educated men, most having left school by the age of 14, was how they found their confidence, their voice, their passion and their ability to speak for others through the union movement. Indeed, some 27 were active trade unionists, and eight were general secretaries of their union. It was their union experience that provided their education but also helped their apprenticeship in forming policy, explaining, negotiating, compromising, taking responsibility, understanding the positions of others and, most of all, seeing that advancing the interests of their members could not be done in the workplace alone but needed political change, whether that was through the introduction of health and safety legislation, school meals, pensions or sick pay. They learned that they could not rely on other parties but needed their own voice in Parliament—hence the Labour Representation Committee, created by the unions in 1900, and then the parliamentary Labour Party in 1906.

The contribution of these trade unionists—at the Versailles peace talks, in establishing the ILO, as Home Secretary or Prime Minister—to our democracy, to creating one of our great political parties and to the well-being of the nation and further afield was astonishing. Immediately after the 1906 election, which saw these trade unionists elected to Parliament, the Archbishop of York, in St Paul's Cathedral, proclaimed:

“The great ... mass of our working folk ... has found its voice ... Here are the men ... who have worked in pit and factory ... among the dwellers in our overcrowded cities ... These men will

bring first hand knowledge of the facts of life to ... these problems. They will take care that amid all the business of politics ‘the poor shall not always be forgotten’”.

They lived up to that prediction, as did later trade unionists such as Jim Griffiths, the Minister.

Today, we similarly pay tribute to the movement, which really does constitute “the big society”, with over 6 million members plus the wider trade union family made up of their dependants, and also retired members, many of whom serve their community as magistrates, on health or school boards, in charities, as we heard from the right reverend Prelate the Bishop of Derby, and of course here in your Lordships' House, particularly perhaps by my noble friend Lord Foulkes today.

Interestingly, from my standpoint and, I am sure, that of the noble Baronesses, Lady Burt and Lady Neville-Rolfe, as well as that of my noble friends Lady Prosser and Lady Dean, women now make up the majority of union members. That is vital in an economy where women's earnings still lag behind men's, but where the wages of women union members are, on average, 30% higher than those of non-unionised women. As my noble friend Lord Hoyle said, union membership is proportionately higher among black and ethnic-minority workers. When discrimination, and often worse, is faced by these groups, especially at this time, it is a tribute to the trade union movement that it has embraced and incorporated minority groups into this oldest of voluntary organisations. Union organisation has helped women, the disabled and ethnic minorities get a better deal at work.

But union membership is good not just for individuals and their workmates, who also benefit from union organisation, as my noble friend Lady Dean said; the economy also benefits. As with the CBI and the employers' organisations, as my noble friend Lord Morris said, many employers are supportive of a unionised workforce, particularly with its ability to collaborate on health and safety, productivity and training. Union workplaces are safer, largely due to the thousands of union health and safety reps. As BIS itself has demonstrated, by reducing time lost due to occupational injuries and illnesses, safety reps save taxpayers up to £0.5 billion a year. As we have heard, the motor industry improved as a result of union-employer negotiations over innovation and change, with unions playing a positive role in promoting skills and training. ACAS found that union reps play an important role in improving workforce engagement and morale, which improves productivity and quality of output, as the noble Lord, Lord Dykes, suggested.

So this is not about romantic nostalgia. It is about a modern economy and today's politics. It is hard to understand why this Government want to shackle trade unions. They will not let them use electronic balloting, even while digital by default is being swept through government service and our welfare state. They want to outlaw good employer-union relations, often established through check-off, by effectively outlawing this in the public sector. Politically, they want to undermine the long-standing, organic relationship that the unions have with the Labour Party, by undermining the political fund system, a system not of secret donations or big money from rich companies or

individuals, but a system which grew from the very origin of the party. Set up to give a voice in Parliament to working people, it is a system which allows millions of union members to make their small contribution—pennies rather than pounds a week—to keep our democracy vibrant, healthy and representative. Shame on a Government who fear that they cannot defeat their opponents politically and therefore seek to clobber them.

Anyone who believed in a pluralistic, open, big society would champion and cheer on independent workers' organisations and facilitate the effective and efficient operation of this vital part of civic society. Clearly, the Government have other objectives. We have an opportunity today to champion, pay tribute to and thank the millions of trade unionists who volunteer their time to help their fellow workers, but we also have an opportunity to say to the Government that the unions are not an add-on to society but are part of our civic society. We should be supporting them, not undermining them.

2.58 pm

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con):

My Lords, before I respond, I join the House in congratulating my noble friend Lord Robathan and the noble Baroness, Lady Burt, on their excellent maiden speeches. I will not repeat the tributes, in the interests of time, but I am very excited by the wealth of experience that they bring. We know from today that they will hugely improve the quality of discussion in our House.

I am very grateful to the noble Lord, Lord Foulkes, for initiating this debate. I am aware that he has a deep interest in the performance of our economy. I much enjoyed his speech, including his historical perspective. Of course, that was picked up on by so many noble Lords that it would take too long to list them all. However, I should say that I did medieval history for A-level, and I then did industrial relations as my special subject at university. Therefore, I have to say that I am a bit sceptical about some of the comments he made on productivity—the sorts of things he mentioned can actually increase costs and slow necessary change—but it is good to have a debate on these issues in this House.

I should also respond to the noble Lord, Lord Monks. As a south-westerner, I am looking forward to visiting the Tolpuddle flag with him—I suppose that going to see a Tolpuddle flag is the Labour equivalent of seeing etchings.

I am pleased also to talk about unions and their role in the modern economy. We have heard many examples of how unions help working people prosper in our society, in particular in an excellent speech from the right reverend Prelate the Bishop of Derby. I was struck by the parallel that he sought to draw with the church, including the challenge of the non-joining culture. He talked also of good partnership and the importance of stamping out modern slavery. That is an area where the Government, with the help of this House, have made radical changes. From October, the Modern Slavery Act has provided law enforcers with additional tools, including the two new civil orders,

and the anti-slavery commissioner. I commend the right reverend Prelate's own contribution in this area, and I was glad to hear also from the noble Lord, Lord Young, on the subject.

This is a free country. Everybody has the right to belong to a trade union. Equally, there is no compulsion in the workplace to do so. Closed shops are a thing of the past. I was glad to hear from my noble friend Lord Balfe about trade unionism in the Conservative Party. I agree with him that there can be value in backing more than one horse. The Government also recognise that trade unions can play a constructive role in developing the economy and, as I know only too well from my experience, in supporting employers in upskilling their staff.

On economic well-being, I should perhaps say to the noble Lord, Lord Monks, that, although he and I are often in agreement—I pay great tribute to the work that he has done in Europe over the years, as well as in the UK—I do not agree with his summary of the position of the UK today. We were the fastest-growing G7 economy in 2014. Our employment rate and our small business creation are the envy of other member states, and we are number two in the INSEAD-WIPO Global Innovation Index.

I turn to the point made so well by the noble Baroness, Lady Burt: the trade unions have played a very important part where industrial restructuring has had to be done. She spoke rightly about the role that they played during Jaguar's difficulties in Solihull, and the noble Lord, Lord Hoyle, was right to talk about how the success of the modern car industry owes much to good industrial relations. I suppose that it is right to reflect that the current steel crisis is another example of good engagement by the trade unions. Their input in Redcar, in Scunthorpe and in Scotland before, during and after the steel summit in Rotherham last month has been invaluable.

I commend the point made by my noble friend Lord Robathan about his work with the unions in the Ministry of Defence, as I do the efforts of my noble friend Lord De Mauley and the good relations that he had with the trade unions in Defra, using that relationship to solve the perennial problem of dangerous dogs and postal workers. I know that, if he were here, my noble friend Lord Maude would pay tribute to the positive role played by the unions over public sector pension reforms and in the public services forum.

I agree about the long history of unions providing learning for their members. This is important, as the noble Lord, Lord Stoneham, explained so well in a very thoughtful speech. My noble friend Lord Balfe talked about Unionlearn, the learning and skills organisation of the TUC, which is an excellent example of how unions help their members, employers and the country with skills development. Unionlearn has helped engage more than 53 trade unions in more than 700 workplaces. It has helped establish 600 union learning centres, where Unionlearn representatives help those with low literacy. As the noble Baroness, Lady Prosser, said, it also helps older workers, which is a very important point. In the past two years, Unionlearn projects have also helped to recruit and support nearly 15,000 apprentices. My noble friend asked about the

[BARONESS NEVILLE-ROLFE]

Government's support for Unionlearn. We provided the TUC with a grant of £14 million in 2015. It is an important area, and any decision on funding beyond that will of course be subject to the outcome of the spending review.

We have a target of 3 million apprenticeships during this Parliament. Frances O'Grady, the general secretary of the TUC, whom I was lucky enough to meet yesterday, has already said that she sees a role for unions in ensuring the quality of apprenticeships. We welcome this, and the input from the TUC and from the noble Lord, Lord Young of Norwood Green, on the new levy—the noble Lord and I have had many discussions about apprenticeships over the years and the new levy provides opportunities for all of us to contribute.

There are many important examples of where the unions have played a role beyond the direct well-being of their members. I know from experience of retail of the important cultural role that they play in health and safety. That was rightly mentioned by the noble Lord, Lord Morris of Handsworth. Health and safety is very important, and it has improved hugely in my lifetime. I remember health and safety on farms as a young lass; some of it was fairly hairy.

Trade union members also participate in the many voluntary roles which help create cohesive communities—a point that was brought out so well by the right reverend Prelate the Bishop of Derby.

The noble Lord, Lord Foulkes, and the noble Baroness, Lady Hayter, spoke of the gender pay gap and the work of unions over the years in this area. Although there is more to do, it was good to see that the recent 2015 survey of hours and earnings showed that the gender pay gap is at an all-time low. There is now a record number of women-led businesses and, partly as a result of the excellent, business-led work under the noble Lord, Lord Davies of Abersoch, there are now no all-male boards in the FTSE 100. More generally, we are seeking to tackle the root causes that prevent women prospering in the workplace by providing a wider programme of support, introducing 30 hours of free childcare and giving nearly 21 million employees the ability to benefit from flexible working. Our approach is producing results, with an increase of nearly 1 million women in work between May 2010 and August 2015.

On current trade union reform, the noble Lord, Lord Monks, and others were right to say that this debate is a calm curtain-raiser to the Trade Union Bill, which was recently given its First Reading in our House. My noble friend Lord Callanan was right to talk about the consumer view and point to the problems that can be caused by the trade unions.

Lord Lea of Crondall: Before the Minister leaves that point, does she agree with her noble friend Lord Callanan, who said that trade unions by their nature are against the consumer interest by being producers? That is exactly what he said.

Baroness Neville-Rolfe: My Lords, I was about to turn to the point made by the noble Lord, Lord Lea, on this issue. He referred, I believe, to a model of

balance between consumer, producer and union interests and I share that general aspiration. I believe strongly in the power of well-run businesses, with good workforces, to do good, to serve consumers and to provide the taxes we need to pay for the schools, hospitals and everything else that a modern society requires.

As a parent and a grandparent, I know that when teachers go on strike, children's education is disrupted and parents need to take time off work to look after their children. When healthcare workers strike, appointments are cancelled and patients do not get the service they deserve. When train, bus or underground workers strike, commuters cannot get to work. Even so, this Government are not seeking to ban strikes. We are introducing thresholds to require a minimum 50% turnout for all strikes, and the support of at least 40% of those entitled to strike in important public services.

I do not agree with the comments made by the noble Lord, Lord Dykes. We must ensure that when strikes take place, particularly strikes that impact on the working families to which he referred, the strikers have the support of a reasonable number of the workforce. As my noble friend Lord de Mauley said, the public sector strikes in 2011 closed 62% of schools in England, and the NHS—I am not sure that he said this—cancelled up to 30,000 routine operations. The Treasury estimated the total impact of these strikes to be some £500 million. So, in reply to the question asked by my noble friend, that is not fair and it is not right.

Nor is it right that in 2014, the NUT closed or partly closed almost 1,500 schools; or that a strike among NHS workers was called by Unite on the basis of the support of only 12% of its members. Similarly, we have examples of strikes called on the basis of out-of-date ballots. For example, a strike undertaken by the NASUWT in October 2013 was based on a ballot mandate from November 2011. That is a difference of almost two years. It cannot be right.

That is why we have introduced the Trade Union Bill, which we will debate shortly. As others have not sought to run through the detail, I shall not do so either. However, I emphasise that the Bill seeks to strike a fair and effective balance between the rights of unions, the needs of employers and the interests of the majority of people who rely on important public services. Our aim is to provide a modern industrial relations framework to better support an effective, collaborative approach—which has been the sense of today's debate and my own experience—and to resolve industrial disputes.

The Government recognise that trade unions have a valuable role to play in developing our workforce and in ensuring that the vulnerable are able to participate in work. We have heard many good examples of this today. I have stressed the importance of trade unions and why I believe it is right that the legislative framework needs reform. We are seeking through the Trade Union Bill to modernise the relationship between trade unions and their members and to redress the balance between the rights of trade unions and the rights of the general public. These are moderate, necessary and welcome reforms. They do not ban the right to strike and do not weaken the voice of working people or their ability to join trade unions.

We pledged to undertake these reforms in our manifesto and we have brought the Bill forward as a party that believes in trade unions. We are, as my noble friend Lord Balfe said, proud to win the support of many trade union members at elections. We want trade unions to carry on doing their excellent work in so many areas.

3.15 pm

Lord Foulkes of Cumnock: My Lords, the debate has been much more effective than I had expected—or even hoped—and it has been a pleasure to sit through all of it. Particularly effective were the two contrasting maiden speeches. I would hesitate to question the noble Baroness, Lady Burt—her having been deputy governor of Holloway among her many achievements—but I can assure her that the trade unions are now strongly supportive of mutuals and the Co-operative movement. Apart from that, it was a wonderful speech and we look forward to hearing from her many more times. My old friend, even though he is on the other side of the House, the noble Lord, Lord Robathan—whom my noble friend Lord Young described as having SAS views on the trade union movement—was equally effective. Again, we look forward to many more exciting and interesting contributions from him.

It was interesting that so few Tories participated in the debate. The noble Lords, Lord De Mauley and Lord Suri, did their duty by the Whips and will no doubt be suitably thanked for that. Apart from that, the contribution from the noble Lord, Lord Balfe, was interesting, as usual. He has had an interesting political journey, and it shows. The noble Lord, Lord Dykes, made an excellent contribution. He has had an even more exciting journey. He has moved right around the Chamber but always seems to be in the right place at the end. He certainly was today.

As expected, we had the most magnificent tours de force from the trade union Barons and from the Baronesses. It was interesting that the noble Baroness, Lady Dean, managed to elicit, in an intervention from the noble Lord, Lord Callanan, the real stark face of the Tories as far as this issue is concerned. The noble Baroness, Lady Prosser, rightly reminded us that I had forgotten to mention the wonderful international work of the trade union movement that I know so well. I remember talking to some old friends, trade union activists, who served in the International Brigade in Spain and did a wonderful job. We know what they did in Chile and elsewhere, and that must not be forgotten.

However, with no disrespect to all the other speakers, the first of my two highlights was the speech of the noble Lord, Lord Griffiths of Burry Port, who said that it was his brother who was the soapbox orator. I think of Leslie as the soapbox orator, who was really good at it, as well. The noble Lord made a fantastic, enthusiastic and positive contribution, which I expected. However, what was unexpected was that I, as a heathen, agreed with everything that the right reverend Prelate the Bishop of Derby said. It was an encouraging speech—one of the best in the debate. I have many times spoken about partnership and there is an interesting comparison between the church and the trade union movement. He raised the interesting issue of the non-joining culture, from which all organisations suffer. I

am hinting to him that that might in itself might be the subject for a debate, because it is a worry for all who are trying to build up democracy.

Overwhelmingly what came through was a recognition of the value of the trade union movement and its positive contribution. As to productivity, which I have studied, there is no doubt that you get better productivity from a happy, contented and organised workforce. I can guarantee that. Many examples and studies that show that.

I welcome the powerful speech of the noble Lord, Lord Stoneham—it was encouraging to hear from the Liberal Democrat Benches their wholehearted support for the trade union movement—together with what my noble friend Lady Hayter said in her restrained but strong way.

I say this to the Minister: I hope she will acknowledge the sincere strength of feeling on the issue of the Trade Union Bill. I hope also she will say to her government colleagues that they are not going to have an easy time in this House when the Bill comes here. Sometimes in this House, we get the feeling that we should ask, “What are we doing here, when all the decisions seem to be made elsewhere?”. I hope she will take back to the people who make the decisions that there is a strong feeling in this place about the value and importance of the trade union movement. As I say, she will not have an easy time of it with the Bill.

I shall finish as I started, by talking about the positive role of the trade union movement within our democracy and our economy. That has been celebrated in this debate. It has been acknowledged time after time in speech after speech from all parts of the House. The trade union movement should be proud of the House of Lords for giving it such a warm welcome and such a great endorsement.

Motion agreed.

Sport: Exclusion of Drugs

Question for Short Debate

3.20 pm

Asked by Lord Addington

To ask Her Majesty's Government what action they are taking at an international level to maintain high standards by all countries and international sporting organisations in order to ensure the exclusion of drugs from sport.

Lord Addington (LD): My Lords, when a little over a week ago I put down this Question for Short Debate on a topical matter, I had, as always, that slight feeling that the subject would have slipped from the news. Unfortunately, that is not the case. Indeed, this issue has become more relevant than it was when I secured the debate. At that point there had merely been an outcry against Russia, but since then Russia has been banned by the International Association of Athletics Federations, the IAAF. If ever there was a subject that is full of acronyms—and I do not like them—it is this one. Today, five other nations have been declared non-compliant: Argentina, Ukraine, Bolivia, Israel and Andorra—one of the world's largest nations along with one of its smallest. More worrying still is the list

[LORD ADDINGTON]

of nations that have been placed on a watchlist for non-compliance. The coverage I have seen puts Brazil at the top. Brazil is the nation that will host the next Olympic and Paralympic Games. If anyone is feeling slightly complacent about this, let us look at who is with Brazil on the watchlist: France, Belgium, Greece, Mexico and Spain, four of which are members of the European Union. The international element of this is overwhelming.

I shall return to the original subject. ARD, a German television station, did a wonderful piece of investigative journalism which pointed out the problems in Russia. For this the station should be thanked wholeheartedly by the rest of the world. Indeed, it is a good thing for this House to be able to thank any branch of the press for doing excellent work, and I hope others will follow me in that.

The World Anti-Doping Agency sent in an independent commission to look at Russia. The commission's report is one of the most depressing documents I have ever had to go through. There is state corruption or state collusion in corruption—a sort of “Everyone else in the world is doing it so you must do it better”—when it comes to doping. Bribes are being made in a system that was corrupt anyway. Noble Lords will know that when they normally read a report, they go through it saying, “This is fine but that is not”. Only around one in 30 lines that I read said that someone was not breaking the rules. It was basically appalling. On the action taken, after the report was published, the only thing the IAAF could do was put a suspension in place. Why does this matter? It matters because sport matters. The Olympics, which people are now saying are tarnished or were sabotaged, may have had some of the shine rubbed off, but that is probably overstating the case. A celebration of sporting activity brings people together.

This scandal may be about athletics, or athletics-led, but if there is a culture of cheating, everything is up for grabs and the whole thing is under threat. We do not think rugby union has any major problems with drugs at the moment, but Russia could have qualified for the last World Cup. However, the whole of Russian sport has now been called into question. Indeed, when we look at the non-compliance list we see that Argentina, which reached the semi-finals of the tournament, is on it. What this means for football and the other major sports, we do not know, but there are major problems in this area.

We should remember that sport is effectively recognised as a kind of “wonder drug” in terms of healthcare. Getting the people of this nation fitter is seen as a way of helping and encouraging them to make themselves healthy and thus save money in the NHS. It does not help if the international example being set by those at the top shows that they have been systematically cheating and so have taken away from the importance of this issue. It just does not work.

What should we be doing? The independent commission was brought in by WADA from the outside to report on these matters. It may be a model that we will have to use again and again. My first real question is: are the Government of the United Kingdom prepared to support and help fund all these steps in the future?

Something will have to be done in this area. When I looked at it originally, I thought that perhaps we should demand that Russia should pay for the monitoring in the future. It would be a nice idea, would it not? An independent commission, perhaps even a permanent one, is what is needed, or at least it will have to be regularly reconstituted. Also, how are we going to interact with our international partners to make sure that something good comes out of this? Those are very real questions.

We also need to look at what we doing with legislation on the home front. There is a long-running debate around criminalisation: do we criminalise those who are taking part in doping? We should remember that we have had cases of it in our own country. Have the Government looked at the various models which have been put in place elsewhere? Which ones do they think work best? The gut reaction is that “something should be done”. If, however, that is not seen to be the most efficient way forward, should it mean six months in prison as opposed to a four-year ban and a change of career? I do not know which of those would bite harder. What are we doing to support our own agencies and checking to see whether they are able to do their job in the best way possible? If we wish to enjoy the benefits of sport, it is quite clear that we cannot merely leave it to the sporting bodies themselves. They need support and structure from the outside.

The Russian example is one where the state intervenes and condones these practices, at which point everything basically goes to hell. Are we going to intervene to support these independent structures? Also, how are we going to support whistleblowers both here and abroad? How are we going to make sure that someone who is charged with making sure that people are compliant is actually doing that? On reading the report, it is quite clear that no one felt that there was anywhere they could go to report these practices, and that was a huge part of the culture. All small organisations should get involved, along with political parties, sports bodies, the local golf club—you name it—because they all have this problem to a greater or lesser extent. Where can you go and where is it safe to report these practices that is outside the structure you are part of? What are we doing in this area? These are things with which the Government can help, even if only indirectly, and they will be much more efficient if they move forward with friends. We have to co-operate on this both with those we talk to regularly and those we talk to only occasionally. Sport is a forum that has made us regularly come together in the past, and it is where people can bury their differences.

The noble Lord, Lord Bates, has talked about the Olympic truce. Let us take a little of that spirit and carry it on to make sure we maintain the momentum. Can the Government give us some assurances about what they are doing in this area? I ask that because this is what is required. The more I look at this, the more worried I am.

I finally ask: what are we going to do to initialise the problem of accepting that we have ongoing tasks? The noble Viscount may not have that information because I did not give him advance warning of that question. It is clear that things have expanded, but do we have plans to ensure that we take this on for the

future? Will we be able to institute groups that will lead the athletics and sporting groups into a format where they undertake activity that goes beyond current normal talking? We clearly need that.

I could go into a great more detail about the report. The noble Earl, Lord Courtown, is shaking his head—he is quite wise. I shall end by saying simply that unless we take action now we will throw away something very good, and I do not think that any of us wants to do that.

3.30 pm

Lord Moynihan (Con): My Lords, we might have hoped that the World Anti-Doping Agency—WADA—would have exposed the most recent scandal involving Russia. We might have expected WADA to have welcomed the in-depth news investigative journalism serving the cause of clean athletes. But the reverse is true. It was not WADA; it was the German broadcaster ADR and then the *Sunday Times*. It was the excellent work of Hajo Sappelt. It was not WADA which broke the BALCO story and exposed Marion Jones, but the law enforcement agencies. It was not WADA but the *Sunday Times* and the law enforcement agencies which exposed the former era of pervasive drugs in cycling. When they did, the response of sports administrators too often defied belief. They went straight to their default position of blaming the press—a declaration of war against the *Sunday Times* in athletics, while Craig Reedie continued to praise Russia in his capacity as president of WADA. Why?

The problem is a straightforward conflict of interest. WADA is equally owned by Governments and the IOC. Those IOC members involved see Russia's electoral power in the world of sports administration wielding a significant influence. The same applies in international sports federations. Where Governments and their sports administrations are one and the same, they risk losing political support if they show determined leadership in the war against drugs wherever they are endemic.

WADA is in need of fundamental and far-reaching reform and Governments have done far too little. Why Governments? Because they are full partners in WADA but their level of representation is often well beneath the seniority in government required to manage this issue, which is now a crisis. The Government pay a significant contribution to WADA, so now is the time for my honourable friend the Minister to call for an independent audit, because it is failing to lead and failing to succeed. WADA was even subject to serious criticism by its own independent commission, led by a former WADA president. The noble Lord, Lord Addington—I am grateful to him for raising the subject—outlined the 11 countries which are currently non-compliant or on a watch list. The dark and dirty underbelly of sport is being laid bare. It is time for sponsors to act. It is time for Governments to act. It is time for sports administrators to act. Despite all the warnings, we hobble from scandal to scandal.

Dick Pound, who headed the independent commission's first report, concluded that London was sabotaged by the drug cheats. The head of WADA, Craig Reedie, quickly and publicly disagreed with his own independent commission, further compounding the mixed messages coming from WADA. Has he forgotten that clean

athletes have been denied their medals? Competing chemists' laboratories work around the clock to boost the chances of their athletes through drug-induced cheating. Now we know that Russia's endemic corruption sabotaged our Games. Honest would-be champions suffer when the chance to fulfil their Olympic ambitions is stolen from them; when Olympic medals are snatched from their grasp; and when they are robbed not just of Olympic glory but of all the associated rewards they deserve.

The World Anti-Doping Agency boss, David Howman, believes that one in 10 athletes is a drugs cheat—a figure less than that arrived at by the 2015 Dutch National Anti-Doping Agency report, which concluded that 14% to 39% is the best available estimate. David Howman at least had the courage to tell an Australian and New Zealand Sports Law Association conference last month:

“I want to pose the question: should doping be a criminal matter? It is in Italy, and WE think—some of US—that the real deterrent that cheating athletes fear is the fear of going to prison not the fear of being stood down from their sport for a year, two years, four years but a fear of going to prison”.

Yet days later, in the face of a growing interest in legislative proposals for criminalisation of doping in sport around the world, his boss Craig Reedie said that WADA is,

“completely opposed to the criminalisation of athletes”.

We should follow many other countries and consider the criminalisation of doping in sport. I welcome the announcement by the Minister for Sport that this is under review. I wonder whether the Minister here today can update the House on progress in that regard.

As the Russian crisis besetting athletics was breaking, WADA was quick to stand by Russia. The president wrote to Natalia Zhelanova, the Russian anti-doping commissar, stating:

“I wish to make it clear to you and to the Minister that there is no action being taken by WADA that is critical of the efforts which I know have been made, and are being made, to improve anti-doping efforts in Russia”.

WADA, he continued, were,

“pleased that these relationships have survived much of the adverse publicity caused by the ARD television programs (which are likely to continue for some time) ... I value the relationships with Minister Mutko and would be grateful if you (Natalia Zhelanova) will inform him that there is no intention in WADA to do anything to affect that relationship”.

How could WADA and the Governments—its members—get the situation so horribly wrong? It is time for Governments to join a call for a full and independent review into both their own and their member state contributions to WADA, and to support the call for far-reaching and much overdue reform. This audit should, please, be led by totally independent lawyers and medics, supported by clean athletes with the skill sets needed to lead the campaign on doping in sport worldwide. It should not be led by people who rely on IOC members and International Sports Federation representatives for their electoral success—for their jobs. Such a soft approach against the country with the highest number of drug cheats in the world beggars belief in the fight on behalf of clean athletes.

Equally serious, another senior member and close friend of the president of WADA, Pat Hickey, who is on the International Olympic Committee's executive

[LORD MOYNIHAN]

board, went public within days of the publication of the damning revelations in the Pound Report, confident that Russia will be back for Rio. Every time that is said by a senior IOC member before action is taken, the compliance bar is being lowered. The principle of zero tolerance is fast becoming a contradiction in terms.

Those in this House who regularly speak in debates on sport look to the Government to ensure that full transparency, accountability and professional management are in place before tax and lottery money are invested. The corridors of sport, I am afraid, are riddled with conflicts of interest. We have our own example. Perhaps the Minister could inform the House what action was taken when Nicole Sapstead, the UK Anti-Doping chief executive, sent emails to the head of the British Olympic Association—I declare an interest, having chaired it in the run-up to London 2012—after an investigation by the *Sunday Times* revealing widespread blood doping in athletics, stating that,

“we will do everything we can to ensure the focus is on the positive news. The last thing we want is a story like this detracting from the Rio countdown”.

The role of all anti-doping agencies should be wholly, necessarily and exclusively focused on tackling drug abuse in sport. There can never be any other considerations.

It all comes back to those in charge and the urgent need for a step change in the governance of sport both nationally and internationally. Governance is critical. All office holders in international sports organisations should be paid the going rate for their jobs. Conflicts of interest must end. The test used in your Lordships’ House of whether a reasonable person would believe that a conflict existed must apply to all senior sports administrators both nationally and internationally, starting at the top. The moment you choose to be a leading sports administrator, you have to turn away from seeking to make money from sport as a businessman or woman. After all, it is very difficult to substantiate that you are going to spend every waking hour tackling doping in sport if you have a highly paid day job in sport, accountable to your shareholders.

Michael Beloff QC is advising the IAAF and my noble friend Lord Coe. In the light of the current crisis and in the interests of good governance, that advice should be made public. I ask the Minister to seek to obtain that advice and place it in the House Library.

I conclude by giving the reason why I feel so strongly about this. It is because the casualties are the clean sportsmen and sportswomen. Cheating is inimical to the very essence of sport and to its philosophy of team spirit, honesty and loyalty. Cheating, by whatever means, has no place in sport. These cheats have shredded the dreams of clean athletes with every needle they inject. They have destroyed the years of training and competition necessary for a clean athlete to reach the pinnacle of sport.

3.40 pm

Baroness Grey-Thompson (CB): My Lords, I thank the noble Lord, Lord Addington, for this timely debate. I also welcome the Minister to the world of acronyms.

When I see the cases in the press about a sport that I love and a sport I participated in, part of me is hugely disappointed. However, as an ex-athlete and a fan, I

am also pleased because these issues need to be raised. There have been rumours and speculation, but we cannot act on them; we need cold, hard facts about what is happening in the world of sport, because it has a much greater effect. It affects parents’ choices about which sports they allow their children to do. It affects participation, as the noble Lord, Lord Addington, said. It affects how people view activity. This also has a massive impact on the UK.

Personally, I have a strong view on athletes who are caught cheating. If I had a preference I would ban them from sport for life. I recognise that that is extremely difficult to do, but it is a huge privilege to compete for your country in your sport. A certain responsibility has to go with that. As an athlete, I was on the Whereabouts programme and I was tested. As a young female athlete, providing a sample is hugely daunting. The first time I was called into a test, I did not particularly know what I was about to do. You have to be stripped from your bra to your knees and you have someone watch you give a sample. That is part of your job as an athlete and part of your responsibility. I willingly did it because I really believe that sport at this level has to be clean.

I argued consistently over the years that any lottery-funded athlete should be part of the programme. Although in the early years of lottery funding Paralympic athletes were not on the programme, I am delighted that they now are. One of the misconceptions about disabled athletes is that there is a different list of testing. It is exactly the same. Very few disabled athletes take medication for their condition, but we are subject to exactly the same tests as everyone else.

I declare an interest in anti-doping. I sat on the first UCI investigation into Lance Armstrong, which seemed like a good idea at the time but it was incredibly ill fated. As a fan of cycling, I watched each of Armstrong’s wins. I was amazed. I wore his yellow band, until, at the end of 2004, I was told to take it off by someone I trust in sport. The UCI announced in October 2012 that it would establish a fully independent external commission to investigate the allegations from USADA, the US Anti-Doping Agency. John Coates, the president of the Court of Arbitration for Sport and a senior member of the IOC was asked to set up this commission. I was joined by Sir Philip Otton and Australian lawyer Malcolm Holmes. The plan was that we would have a team of forensic accountants and medical experts who would advise the commission. We were due to hold a two-week hearing. In the end it was a single day, because the UCI, even though it funded it and spent a significant amount of money, refused to hand over a single piece of paper. It quickly became obvious that it had no intention of being involved in the process. Brian Cookson, who stood as president on the platform of sorting out the sport, has since carried out a further investigation.

However, it is not just the athletes taking drugs, but the corruption and everything that goes with it. It is the bribery and the coercion. I have a certain degree of sympathy for the Russian athletes. It would not have been a choice for them; it would have been, “Do this or else”. I also did an investigation for British Athletics when Dwain Chambers came back into the sport after serving a ban period. It was a very messy period. Here

was a young man who had lots of talent and who had made some really poor choices. Again, I had a huge amount of sympathy for him, but a number of people in the UK knew that he was going into a destructive and suspected environment, but they did not stop him. There was nothing we could do about that.

Not only do I take a tough stance about athletes; it is also about coaches and associated personnel, because rarely do athletes do this on their own. Taking performance-enhancing drugs is relatively easy; they are quite easy to obtain. However, it is understanding the microdosing and how to avoid detection that you need a huge amount of expertise on. It is quite expensive as well.

I was disappointed when the British Olympic Association was forced to change its rule. The BOA stood up very strongly in the world and said, “We do not want to take anyone who served a banned period to the Olympics”, but because of international rules it had to change that. I was disappointed when it went from a four-year ban to a two-year ban—luckily it is going back the other way—because we have to send out this really strong deterrent that taking performance-enhancing drugs in sport is just not the right thing to do.

We found out about the case of BALCO because there was a falling out between Victor Conte—the architect of the drugs—and one of the coaches, Trevor Graham. He coached Marion Jones and Tim Montgomery and was the one who sent the syringe to WADA, which enabled them to develop the tests. We cannot forget that Marion Jones never failed a drugs test. There are other athletes in the world who have and it has been covered up by their federation. This has to stop. We cannot overestimate the challenge that the noble Lord, Lord Coe, is going through, but I believe that you have to be on the inside. There have been rumours around the Russian athletes for a number of years, but you need to have the facts of who has taken drugs.

Just recently, a 17 year-old Chinese athlete, Qing Wenyi, died at a training camp. They believe that that was from state-sponsored drug taking. She will be one of many athletes who we will never hear about, who have no choice about this, but sport is their way to a better life. If it is a choice between taking drugs and potentially ending up in prison, the athletes will make the choice in front of them.

In paralympic sport this is not such an issue, although this week a Russian athlete, Alexander Zverev, has been banned for a nine-month period for taking cannabinoids. It is very expensive to successfully dope competitors involved in paralympic sport, and paralympic sport does not have the money to do that. However, as more money moves into paralympic sport, that may become more of an issue. The issue in paralympic sport is around cheating classification. The difficulty is that athletes are divided into different classes based on their level of impairment. Athletes will fall one side of the line or the other, and it is not as clear cut as just breaking the rules.

On 12 October this year, as reported in *Inside the Games*, a web-based newsletter, the IPC issued a statement about what it calls intentional manipulation and said that it,

“is in grave danger of undermining the credibility”,

of paralympic swimming. This statement refers just to swimming but I am sure there are issues in other sports. An email seen by *Inside the Games*, sent from the IPC chief executive Xavier Gonzalez to national paralympic committee and national federation presidents, outlines the threat posed by intentional manipulation. The email entitled, “Athlete/Support Personnel Conduct during IPC Swimming Classification” states that this is a “serious issue”. The email continues,

“we believe we have witnessed, and have heard of, a number of cases of alleged intentional misrepresentation during the classification evaluation process of athletes”.

This has a massive effect on the sport but did not warrant front page news or much reporting in the sports press. The email continues:

“Wherever IM takes place it strikes at the heart of fair play, threatens the concept of excellence in Para-sport, and goes against the requirements of the IPC Classification Code and the classification rules of IPC Swimming”.

However, there is no penalty. If an athlete gets moved, nothing happens to the country or to the athlete. For me that has serious implications for the future of paralympic sport because some countries will seek to move athletes into a classification which will better aid their performance. I believe that it is a responsibility of sport in the UK to ensure that athletes are correctly classified. We only have to look back to the 2000 Paralympics, when the Spanish basketball team pretended to have learning disabilities. It turned out that most of them were journalists. They cheated the classification with the result that a group of learning disabled athletes got thrown out of the sport. That has a huge impact on the wider sport and is very disappointing.

In this country we have UKAD, which is under the threat of a funding cut. We should ensure that it receives greater support. The noble Lord, Lord Lord Moynihan, was right to talk about WADA's independence. At the moment it is too closely tied up and it is impossible to find a way through. We have to have an independent body. So my question to the Minister is: can the Government guarantee that appropriate funding will be made available to UKAD to ensure that it is able to do the necessary testing? Will Her Majesty's Government consider criminalising the use of performance enhancing drugs?

I also believe strongly that athletes should be rehabilitated. We should not just penalise them. But now is the time when we have to take a much tougher stance or this will carry on and in another year, five years or 10 years we will have more front page headlines on this issue and it will never end.

3.50 pm

Lord Thomas of Gresford (LD): My Lords, I thank my noble friend Lord Addington for introducing this debate. He referred briefly to rugby. One of the best moments in the recent Rugby World Cup was when Scotland was playing South Africa at the home of Newcastle United, St James' Park, and Stuart Hogg, the full back, took a dive to the floor when he was brushed by a South African prop. The Welsh referee, Nigel Owens, told him that he had seen what happened. He said:

“There was nothing wrong with it. Dive like that again and come back here in two weeks and play”,

[LORD THOMAS OF GRESFORD]
 soccer. He added, “Not today. Watch it”. There is a difference in culture between sports. Perhaps professional soccer players are extraordinarily fragile in the penalty area. Is it cheating or is it all part of the game?

Rugby has its own problems. It is my experience that violence on the pitch is proportionate to the age of the players: the more veteran the player, the more likely he will commit acts on the field which would have him arrested if he committed them in the street. But, of course, they are protected by the omertà of the team. Players do not want to see policemen on the pitch. I recall one game when a second row in the scrum where I was flanker landed a punch on the opposing prop which broke his jaw. The referee got it wrong and sent our prop off instead of the second row. I put on my professional cap and said to the second row, “Frank, say nothing, don’t admit anything, don’t deny anything”. He was not prosecuted but the player with the broken jaw made an application for criminal injuries compensation. I do not know what happened to it so perhaps that was not the right thing to do.

It is this traditional silence which has protected those high-performance coaches, the so-called sports scientists and sports staff who have engaged in the distribution of prohibited substances to athletes and professional sports players and are undermining the integrity of sport. The noble Baroness, Lady Grey-Thompson, pointed out the pressures on the athletes themselves when they are under this influence.

In May 2006, the Spanish police launched Operation Puerto with the aim of cracking down on doping in sport. It was aimed at cycling, though few were sanctioned out of the dozens implicated. A Mr Fuentes, a former gynaecologist known as Dr Blood, was at the heart of that conspiracy. However, there is no specific crime in Spain for cheating in sport or other sporting fraud. He was in April 2013 given a one-year suspended sentence for endangering public health. Hundreds of blood samples were ordered by the court to be destroyed. Spain had won only four gold medals in 92 years of Olympic competition before the Barcelona Games in 1992. At that event, Spain won 13 gold medals. Dr Blood’s wife, Cristina Perez, an athlete who had been banned for drug offences after the 1988 Olympics, spoke about her husband’s work in the build-up to Barcelona:

“I know what happened in 1992 and I’m a Pandora’s Box that, if opened, could bring down sport. But out of respect for my companions, the people who sacrificed so much, I’m staying quiet, although I could speak out and ruin all those caught up in this little world”.

There it is: silence among the participants.

Other scandals have followed. Marina Hyde, writing in the *Guardian* in July 2013, put it very well. She said that cheats,

“ruin it for everyone else—participants, spectators—in many and diverse ways. They ruin it for years, for everyone. They turn expert observers into pained inquisitors; they make kids who should be dreamers into cynics; they retain the power to turn age-old human contests into an irrelevance. And ultimately, as the increasingly distrusted spectacles of cycling and sprinting are showing, they pervert the very desirability of being victorious”.

In 2011 the Australian Crime Commission began a project to consider the extent of the use of performance-enhancing and image-enhancing drugs by professional

athletes in Australia, the size of the market and the extent of organised criminal involvement. It concluded in its report, published in 2013, that there was,

“a culture in some professional sports in Australia of administering untested and experimental substances to athletes in the hope they will provide an advantage in the highly competitive world of professional sport. In some instances, the substances are not yet approved for human use”.

But of course athletes accepted them—under pressure, perhaps, but they accepted them. Such drugs were also being used by sub-elite athletes competing at various levels of competition.

Now we have the report of the independent commission set up by WADA, which makes very depressing reading. The International Association of Athletics Federations, by 22 votes to one, suspended the All-Russia Athletic Federation provisionally and presumably after a hearing will proceed to full suspension. If the findings of the commission are upheld, no amount of assurances for the overhaul of sports governance in Russia or promises of good behaviour for the future should permit Russia to participate in the Rio Olympics. If that means that some Russians who are clean miss out, tough. It is only by peer pressure from such athletes that the culture of doping can be overcome. Nothing could be more disgusting than the soliciting of bribes by senior members of the federation to suppress the positive findings of drug misuse.

The investigation uncovered evidence that the IAAF itself had failed in its duty to ensure,

“the health and wellbeing of the ‘Athletics Family’”.

Instead, it found that,

“there existed a consistent disregard for ethical behaviour and a conspiracy to conduct and conceal corrupt behaviour by particular highly placed members and officials of IAAF”,

and the Russian federation, hence the arrest of the former president. We all should wish the noble Lord, Lord Coe, all the best in trying to clean up the mess. But I am not filled with any confidence by the news last weekend that the IAAF has appointed an inspection team with the terms of reference to,

“verify the reforms programme in Russia to enable the All-Russian Athletics Federation to gain reacceptance for IAAF membership”.

As the noble Lord, Lord Moynihan, pointed out, it is the electoral strength of that country in the governance of sport that no doubt leads to terms of reference such as those.

I am afraid we have reached the stage where the criminal law should be quite explicit about fraud, drugs and match-fixing in sport. The noble Lord, Lord Moynihan, did not refer to the Bill that he introduced in the previous Session, which, like the law of many of the Australian states, makes match-fixing a specific crime. But he has also drafted simple criminal offences in respect of drugs. He handed me a copy of the Bill at the Handa conference we went to recently, and I am very grateful to him. He has two new offences. The first is:

“An athlete is guilty of an offence if he or she knowingly takes a prohibited substance with the intention, or one of the intentions, of enhancing his or her performance”—

simple. Secondly, the Bill said that:

“A person belonging to the entourage of an athlete is guilty of an offence if he or she encourages or assists or hides awareness of the relevant athlete taking a prohibited substance with the intention, or one of the intentions, of enhancing such athlete’s performance”.

That is the way ahead. The noble Lord's maximum sentence of two years' imprisonment was, in my view, far too low when compared with the 10 years that the Australian states have imposed. At the end of the day, it is the clean athletes who suffer from this invasion of their sport and I hope that we will hear from the Minister some positive steps towards dealing with this problem.

4 pm

Lord Collins of Highbury (Lab): My Lords, I, too, thank the noble Lord, Lord Addington, for initiating this incredibly timely and important debate. As we have heard, doping is wrong because it provides athletes with an unfair and fraudulent advantage over their competitors. It can also be harmful to individual athletes and their health. It may also involve associated criminal activity, such as the trafficking of specified substances. As the noble Lord, Lord Moynihan, said, it also undermines the spirit of the sport. It is unethical and contrary to the values of fair play and respect for one's opponent.

The noble Baroness, Lady Grey-Thompson, reminded us of Lance Armstrong. What I found most shocking about his cheating was the apparent ease with which it was done. Threats of libel action against the media, large sums of money and vested interests all seemed to play their part in keeping the relevant authorities silent. With the report published by the World Anti-Doping Agency on 9 November, all those ingredients appear once again in play. As was highlighted by the noble Lord, Lord Moynihan, would the level of corruption found by the WADA have been uncovered without the original German media investigation? The WADA report said that,

"acceptance of cheating at all levels is widespread", in Russia and suggested that neither the Russians' anti-doping agency nor ARAF, the Russian federation, can be considered anti-doping code-compliant.

The 2012 Olympic Games do not come through this unscathed either. The Russian Sports Minister, Vitaly Mutko, reacted to the possibility that medals won by Russian athletes in London may be taken away by saying that,

"it's the British system of doping control that operated there", under the leadership of the IOC, so our good name will be tarnished. Despite their initial reluctance, as we have heard, the International Association of Athletics Federations council members voted 22 to one in favour of Russia's athletics federation being provisionally suspended from international competition, including the Olympic Games, for its alleged involvement in widespread doping.

What is perhaps most shocking is that, despite the scale of the allegations, they have been described as only the tip of the iceberg. In backing Russia's suspension from competition, Ed Warner, the UK Athletics chairman, echoed Dick Pound's views that there is more to come. As we heard from the noble Lord, Lord Addington, there are four, five, six or more nations with which athletics has a real problem.

The IAAF president, the noble Lord, Lord Coe, told BBC Sport:

"This is a wake-up call for all of us",

and that he is wholly,

"focused on the changes that need to be made".

Although the noble Lord was elected IAAF president only in August, he was vice-president for eight years, and current events make you wonder whether he was asleep on the job. I do not suppose that his being the first chair of FIFA's ethics committee under Sepp Blatter or his employment by Nike, a company that supplies Russian athletes with their kit, will help people better to understand his judgment. Whatever view you take on these matters, no one can doubt the noble Lord's obvious integrity, but his judgment must be beyond question as the investigations move forward. The question now is how he can best restore credibility. It is clear that no one within the organisation commands the confidence necessary to introduce transparency and accountability. The noble Lord will therefore need to ensure that at the IAAF he has a competent team of independent people around him able and willing to tackle cheating and corruption without fear or favour. Failure to act decisively will put the reputation of world athletics in grave peril.

Sadly, the implications of the WADA report may not be limited to athletics, with Pound adding that it is not the only sport with a doping problem. Baseball and, as we have heard, cycling have been beset by doping scandals in recent times, while a corruption crisis still involves football's world governing body, FIFA. We now have people from the top of football and athletics potentially facing criminal proceedings. One action that the Government must take is to urge the National Crime Agency to investigate whether any crimes have taken place on UK soil.

This is not just about preventing doping in sport. It is clear from these revelations that a culture change is required, which is much more difficult to achieve. Our schools and education are a good starting point, and I ask the Minister whether consideration is being given to the programmes that can be undertaken, starting at the basic level in schools. At the end of the day, I wholeheartedly agree with the position of the noble Lord, Lord Moynihan, about WADA. It needs to be strengthened; that must be a priority and it must be a priority for this Government.

4.07 pm

Viscount Younger of Leckie (Con): My Lords, I begin, as have other noble Lords, by thanking the noble Lord, Lord Addington, for calling this timely debate on an issue that strikes right at the heart of sporting integrity. Like every other sports fan, I was shocked at the conclusions of the independent commission's report into allegations about Russian athletes. The noble Lord was withering in his comments about its contents, as was the noble Lord, Lord Collins. To find that top athletes whom many look up to are doping is difficult for most people to understand, but for it to be part of a wider-scale, state-sponsored conspiracy is even harder to comprehend.

I will pick up on a number of points made about the German documentary that led to the expose. I strongly agree and accept that the free press and the documentary makers deserve a great amount of credit for their invaluable work. In this regard, credit should

[VISCOUNT YOUNGER OF LECKIE]

also go to the *Sunday Times*, which has not only reported on doping but uncovered serious allegations in relation to FIFA. We do not accept or recognise any of the comments made by the Russian Sports Minister who criticised the outcome of the commission.

The report's findings could read as a work of fiction. However, our experience from the events in cycling during the 1990s and the first decade of this century suggests that the findings in athletics are to be taken very seriously. While we have confidence in the robustness of the anti-doping system in the UK, we should never be complacent. International engagement is important in creating a global level playing field for our athletes to compete on.

It is important at this point that I set out the structure of anti-doping internationally and the level of UK involvement. As the noble Baroness, Lady Grey-Thompson, said, I must apologise for the number of acronyms that I am about to unleash on the House, but this will explain the role of various bodies in being compliant with the World Anti-Doping Agency, or WADA. Established in 2005, UNESCO's International Convention against Doping in Sport is the primary instrument that underpins governmental support for anti-doping in each signatory state, and is a legally binding framework for Governments to recognise. WADA was established in 1999 and is responsible for developing, implementing and monitoring compliance with the world anti-doping code, known as "the code", and international standards.

I would like to pick up on some comments made by my noble friend Lord Moynihan on WADA. I take note of the strong criticism that he made of that organisation. He is correct in saying that the Government fund WADA, but we have confidence in the work that it does. The fact that we would not be present here today discussing this important matter had WADA not commissioned the independent report is a moot point to make, but I shall make some further points about WADA later on in my comments.

International sports federations such as the IOC and IAAF are signatories to the code and responsible for its implementation and for testing at their international competitions. In addition, national anti-doping organisations such as UK Anti-Doping, or UKAD, are responsible for educating and testing athletes and ensuring that our national governing bodies of sport are compliant with the code. In turn, they are responsible for tackling doping as a condition of membership of their international federation.

The UK's traditional tough stance on drugs cheats is reflected in the work carried out by UKAD. In the UK, the Government have implemented the UNESCO convention by way of the national anti-doping policy, and task UKAD with delivering key government commitments pursuant to the UNESCO convention. It is pleasing to note that large-scale sporting events in the UK, from London 2012 to Glasgow 2014, and the recent Rugby World Cup, have seen low levels of positive tests. While that is encouraging, we must ensure that we are never complacent in the fight against doping. In 2017, London hosts the Athletics World Championships, and organisers are aiming to put on the cleanest championships ever. Organisers of

major events can therefore be sure that the robust anti-doping systems used in the UK are a deterrent to athletes who cheat.

I am pleased to say that UKAD is widely viewed as one of the world's leading national anti-doping organisations. It drives a robust clean sports programme, focusing on testing and sharing intelligence with law-enforcement agencies, as well as its excellent athlete education programme. The noble Baroness, Lady Grey-Thompson, and the noble Lord, Lord Addington, raised the question of the funding of UKAD. It is subject to the Government's spending review, to be announced on 25 November, but as noble Lords might expect I am unable to comment at this particular time. However, I reassure the House that the Government greatly value the work of UKAD, which has led to it being a world-leading organisation.

I am pleased to confirm that the UK, and our Crown dependencies and overseas territories, which have the UNESCO convention extended to them, are fully compliant with the convention's commitments. In addition to national commitments, the UK is extremely proactive at international level in combating doping in sport. Of course, this is the essence of this debate. The national anti-doping policy requires UKAD to influence international policy, and conduct international advocacy for doping-free sport. The UK is a member of the bureau that seeks to implement resolutions adopted by UNESCO's Conference of Parties. The UK is represented at the Council of Europe monitoring group meetings to assess and ensure that implementation of the convention is effective.

The UK also chairs the Council of Europe's legal issues advisory group. The UK is represented at the ad hoc European committee for the World Anti-Doping Agency, which is known as CAHAMA. It is a forum that looks at the issues concerning relations between the Council of Europe, its member states and WADA and agrees a common European position ahead of meetings of WADA's foundation board. It is important to note that WADA looks to pair national anti-doping organisations that it feels are underperforming or in need of support and advice with high-performing counterparts. To use a diving analogy, it is akin to a buddy system. For example, UKAD has been asked by WADA to work with its Belarusian counterpart to reach the required standard under the code to become compliant. In a similar vein, King's College, London, the UK's WADA-accredited laboratory, shares best practice with laboratories worldwide.

I now turn to international forums. The UK is a member of international forums such as the Institute of National Anti-Doping Organisations, the International Anti-Doping Arrangement and the International Investors Group. These forums share best practice and support national anti-doping organisations.

I shall now focus on Russia. The reaction to the commission report on state-sponsored doping in Russian athletics has been swift and unequivocal. The IAAF vote to suspend Russian athletes from all competition was unanimous and reflected the worldwide reaction. It was 22 to one, I think. Even President Putin was quick to announce the need for Russia to offer, "the most ... professional cooperation with international anti-doping structures".

The noble Lord, Lord Addington, referred to the impact of the Russian findings, and I underline, as I am sure the noble Lord will, that this is not just about Russia cleaning up its practices; it is about all countries, all sports and all athletes not only learning from the commission's findings but realising that doping in sport, no matter how organised or innocent, will be not tolerated. The noble Lord, Lord Thomas, and the noble Baroness, Lady Grey-Thompson, mentioned that coaches and support staff must be properly monitored and censured just as much as sportsmen.

For the IAAF, my noble friend Lord Coe has already announced that its anti-doping systems will be delivered by an independent body. This is similar to the response of cycling, which now has an independent agency to deliver its anti-doping programme.

The noble Lord, Lord Addington, and my noble friend Lord Moynihan raised the issue of WADA, and I shall revert to it and its tough stance on compliance reporting. In defence of WADA, I point out that it has strengthened its compliance and regulatory functions and as a result last night, as the noble Lord, Lord Addington, said, it declared that six signatory countries were non-compliant with the world anti-doping code: Russia, Andorra, Argentina, Israel, Bolivia and Ukraine. Although this has not been confirmed by WADA, it is reported that Brazil, which is a concern, Belgium, France, Greece, Mexico and Spain have been placed on the watch list. Although this is a concern, decisive action has been taken and should be welcomed.

Criminalising doping in sport was raised by the noble Lords, Lord Addington and Lord Thomas, my noble friend Lord Moynihan and the noble Baroness, Lady Grey-Thompson. My noble friend Lord Moynihan mentioned that the Minister for Sport, Tracey Crouch, is looking very seriously at criminalisation. Her investigation will include looking at the experience of other countries, including Italy and France, which already have legislation. They are a minority of countries, but the Minister for Sport will look at this very seriously to see what lessons can be learned and what might be done.

The noble Lord, Lord Addington, raised an important point about whistleblowing and asked what greater support could be given. WADA announced in its meeting yesterday that it would enhance its whistleblowing process. This will offer greater protection to anonymous sources who wish to come forward. In the UK we also have UK Anti-Doping's anonymous Report Doping in Sport hotline, which the noble Lord may know about.

My noble friend Lord Moynihan raised the issue of the chief executive of UKAD and commented on the *Sunday Times* allegations. I point out to him that an investigation is still going on and the outcome should not be prejudged.

There were a number of other questions, but I have run out of time to answer them. I will finish by saying that the UK's traditional tough stance on doping is still very much in place, and I am proud to say that the UK's expertise, knowledge and opinion are regularly called upon worldwide. I am equally proud to say that the UK is not complacent about anti-doping, and

continually engages with the international anti-doping community to learn and improve so that we remain in the vanguard of the fight against doping in sport.

Foreign Ownership of UK Assets

Motion to Take Note

4.20 pm

Moved by Viscount Hanworth

That this House takes note of the sale of United Kingdom assets to foreign ownership and of the effects on such sales of the laws of corporate governance.

Viscount Hanworth (Lab): My Lords, I wish to talk of an enduring problem of the UK economy that is of increasing severity: our inability to pay our way in the world by means of our exports of goods and services. The consequence of this failure is our indebtedness to foreigners, which has resulted in their ownership of an ever-increasing proportion of our capital assets. It is essential that we should understand the causes and consequences of these circumstances. We need to dispel the complacency that has allowed us to reach this state of affairs, and to take action urgently to remedy it.

The UK has an unprecedented deficit in its trade with the rest of the world. The difference in the value of the goods and services that the UK buys from abroad and the value of the goods that it sells to the rest of the world has risen to its highest level as a share of gross domestic product since records began. Since the early 1970s our deficits have been of an increasing magnitude. The last recorded surplus was in 1984, when it was a modest 0.3% of GDP. At present our deficit is running at 6% of our GDP. The period from the end of the Second World War until the 1970s saw trade deficits that were modest by comparison with our recent deficits, yet these years were afflicted by intense anxieties over Britain's balance of payments. It is remarkable that such anxieties have largely disappeared at a time when the problem has never been more acute.

The reason for the present lack of concern over our trade deficit is that we have found the means of temporarily averting a balance of payments crisis, but these expedients will be the cause of much economic distress in future. We have managed to achieve the necessary balance of payments by selling our assets to foreign owners. This cannot continue indefinitely since the supply of assets for sale is limited. It will eventually be exhausted and we will find ourselves in an acutely impoverished state.

Such sales of our assets are liable to be described, disingenuously and deceptively, as "direct inward foreign investment". The present Government have declared that Britain is open for business and have congratulated themselves on their success in attracting foreign investment. The much-publicised trade missions of the Chancellor and the Prime Minister to China, India and elsewhere have succeeded not so much in promoting the sale of British goods abroad as in selling the ownership of our economic enterprises. There has been an extraordinary self-deception on the part of the Government in this connection, which, unfortunately, has succeeded in deceiving many others besides.

[VISCOUNT HANWORTH]

It is appropriate at this juncture to note that Britain's financial sector has been greatly enriched by the business of selling our assets abroad. Each sale commands a sizeable commission. One is therefore likely to find great enthusiasm for so-called inward foreign investment among those who work in the City of London. Moreover, politicians who are allied to the financial interest are unlikely to cast doubt on a strategy that favours inward investment.

Each such inward investment to the UK implies an increment in the demand for the pound on foreign exchange markets. The aggregate effect of this demand has been to raise the value of the pound to a level that has made our manufactured goods too expensive to compete successfully in foreign markets. The result has been not only a reduction in our exports but a long-term decline in our manufacturing sector.

The manufacturing sector, which accounted for 25% of gross domestic product in 1979, now accounts for less than 10%. It now contributes less to our GDP than does our financial sector. The policies that have favoured the financial sector have been to the detriment of the industrial sector and they will eventually be to the detriment of us all. A state has now been reached where the value of UK-owned foreign assets is less than the value of UK assets that are in foreign ownership. The consequence is that there is now a net flow abroad of interest payments, dividends and profits. The net leakage is clearly to our disadvantage. It is associated not only with the outright foreign ownership of UK enterprise but also with the ownership of UK franchises.

Our transport network provides a good example of a UK industry dominated by foreign-owned franchises. Three-quarters of rail franchises in the UK are now owned by foreign state-owned or state-backed rail companies. Prominent among these are the German state-owned company, Deutsche Bahn, and the rail company Abellio, which is the international arm of Nederlandse Spoorwegen, the Dutch national rail company. Foreign, state-owned rail companies are using profits earned by operating franchises in the UK to keep fares down and to support investments in the rail services of their respective countries. Our passengers and our taxpayers are subsidising a system that hands increasing profits to foreign, state-owned train operators, instead of investing them in our railways, as would be the case if they were under UK public ownership.

This phenomenon is also evident throughout our national utilities. The energy companies provide a well-known example. The majority of UK customers, whether domestic consumers or businesses, are supplied by one of four foreign-owned companies: EDF, which is Electricité de France; E.ON and RWE, which are in German ownership; and Iberdrola, a Spanish company. There are substantial repatriations of profits and dividends from the UK companies to their owners abroad.

The recent announcement of deals that have been struck by the Government with EDF and with two Chinese national nuclear corporations to build a new generation of nuclear power stations has filled many commentators with alarm. To secure EDF as a builder, the Government have guaranteed a minimum price for electricity from the Hinkley C nuclear power station

of £89.50 per megawatt hour for 35 years. This is approximately double the current rate for electricity on the wholesale market. The Government have also provided a guarantee of up to £17 billion that foreign lenders to this infrastructure project will be repaid in full and on time, irrespective of the performance of the project. It is, of course, the taxpayers and the consumers who will fund this largesse.

One is startled to discover how much of Britain's infrastructure is now in foreign ownership. This includes our seaports, our airports, our power stations, our railways and buses, our water companies and much else besides. Large swathes of our manufacturing industry are also now in foreign ownership. This includes our car industry, our steel industry, our cement manufacturing industry, a large proportion of our food processing industry and so on. Britain's aerospace industry has been celebrated by politicians as an exemplar of economic and technological success. However, a recent study by Norman Smith and Joseph Wright on mergers and acquisitions in the aerospace supply chain, *Losing Control*, published by Civitas in June this year, has shown that this industry too is passing into foreign ownership. Of the 155 companies still present in 2014, only a third had avoided takeovers or mergers between 1990 and 2014. Of 101 companies that experienced a change of ownership, over half passed into foreign hands. As the report wryly remarked, a great deal of effort and energy was devoted by managements to pursuing these transactions, generating large fees and commissions that have been paid to bankers, brokers, accountants and solicitors. The report also observes that foreign enterprises have been cherry-picking smaller British aerospace companies that have been in possession of valuable intellectual capital and technical expertise. Few of these companies have survived the takeover.

The truth is that many takeovers have been inimical to the prospects of our industries. Many have been intended, primarily, for the purpose of acquiring our intellectual capital and of limiting competition. This was clearly the case in the bid by the American pharmaceutical company Pfizer for AstraZeneca. The bid was also driven by prospects of cost saving and tax minimisation. It was facilitated, as many other takeovers of British firms have been, by our lax rules of corporate governance that put few impediments in the way of mergers and acquisitions.

The UK has a unique openness to foreign ownership. By contrast, virtually all other developed countries retain the power to block foreign takeovers that are deemed not to be in the national interest. The Committee on Foreign Investment in the United States sits in judgment on attempted takeovers that are thought to have implications for national security. In France, the Government, who do likewise, recently blocked the takeover of the engineering firm Alstom by America's General Electric. Most recently, the French yogurt maker Danone was protected from an attempted takeover by the Swiss food group Nestlé. I can recall a headline in the financial pages of the *Telegraph* in 2011 on the occasion of the takeover of Cadbury by the American firm Kraft which declared, correctly, that the French would never have allowed it.

The availability of British assets to foreign takeover can be seen both as a product of an ideological predisposition and as the result of the influence of some powerful vested interests. The ideological predisposition has favoured the widespread privatisation of industries that were formerly in public ownership. The risible irony is that much of what has been privatised that was previously in public ownership has fallen into the hands of foreign nationalised industries or state-sponsored industries. We have seen that this has been the case throughout our transport network and in our electricity-generating industry. It is also true of our aerospace and defence industries. The Thales Group—or “Groupe Thales”, as it would be in French pronunciation—which has taken ownership of some of the leading UK defence contractors and of a fair proportion of our electronics industry, is a French state-backed company that is partly state-owned.

The City of London has a vested interest in trading financial assets of every description. Our financial sector is no longer devoted to the purpose of raising capital to finance industrial investment. Instead, its main activities are in financial arbitrage and trading. These activities have been stimulated by the remarkable growth of financial credit. As the neglected *Kay Review of UK Equity Markets and Long-term Decision Making* has testified, the preoccupation with stock market performance has penetrated deeply into the management of UK industry. Many managers have become more interested in pursuing mergers, acquisitions and corporate sales than in pursuing industrial developments. In other words, they have been affected by short-term financial considerations, including the consideration of their own salaries and of the value of their stock options.

Our rules of corporate governance amount to a system of self-regulation by the financial sector. They create few impediments to mergers and acquisitions or to financial trading and do nothing to protect the national interest. They contrast markedly with the rules that prevail in Germany, for example, where there are statutory anti-takeover provisions and where the public and politicians are strongly opposed to hostile takeover bids. German firms that are listed on their stock market are governed both by a management board and by a supervisory board, which must by law comprise a large contingent of the firm’s employees. The supervisory boards act as a restraint on financial activities that might be harmful to the company. It would be greatly to our advantage to adopt a continental model of corporate governance and to replace our unitary boards of directors by a two-tier system.

The difficulties and the failures of our industrial sector are to a great extent due to the power and the influence of our financial sector, whose activities are inimical to a long-term industrial strategy. As I have already emphasised, the sales of our assets to overseas buyers has raised the foreign exchange value of the pound, which has made our manufactured goods uncompetitive in world markets. Ideally, I should like to see the financial sector diminished and its activities restrained. This is unlikely to happen under the present Government. Even a future Government of a different colour should not be relied upon to act effectively against the financial interests.

However, there is an obvious recourse that could be relied upon to diminish the value of the pound. The central bank, or some other agency, should be charged with purchasing foreign assets when the value of the pound exceeds competitive levels. Such a collection of nationally owned foreign assets is commonly described as a sovereign wealth fund. The money that has been devoted to quantitative easing might have been used for this purpose. Many countries have established sovereign wealth funds for the purpose of limiting the exchange values of their currencies. A leading example is China, which has fostered an export boom based on the cheapness of its goods in its overseas markets.

The idea is not new. Under the gold standard that prevailed throughout the interwar years, gold was purchased by countries whenever it was favourable for them to do so, which was when their currencies were liable to be overvalued in foreign exchange markets. Gold is a sterile metal. By contrast, the assets held within a sovereign wealth fund will generate an income, which could redress the leakage of income that is flowing abroad in the form of profits, dividends and interest payments.

4.35 pm

Lord Desai (Lab): My Lords, we are grateful to my noble friend Lord Hanworth for introducing this topic. I am afraid that I am not at all alarmed by the proposition that he has put before us. I will come to that in a minute but perhaps I may just recall an event many years ago when Peter Shore—later Lord Shore—was at the front of the battleground at the Department for Economic Affairs. He said, “What happened to the balance of payments crisis? Why aren’t we alarmed about whether our balance of payments is in surplus or in deficit? We used to battle month after month over what was going to happen, and the pound was always under threat”. I said, “We are now in a world of flexible exchange rates and we have free capital movements, so movements on the flow account are balanced by movements on the capital account, and therefore you can stop caring about the balance of payments”.

I still believe that that is the right attitude to take. For one thing, it cannot be said that this country is particularly impoverished. We are still in the G7 and, give or take a ranking here or there, we continue to be a rich country. Currently, we happen to be one of the fastest-growing economies among the G7 and our proportion of employment in terms of labour force participation is also one of the highest in Europe. Therefore, we have practically full employment. Of course, the recession was long and the recovery took some time but, compared with the eurozone economies and even to some extent the US economy, we are not doing too badly.

Obviously our manufacturing sector started shrinking more than 25 years ago as soon as the oil shock happened. The manufacturing industries of most European countries reduced in size—it happened in the United States and the UK and so on—but I do not think that is anything to be alarmed about. There is nothing sacrosanct about manufacturing as against anything else. We need to do the things at which we are

[LORD DESAI]

more efficient than the rest of the world and, as long as we can find things at which we are more efficient, we should go on doing them.

There is a long-standing fallacy in this country—going back to Winston Churchill, if not before—that somehow industry is more important than finance. However, few people remember that the UK had a financial revolution a century or more before it had an industrial revolution. The industrial revolution came in in the second half of the 18th century, whereas our financial revolution came about in the late 17th and early 18th centuries. We were able to fight a number of wars, with France and other countries, because the City and our public finances afforded us better financial governance than there was in Europe. I do not think there is any particular virtue in saying that the City is bad and industry is good or that somehow, William Blake notwithstanding, we should have dark, satanic mills and not banks.

The important thing is that the most interesting innovations have happened in the financial sector rather than in the manufacturing sector, at least as far as the UK is concerned. My noble friend himself pointed out that the City has gone on to be a major player in mergers and acquisitions and in a number of intermediary arbitrage activities. That is the nice thing about the City—it moves from one specialisation to another depending on where the demand is.

One paradox is that, if we are in a trade deficit, why is the pound not collapsing? It is argued that the pound is overvalued, but one would like to see more proof of why the pound is believed to be overvalued—overvalued in respect of what? We have a trade deficit and we have financial flows to balance that deficit. The pound is free to float as it likes, and I think it should stay that way, without us getting into pegging it or anything like that. I do not think our exports are low because the pound is overvalued; our exports are probably low because the countries to which we sell are in depression. The whole eurozone is in a state of very low growth. Therefore, it is no wonder our markets are not as buoyant.

For some years now we have been trying to redirect our trade away from the eurozone and into the emerging economies. The visits of the Indian Prime Minister last week and before that the Chinese President are part of the UK's effort to redirect our trade from the stagnant eurozone to the more dynamic emerging economies, and that is quite right.

My noble friend said it is shocking that various foreigners run our trains and our energy companies. That is fine. But I remember how our car industry came close to complete collapse in the 1970s. Who rescued the car industry? The Japanese. Who is the largest single employer of manufacturing workers? It is Tata Motors, which has rescued Jaguar Land Rover from shut-down. Right now, Jaguar Land Rover is a thriving business, thanks to management from Tata. Its management is a global team, because it also takes support from German, British and American firms.

This is a globalised world. There is no reason why we should settle for fortress Britain, in which only our capital will serve our industry. We have been through

that, and we lost considerably playing that game. It was precisely because we lost—we were in a dreadful situation in the 1970s; that is all of the 1970s, during both the Conservative and Labour Governments—that we got out of it and decided that there are better ways of making a living than sticking to selling the family silver.

From the point of view of economics, I fail to see the problem here. There are problems as to whether or not we should have a different model of corporate governance, but that is independent of whether foreigners own our industries. All I will say about the continental model of corporate governance is that we are living under the scandal of Volkswagen. I would like to know why corporate governance on the continent failed so abysmally in the case of Volkswagen? We have not had any scandal like that.

There is also the problem of short-termism. Short-termism is not particular to British business; it applies to any business that has equity holders. Of course, some people are now saying that preferable to relying on public equity would be to go to private equity firms. If you are owned by private equity firms, you are free of stock market pressure, and some firms have gone that way. That may be a good recommendation if you want a long-term vision in our economy.

Without being complacent about it, I believe that the UK has always been a trading nation. It has always taken the view that one must not sentimentally stick to national ownership or particular restrictions. We should allow the best companies to provide our services regardless of whether they are British or foreign, just as British companies should be all over the world doing business, as they have done for the past 300 years. We should say, “Let the best people come and provide us with our services, and let the best companies from here provide services elsewhere”. That is as long as our living standards are high and rising and as long as we have an adequate amount of employment in the economy and can make sure that our productivity stays high. I know productivity problems are not particular to the UK; they are to be found all around the western world. A rising standard of living for our people is all that an economy should deliver, regardless of who owns what.

4.47 pm

Baroness Falkner of Margravine (LD): My Lords, I, too, thank the noble Viscount, Lord Hanworth, not just for bringing this important topic to us today but for having covered such a wide expanse in his opening speech. When I was a student at the London School of Economics—I should add hastily that I was a mature student, so the age difference between me and the noble Lord, Lord Desai, is not as great as it might appear when I say that—I used to pop in to listen to the noble Lord's lectures. They were not part of my major—I was doing international relations—but as a Marxist, which is what he was known as at the time, he presented a clear world view that was entirely contemporary and understood what was happening in the world around us. I wish that he and I were still there, because those were much more interesting days than we find ourselves in today, where there is a much broader consensus in economic theory than there was

25 years ago. In that sense, the noble Viscount, Lord Hanworth, has made us think about things that in our discussions we almost take for granted and never seem to consider any more.

Let me add my few thoughts on this topic—I am not an expert by any means. The noble Lord, Lord Desai, is right to say, and the noble Viscount, Lord Hanworth, acknowledged it, that we live in a globalised world—we live in an interdependent, globalised world. The EU was quite insightful in the 1950s in seeing that four freedoms were vital to making the single market work, those being labour, goods, services and capital. The underlining issue in this debate is that of capital. I subscribe to the view that the productive use of capital is a common good that underpins all our modern economies. It is so desirable that when we see less developed parts of the world doing less well than they might do given their human capital and resources, it is a dearth of financial capital—investment in infrastructure and so on—that holds them back. Therefore, it is not entirely correct to say that national ownership matters, but rather that it depends on a case-by-case basis on what we are talking about.

For me, there is no reason why the ownership of a company should be an overarching issue, other than—I would add here advisedly—the interests of national security. I interpret national security as including, to some extent, economic security as well. The noble Viscount mentioned the Chinese investment in Hinkley Point, announced only a few weeks ago. That deal will allow for 33% of Hinkley Point to be owned by the Chinese. However, the agreement goes wider because, eventually, Chinese nuclear technology will be approved for use at Bradwell in Essex. In this area, foreign ownership matters because this is not just passive investment. If it were just passive investment and they decided to disinvest, they would sell their ownership in international markets and that would not be a cause for concern. However, there is a cause for concern because the United Kingdom will be the testing ground for Chinese nuclear technology and its regulatory approval in the West. That is a matter of concern. The Chinese have built their nuclear capability sector at breakneck speed. We do not know their sector well enough—there is little transparency in it—and we do not know that we can have complete faith in their safety standards because they are less than entirely transparent. I am not concerned about them coming in with EDF at Hinkley Point but I would be concerned about being the first country in the West to give regulatory approval when it comes to Bradwell in Essex.

On the broader question of ownership, I do not understand why United Kingdom ownership gives more back to a community or a country than foreign ownership. The noble Lord, Lord Desai, mentioned British Leyland versus Nissan, Tata and BMW. I will go further and mention British Airways and its ownership in the past few years of the International Airlines Group. British Airways is the third biggest carrier in Europe and the sixth biggest in the world, and, knowing how the international airline industry has seen consolidation, if it had not made that move I wonder where our national carrier would be. One has to look only at Lufthansa and the parlous state of Air France to know where it might be if it had not made that

rather bold move. It is also important that British Airways' International Airlines Group is registered on the London Stock Exchange. So it is not a lose-lose scenario.

In the City of London, this small island has arguably the world's—the Americans might contest this—biggest financial sector. It has not come about by accident—as the noble Lord, Lord Desai, said, it has been 350 years in the making—because there are things that give the United Kingdom its special place in the financial services industry. These include the rule of law, the reputation of our judicial system, the English language, schools, the good quality of housing, overpriced though it may be, and also culture. It is the cosmopolitanism of London—with its foreign owners, foreign migrants such as myself and so on—that make the City such a success. When I speak to people in the City, I always say to them that the idea they have that they are masters of the universe is completely flawed. It is the enabling environment of London and the United Kingdom—particularly the rule of law—that makes it so attractive.

I have sympathy with the issue of hostile takeovers of our strategic industries. The noble Viscount, Lord Hanworth, is right to raise that. We have to think about what are our strategically important companies. I would say that they are more about intellectual capital, technology and some areas of national security, where I agree with the noble Viscount. When we live in such an interdependent world, it seems rather curious that we are harking back to an era where we, as Brits, would run things better than other people.

I want to push back against the idea that the financial services sector trading in arbitrage, which was selected for particular condemnation by the noble Viscount, Lord Hanworth, is entirely worthless. The extent of our regulation has clearly been insufficient, and I would remind him of who was in government when most of that disaster happened. But a humbling experience for us to reflect on is the daily diet of scandals that are still happening in our financial services industry. The *Financial Times* today has a story about Barclays and algorithmic trading. We have seen LIBOR, forex and all the other scandals. But again I would say to the noble Viscount that this is not just about United Kingdom financial services companies. Société Générale, Deutsche Bank and a whole lot of others are involved: foreign owners have been right in there with their fingers in the till while British companies may have been as well. I myself worry when our big flagship companies such as HSBC and others think that they might relocate abroad because there may be an environment which is more conducive than having their headquarters here. I am extremely glad that the Government are looking at what needs to be done to keep our flagship companies here.

I also want to touch on the decline of manufacturing, and I agree with the noble Lord, Lord Desai, who said a great deal of what could be said in this debate about how perhaps it is the strength of the pound that is the issue, or the fact that our technology is not good enough so that people do not want to buy our goods. I suggest that the problem we have in the UK is that of a very low savings rate. If you want more investment in the UK, you have to change the culture. We have such

[BARONESS FALKNER OF MARGRAVINE]

a low savings rate because we invest so much of our personal wealth in bricks and mortar, so we have a distorted economy. That is probably something that we need to change.

In conclusion, the world is changing and the future lies in technology, robotics, artificial intelligence, and innovations in healthcare, energy and so on. What we should do is not hark back to an era of golden ownership by UK plc, but invest more and more in education, which is the key; in innovation, which is the future; and, where possible, of course, in good ownership of our assets.

4.56 pm

Lord Haskel (Lab): My Lords, my noble friend is concerned about what is happening as the Government withdraw from investing in our essential services and infrastructure, leaving foreign investors and foreign Governments to take their place. What happens when our financial system leaves foreign investors free to acquire our companies? He is concerned about the effect on the balance of trade, on our exchange rate, the security of our strategic services and products, and the development of our own economy. I think he is right to be concerned. He is right because it has got out of balance. I say to my noble friend Lord Desai that it is affecting our economy.

As my noble friend said, our strategic infrastructure is foreign-owned. Ten of the regional water companies in England and Wales are foreign-owned, as are four of the six big energy companies, including much of our nuclear industry. As he told us, so are many British sea ports, airports and, in particular, railway franchises, along with many of our financial institutions, particularly the banks. Some of these strategic utilities are virtual monopolies, with our consumer interests protected only by regulators. Surely foreign ownership must make this a bit more difficult.

Brands are an important national asset. Many have a national identity. Yes, many of our best-known brands are also foreign-owned. In some ways this is fortunate, of course, particularly in the car industry, where most of our well-known brands have survived thanks to Tata Motors of India, and BMW and VW of Germany. Nielsen Research reported last year that of the 150 biggest grocery brands in the UK, only 44 are home owned. As my noble friend said, there was a time when we owned other people's family silver. Net income from our foreign direct investments used to be 3% or 4% of our gross domestic product. It now looks as though the outflow from foreign-owned utilities and businesses is just about equal to the inflow.

Why is there so much foreign ownership here? The answer lies partly in the Government's preoccupation with our deficit and the resulting inability to invest in our own strategic infrastructure. The Government of Britain can borrow for decades ahead at low or even negative interest rates to build our own infrastructure and invest in long-term energy projects on extremely favourable terms. But this has been sacrificed in favour of the Government's economic policy, leaving the deficit to be carried by private sector debt and inward investment.

With a high proportion of publicly listed companies, it is easy to buy British companies. John Kay, in his report in 2012 and recent book, *Other People's Money*, explains why—how most shareholders are short-term and ready to sell out at a profit; and how most share trading is high-frequency and automatic, or on the own account of the investment banks. They are all traders whose purpose is to drive their short-term expectations into the boardroom so that there are high returns for the shareholders—the culture that the noble Baroness, Lady Falkner, spoke about.

John Kay explains that our financial system tends not to reward management for investing. Management is rewarded for the high share price. There is a good example of this going on right now as we do our weekly shopping. Research has shown that a typical shopping basket in one of the big four supermarket chains can be undercut by up to 20% by the German retailers, Aldi and Lidl. Why? Because they are privately owned and can price more keenly.

Another current example is our aerospace industry—the kind of high-tech industry that the noble Baroness spoke about. It is a vital export business. A Civitas report, mentioned by my noble friend, tells us that the number of companies in this industry whose owners are based abroad has jumped from 14% to 41%. As its report points out, British expertise is being lost overseas and this is reducing the chance of British companies growing into world-class players. They are cherry picked before they have the chance to reach their full potential. Surely this must be damaging to our economy.

As an excellent economist, my noble friend Lord Desai, in the abstract, thinks that this does not matter. It is just the globalised market working. To people working in industry and business, it does because ownership explains why the performance and productivity of many foreign-owned companies in Britain are often much higher than the performance of many British-owned counterparts. Their longer-term strategies have brought a higher order of management skills, more thorough training and better pay for employees than many of their British equivalents. They have introduced know-how and technology that would not have been available to us otherwise. Without them there would have been no volume motor manufacturing industry here.

Then there is the question of ownership of our strategic services and infrastructure. Ownership does matter. The noble Baroness spoke of Hinkley Point. It matters so much that the Chinese participation in Hinkley Point is conditional on the Chinese state being the majority shareholder in subsequent nuclear power plants. Do the Government not recognise this when they see it? No, they are blinded by their perceived need for cash, even when there is a strategic argument for blocking a deal.

My noble friend mentioned the proposed takeover of AstraZeneca by Pfizer, mainly for tax advantage. It was stopped only because of the efforts of the Dutch and Swedish parts of AstraZeneca.

What is the answer? While welcoming foreign investment, how can we achieve a better balance and feel more secure? The real solution of restructuring the finance industry is, of course, too difficult because it will disturb too many vested interests—the influence

of the financial industry's money on politics is too well entrenched. Because the finance sector is much used as an instrument of economic policy its interests and opinions take precedence in economic decisions. This has to change. I do not agree with my noble friend Lord Desai. It has become too unbalanced, and equal regard must be given to the interests and opinions of other sectors—of business, of industry. This will help to encourage UK ownership of our strategic assets and their long-term development. Many regulatory agencies seek to pursue the public interest, but their work is limited by a too-prescriptive rulebook. This has to be reviewed, bearing in mind foreign ownership.

The answer also lies in more enlightened business governance. For 20 years, Tomorrow's Company has promoted the principle of stewardship. These ideas are slowly becoming more accepted. By coincidence, I hosted Tomorrow's Company's annual reception here in the Cholmondeley Room yesterday. Several noble Lords were present. We heard how many of our more successful and more progressive businesses are adopting the stewardship form of leadership and governance. I put it to the Minister that if foreign investors were urged, perhaps by regulators, to adopt this form of governance, then we may not only benefit from their management performance, their technology and productivity; we would also feel more secure with the clear purpose, values and collaboration that stewardship brings, and the long-term attitude towards investment and risk. You never know: this culture may bring more British investors and, yes, a Labour Government back into the market.

5.07 pm

Lord Monks (Lab): My Lords, I add my thanks to my noble friend Lord Hanworth for initiating a debate on a very important subject. It deserves a more prominent slot than we have given it. It is a subject to which not enough attention and debate is given. With the different views already expressed, noble Lords have heard some things that are rather close to the heart of the way this country earns its living and whether it is on the right path.

I used to be one of those who did not really mind about foreign ownership. We did not need to bother about it too much. We owned a lot of assets abroad. We were doing quite well out of remittances from those. Companies that were overseas-owned were in many cases rather successful in the UK, providing a lot of employment. As my noble friend Lord Haskel just reminded us, they were in many ways leading on innovation, technology and productivity. The trends have now accelerated. I am much more worried about it than I ever was before. As my noble friend Lord Hanworth pointed out very well, the stark fact is that British companies are being sold off at a higher rate than we acquire assets elsewhere. Worse, there is little sign that the proceeds of this Great British sell-off are going into British business, to grow great new businesses that slot into the spaces that others have departed from. Therefore, this is an extremely important debate. The country has turned a blind eye to it and adopted a rather *laissez-faire* approach. In some ways that has suppressed creative thought on the issues. What do I mean by that?

It is interesting to note that last week and previously, this House has spent a considerable amount of time debating national sovereignty. Noble Lords, particularly on the other side of the House, have been “banging on”—to pinch a phrase from the Prime Minister—about that in the context of the EU Referendum Bill for a couple of weeks, and we will spend a lot more time on it in the next 12 months. However, they are talking about sovereignty only in the context of parliamentary sovereignty. They are not debating the business sovereignty that we are talking about today. They are not debating the fact that British businesses are increasingly foreign owned, including those occupying the commanding heights of utilities and key sectors. I am always interested to see whether any of the Europhobes or Eurosceptics say anything about this great sell-off when they go on about sovereignty. We obviously mean different things when we have this discussion.

I believe that EU membership enhances sovereignty, extends influence and boosts our reach on global developments such as trade and the environment. But these are all at risk if our economy becomes more and more anorexic. We have already lost a lot of ground. You cannot say that it is the EU's fault or it is due to Europe's sclerosis. It is our fault. Our system is out of step with those of many other countries. Some great and successful British companies—not the flops—have simply vanished into the entrails of foreign companies. However, the car industry has been transformed by foreign ownership, for which I am extremely grateful. By the way, sometimes even smaller companies, such as Pilkington and British Oxygen, have been acquired by foreign owners. I do not recall hearing any murmurs—not even a squeak—from the nationalists about what was going on when Pilkington was bought by the Japanese and British Oxygen by the Germans.

I stress that I am not an economic nationalist or a protectionist. I am grateful to the firms that have come in, particularly the car firms, and many others, for what they have done for the UK. Without that foreign ownership we would not have the industries we have. None the less, why is it that we rely on foreign ownership to control so many of our major industries? Why are there so few UK world-class multinationals, particularly manufacturing multinationals? I say to the noble Lord, Lord Desai, that from the privileged position of the south-east of England it is a lot easier to make the case he did than it would be in the north, where it is much more evident that the great companies have retreated or disappeared and foreign investment has not filled all the gaps, although it has filled some. Some great companies, such as Rolls-Royce and GKN, are obviously exceptions to this but they are not the rule. However, you can see how fragile the situation can become for a great company such as Rolls-Royce when a few things start to go wrong. It is not just Volkswagen that has ethical dilemmas and problems at the moment. We know that some of our companies have problems. The banks have been mentioned and Rolls-Royce is struggling a bit at present.

All the evidence is that, however benevolent foreign-owned companies are, however much they intend to be good corporate citizens, inevitably, the profits tend to fly overseas to where the strategic decisions are taken. Understandably, those who control the companies are

[LORD MONKS]

biased in favour of their own country, city or region, just like we used to be. Now, we lack companies that can do that on any scale outside those in London and the south-east.

Why are we in this position? I tend to agree with the noble Viscount, Lord Hanworth—that a lot of it has to do with the powerful financial services sector, which seems to know a lot more about value extraction than value creation. It is primarily interested in promoting deals—takeovers, flotations, privatisations, restructurings and so on—to earn commissions and fat fees, and the volume of transactions is absolutely everything. The objectives of these deals should be encouraged to be more market share-boosting, rather than for short-term shareholder value extraction. This is deeply inconvenient to many in the City, but those people should reflect on the fact that many acquisitions actually result in a reduction of shareholder value.

Short-term shareholder value has become something of a curse. I note with interest that the boss of General Electric, who invented the term in the 1980s, has repented and recanted and said that it cannot be the sole goal of companies. The financial services world needs to get some new criteria to judge businesses by. I am a strong advocate of market share being one of the features. The pressure to deliver short-term returns provokes risky strategies, almost all linked to deals on acquisitions or restructurings rather than launching fresh major innovations and investments. Linking executive bonuses to short-term shareholder results just intensifies the pressures.

It is a very hard world for British companies, given this financial culture to grow, be successful and thrive. Some have stayed private and have managed to do so: Dyson and JCB are fine examples. Others trust in private equity. Well, good luck to them, I hope it works for them. Others have become and remain plcs, but in that sector you have to be very good to avoid being vulnerable to the prowlers and takeover merchants. Very often, those are people in the City trying to promote somebody to come in and take you over.

Some in government and business have recognised this problem. I pay tribute to Vincent Cable and Paul Polman of Unilever. But most shy away from an issue that is marked “too difficult”. Along with Civitas, I think we should be looking at American anti-takeover statutes and that little poison pill that can prevent a hostile takeover in certain states. We should be looking more at German cross-ownership. I know it used to be called a cartel and perhaps there is a degree of that; none the less, it means that great companies survive bad times. I will say this about Volkswagen: it will survive this very bad time. I was more worried that BP might not survive its very bad time in the Gulf of Mexico in the context of our financial markets. I am also interested in the French and Nordic multiple or weighted voting systems to discourage hostile takeovers. Like the noble Viscount, Lord Hanworth, I am rather a fan of two-tier board structures, with stakeholders involved in the supervisory board.

We are alone in extending the idea of a free market in goods and services—for many people, an act of faith since Cobden and Bright—to a free market in the ownership of companies. We are also alone in confusing

foreign investment in new plant, such as by Nissan, with hostile takeovers, such as by Pfizer. We know that companies such as Pfizer are very likely to run down the British arm to reduce competition and costs and to extract—that word again—intellectual capital.

This is not an issue that is particularly easy to resolve. I have no simple solutions but, for a start, an anti-hostile takeover law could be extremely useful in trying to shift the cultures in the UK towards longer-term, more sustainable success. After all, that is the kind of company that Tata and the best companies coming into this country are—not short-termist but long-term players. We want more companies of our own like that, so that we are not completely dependent—to the extent that we could become dependent—on foreign ownership. There is nothing wrong with foreign ownership but it does need a sense of proportion.

5.19 pm

Lord Judd (Lab): My Lords, if I am allowed to say so, how good it is to have the experience, wisdom and common sense of the noble Lord, Lord Monks, at our disposal. I enjoyed every word of that speech and found myself relating to it very closely. I thank the noble Viscount, Lord Hanworth, for having introduced this debate today and shared with the House a great deal of the anxiety that is out there among thinking people in our society.

I have had a long association with LSE myself and have always found it enjoyable that we have in our family the noble Lord, Lord Desai. There is never a dull moment; one is never quite sure where he will be coming from intellectually and analytically. I hope he will not think I am pushing it too far if I recall here something he once said to me in a cheerful, exuberant way. He said, “Of course, I am the last Marxist at LSE”. I would say now that he was the first marketeer at LSE and it is very interesting how people make this transition. He is not alone and I suggest to him that it is something about absolutism. I of course come unashamedly from the nonconformist, Fabian tradition, which is all about search. Perhaps I may remind him that the motto of LSE is “*Rerum cognoscere causas*”—not “Here are all the answers” but “We are looking for what is causing a situation”.

I find it very interesting that there is no shortage of people wanting to come and make their business here or to invest here. But I ask myself, as indeed our noble friend Lord Monks was asking: what lessons have we learnt from how we came here? Some of the lessons do not perhaps lie in the immediate sphere of economics at all. They lie very much in the realm of education, as has been mentioned. There has been a total failure of creativity in Britain, apart from in the arts. In the arts, we lead the world—nobody rivals the United Kingdom in them. But somehow, in the realm of applied knowledge, there has been, as I say, a failure of creativity and the imagination. The failure is not in imagination or creativity but when something goes so far, there is no one who then seizes it and says, “Right, this is where we’re going with it”. We have to get that back.

It is about character building and the rest and, if I am, as an older man, allowed to say so, I am very fearful about that. We have got into a trap of taking a

completely quantitative approach to education by measuring it all the time, as distinct from asking what it is inspiring and achieving. Originality is not being given enough attention. I am rather worried. I take my family—my children and grandchildren—very seriously. When I see our country basing itself on a future of energy largely generated by nuclear power, I say to myself, “Am I confident about this future?”.

I have nothing but respect for the Chinese. I first went to China in 1956, spent five weeks there and came back deeply impressed. That was before it had broken with Russia. I found myself—perhaps I eagerly sought to be there as a young man—on “In Town Tonight” and was probed about my reactions to China. I said, “It is not communism that worries me about China, it is the nationalism. That country is thinking long, and it is thinking about Chinese influence and predominance in the world”. My goodness, I think very often of the impressions I formed then.

It seems to me that, with all the uncertainties of the politics of the Far East and the Pacific, to have our steel industry to a very large extent dependent on the Far East is—I put it no stronger than this—a rather intriguing situation, and one about which I do not think one can sleep easily at night. I am sure they will make a great success of it in the short term, but who knows what will happen in the long term and where the power lies?

When I was a young MP, I used to see that in my constituency of Portsmouth, because we had been highly dependent on the Navy. Ministry of Defence employment was reducing and we needed another source of industry. Because there had been very high skills in the dockyard, all sorts of industry came along. I saw from practical experience, when times got tough, when the going got hard, which places that industry disappeared from most quickly. We were ancillary, something they had gone for and taken over. They were not rooted in the area.

We have to take that seriously in this situation as well. It is the same with the steel industry. Let me be candid with the House: I have a capitalist wing of my family. A branch of my family dealt in steel—it was not very big, but it was big in steel. Members of my family were terribly interested in developing new types of steel. They were engineers, and they used to travel around the world getting and discussing their orders. They sometimes got pretty sick of doing it, too. What was true about them was that they were part of Sheffield. They had been involved in libraries, wings of hospitals and education, not just to get an advertisement up but because they cared. It was a community.

The other major thing that I wanted to say in this debate—I thank my noble friend for having introduced it—is that what has gone wrong in Britain is that we have allowed ourselves to go down a certain road. I say in all seriousness to my good friend, my noble friend Lord Desai, that he should be careful in separating the economy from the people. I became a member of the party that I am in because I believed that the economy and the people were one and the same thing. We looked at the health of the economy in the long run and at the health and well-being of the people in the long run, and we had a commitment and attachment to the people, which was fundamental. I do not think

we have that in the direction we have taken. When it comes to the situation in which British managers and workers on a railway being run outstandingly well want to bid because they are told that the line must be privatised but are told that they cannot because they are British—but goodness knows who from abroad is allowed to bid and come in—the situation has gone dangerously barmy, and it is time that we redressed the balance.

5.31 pm

Lord Mendelsohn (Lab): My Lords, I draw attention to my interests in the register. I also earn a living in the corporate finance industry. I start by thanking the noble Viscount, Lord Hanworth, for introducing this interesting debate and for his, as always, extremely thought-provoking contribution. It has been a great pleasure to listen to such a fantastic debate, and it reminds me—a relative newcomer—of the sheer quality present in this House. It also reminds me that I must make sure that I am not a disappointment to my mother when I respond to such high-quality contributions.

I should like to raise a series of issues that touch across the issue of ownership and its consequences and address a complex series of opportunities and challenges that come from the level of foreign ownership—matters that we should be very alive to. It is always difficult to come to a completely full conclusion on these matters. My noble friend Lord Monks raised the issue of potentially restricting hostile takeovers. Of course, one of the great corporate achievements in the United Kingdom was Vodafone’s takeover of Mannesmann, which was a hostile takeover. Many of the problems associated with foreign ownership of companies come from agreed takeovers, so it is very hard to find inherently the right instruments. Of course, we believe in open markets and trade and we understand the benefits of investment and know-how that can come in, and of new business processes and products. We also understand the profile of foreign investment, which is that it is principally about large companies—1% of companies, around 30% of value added. That is also why there is a central importance in our deliberations and in our work to improve the condition of the business environment for small businesses, where foreign ownership is not highly present.

It was a matter of some comment around the general election—I cite an article in the *Wall Street Journal*—that Britain was becoming very resistant to foreign deals. In fact, it said that barriers were rising, pointing to the climate over a few particular deals, and over the way in which the chief executive of Pfizer, in relation to the AstraZeneca deal, was forced to write to the Prime Minister with a “string of commitments”. It also identified that in March the Department of Energy and Climate Change,

“moved to block Russian oligarch Mikhail Fridman from owning stakes in 12 North Sea gas fields”,

through his investment vehicle. It then said that,

“the boldest move by the UK government against a foreign takeover came just weeks before”,

the general election, when a,

“UK official confirmed that the government had told BP that it would block any sale of the oil company to a foreign company”.

So the pattern is not absolutely clear.

[LORD MENDELSON]

It does come as some contrast to how the Government have positively encouraged the Chinese investment in Hinkley Point. These issues were ably raised by the noble Baroness, Lady Falkner, the noble Viscount, Lord Hanworth, and by my noble friends Lord Haskel and Lord Judd. There are considerable concerns about the design, the fact that we are going to be the pilot for it and the extraordinarily long-term deal at a very high price. It stands in great contrast to the concern over other matters that this one has gone through in the way and shape that it has.

This raises the central importance of regulation. Regulation is key to these things, and not just to how we deal with the utilities and the protection of service standards and security. It has a central role in how we ensure that these markets, takeovers and other things, and the condition of business itself, are dealt with properly. My noble friend Lord Desai mentioned VW and said that it was a failure of corporate governance. Actually, it was a failure of regulation. It was another example of why trust is an inadequate safety net for business practice. We have to make sure that markets are regulated properly and sensibly, and foreign ownership only increases that challenge.

The Government have a very good record with UK transparency laws. The register of people who exercise significant control, which was introduced by the Small Business, Enterprise and Employment Act, will be implemented this year and will be an important addition to how we manage foreign businesses on our shores.

The method of ownership matters. My noble friend Lord Haskel made a very important point about how it has affected our supermarket sector. It has affected other retailers. Zara has exactly the same condition. All shareholders are not the same. There are differences. Whether companies are private equity or listed, and whether a company has particular return on capital requirements, ownership matters. Perhaps the greatest illustration was during the course of the financial crisis when we saw the impact of deglobalisation—the return of capital and investments to national headquarters and a choking of investment into our country which had tremendous consequences and had to be managed with a great deal of skill.

My noble friend Lord Haskel made a very important point which I am very keen to re-emphasise. Foreign direct investment has huge benefits and is and always was key to our productivity strategy, but, given that foreign-owned company outflows broadly equate to FDI inflows, with all the consequences for trade deficits so ably illustrated by my noble friend Lord Hanworth, it cannot be a useful tool to assist the productivity challenge at this stage. We have to have a more sophisticated approach to foreign direct investment.

One of my great concerns is about how it has completely transformed some of our sectors and our contribution to the long-term sustainability and strategic capability in sectors. Of course, we have some which are uniquely attractive and a number of companies would wish to acquire them. To give some sense of perspective, I believe that at the moment there are no major British companies in IT hardware, electronic and electrical equipment, semiconductors, office accounting and computing equipment, radio, TV

and telecommunications equipment, fine chemicals, automotive, computer software, except for standard software, and investment banking and international management consulting, and there are worrying issues for larger UK-quoted companies in aerospace and bioscience.

British-owned enterprises are in retail, leisure and general services and are insufficient in high knowledge and technology, with the strong exception of the Cambridge Science Park—I wish we spoke a lot more about that rather than about the somewhat overblown Tech City. The list of companies I have described has been described rather well as,

“the knowledge and technology-based sinews of the modern economy”.

We lose long-term capability and adaptability for the future if we do not have the right contribution there. It is tragic to see what happened to Logica when it was acquired. It was a fantastic company with huge ambitions and was sold short by the City. It is very important to see companies such as British Airways being prepared to go out to the wider markets.

Indeed, I fear that the consequences are very clear to see. Foreign ownership of patents in this country is 40%. The European average is 14%, in America it is 11% and in Japan it is 4%. We have huge capacity for our greatest inventions being applied in other places and that knowledge being extracted and headquartered in other areas. That is quite important for us to understand.

I share the concerns about the finance industry and some of the issues about short-termism and trading, as well as my broader concerns about the pensions industry. My noble friend Lord Haskel made the case for how corporate governance should be considered in the light of foreign ownership. Corporate governance is a central matter that we have to deal with. Foreign ownership is a greater challenge with regard to how companies are run, managed and held accountable.

In a study on wages, productivity and foreign ownership in UK manufacturing, the Centre for Research on Globalisation and Labour Markets at the University of Nottingham identified that in foreign-owned companies labour productivity was 10% higher, total factor productivity was 5% higher and the wage advantage was 5%. At the very top of the scale were US-owned companies, not Japanese, to whom we owe a very great debt for transforming our motor industry. So there is a huge challenge for boards of management, especially remuneration committees, and institutional shareholders, since some of these companies show greater strength because of their investment and training, not a short-term finance director-led approach to managing companies.

In many ways there is almost a tragic element here. Without foreign investment, would there be any significant British presence in major advanced industries, such as motor manufacturing and indeed in investment banking? When we talk about that great institution, the City, we should remember that there is, I think, only one investment bank that is British-owned any more. These are matters that we cannot take lightly, and we have to think about them and plan for them.

I make the point again that there are great advantages and contributions from foreign ownership. I do not take the view that the sky will fall in and that these

things are without redemption, but I worry that there is a light travelling towards us and it may not be a bicycle. It is important that we address the known knowns and the consequences with a stronger industrial policy; that we address the unknown knowns with a greater study of foreign direct investment and ministerial willingness to be much more careful and forensic in their examination of it, rather than just pursuing an overall headline target figure; and that we address the unknown unknowns by ensuring that we pay greater attention to maximising our position and to considering our strategically important sectors.

I shall finish with some challenges to the Minister, to see whether he will agree with me that we need a more precise targeting of particular kinds of foreign direct investment and better regulatory intervention to help to maximise local multiplier effects, encourage positive technology spillovers, minimise the displacement of local businesses and encourage opportunities for small businesses, so that the Government are better informed about the corporate objectives, management style and track records of multinational corporations that wish to presence themselves in this country and can ensure that, given the problems that we have in the sectors that I would say are at risk, there is a strong government focus around science, engineering and technology, and protecting and building our IP.

5.43 pm

The Earl of Courtown (Con): My Lords, this has been a fascinating debate with incredibly varied speeches from many different areas opposite me; I am saddened only because some noble friends were unable to be here for this debate. It has been of great interest and some fascinating speeches have been made.

It is right that we continue to consider how best we can help UK companies to support growth in the UK and remain competitive, both within Europe and globally. I will set out today how the UK achieves this through a flexible framework of regulation that supports growth by attracting important overseas investment while ensuring that legitimate public interests are protected.

As the noble Lord, Lord Desai, said, the UK has always been a trading nation. Throughout history, trade has brought great prosperity to the United Kingdom. The UK is negotiating ambitious trade agreements with our established markets, such as the United States; emerging markets, such as Vietnam; and the world's poorest markets, as a way of supporting their economic development. My noble friend Lord Maude, as the Government's lead on trade policy, works hard to ensure that the European Commission is pursuing the right agenda—both the right negotiations and the UK interests within the negotiations. He particularly champions increased pace in EU trade negotiations. Completing all ongoing EU trade negotiations could add more than £20 billion to the economy each year. Every delay has a cost. Concluding trade negotiations allows our goods to enter markets at reduced or zero tariffs, reduces the requirements for multiple testing, protects UK firms' intellectual property in markets, opens up procurement and services markets and protects our investments overseas.

I now turn to the benefits of the United Kingdom's strong track record on inward investment. High-quality

foreign investments are very important for the United Kingdom economy. Foreign-owned firms now account for nearly 40% of total output in the UK, as mentioned by noble Lords. Around a quarter of United Kingdom private sector employment is with foreign-owned firms. The United Kingdom is the number one destination for foreign direct investment in Europe. The total value of UK inward foreign direct investment stock reached a record £1 trillion as of the end of 2014, the highest in Europe and third in the world, behind only the USA and China.

Over the last five years, UK Trade & Investment recorded more than 8,000 successful inward investment projects in the United Kingdom, which have brought with them nearly 600,000 new and safeguarded jobs. In 2014-15 alone, UKTI recorded a total of just fewer than 2,000 inward investment projects, 12% more than in the previous year. These investment projects are estimated to have brought with them almost 108,000 new and safeguarded jobs over the last year.

Inward investment plays an important role in supporting growth across all parts of the United Kingdom, and last year saw strong investment and jobs growth in most regions. During 2014-15, England, excluding London, received the highest number of FDI projects, followed by London, Scotland, Wales and Northern Ireland. These results confirm that we have the right approach. International companies see the strength of the United Kingdom as a place to do business and, in many cases, the place to locate their international or European headquarters. However, we need to continue working hard to make the United Kingdom the best place in the world for starting and growing business and the Government are committed to creating the conditions necessary to grow the economy and allow business to expand, thrive and create lasting jobs in the United Kingdom.

Given the significant benefits of foreign investment and open markets to the United Kingdom economy, the United Kingdom's corporate governance framework does not seek to constrain investment from overseas in UK companies. Nor does the framework seek to stop UK investors investing overseas. The UK has been a leading influence internationally in the development of company law and corporate governance over 150 years and the UK's corporate law and governance framework continues to be recognised as world-leading. This legal and regulatory framework is ultimately about enabling business to succeed: it provides the certainty needed to facilitate trade and attract investment in the United Kingdom.

The UK takeover regime is subject to the EU takeover bids directive, which sets out common minimum standards across the EU for the conduct of takeover bids for companies whose shares are admitted to trading on a regulated market. There is some permitted variation in how the directive is implemented in different member states, reflecting the wide variety of corporate governance and shareholder models and, indeed, patterns of shareholding across different member states. These factors influence the landscape for mergers and acquisitions.

The European Commission published a review of the application of the directive by EU member states in June 2012. The review concluded that, generally, the

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regime created by the directive is working satisfactorily. Currently, there are no plans for significant changes to the directive itself. The European Commission review also included a study comparing the EU framework with a number of other major jurisdictions. It showed that takeover bid legislation in the other countries is based on principles similar to those in the EU directive.

The benefits to the UK economy of being open to inward investment are clear. It is therefore important that the United Kingdom creates an environment where investors can invest with confidence. A cornerstone of this is ensuring that mergers are, in the most part, assessed not by politicians but by an independent authority with access to high-quality evidence. In the main, consideration of mergers and takeovers in the UK is handled by the independent Competition and Markets Authority or the European Commission. They will look to see whether any competition concerns arise from a proposed or completed merger or takeover.

Member states' systems are distinct and operate in different ways but the underpinning EU rules are the same. If a takeover or merger gives rise to legitimate matters of public interest other than competition, UK Ministers, like their European counterparts, have formal powers to intervene. The Government use these powers in exceptional cases to ensure that UK interests are protected; for example, where there may be national security issues. The grounds for using these powers are constrained by EU law to avoid damaging the transparency and predictability of the regime to the detriment of investor confidence and the economy as a whole.

As I have already set out, the UK's approach to inward investment gives us a competitive advantage over other, more interventionist, regimes. However, there is more to do. We need to reduce regulatory burdens and empower our businesses to compete more effectively by accelerating the integration of the single market, especially in the services and digital sectors. We continue to focus on the importance of freeing businesses from the constraints of overly burdensome EU rules. We want regulation which achieves its objectives more efficiently and proportionately, without imposing unnecessary costs; in some cases this means exempting microenterprises or start-ups.

The noble Viscount, in his introductory speech, commented on the role of manufacturing in the UK economy. We must remember the contribution that manufacturing makes to the UK economy—now £171 billion—which is significant and increasing over the long term. We manufactured a greater volume of goods in 2014 than in any year since 2008, the start of the global downturn/recession.

The Government are also setting the economic conditions to enable business to invest in the technology and skills it needs to compete and to deliver productivity growth. The productivity plan sets out the Government's approach to delivering productivity growth, and the approach to working with industry focuses on: supporting businesses to invest, grow and prosper in the UK; promoting the UK as a world leader in disruptive and emerging technologies; and making Britain the best place in the world to start up and grow a business.

Driving innovation, rolling out further deregulation, promoting competition, boosting skills and strengthening exports will be central to meeting these objectives.

The noble Viscount also commented that other countries are able to intervene in mergers and takeovers that are not generally in their own national interests. Consideration of mergers and takeovers in the United Kingdom is handled by the independent Competition and Markets Authority or the European Commission, as I mentioned earlier. If a takeover or merger gives rise to legitimate matters of public interest other than competition, UK Ministers have the formal powers to intervene. It is not the case that other EU member states have greater powers to block mergers and takeovers on public interest grounds.

The noble Viscount and the noble Lord, Lord Monks, said that the Government should mandate that employee representatives should be on company boards—basically looking at a two-tier board system. As noble Lords will know, under the current law there is nothing to stop companies having employees on boards, and the Government do not believe that it would be appropriate to mandate this arrangement. It should be a matter for companies to decide. Under law, the unitary board system means that all directors, including those representing employers, have the same duties and responsibilities, and we do not see that there is a case for moving to two-tier boards. As the noble Lord, Lord Desai, mentioned, the current governance issue at Volkswagen illustrates that the two-tier system is no guarantee of good governance. The Government believe that effective engagement with employees is a vital part of good corporate governance.

Noble Lords went on to discuss the current account and the balance of payments. The recent weaknesses in the current account deficit have been driven by a fall in income earned by UK residents on their foreign direct investments abroad. Relative weaknesses in economic activity among the UK's trading partners, especially in the euro area, have depressed returns on the UK's foreign assets. The current account deficit narrowed in Q2 to minus 3.6% of gross domestic product from minus 5.2% in the previous quarter. This has been the smallest quarterly current account deficit over the last few years.

The noble Viscount also mentioned the Kay review. This found issues relating to short-termism in UK companies, including the tendency to pursue short-term takeovers, which undermine UK companies. Her Majesty's Government's response to the Kay review acknowledged that short-termism among equity investments has affected long-term investment by UK companies. We have made considerable progress not through regulation but by working with companies and investors to encourage engagement between them with a focus on long-term company strategy. Good progress has been made with, for example, the establishment of the Investor Forum, as recommended by Professor Kay, to promote such engagement. Building on this progress as part of the Government's productivity plan, leading investors are now developing action plans for long-term investment.

The noble Lord, Lord Haskel, said that foreign investors should adopt a stewardship approach. I agree, but it is important to note that United Kingdom asset managers invest on behalf of savers from all over the world. Many of our asset management firms have led

the way on adopting a long-term stewardship approach, responding to the challenge set out in the UK stewardship code, overseen by the Financial Reporting Council. They have also set up the Investor Forum in response to the Kay review, as I have already mentioned. The Government believe that these investors have an important role in ensuring that companies focus on long-term investment and not just short-term market value.

A number of noble Lords mentioned sovereign wealth funds. In the summer Budget 2015, the Chancellor announced that he would bring forward a proposal to establish a sovereign wealth fund from shale gas revenues to ensure that local communities share in the economic benefits of shale gas developments in their area. More details will be set out in the Autumn Statement.

The noble Viscount commented that the Government are focusing on foreign investment and congratulating themselves on their performance. Foreign-owned firms account for nearly 40% of total output in the United Kingdom. Over the last five years, foreign direct investment has created or safeguarded nearly 600,000 jobs in the United Kingdom.

There was also the comment that foreign-owned firms have higher productivity. This is an issue that everybody is aware of, the object being to improve the financial situation so that productivity can increase. Yes, foreign-owned firms do have better productivity, and that is one of the main benefits of foreign investment. Incoming knowledge, technologies and innovation can spill over to other companies and supply chains, contributing to overall UK productivity growth.

The noble Lord, Lord Haskel, said that growth has become unbalanced, with too much emphasis on the financial sector. The Government have a comprehensive plan to rebalance the economy and strengthen every part of the United Kingdom, and to create a northern powerhouse by bringing together the great cities and counties of the north of England. That is alongside plans to support other vital economies in the UK, such as the Midlands and the south-west.

According to the latest data, output per head grew faster in the north than in the south in 2013. The north-east, north-west, West Midlands and Wales all grew faster per head than London and the UK average. Her Majesty's Government will go further by supporting the resurgence of strong city regions through devolution, enabling cities to work together to take responsibility for their own economic success.

The noble Lords, Lord Haskel and Lord Mendelsohn, also mentioned the Pfizer interest in AstraZeneca as being an example of corporate investment short-termism. I do not believe that this is the case. On the contrary, AstraZeneca's directors resisted, arguing that it was not in the long-term interests of shareholders. The majority of investors accepted this view and, as a result, the bid was rejected by shareholders.

A flexible, open marketplace that supports and encourages investors, including foreign direct investment, helps to deliver a successful UK economy. The UK Government's flexible framework of regulation, which supports growth by attracting important overseas investment while ensuring that legitimate public interests are protected, plays a key role in ensuring that we are a productive and growing nation.

6.02 pm

Viscount Hanworth: My Lords, this has been an interesting debate in which we have heard a diversity of opinions. I wish to thank all speakers for their various contributions. I must also thank the Minister for his judicious summary. On Tuesday, he was kind enough to tell me of the nature of his brief, which informed him that there were no problems whatsoever with inward financial investment. In return, I promised not to take him to account for being so seriously misinformed.

The Earl of Courtown: My Lords, the noble Viscount has mentioned something that was said outside this Chamber. I feel that that is a little unfair.

Viscount Hanworth: I believe that the Minister also said the same thing in the Chamber. Be that as it may, I thank him for his response.

The Minister who bears responsibility for these matters at present is the noble Lord, Lord O'Neill. I trust that this debate will be brought to his attention.

Motion agreed.

International Development Policies

Question for Short Debate

6.04 pm

Asked by The Earl of Sandwich

To ask Her Majesty's Government what steps they are taking to make their international development policies more effective.

The Earl of Sandwich (CB): My Lords, I am delighted to introduce this new debate and to welcome friends old and new, especially the noble Lord, Lord Barker of Battle, from whom we will hear soon.

Today, I offer a survey of aid scrutiny, and will expect others to provide the academic analysis. My background is with aid NGOs, namely Christian Aid, Save the Children and CARE, all organisations with long experience in this field that have engendered in me a strong sense of aid effectiveness and public accountability.

As we all know, the UK has a good track record, and our Prime Minister took a lead in launching the sustainable development goals in New York over a year ago. But for us to be sure of meeting these goals, we also need to lead the world in aid effectiveness. I know that impact is the flavour of the month and that every organisation these days is concerned with outcomes, but with the Treasury coming down heavily on other departments, it is even more urgent that we in the UK sign up to an open and fully accountable aid programme. In the past year, this House has debated at length the amount of aid that we can afford, which is now ring-fenced under the Act. We now need to move on to proper methods of scrutiny and of streamlining our aid programme.

Our key watchdog, although not the only one, has the snappy title of ICAI, the Independent Commission for Aid Impact. It was a creation of the coalition Government and it has already been tested over the last Parliament. It reports to a sub-committee of the

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Commons International Development Committee. With 46 substantial reports behind it already and new commissioners in place, I know that ICAI intends to look at the longer-term impact of ODA. This is critical: how can one measure an aid programme year by year and report to the public on its impact only in annual reviews? There have to be appraisals over a much longer term. Three to five years is the average length of a DfID programme, and even this is hardly sufficient to measure its impact on health, education or other needs of society.

Nepal's multi-stakeholder forestry programme provides an example. This impressive programme is a model of forestry, ticking two SDG boxes. It is already helping half a million poor people through community groups to adapt to climate change over the next 30 years, preventing landslides, flooding and erosion and improving livelihoods. DfID has a five-year investment of £20 million which ends next year, but this programme is not new; it has a long history. I well remember visiting it several years ago with an IPU delegation—the noble Baroness, Lady Northover, will remember it—and the same optimistic things were said about it then. I then heard that the programme was suspended, beset with political hold-ups, management problems and land disputes. The Swiss intervened, and then the Finns came in. Such setbacks occur all the time in developing countries. ICAI now says that the programme is back on track, but you cannot always believe either our own or Nepalese propaganda. We may not learn the truth for another 10 years.

There have been failures. Two years ago, ICAI uncovered a waste of aid money on a substantial scale in Africa. TradeMark Southern Africa failed to meet its targets and was closed down by DfID. Perhaps the Minister could say whether there are similar concerns in relation to its sister programmes, MRGP, which links north-south trade to ports in Mozambique, and the TMEA programme in east Africa.

The largest aid programme in the EU, EULEX in Kosovo, has done excellent work, but it has been criticised and drastically scaled down. I am not biased against large programmes if they work. The overhaul of customs and excise by DfID in Mozambique, for example, was very successful. One reason that we have invested heavily in Mozambique, against a difficult political background—as the noble Lord, Lord Judd, will testify from his visit—is that an active civil society there has acted as aid watchdogs. Good practice can often be scaled up from smaller enterprise and local initiatives.

I believe that there is a genuine desire in DfID to shift its emphasis towards human rights and poverty reduction. It is just a case of how you do it. We are reassured that even the CDC private sector is now being adapted to that end, and I genuinely hope that it will succeed.

I commend DfID on its parliamentary work abroad, because ICAI is right that other organisations should deal with elections. Strengthening national parliaments and equipping them to serve their nations should be a priority for us here in this country. I remember visiting the Kenya Parliament with the CPA some years ago and finding that, even in such an advanced environment

with hundreds of MPs, there were only a handful of staff. The situation has now changed there, but not in many other developing countries.

There are other Select Committees that have to follow DfID: the environment committee, the Public Accounts Committee, the Health Committee, the Education Committee, the arts committee and any department that has an interest in international development. The NAO, the National Audit Office, also keeps an eye on DfID and occasionally criticises its financial performance.

I also include our own committees, remembering in particular our expert Economic Affairs Committee report on aid three years ago. Two years ago our EU External Affairs sub-committee, to which I belong, was critical of the EU's water, sanitation and hygiene—or WASH—programmes in sub-Saharan Africa. The European Court of Auditors reported that half of 21 WASH projects in Africa were defective and had wasted EU money. The Development Commissioner subsequently denied this and said that the projects selected were random and that DfID had done another survey of 24 successful projects, but none of us was convinced. The scale of EU aid, whether through the EDF or ECHO, is such that our own committees and watchdogs will never be able to catch up with fraud, corruption, waste and all the other afflictions of aid.

However, it is not only the EU. DfID often has to operate in dangerous or remote environments, and humanitarian or conflict prevention programmes in countries such as South Sudan are dangerous. Aid and, indeed, aid workers may be hijacked or have to stop at short notice, with little chance of recovery. This is why ICAI gave the justice and security sector an amber rating last March.

At this point I commend our Liaison Committee for deciding to appoint an International Relations Committee next year after many years of lobbying. No fewer than 25 all-party groups look at DfID's performance from time to time, including several country and regional all-party groups that occasionally report in some detail. DfID has a multiplicity of internal checks and balances. The acronyms and organograms are bewildering. Much of it is designed by the ARIES management system and database. There is the log frame, the business case, the risk rating, the calculation sheet to give the overall output score, and so on. I sympathise with the staff of DfID who have to cope with all this scrutiny, but what is the result and what are the prospects of a more effective aid programme? In general, I say that they are good and that ICAI is going to be a valuable ally for all concerned, including the general public.

One critical issue is always the capacity of local partners, whether government or civil society. DfID would like to work through more CSOs, organisations which are seen as effective when government is inefficient, corrupt or clearly not working to plan. However, CSOs are also expected to complete forms and are subject to regular scrutiny. I know DfID is currently conducting a civil society partnership review that includes so-called southern CSOs, but I expect there will be more emphasis on the international NGOs and that southern NGOs will get left out. I hope the noble Baroness will put us right on that.

There is always a tension between aid effectiveness and the confrontation of real poverty. Where infrastructure and services are most lacking, aid agencies inevitably fear to tread—yet that is where they are needed most.

Another topical question concerns the poaching of ODA by other departments, notably the FCO and the MoD. We in the aid business should defend our department, but soldiers build refugee camps and DfID is even resettling refugees. There will always be foreign policy issues common to two or three departments and hence some overlap in funding.

Finally, what of quality? Having looked at the private sector and value for money, the latest theme music from the Government is results and the importance of DfID's results framework. I here only repeat ICAI's word of warning in June, which brings me back to the beginning:

"Some of DFID's tools ... have had the unintended effect of focussing ... on quantity ... over quality ... on short-term ... achievements rather than long-term, sustainable impact".

I am grateful to all noble Lords who are taking part in this debate.

6.14 pm

Lord Black of Brentwood (Con): My Lords, I congratulate the noble Earl on leading this important debate in such a comprehensive manner and join him in eager anticipation of the maiden speech of my noble friend Lord Barker of Battle. I declare an interest as chairman of the Commonwealth Press Union Media Trust.

I have two practical points to make. First, all the most important things we want to secure for the developing world—sustainable economic growth, improved healthcare, tackling violence, access to sanitation and water, women's rights and good education—rely on one crucial foundation stone. In the words of the UN high-level panel report on the post-2015 development framework, it is,

"good governance and effective institutions".

Without that, we do not have sustainable development.

How can we secure these goods? The central truth is that they can exist only if citizens have access to information from a free and independent media which provide them with information and are prepared to hold government to account. Media freedom therefore needs to be an absolute priority if we are to make our international development policies more effective. Simply put, it is essential because without it, nothing much else works. A very important UNESCO report a few years ago underlined this point by concluding that,

"supporting freedom of expression is ... a means to promote human development ... and ultimately as a way to contribute to poverty reduction".

The data clearly show how no country concurrently has a free press and a high percentage of its population living below the poverty line, while societies where the media are fettered are less able to deal with malnutrition, infant mortality and HIV, the scourges of so much of the developing world, because the media are unable to impart information. If you look at some of the countries near the bottom of the world press freedom indices, such as Eritrea, Tajikistan, the DRC and Burundi, you will also find the highest malnutrition rates. To make our policies more effective, we have to place a high

priority on promoting press freedom, on training journalists and improving their safety, and on encouraging the removal of laws that stifle free expression.

The second area I want to mention briefly is the continuing horror of the criminalisation of homosexuality across much of the Commonwealth and the developing world, which is important primarily, of course, as a matter of human freedom and dignity but also, in the context of this debate, because of the vital interrelationship between LGBT rights, economic development and poverty reduction. A recent study supported by USAID, undertaken by Professor M V Lee Badgett, analysed the impact of the social inclusion of LGBT people on economic development in 39 countries. The analysis found that their exclusion had,

"a harmful effect on a country's level of economic development".

Looking in detail at the issue in India, where homosexuality is criminalised and there is resulting huge stigma, the study found lower productivity and output, inefficient investment in human capital and lost output as a result of health disparities linked to exclusion and violence caused by discrimination. In short, sustained discrimination against LGBT people is bad for business and therefore bad for development. As the Center for Talent Innovation reiterated in a 2013 report:

"For organizations to thrive, they must foster an environment that enables their LGBT employees to thrive".

That is why continued pressure from the Government to end the outrage of the criminalisation of homosexuality across so much of the developing world, and the Commonwealth in particular, is not just right morally, but economically too.

In conclusion, if the aim of our international development policy is to encourage sustainable economic growth, I hope my noble friend will make these two issues—encouraging media freedom and tackling LGBT discrimination—key priorities for practical action, starting with a firm lead from the UK Government on both at CHOGM later this month.

6.18 pm

Lord Judd (Lab): My Lords, yet again we express our appreciation to the noble Earl, Lord Sandwich, for providing the opportunity for a debate on this important subject. As a former Minister for Overseas Development myself, perhaps I may say how good it is to see the noble Baroness in her place, and how much I wish her well in her immense responsibilities. It is one thing having 0.7% of GDP to spend, but spending it well and effectively is a huge challenge. Of course, it need not be only 0.7% because one has always to measure oneself against the size of the challenge.

I have just a couple of points that I should like to raise. First, with all the pressure to demonstrate results, there can be a contradiction between long-term development and immediate results. I wonder how carefully that is being watched in the evaluation. Long-term development must not be distorted.

My other, very specific, point in this context is that in military operations—I am not one of those purists who say there is no role to be played by official aid—the military will inevitably have, for example in Afghanistan, huge pressures to demonstrate results and concrete evidence of change to the local population

[LORD JUDD]

before the extremists come back. However, that may not always be what is really needed in terms of long-term development. I know there was active interface between the two departments at one stage on this issue, and I wonder how it has been resolved and how it is progressing.

Another issue I want to raise briefly is how successful the Ministry is being in growing tax bases. Of course, tax is terribly important to the revenue of Governments in their ongoing programmes. How is that going in our own Overseas Territories and in the Crown dependencies? How many of them have produced public registers of beneficial ownership? By the same token, it would be good to hear something about the progress being made in this country in demanding responsible tax policies in the countries in which we are working by companies that get contracts from us—and indeed from other companies in the world.

What is DfID learning from its work and how far is that enabling it to discover the spheres of the private sector in which it can be most effective? Finally, obviously, as always, the big issue is strengthening governance and furthering human rights as an essential part of that. I wish we could slip away from talking about our impact and talk about our contribution, which seems much more in the spirit of self-generating growth.

6.22 pm

Lord Chidgey (LD): My Lords, visiting developing countries with long and not necessarily benign relationships with the UK and working with their parliamentarians often brings a reassuring aspect: the receipt of sometimes lavish praise from counterparts for UK policies and activities in the arena of ODA—recognition that the UK is a world leader in international development policy.

So it is a pleasure to acknowledge that this debate starts from a high point. Nevertheless, we and the Government can always aspire to do better: first, on the UK's role in establishing the global or sustainable development goals; secondly, on the importance of engaging Parliaments in the process, as alluded to in SDG 16; and finally, from my point of view, on the critical assessment of DfID's approach to delivering development impact, fundamental to making policies more effective.

Much of 2015 has, in international development terms, been taken up with establishing universal agreement on what has become the 17 sustainable development goals. The APPG for Sustainable Development, of which I am a vice-chair, with the support of the NGO, Bond, stresses that we need our Government to push for strong, ambitious, integrated outcomes, with firm commitments to tackling inequalities and environmental sustainability. We need strong mechanisms to implement and monitor the new goals and targets at national and international levels, including for financing and implementation. To quote Hillary Clinton:

“What gets measured gets done”.

We need a commitment to a cross-party approach to implementing the SDG framework in the United Kingdom and internationally. In this regard, we need to ensure that both civil society and Parliament remain closely engaged in implementation of the framework at all levels, nationally, regionally and globally.

The UK Parliament's commitment to allocate 0.7% of GNI to ODA sets an example that others are urged to follow. Nevertheless, Parliaments have too often been sidelined in discussions on ODA, resulting in low accountability for aid budgeting and delivery. Parliaments must become leaders in accountability at all levels to ensure that Governments continue to push to meet future objectives and international commitments, including international human rights standards. Development partners must be prepared to support into the future the role of Parliament in the law-making and oversight functions of parliamentarians and staff. Projects need to be developed to ensure Parliament's key components have the capacity to deliver on the SDG objectives.

This brings me to the last of the three aspects I want to touch on: DfID's approach to delivering development impact. In this regard, I refer again to the Independent Commission for Aid Impact, in this case its Report 45, which proves to be an invaluable guide. It concluded that there are core elements for achieving a more consistent, deeper and sustainable impact—for example, the importance of investing in long-term impact rather than short-term results. There is a need to recognise that, with an average programme length of three years, transformational impact may be possible only over several programme cycles. Here I echo and support the noble Earl, Lord Sandwich. This needs to be recognised explicitly in programme design. With three-quarters of DfID's priority countries being conflict and fragile states, more modest objectives and longer-term programmes are needed to establish pathways out of fragility.

There is a strong argument that development programmes are most effective and deliver greatest impact where they adopt a flexible approach to delivery. A fundamental truth in effective development policy is that programme designs are best guesses and most effective when they take a problem-solving approach. These are only a few points drawn from a comprehensive study, which I nevertheless hope the Minister will reflect on in her reply.

6.26 pm

Baroness Cox (CB): My Lords, I, too, congratulate my noble friend on initiating this important debate. My NGO, Humanitarian Aid Relief Trust—HART—provides aid for valiant partners in challenging conflict or post-conflict situations who demonstrate high standards of narrative and financial accountability. But given DfID's current policy, they are unable even to apply for DfID funding.

I give two examples, from Burma and South Sudan. In Burma, HART supports Shan Women's Action Network—SWAN—which provides aid to people in great need inside Shan State and in Thailand. SWAN previously received funding from DfID, but when we visited recently it was very distressed by DfID's change of policy, which now makes it impossible for it to obtain funding. It says:

“DfID funding is being redirected via the IRC as their single fund manager for all programmes operating out of Thailand. This is unacceptable to SWAN and we are having to look for alternative funders”.

DfID explained its changing funding strategy:

“There will be a change in the fund management arrangement where DfID Burma is consolidating various Thailand programmes under a single Fund manager agent. We took this action in response to the Mid-Term review recommendation to improve on DfID’s accountability and efficiency in running this border programme”.

But SWAN has deep concerns about working with IRC:

“SWAN has accepted funds through IRC in the past but found the reporting requirements extremely demanding—very large amounts of paperwork that was often repetitive and unnecessary, meaning SWAN staff members had to spend a large portion of their time fulfilling reporting requirements, rather than on project management and evaluation. IRC also took a large amount of admin costs, much higher than other organisations. SWAN felt that the large amounts of money allocated to admin costs would be better spent on project activities that directly benefit needy people in the community”.

Therefore, SWAN will not take the funding if the project has to go through IRC. It will need to find new funding sources, as the DfID project ends this November. This is very serious. SWAN’s work is immensely important and DfID’s change of policy will have drastic effects on its ability to continue key programmes.

In South Sudan, HART supports the provision of aid in war-devastated Bahr el Ghazal, through our partner, the Anglican Bishop Moses Deng. This area has received massive influxes of refugees from Sudan—fleeing fighting in Abyei and the Nuba mountains—and, more recently, from the civil war in South Sudan. Bishop Moses sent an SOS to HART: a desperate plea for money for food. I responded with a heavy heart, wishing I were Bill Gates, saying that we are so small that the maximum we could send was a pathetic £10,000. We visited a few months later and the bishop said:

“Thank you for the £10,000. It bought a lot of sorghum and saved many lives. Then our own sorghum harvest ripened early and we were able to share that with the IDPs. I didn’t need to spend all your money. Would you like me to return it? But with your permission, I would like to use it to buy tools and seeds”.

for the IDPs. It is obvious what we said. However, when we visited those IDPs we found conditions of absolute destitution and not another NGO on the horizon. I asked the bishop whether he could apply to DfID for funding, given the reports of all the money DfID is making available to South Sudan. He replied:

“That’s impossible. We don’t have the resources to apply”.

He said that some larger NGOs came later, but by the time they carried out their assessments, and assessed their assessments, it was too late; but HART’s money saved many lives. There must be something seriously wrong with DfID’s system if a person of such standing and integrity faced with acute humanitarian crises cannot even begin to apply for life-saving funds.

I appreciate that the Minister will not be able to respond to specific cases today, but I passionately hope that these examples demonstrate serious problems requiring urgent consideration if DfID’s massive funding programmes are to reach people in such need of aid, through personnel who have the integrity and competence to justify the funds they deserve to receive.

6.30 pm

Lord Barker of Battle (Con) (Maiden Speech): My Lords, I feel deeply honoured and very fortunate to be a new Member of your Lordships’ House and to contribute to this important debate called by the noble Earl. But let me start with an apology. I had not meant to make my maiden speech quite so soon. It had been my intention to spend a little more time since my introduction absorbing the ways and customs, and even idiosyncrasies, of this august Chamber, which is so very different from the House of Commons. However, I could not resist the opportunity to speak in this very important debate. I will return to the reason why shortly.

First, I hope that noble Lords will indulge me by allowing me to put on record my sincere thanks to all those colleagues across the House, friends old and new, who have made me so welcome, but particularly my mentor, my noble friend Lady Jenkin, and my terrific sponsors, my noble friend Lord Black of Brentwood, who made such a powerful and important contribution just now, and the noble Lord, Lord Browne of Madingley, to both of whom I am very grateful. I must also record my thanks to the incomparable doorkeepers and to the House staff as well as to—I am slightly surprised to find myself saying—the Government Whips Office, who have all been so welcoming and so professional. I must also thank my former constituents—the electors of Bexhill and Battle in the county of East Sussex—who, at three successive elections, returned me as their Member of Parliament. Without them, I would not have had the career at Westminster and in government which has ultimately led me here.

The reason I was so keen to speak in this debate is not just because I am immensely proud of the United Kingdom’s record on international development, although I am very proud of it, nor because I applaud the Prime Minister’s unshakeable resolve to stand by our commitment to meet the UN target of spending 0.7% of GNI on official development assistance. Meeting it in the last Parliament during a period of retrenchment in public spending not seen since the war, and now sticking to it as our economy expands faster than any other in the G7, required real political courage. However, as a Minister I had seen at first hand how much this is appreciated right around the globe and the very real impact it is making on the lives of some of the poorest people in the world. This is the politics which transcends party boundaries and of which we can all be very proud.

I also believe that it will be one of the most enduring elements of the legacy of the Cameron Administration. But that is not why I was so keen to speak in this debate. Nor was it because I think that the implementation and effectiveness of DfID policy continue to be critically important. I know that there are very real challenges in managing such a fast-growing budget and delivering the outcomes we all wish to see: to be consistently efficient and effective in delivering them to a high standard. However, the renewed commitment and resolve that I see in the ministerial team is more than equal to that challenge, as are the thousands of dedicated DfID officials who dedicate their careers to the task.

[LORD BARKER OF BATTLE]

Of all the elements of DfID policy, I particularly wanted to welcome the Energy Africa initiative. I draw your Lordships' attention to the forthcoming register of interests which will include my interests in Equinox Energy Capital, which is actively seeking opportunities to invest in the African clean energy sector, and Powerhive, which is already building microgrids in Kenya to bring solar electricity to the off-grid rural poor. It is with the benefit of this new commercial perspective that I welcome the way that UK policy is focusing on energy in Africa, where two out of three people—about 600 million individuals—still have no access to electricity at home, 150 years after Edison invented the lightbulb. We also know that without reliable, affordable electricity, social and economic development is dramatically stilted, and with it the growth of opportunity and the economy.

However, the dramatically falling cost of clean energy technology, especially solar technology, is changing the game. I know from personal experience, both in government and now in the private sector, that billions of pounds of new investment is looking to drive the African energy economy forward. Much of this investment is from the private sector, without subsidy or support from development spending. So it should be. There is huge scope for private investors to drive the African energy economy if the right conditions and regulatory environment are in place. But I also see market failure from the private sector. On the current trajectory, universal electricity access will not be achieved until 2080. That cannot be allowed to stand. So the genuinely impressive new approach from DfID, led by Grant Shapps, is not just innovative, it is vital, and I look forward to watching the progress of the Energy Africa initiative in its 14 priority countries, working in partnership with other Governments to mobilise both public and private capital.

My admiration for this new initiative is still not the real reason I wanted to speak in this debate. The genuine reason was that I wanted to be able to pay tribute to my noble friend the Minister sitting in front of the Dispatch Box. For two and a half years we worked together as fellow Ministers at the Department of Energy and Climate Change, and from the day she arrived in Whitehall Place, I could not have asked for a more collegiate, thoughtful, caring and supportive colleague—or a more effective, impactful and respected Minister. But I knew that as much as she was committed to the brief at the Department of Energy and Climate Change, it was international development that was her passion and where her manifold talents could be used to the full. So I was delighted by the PM's decision in May to promote my noble friend to DfID, and am truly grateful to be able to contribute to this debate from the Benches behind her this evening.

6.37 pm

Baroness Hodgson of Abinger (Con): My Lords, I begin by congratulating my noble friend Lord Barker on an excellent maiden speech. He has made a significant contribution to the other House and brings to this debate his considerable experience from his role as Minister for Energy and Climate Change. We all look forward to hearing his further contributions in your Lordships' House.

I thank the noble Earl for introducing this debate. Our international development commitments stand among the most important areas of government policy because we have a moral duty to help others around the world. We should be particularly proud that the requirement for 0.7% of GNI to be spent on international development is now enshrined in law, which sets an example to other countries. However, we need to ensure that the money is spent properly and that our funding is used to greatest effect. This means developing the right policies, with transparent, accountable review mechanisms, and ensuring that they have the desired impact on the ground. The Secretary of State for International Development, Justine Greening, has made reforms since taking the helm three years ago to strengthen internal auditing, enabling the passage of money to be followed more closely.

Without doubt, our policies have contributed enormously to the halving of extreme poverty achieved internationally under the framework of the millennium development goals, and the UK has played a leading role in developing the new sustainable development goals adopted at the UN in September, with their aspirational 17 goals and 169 targets addressing the commitment to leave no one behind and applying to all countries of the world. I was particularly heartened that the UK was instrumental in pushing for a stand-alone goal on gender equality as women are always the poorest of the poor.

There are two areas I would particularly like to raise in this debate. In the end we want all countries to become self-sustaining and thus we must encourage change within the developing countries themselves, at both national and grass-roots levels. At national levels, functioning institutions need to be in place to deliver services such as healthcare, education and justice, and British aid funds many such projects. At the grass roots the smaller organisations can generally be the most effective, gaining the trust of a community and its leaders. Many of these smaller organisations find it very difficult to obtain funding, as we have already heard from the noble Baroness, Lady Cox, because applying for grants is so complicated. It takes expertise and they do not have the capacities. I have even heard that funds such as the Tawanmandi fund in Afghanistan, set up for just such a purpose, is very difficult and complicated to apply for.

We need to ensure that some of our money goes to these smaller organisations. However, there is a reticence over funding them because they are harder to monitor. Some of our bigger NGOs work through local partners but I met an NGO in Iraq in May this year which acted as a platform, applying for grants and managing and directing them down to a number of grass-roots organisations. Would my noble friend the Minister consider this approach to ensure that some of our aid reaches those communities where it is so badly needed?

In the longer term, as I have said, we must help developing countries to become self-sustaining. I have just returned from a visit to the DRC, a country enormously fertile and rich in natural resources but where the majority of the people live in abject poverty. Endemic corruption means that the country's assets benefit only a few, with the proceeds being siphoned out of the country instead of benefiting the majority.

The DRC is not the only country in Africa where this happens so the challenge is also how to stop it happening. Is there more that HMG could do to stop this, as much of the money coming out is brought to the West? I hope that HMG will continue to assess the most effective ways of benefiting those in developing countries and encouraging other Governments similarly to meet their aid commitments, so that together we can ensure that the SDGs will transform our world by 2030 for the benefit of all.

6.41 pm

Lord Desai (Lab): My Lords, let me see whether I can do it in two minutes. Over the 60 years that I have studied this problem, our idea of what causes development has got more rather than less complicated. The goals that we set for our aid agencies have become baroquely rich, and there are so many that it is not possible for any development agency to satisfy the many people who judge it.

A few years ago, I suggested when speaking in a DfID debate that the one thing we should do with the global aid budget was count how many poor there are and do a direct cash transfer of the entire development budget to the poor. At that time, it came out to be around \$50 per poor person. I think there are now fewer poor, so we may be able to get more. If you want to get rid of poverty, the only thing to do is to transfer cash directly to the poor. If you cannot do that, I would suggest just one more thing that may relieve it. The only criteria of development is: what is the future of the girl child? If you can do better for the girl child in every society when you intervene, that would define your success.

6.43 pm

Viscount Craigavon (CB): My Lords, I am grateful to the noble Earl, Lord Sandwich, for this debate, which has caused me to become particularly aware of the invaluable work of ICAI, the Independent Commission for Aid Impact. I have also benefited in this specialised area, as others may have, from the considerable work done by the Commons International Development Committee, formerly most ably chaired by our newly introduced Peer today, the noble Lord, Lord Bruce of Bennachie. It would be too easy just to highlight and borrow from its few criticisms of the department but I should say first that I strongly support the work of DfID, and generally of international development, while being slightly concerned about the strains imposed on its systems in having to meet the 0.7% target.

The recent increases required to meet that target seem to have added enormously to the complexity and unmanageability of the department. I will come in a moment to the excellent work that it has done in the field of my particular interest, which is reproductive health and population. In general, I understand the downside of the overreliance on supporting multilateral organisations, especially when that leads to less support being given to smaller, more specialist suppliers, which are able to be more flexible, focused and adaptable. I support ICAI in a comment from its recent report that the department should be trying to achieve,

“positive, long-term, transformative change for poor people, who are the intended beneficiaries of UK aid”.

That leads to emphasising the longer-term aspect of aid, which will also produce sustainable results.

My particular interest in reproductive health and population is an example of just such longer-term and sustainable aims. The department has given strong support to the inclusion of sexual and reproductive health and rights—SRHR—throughout the 2015 negotiations on sustainable development goals. The two targets mentioning SRHR and services have been a major achievement for the persistence of the department. Given the UK’s global leadership and technical expertise in promoting and supporting SRHR, I hope DfID will continue to prioritise these critical and often marginalised subjects.

Improvement of health services generally in developing countries also needs support to those services. The International Development Committee’s assessment of the department’s performance in 2013-14 concludes:

“We are concerned by the reduction in spending in some areas vital to achieving key MDGs such as reproductive health and recommend that DFID significantly increase spending in this area”.

In a legacy report, it also recommends that work and spending in this important area be significantly increased, and urges its successor committee to press DfID on the issue.

The summary of the committee’s initial report states that,

“spending by DFID’s priority country teams has declined relatively, as has spending on programmes in sub-Saharan Africa and on key MDG targets such as reproductive health ... We recommend that DFID increase the share of expenditure going to bilateral programmes, to sub-Saharan Africa and significantly increase spending on reproductive health”.

Mention of sub-Saharan Africa brings to mind the reports last year endorsed by the United Nations Population Fund, which stated that that part of the world is most likely to be the last to stabilise its population. Its growth is largely because birth rates in sub-Saharan Africa have not been decreasing as fast as expected. It is just that area where aid money is being reduced, and the concern is that aid allocation is increasingly being driven elsewhere by UK economic concerns at the expense of meeting the unmet need for reproductive services, as well as of delivering long-term poverty reduction and development. I hope that the department will continue to take the lead in highlighting this priority area.

6.47 pm

Lord Jones of Cheltenham (LD): My Lords, first, I congratulate the noble Earl on securing this debate and the noble Lord, Lord Barker, on his excellent maiden speech.

Page 156 of DfID’s latest annual report reveals that in recent years, the UK Overseas Territory of St Helena and Dependencies received more DfID assistance than either Uganda or Sierra Leone. The figures are due to the project to build an airport on that island in the South Atlantic. The airport itself will probably be ready in the first quarter of next year and is expected to come in on budget at £210 million. Weekly flights are currently scheduled to begin on 21 May: initially, a Comair flight from Johannesburg with a capacity of 120 or so passengers. Once a month, this service will fly on to Ascension before returning to St Helena the following day to pick up passengers returning to

[LORD JONES OF CHELTENHAM]

Johannesburg and beyond. Another airline, Atlantic Star/TUI-fly, is keen to begin charter flights from London Gatwick, refuelling in the Gambia.

Several concerns are being raised by the islanders. First, will there be enough tourism accommodation of adequate standard to cope with the influx of tourists? Currently, there are just 45 serviced en-suite accommodation bedrooms available. The recent worldwide surge in interest in St Helena, as manifested in the travel press and national newspapers, suggests that with just one flight a week the island's accommodation will be fully taken up at an early stage. A new hotel in Main Street, Jamestown, has been delayed. Shelco's long-standing intention to build a five-star plus complex, Wirebird Hills, has changed to a phased development, with the first phase scaled down due to a reduction in the projected tourist numbers in the first few years. Once a month, when the plane links with Ascension, will there be sufficient accommodation overnight for the new visitors arriving, as well as those who will be returning to Johannesburg the following day?

Secondly, will internet access be adequate to cope with the expectations and needs of visitors? Two Atlantic super-fast broadband cables are currently being laid into which, with adequate financial assistance, St Helena could link. Thirdly, are enough private sector businesses being set up to cope with the demand for restaurant food, island tours and fishing and diving expeditions? Will the island be able to produce enough fruit, vegetables and eggs to meet the demand? Fourthly, what plans are there for bulk freight for the island once the Royal Mail ship "RMS St Helena" is retired from service?

The UK taxpayer was right to invest in this overseas territory—what Harry Ritchie called in his book one of "the last pink bits" of the Empire. However, having spent more than £200 million, how will the Government measure the success of the project? St Helena has many attractions. Napoleon was exiled there, and died there. His home, Longwood House, was given to the French nation by Queen Victoria. More than 1,100 ships were wrecked approaching the island, running aground on the lava plateau just beneath the surface of the sea around this former active volcano. Divers will find the strikingly clear waters of the South Atlantic a paradise, as will sports fishermen and water sports enthusiasts. Beautiful seabirds in large flocks surround the island. Delicate indigenous flora and fauna inhabit the island, including the St Helena wirebird, a type of plover. Historic buildings can be explored, including High Knoll Fort, and farms from the era when sailing ships called in to replenish stocks of fresh fruit, vegetables and water. And of course there is Jonathan, the giant tortoise, which is believed to be the oldest living being on the planet. More than 200 years old, Jonathan may have met Napoleon. He is British and lives in the grounds of the governor's residence, Plantation House. Visitors to the island will want to meet him—and his five girlfriends.

At the end of the day, the key may be to entice enough people who know St Helena back to the island to invest their future in making a success of this DfID project—including some of the estimated 20,000 saints who live in the Falklands, on Ascension, in the UK and elsewhere.

6.52 pm

Baroness Flather (CB): My Lords, I was enormously impressed by the noble Earl's knowledge of all the ways in which projects are being looked at, but a little depressed at the same time, because it seems that we have too much looking at and not enough doing.

One of the most important things has been touched on by the noble Lord, Lord Desai, and the noble Viscount, Lord Craigavon. We live in a world in which no value is given to women in many developing countries. In fact, an animal that has been bought has greater value than the woman. We cannot have any kind of fair world without bringing women into the success that we expect from men. The problem is that if women are not in the economic world, it affects the whole country and the whole world—not just the women. It does not allow that country to progress. Wherever women are doing better, you will find that the country is doing better. This factor must be always looked at.

I have been to many conferences and, unless they are women's conferences, the "woman" word is not mentioned at all. Women are half the population, and they say that they do three-quarters of the work in the world. They earn practically nothing, just 10% of the wages, and they apparently own 1% of property. It is time for us to realise that unless we bring in the neglected other half of the population, things are not going to change in developing countries. The noble Lord, Lord Desai, mentioned the girl child. The mother is equally important. If you help the mother, she will look after the girl child and the boy child. It is extremely important to start thinking along those lines.

I am so glad that the noble Baroness, Lady Chalker, will speak after me. She coined the phrase "children by choice". We are still using that phrase. In 1950, the population of the world was 2.7 billion; 65 years later, it is more than 7 billion. Yet, when people talk about climate change, they do not mention the population increase. In fact, population, having too many children and family planning are not considered proper subjects to speak about. They are the most important subjects for all our futures. Improving the condition of women is also the most important matter for all our futures. Without improving women's lives and giving them the opportunity to join the economic life of a country, there is no future for that country. No matter what you do, if half the population is the poorest of the poor and has no impact on the life of the country, that country is not going to progress. Half the population are not even being looked at or considered.

We have a big problem with water stress. Why is that? Is it because of climate change? Yes, it is. What is the cause of climate change? It is obviously not population—except that it is, and we need to think about that. Every woman should have access to family planning, because when women have fewer children those children benefit, the women benefit, the families benefit and the country benefits.

6.57 pm

Baroness Chalker of Wallasey (Con): My Lords, I thank the noble Earl, Lord Sandwich, for initiating this debate. I fully endorse all of his contribution on ICAI. I shall not repeat it. I congratulate the noble Lord, Lord Barker of Battle, on his maiden speech.

We look forward to his future contributions. I should perhaps declare my interest as president of the Chalker Foundation for Africa, but that gives me no money. I give it money, so that is how we proceed.

In this debate, the issues to be addressed to make Britain's efforts more efficient and effective cover a wide range. I hope that the reviews now under way in DfID, of which there are many, will be published in full when they are concluded. I shall mention two specific matters where there may be possible benefits from a change in current DfID practices. Before I come to those issues, I pay tribute to the recent work of CDC. The Harvard Business School working party evaluation of its impact on four measures of business success—employment, revenues, profits and taxes paid—shows clearly that fund investing has allowed CDC to reach a broader range of businesses, especially small business, in the developing world in a wider range of geographies than it could have done on its own. By allowing CDC to build local capacity through supporting first-time teams, several funds have gone on to raise successor funds and create successful track records in the developing world by attracting commercial capital into those emerging markets. That is vital. Will my noble friend confirm that DfID will do all it can to continue and enhance fund investing through CDC and others, especially in power generation and infrastructure projects?

A further word on infrastructure: Britain has the best professional engineering fraternity in the world. I hope that DfID will use its budget and its positive energy to re-establish engineering advisers from the private sector to plan and oversee the urgently needed projects in productive infrastructure growth.

Can the Minister reassure me that worthwhile projects for development put to DfID for funding of values of less than £50 million will be seriously considered and funded if they meet the return criteria on which they should be judged? Perhaps she could publish the exact criteria by which her department judges these projects, for I hear that many smaller projects worth less than that amount are not now acceptable to the department.

My other point concerns the other end of the financial scale. As patron of Wulugu, a small local charity working in Ghana building schools, especially for girl children, I am concerned to find that it and many other small charities like it are not given support to increase the education of girl children. It is also now helping mothers who never had the chance to learn to read or write. Build Africa is another example of similar good school-building work in east Africa. It is by funding small local charities that we gain innumerable benefits for training volunteers. Large worthwhile charities can raise their own money, but the smaller ones have enormous problems not only in raising the money but in getting the sort of support on the ground that I believe DfID should be giving. I thank your Lordships for listening to my points about large and really small beneficiaries of DfID funds.

7.01 pm

Lord Alton of Liverpool (CB): My Lords, I thank my noble friend for initiating this debate and join others in congratulating the noble Lord, Lord Barker of Battle, on his maiden speech today.

In parenthesis, because this has been a theme that has emerged in the course of the debate, all experience shows that if you tackle poverty then population falls naturally. If you launch population control programmes, you may end up with coercive policies such as those in China, where there are now 40 million more men than women and where we have seen gendercide—policies aided and abetted by the West and development programmes.

However, I shall focus my remarks on an issue that I raised two weeks ago with the Minister when she was good enough to meet a small delegation of Fiona Bruce MP and myself. We expressed particular concern that British aid is not being used effectively to combat the rise of radical Islamist agendas and that, like our refugee policy, this is not being targeted to reach persecuted minorities, such as Yazidis and Christians, who are suffering genocide and crimes against humanity. All around the world, as we are all too acutely aware, an ideological hatred of difference is driving a systematic campaign of persecution, deportation and exodus, degrading treatment including sexual violence, enslavement, barbaric executions, and attempts to destroy history and culture that is not its own.

I ask your Lordships to think of some of the countries that receive UK aid. The biggest recipient is Pakistan. This year it will receive £405 million, making £1.17 billion since 2011. How do we ensure that funding for education is spent on the right things? Here the noble Baroness, Lady Flather, and I would agree: think of young Malala, targeted simply because, as a girl, she wanted an education. Think about how the funding is being spent on promoting intolerance in the curriculum. The Minister will recall some of the examples I gave her, not least in some textbooks that give children choices about which would be the best way to execute homosexuals. This is feeding the minds of young people.

How do we ensure that Pakistan's beleaguered minorities receive help? Last week I chaired two days of evidence sessions here in Parliament, where we heard how exactly a year ago a mob of 1,200 people forced two children to watch as their Christian parents were burned alive. Pakistan has imposed the death penalty on a mother of five, Asia Bibi, for so-called blasphemy. It still has to bring to justice the murderers of Shahbaz Bhatti, the country's Minister for Minorities who was assassinated; only last night we heard from his brother, Dr Paul Bhatti, who was here in the Palace talking about some of the other excesses committed not just against Christians but against Shias, Hindus and Ahmadis. This is a country where churchgoers have been murdered in their pews. How is our aid programme making a difference there?

Or take Eritrea, which is in receipt of a \$300-million aid programme handed over to the Afwerki regime by the European Union, to which we have contributed. The United Nations said in June that Eritrea is a country which is likely to have carried out gross human rights violations. Some 5,000 people leave Eritrea every month. A total of 350,000 people, 10% of the population, have fled. This is a huge development question. It also leads to an exodus of people in Mediterranean passages and some also, of course, being beheaded by ISIS.

[LORD ALTON OF LIVERPOOL]

The House of Commons International Development Select Committee is currently conducting an inquiry into the Syrian refugee crisis. It was recently told by a witness that aid is not reaching the Christians or Yazidis because those are too frightened to go into the UN-registered camps. How does the Minister respond to that? DfID could usefully become proactive in promoting a debate about Article 18, the right to believe, not to believe or to change your belief. Think of recent events with secularists in Saudi Arabia or Bangladesh. Look at the link between prosperous societies and those that uphold freedom of religion and belief. These are crucial questions and should be at the heart of our aid programmes. It may salve our conscience to give money, but it has to be effective.

7.06 pm

Lord McConnell of Glenscorrodale (Lab): My Lords, before I address the substantive issue of the effectiveness of this country's international development work, I want to draw attention to my various charitable interests in the register and also to say that I wish the conventions of your Lordships' Chamber allowed me to describe the noble Earl, Lord Sandwich, as "my noble friend". I greatly admire his commitment to these issues, and the passion he brings to the Chamber regularly in addressing them makes your Lordships' House a much better place.

I want to address two issues today. The first concerns the sustainable development goals agreed by the United Nations in September. I think that these are really exciting times for international development and I congratulate the Government on the role they have played in bringing these new goals about. I hope that their commitment drives these goals forward and that we are able to move forward in a way that, on a cross-party basis, we have done regularly over recent years.

These new sustainable development goals give us a chance to address important issues that were ignored by the millennium development goals, such as the business environment, taxation systems and the role of the private sector in creating jobs. Not only do they put the role of women and the education and liberation of girls more fundamentally at the centre of the strategy, not only do they look at resilience in areas affected by natural disasters and regular emergencies, to ensure that they are better prepared for the impact that such events have on development, but they provide a wider, comprehensive package for development. This should encourage us that in 15 years' time we can have made further real inroads into tackling extreme poverty worldwide.

I want to address one specific issue within all that, which we have discussed before in your Lordships' Chamber and commented on in relation to the Government's policy, which has been, since 2010, a policy of allocating roughly one-third of the international development budget to fragile and conflict-affected states. Actions have been taken not only to improve the governance of those states and development within those states but to try to prevent conflict and further fragility in the future. I see that the Prime Minister has said this week that we might now move

to 50% of the development budget being allocated in this way. In principle, I would not have an objection to that.

I believe that the new goal 16 agreed as part of the sustainable development goals is a very important addition to the international framework, highlighting the importance of peace and justice. If we are to secure real development for the long term, I believe that that goal is critical. If the UK is to contribute to international success on that goal, then, yes, perhaps a higher proportion of the budget should go towards conflict-affected and fragile states—but we must not use such a commitment simply to add resources to the old way of doing humanitarian relief, for example.

In these humanitarian camps, important as they are, it is no longer the case that water, shelter and food are enough. We need to start educating the children in these camps so that the next generation are not disillusioned, angry and willing to take up the fight in the way that their fathers and uncles appear to be back home. We also need to ensure that in these fragile states we do not just support NGOs that implement development programmes that allow us to add high numbers to our achievements, but that we create the kind of legitimate, independent institutions that give people hope for a peaceful and just future. If we address those issues, an increase in the proportion of the international development budget allocated to issues of peace and justice in fragile and conflict-affected states would be money well spent.

7.10 pm

Lord Cromwell (CB): My Lords, I speak today as I have spent the last 30 years or more involved in international development projects in Africa, Asia and eastern Europe, and I direct the House's attention to my interests in the register. I will be critical today but first I will pause and acknowledge that international development is difficult and complex work—although absolutely vital in the globalised world in which we live, where hideous imbalances are a threat to us all. We owe gratitude to DfID for the work that it does.

This is a huge topic, and I will focus on just one aspect, based on my experience. There is a pendulum, a fashion even, in this work, that alternates between favouring very large development projects and relying on small projects to deliver. At some stage a Minister will get the idea that big projects are best. These go under many names, but the advent of multilateral donors has caused this tendency to explode. After all, if it was good yesterday to say that you were spending £10 million on a project, how much better to say today that you are part of a £100 million multilateral project. I am afraid that some Ministers tend to like that sort of thing. Large commercial consulting companies like them, too. These large projects, often with quite fuzzy success criteria, provide tremendous fee-earning opportunities that are worth bidding for.

Finally, the Minister's officials may have a strong temptation to feel the same way, because a few big projects run by large commercial consulting companies are a lot easier to administer than a plethora of small ones run by a diversity of small organisations. I remember officials some years ago—unaware of my presence—

punching the air at the news that smaller projects were to be dispensed with in favour of fewer and bigger ones. Perhaps things are different now, but the House of Commons International Development Committee report of March this year said that there is,

“a focus on large programmes, which are outsourced to multilateral organisations and large contractors to manage”—so it does not sound like much has changed.

However, what is actually wrong with great big grandstand projects? Here are a couple of examples from my own experience. First, I have worked on projects where, by the time the needs assessment has been done, the reports written, the tender drawn up and run, the contracts awarded and the project finally gets started, hundreds of thousands could have been spent. The project can be years out of date, even irrelevant, but the successful bidder is locked into a commercial contract that they are ill-advised commercially to upset. This is a very dispiriting experience, but all too common in large multilateral projects.

My second example: millions of pounds simply disappeared into multilateral projects providing so-called budget support to other Governments. When I asked questions about this, they tended to be met with a shrug or an embarrassed smile. Nobody really knew what the money had been spent on. Of course, large projects may sometimes be justified. However, the temptation in a Government department to opt for too few—big—projects has been too strong for too long.

Smaller, bilateral projects tend to be far more plugged in to real-time needs, nimbler in meeting them, and implemented by people with a commitment that predates and goes on way beyond the project rather than just the project period. They also tend to have long-term relationships with community partners, and others have already touched on that. In short, I have seen millions wasted on big projects and hundreds spent very well on small ones. The House of Commons report suggests that there is a need for a “change of culture” at DfID. I do hope that DfID is listening.

7.14 pm

Lord Lawson of Blaby (Con): My Lords, I am sure that the whole House was delighted with the news last month that the Nobel prize for economics had been awarded to a British economist, Professor Angus Deaton. It was awarded for his work on global poverty, on which he is the world’s leading expert. I commend to all noble Lords who have participated in this debate his best-known book, *The Great Escape*, which I suspect many have not read. I commend it in particular to my noble friend who will be winding up in the debate, and I hope that she will draw it to the attention of her boss, the Secretary of State.

I should like to end this very brief intervention in the gap by quoting, in his own words, Professor Deaton’s conclusion in the book on official foreign aid:

“While some of this aid has clearly done good—and I think the case for assistance to fight disease such as HIV/AIDS or smallpox is strong—I have come to believe that most external aid is doing more harm than good. If it is undermining countries’ chance to grow—as I believe it is—there is no argument for continuing it on the grounds that ‘we must do something’. The something that we should do is to stop”.

7.16 pm

Baroness Northover (LD): My Lords, I, too, thank the noble Earl, Lord Sandwich, for securing this debate and challenging us all so effectively. I have hugely valued his expertise over the years. I also commend the noble Lord, Lord Barker, for his maiden speech, and I look forward to hearing more from him.

As a former DfID Minister, I feel very proud of what DfID has achieved. The department is indeed renowned throughout the world for its work, as my noble friend Lord Chidgey made clear. As a Lib Dem, I am delighted that my colleagues Michael Moore and Jeremy Purvis—now, my noble friend Lord Purvis—took through Parliament the Bill to enshrine in law the UK’s commitment to spend 0.7% of GNI on aid. I am extremely grateful for so much cross-party support, not least from many—although not all—who have spoken today. Therefore, it is vital for me to ensure that this aid is indeed spent wisely and well. It must be effective.

We are coming up to the comprehensive spending review next week and the strategic defence and security review. The SDSR was due to be published on Monday but it may, as I understand it, be postponed. So this debate is also very well timed because of the key agreements of this year.

As the noble Lord, Lord McConnell, and others pointed out, in September, after worldwide involvement, we agreed the new sustainable development goals. We hope that the climate change conference will take place shortly in Paris, despite the terrible events of the last few days. There could not be a more stark contrast between that appalling series of attacks and the need to work collectively to tackle global climate change. Right now, as we have heard, DfID is conducting a number of its own reviews. As the noble Earl, Lord Sandwich, mentioned, aid is scrutinised by the Commons Select Committee and by ICAI, as well as through transparency and public scrutiny. That scrutiny is vital because of all that we need and must achieve in an unstable world.

DfID’s work takes place in very challenging circumstances, as the noble Lord, Lord Cromwell, pointed out. However, if we look at the wider changes that we seek, we can see major progress. The MDGs aimed to halve extreme poverty. Clearly assisted by economic growth in China, India, Brazil, Mexico and other key economies, the world achieved that, even if half the world’s population—women—remain worldwide less well off than men.

However, the newly-agreed SDGs now aim to eradicate extreme poverty by 2030, thus finishing what the MDGs started, and they aim to leave no one behind. That must mean a continued concentration on women and girls, as the noble Baronesses, Lady Hodgson and Lady Flather, the noble Lord, Lord Desai, the noble Viscount, Lord Craigavon, and others have made clear. It also means that we must focus, as the noble Lord, Lord Alton, emphasised, on those from ethnic minorities in particular countries where they are excluded, and, as the noble Lord, Lord Black, pointed out, on members of the LGBT community, those with disabilities, the elderly and so on. I look forward to the Minister’s response on these points.

[BARONESS NORTHOVER]

In tackling fragile states, as Save the Children points out and as was emphasised by the noble Lord, Lord Judd, an over-focus on short-term results can deflect from longer-term aims. Building systems, capacity and institutions takes time. The Prime Minister's recent announcement, which the noble Lord, Lord McConnell, referred to, that the UK may be focusing half its aid budget in fragile states must surely mean that long-term development strategies are vital; for example, across the Middle East and north Africa. Perhaps the Minister could clarify that. Here, echoing the noble Baroness, Lady Chalker, I note CDCs very interesting support in frontier economies.

We also hear that DfID will emphasise humanitarian emergencies. Again, we must make sure that we invest in longer-term development to reduce the impact of natural disasters. Earthquakes striking the west coast of the US do not cause the death rates that we see in developing countries—for example, around the Himalayan ring—where the challenge of poor housing lies at the root of many casualties. We know from tsunamis that building key public structures in a way that can withstand such floods is crucial. We also know that warning systems can save many lives.

In building resilience, we need to implement the advice from the expert panel on disasters, chaired by my noble friend Lord Ashdown.

Many noble Lords have made reference to the fact that more ODA money may be assigned to other departments. Cross-departmental working is absolutely right; after all, trade policies from BIS—

The Earl of Courtown (Con): Will the noble Baroness give way?

Baroness Northover: If the noble Earl will look at his piece of paper, I am allowed eight minutes.

The Earl of Courtown: I do apologise to the noble Baroness, but it is four minutes.

Baroness Northover: I apologise on behalf of my Whips' Office, which told me last night that, whereas everybody else had four minutes, I had eight minutes in which to respond for the Lib Dems.

I will conclude by arguing that it is important that DfID and DECC work closely together. Removing renewables in the United Kingdom helps to undermine what we are doing overseas.

It is important that the FCO, MoD and DfID work together; that was surely and sorely missing in the early days in Afghanistan and Iraq, with long-term consequences.

This has been a very thoughtful debate—

The Earl of Courtown: My Lords, I am sorry, but will the noble Baroness give way, please?

Baroness Northover: I now conclude and look forward to the Minister's reply.

7.23 pm

Lord Collins of Highbury (Lab): My Lords, I will run through what I have to say very quickly. I thank the noble Earl, Lord Sandwich, for initiating this debate, and I congratulate the noble Lord, Lord Barker, on his excellent maiden speech.

The cross-party consensus on 0.7% would have been unthinkable 20 years ago—as evidenced by the noble Lord, Lord Lawson. However, we need to do far more to persuade many of the public. We should make the case every day we can that development changes and saves lives.

Today's debate is less about how much we spend and more about how we spend it. Can a larger development budget be delivered by an ever-smaller department? As the aid budget rises, so must our ability to control it. That is why the role of the Independent Commission for Aid Impact is so important. I want to focus on its comments on the use of contractors to deliver UK aid. The effectiveness of that aid is reduced, ICAI argues, because of the arm's-length relationship between DfID and the contractors, and a lack of strategic guidance on their use. However, what ICAI failed to address is the key comparison of the effectiveness of a private sector-led approach to poverty alleviation over a public sector-led one. The use of certain consultants, such as Adam Smith International, inevitably predetermines the policies that are implemented overseas, from privatised water to privatised education. Earlier this year, Global Justice Now published a study stating that the DfID's funding of private sector health and education projects was driving inequality.

We know that public services can provide better value in developing countries, but in some cases that choice is not being given. This is crucial in ensuring that the needs of the poorest are met and that recipient countries' ability to become self-reliant is increased. The Ebola crisis highlighted the importance of sustainable public health systems. I urge the Minister to ensure that the department and ICAI give this question the scrutiny that it deserves.

Last year, DfID launched an inquiry into the use of consultants and in its response pointed out that it had tightened procurement controls and ministerial oversight. However, what the department did not do was publish the full results of the inquiry. Will the Minister now agree to do so and advise whether any assessment has been made of the new procedures?

I would also be grateful if the Minister could inform the House of the results of the review of the strategic choices that the department makes in its use of contractors, including when the department should be delivering in-house and when and how it should bring in suppliers.

As my noble friend Lord McConnell noted, with DfID increasingly working in fragile and conflict-affected states requiring complex programmes, the department is more likely to rely on contractors and their local partners. The Prime Minister's announcement that at least half the UK's £12 billion aid budget will be spent on supporting fragile states raises even more questions on how this might be managed.

7.26 pm

The Parliamentary Under-Secretary of State, Department for International Development (Baroness Verma) (Con):

My Lords, let me begin by thanking the noble Earl, Lord Sandwich, for securing this debate and all noble Lords for their contributions. They have been wide-ranging, informative and questioning. Many questions have been posed today and I may have to undertake to write to noble Lords given the time constraints.

I also join all noble Lords in welcoming my noble friend Lord Barker to your Lordships' House; I congratulate him on his excellent maiden speech. Having worked with my noble friend in a previous role at the Department of Energy and Climate Change, I know that he will bring passion and deep knowledge to ensuring that we have a planet that is fit for all its citizens. He will bring to the House the benefit of the knowledge and experience that he gained not just from that department but from the reason why he came into public life. I look forward to working with my noble friend.

I am proud of the role the UK has played in setting a new agenda for development, and ensuring that global goals are universal and leave no one behind. For a sustainable route out of poverty, Her Majesty's Government will put inclusive economic growth, resilience to crises, empowering women and girls, and tackling climate change at the heart of our approach. DfID is already achieving transformational results and has transformed as an organisation to deliver even smarter programmes.

Under this Government, Great Britain was the first major economy—as is widely recognised not just here in the UK but globally—to meet the UN target of spending 0.7% of gross national income on development. Since 2011, this commitment has placed more than 10 million children into school, immunised nearly 50 million children against fatal diseases and prevented 24.5 million people going hungry. It has supported some 480,000 people to start HIV treatment plans and distributed 47.4 million insecticide-treated bed nets.

As well as saving lives, we have stepped up our focus on economic development and the golden thread. By improving opportunities for communities and their economies, we can catalyse sustainable, long-term benefits for generations to come. With this in mind, DfID is helping people to work their way out of poverty, not least by supporting 69 million people to access financial services.

The way we and our partners deliver and the way we work with civil society and others has changed. The bilateral and multilateral aid reviews will ensure that our strategy is sensitive to this shifting landscape and informed by the latest evidence. Internally they will target our work in the right places and in the right ways. DfID's operating framework will continue to demand that lessons learned from the past impact evaluations and changes in the global evidence base be considered throughout programme design and implementation.

Since 2012, DfID has transformed how it demonstrates greater accountability and transparency. Every programme in the department now has a named person in charge

with clear responsibilities. Financial, audit and risk systems have been strengthened. Programmes are reviewed more frequently, and if seen not to deliver they may be closed down.

We also continue to raise the bar with the key multilaterals we work with. In 2013, the International Development Committee said:

“The multilateral aid review has made a real contribution to the efficiency of the multilateral system”.

So while it is too soon to pre-empt the full results of the reviews, I am confident that they will deliver a flexible approach that ensures that the benefits of aid reach those most in need, even in the most difficult places.

Flexibility means surging our resources to respond to global shocks—as we did last year on Ebola—and focusing on the longer term to help countries to rebuild themselves after crises. That is where smart development comes in. We know that for every £1 spent on disaster preparedness we save up to £7 on disaster response. In Nepal we are building schools to withstand earthquakes; in Africa we help countries insure themselves against extreme weather; and last year we committed £27 million into a cross-government fund for peace, stability and security programmes.

I thank the noble Earl, Lord Sandwich, for highlighting the vital role of UK parliamentarians in scrutinising the effectiveness of UK aid. DfID works directly with Parliaments in 75% of its bilateral country programmes. Earlier this year we committed £9.3 million to the Westminster Foundation for Democracy, which works in more than 40 countries to support Parliaments and political parties. Our support for transparency in sectors such as construction and forestry—such as the Nepal forestry programme to which the noble Earl referred—empowers civil society with information about revenues and contracts to help citizens scrutinise government decisions.

DfID undertook a comprehensive review of the Nepal multi-stakeholder programme this September. While it was noted that management and governance challenges had delayed progress, results were nevertheless achieved: 8,100 jobs were created and 381 local groups were trained in forest management.

Empowered societies and open Governments are a prerequisite for effective public accountability. This golden thread underpins sustainable long-term growth and stability. DfID is a global leader in publishing timely, comprehensive and open data on its programmes and asks its main suppliers and implementing partners to do the same.

I shall try to respond to a number of the questions that were raised. My noble friends Lady Hodgson and Lord Craigavon, the noble Lord, Lord Cromwell, and other noble Lords asked whether, through the reviews, we would be considering supporting smaller organisations. We want to see how best we can reach the people who will benefit, whether it is through the smaller organisations on the ground or through the multilateral agencies. Often, some work is better performed through the multilateral agencies. It is about seeing how these reviews can give us results and help us deliver better to the people who need us the most. The review will help

[BARONESS VERMA]

us to develop a more thoughtful, innovative, strategic and fairer relationship with organisations that share our objectives.

There should be simplified programme designs. In the past two years, DfID has stripped back its guidance so that we now have 37 smart rules that operate in the department. I am responsible for procurement within the department and I can tell noble Lords that, from my perspective, we scrutinise very carefully the business case for every single proposal that comes through. We do not simply reject on the basis of size. It really is about how effectively the programme supply will actually deliver.

My noble friend Lord Black rightly raised the important issue of freedom of the media and ensuring that people are able to get information on the ground that rightly empowers them to question local governance and services. The UK Government have been a champion of Goal 16, which encourages greater transparency and accountability, and press freedom globally. In support of that, DfID provides BBC Media Action with a large global grant of £85 million to support citizens gaining better access to information through the media. We support the global work of the London-based organisation, Article 19, which focuses on the defence and promotion of freedom of expression and freedom of information worldwide.

My noble friend is also absolutely right to highlight the importance of tackling LGBT discrimination. The UK is behind the commitment to the principle of “leave no one behind” in the implementation of the global development goals. I welcome the opportunity to chair discussions on the protection of LGBT people during the upcoming CHOGM People’s Forum in Malta over the next few days. The UK continues to urge all states with laws that criminalise homosexuality urgently to review them. DfID remains committed to

fighting for equality and against discrimination. We see human rights as universal; they should apply to all people.

My noble friend Lady Hodgson and other noble Lords asked about corruption and fraud. The Government do not and will not tolerate corruption or the misuse of taxpayers’ funds in any form. All allegations of fraud are taken seriously and we follow them up through DfID’s Counter Fraud and Whistleblowing Unit. We have in place robust systems to safeguard aid money. DfID is delivering a new anti-corruption research programme over the next three years to provide relevant operational evidence on how to tackle corruption in priority countries.

My noble friend Lord Barker talked about the Energy Africa campaign. He is absolutely right to say that we focus on ensuring that the two out of three people living in sub-Saharan Africa who do not have access to electricity today are not in that position in the future. We are doing our very best to ensure that we reach out to help them on to the path to economic growth, and I am very pleased to be able to support my honourable friend in the other place, Grant Shapps, who launched this initiative on 22 October. It has been very well received globally and, again, the UK is showing the leadership that encourages others to look at what we are doing in this area, so that they can assist us. Three countries have already signed partnership agreements.

I have too many questions to respond to in the time available because the clock is ticking away rapidly. Perhaps I may conclude by saying that the international community sees DfID as a development leader. We are not complacent, and we will continue partnering across government, parliamentarians, civil society, the British public and others to deliver smarter and more effective programmes which demonstrate that the power of change is on the ground and in the hands of the people.

House adjourned at 7.39 pm.

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