

Vol. 767
No. 78



Thursday
3 December 2015

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

ORDER OF BUSINESS

Introductions: Baroness Thornhill and Lord Watts.....	1195
Questions	
Sir John Cass Faculty of Art, Architecture and Design.....	1195
House of Lords: Strathclyde Review.....	1198
Kurdistan Workers' Party.....	1200
Flood Defences.....	1203
Business of the House	
<i>Timing of Debates</i>	1205
National Security Strategy	
<i>Order of Consideration Motion</i>	1206
Autumn Statement	
<i>Motion to Take Note</i>	1206
State Pension: Women	
<i>Question for Short Debate</i>	1237
Strategic Defence and Security Review	
<i>Motion to Take Note</i>	1250
Overseas Territories Joint Ministerial Council	
<i>Statement</i>	1297
Welfare Reform (Northern Ireland) Order 2015	
<i>Motion to Approve</i>	1301

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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, 3 December 2015.

11 am

Prayers—read by the Lord Bishop of Derby.

Introduction: Baroness Thornhill

11.07 am

Dorothy Thornhill, MBE, having been created Baroness Thornhill, of Watford in the County of Hertfordshire, was introduced and took the oath, supported by Baroness Brinton and Baroness Pinnock, and signed an undertaking to abide by the Code of Conduct.

Introduction: Lord Watts

11.13 am

David Leonard Watts, Esquire, having been created Baron Watts, of Ravenhead in the County of Merseyside, was introduced and made the solemn affirmation, supported by Lord Grocott and Lord McAvoy, and signed an undertaking to abide by the Code of Conduct.

Sir John Cass Faculty of Art, Architecture and Design Question

11.17 am

Asked by *The Earl of Clancarty*

To ask Her Majesty's Government whether they will intervene to halt the sale of the Sir John Cass Faculty of Art, Architecture and Design building, Central House in Aldgate.

Baroness Evans of Bowes Park (Con): My Lords, the strength of our universities rests on their autonomy and government is, rightly, discouraged by statute from direct intervention in their affairs. The consolidation of the estate of London Metropolitan University, as set out in its One Campus, One Community strategy, is entirely a matter for the university. The Higher Education Funding Council expects any university to take appropriate professional advice when engaging in any major sales of its estate.

The Earl of Clancarty (CB): My Lords, does the Minister appreciate that, with the intended move to a single campus, London Met is saying that it cannot support the Cass, the loss of which would be a tragedy for art design and manufacture in this country? Will she accept that the Cass should remain in the East End, where it belongs, as an independent centre of excellence—a solution that the Government could expedite, as they now own one of the three campus buildings? This is a matter for the Government.

Baroness Evans of Bowes Park: My Lords, I am afraid I must reiterate that this is not a matter for government intervention; it is for the university to make the decision. However, I can certainly say that

this Government absolutely support art and heritage in this country. That is why we announced in the comprehensive spending review £1.6 billion of capital investment in culture across our country in 2021.

Lord Cashman (Lab): My Lords, does the Minister agree that, in view of the importance of the creative industries both nationally and regionally, we should be expanding and developing art and design colleges, that Cass is a total success, that there is no necessity for its move, and that its closure is not in the long-term interests of east London?

Baroness Evans of Bowes Park: I thank the noble Lord for his question and am delighted to tell him that in the comprehensive spending review the Government indicated that they will support the £100 million development of a new Royal College of Art campus in Battersea, subject to the business case. We agree that the creative industries are extremely important, which is why we are, for instance, helping to support that project.

Baroness Gardner of Parkes (Con): I declare a past interest in that my husband did silversmithing there at the same time as Baroness Serota's husband, who was a much better silversmith, I might add, and had been doing it for many more years. Can the Minister assure me that those courses will continue, because they are extremely valuable?

Baroness Evans of Bowes Park: As I have said in answer to a couple of questions, I am afraid that I cannot comment on this particular case. It is a matter for the university. But I am very happy to talk about the fact that the Government provide around £60 million of funding for specialist art and music colleges, which do this country proud.

The Earl of Glasgow (LD): My Lords, the Sir John Cass faculty is one of the most successful and highly regarded educational institutions in London, maybe even in Britain. Part of its success has always been attributed to its location in the East End close to the City, where it has thrived for more than 250 years. It seems that it is now likely to be forcibly moved out to Holloway, due mostly to London Metropolitan University's financial difficulties. Surely this is the sort of situation in which the Government should step in and help.

Baroness Evans of Bowes Park: I know that noble Lords around this House value university autonomy. As I have said, this is a matter for the university, not for the Government.

Lord Berkeley of Knighton (CB): My Lords, does the Minister appreciate that with this move we will lose the only musical instrument building course in the country at a time when the Chancellor is quite rightly, and very admirably, focusing on building up the arts? But this is about the next generation. How are we going to train people for the future?

Baroness Evans of Bowes Park: My Lords, as I have said, we provide more than £40 million in funding to specialist arts and music colleges around the country, such as the Courtauld Institute of Art, the Liverpool

[BARONESS EVANS OF BOWES PARK]

Institute for Performing Arts, the Royal College of Music and the Royal College of Art. This Government are committed to supporting the creative industries in this country.

Baroness Nye (Lab): My Lords, following on from the noble Lord's question, would the Minister say what the Government are doing to allay the very strong concerns of the arts and creative industries community that the introduction of the EBacc, with its concentration on STEM and not STEAM subjects, has meant the downgrading of art and design, and that without the facilities, courses and teachers at places like the Cass the next generation of creative talent is being diminished?

Baroness Evans of Bowes Park: I reassure the noble Baroness that, in fact, since the introduction of the EBacc, the proportion of pupils in state-funded schools taking at least one GCSE in an arts subject has increased. In 2005, entries for GCSE art and design were 2% higher than the year before, and for music the figure was 3% higher. We absolutely believe that the arts and culture are part of a well-balanced broad curriculum, which we support.

Lord Mawhinney (Con): My Lords, will my noble friend accept that the Government's commitment to art and design is admirable, as is their commitment to the autonomy of universities?

Lord Foulkes of Cumnock (Lab): That is a difficult one.

Baroness Evans of Bowes Park: They have all been quite hard so far, so I thank my noble friend for his question.

Lord Hughes of Woodside (Lab): My Lords, will the Minister tell me, as an innocent in these matters, why she does not agree to at least say that the concerns of the House, which she has listened to, will be transmitted to the university concerned? Churning out figures about the millions of pounds that have been spent is no good at all to the people who are losing this very valuable asset.

Baroness Evans of Bowes Park: As I have said, this is not a matter for government. But I am very sure that the university will take note of what has been said this morning.

Lord Wallace of Saltaire (LD): My Lords, does the Minister accept that music teaching in schools is a very important part of building resilience and self-confidence and improving self-discipline, and that cutting state schools' provision of music—the number of music teachers is currently going down—is a major step back for precisely those state schools that need to build all those qualities in their pupils?

Baroness Evans of Bowes Park: I entirely agree with what the noble Lord says about the value of music and the enjoyment that pupils can get from it. But as I have said, in 2015, GCSE entries for music were in fact 3% higher.

Baroness Hayter of Kentish Town (Lab): My Lords, I turn the attention of the Minister to the other bit of the Question, which is about the physical building in this ancient area of Aldgate, just beyond the Roman and medieval city walls. What steps can the Government take to preserve this building? It and the Whitechapel Gallery alone have survived the replacement of our physical heritage by ever-more anonymous, overpriced sky-scrapers, which serve neither the local community nor the built environment.

Baroness Evans of Bowes Park: I am afraid that this is not a matter for the Government. As I said in my original Answer, the Higher Education Funding Council expects any university to take appropriate professional advice when engaging in any major sales of its estate.

House of Lords: Strathclyde Review Question

11.24 am

Asked by Lord Hunt of Kings Heath

To ask Her Majesty's Government, further to the comments made by Baroness Chisholm of Owlpen on 3 November (HL Deb, col. 1516), how Lord Strathclyde and his review team will take account of the views of Members of the House of Lords.

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, my noble friend Lord Strathclyde has written to the Members of both Houses inviting them to submit their views. A number of Peers from around the House have already made submissions to his review or shared their views with him in person. I have no doubt that he will consider carefully all representations from Members of this House.

Lord Hunt of Kings Heath (Lab): My Lords, I am grateful to the Leader for that reply. Can she assure me that, when the noble Lord, Lord Strathclyde, has reported, there will be an opportunity for the House to debate the contents of the report before the Government come to any conclusions? Can she also say whether, in view of the 1994 resolution of this House that we have an unfettered right to vote on secondary legislation, which was confirmed by the Joint Select Committee on Conventions, if the noble Lord proposes reducing the powers of this House, she will ensure that a further Joint Select Committee of both Houses is established to consider the consequences both for this House and the other place?

Baroness Stowell of Beeston: I certainly do not want to pre-empt my noble friend's conclusions when he comes forward with his response to the Prime Minister, but it is worth me reminding the House that he is looking into the constitutional issues that were raised by the proceedings in this House in October. They were unprecedented; they did raise serious questions.

Noble Lords: Oh!

Baroness Stowell of Beeston: They did, my Lords. My noble friend is looking at them while consulting widely—both Members of the other place as well as

here. When he reaches his conclusions, I am confident that we will have an opportunity to consider them carefully and decide next steps at that time.

Lord Forsyth of Drumlean (Con): My Lords, does my noble friend accept that, had this House passed the secondary legislation on tax credits, it would have had the immediate force of law and prevented the Chancellor of the Exchequer abandoning his proposals in his Autumn Statement?

Baroness Stowell of Beeston: My noble friend raises an interesting point. It is interesting because it allows me to say two things. It demonstrates what this House did: it withheld its approval from a Motion that had already been voted on three times and decided in the other House. The key thing about the review that my noble friend is doing is not what the views of this House were but how it decided to express them and the route by which it chose to do so.

Lord Lisvane (CB): My Lords, will Her Majesty's Government heed the serious concerns expressed by the Constitution Committee and the Delegated Powers Committee of your Lordships' House to the effect that the threshold between primary and secondary legislation continues to move upwards, with secondary legislation used increasingly for matters of policy and principle which should be the subject of primary legislation? Will the Leader accept that these issues should be at the heart of the matters which the noble Lord, Lord Strathclyde, is examining?

Baroness Stowell of Beeston: My noble friend is examining how to secure the decisive role of the elected House on matters associated with secondary legislation. Clearly, it is important that all Governments use the right vehicle to secure Parliament's decision on their business. That is what all Governments seek to do, and it is what we have been doing and will continue to do

Lord Wallace of Tankerness (LD): My Lords, given that the Leader of the House has indicated that the noble Lord, Lord Strathclyde, and his review team will take into account the views of Members of your Lordships' House, will she take this opportunity to commend the view of one noble Lord who said in oral evidence to the Joint Committee on Conventions:

"I think we can spend a great deal of time thinking about how one could improve the convention on secondary legislation, but I would not remove the power?"

They were the words of the noble Lord, Lord Strathclyde.

Baroness Stowell of Beeston: Another noble and learned Lord gave evidence to the same Joint Committee—the noble and learned Lord, Lord Falconer. He said this about secondary legislation:

"The question is not: is the power there to vote against it? The question is: is there a convention that says constitutionally we should not do it?"

The answer to the question must be, and is, no.

Baroness Hollis of Heigham (Lab): My Lords, surely the Minister would agree that this was in no sense a constitutional crisis merely because the House of Lords

did what it was supposed to and should do, which is to scrutinise and, where appropriate, ask the Commons to think again. That is what this House decided to do—not to destroy the SI but to delay it to allow the Commons to think again. Once the Commons as a body had thought again, following the Chancellor of the Exchequer, the constitutional crisis disappeared and we all got a result which was welcomed around the House.

Baroness Stowell of Beeston: My Lords, I am sorry, but I disagree with the way in which the noble Baroness represents what happened in October. This House withheld its approval from that statutory instrument and issued a set of demands: it overruled the House of Commons. It did not ask the House of Commons to think again; it overruled a decision that the other House had already considered and decided.

Lord Flight (Con): My Lords, I believe that in addition to the review of the noble Lord, Lord Strathclyde, there are one or two other bodies working on reform proposals for this House, including one in which the noble Baroness has some involvement. How are the other groups intended to liaise with the research of the noble Lord, Lord Strathclyde?

Baroness Stowell of Beeston: My noble friend Lord Strathclyde is focusing only on secondary legislation, as I have already described. The other groups to which my noble friend refers are looking at other, separate, matters.

Lord Richard (Lab): My Lords, following on from the question of the noble Lord, Lord Lisvane, does the Leader of the House recognise that it is all very well to say that there is a convention that we should let statutory instruments through without too much difficulty in this House, but that there is a quid pro quo for that—which is that matters which should be considered in primary legislation at the other end of this building should not be introduced by statutory instrument? If the result of the deliberations of the noble Lord, Lord Strathclyde, is, "All right, this House loses the right to throw out statutory instruments", the other side of that equation is that at the other end of the building the Government undertake that major financial issues should not be introduced by statutory instrument but by primary legislation.

Baroness Stowell of Beeston: In October the Government used the vehicle set out for them to use in the original Act. That is what the Government did and they were at liberty to do so.

Kurdistan Workers' Party *Question*

11.33 am

Asked by Lord Hylton

To ask Her Majesty's Government whether they will reclassify the Kurdistan Workers' Party as a national resistance movement.

The Minister of State, Home Office (Lord Bates) (Con): My Lords, the Kurdistan Workers' Party, the PKK, is a proscribed organisation. The Terrorism

[LORD BATES]

Act 2000 allows the Home Secretary to consider deproscription by written application. There are no provisions in legislation to classify a group as a resistance movement.

Lord Hylton (CB): My Lords, when I tabled this Question I did not expect the Answer to be, "Yes, of course". However, have the Government fully considered that the PKK long ago stopped killing civilians; that it has offered many ceasefires, particularly since 1999; that it is asking not for independence but for devolution; and that it has the support of non-violent civil society in the south-east and of many other minorities in Turkey? They all want a new constitution. Will the Government consider these points?

Lord Bates: Political aspirations are of course noble and those are the types of issues which should be addressed in the peace talks that we want the PKK to return to. But the fact is that the PKK has been responsible for 140 deaths of military police and civilians in Turkey just in recent months, and that is the reason it is proscribed as a terrorist organisation and why it will remain so.

Lord Wallace of Saltaire (LD): My Lords, we understand the urgency of the Kurdish issue in Turkish politics, and of course now in both Syrian and Iraqi politics, but can the Government at the very least be active in saying to the AKP Government in Turkey that we welcome the peace negotiations between the PKK and the Government, but we think that the provision of better civil rights for the substantial Kurdish minority in Turkey is an important issue for the future, and that the treatment of the HDP over the past few months within Turkish domestic politics has been deeply unfortunate?

Lord Bates: A number of those points were raised at the EU/Turkey summit on Sunday which the Prime Minister attended. Of course there is an absolute need for those discussions to continue, but they must go through a diplomatic and political process; this is not to be decided by military violence.

Lord Rosser (Lab): My Lords, first, given that the Kurdistan Workers' Party is also proscribed as a terrorist organisation by several states and organisations including, I believe, Germany, the EU and NATO, do the Government accept that any decision on this issue would have to be made in consultation with our closest allies, especially our European partners? Secondly, the Prime Minister referred yesterday to 70,000 Syrian opposition fighters on the ground who do not belong to extremist groups. Can the Minister say whether the claimed figure of 70,000 does or does not include the Kurdistan Workers' Party, which is engaged in the war on the ground against the so-called Islamic State and which appears to have gained support from the Mayor of London when he said in the media last week that his sympathies were with the PKK?

Lord Bates: I think the Prime Minister said that there are 20,000 Kurdish fighters, who of course are Peshmerga and from the PYD, which of course is not a proscribed organisation. The noble Lord's point

about EU co-operation in these matters is absolutely central, although of course we will retain the power to decide these things at the national level. We have the cross-government Proscription Review and Recommendation Group, and the Home Secretary acts not only on its advice, but also on advice from other external organisations which can make their representations to her.

Baroness Royall of Blaisdon (Lab): My Lords, the noble Lord has mentioned the peace process in Turkey, which is extremely important. I am sure that the Government, along with our European partners, are urging Turkey to carry on with that process. However, will they also urge Turkey to return to a ceasefire in order to create the conditions for a proper dialogue? Perhaps I may suggest that, because of our experience in Northern Ireland, we might have a lot to offer in terms of working with the Turks to find a resolution to this difficult question.

Lord Bates: Certainly our position is that we are very supportive of a resumption of the peace talks because that is the only way to reach a lasting solution. It is part of a wider package which we need to recognise in terms of Turkey's aspirations to join the European Union and how that is related to its progress on issues such as human rights and freedom of the press. All these are bundled together and linked also, of course, to the ongoing problems with migration and the situation in Syria.

Baroness Hussein-Ece (LD): My Lords, were the very important issues of human rights, press freedom and restarting the peace talks with the PKK on the table during the recent talks between the EU and Turkey on the package that has been announced on the refugee issue? Surely these issues must have been central to any discussions between the EU and Turkey.

Lord Bates: I do not have a specific answer, but I can write to the noble Baroness with details from the communiqué that was produced after the summit. At the summit the EU announced the prospect of a €3 billion package, while the Prime Minister has announced a payment of £275 million to help Turkey secure its southern border in order to reduce the flow of migrants into the European Union. However, I will certainly send a copy of the communiqué to the noble Baroness.

Lord Campbell-Savours (Lab): My Lords, is the Minister actually suggesting that the PKK is not part of the coalition attacking Daesh?

Lord Bates: What I am saying is that the PKK is a proscribed organisation in terms of the global coalition against Daesh. It is not part of that coalition. There are Kurdish groups in the coalition, and I have mentioned the PYD and the Peshmerga in the Kurdish autonomous region of northern Iraq. The reason is that our main ally in the fight against Daesh in the efforts to stem the flow of migration is Turkey, so we need to maintain strong links with our key NATO ally, and indeed EU aspirant.

Flood Defences

Question

11.39 am

Asked by **Baroness McIntosh of Pickering**

To ask Her Majesty's Government, in the light of recent flood warnings and alerts, what assessment they have made of the state of the United Kingdom's flood defences.

Baroness McIntosh of Pickering (Con): I beg leave to ask the Question standing in my name on the Order Paper and declare an interest as a vice-president of the Association of Drainage Authorities.

Lord Gardiner of Kimble (Con): My Lords, the Government are committed to long-term investment in new and existing flood defences. Some 96% of the UK's key flood defences are at or above target condition, with temporary measures in place for those undergoing repair. The department, the Environment Agency and key responders are in a state of heightened readiness to respond rapidly to deploy pumps and temporary barriers, having learnt the lessons from the winter of 2013-14.

Baroness McIntosh of Pickering: I thank my noble friend the Minister for that Answer, and the key responders and emergency services such as the Environment Agency, local councils, flood wardens and others for all that they do. Will he take this opportunity to confirm that maintenance spending will match capital spending on flood defences and that he will leverage in as much private sector funding to improve flood defences as is possible?

Lord Gardiner of Kimble: My Lords, my noble friend is absolutely right in acknowledging the work that the vital services, the department, the Environment Agency, the Army and all sorts of voluntary groups do to deal with a dreadful situation when we have flooding of property and land. What the Government are doing by way of maintenance is important. Indeed, it was confirmed in the spending review that the maintenance budget would be safeguarded. It is also very important that we are spending more money on capital projects—£2.3 billion on more than 1,500 schemes. I am pleased to say that in the recovery programme for the maintenance of flood defences, 99.8% of flood defences damaged in the winter of 2013-14 now have permanent repairs. The remaining 0.2% have temporary repairs. Permanent repairs will be in place by March next year.

Earl Cathcart (Con): My Lords, given the spate of floods in recent years, what measures have the Government put in place to ensure that we are properly prepared for the next one?

Lord Gardiner of Kimble: My Lords, the best example of what my noble friend asked about is what happened over the weekend of 14-15 November this year, when very heavy rainfall was projected in the north of

England. There was a considerable number of severe flood warnings and flood warnings. After the appropriate action was taken, 20,000 properties were protected by using permanent and temporary defences, such as pumps and barriers. I am sorry to say that 29 properties were flooded, but the work of people over that weekend prevented an enormous amount of damage.

Lord Foulkes of Cumnock (Lab): My Lords, both the Question and the Minister's Answer referred to the United Kingdom. What discussions have he and his colleagues in Defra had with their counterparts in the Scottish Government?

Lord Gardiner of Kimble: My Lords, clearly, because we are an extended family, we have continuing discussions, although Defra is responsible for England and the Scottish Government and the other Administrations are responsible for their areas. I have not personally had discussions, but discussions are taking place because, clearly, river courses cross boundaries. It is therefore important that we have a co-ordinated response because, for example, in the case of rain in the mountains of Wales, we need to work with the Welsh authorities to prevent the flow of water coming into the Severn.

Lord Crickhowell (Con): My noble friend concentrated almost entirely on the maintenance activities of the actual flood defences. Does he not understand that it is almost equally important for the Environment Agency to work with the agricultural industry to prevent unnecessary flow off the land of the mud and silt that causes much of the damage, and for the local authorities and planning authorities to try to ensure that there is not unnecessary run-off from the hardstanding, concreting and all the other things that are a fundamental reason for much of the flooding?

Lord Gardiner of Kimble: My Lords, my noble friend is absolutely right that we need not only to protect property but to ensure that agricultural land and production of our food are safeguarded. That is why more than 98% of arable land in England is protected by flood-risk management assets. There has been no risk of flooding in those areas from seas and rivers.

My noble friend is absolutely right: we need to get our planning guidance right. That is why there has recently been a revision of planning guidance so that we avoid flash flooding as best we can. We are working closely with the NFU and our joint action plan on that is vital. My noble friend said that we need to reflect on how we farm near watercourses. We need to improve. Indeed, in relation to my noble friend who asked the Question, we are working on slowing the flow in Pickering, for instance. We have done great work in preventing flooding in Pickering by working with local farmers.

Baroness Bakewell of Hardington Mandeville (LD): My Lords, as the Minister has already said, the memory of the last disastrous flooding of the winter of 2013-14

[BARONESS BAKEWELL OF HARDINGTON MANDEVILLE] is still with us. Is the Minister confident that, when Flood Re comes on board next April, it will both cope and be fit for purpose?

Lord Gardiner of Kimble: My Lords, it was my privilege to take the Flood Re regulations through this House. We had an interesting and useful debate on them. Flood Re is expected to cover the 1% to 2% of households at the highest risk of flooding. It will protect people in those properties to ensure that they can find affordable flood insurance. It will come in next spring and it will be a great advantage for people in those situations.

Lord De Mauley (Con): My Lords, can my noble friend update the House on the progress being made with partnership funding? This can allow schemes to proceed that would not otherwise be able to do so.

Lord Gardiner of Kimble: My noble friend is absolutely right. Partnership funding is in addition to the £2.3 billion of government spending on capital expenditure, which we wish to have in our six-year investment programme. We think there is about £600 million additional partnership funding from private sources, local enterprise partnerships, public bodies and local levies. This will be very important. It will have a degree of flexibility, ensuring that we can work in areas that will be of the greatest benefit to the most people to protect their properties. It is a very important initiative.

Baroness Symons of Vernham Dean (Lab): My Lords, I declare an interest as my own village of Vernham Dean was badly affected by flooding last year, although I personally was not affected. Can the Minister assure the House that the Government have had discussions with the insurance companies to ensure that payments are made promptly when people are badly affected and have to leave their homes?

Lord Gardiner of Kimble: The noble Baroness makes a good point. I have not personally had those discussions but I will ask colleagues about it and write to the noble Baroness. My house was flooded and my insurance company—I had better not say which one—was very co-operative and worked extremely fast, so I think it is very important. As the noble Baroness said, it is about payment of bills. When someone is in the dreadful position of having their property flooded, we all need to rally round and the insurance companies need to pay.

Business of the House

Timing of Debates

11.48 am

Moved by Baroness Stowell of Beeston

That the debate on the Motion in the name of Lord Carrington of Fulham set down for today shall be limited to 2 hours and that in the name of Earl Attlee to 3 hours.

Motion agreed.

National Security Strategy

Order of Consideration Motion

11.48 am

Moved by The Chairman of Committees

That the Commons message of 1 December be considered and that a Committee of 10 members be appointed to join with the Committee appointed by the Commons as the Joint Committee on the National Security Strategy, to consider the National Security Strategy;

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:

L Boateng, B Buscombe, L Clark of Windermere, B Falkner of Margravine, L Hamilton of Epsom, L Levene of Portsoken, L Mitchell, L Ramsbotham, L Trimble, L West of Spithead;

That the Committee have power to agree with the Committee appointed by the Commons in the appointment of a Chairman;

That the Committee have power to send for persons, papers and records;

That the Committee have power to adjourn from place to place in the United Kingdom;

That the Committee have leave to report from time to time;

That the reports of the Committee be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee in the last session of Parliament be referred to the Committee;

That the Committee have power to appoint specialist advisers;

That the evidence taken by the Committee be published, if the Committee so wishes.

Motion agreed.

Autumn Statement

Motion to Take Note

11.49 am

Moved by Lord Carrington of Fulham

That this House takes note of the economy in the light of the Autumn Statement.

Lord Carrington of Fulham (Con): My Lords, I am delighted to have the opportunity to introduce this debate on the economy, because there is now every sign that we are coming out of the economic black hole after the events of 2007 and 2008. As we know—and to paraphrase Napoleon Bonaparte—it is not enough to be a good Chancellor of the Exchequer, it is important to be a lucky one—although Chancellors on the whole create their own luck. I think it was a golfer who once said, “It is funny how the harder I work, the luckier I get”.

The economy is doing well, especially when compared with the other economies of the European Union. This is not to downplay the problems we face and will continue to face in the future. Now, our GDP growth rate is at 2.4% and coming back to the long-term trend growth rate. Unemployment is at 5.3%. The figure is possibly still too high, but very encouraging—particularly when coupled with the number of people in employment being at the highest-ever level of 31 million. We can at last say that we are now well on the way out of the economic mess caused by the last Labour Government's belief that the good times would roll for ever.

It has been a long struggle and we are not out of the woods yet. We will not be until our main trading partners follow us on the road to recovery and—in deference to my noble friend the Minister—until the BRIC countries sort out their very real problems. But growth in the economy goes a long way towards solving our economic problems. It is from that growth that everything else flows.

However, our debt levels are still too high at 84% of GDP, after adjusting for housing association debt, and need to be urgently brought down. My right honourable friend the Chancellor of the Exchequer's commitment to get the Government's budget into surplus by the end of this Parliament is a noble one that looks like being achieved—just about. This is important because when the next recession comes, as surely it will, we will have to have the room to borrow to see us through the bad times. Fantasy claims to end boom and bust and the economic cycle always were a mirage.

The turnaround in our economy has come about not just by luck but by hard work and very tough decisions. Everyone likes spending money, especially other people's money, and cutting government expenditure is a ghastly business. Everyone who has experienced poverty, or, indeed, seen poverty at close hand—possibly in their constituency advice surgery if they have spent time in the other place—will know that cutting the welfare budget is harrowing. So I was pleased that the tax credits have not been reduced. But there is a reason why the Government's spending has to be reduced. As my right honourable friend John Redwood never ceases to point out, it has not been reduced in either money or real terms; it has just gone up by less than it might otherwise have done.

The reason it needs to be reduced is straightforward: real growth in our economy does not come from government expenditure but from businesses being able to thrive, earn profits, employ people and then pay taxes. Incidentally, the crackdown on large multinational corporations not paying tax is something we can all applaud, although making them pay their proper share will be more difficult than perhaps it is sometimes suggested.

In creating our luck with the economy, my right honourable friend the Chancellor of the Exchequer worked hard to create a business-friendly environment. Our corporation tax rate is one of the most attractive in the major economies and our incentives to entrepreneurs to invest and take risks are as good as or better than those of our competitors. It is for this reason, if no other, that I applaud the determination of the Government to reduce the proportion of GDP taken up by the state

to about 35%—I think that 36.5% is the figure in the Blue Book—a level which a Labour Government under Clement Attlee also achieved. While 35% is better than 40% or 45%, in my view it is still too high. We should be aiming for 30%—a level where government expenditure will not crowd out private investment and initiative and will enable more of those seeking work to find it. We must never forget that we can help those in need only if our manufacturing and service industries are making profits and paying taxes.

However, the fact remains that the UK is, and will remain, a high-cost economy. Our wage rates will always be higher—and quite rightly so—than those of the latest emerging economies. Our costs of production will always be higher than those of countries with lower health and safety standards. Our energy costs will always be higher than those of countries that do not seem to care about either pollution or greenhouse gases. The problems of our steel industry are just the latest example of this fundamental reality.

However, what we do have in our workforce are some of the best, cleverest and hardest-working people. All they need is an excellent education, superb skills training and a society which looks after them and theirs when in need, with healthcare and care for the elderly being top priorities, to enable them to work and give of their best. That is why, even though I think increasing taxes on business is regrettable, I support the apprentice training levy on large companies.

Some 10 years ago I ran a company with the second-largest apprentice training scheme in the UK. The scheme took on young people from all backgrounds. Even those whom the education system had let down during their 11 or 12 years in school could be taught to read, write and do basic arithmetic, and then to read technical manuals, after some three months of remedial work. Why this should be so is an interesting question. Perhaps it was because we were better at teaching them than the schools; more likely, it was because there was a purpose to their learning and they were more eager to learn in a work environment with a defined goal.

Apprenticeships do work, and it was a tragedy that we lost them in the 1970s. I am old enough to remember that, when I first joined an engineering firm, large companies had extensive apprenticeship programmes of very high quality. It was the only way for those companies to bring forward the skilled technicians they desperately needed even then. One major reason that companies abandoned their apprentice training was that they found that their competitor companies, instead of training their own apprentices, poached the newly qualified technicians finishing their training. So for the levy to work we will need to set up the scheme so that the large firms paying for apprenticeships get a lot of the benefit from the trained young people, and ensure that the scheme is not seen as a way for large firms to pay so that smaller companies can get a highly trained workforce on the cheap.

So much of what we do on the economy is futurology. Many highly rated economists make a very good living by predicting the future and getting it wrong. Some of them are advising the Labour shadow Chancellor of the Exchequer as we speak. There is always uncertainty

[LORD CARRINGTON OF FULHAM]
 about how the economy will perform in the future. Of course, all predictions are statistically based. We are dealing with probabilities. So when the Office for Budget Responsibility finds £27 billion for Her Majesty's Government to spend—or, indeed, to save—it is obviously a median of a statistical spread. It could be half as much or it could be one and a half times as much. However, as nice as an upward revision of the tax receipts is, it is not as important as the growth rate in the economy. I am glad, therefore, that my right honourable friend the Chancellor of the Exchequer has decided to spend this lucky windfall amount. Using it to make the pain of transforming our country into a high-wage, low-welfare economy less severe is the moral as well as the right choice.

There is one area where I was disappointed not to see progress in the Autumn Statement. We have a very complex tax system, both personal and corporate. The tax statutes expand and expand as Chancellor after Chancellor adds more complexity to encourage this and to stop that. I suggest that it is time for my right honourable friend the Chancellor to become the tax lawyers' worst nightmare and, following in the footsteps of my noble friend Lord Lawson all those years ago, to make a concerted effort on simplifying the tax system. I realise that that would mean taking on the legal profession, the accountants and possibly the Treasury, not to mention HMRC, and so may not be possible. But he would make even more friends among small business people and the poor benighted personal taxpayer struggling with a complex and often incomprehensible series of forms.

So while we are not yet out of the economic hole dug by the last Labour Government, we are at last within striking distance of getting back into the sunshine. We must be careful not to say, "Job done" and relax our determination to create a high-skill, high-wage, very competitive international economy. This task will continue to present many challenges, regardless of whether or not we stay in the EU. I beg to move.

Noon

Lord McFall of Alcluith (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Carrington, on the Autumn Statement. In the past year, we have had four Budgets and Autumn Statements but all they have done is to serve to confuse, not clarify. My first plea is: let us stop the nonsense of this plethora of set pieces for the Chancellor and go back to the time when there was one Budget per annum. Then we might have some sense in our debate.

On 27 November, the Autumn Statement gave the Chancellor an early Christmas present from Santa in the guise of the Office for Budget Responsibility. The figures from the last three months alone improved by £27 billion and, like a nervous gambler, the Chancellor has cashed in all his chips on this issue, despite the OBR saying that there is just over a 50% chance of the Government achieving their fiscal mandate. This was from a Chancellor who has consistently failed to achieve his borrowing targets. Seven months into this financial year he has already borrowed £54 billion, adding to the £1.5 trillion of national debt. He has failed not only his own targets but those of Alistair Darling, now

my noble friend Lord Darling, who would have had £74 billion in his Budget this year—a target the Chancellor proclaimed at that time risked economic catastrophe. Yet we are in a much more difficult situation today.

At a Thursday breakfast at the Institute of Economic Affairs, I was on the panel along with quite a number of distinguished Conservatives, former Cabinet Ministers, Select Committee chairs and others. At the beginning of my speech, I asked, "Did anyone here understand the figures produced by the Chancellor yesterday in the Autumn Statement?". Everyone said no, so I have a message for the OBR. I am aware that on 15 September, the Treasury Select Committee endorsed Robert Chote for a second term on the basis of his professional competence and personal independence. That is a judgment with which I fully concur, having known Robert for many years in that position and elsewhere, but I have a warning for him. The OBR's integrity will be questioned if he allows the Chancellor to play his Budget games.

What is the solution to that? It is for the OBR to have a bit of courage and make the reports publicly available a decent time before the Autumn Statement. Then the whole of Parliament can have that opportunity to analyse them and there can be meaningful engagement and a sensible debate between Parliament and the Executive. The Office for Budget Responsibility has to show its teeth here. There is also the issue of data across departments. Those were the bane of my life when I was chairman of the Treasury Committee; I note that Paul Johnson has asked for that very point to be addressed. The OBR could do that and help to demystify the figures.

The Autumn Statement has been defined by asset sales, the taxation of banks and pensions—asset sales which are, by the way, larger than we had in the 1980s under Mrs Thatcher. The taxation of banks will penalise the challenger banks at the expense of the too-big-to-fail banks and, on pensions, the Treasury coffers have been increased but the long-term costs and the risks to individuals are being loaded. So the Chancellor has put short-term reform above long-term reform, as we can see in terms of intergenerational fairness. People aged 40 now earn significantly less than people who were aged 40 earned 10 years ago.

On housing, the Chancellor made the proclamation, "We are the builders". If so, we are not very good at it because, today, the construction survey showed that housebuilding is at its weakest pace since June 2013 and that the rise in construction jobs is the worst since that date. It said that there were shortages in key materials, supply chain capacity and skill capability. These are the core issues a Chancellor should be focusing on. Instead, we have vanity statements and projects that hope to ease his path into No. 10. When I came in here, I was thinking, "What is the Autumn Statement?". It is a bit like a satnav and, given that, we should hear an instruction: "Make a U-turn at the next exit and make it quickly". I think we wait in hope, rather than expectation, for that.

12.05 pm

Lord Shipley (LD): My Lords, I thank the noble Lord, Lord Carrington of Fulham, for enabling us to discuss the economy in the light of the Autumn Statement.

I am grateful, too, to the Local Government Association, of which I am a vice-president, for its briefing earlier this week on the impact of the spending review on local government, not least its ability to expand its work in promoting growth. I hope there will be further opportunities to debate those cuts when we receive details of the local government settlement, but there is one overriding principle that I want to emphasise at the outset.

No Government should attempt to balance the books on the backs of the poor. I am glad the Government now recognise that their approach has been out of balance, through trying to get too much from cuts and too little from tax, and with growth too restricted by fiscal tightening, as the OBR itself has indicated.

In the March Budget, there were to be real spending cuts of 14.8% in departmental budgets over the three years from 2016 to 2018. Those spending cuts are now 2.3%, which is welcome. But have the Government got a long-term economic plan? I understand they have a long-term economic ambition, but I am not convinced it is a plan; nor is it adequately explained why the state has to be reduced in size by quite so much, particularly when infrastructure spending remains low. Taking the northern powerhouse as an example, I see that £400 million has gone into a northern powerhouse investment fund, but why that sum of money as opposed to another sum? Is there a plan for what investment will take place and where? For example, how much will go to support Teesside?

As the noble Lord, Lord Carrington, said, we have growth, but we have unbalanced growth. Most of it is in services, not in manufacturing, which is slowly declining due to lowering demand from the rest of the world as well as the strong pound. Last year, we had a trade deficit of £35 billion—we have to export more. A few days ago, I read a ResPublica report which says that the Government must distinguish between productive investment which generates jobs across the country and unproductive investment such as foreign investment in the London property market. Manufacturing provides 30% of the jobs in sectors producing goods for export, and the ResPublica proposal on export hubs seems a good one.

Growth is partly derived from greater productivity and investment in areas such as training, research and development, and infrastructure. The apprenticeship levy is welcome, but further education is suffering a real-terms cut over the next four years. The chief executive of the Association of Colleges has stated:

“If post-19 education starts to vanish so do the future prospects of the millions of people who may need to retrain as they continue to work beyond retirement age, as well as unemployed people who need support to train for a new role”.

As for energy, decarbonisation is going to be a big market worldwide, and we need to be able to compete in it. It is a mistake to axe the £1 billion support for carbon capture and storage and it is a mistake to cut so much from renewable energy projects. I wonder what the Government’s reaction has been to the attack on their policies by so many of our blue chip companies, which say the scale of the budget-support cuts for renewable energy is risking UK businesses.

Having announced plans for 400,000 affordable homes from 2018-19, could the Government explain how those figures will be achieved given the lack of construction industry workers and skills? In addition, there is the 1% rent reduction for social housing each year for four years, which will restrict housing association borrowing. Would it not be a good idea to look again at a housing investment bank to get further growth in housebuilding?

Finally, why is it that we cannot build our own nuclear power stations and our own high-speed rail infrastructure rather than relying on the nationalised industries of China and France to help us? That seems to me to say a lot about our failures to invest adequately in infrastructure.

12.09 pm

The Lord Bishop of Portsmouth: My Lords, the Chancellor in his Statement in the other place described this as a Government who do big things. I begin by acknowledging with gratitude the big decision to retract the proposals to alter the tax credit thresholds and taper rate. I spoke from these Benches not many weeks ago when we were assured that the Chancellor was listening. It would be possible to say more about that journey of listening leading to this big decision, but that might be churlish. I simply welcome the announcement.

As decisions are taken to move the economy towards higher wages, lower benefits and lower taxes, we shall though continue to ask where the burdens and costs of transition—and there always costs of transition—are being borne. The Government’s aspirations are good ones; as people are helped and supported into good jobs at higher wage levels, it is crucial that work should be encouraged, when possible, alongside commitments to the young, the elderly, the vulnerable and disabled people. I remain surprised—that is a restrained word—when marginal taper and withdrawal rates are considered an encouragement for benefit recipients, when they would be considered discouraging as marginal income tax rates.

There is much to welcome in the Autumn Statement. I welcome the rise in the state pension, as well as commitments to rail infrastructure improvements, particularly beyond the south-east, the retention of free entry to museums and galleries, and support for renovation of military museums, including the D-Day and Royal Marines museums in my own diocese of Portsmouth. However, time is short and I turn to some reservations.

In the pursuit of efficiency and cost-effectiveness, I appreciate that local services and provision are often easy targets. For instance, many of us committed to local communities are disappointed that the delivery of justice through our Crown, county and magistrates’ courts will be further removed and distanced from people. There are issues here of the visibility of justice as well as the costs involved in travelling to a smaller number of bigger, more distant courts. On a similar theme, few of us would criticise the increased spending on elite sport but, of course, provision for sport locally, particularly in schools, has taken a battering over some years in local communities.

I conclude with some comments about the proposals outlined by the Chancellor for increased stamp duty on additional properties. This is a matter which demands

[THE LORD BISHOP OF PORTSMOUTH]
 attention. Empty properties when people are inadequately housed or without housing are clearly wrong. However, these proposals are not without complexity. I apologise if I have missed further detail, but I ask the Government in the promised consultation on policy detail to bear two groups in mind. First, we need to encourage older people to move at the right time from a family home to something smaller, but that transition can be difficult enough for people who are ill, vulnerable or recently widowed, for instance, without the threat of a stamp duty penalty, if their sale and purchase do not precisely coincide. Secondly, and not without interest for the clergy of my diocese, I refer to those who occupy tied accommodation during employment or service as a condition of employment. Often on low or modest incomes, they seek what may technically be a second home to provide for their housing needs in retirement. There are complexities here.

12.14 pm

Lord Wakeham (Con): My Lords, it is a pleasure to follow the right reverend Prelate as I have just retired after 18 years as a trustee of HMS “Warrior”, right in the middle of his diocese, and I have had a very happy time doing that job.

I would like to say a word or two about the role of the House of Lords in the recent Autumn Statement. I listened at Question Time, although I am not too sure that Question Time is the best way of solving these problems when the proposals that we hope are going to come forth have not even been delivered. Nevertheless it is clear that recent events did not satisfy the Government, but nor did they give those opposed to the Government a very satisfactory way of expressing that opposition. As we all know, conventions are a big part of the House of Lords, but circumstances change and, necessarily, conventions need to change as well.

A myth seems to have emerged this year that the Chancellor was lucky and was able to adjust some of his earlier thinking on tax credits. In my view, it was not the Chancellor who was lucky but the House of Lords. If the Chancellor had not had revised estimates that enabled him to change his thinking, we would be faced with a serious difficulty as to what was the proper role for an unelected House of Lords. I fully recognise that many Peers felt strongly about what the House of Commons had passed but, if I may leave aside entirely for one minute the merits of the issue, it is simply not acceptable for the unelected House of Lords to seek to overrule a decision of the democratically elected House of Commons on a financial matter of that magnitude.

I also fully accept that our procedures are inadequate in dealing with secondary legislation. Indeed, 15 years ago my royal commission report proposed another way of dealing with these issues that gave the House of Lords a say but left the final decision to the democratically elected House of Commons. I ought to add that there are also a fair number of other proper procedural ways that could be thought of in which these matters could be dealt with more satisfactorily.

The House of Lords should have its say, but in the end financial matters are for the House of Commons. For the House of Lords to seek to overrule the House

of Commons is a recipe for disaster. No democratically elected Government, whether Labour, Conservative, or Liberal, would stand for it. Indeed, this issue arose in a major way in 1909 when Mr Asquith’s Liberal Government took on the House of Lords. He won because the diehards backed off; they simply did not want an influx of 250 more Liberal Peers in the House. It was rumoured that the reason they did so was that many of them, Curzon included, had married rich American wives who were not prepared to see the peerage devalued in this way.

So what is the lesson from recent events for the House of Lords? To me, the way forward is clear. The Prime Minister has asked my noble friend Lord Strathclyde to look at these matters and suggest what we should do. That is a very constructive suggestion and I hope that all those Peers who have a view will engage with my noble friend to see if we can find a way forward that is acceptable for everyone.

We in this House should remember that we are a revising Chamber, and in my view that means we should seek to help the Government and the House of Commons to implement their policies in a better way, not to try to inflict our views on them. If the House of Commons is sure of itself, our role is necessarily limited. If they are singing on an unclear note, however, that is the time when the House of Lords plays a very important part. I suggest that we engage very constructively with my noble friend and see if we can find sensible and agreed ways forward. I very much fear for the future if we do not address these and other issues constructively.

12.20 pm

Lord Haskel (Lab): My Lords, I say to the noble Lord, Lord Wakeham, that I have an American wife.

My noble friend Lord McFall spoke of a plethora of Chancellor’s Statements. He is absolutely right. In July, we were told to expect severe cuts in public spending; three months later, a small improvement in tax income is forecast, and this during an October which official figures show to be the worst for public finances in six years. The improvement is based not on healthy growth, as the noble Lord, Lord Shipley, pointed out, but, according to the OBR, on rising consumer credit—but never mind. Multiply this small expected rise over five years, and we are £27 billion better off. Wonderful.

The noble Lord, Lord Carrington, calls this luck. I call it creative accounting. It is the kind of accounting that I remember contributing to the collapse of industrial giants such as ICI and GEC. It is the kind of accounting which eventually led to the creation of the Investor Forum and the Financial Reporting Council to watch over it. It is wrong, it is dangerous and it is short termist. I suspect that the Chancellor and the Minister know this and have used it as an excuse to slow down austerity; to slow it down to Labour’s speed, if you like. However, universal credit will eventually do what the intended cuts in tax credits tried to do, but later. Even so, some low-income couples with three children will lose out now, so will single parents with one child working part time on the national minimum living wage, and women are again disproportionately adversely affected by the cuts.

Is this balancing the books on the backs of the poor, as the noble Lord, Lord Shipley, suggested?

However, the noble Lord, Lord Carrington, and the right reverend Prelate told us to aim for a high skill, high pay, high tech, low welfare economy. How are we going to get there? In July, this journey was outlined by the Minister in the Government's paper *Fixing the Foundations: Creating a More Prosperous Nation*. Well, I failed to find any mention of that in this Statement four months later. There is a passing mention of productivity on page 6 saying that it is growing, but we still lag behind most of our competitors. What the Chancellor did not say is that the OBR has revised down the growth in productivity next year and the year after that. So is that productivity paper history? Is it another victim of short termism? We must not let that happen. The Minister laughs. I think it is a serious matter because otherwise the rising national minimum wage will lead to serious job losses if it is not matched by rising productivity. If the route to increasing prosperity is productivity, surely the Statement should have said so.

The various changes should be put in the context of raising the nation's productivity over the long term in the sense of the modern tangible and intangible world of work instead of in the context of short-term politics. For instance, the Autumn Statement commits to protecting the £4.7 billion science budget in real terms up to the end of the Parliament, but this needs to be within the culture of productivity to show that the culture is alive and well and that the state is engaging with industry in a positive way to rebalance the economy. This kind of government expenditure crowds in private investment; it does not crowd it out, as the noble Lord, Lord Carrington, suggested.

At the beginning of a five-year term, this Statement should have been forward looking. It should have been creative and pointed the way to a high wage, high skill, low welfare economy which unites us; it should have promoted productivity that in the long term is creative. Instead, the Government's brand of austerity is short-term, divisive and destructive. What a lost opportunity.

Lord Ashton of Hyde (Con): My Lords, I gently remind the House that this is a time-limited debate. Every speaker so far has gone over time, so we will cut into the Minister's reply.

12.24 pm

Baroness Burt of Solihull (LD): My Lords, I will do my best; so much to say, so little time to say it. I will confine my remarks this morning to just two issues: the green industry and further education, which, not surprisingly, were also chosen by my noble friend Lord Shipley.

On green industry, Liberal Democrats are seriously concerned about the cuts to DECC and the renewable energy sector, which compromise our progress towards decarbonisation and our ability to tackle climate change. I will give just three examples for brevity: the £700 million cut to the renewable heat incentive; the cuts to renewables, including solar and wind, have been reinforced; and the £1 billion from carbon capture, which will kill the industry. The Government are going backwards on progress made during the coalition, which saw a tripling

of renewable electricity, the zero-carbon homes initiative, and of course the development of the Green Investment Bank, the principles of which were enshrined in our successful amendment earlier this week.

On FE, we are seeing a freeze in real terms, which equates to a £402 million reduction over the next four years. This is short-sighted. We already have huge skills shortages in this country and we need to be competitive in the world. This is yet another decision that will reduce the life chances of the young and which sits alongside the cuts in maintenance grants for the poorest students, who are being made to take out loans instead. We have yet to see what effect that will have on take-up. The reductions also mean that the number of colleges may reduce. In my own area, Birmingham, there are rumours that seven colleges are likely to be reduced to only two. This will mean longer travel times for most students but will also hurt the poorest most. It will certainly not mean better teaching—you would need investment for that.

What are we spending the FE funding on? The Government seem to have a mantra of 3 million apprenticeships, but what kind of apprenticeships will they be? Will they be higher apprenticeships or, in order to get the figures in, more along the mantra of, "Never mind the quality, feel the width"? HE funds are not just about apprenticeships. People who need English as a second language are desperate for training so that they can join the workforce. People need retraining throughout their lifetime, either because they have to change their jobs or because of the need for continuous professional development. Finally, we need lifelong learning in this country as much as anywhere else in the world to make a skilled, educated and civilised society—and I have done it in three minutes.

12.28 pm

Lord Skidelsky (CB): My Lords, four minutes is hardly long enough to have a properly developed argument or debate, so I will confine myself to a number of propositions that I hope might at least excite the interest of the noble Lord, Lord O'Neill.

The first proposition is that the Chancellor has failed to meet his deficit reduction targets. In 2010, he said that the deficit would be down to zero by now; this year he is set to borrow £70 billion, and the balancing is postponed for five years. To me the explanation is clear enough: the Chancellor's policies depressed the growth of the economy, especially between 2010 and 2012, and therefore postponed the closing of the gap between spending and revenue. Perhaps the noble Lord, Lord O'Neill, will tell me why I am wrong.

Secondly, productivity, which was already low before the crash, has collapsed, as the noble Lord, Lord Shipley, pointed out. Between 1971 and 2007 productivity growth was fairly constant at between 2% and 3%. Since the crisis it has been closer to zero. Productivity growth did not collapse like this in previous cycles. The gap between our productivity and that of the rest of the G7 is now at the highest since records started in 1991. I have an explanation for this collapse, which is that recovery has produced a huge expansion of low-productivity jobs in retail, hospitality and suchlike,

[LORD SKIDELSKY]

and that is the truth behind the much-vaunted recovery of employment. Does the noble Lord, Lord O'Neill, agree, and, if so, what do the Government propose to do to create that high-wage economy that Ministers constantly proclaim as their goal?

Thirdly, investment, already inadequate, fell from 19% of GDP pre-crash to 15%, and it is still at the pre-crash level. A robust recovery would expect to see investment for a time exceed its pre-crash level. This has not happened. Why? I have an explanation. Money which would have gone into investment in a healthy recovery has gone into speculation. Investment is down, but we have had a wonderful boom in asset prices, including house prices, which has mightily benefited the rich. Does the noble Lord, Lord O'Neill, think that this is healthy?

Fourthly, instead of borrowing to modernise our infrastructure, the Chancellor has encouraged foreign money to do it, even if the foreign companies, such as Deutsche Bahn, are state-owned. Now, he and the Prime Minister have gone bananas over China. What effect is that going to have on our balance of payments and therefore on our ability to increase exports? We privatised lots of our own public utilities because we thought they wasted money; now, we sell them to foreign state-owned enterprises because we want to save money. Public enterprise is apparently good if it is not British.

Fifthly, the Chancellor plans to privatise the Green Investment Bank—one of Vince Cable's achievements in the coalition—because,

“it is necessary to move the bank off the public balance sheet if it is to raise additional funding through borrowing”.

This is an absurd reason. If it makes economic sense for a privatised GIB to borrow, why not for the Government?

I feel sympathy for the Chancellor trying to balance his budget on the back of bogus Treasury accounts but, instead of challenging the Treasury's accounting rules, the Chancellor has committed himself to running an overall surplus in normal times, just like Victorian Chancellors, who never borrowed for anything except defence.

Failure to meet his budget targets, low productivity, low wages, low investment, a bonanza for speculators, rising inequality and still more austerity to come: these are the Chancellor's bequests to the British economy. They have brought enormous harm to the country and will continue to do so unless he finds the confidence to challenge the Treasury's view. But there is not much time.

12.32 pm

Baroness Noakes (Con): My Lords, I congratulate my noble friend Lord Carrington on leading today's debate on the Autumn Statement. It is a pleasure to follow the noble Lord, Lord Skidelsky. I always enjoy his glass-half-empty analyses of the Chancellor's policies but I hope one day to hear a cheerful critique of them.

In one of George W Bush's characteristic statements, he said of a budget:

“It's clearly a budget. It's got a lot of numbers in it”.

This is clearly an Autumn Statement—it has a lot of numbers in it—and indeed the accompanying report from the Office for Budgetary Responsibility has even more numbers. As we have already heard, the OBR's numbers are particularly important because its forecast of higher tax revenues, in particular, has in effect allowed the Chancellor to increase government spending. However, the fact remains that in this Autumn Statement the Government continue to plan for annual deficits—albeit on a declining scale—until the last year of this Parliament.

One benefit of the steady growth which has been referred to is that public sector debt will fall as a percentage of GDP every year, but the end point will still have GDP at over 70%, which is an uncomfortable level. This is no austerity Autumn Statement. Expenditure will continue to go up every year. Lots of budgets continue to be protected. Of course, some departments will have to make tough choices but I have every expectation that efficiencies will be found. That is what the history of public sector management tells us.

I am sorry that the Government have again ignored one of the easiest ways to cut public sector costs: reshaping the bloated departmental structure of Whitehall. But I live in hope that one day they will see the light on this. The Government are on stronger ground on not hoarding assets. I particularly welcome the £4.5 billion-worth of land that has been identified for release and sale.

All this is sensible but not radical financial planning. The good news is that, if the forecasts are met, public expenditure will be comfortably below 40% of GDP at the end of the Parliament. Within that, importantly, welfare expenditure will fall to its lowest percentage for 30 years. I entirely agree with my noble friend Lord Carrington that we can certainly go a lot lower than 40% on public expenditure.

The Autumn Statement is not a place for major tax changes, although there are some in it, but importantly it is the back-drop to next year's Budget. The Government have already announced their path to a low rate of corporation tax, at 18%. That is excellent, and one of the factors contributing to Britain rising up the international competitive league tables again—we are now sixth for ease of doing business. But there is a lot of work still to do on taxation. In particular, the top rate of tax at 45% is still too high. It is above the top rates in the US, the global average and the EU average—and it is no comfort that it is below Zimbabwe's top rate.

We also have one of the highest rates of inheritance tax and the yield from other capital taxes is forecast to rise significantly in the coming years. I understand completely that the Government need to raise taxes to balance the books. But they also need to be careful that the cumulative impact does not drive out incentives for wealth creation. The Government are aiming, rightly, for a lower tax and higher growth economy, but there is a lurking danger of achieving the reverse.

I completely agree with my noble friend Lord Carrington that complexity in the tax system is a major problem. The Chancellor has not helped in this regard, having increased the length and complexity of the tax code. It is time that the Government devoted more attention to streamlining the tax system.

This was a welcome Autumn Statement, but, as ever, there is much still to do to.

12.38 pm

Lord Judd (Lab): My Lords, I thank the noble Lord, Lord Carrington, for having introduced this debate with what was, I thought, a very interesting speech. I would like to quote another important member of the Conservative Party, if indeed he has been reported accurately:

“Even if councils stopped filling in potholes, maintaining parks, closed all children’s centres, libraries, museums, leisure centres and turned off every street light they will not have saved enough money to plug the financial black hole they face by 2020. These local services which people cherish will have to be drastically scaled back or lost altogether as councils are increasingly forced to do more with less and protect life and death services, such as caring for the elderly and protecting children, already buckling under growing demand”.

Those are cautionary words indeed. We must note that he refers to the need to “protect” life and death services. Any age in which thoughts of wanting to enhance the services that are available to the elderly in their declining years seems to have been forgotten altogether.

I have said this before in debate and feel it very strongly: what has gone fundamentally wrong in our society—this is not a party-political point; it goes right across the parties—is that we have moved into an age in which the economy and society have become separated. I am convinced that if we are to have a strong, healthy Britain for the future, we have to get back to the concept that we are not just producing statistics on the economy but have to produce evidence of what is really happening in society in terms of its improvement and progress.

I had nine years as president of YMCA England. I was immensely interested by the housing programme for the young and vulnerable. Tremendous work was done. It was not just managing houses; everybody involved in that programme knew that they were dealing with people. And the people whom they were dealing with, by definition almost, needed care, attention, love and appropriate support and services. What is happening to all that under this fascination with the economy alone?

We see every day on our television the evidence of the anxiety and distress among our elderly friends, who find themselves uncertain as to where they are really going to finish their lives in old age. Is that really what we have achieved in 2015? Where is this social progress? I am not ashamed to say that I think that we should sometimes learn from our past. Although it may have had faults, we should revisit the concept of the department of economic affairs. The Treasury in that model has the discipline, but there would be another department which brought together all elements of society in trying to work to an agreed strategy, and to have a common aim and common objective towards which they were all contributing—trade unions, too. I commend to all parties a re-look at a department of economic affairs.

12.41 pm

Lord Palumbo of Southwark (LD): Once again, my Lords, we meet to debate a Statement which consists of fractional tinkering, where a billion here and a billion there are magicked from thin air, where we know that none of it really adds up, makes sense or will come to pass, but there is no other way in western

democratic politics. So I suggest an idea to the Minister for our next debate: no numbers. Instead, it should be a debate about what principles should guide our thinking. For example, do we believe that behaviour and consequences of behaviour should be connected? Fifty-nine thousand health appointments are missed daily in the UK and £16 billion is spent annually on conditions related to obesity. Should there be a financial sanction?

There are 11.2 million pensioners in the UK, including my esteemed uncle, who is sitting here today. Of these, 13% live in relative poverty, but millions are either comfortable or affluent. Yet all are entitled to the same benefits. Does means testing make sense? By 2020, health and welfare will account for 70% of total spending, including debt interest, and the country will have been in deficit for 19 years. Yet debate focuses on tax credits, a mere blink of a numerate eye in the overall budgetary quagmire. But it is good political sport and a distraction from unpleasant reality.

Last week, the Chancellor made great play of his housebuilding plans, echoing his rousing conference peroration: “We are the builders”. Since 2010, around 600,000 houses have been built, half the number needed. I shall not mention Heathrow or HS2. On any objective basis, the Conservatives are most emphatically not the builders. Yet in modern democratic politics, it is possible to say whatever you like. Throw in a few pictures of the Chancellor posing trimly in a hard hat and it is so.

This is the backdrop to our deliberations: another Statement, another wave of the magic wand, another declaration of triumphant success. It is a system where it is impossible to link behaviour with consequences of behaviour, where soundbites triumph over truth, where instead of saving the OBR windfall against a certain future recession it is used desperately to plug financial holes—like wattle on a monsooned mud hut—and where the Chancellor can stand on the steps of his metaphysical counting house and declare if he so chooses that the moon is made of cheese. Maybe the OBR would support even this contention.

This noble House is sometimes criticised for the fact that we are unelected, but perhaps this gives us the ability to debate the real issues. May the Minister summon the powers of his northern independent spirit to consider this idea.

12.45 pm

Lord Horam (Con): My Lords, I congratulate my noble friend Lord Carrington of Fulham on his excellent introduction to this short debate. If I can supply one small omission, it was Gary Player, the golfer, who said, “It’s funny, the more I practise the luckier I get”. My noble friend was commenting, of course, on the supposed luck of the £27 billion extra which the Office for Budget Responsibility discovered in the past few months. However, it was not luck. First, the Chancellor created the Office for Budget Responsibility—so it was an independent body which came up with this new figure—and, secondly, he has created the conditions in which the Office for Budget Responsibility could come up with such a figure. So, as my noble friend rightly pointed out, he deserved his luck.

As a consequence of that, we are exactly where a good, sensible Government should be. We have steady growth of roughly 2.5% per year and we are reducing

[LORD HORAM]

the deficit in a steady, gradual way over the period of a Parliament. Whether we will achieve a small surplus at the end of this Parliament I rather doubt—the pressures on public spending are so great that, if we do not achieve that, I will not be bothered—but, none the less, we are heading in the right direction.

As someone who learnt his economics in Cambridge at the high point of Keynesian economic study, I am comfortable with a Chancellor who puts at the heart of the economy the need to keep economic growth going. That is the fundamental point of economic policy. If you get that right, most other things fall into place. I am not sure whether the noble Lord, Lord Skidelsky, who is a distinguished biographer of Keynes, will wholly agree with that because, as we know, no one economist ever agrees with another. None the less, I think that is the heart of the matter.

Let me put the central point of my short remarks to my noble friend Lord O'Neill of Gatley, who will be winding up shortly. This is a wonderful opportunity to invest in infrastructure and housing. Andrew Haldane, the chief economist at the Bank of England, pointed out that the Bank of England has worked out that interest rates are at their lowest since Babylonian times, 4,000 years ago. I hope the Bank of England's historical research is rather better than its forecasting of interest rates but, if it is right, this is a unique opportunity for us to invest in the infrastructure and housing we so badly need.

On infrastructure, I am thinking of: obviously, HS2; more important in my view, as a northerner, HS3; more roads; as a former London MP, a third runway at Heathrow, please, for the sake of the London economy and others; power stations; and fracking. I was pleased to see in the review £1 billion extra for a shale gas sovereign wealth fund to help benefit local communities with the achievement of further fracking. That is good news. On housing, there is a vast gap to be filled. As the Chancellor said, one of the biggest social failures of our age is the failure to build enough housing. In particular, will the Government pay attention to low-cost rented social housing, which is as important as housing for people to buy?

All in all, this was a one-nation review, by a one-nation Conservative Chancellor, in a one-nation Conservative Government, and as a one-nation Conservative I applaud it.

12.49 pm

Lord Bilimoria (CB): My Lords, Britain has less than 1% of the world's population and represents just 4% of the world's GDP, and yet it makes up 7% of the world's welfare spending. There is no question that the Budget deficit needs to be cut and that the Chancellor needs to balance the books, even if this has meant cuts of well over 20% in some departments, as we saw in the Statement. Yet now the British economy is growing faster than any other G7 economy, with low rates of unemployment and high employment, and projections which show that the growing economy will produce more tax receipts, allowing the Government to invest in the crucial means to make us more productive and innovative. I thank the noble Lord, Lord Carrington,

for initiating this debate, and I could not agree with him more about tax simplification—in fact, I often say that the Office of Tax Simplification is an oxymoron.

I turn first to higher education, which is one of the jewels in this nation's crown. The decision to allow part-time students to access maintenance, as well as the protection of science budgets in real terms, is an excellent one. The Government are finally moving in the right direction with regard to our universities. For decades we have underinvested in R&D, well below the OECD, EU and United States averages, but now there is a financial boost going towards Innovate UK and the UK's network of world-leading Catapult centres. Investment is being made into promoting exports through UKTI. We see investment in our aerospace industries and other advanced manufacturing industries. Here I applaud the Chancellor's decision to provide extra support for postgraduate students, who are a vital part of boosting productivity in this country.

As we have heard from the noble Baroness, Lady Noakes, by maintaining a historically low rate of corporation tax, the Chancellor has supported a business-friendly Britain, but as an entrepreneur and businessman of course I think that the top rate of income tax should fall back from 45% to 40%. If it did so, that would make us more competitive. Also, capital gains tax should be reduced from 28% to 18%, which is where it was. This week I spoke at the launch of ResPublica's excellent report, *Make or Break*. It is all about encouraging manufacturing in the UK. During his visit to the UK in November the Indian Prime Minister, Narendra Modi, spoke of his "Make in India" initiative. India has a target to increase manufacturing as a percentage of GDP from 16% to 25%. Does the noble Lord, Lord O'Neill, agree that we in Britain should have a target to increase manufacturing from 10% of GDP, where it is today?

Furthermore, and more important, the Chancellor has understood our recommendations on military and defence spending. The warnings have been there since SDSR 2010, in which the scaling back of spending on defence and security, I believe, damaged our capabilities in those areas. On top of that, when it comes to security in the dangerous world we are living in, dismissing the idea of cuts to police forces is excellent news.

In full, this is an excellent review of the public finances. While it is right to continue to make the cuts that will make us more efficient as an economy, it is also essential to use the UK's advantageous position to invest in helping the economy to grow. No business can grow by cutting alone; businesses can become more efficient by making cuts, but they also have to invest to grow. These are all steps in the right direction. However, this is dependent on a continuing increase in tax receipts and on net interest payments being low. If interest rates go up, it will be more difficult for the Chancellor to continue down this path.

Moreover, let us not forget that this was made possible by the Chancellor finding an extra £27 billion. The noble Lord, Lord Horam, talked about luck. Well, my best definition of luck is when determination meets opportunity. What is brilliant is that we must not forget that forecasts can be very badly wrong.

Robert Chote, the director of the OBR, said that his organisation had predicted growth to be six times stronger between 2010 and 2012 than the official figures suggested was the real case.

I would like to conclude by saying that I am so glad that the Chancellor has made the decision to reverse his planned cuts on tax credits. While the media and the noble Lord, Lord McFall, may have branded the Chancellor as having committed a dreaded U-turn, let us not forget, with all due respect to the noble Lord, Lord Wakeham, that without the actions of this House, the mistakes the Chancellor would have made would now be mistakes enshrined in law. That is no better reminder of the importance of this House when carefully considering legislation, and as the check and balance and guardian of the nation. Steve Jobs, the founder of Apple, said that,

“changing your mind is a sign of intelligence”.

Clearly, we have a very intelligent Chancellor. I now also name him as “the listening Chancellor”. Thank you, Chancellor.

12.53 pm

Lord Cavendish of Furness (Con): My Lords, as other noble Lords have done, I commend my noble friend on securing this debate and on introducing it with such thought and clarity. This afternoon I will draw attention to various aspects of the Autumn Statement and do so largely through the prism of my own experience of living for most of my working life in south Cumbria. Accordingly, I declare a personal interest. Although I have surrendered the chairmanship of my family group of SME companies to my elder daughter, I remain involved and I refer noble Lords to the register of interests.

Not of direct interest to me but very well received in Cumbria as a whole was the announcement of the new Carlisle enterprise zone. It may well be that a number of northern noble Lords have campaigned for this. It is my understanding that the honourable Member for Carlisle, Mr John Stevenson, played a prominent part in winning this prize for the county. It is good news.

I was personally pleased by a number of announcements relating to housing, the fiscal treatment of the SME sector and much else. However, it remains the case that the SMEs still suffer disproportionately from the burden of regulation. I am happy to give credit to the Government for seeking with commendable rigour to address this problem. I join other noble Lords in the plea to finally address the simplification of tax—which, again, imposes on SMEs very badly.

I suppose that I have read thousands of column inches on the Chancellor’s Autumn Statement. There is the usual analysis of winners and losers. Two of the commonest themes are how lucky the Chancellor is with the economy and the OBR’s reading of it, and secondly, what a risk he takes with the windfall we taxpayers have handed him. On the first, I can say only that if the economy had worsened over the period I would have been surprised to hear his critics putting this down to bad luck. As to the risks he takes, he appears to have a greater confidence in our ability to grow the economy than do some of the commentariat. While I confess that his action took me by surprise,

I share his confidence in the future. I cannot remember in my working lifetime there being so much excitement—in the north of England at least—and a sense of purpose in the SME sector, or, in my layman’s reading of the world, the economy in general.

History and politics are full of examples of people being handed a poisoned chalice. Some of us felt that it was a novel approach on the part of Mr Gordon Brown to poison the chalice just at the point when he was seizing it. If it turns out to be true that my right honourable friend the Chancellor of the Exchequer has in mind employment beyond his present job, I hardly think that he will want to make the same mistake.

On winners and losers, risks or the lack of them, fairness or otherwise, as the dust settles the commentators may conclude that the Autumn Statement was inconsequential. They would be wrong. An important feature of the Autumn Statement that has attracted almost no comment at all is that it is as much a statement of values and ideas as it is about the country’s finances. Here is why. I warmly welcome the general thrust of the Government’s policies towards devolution. We will never be a country at ease with ourselves until local men and women are once more accountable for the delivery of the services that our communities need and deserve. Now the opportunity really does seem to be at hand when it will genuinely be in the interests of local people to participate again. The rebirth of civic life is truly an exciting prospect and one that we should all support.

Those of us who have earned a living in the private sector have long known and understood that there is always scope to do more for less. All of us who have come through recessions have had to cut our cloth at one time or another. By contrast, the public sector and the trade unions have always insisted that any and all reduction in public spending must have a corresponding diminution in output. To their enormous credit, the Government, as far as I am aware for the first time ever, have exploded this myth. Under this Administration the state has got smaller.

I see that I am out of time, so I will finish by saying that there are other things that the noble Lord, Lord Judd, mentioned in terms of values and ideas. Our growth compares well with that of other economies. Our potential for exerting soft power remains significant. There is a radicalism in this Statement that repudiates the perception of national decline. With the Chancellor announcing additional resources for the Foreign Office, the Armed Forces, national security, the arts and other things, we have changed gear. I reflect that we are regaining some of our former influence, in a civilised way: not pushing others around, not grandstanding among nations, but positioning ourselves to defend our long-cherished freedoms and to grow and to build an economy that enriches all people and protects with a generosity of spirit those least able to fend for themselves.

12.58 pm

Lord Macdonald of Tradeston (Lab): My Lords, I, too, thank the noble Lord, Lord Carrington, for his introduction to the debate. As a time-served marine fitter, I identify with his comments on apprenticeships, on which I now hope to build.

[LORD MACDONALD OF TRADESTON]

In his Autumn Statement, the Chancellor announced an apprenticeship levy of 0.5% to be paid by companies with payrolls of more than £3 million per annum, effective from April 2017. It is estimated that this levy will raise £12 billion during this Parliament and help to fund the training of 3 million apprentices.

The Government say that only 2% of UK companies will pay the levy, getting vouchers to offset the cost of training the apprentices in return. The initial reaction of leading employer organisations was to complain that the levy was just another payroll tax on top of the increased cost of pension provision last year and the national living wage which is to be paid next year. By contrast, the response from the Trades Union Congress was positive. I, too, welcome the creation of an institute of apprenticeships to set rigorous standards and monitor the use of levy moneys. This institute is to be independent of Government, with a publicly appointed board of business leaders. I look forward to this businesslike board challenging the Government's view that 25% of levy moneys would be spent on administration. This new institute will be crucially important to the success of the new apprenticeship system. In appointing board members, the Government should therefore ensure that the practical workplace experience of millions of trade union members is properly represented.

At a CBI conference this week for leaders of medium-sized businesses, the main concern of 36% of those attending was the difficulty in attracting skilled staff, particularly in the engineering and tech sectors. No doubt this helps to explain why most of the delegates reportedly welcomed the apprenticeship levy. The Minister will be aware that the present policy on apprenticeships is widely criticised for putting quantity before quality of training, as the noble Baroness, Lady Burt, mentioned.

A recent Ofsted investigation, *Apprenticeships: Developing Skills for Future Prosperity*, reported that increased apprenticeships numbers were not well matched to the skills most needed. One-third of skills providers visited by Ofsted were judged not to provide high-quality training. There was also a lack of collaboration between providers and employers. Too few 16 to 18 year-olds were starting an apprenticeship, with too many places going to those over 25. Ofsted's chief inspector, Sir Michael Wilshaw, concluded,

"Despite the increase in numbers, very few apprenticeships are delivering the professional, up-to-date skills in the sectors that need them most".

While welcoming the apprenticeship levy, we now need more detail on how the new arrangements will work. Can the Minister tell the House if key sectors with skills shortages, such as engineering, construction and the digital economy, will be given highest priority? How will the new institute for apprenticeships relate to the Skills Funding Agency, an executive agency with an annual budget of £3.7 billion? Will SMEs have access to levy moneys, as well as to the existing apprenticeship pot of the Skills Funding Agency?

1.02 pm

Lord Taverne (LD): My Lords, the Chancellor's strategy, as confirmed in the Autumn Statement, is to shrink the state and turn Britain into a low tax, low spending economy, with a public sector reduced to 36%

—the lowest in the European Union. I fear that there will be austerity in many ways more devastating than during the coalition years. This will affect local government, universities and education generally, but especially further education, as the noble Lord, Lord Shipley, pointed out. Tax credits, which imposed a considerable burden on the lowest paid, have not, in effect, been abandoned; they have been postponed. Inequality will increase—with what consequences? As Wilkinson and Pickett showed in *The Spirit Level*, a low tax, low public spending state is a recipe for a dysfunctional state. We will emulate all the worst characteristics of the United States.

It is all justified because, Mr Osborne claims, we must balance the books as a way to faster economic growth. Low-tax economies do not grow faster than higher-spending ones. Piketty's meticulous record of the rise and fall and rise of inequality in France, Britain, Germany and the United States showed that, in the post-Second World War period until the Reagan-Thatcher era began—a period known as *les trente glorieuses*, during which inequality was reduced, not only in Europe but also in the United States—economic growth was in fact higher than in the days of inequality.

Conservatives have stressed the growth we have achieved, but I fear that our recovery is somewhat fragile. We have a huge trade deficit which has been financed by the inflow of hot money. We have increased our dependency on the financial sector and the Government have failed to rebalance the economy. The financial sector is very vulnerable to a renewed credit crunch—which is far from unlikely.

As the noble Lord, Lord Skidelsky, pointed out, we have not increased productivity. Mr Osborne's policy of shrinking the state will not improve productivity. More equal, higher-tax European countries have higher productivity per hour not only than Britain but also the United States which depends for growth on immigration. Growing inequality in Britain means fewer youngsters from poorer families will go to university, worsening the shortage in skills. A sense of unfairness in industry, because of the huge inequalities of pay, militates against teamwork and trust—vital factors in productivity.

Further, Mr Osborne seems to believe "private investment good, public investment bad". He now lumps public and private expenditure together as part of public spending. Public spending funds research and development which is too long term for private companies.

As the noble Lord, Lord Skidelsky, pointed out, the Government's economic policy is a return to Victorian values. The Victorians believed in the moral virtue of balancing the books. It is a return to Ricardo and Montagu Norman and Herbert Hoover. It is as if Keynes had never lived.

1.06 pm

Lord Young of Cookham (Con): My Lords, I join other noble Lords in commending the excellent speech by my noble friend Lord Carrington in introducing this debate. I, too, welcome the broad thrust of the Autumn Statement. If I had two general comments to make, one would be on the absence of measures to

deal with the balance of trade, which remains worryingly in deficit. Secondly, as other noble Lords have mentioned, there is an absence of measures directly to deal with productivity which has got to improve dramatically if we are to remain competitive in world markets.

In the time available, and as a former Housing Minister, I want to focus on the Chancellor's welcome proposals to double the housing budget—fixing the foundations, as it were, while the sun is shining. The Government are broadening the definition of affordable housing to include accommodation for sale as well as accommodation for rent. This brings home ownership within the reach of more people through shared ownership, help with deposits and interest payments and by obliging developers to sell at a discount. There is much to be said for this change of emphasis, as home ownership is the preferred tenure of most people. This policy may, in the long run, be more cost effective. As my noble friend Lord Horam said, for many people the only answer is social housing for rent. My proposition to the Chancellor, therefore, is that these welcome measures to promote home ownership should, in the first instance, be focused on current tenants of social housing whose circumstances have improved and for whom home ownership is now a realistic proposition. By bringing home ownership to them, it frees up a re-let in social housing for rent for those in need.

I have a proposal for the Government on buy to let, on which the Chancellor had some proposals in his Autumn Statement. I understand why this section of the market has come under criticism during the past few years. In its defence, if one looks at the housing market during the past 15 years, the only section that has actually worked is the private sector for rent. Social housing for rent has been depressed, as has market housing for sale, so the private sector has provided accommodation for those who could not afford to buy but who did not qualify for social housing for rent. However, with all the fiscal and monetary changes that lie ahead, this sector faces turbulence and I should like to make a suggestion to the Minister to bring stability and resilience to this section of the housing market.

The financial institutions in this country, unlike those abroad, have never invested in market accommodation for rent. They have equities, gilts, commercial properties and fixed interest stock, but they have never invested in residential accommodation. Historically, this would have been a very good investment as part of a balanced portfolio. I believe they should now establish an investment trust to which buy-to-let landlords could sell their properties in return for shares. This would ensure that those landlords would continue to have exposure to the private rental market and possibly defer capital gains tax liability until such time as they disposed of their shares. Their tenants could remain in place, avoiding turbulence for them, and the properties could then be managed by social landlords who, of course, have good experience of managing rental properties. I believe that this would promote the transition on a voluntary basis to a more stable, better managed market rented sector. I would be grateful if the Minister replying would share this proposal with his opposite numbers in DCLG.

1.10 pm

Baroness Kramer (LD): My Lords, as the first of the winding-up speeches, I should say how much I appreciate the extraordinary quality and range of this debate. I, too, will be fascinated to hear the Minister's response. As I know that we are under time pressure, I will try to speak a little faster than I otherwise would and I hope that noble Lords will forgive me if I do not cover all the points that have been raised.

There were some underlying themes in everything that we heard. One, sadly, was uncertainty and another was unanswered questions. If the Minister cannot answer those questions today, I hope very much that he will provide further information to the House later. As the noble Lord, Lord Carrington, said in his opening speech—this point was picked up by many other speakers—the Chancellor was able to take advantage of better forecasts from the OBR to step back from his planned tax credits cuts and give rather more money to infrastructure. I am glad that he did so. However, at best, that is a 50:50 forecast. The Chancellor has now pinioned himself and put impossible hurdles in place with his fiscal charter, which inhibits him raising the traditional kinds of taxes that could be levied if a forecast were to go wrong, and has tied himself to a commitment to a surplus. Again, that would normally give a Chancellor flexibility. So how will he cope with shocks to the system? We have the Syrian situation at the moment, and none of us is bold enough to say that we can guarantee that there will be no shocks over the next five years. The Budget seemed to me to take away virtually all flexibility.

However, the Chancellor gave himself additional flexibility with some very significant tax raising. I focus on one aspect which has not been mentioned today—namely, that we are in effect looking at a 4% increase in council tax, which has been frozen for a number of years. Uncertainty surrounds that strategy because it requires councils to agree to raise their taxes in a general sense by 2%. All these figures are fully absorbed in the forecasts that we have seen. That assumes a 2% increase on the part of every single council. Many councils will not do that because they are ideologically opposed to it. Others will look to their local populations and say that people cannot afford an increase in council tax. Yet others are afraid of the election consequences of increasing council tax, so we have a serious set of issues there. An additional 2% hypothecated to social care is supposedly the answer to the very serious shortfall that we face in adult social care. Once again, will councils be willing to do that? How many of them will be willing to do it? The councils with the most vulnerable elderly have the most limited council tax base, so in cash terms their 2% surely cannot meet the requirements of their adult social care services.

Councils have been given additional flexibility over the business rate. I totally approve of passing on that flexibility but, again, councils which already have a very strong business base and are able to benefit from increasing the business rate probably least need that additional income. However, highly deprived councils tend not to have much opportunity to raise additional funds through increasing the business rate. Therefore,

[BARONESS KRAMER]

it is completely unclear how equalisation between councils will now work. Without that clarity, it is very difficult to understand what publicly provided local services will be available, and how we can achieve the standards that we all want.

I was very glad to see additional money in the Budget being awarded to infrastructure. We have said that the time to borrow to feed infrastructure is when interest rates are low, and we have seen the Chancellor act on this. We need to make up for a generation of underinvestment in a wide range of key infrastructure areas. However, the Government are cutting the very departments which manage that infrastructure. Having been in the Department for Transport and observed that Network Rail, for example, has no shortage of capital but great difficulty managing its projects, I question whether cuts in operating budgets will enable critically needed infrastructure to be delivered.

A number of noble Lords have said that people need skills for us to achieve growth. Not increasing the cash settlement for FE has to be a serious problem. Apprenticeships and further education go hand in hand. To increase the funding of one without doing so for the other will surely lead to underlying problems. Every business person that I talk to repeats the constant mantra, “Skills, skills, skills”, when explaining the difficulties they face in expanding their businesses. I am sure that the Minister has the same experience.

We have also talked about the importance of business investment, but look what is happening in the renewables sector. The green economy has gone from being an also-ran in this country in pre-coalition days to becoming a major industry in which British companies were becoming leaders. This country was becoming a leader in producing construction materials to deliver zero-carbon homes. That policy has been scuppered by the abandonment of the zero-carbon regulations. This country was also becoming an absolute leader in carbon capture and storage, a technology required by the entire world, including China. There was huge appetite for that product, which was built up following investment in that sector. However, it has been completely scuppered. I have had calls—as other noble Lords may have done—from people financing renewable energy projects with not a penny of subsidy, where the investment has all been pulled in the last two and a half weeks because there is now so much political risk and uncertainty in this sector. I have talked with a wide variety of investors and banks who are saying that it is now impossible to get that money for renewable infrastructure because the Government are seen as being gratuitously anti-green and the political risk is now becoming a serious premium in an industry which was underpinning growth in this country.

We have heard many good speeches on a wide variety of issues. I hope that the Minister will pick up the reference to the importance of rental housing. Obviously, we want people to be able to purchase their homes and I support a lot of the Government’s strategies in that field, but social rental housing is absolutely critical for the 9 million people who rent and the 1.6 million who are on the waiting list for social housing. It is particularly important for young people. If we cannot house our young people at the beginning

of their careers, surely the ability to expand growth and for them to make an effective commitment is exceedingly limited. I ask the Government to look at those intergenerational issues to better understand the issues of young people who have to build their lives.

1.18 pm

Lord Davies of Oldham (Lab): My Lords, this has been an excellent debate. We thank the noble Lord, Lord Carrington, for introducing it. I think it was Gary Player who said that the more he practised, the luckier he got. I am not sure that I can attribute those virtues to the Chancellor, but certainly we are very grateful to the noble Lord, Lord Carrington, for both securing this debate and for his introductory speech which kicked off the issues in a very interesting and able way.

The Government have long boasted of their long-term economic plan but have proved themselves quite incapable of sustaining it. The House will recall that the Government now propose to put the accounts into surplus by 2020. My noble friend Lord McFall indicated that the OBR thinks that the Chancellor has a 50% chance of meeting that objective. But since the Chancellor also promised to have eliminated the deficit by this year, it is really rather difficult for many of us to sustain his credibility when it comes to managing this economy. As my noble friend Lord Haskel indicated, there seemed to be elements of creative accounting with regard to the Government’s expectations and predictions for how their long-term economic plan was meant to work out.

Of course, the Autumn Statement was notable rather less for anything to do with planning and rather more for some pretty sharp U-turns—welcome, of course, but little credit to the Chancellor. The pressures that built up from the public and the professionals about the potential cut-backs in policing in these dangerous times, when already 17,000 officers have been lost to the force over recent years, were pressures that the Chancellor eventually succumbed to.

The other U-turn was occasioned by this House, to its everlasting credit. I heard what the noble Lord, Lord Wakeham, said. There is much to debate on this. I know that my side will conduct themselves as constructively as possible in those discussions but let the noble Lord, Lord Wakeham, be under no illusion. The Government start off on the wrong foot. Six hundred years of Conservative majority in this House ought to make them rather wary of seeking to reverse a majority against them at the first serious instance. I hope we will have some constructive discussions on that but they are not going to be easy ones.

The Government still intend to savage the welfare budget, even though they have abandoned their position on tax credits. The projected cuts to universal credit over the next five years indicate that the Government are still victimising the poor. As the noble Lord, Lord Shipley, said, why is it that the poor are meant to pay the price of the problems that the Government face? It used to be the shirkers, those who were on benefits. Now, because the Government have extended the cuts to those who do not have enough to live on but actually work, we do not hear quite so much of that argument. It is quite clear that the problem for so many of the poor is that they are in badly paid jobs

which cannot sustain their living standards, and there are far too many people in jobs who would welcome longer hours but cannot secure them. That helps to ensure that their living standards are very low.

It is also the case that productivity is heading downwards. If the Chancellor really is intent on concentrating on the longer term, rather than the immediate, short-term needs of the economy, he ought to address himself much more forcefully and effectively towards productivity, which remains a great weakness of the British economy. We are still substantially behind other countries in the G7. The forecast is that productivity will actually head downwards over the next few years. The Government have got a great deal to do.

If the Government can guarantee that their levy will produce a greater number of highly valuable apprenticeships in industry, that is certainly a step in the right direction. But up until now they have been preoccupied with counting the number of apprenticeships rather than evaluating their worth. In the mean time, in another aspect of the skills economy, the Government are bent upon destroying those forces which could help to improve our skills. Further education, the unprotected part of education, has already taken a very substantial number of cuts in its provision and is due to take more under this Government, who guarantee only cash increases rather than real-terms sustainability. It means, as was indicated in the debate, that we may well see a number of our colleges close at a time when they ought to be providing the skills that are needed.

It is so obvious that to effectively expand the construction industry, we ought to expand it on the basis of British skilled workers. From what one can see at the present time, if the Government really are going to improve the question of housing—the noble Lord, Lord Young, pressed on this and indicated areas in which they could address themselves to fresh possibilities—they have to get themselves out of a position where they preside over the worst housing record for nearly a century. At the moment the industry looks to foreign skills. That is why the OBR has indicated that, of the very substantial number of jobs that will be created in our economy over the next five years, a great deal will go to those who immigrate into this country. What kind of world are the Government living in if they are ensuring that employers still look abroad for skills while the nation is greatly concerned about the opportunities for our own people and the overall level of immigration? I hope that the Minister will address himself to the fact that there appear to be predictions of 1.5 million more jobs being created but immigration going up by 925,000. The Government certainly have to answer this case. If they have this long-term economic plan, it ought not to be difficult for them to address these issues rather than concentrate on the issues which largely preoccupy them.

Of course, we all recognise not just the weakness of provision in social security but the real worries with regard to the health service, particularly the fact that the health service is dogged by hospitals being unable to place in social care those patients who are ready to leave hospital because of the devastating impact on social care of the cuts that the Government are enforcing. That situation is predicted to get worse so I hope the

Minister will respond to the issues I have raised, which embellish the questions that the noble Lord, Lord Skidelsky, asked of the Minister—in only a four-minute speech. I used a rather longer speech last time to ask similar questions. I was not entirely satisfied with the answers. Perhaps I will have greater luck today.

I will finish with one obvious point. Austerity is not mandatory. It is not an economic necessity. It is a political choice and this Government persist in this choice and ask others to pay the price. That is why 3 million people who are in work are actually underemployed because of the kinds of jobs they can get. As for rebalancing the economy, manufacturing employment dropped by 10% over this last period. The Government have done absolutely nothing about the catastrophe of the steel industry. You would think that a right-wing, capitalist Government could not ever do anything about industry because their tenets are that they must do for success. Tell that to President Obama—the American car industry was in the most desperate straits and the federal state bailed it out. British industry looks for greater support from this Government than anything that is on the horizon.

1.29 pm

The Commercial Secretary to the Treasury (Lord O'Neill of Gatley) (Con): My Lords, once again, we have had a very healthy debate on the Autumn Statement, as we have before on economic and fiscal policy. Today there have been quite a lot of very valuable insights and thoughts about economic matters and finance. As I have done before, I thank all Members of the House for their excellent contributions. I am reminded of my maiden Statement, which I recall coincided with my dear and noble friend Lord King saying that the standard of debate in this place was, according to his vast experience, considerably higher than that of the other place. I have not had that other experience but each time I come here to discuss economic and financial matters, I can only echo that sentiment.

Let me quickly move on by making an apology to all your Lordships. As we have heard, we are on a very tight schedule and, if I am looking at the clock correctly, I have probably not much more than 15 minutes to respond to many of these interesting ideas. I will try to respond thematically as opposed to my preferred customary style, which is to respond to each noble Lord or noble Baroness individually. I will not be able to do that but I shall try to respond specifically to my noble friend Lord Carrington, the noble Lord, Lord Davies, and the noble Baroness, Lady Kramer. I will refer to others in the context of thematic issues.

Quickly moving forward, last week's spending review and Autumn Statement presented by the Chancellor was an important fiscal event, one of the most important of recent times. In the spirit of what the noble Lord, Lord McFall, said—I will touch back on this in a second—it was particularly important because it was the spending review as well as the Autumn Statement, and it set forth in detail the path of public spending for the duration of the Parliament. As noted by some in this regard, we remain on track to achieve an overall surplus by the end of 2019-20—which, if it occurs, would be the first surplus since the turn of the millennium and of the century. As was also touched on—I shall

[LORD O'NEILL OF GATLEY]

come back to this—with stronger economic figures than anticipated we can do this while borrowing less, investing more in long-term capital spending on our infrastructure and smoothing the transition to a lower-welfare, higher-wage economy.

I turn to the thematic context. There are three broad areas, with sub-categories to some specifics. First, with respect to the background global environment within which the Autumn Statement was presented, my noble friend Lord Carrington set some of the scene in his wonderful opening remarks. I cannot resist an attempt at humour. He made reference to a number of supposedly highly-rated economists frequently getting their forecasts wrong. He made a comment soon after about the BRICs, so I trust that he was not referring to my past life in that regard. I should follow that by saying that I had remarked in a joke in that previous life that I might have ended up regarding them as ICs as opposed to BRICs, in view of the particular problems of Brazil and Russia.

At this stage, as we come towards the end of 2015, the ongoing evidence about the cyclical state of the world economy, as well as some of it structurally, is a little different in my view from the general view out there. While of course the world is slowing—or, let me emphasise, showing signs of slowing compared to expectations—I would draw attention to three or four things that are a little different.

First, and in slight contrast to something that my noble friend Lord Carrington said, in the year to date the biggest source of positive surprise comes from the eurozone area. Having seen the most up-to-date data in the monthly manufacturing and purchasing managers' indexes around the world, which we have had in the last couple of days, some of the strongest data are coming out of the Eurozone—notably from Germany but, rather encouragingly given some of the structural issues, also from Spain and Italy. Secondly, in that regard, I draw your Lordships' attention to the fact that the eurozone purchasing managers' index is stronger than that of the United States. The USA's own purchasing managers' index, in its latest indications, is now weaker than that of many of the rest of the G7 countries, such as ourselves and much of continental Europe.

Thirdly, in the context of my attempt at humour about the BRICs, while China continues to show signs of slowing, very importantly for our priorities there is just as clear evidence that domestic consumption and its own services industry continue to increase their share of GDP rather rapidly. There is not much evidence of a significant slowing among Chinese consumers, which is an important, ongoing and positive thing for the rest of the world, including the UK, which wants to engage by providing things to their consumers. That strongly justifies our active engagement and many noble Lords here are aware of my strong involvement in that.

Fourthly, in this regard, I will mention that many other so-called emerging economies still have considerable challenges, a large number of which are in my view probably more cyclical in nature than structural. They relate to the intensity of the decline of commodity prices. Importantly, as the flipside to that, there remains

an important source of ongoing support for real disposable incomes in many commodity-importing countries, ourselves included.

The second area, which I will touch on quickly, is the policy environment against that background and in particular the framework and role of the OBR, which many noble Lords touched on. Within that second area on policy, I have a couple of thoughts about the OBR. I will touch initially on the interesting suggestion made by the noble Lord, Lord McFall, about the OBR releasing its latest ideas earlier than has hitherto been possible. It would be very difficult for it to do that, not least because it is given a large amount of sensitive evidence about policy considerations that would dramatically impinge on the Government's thinking in the lead-up to actual policy decisions.

However, I believe that yesterday, Robert Chope and the OBR were due to appear at the Treasury Select Committee, which was shifted for obvious reasons but will, I am sure, happen very soon. I imagine that many of the questions that the noble Lord, Lord McFall, the noble Baroness, Lady Kramer, and others touched on will come up on that occasion. If they do not, I am sure that there will be an opportunity for them to pursue those questions further. Having said that, the OBR is of course independent of government and it is its rightful role to come up with new suggestions on the relationship of the economy and the fiscal position, given its mandate.

Finally with respect to the OBR, while my own observations are that it has revised down slightly its forecast of productivity, as touched on by the noble Lord, Lord Haskel, interestingly it has also revised higher its forecast for investment. Importantly, going forward, its own forecasts remain on the more conservative end among many highly respected domestic forecasters. As a number of noble Lords have pointed out, while it is true that there could be risks to the downside as a result of its changes, equally, it could be just as vulnerable to being positively surprised again, as it clearly has been given those changes. I finish on this subject by pointing out that from what I can understand, of the £27 billion change that it made, £18 billion of it was due to the change in its modelling of the relationship between nominal GDP and various forms of tax revenue, particularly VAT, while £9 billion was due to its own revised higher estimates of the economy.

Sticking with this second theme of policy, yet again, a number of noble Lords offered very contrasting views about the appropriate stance for fiscal policy, which is not surprising in view of the nature of this place and the understandable biases that some Members may have. All I would say in this context is that, the spirit of the Autumn Statement is that fiscal policy—whatever the justified underlying stance—is less restrictive as of last week than had previously been believed by many. Several noble Lords have been particularly critical about the supposedly tough stance on fiscal policy. Although Members of this place may have their own judgments on that, which may be valid in principle, fiscal policy is certainly not as restrictive as they might have thought a week ago.

I will finish this part of my closing comments by taking this back to where I started. The Chancellor for some time now has been talking about policy in the

context of both our national and our economic security. I was very pleased to have discovered how policy was going a couple of days before the announcement, as, in my judgment, against the background of such uncertainties around the world, it is probably appropriate that our stance on fiscal policy, within the flexibility we have been afforded, should be less stringent than we had otherwise planned for it to be. That gives us more internal momentum against the background of those never-ending, swirling uncertainties that unfortunately seem to be so prevalent.

The specific points that were made covered many areas, including the apprenticeship levy, and skills and productivity, which I will touch on together. They also related to investment spending and further education colleges. Separately, there were some very interesting ideas about energy policy, housing and the role of manufacturing. The noble Lord, Lord Palumbo, made some very interesting suggestions with respect to discussing broader principles and tempted me to live up to what I think he suggested was my independent northern spirit. I can never resist such a temptation, so I look forward to rising to that challenge whenever it comes.

The broad issue that links at least half those thematic points and that the noble Lord, Lord Davies, spent a lot of time on, is productivity. The noble Lord, Lord Haskel, also touched on this in some of his comments. Although the Chancellor did not use the word productivity in the Autumn Statement as much as he may have done previously in the summer Budget, I suggest to noble Lords that, on the contrary, there continues to be a strong focus on the important role of productivity. I will respond to some of the specific comments of the noble Lord, Lord Davies, as I have tried to do in recent discussions. Although our productivity level has been weak, and is significantly lower than the levels of our main partners among the developed countries, the evidence from the past year or so is that ours has improved slightly more than had been the case, and that the gap is not quite as big as it was.

I would not want to jump from that to immediately say that this is a consequence of the 92-page document that we published with the summer Budget, because some of those data relate to before then—and of course one swallow does not make a spring—but it seems to me that there are some signs of slight improvements at the margins of the data that are available to make judgments about. More importantly, there are a number of ongoing policy developments—which there was more focus on—including some that relate to the specific points that were made.

I will respond to points about skills, further education colleges and the apprenticeship levy together. The apprenticeship levy, which has been described by some as a back-door tax, is, as I have discussed here before, part of a conscious decision to try to encourage our corporate world to have a greater influence on and a greater obligation towards trying to sow the seeds of much stronger skills for today, tomorrow, and the medium-term and long-term future. It is only the largest employers that are likely to have to pay much and, in the event that they take up the challenge to its fullest, they will be more than recompensed for their endeavours. The desire is that, in the context of the

apprenticeship plan, they will influence the nature of qualifications coming out of further education colleges and perhaps influence how those might develop further.

I would link FE itself with the goals for skills and apprenticeships. We need to strengthen the quality of the qualifications that come out of our further education colleges and get away from the focus just on the amount of money that is being spent or not. We need to ensure that the people who come out of those institutions have the right qualities and skills to cope in an increasingly competitive world. In my judgment, the real thrust of policy in the past six months in this regard has been about making it a priority to raise the standards of the qualifications that come out of further education colleges. If successful, that will play a critical role in moving towards raising the broad scope of the skills challenge, which a number of Members of the House have touched on and which, again, I have made significant reference to in the past.

Establishing manufacturing targets sounds like a very eye-catching thing to do. The noble Lord, Lord Bilimoria, mentioned this, but I know from my own association with the I in BRICs in the past that it would be absolutely remarkable if India got half way to achieving that kind of target. It is not clear to me that it would be particularly smart to suggest that an economy as sophisticated and diverse as ours has some defined target for manufacturing as a share of GDP, not least because the interplay between high-value-added manufacturing and services is a lot more sophisticated and complex than it once was, and you do not want to choke off one at the expense of the other.

What is clear in a broader sense is that we want to encourage an environment that creates more higher-value-added jobs that allow us to keep our head above water and compete in an endlessly changing world with lots of challenges, whether they are service jobs or manufacturing jobs. The focus on wages and the high-wage, low-welfare economy is at the core of this, together with a number of very specific initiatives, which again I directly relate to productivity. The northern powerhouse, the Midlands engine and the devolution of powers and decision-making to local authorities in those areas are critical in this.

Because of my shortened time, I will finish by saying thank you to all noble Lords whom I have not had the chance to specifically answer. Although considerable challenges from overseas remain, as well as our own long-term internal challenges, it seems that Britain is in a fundamentally stronger place than it was five or six years ago. This Autumn Statement and spending review set out how we will achieve the next steps of our economic recovery, and I commend it to your Lordships.

1.49 pm

Lord Carrington of Fulham: My Lords, in the few seconds remaining of this debate, it behoves me just to thank my noble friend the Minister and all other Peers who have participated in what has been an excellent debate that has highlighted the issues very effectively. I think that any outside observer will have been rather surprised by the degree of commonality and agreement

[LORD CARRINGTON OF FULHAM]
across the Benches. Of course, there are big differences: the biggest difference, perhaps, is between those who wish to spend the money before we earn it and those who wish to earn it and then spend it. Nevertheless, the analysis was very similar from all participants, to whom I am most grateful.

I do not intend to mention any particular contributions but will just pick up on something said by one or two noble Lords: the quality of debate in our economic debates here is so much higher than it is in the other place that it is a shame that we do not have more of them. With that, I beg to move.

Motion agreed.

State Pension: Women

Question for Short Debate

1.51 pm

Asked by Baroness Bakewell

To ask Her Majesty's Government, in the light of the new single-tier state pension, what provision they have made for informing women in their 50s of their pension expectations.

Baroness Bakewell (Lab): My Lords, I am delighted to launch this topical Question for Short Debate arising from issues that have currently swept the country and the media involving the transition to new pension arrangements. This is a small gathering, but a distinguished one, and I look forward to hearing the Minister's response to the issues that we have to raise.

The population is ageing; we know that. Life expectancy is currently 81 in the UK, and we now expect to work longer than we once did. Retirement will come later than it used to. We also believe in equality, so it is quite right that women and men should retire at the same age. This is all right and proper, and thoroughly understood by the population of this country. Legislation towards later and equal pensions was begun in 1995 and amended in 2011. The transitional arrangements towards that desire have, however, been a disaster. Through incompetence and faulty communications, many people, mostly women, have been left totally in the dark about what to expect and, as a consequence, suddenly presented with hardship, injustice and what some of them, writing to me, have called theft. I will be giving evidence of that in just a moment.

First, the changes to the state pension to be rolled out in April next year promise a fairer deal for women, but the new figures show that of the 400,000 expected to claim the new state pension, only 20,000 women will get the full flat rate of about £155 per week. There are reasons for this. Many women will not be reaching the state pension age over those years. They once expected to, of course—they expected to until quite recently. It has come as a shock to some 700,000 of them that they will not only not receive their pension until later but, as a consequence of this delay, will be missing out on even more than they had expected.

Complicated matters get more complicated. I put it to the Minister that serious issues of communication with those affected by the changes must be addressed—and urgently. The changes begin within a year. How

much immediate contact is the DWP making with those whose features depend on these changing arrangements? What advice systems exist, and what information centres? What initiatives are in place to respond to the needs of these often distraught and deprived women? Why women? Women outnumber men in the pension population, and only a minority of women reaching state pension age have been entitled to the full basic state pension. As author John Macnicol defines it, we are talking about poverty among older women.

We know that transitions can go wrong because they already have. The move to bring forward women's pension age towards that of men has left some 700,000 women who were on the brink of reaching what they believed was pensionable age completely bereft. They have come together as a powerful lobby—Women against State Pension Inequality, or WASPI—and are finding that their cause is met with sympathy and outrage when they explain their plight.

Many dozens of them have written to me. Let me give some examples of their distress.

"I started work at the age of 15, I have never claimed a penny benefits and worked continually until reaching 57, when because of a heart condition I took early retirement on the understanding that my pension would be forthcoming in the next few years. I have never had any communications from the government about the changes".

Another writes:

"I resigned my teaching career to care for my husband when he was diagnosed with terminal cancer. On his subsequent death at 60 years of age I have found myself with half his teacher's pension ... and no state pension at 60 as I had planned for".

Liz writes to me:

"I started work—part time—when I was 13 and I have always worked. Throughout my working life I understood that I would be able to take my state pension at the age of 60 and planned towards this. I now have to wait until I am nearly 66. The short notice given has made it impossible to save enough to cover the shortfall ... The complete lack of notice given for a specific group of women ... means that they have been treated very shabbily".

Karen writes to me:

"I am a divorced woman of 60: I have no option but to claim ESA as I cannot work due to health issues ... If it wasn't for the fact the council are paying me housing benefit I would literally be on the streets".

Here is a man's voice:

"So let me get this right. We expect women to have time off to have children, earn on average 80% of what men earn, and now without fair and proper warning have imposed on them to work another 6 years. Is this the price of equality for women?".

There are many more examples. One writes:

"I have worked as a nurse since the age of 18".

Another writes:

"I worked solidly since I was 17".

What emerges from those letters is that these women, deprived suddenly of their expected pensions, are often ailing, looking after an ailing partner, caring for a much older parent or may themselves be frail. Many are made redundant and, at the age of 58 or 59, are in no position to find other work.

One wonders what William Beveridge, architect of the nation's national insurance project, would make of this unexpected occasion of want and injustice. Existing plans show a complete lack of understanding of the reality of these women's lives. They are not cheats or scroungers; they are honourable citizens who, after a

lifetime's work and often 40-plus years of contributions, are seeking the pensions to which those contributions entitle them.

Many—almost all—of the women complain that they were not informed of the changes. The department made modest protest that it had informed them. Steve Webb, the former Pensions Minister, defending the record of communications before the Work and Pensions Committee, added to his evidence:

“Did we miss some people? Probably, when you move house do you tell the DWP and tell them your new address?”.

Some people? The department missed a large part of 700,000 women. This matter of communication of pension changes to those who are entitled is still in play. The WASPI group has raised a petition of more than 40,000 signatures. Those people want their case reviewed and compensating considerations brought in to redress the injustice.

The arrival of the new single-tier pension is meant to be cost-neutral, but it is not likely to be so. The Government must examine the provisions to see whether within their revenues they cannot find ways to accommodate the needs of those women. Pension changes read as bold and logical when they are set out on paper, but they all involve transitional adaptations. That is where the Government continually fall short of what is expected. The same applies to the recent freedoms given to pensioners to access and spend their pension pots and annuities. The proposal sounded like a new freedom, and was greeted as such. Yet we already hear of plenty of scams as perhaps naive older people are offered unrealistic promises by unscrupulous operators. Announcements of policy are all very well, but they are only the start. Will the Government undertake to remedy the many shortcomings to their communication with, and advice to, the pensioners of this country?

2 pm

Baroness Jenkin of Kennington (Con): My Lords, I am extremely grateful to the noble Baroness, Lady Bakewell, for raising this issue—just in the nick of time for me, as it happens, as I have another four days left in my 50s. We can only just scratch the surface of the subject of many women's perceived and actual financial insecurity, especially as they approach retirement, but this is a very good place to start. Much has been said over recent years about how the financial protection enjoyed by pensioners, despite fiscal consolidation, contrasts a little too sharply with that for young people, as my son, who is in his 20s, reminds me on an almost daily basis. Instead of Britain being “no country for old men”, it should perhaps be described as a pretty good country for old men. Final salary pension schemes, after jobs for life, are now very much consigned to history, but many male baby boomers and their families still benefit—and I do mean old men.

Research from the Centre for the Modern Family, whose support in helping me to prepare for this debate has been much appreciated, shows that women entering retirement seem to be in a very different place. There are cultural reasons for this, and it is not due just to state and other pension arrangements, as I hope to make clear. The Pensions Act 2011, which gradually equalises pensions ages, has affected a significant number of women. DWP figures suggest 2.1 million women

will see their state pension age increase by one year or less, with a maximum increase of 18 months. This is, of course, relative to the timetable set by the Pensions Act 1995, which affected a group of women born over a three-year period whose state pension age was set at between 60 and 63. However, all women affected by accelerated equalisation will reach the stated pension age after the introduction of the new state pension, which is more generous for those women who historically did poorly under the current system because of lower average earnings and part-time working.

The 2011 changes responded to increases in life expectancy that were faster than projected, and the price tag for not revising the 1995 timetable was a cool £39 billion. Also, the Institute for Fiscal Studies has shown that the rise in women's state pension age since 2010 has been accompanied by increases in employment rates for the women affected. Going with the grain of this, the Government have abolished default retirement age for all workers and extended the right to request flexible working to all employees. As we are all too well aware, time sovereignty can be incredibly important to women, perhaps particularly at this stage of life when they may be acting as sandwich carers for grandchildren, disabled adults and often frail elderly parents and relatives. Life may only “work” for them if they have this flexibility, as they often still have an enormous amount to contribute to the labour market but cannot fit that contribution into the traditional nine-to-five slot.

The Centre for the Modern Family research, analysing the changing relationship between the family and the workplace, found that working later is the new norm. Remaining in work past the current state pension age is now an established concept among the general public, but retirement planning is left late. The majority of workers over the age of 55 have either not planned their retirement or wish to continue working. However, there is a big difference between men and women in terms of this latter category; while more than one-third of men—38%—want to carry on working because they like their jobs, barely more than one in 10 women feels this way. Financial education and advice provided through services such as the Money Advice Service and Citizens Advice are crucial to encouraging people to engage with retirement planning. Employers could also play a greater role in advising staff on their pension options, if they do not fall foul of regulations by providing financial advice that they are not qualified to offer. Perhaps the Minister might have some advice on that.

Obviously, the Government must inform recipients of the state pension on when they will be eligible and what they can expect. I think that I am right in saying that letters were sent out from DWP to addresses, current with HMRC at the time, to reach women affected by the 2011 changes at least two years before they reached state pension age—although, as the noble Baroness points out, it has not been by any means perfect. While this advance notice is important, planning and saving for retirement have to start far earlier than research suggests is the current social norm. Scottish Widows, for example, has been studying women's retirement prospects for over a decade and has consistently found, year on year, that women lag behind men in

[BARONESS JENKIN OF KENNINGTON]

saving adequately for retirement. While there are a number of reasons for this—and of course the gender pay gap must bear some responsibility—a problem remains specifically with women's understanding of long-term financial savings products. Again, research shows that 43% of women still say that they have little or no understanding of individual pension savings, while 71% of women do not know what pension pot they will need to secure the retirement income they hope for. Pension providers, employers and individuals themselves all have a role to play to address this issue; it must become the norm for everyone to consider the size of their pension pot and their financial aspirations for retirement at an earlier stage.

This year's research is beginning to provide some reasons for optimism, as latest figures show that 52% of Britain's women are now saving adequately for retirement, but projections suggest that many women will not have a comfortable and enjoyable retirement, and may spend their later years worrying about their financial situation. Some 28% of retired women say that the income that they received once retired was less than they had expected, and 25% of females aged 30 to 49 are non-savers, compared to 15% of men. This is not all down to uncertain working patterns; only 19% of women on permanent contracts are now non-savers. However, this number jumps to 35% of self-employed, or women who work freelance. More than half of the UK's self-employed or freelance working women—56%—are undersaving compared with 45% of those on permanent contracts.

Ultimately, women need to be able to make better informed decisions. Information, whether from the Government, pensions providers or other trusted sources of advice, is indispensable, but many women feel defeated from the outset in understanding what is being given to them in this regard because of their antipathy to financial and, more broadly, mathematical information. I was recently interviewed for a publication called *The Fear Factor*, which aimed to highlight how otherwise educated women can feel ill equipped, by dint of their sex, to understand maths and money. Poor maths skills and inadequate financial management skills are linked, and women are peculiarly willing to admit to being not just bad at maths but also anxious about figures, and not very good with money. Such attitudes—I am afraid that I am speaking to myself, particularly about maths—need to be challenged.

The Fear Factor project is run by Shirley Conran OBE, who wants to liberate women from these fears in the same way as she aimed to liberate women from housework in the 1980s. She is arguing for a national campaign to expose the maths myth that it is natural for women to be daunted by maths and they need men to manage their money because they lack the necessary maths gene to make sense of it. Ms Conran has been engaging with the Department for Education, as her focus was mainly on young women, but I think that the campaign needs to reach right up into the age range we are discussing today. Will the Minister consider meeting Shirley Conran and her team to discuss how to help women of pensionable age to gain mastery over their fears in this area so that they are able to approach retirement with more confidence and foresight?

2.08 pm

Lord Stoneham of Droxford (LD): My Lords, I thank the noble Baroness for initiating this debate and congratulate her on her ongoing efforts to campaign on behalf of women disadvantaged in our pension system. It is the first debate in which I have engaged with the noble Baroness, Lady Altmann, and I congratulate her on her appointment and wish her well—and wish her well in reply to this debate.

We know that women are hugely disadvantaged when it comes to pensions. Lower earnings and lower contributions have contributed to that disadvantage, and the trouble with pensions is that problems build up and are compounded. Change in pensions is always very difficult. We have seen that over the past five years, with the unravelling of many complexities that have built up in the past. We have had to deal with the economic constraints that have made it more difficult in helping that transition, and we have had to recognise that life expectancy is improving and that there is pressure for equality in pension ages.

Let us remind ourselves of the principal benefits of the new single state pension, which will be coming in in April 2016. The first benefit is that it is a much simpler system, and anyone who eventually has 35 years in that system will get a flat-rate pension and will know exactly what it is going to be. There are huge benefits from that certainty, which can help in planning and saving. We have got rid of the complexity, or at least we will, of the existing system of contracting out or contracting in.

A second advantage of the system, and the reason it was supported, is that it aims to improve outcomes for people who do not do well under the current system. Those are mainly women, particularly older women, whose participation in work and lower earnings have disadvantaged them. That has been helped by the retrospective re-evaluation of credits for contributions. The other group which benefits from the single state pension is the self-employed, a growing proportion of our working population.

The third advantage of the single state pension is that auto-enrolment can work only if we reduce means testing. With the state pension at £119, and with means-tested income just over £150, that means that any pension over £35 is immediately clawed back.

However, during the transition, there have inevitably been complications. There has been a misunderstanding, as there always is, that our pension system is contributory. That means that if you have not contributed for the full 35 years, even with credits, you do not get the full flat-rate pension. To do otherwise would be unfair on those who have made those contributions. Then there is the complication of contracting in. Those with the state pension will still get it, but those who have contracted out will get less. Many of them have other pension schemes, and it would be unfair if they, having paid lower contributions, got the same as those who paid the full contributions.

There is a third issue, which was complicated during the coalition Government by the Pensions Act 2011: the raising of the pension age. I accept that the notice given was probably too short. It would have been

much more helpful to have a longer transition, but there were demands on the finances that insisted that it went ahead. Everyone who has been disadvantaged by the change, as the noble Baroness, Lady Jenkin, said, will have the benefit of the new single-tier pension, so advantages will accompany that change as well.

This debate is largely about the lack of information. In the pension field, information is never enough. One of the problems is that half the time people are not listening, because they do not want to. Sometimes they do not want to face up to the reality of their low savings in pension; it might make their working lives pretty miserable if they did. However, we just have to keep working at it.

There was a problem with the 1995 Act and the information that was given at that time. The 2011 changes suddenly stirred up a lot of people when they were told that the age was going up even more because they had not been properly informed of that first change. In the last few years, fortunately, at least we have had a good period for employment in terms of employment growth, which has helped people to come back into the labour market. We know that a lot of people who otherwise might have retired have stayed in the labour market, which, hopefully, will eventually be good for their pensions.

As we look at the efforts to inform, we have first to remember that we have been able to inform people only since March 2014, when this legislation went through. I understand that 500,000 personal letters have been issued where people asked for information, and, as someone who has delayed his state pension, I have to say that I recently rang up and it worked absolutely perfectly. I even found that I had another £30 from the state earnings-related pension scheme that I did not expect to have, and I had a letter by return of post. So it certainly worked for my sample of one, but clearly we have to do much more. Maybe the Minister could confirm the number of personal letters, because the key is to get people to register and go in and, as they start to think about their retirement and their pension, find out exactly what their pension position is.

I note in the Library papers that last autumn my colleague Steve Webb produced a detailed communication plan. I thought that it was actually quite good. Maybe the Minister can tell us the progress on it. Certainly a lot of work was done, although I accept that the situation can never be perfect.

The coalition Government initiated a number of top-up schemes for contributions. I know that not everyone can afford this, but there are voluntary contributions to top up this year's pension. There is the possibility of delaying your pension so that you can take a 10.6% top-up, which lasts until April next year, and there is the top-up annuity, which has not been given a great deal of publicity but is available until April 2017, which, with the appropriate lump-sum payments, can lead to an extra £25 on your pension.

Obviously, the key is personalised communications. We want eventually to build up to a situation where people are getting communications 20 years, 10 years and five years before they retire, a bit like what is beginning to happen in the health service, where you

are reminded about having checks and so on regarding your health. Similar things should be happening in the pension field as well. There is great scope for government departments to break down some of those silos. Why is the Inland Revenue, when it puts out its tax demands, not putting out reminders about people finding out about their pensions? Similarly, the health sector is sending out its letters. Some of these communications could be combined with promotion for what is happening in the pension field, as a way of sending money and increasing the number of communications. Inevitably, you just have to keep at the education effort to get communications through. Pension reform is not easy, but I think the single state pension will be seen as a great landmark for pension reform in the years to come.

There are just a couple of specific points that I want to ask the Minister about. We are talking about women being disadvantaged in pensions. There are two issues that are immediate at the moment. First, any delay in auto-enrolment affects women proportionately more. Could we have some details about delays that are already happening in auto-enrolment, and some assurance that as they go for this employment levy for apprenticeships the Government are not going to use that as a further excuse to delay the implementation of auto-enrolment?

Secondly, I come back to a point that I raised in a Question in the House a week or two ago: the whole issue of mobile portable pension pots. This is very important to women who are on low earnings and change jobs regularly; they need to be able to move their pension pots easily and together. I understand from the Minister's reply that the Government, despite having had a policy laid down by the previous Government in legislation, are not contemplating implementing this until 2018. I hate to think how many pots will be available by then for people changing jobs in the interim. This is an issue that is set down in legislation; we should get on and do it because failing to do so will just build up further problems for women in the pension field.

With the single state pension, we have delivered on Beveridge's principles. We have a pension approaching 20% of state earnings and a proper platform for private pension provision. Through the reforms of the previous Government, we have adjusted for life expectancy. We have automatic enrolment for private savings and, above all, we have the triple lock which improves and defends women's pensions.

2.20 pm

Lord McKenzie of Luton (Lab): My Lords, I thank my noble friend Lady Bakewell for initiating this short debate and for bringing to our attention some of the distressing communications she has received in her postbag. I also thank the noble Baroness, Lady Jenkin, and the noble Lord, Lord Stoneham, for their contributions. We are a small but select band on this occasion.

The focus is the new single-tier state pension, which is due to come into effect in April 2016, and in particular how it is being communicated to people about to reach state pension age. This is brought into sharp focus as its introduction looms and the spotlight falls on the detail of what the changes mean to individuals.

[LORD MCKENZIE OF LUTON]

The issue is also to an extent entangled with the changes to the state pension age and the different ages at which men and women will gain entitlement to a state pension. It is also relevant to the changes to private pension provision and the new freedoms concerning access to pension pots if decisions are to be based on robust information about future income in retirement. It is also relevant, as we have heard, to progress on auto-enrolment.

The single-tier pension has been promoted as the route to speeding equalisation of pension outcomes between men and women a decade earlier than would be achieved under the 2007 legislation. Despite significant improvements under that legislation—in particular, the reduction of the number of years needed for a full basic state pension to 30, and more generous credits for carers—we know that women have continued to be at a disadvantage compared to men. They have been less likely to be in work, more likely to work part-time, often in multiple jobs, and more likely to be on low pay and therefore historically inherently less well treated by the mechanisms determining state pension entitlement. We know that life expectancy is increasing and that life expectancy for women is greater than for men. The majority of today's pensioners are women, and this is projected to be the case into the long term.

Therefore, the prospect of accessing a new single-tier pension with the promise of greater simplicity and a shorter period before an equalised outcome with men is obviously to be welcomed. These changes are driven by the ending of the earnings-related state second pension and because a new single-tier year is worth more than the current basic state pension year. However, it is not all good news: 35 years of contributions are needed for a full single-tier pension and there are restrictive rules concerning reliance on a spouse's national insurance contributions.

Despite the new arrangements offering the prospect of eventually leading to a simpler, more understandable pension system, the transition certainly has its complexities. We should acknowledge that the Minister is on record as recognising as an early issue on taking office that more needed to be done to communicate what these changes mean, and we look forward to an update when she replies.

The Minister will have heard from my noble friend about the confusion, frustration and disappointment that abounds on this issue, especially among women. That confusion is not only about what level of pension will be payable. There is frustration about the precipitate changes to the state pension age. These issues potentially make more difficult the choices, usually falling on women, about leaving employment to take up family caring responsibilities, for example.

My noble friend is right to challenge whether more could be done to encourage realistic expectations of what will flow from the single-tier pension. In this context, it is helpful to remind ourselves of the overall impact of the proposals. The DWP's impact assessment produced for the Pensions Act 2014 showed that over the long term the overall expenditure on pensioner benefits from the state is projected to be lower than under the current system. It is broadly the same as the

current system in overall costs through to 2040 but with savings thereafter. This includes pensions as well as pensioner benefits, pension credit in particular. However, we should not forget that the Exchequer will gain massively from the ending of contracting out next year and the consequent increase in national insurance contributions. This benefit was due to be applied to meet the proposed changes to the funding of social care, and perhaps the Minister will tell us whether that is still the case and how it is being put into effect.

The very helpful Library briefing reminds us that the Work and Pensions Committee concluded that the overall impact of the reforms, whether people gained or lost, is likely to be marginal. Reference is made to a Joseph Rowntree Foundation report which concluded that gainers from the new system will include the self-employed and those not qualifying for the additional state pension prior to 2002, but the conclusion is that overall and in the longer term the new single-tier pension will be less generous than the current system for most people. Do the Government accept this analysis?

Of course there are a host of reasons why from April 2016, contrary to many people's expectations, there will not be a single-tier pension of £155.65 per week for all pensioners. For a start, the single-tier pension will apply only to people who reach state pension age on or after 6 April 2016 and, because state pension ages will not have been equalised by then, the starting point for a man is those born after 6 April 1951 but for a woman it is those born after 6 April 1953. Not all will have achieved the required number of national insurance contributions, by payment or crediting, for a full pension, which is to be increased to 35 years, and if at least 10 years' contributions have not been earned then there will be no entitlement at all. Not all will have the opportunity to close gaps in their national insurance record, and those who have been contracted out of the additional state pension will suffer a deduction which can be made good in whole or in part only by post-April 2016 payments before state pension age. Some will have a starting amount under the current pension rules which provides for a protected payment in the new scheme.

These are just some of the factors which will determine entitlement or lack of it. Recent press reports, which were referred to by my noble friend Lady Bakewell, highlight the impact of these issues on the early years of the scheme. It is suggested that of the 400,000 expected to claim the new state pension next year only 20,000 women will get the full rate of £155.65. Do the Government accept these figures? What is the Government's analysis of the actual reasons why individuals are not receiving the full rate?

The National Federation of Occupational Pensioners reinforces the point that its members are confused about which system they are in. It also points out what it says is an anomaly—that the triple lock applies to the entirety of the single-tier pension, whereas it applies to just the basic state pension under current arrangements. The federation also emphasises the difficulty which the increases in the state pension age have presented for women born in the 1950s.

As the noble Lord, Lord Stoneham, said, in October 2014, the previous Pensions Minister, Steve Webb, launched a service to provide individuals with a written estimate of what they might expect to receive under the single-tier pension. This is to be available for those reaching state pension age between April 2016 and August 2021. Will the Minister tell us how many such written estimates have been requested and provided to date? Will she say whether the information provided contains a comparison with the existing pension system and whether the projected levels of pension could be enhanced by, say, the payment of voluntary national insurance contributions? The papers we have provide further details of the single-tier communication strategy. Will the Minister update us on progress on the strategy and, in particular, on whether phase 3 is under way and on schedule?

Pension issues can be complicated, even for the sophisticated practitioner, as the noble Baroness, Lady Jenkin, acknowledged. It is clear that the Government are failing to communicate effectively with potential pensioners on these very significant changes to the system. My noble friend Lady Bakewell should be congratulated not only on bringing this issue before us today but for her continual support for those women—WASPI—whom this Government are letting down.

2.29 pm

The Minister of State, Department for Work and Pensions (Baroness Altmann) (Con): My Lords, I thank the noble Baroness, Lady Bakewell, for raising this issue once again and for securing this debate, to which it is important that I respond.

The debate highlights two integrated areas of the Government's reform programme: the state pension age changes and the new state pension reforms. I hope to address some of the points raised by my noble friends here. I reiterate, as I have many times, that I have sympathy with the women who still feel aggrieved about their state pensions. I hope my remarks today will clarify some issues about which there has been much commentary. My aim has always been—and remains—to help people, where I can, to achieve better pensions. I hope to be able to steer future policy in positive directions to make pensions work better for people, both today and in future years.

First, I will address concerns, which the noble Baroness, Lady Bakewell, among other noble Lords, particularly focused on, that the women affected by state pension age changes were not given adequate notice of the 1995 state pension age equalisation. I recognise that there has been much criticism about the Government's efforts to notify the women affected. However, I will explain more about what I have been told the department did on this matter.

State pension estimates, issued to individuals on request, made the 1995 changes clear. The DWP's state pension estimates have been providing individuals with their most up-to-date state pension age since 1995. The department does not have figures before April 2000, but since then it has issued more than 11.5 million personalised state pension statements to people who requested them. We continue, as noble Lords have said, to encourage people to request one as part of our ongoing communications.

To raise further awareness of the state pension age equalisation under the Pensions Act 1995, in July 1995 the department issued leaflet EQP1a, *Equality in State Pension Age: A Summary of Changes*, to advise the general public on the changes. The DWP ran a pensions education campaign in 2004, which included informing people of the future equalisation of state pension age. That campaign included: advertising features in the press and women's magazines; a "women's pensions pack" containing leaflets for women about changes in state pension age, made available through the Pension Service; direct mailings targeted specifically at women, highlighting that women's state pension age is changing; sending state pension forecast letters with leaflets explaining the changes to women's state pension age to those who requested them; and developing an interactive state pension date/age calculator facility on the Pension Service website.

A 2004 DWP report, *Public Awareness of State Pension Age Equalisation*, reported its survey findings that 73% of those aged 45 to 54 at that time—in 2004—were aware of the changes to women's state pension age. In addition to this, all those affected by the 1995 Act changes were sent letters from April 2009 to March 2011 using the address details we had—I admit that we may not have details for everybody, but what else could we do? It is therefore difficult for the Government to accept that people did not know that their state pension age has risen from 60, and it is not accurate to try to suggest that this is a six-year rise. The change is a maximum of one and half years.

The second concern, rightly expressed by noble Lords, concerns the short-notice changes made in 2011. Following the 2011 Act, the DWP wrote to all those directly affected individually to inform them of the change to their state pension age. By this point, state pension age was already in the process of rising. This involved sending more than 5 million letters to those affected between January 2012 and November 2013, which was a major exercise.

I will move on to the rationale behind the state pension age changes. The changes were made to ensure the affordability and financial sustainability of our state pension system, on which so many millions in the population rely. They were also of course required to remove the long-standing inequality between men's and women's state pension age. The previous arrangements meant that, for those reaching state pension age in 2010, women would spend on average over 40% of their adult lives in receipt of state pension, while men would receive their state pension on average for only 32% of their adult life due to their shorter life expectancy and the fact that they receive the state pension later. This was clearly unsustainable and was considered unfair by many at the time—for example, by men who were paying national insurance contributions for more years while women received their state pension earlier than them.

Parliament did not consider it fair to current or future taxpayers to continue prolonging the inequality between men's and women's state pension age beyond 2018. This was democratically debated and decided at the time. I campaigned hard for these women as I was aware of the problems faced by some of those affected.

[BARONESS ALTMANN]

That campaign achieved a major concession, despite the grave fiscal situation at the time, which eased the timetable for around 250,000 of them. It committed the Government to prolonging the inequality between men's and women's state pension age by an extra six months relative to the original Pensions Act 2011 timetable—proposals that would cost the taxpayer more than £1 billion.

The noble Baroness, Lady Bakewell, rightly mentioned that people in an ageing population with rising longevity will work longer. Indeed, the average actual retirement age for women has for many years been above their state pension age, so clearly most women no longer wish to stop working at 60. My noble friend Lady Jenkin also rightly mentioned this. Encouraging and enabling those who want to work longer is a government priority and is the best solution to poverty in later life for those who can do so. Most people are just not "old" at 60 these days—or even at 65, in most cases—and the expectation of stopping work altogether at such a relatively young age is simply not sustainable.

Of course, I am concerned about the particular position of women—and indeed men—who cannot work. Some may have caring responsibilities, while others may suffer from disability or illness which make work difficult, but the Government will ensure that both women and men who are affected will be eligible for the in-work, out-of-work, ill-health or disability benefits that we have designed for them. Carer's credits and carer's allowances are available for both men and women who care for others. It also has to be said that a state pension is not a right—it is not like a private pension but is rather a social security benefit. The national insurance we pay pays for many other elements of the social insurance system: unemployment, ill health and disability benefits, as well as the NHS.

The noble Lord, Lord Stoneham, whom I thank for his warm words of welcome, rightly highlights the reasons why the new state pension reform is so important. The changes to the women's state pension age helped pave the way for this radical major reform, which has introduced the new state pension. The cost savings resulting from those changes, and savings elsewhere, have allowed the new state pension to be introduced from April 2016. The women in their 50s whose state pension age was increased by the 2011 Act will all receive the new state pension when they reach their state pension age.

I reassure the noble Lord, Lord McKenzie, that, contrary to some media representation, the new state pension will be more generous for most women, who have historically done poorly under the current system—as I have long recognised and highlighted—largely as a result of their lower average earnings and periods of part-time working. Today we have published some analysis showing the impact of the new state pension on an individual's pension outcome in the first 15 years of the new scheme. In that period, 70% to 75% of women will have a higher notional state pension income than under the old system.

My noble friend Lady Jenkin mentioned financial planning and financial education. She is absolutely right: this is vital, and the Government's programme

of reforms can help facilitate it. The new state pension reforms have paved the way to make auto-enrolment safe so that all workers will be entitled to a pension at work as long as they earn more than £10,000 a year. That gives us the opportunity to embed financial planning and financial education in the workforce via employers and providers. Of course, I am happy to consider meeting Shirley Conran about the important issue of female financial planning.

As I mentioned, the cost savings have paved the way for the new state pension. All of this is being done in the interests of gender and intergenerational equality and of a sustainable pension system for the future.

I thank noble Lords for their contributions. I agree that communication is vital and we are having a major communications campaign. Information is being rolled out and will continue to be rolled out in detailed blogs and advertisements, as well as in digital, radio and social media advertising. I have written extensively about this and will continue to do so.

I thank the noble Baroness for bringing forward this debate and am pleased that we have had the opportunity to discuss these vital issues. I reassure the noble Lord, Lord Stoneham, that we have no plans for further delays to auto-enrolment. We are merely aligning thresholds to make the increases in contributions easier so that we have fewer opt-outs. I want to say how much I have appreciated the quality of today's debate and I thank noble Lords for taking part.

Strategic Defence and Security Review

Motion to Take Note

2.42 pm

Moved by Earl Attlee

That this House takes note of the United Kingdom's role in supporting international security and stability in the light of the strategic defence and security review.

Earl Attlee (Con): My Lords, I am honoured to lead this debate today, although I fear that I am probably the least experienced speaker. I do not believe that yesterday's debates and vote in Parliament have pre-empted our discussions this afternoon. The issue yesterday was about current and imminent military operations. Today, the issue is the Government's SDSR White Paper, which concerns creating international stability and security in order to avoid conflict or confrontation arising in the first place, and, failing that, ensuring that we have the appropriate military capabilities to deal with any foreseeable problems. Post Mumbai and other large-scale atrocities, the horrific events in Paris do not mean that the White Paper is already out of date. It clearly anticipates such events and seeks to avoid them. I am sure that many noble Lords will want to cover the security situation in MENA because it is so central to our situation.

Today, we can look forward to no less than four maiden and 27 other speakers. Even with the time I have available, I cannot hope to cover all the ground of the SDSR. However, in due course, I think that we need to have far more detail about what is proposed in order to measure progress in future years.

The White Paper makes much of the fact that a strong economy is a prerequisite of a successful security and defence policy. Noble Lords will be aware that we spend more on interest payments on the national debt than we do on defence, and we simply cannot go on running a budget deficit for ever. At some point we have to pay off the debt. In the 2010 SDSR the Government had to make some very painful decisions and we have to be clear that they took on some significant risks.

I welcome the general tone of the White Paper, although it is necessarily rather more robust and stern than some of its predecessors. It offers three national security objectives. Objective 1 is to protect our people by meeting the NATO 2% target and investing in agile, capable and globally deployable Armed Forces. Of course, I would like to see more than 2% but one has to be realistic.

We are to respond robustly to the re-emergence of state-based threats, including with the renewal of the nuclear deterrent. The fight against terrorism, radicalisation and extremism at home and overseas will be prioritised by a range of sensible measures.

Objective 2 is to protect our global influence primarily with soft power. We will be spending 0.7% of GNI on official development assistance—in other words, overseas aid with a slightly more relaxed definition, although still within OECD guidelines. I will return to this later. I was particularly pleased to hear about the increased resources to be allocated to the BBC World Service and the British Council. In the future we will be developing alliances, building new, stronger partnerships and seeking to persuade potential adversaries of the benefits of co-operation.

Finally, objective 3 is to promote our prosperity. We will do this by promoting a rules-based international order. Interestingly, we will be maximising prosperity opportunities from our defence, security, diplomatic and development activities. However, I hope that this does not mean that we will be relaxing our defence export control regime.

Some in my party question the wisdom of spending 0.7% of GNI on ODA and protecting the aid budget, even in the difficult conditions of 2010. My background is military—that is, hard power—although I have also run an overseas aid operation. Nevertheless, I am sure that this is the right approach. When you look at the cake of government expenditure, the biggest slices, in order, are welfare, health, education, state pensions, interest payments, then defence at around £35 billion, and then, after several other ever-thinner slices, the DfID budget. Even with no aid budget at all, the cake would look no different and defence's slice would look no bigger. For the reasons described in the White Paper, we need to have both soft and hard power. Of course, it is essential to spend ODA wisely and Command Paper 9163 describes how that will be achieved.

Paragraph 3.18 of the national security strategy covers the resurgence of state-based threats and, in particular, Russia's behaviour. I approve of the tone and the drafting, especially where it is made clear that we want to co-operate. I think that we need to be very careful to make sure that we understand the Russian viewpoint. I suspect that their map of the world looks

rather different from ours. That is one reason why I welcome the return to your Lordships' House of my noble friend Lord Cameron of Fairfax as an elected hereditary Peer. He has much experience of Russia. I hope that after making his interests clear, he will not hesitate to regularly give us his insight.

I will leave cyber and technology to others, apart from welcoming what the White Paper says and making three of my own points. It is becoming apparent that, apart from the UK and France, EU states are poor at exchanging data, and we do not know who is in the UK at any time.

The White Paper mentions Galileo, which, as a satellite system, is just as vulnerable as GPS. Can the Minister say where we are with the terrestrial eLoran system, which might be much harder to interfere with?

I welcome the Government's decision to renew the deterrent and have a vote in the House of Commons. I wonder how much time and money was wasted by the coalition Government due to the Lib Dems insisting on studying alternatives to a submarine-launched ballistic missile system when most of us are clear that there are not any. Can the Minister confirm that it is now necessary to run the Vanguard class of SSBN longer than was intended by the last Labour Government, even if it can be done safely?

I am sure that many noble Lords will talk about the maritime patrol aircraft. I was first briefed on the RMPA project before the 1997 election. It seemed even then to be an extraordinary project. The plan was to take an existing aircraft and give it new wings, engines and avionics but save the fuselage. Why not just buy a new aircraft and system, which would be far less risky? I was very surprised that the party opposite, in government, persisted with the project.

For SDSR 2010, I think it was better to cut a capability completely than degrade a lot of other capabilities by the traditional salami-slicing technique—but yes, of course it made it more difficult to ensure that the deterrent remained undetected, as I am sure many noble Lords will remind us today. It may be very inconvenient and challenging to get the necessary help from our allies in the current relatively benign strategic threat environment. However, no one is going to plan a strategic attack on the basis that there is a possibility that they might fleetingly know the location of one NATO SSBN. The beauty of having three closely aligned states with SSBN is that there is just too much uncertainty for a potential aggressor. It works.

I turn to other hard-power issues. The Royal Navy is just not big enough, but I strongly support the concept of the aircraft carriers because they can provide vigorous and independent air support to our forces deployed ashore. The White Paper talks about extending the role of the Type 45 to include ballistic missile defence. Presumably, that would be in a theatre or area role with interception in the terminal phase. Perhaps the Minister can tell us a bit more about that.

By the 2030s, the Royal Navy will have some new general purpose frigates. Can the Minister confirm that these will be proper warships and will carry and operate a helicopter? Although the offshore patrol vessels are not warships, but will be armed, I think that they will have much utility. I have seen the Irish

[EARL ATTLEE]

OPVs being built at the Appledore shipyard, and I hope that the forthcoming shipbuilding strategy will secure a future for warship building, and not just in Scotland.

I am very concerned about the state of the Army. I recognise that I am not a capability manager. However, I think that we have too great a proliferation of armoured and protected mobility platforms, with too many UOR vehicles being taken into general service. These vehicles were designed for one particular operation, with no account being taken of long-term sustainability or other military requirements.

Currently, we have only three regular Challenger tank armoured regiments. Since we will only have two armoured infantry brigades, if I am correct, does that mean that we will be down to only two armoured regiments?

The White Paper indicates that two infantry battalions are to be reconfigured for defence engagement. It sounds to me as though a more accurate description is “downgraded and reduced”. Presumably, these battalions will not have the capability of even a light-role battalion. Can the Minister confirm that I am right in my thinking and what the headcount of these battalions will be?

Apparently there are to be 10,000 military personnel available to assist the civil authorities at short notice. Can the Minister confirm that this is MAC A, military assistance to the civil authority, and not MAC P, military assistance to the civil power, and that MAC P in the UK is normally only provided by Special Forces when military primacy takes place for only a short time? I think that it would be helpful if the Minister could explain exactly what this policy means.

Regarding air power and the RAF, I welcome the enhancements outlined in the White Paper. We also now have a much-improved and modern transport fleet that is well-placed to support future operations.

Finally, I turn to personnel. I think that this will be the biggest challenge in delivering the SDSR in future years, in particular nuclear and other highly skilled technical people, both in and out of uniform. I think that some very senior officers have a touching faith in what can be achieved with contractors, especially in theatre. Interestingly, the White Paper has almost nothing to say about reserves. Perhaps we will see a paper on that later.

I am a little worried about what might be behind some of the White Paper’s comments regarding accommodation, pay and allowances. Personally, I would like to see the Armed Forces pay review body take a rather more proactive role in ensuring that the Armed Forces are able to attract the right quality of recruit.

I look forward to hearing the views of other noble Lords. I beg to move.

2.56 pm

Lord West of Spithead (Lab): My Lords, it is somewhat poignant that five years ago today the newly refitted HMS “Ark Royal” entered Portsmouth harbour for the last time to pay off, accompanied by her doomed

Sea Harriers. It was just one of the very poor decisions in SDSR 2010, which has resulted in a 30% reduction in our nation’s military capability since 2010.

Turning to today, the analysis of Britain’s changing strategic environment in SDSR 2015 is, I believe, largely sound. However, surprisingly, it fails to point out that we are an island, which seems fairly important in grand strategic terms. But SDSR 2015 remains replete with the tensions that are inherent in Britain’s taut defence budget. The slightest shock and/or commitment beyond what are now very limited defence planning assumptions could bring the entire SDSR edifice crashing down. Plus, everything is predicated on the assumption that the economy will continue to grow.

Our uniformed leaders are so relieved that there were no cuts in SDSR 2015 that they welcome it as a triumph. Indeed, it is their duty to do so—that is their job. But much of the trumpeted new money is existing resources re-tagged. If one compares the 2015 defence accounting model with the 2009 defence accounting model, one sees that British defence expenditure is 1.7% of GDP. This is because it includes so-called other, mainly non-military, items of expenditure that are within NATO’s definition of defence expenditure but not within the traditional British definition.

The much-lauded £12 billion increase in the defence equipment budget will include up to £11 billion of efficiency savings. It involves cutting 30,000 MoD civilian posts, many of which were created after SDSR 2010 to replace military personnel. Presumably, that will have a considerable impact.

SDSR 2015 is still clearly resource driven, rather than strategy, threat or interest driven. It makes us marginally stronger but fails to recover the capability lost since 2010. Debt reduction is clearly still more important to the Government than defence, and the Treasury’s continued grip on Britain’s defence strategy reinforces the “how much threat can we afford?” culture that still permeates Whitehall. That is somewhat surprising when one looks at an increasingly dangerous and chaotic world and thinks of things such as the decision made in the Commons last night.

SDSR 2015 imposes considerable constraints on the Royal Navy. The surface fleet is already down to 19 escorts. As I have said, that is a national disgrace. SDSR 2015 claims to want to preserve that number. However, it reduces the planned Type 26 frigates from 13 to eight, with five less capable further down the track, but there are no actual orders. What is the drum-beat of ship orders to ensure stability in our shipyards? I am sure that the noble Lord, Lord Sterling, will today mention the study he put in hand showing the value of orders and the need to maintain these sorts of orders. Will we run all the OPVs? I believe that we are heading towards a two-tier Navy by default. Is that what we want? Force projection does not escape, with the disgraceful withdrawal of HMS “Ocean” at only 20 years’ life. My plea to the Minister is that we must keep her in PxO and not get rid of or scrap her. It would be a disgrace to do that at that age.

I am delighted by the commitment to the deterrent and to replacing the submarines. However, as the noble Earl, Lord Attlee, said, there is a very real risk in running these boats on to 40 years old. That is presumably

why there is such an increase in cost for the deterrent replacement: running 40 year-old submarines is dangerous and very costly. If we are having to do this, there is a gap in the build programme. Let us put in another Astute class—we can effectively get one for less than £200 million. Let us think laterally; that is the sort of thing that we need to do.

Even to crew the modest planned force, the Navy needs an additional 3,000 personnel—it has only 450. So SDSR 2015 scores six out of 10 in my book and the nation needs to spend more money on defence if we are to meaningfully support international security and stability.

2.59 pm

Baroness Smith of Newnham (LD): My Lords, the challenges of the 21st century ensure that traditional defence policies and capabilities alone are rendered inadequate to secure the United Kingdom or any other sovereign state. We need new capabilities, a broader understanding of security and greater international co-operation. In many ways, this is reflected in the SDSR and the strategic risk assessment of 2015.

The tier 1 threats are identified as international military conflict, instability overseas, major natural hazards, public health, cyber and terrorism. The timing of today's debate could not bring into greater relief the extent to which those tier 1 threats are at play right now. They are not hypothetical; they are real and present. Yesterday's decision in the other place regarding the engagement of the RAF in bombing ISIL in Syria and the debates in both Houses and among the public bring together a whole set of threats that have already been identified as tier 1: cyber, terrorism and international conflict. The decision yesterday reflected a commitment to our friends and allies in NATO and the EU, particularly in France, and highlighted the importance of international co-operation to tackle those current challenges, whether they be diplomatic, economic or military, through the UN, NATO or the EU.

Whatever view people took of the decision taken in the other place yesterday, it is vital to reflect on the commitment of the RAF and the Tornado squadrons operating out of RAF Marham and RAF Akrotiri. They are second to none in their commitment to this nation and our security, and I hope that everyone, regardless of their views on intervention, is able to recognise this. It is also important to recognise that, despite the welcome commitment to 2% spending on defence and the increased expenditure on capabilities and equipment envisaged in SDSR 2015—plugging gaps created by SDSR 2010—a range of commitments will put additional pressures on the Armed Forces: the deployments out of Cyprus, ongoing commitments to the Falklands and other international engagement, and responding to the current refugee crisis. How far have the Government looked at the impact of those repeated engagements on the armed services and on the morale of the Armed Forces?

In particular, on the second of the formal commitments—global reach, whereby the United Kingdom seeks to protect our global influence—the SDSR seems to suggest that global influence goes across all continents, with engagement against terrorism particularly in Africa as well as in the Middle East. All that puts pressure on

our Armed Forces. Will the Minister convey to the Foreign Secretary and the Prime Minister that, however much it is in the UK's interests to engage with partners across the globe, we should not feel the need to make yet another commitment every time there is an official visit? Clearly, only engagement in war necessitates a vote in the other place. Other things may go under the radar, but all of them have an impact on our Armed Forces.

3.04 pm

Lord Stirrup (CB): My Lords, it is perhaps worth reflecting that, during the previous strategic defence and security review in 2010, it was made clear to the Government of the day that achieving the kind of reductions that they sought in defence expenditure, at the pace at which they sought to make them, would inevitably result in a degree of strategic incoherence. If the Government nevertheless wished to proceed on that basis, the best that could be achieved was to leave defence in a position from which it could rebuild coherence between 2015 and 2020, hence Future Force 2020.

That, however, would require real-terms increases in the defence budget in each of the years after 2015. The Prime Minister acknowledged as much when presenting the outcome of the 2010 exercise in the other place. Following the most recent defence and security review and the preceding spending review, that funding increase has now, happily, been put in place. I welcome this, but we must be clear that it does no more than was assumed in 2010. It will allow defence to deliver a coherent programme, but it does not bring defence spending back to pre-2010 levels. We will still have smaller Armed Forces, and they will still be stretched to respond to the demands that the Government place on them.

We should also remember that the SDSR sets out an intent; that intent still has to be delivered. Some of the most significant defence shortcomings in recent years resulted not from the 2010 review but from the further cuts that were imposed in subsequent years, so we must seek to ensure that the plan set out in the current review is adhered to. Even that outcome was in doubt until recently. Two years ago, the prospect of the Government reversing the decline in defence spending looked fairly bleak to most of us. Among the important factors in turning that position around were undoubtedly the strong signals coming from Washington that the UK's position as a reliable partner was in serious doubt.

We have long put our membership of NATO and, within that, the transatlantic relationship at the heart of our security strategy. We flirted dangerously with weakening, if not destroying, that crucial pillar of our defence. Thankfully, we appear to have recognised our folly in time and to have amended our way, but we must ensure that we do not repeat the error.

Any strategy must consist of ends, ways and means brought together in a coherent and achievable way. Our object is the security of our nation, its people and their interests. Two of the principal ways in which we pursue those goals are through our relationship with the United States and our leading position within NATO. This means that we have to employ our forces in a way that is consistent and appropriate, that we

[LORD STIRRUP]

have to make levels of investment that are consistent and appropriate to the international situation, and that we have defence capabilities that we are clearly willing to use when the circumstances so require.

There is of course plenty of scope for debate over the exact meaning of terms such as “appropriate”, “relevant” and “circumstances”, and these complex questions and the difficult choices to which they give rise are at the heart of any defence and security review. But what should never be in doubt in the minds of friends and opponents alike is our willingness to put our security at the top of our political calculus. We have started to do that in this review and through more recent events. We must continue to do so in future.

3.08 pm

Lord Howell of Guildford (Con): My Lords, I congratulate my noble friend Lord Attlee on securing this debate. I am also looking forward greatly to the maiden speech of the noble Lord, Lord Hain, who during the whole of my time in Parliament, which is just short of 50 years, seems to have been campaigning for something or other—he is the campaigner par excellence. In between that, he has been Secretary of State for just about everything, but we will hear about that in a moment.

This document is of course a defence review, but it is also an overall view of the nation’s rapidly changing place in the world and how we survive and prosper in the future. I want to concentrate on the Prime Minister’s quote on page 6, about our outstanding Diplomatic Service and our formidable soft power and how we must put the one behind the other. I want to refer also to national security objective 2 on page 11, which again talks about soft power and how clearly it must reinforce and work hand in hand with hard power and more traditional, conventional forms of power deployment and influence. It all sounds fine. It has good remarks in it about the BBC World Service and the British Council in an information age. There is no mention at this point in the report about the Commonwealth, although on page 54 the whole tone suddenly changes and the authors there—they may have been different authors—grasp both the enormous security and trade implications of the Commonwealth network.

More important than that is whether the fine aspirations that the Prime Minister sets out are being followed up. We have a huge aid budget and we can argue about at what speed it should increase and so on, but, whatever its size, it must be backed up by the rest of the diplomatic, security and defence machinery of the nation so that we get a maximum impact from the enormous resources that we are putting into international affairs. Frankly, that is not happening. It may be happening at a junior level but at the senior levels in government we are missing the necessary linkage. The MoD, the FCO and DfID must work more closely together. I agree that the huge resources of DfID, which is doing an excellent job in many areas, need to be brought into closer connection with our national interests, national purposes, national security and, indeed, with the Foreign and Commonwealth Office, as is the case in Australia, Canada and many other countries.

More widely, the report is weak on energy. It does not mention anything about the interconnectors which will keep our lights on. It does not mention much about Japanese nuclear power—not Chinese, but Japanese; I declare an interest—which will be the key spearhead in the development of our low-carbon economy. There is not much on Middle East oil and rather high hopes on US shale gas, which, by the time it gets to Europe, will be very expensive. There is little on Asian security and the newly developing common aim between India, Australia, New Zealand and Japan in containing Chinese expansion in Asia. Generally, the authors have not quite grasped that we have moved from an industrial world to an information world; that large-scale military force is less important than it was 50 years ago and that new agile forms are needed; that there are no superpowers anymore; that we live in a network world; and that we must invest in new tools of diplomacy in this network world.

For a clearer insight into what is really happening for this country, I refer noble Lords to a recent document from the London School of Economics Diplomacy Commission, which understands these points. It picks up a number of ideas from your Lordships’ own soft power report, without attribution—but, never mind, I am being kind to it—and frankly, if we want to understand where this country ought to be going, that is a much better read.

3.12 pm

Lord Hain (Lab) (Maiden Speech): My Lords, I am pleased to follow the noble Lord, Lord Howell, who was such an eminent Cabinet Minister while I was campaigning. I am also pleased that my noble friend Lord Touthig will be replying and that many other noble friends are contributing.

Forty-five years ago, when notorious for running on to rugby and cricket pitches to stop all-white South African sports teams selected on race not merit, I never imagined being here. Indeed, a tabloid editor wrote at the time:

“It would be a mercy for humanity if this unpleasant little creep were to fall into a sewage tank. Up to his ankles. Head first”.

I thank my sponsors. My noble friend Lord Kinnock, a great Labour leader, welcomed me into the Labour Party in 1977 to speak at a massive Tribune rally without mentioning that they always sang “The Red Flag”, its words then unknown to me. Perhaps my miserable performance inspired John Redwood’s excruciating public rendition of the Welsh national anthem. Your Lordships may be unaware that my noble friend Lady Morgan of Ely is as talented a singer-songwriter as a politician, as she proved with a provocatively witty song at my wedding. She was outshone only by Nelson Mandela, who mischievously apologised, “But I hope to be there next time”.

It has been a long journey from Pretoria boy to Neath Lord. I thank the people of Neath for their warm support for over a quarter of a century. In recent months I have often been asked about retiring, but to me retiring from politics would be like retiring from life. Politics has been in my DNA from when, as a boy, my brave anti-apartheid parents, Adelaine and

Walter Hain, were successively jailed, silenced by banning orders and finally forced into exile in London in 1966, when I was 16.

The defence review clearly has to take account of one of the biggest threats to our country's immediate security—the barbaric ISIL/Daesh. I hope your Lordships will challenge a British foreign policy seemingly based more on dominating headlines than serious diplomacy. Syria represents one of the worst western foreign policy catastrophes of modern times, encouraging a terrible human calamity to become a disaster of almost biblical proportions. For this was never just a battle between a barbaric dictator and a repressed people, as the Prime Minister first argued. Instead, it is a treacherous civil war, a fiendishly complex battle between Sunni and Shia Muslims, between Sunnis and fundamentalist Sunnis, between Saudis and Iranians and their militia proxies, and between the US and Russia.

Today the Prime Minister at least has a plan for the first time. It leaves me almost persuaded, not least because when voting last year to back air strikes against ISIL in Iraq to stop its genocide, I pointed out that it had also to be attacked in its Syrian heartland. Britain must use its leverage now to insist that the regional powers take full ownership of this battle and, above all, that there is a credible ground force strategy—that the Prime Minister's alleged 70,000 rebels is emphatically not. Nor is his reliance on the army of an inclusive Syrian Government. That is a future aspiration and certainly not an option for the foreseeable future.

Kurdish forces are fighting ISIL/Daesh impressively, but only in their own territory. Shia militias or Iranian soldiers are no answer fighting a Sunni enemy in bitterly aggrieved Sunni communities in both Syria and Iraq. Western ground troops would create exactly the battle that ISIL/Daesh craves. The imperative now must surely be for Sunni soldiers from Saudi Arabia, the Emirates, Qatar, Jordan and, above all, Turkey to fight and beat ISIL/Daesh. Britain could and should offer logistical support to those Sunni ground forces but they are indispensable.

Finally, I thank all the staff of your Lordships' House, who have been fantastically helpful, especially Nicola Ravis in Black Rod's office. I also thank your Lordships, across all parties, for your generous welcomes, especially the noble Baroness who told me, "It's nice to have somebody young joining us". I am a trifling 65 with six grandchildren.

3.17 pm

Lord Chidgey (LD): My Lords, I am pleased to have the opportunity to follow the noble Lord, Lord Hain, on his maiden speech. He has had a long and varied political career. His anti-apartheid stance is well documented, as was his time later in the Foreign Office. As a member of the Foreign Affairs Select Committee in the other place, I regularly had the opportunity to debate African and European issues with him, particularly the future of Gibraltar. For me and thousands of others, however, it is his work as the Secretary of State for Work and Pensions that stands apart. He was the author of the financial assistance scheme to compensate those in pension schemes which had collapsed. As one of those victims I can now thank him for sorting it out.

Turning to the main issues, it is impossible to cover such an important aspect of policy in only four minutes and I hope that in due course the Government will allow more time properly to debate these issues. For now, I can touch only briefly on UK aid, the BBC World Service and an appreciation of the strategic defence and security review.

The recommitment to spending 0.7% of GNI on aid and development is welcome, as is the commitment to substantially improve the transparency of ODA. However, how does this increase in aid to fragile and conflict-affected states relate to the overall target of 30% of all UK aid? The unilateral decision to end budget support and how focusing more on our self-interests will work while still protecting the focus on poverty are also strong causes for concern. Having signed up to the sustainable development goals agenda in 2030 just two months ago, it is disturbing that they now appear to be given a low priority and that the call to "leave no one behind" seems to be fading gradually away.

With its annual budget rising to £340 million, the BBC World Service plans to increase its audience from 300 million to 500 million, particularly in Nigeria, Ethiopia and Eritrea. It will see a welcome return to joint Foreign Office and licence fee funding. Its impartiality helps to improve good governance and accountability in places that lack any semblance of either, to echo the *London Times*. There is not a lot of point to it, however, if the audience is prevented from receiving the message. The switch from short-wave transmission from Bush House in London to local FM stations in developing countries created a worrying vulnerability to interference and closure by the political estate. The argument at the time was that relatively few people had access to short-wave receivers while everyone had an FM transistor radio. I am not so sure. In my experience in fragile African states, everyone knew where to go to hear a short-wave BBC broadcast in times of trouble, whether it was to the workplace, to a friend or to the village headman. What evidence has been collected in the interim on the incidence of local FM radio stations carrying BBC World Service broadcasts being taken over by authoritarian Governments while short-wave transmissions elsewhere continue unchecked?

Finally, a few words about the SDSR. The unveiling of a more strategic, threat-based approach is welcome. It seems that a valuable lesson has been learned from the resource-driven approach to the 2010 SDSR. That has become rapidly obsolete with the emergence of unforeseen and as yet undetermined threats from Daesh and a resurgent Russia. To quote the Royal Aeronautical Society:

"We must avoid becoming prisoners of the present. Only the development of a more flexible, agile and technologically-advanced military, that can be readily and rapidly deployed in times of crisis, will ensure the UK maintains vital national security and influence on international issues whatever the geo-political situation".

3.21 pm

Lord Hannay of Chiswick (CB): My Lords, the topicality of the noble Earl's debate today, coming as it does just a week after the publication of the 2015 SDSR, can surely not be in doubt. It is a delight, too, to have four maiden speeches in the debate, three of

[LORD HANNAY OF CHISWICK]

them from noble Lords for whom or with whom I have worked in the past. Not only is the debate timely, it provides an opportunity to consider the UK's security posture at a time of greater international volatility and challenge than has been the case for many decades. Recent trends of a drift towards a new world disorder and away from the new world order which some mistakenly predicted would follow the end of the Cold War are too numerous to require listing. The Government's commitment to,

"work with our allies and partners to strengthen, adapt and extend the rules-based international order and its institutions, enabling further participation of growing powers",

is therefore both welcome and overdue if that drift is to be challenged and reversed. It rightly recognises the extent to which Britain's security extends beyond what could be called the classical formulation of the defence of the realm and requires a major collective effort, if it is to be achieved.

I shall focus my remarks on chapter 5 of the SDSR, entitled "Project our global influence", and within it on two issues—support for international peacekeeping and help to fragile states. First, in recent years, this country's contribution to UN peacekeeping has become at best marginal, and at worst insignificant. That could be explained, even if it could not be entirely justified, by our preoccupation with operations in Iraq and Afghanistan. That can no longer be so. The demand for UN peacekeepers, both military and civilian, remains as high as ever, with more than 100,000 currently deployed worldwide, and that shows no signs of abating. We cannot reasonably expect others to fill the whole of that on their own. The decision in the SDSR to double the number of military personnel we contribute to UN peacekeeping operations is therefore welcome, but I hope that the Minister can say whether the baseline for doubling is the present deployed figure or the figure including the 300 additional personnel announced by the Prime Minister in October for South Sudan and Somalia. If it is the former, I have to say that the commitment is thin gruel.

Do the Government accept that what we need to try to do is to make a real contribution not only in numbers—those well-known boots on the ground—but in the provision of more sophisticated equipment to UN peacekeeping, and more sophisticated personnel who are required if modern peacekeeping is to be effective? I refer also to things like reconnaissance drones, helicopters, intelligence capacity and many other logistical aspects of these operations. Are we prepared to contribute such items in the future?

Secondly, I refer to the commitment to spend at least 50% of our aid budget on fragile and failing states. This recognition is really welcome, and I hope that the UN and the OECD's DAC guidelines will now take better account of the reality that you cannot do development in fragile or failing states. You have to stabilise them first and then you can do development. I hope that we can make a real success of that commitment.

Finally and in conclusion, I congratulate the Government on a review that is generally both more realistic and more action-oriented than the 2010 review.

Whether it will also be more effective will depend on its implementation. In recent years, a rather wide gap has opened up between the Government's rhetoric on international development and their actual performance. The success of this review will be determined by whether that gap can be narrowed, and in that context I welcome the outcome of last night's debate in the other place and the decision there to authorise the extension of our military operations against IS to include its heartland in eastern Syria, a decision that I believe was morally, legally and strategically the right one to take.

3.26 pm

Lord Arbuthnot of Edrom (Con) (Maiden Speech):

My Lords, it is easy to say that it is a great honour to join your Lordships' House, but it is hard to convey quite how much it means to me. I thank my supporters, my noble friends Lady Stowell and Lady Bottomley, and my mentor, my noble friend Lady Browning, for their unstinting encouragement and help. I am afraid I shall continue to need it, having already sat on the wrong Benches, stood when I should have been sitting, and no doubt sat when I should have been standing. I also thank and congratulate the staff of this House. I do not know how they recognise us all, but I take my hat off to them.

In my time in another place as a Back-Bencher, Minister, Chief Whip and chairman of the Defence Select Committee, I came to appreciate with admiration the depth of the wisdom and expertise that is available on a daily basis in this House. An obvious example of that is the noble Lord, Lord Hannay, whom it is a privilege to follow, but then I have been benefiting from his experience on issues of nuclear proliferation for many years now, so no change there. He told me a fortnight or so ago that he was an optimist; I am not. I have been described by the *Times* as making Eeyore look like a happy-clappy type, and your Lordships are just about to find out why. And how daunting it is to be speaking in a defence debate surrounded by noble and gallant Lords and former and current Defence Ministers, and how thankful I am that I have only four minutes, which has to limit the number of mistakes I can make—but time will tell.

I declare my interests in that I advise Thales UK; Pure Storage, the computer storage company; and the strategic company SC Strategy Ltd. I am also an unpaid adviser for the Electric Infrastructure Security Council of the United States.

I welcome the Government's commitment to spending 2% of GDP on defence. I suspect that most of us would like to see more, but in a time of austerity this is a real achievement. There is one aspect of the review on which I shall concentrate. Since the Industrial Revolution, the developed world has begun to rely on technology to an extent which has been increasing as the pace of change picks up. The developed world is now completely dependent on, for example, computers and electricity. This was the subject of an excellent speech in a debate in this House about a month ago by the noble Lord, Lord Harris of Haringey. Without computers, we could not function efficiently. If we lost our electricity, we could barely function at all. We would have no money, no communication, no chain of

command, no water and no fuel. It would, as they say, be a really bad day. So our reliance on electricity creates for us an existential risk—a potential single point of failure that leaves us vulnerable as never before.

Therefore, I particularly welcome the concentration given in this review to the extra money provided to GCHQ, and to the recognition by the Prime Minister of the need for exercises to protect our energy infrastructure. I welcome the fact that when Oliver Letwin set out these vulnerabilities to the Chancellor of the Exchequer and asked for resources to deal with them, the Chancellor told him that he was being insufficiently ambitious and gave him more. I believe that that reflects well on both of them because, throughout the developed world, modern warfare will be fought not only on the beaches, in the fields and on the streets; it will be fought inside our infrastructure in ways we will not be able see, with no warning and with devastating consequences. I believe that the Government understand this, but there is much still to be done.

3.31 pm

Lord Sterling of Plaistow (Con): My Lords, I very much appreciate my noble friend Lord Attlee initiating this debate. For me, it is also a special pleasure to follow my noble friend Lord Arbuthnot's most thoughtful maiden speech. I am absolutely sure that his experience will add lustre to this House. Over the last five years, James and I have had many discussions on defence. His knowledge on the subject, gained over many years, was put to excellent use when he served as chairman of the Defence Select Committee in the other place. As a matter of interest, having two ancestors who both fought at the Battle of Trafalgar and rose to the rank of admiral, and another a general, commanding cavalry in the Battle of Waterloo, his natural interest in the Armed Forces is possibly not surprising.

In the speech I made in the defence debate after the Queen's Speech, I felt it only right to congratulate the Government on the outcome of the defence and security review. We are unquestionably in a better place than I and many others imagined six months ago. It has been received positively by our armed services. I understand that our American friends, who regard us as their key partner of choice, are pleased with the outcome, in particular noting the enhanced Royal Navy capability. Great effort has gone into this review, and I am sure that we all wish to thank all those involved, in particular the many civil servants, whose efforts often go totally unsung.

I completely endorse the Government's strong link between prosperity and security. Indeed, I strongly suggest that the Armed Forces have an even greater role to play in this link. All three services can reinforce the Government's global prosperity ambition through their deployed footprint, utilising soft power through exercises, visits and partnerships, signalling our regional commitments, military strength and military technology. All this makes the work of our industrial defence sector and our diplomats a great deal more effective. It will unquestionably help to enhance our international trade and will, of course, create wealth for the United Kingdom.

Having said that, I must nevertheless add a strong note of practical caution. The work to create and, indeed, restore the necessary capability has only just begun. It would take many highly motivated, capable people many years to make it happen. Leadership and commitment to the pace and quality of delivery is crucial. We must not waste a single day. As recent history clearly demonstrates, events may challenge us at any time, as my noble friend Lord Arbuthnot just mentioned, before we are ready to respond.

The core point of the 2% is that 20% of it is being spent on new kit, which will undoubtedly be a major factor in enforcing positive change. However, much of the new equipment will not be delivered and operational until 2025 and beyond—20 years after the 2010 SDSR future force planned structure. The world looks far more dangerous. In a sense, we will see a window of vulnerability over the next decade. In the round, we may not achieve the full strength of our military capability until 2030—that is three times the length of World War II and three Parliaments from now. In my view, everything that can be done to pull forward this programme would not only lead to much greater efficiency and cost gain, but motivate innovation. The time gain could be crucial to the United Kingdom's security. The next two or three years will be more than exacting for our armed services as the budget now includes the cost for rapidly enhancing our cyber and intelligence capability.

In times of crisis, I am sure that the Government would find another £1 billion to accelerate this very positive change programme. Do we need to wait for a crisis? It is excellent news that we now have clear political will to engage and re-engage from strength. I hope that our Government will be prepared to consider going the extra mile, which would be splendid for morale and save money for the nation. I therefore ask my noble friend the Minister to consider my request to go the extra mile. I took very careful note of the very powerful speech by the noble and gallant Lord, Lord Stirrup. I look forward to the time when allocation to defence will be at least 3%.

3.36 pm

Lord McConnell of Glenscorrodale (Lab): My Lords, while I welcome and congratulate all our maiden speakers, I welcome and congratulate my noble friend Lord Hain in particular. As has already been suggested, his campaigning history goes back a very long way. He is still active today. I recall first meeting him on campaign visits to Scotland in the 1980s, when, as a young mathematics teacher, I used to do his son's homework when he came with him for the visit for the weekend. It is terrific to be sitting beside him and to welcome him to your Lordships' Chamber.

I welcome much of the content of the new national security strategy, but I will focus in particular on the stability element of the topic for debate, and the new policy statement *UK Aid: Tackling Global Challenges in the National Interest*. Much of the national security strategy is framed in the right terminology. As has been said, it recognises the critical links between development, diplomacy and defence. But in too many instances its rhetoric is not always matched by the content. For example, the section on the United

[LORD MCCONNELL OF GLENSCORRODALE]

Nations refers to UN peacekeeping, but does not in any way reference UN peacebuilding or the work that has been done over recent years to build greater collaboration between the United Nations, the World Bank and other multilateral institutions to secure greater success in post-conflict reconstruction.

The section on the European Union is far too cautious. It does not reference the potential of the External Action Service or the development commission to make a real difference in the world to the stability that we all seek. In the section on migration I was shocked to find only one paragraph of four sentences, the first of which talks of a comprehensive strategy; the other three make it clear that there is no such thing. When migration is a driver of so much conflict in the world today, surely that should have had greater recognition in this strategy. I was also surprised, given the key role of the United Kingdom in ensuring that goal 16 of the new sustainable development goals references peace and justice and their importance to development, that the section on the sustainable development goals does not mention that particular challenge.

However, I welcome the fact that the new policy commits 50% of our aid resources to fragile states and regions. I believe that a focusing of our overseas aid on the places that need it most, where we can make the most difference, is long overdue. I also welcome the new £1 billion fund for conflict stability and security. However, even now, the descriptions of the purpose of these new funds, the priorities that are being established and the strategies that will be used are far from clear. Will the Government consider allocating time in the new year for a debate on the strategies behind these two critical new commitments? We know that, after 15 years, the millennium development goals will not be met in any conflict-affected state in the world by 31 December. Not only will they not be met as a whole, but not one MDG will be met in any one conflict-affected or fragile state. There can be no peace without development, but there can also be no development without peace. If we are aiming for international stability as well as British security, we need to give greater priority to that within the detail of our strategy in the coming years.

In conclusion, I welcome the strong commitment given by the Government to defence spending and to development spending. To do this at the same time as cutting back on our diplomatic effort in so many important places and on the detail of our diplomatic analysis, research strength and accumulated knowledge over the years is a backward step. Development and defence, hand in hand are important, but development, defence and diplomacy have to go together if we are going to have the international security and stability that we seek.

3.41 pm

Lord Bruce of Bennachie (LD) (Maiden Speech):

My Lords, I am delighted to follow the noble Lord, Lord McConnell, a very distinguished former First Minister of Scotland. I agreed with much of what he said.

When I stood in the October 1974 election, came fourth and lost my deposit, I never dreamed that I would rise today as a Member of your Lordships' House. I want to thank everyone who has made my arrival here in the last few weeks such an enjoyable experience. I am genuinely grateful for all the guidance and help I have received at all levels and from my sponsors, the noble and learned Lord, Lord Wallace of Tankerness, and the noble Lord, Lord Kirkwood of Kirkhope. The doorkeepers, attendants and catering staff are incessantly cheerful, helpful and friendly—not just to me but to my friends and family, my demanding children and grandchildren.

I had the honour to represent the constituency of Gordon for 32 years. Gordon is not a place; it is the heartland of the Gordon family, historically headed by the Dukes of Gordon, including General Gordon of Khartoum and the 18th-century Duchess who recruited soldiers into the Gordon Highlanders with a kiss. It also produced a Prime Minister, Lord Aberdeen, who appointed Gladstone to his Cabinet. Lord Aberdeen's family seat was Haddo House where, until fairly recently, June, the late Dowager Marchioness of Aberdeen, presided over many musical and cultural activities. She endeared herself to me when, after one election, she said: "Malcolm, I am so pleased you got back. I worried you might lose. I was so worried, in fact, I very nearly voted for you".

A colleague said to me that if you are going to be a long-serving MP you need to reinvent yourself from time to time. I certainly have carried out many different roles, including leading my party in Scotland and working with Donald Dewar and others in the constitutional convention to lay the foundations for the restoration of the Scottish Parliament. I am more committed than ever to the case for a federal United Kingdom that can secure the wishes of the majority of the people of Scotland to be self-governing within the UK, rather than leaving it.

I am particularly proud of the role with which I was entrusted by the House of Commons for 10 years, as chair of the International Development Committee. That gave me a privileged and unique insight into the work of the UK's aid and development activities—by government, by world-class development and humanitarian NGOs and by charities and international and global players. It is on the basis of this experience that I choose to make my short intervention in this debate.

I understand the Government's aim of demonstrating how our official development assistance directly serves the national interest but it has to be done while conforming to the OECD Development Advisory Committee guidelines. I am pleased that the aid review continues to highlight the focus on poverty reduction as a key objective, as it must be if the post-MDG objective of eliminating absolute poverty by 2030 is to be realised. I also note the interesting report of this House's Committee on Soft Power and reassert my own view that tackling the challenges of poverty, humanitarian disasters, migration and conflict requires the whole of Government's engagement. I can only echo the committee when it said,

"soft power can only deliver tangible and measurable results over time, and with patience and dedication".

I would express caution that, while we retain flexibility, we do not chop and change priorities too quickly and too often. In particular, in our desire to address the current refugee crisis—and I have visited refugees in Lebanon and Jordan—we should not divert funding from vulnerable communities in sub-Saharan Africa and south Asia.

I welcome the fact that the Government's national security strategy and strategic defence review maintain the commitment to tackling conflict and building stability overseas. I will watch with interest how the increase in the fund from £1 billion to £1.3 billion will be prioritised and in what ways the Government will deliver annually 50% of DfID's budget in fragile states and regions.

I hope I shall have further opportunities to address this House on these matters and that, from my past experience and continuing engagement, I shall be able to contribute usefully to the deliberations of your Lordships' House.

3.45 pm

Earl of Stair (CB): My Lords, we have four maiden speakers. It gives me great pleasure to have the honour of congratulating the noble Lord, Lord Bruce of Bannachie, on his excellent maiden speech in such an important debate. Although we come from opposite corners of Scotland, I am reassured to note that we have both campaigned on similar issues of health and transport. He has had considerable experience, not only as deputy leader of his party, but also as Shadow Secretary of State for Scotland and spokesman for multiple departments. He mentioned his role in the Scottish Constitutional Convention and I am sure we shall look forward to the benefit of that experience in the coming months as well. His speech has given a very different view on defence and international security and stability from the perspective of the International Development Committee. The constituency of Gordon has benefited from his experience for 32 years, and I am sure that noble Lords on all sides of the House look forward to his contributions based on his very wide experience.

I believe that this is the most encouraging defence review for some time. Sadly, previous reviews have to my mind overlooked the developing threat and concentrated far too much on reduction and cost saving. It is true that the threat has evolved massively over the last 30 years, particularly in the fields of cyberattacks, electronic intelligence and international terrorism on a large scale, such as is seen in Syria at present.

I am a firm believer in the nuclear deterrent and concerned that, while Russia appears intent on restarting what was so carefully dismantled 30 years ago, now there are nuclear threats from other nations as well. I agree that the concept is abhorrent but am sure that the deterrent is effective, if only by its established existence over the last 50 years. The whole scenario of warfare has changed and appears to have settled into a pattern of multinational approach, rather than the solo campaign such as that fought in the Falklands and South Atlantic, and I welcome a strategy of working with partners.

I am pleased that the Government have confirmed that expenditure is, and will remain, at the agreed 2%

of GDP, and look forward to this being maintained in all future Budgets. More than ever before is a guaranteed expenditure necessary. The list of new equipment promised in the review is also very encouraging. Properly equipped aircraft carriers will be essential to help us to fulfil the obligations we have on the worldwide theatre, along with fighting ships and helicopters. However, it should not be forgotten that it takes only one good shot to lose that asset. I hope that plans are in place to provide adequate resources to ensure the security and protection needed to support all our future deployments.

This is a very long review and I want to focus on only two subjects. I am saddened, though, that with the increased threat and greater demands on defence resources and following so many reviews with proposed cuts, there is such a small increase in the numbers of personnel, and that the Army is to be maintained at only 82,000, which I assume includes reservists. I welcome the 1,900 increase in personnel to cover cyber and other threats, but I hope there will be enough to cover the defence force requirements, particularly given the expectation that twice as many available forces will be used for peacekeeping and other international roles. Equally, I appreciate that the use of remote technology and modern equipment can replace personnel included within that plan.

Previous reviews have cut manpower to a point where it has become a significant issue, as I have found in conversations with serving personnel. Long operational deployments with a short home base time before training for the next deployment have a wearing effect on morale and family life. This is particularly noticeable in specialist sectors such as air defence and support arms, where skilled operators in specific roles are very much in demand. While I welcome the improvements to family life, pay and accommodation, I fear that the human factor of the service men and women is not being given as high a priority as it should.

Secondly, I could see no provision for a greater allowance of resources for training. A shortfall of personnel means that operational demands are likely to absorb training time and resources will be cut as well. The provision of shiny new equipment appears to be just sufficient to fulfil the role expected.

Will the Minister, in summing up, give me some assurance that I have in fact misread the review; that as well as the shiny new equipment there will be adequate time and resource for training, and, indeed, the human elements of the services; and that the manning levels of all services will be regularly monitored and even increased if necessary?

3.50 pm

The Lord Bishop of Portsmouth: My Lords, even before we reach the halfway point of this debate, a range of significant and important matters have been raised. Some merit much more substantial consideration—for example, international partnerships and relationships, the deliverability of counterterrorism and the cyberterrorism agendas, and the huge importance of diplomatic presence and influence. To these I add the projected development of the delegated model.

Like others, I look forward to further opportunities to discuss these and the many issues before us as we consider the SDSR. However, I shall restrict myself to

[THE LORD BISHOP OF PORTSMOUTH]

three specific and, I hope, succinct comments and queries. First, noting the small increase in numbers in the defence review—400 for the Navy and 300 for the Air Force—what steps will the Ministry of Defence take to address the equally important matter of skills imbalances in the services—for instance, the Navy's challenge in recruiting engineers? Existing commitments, equipment and new hardware need not just any soldiers, airmen and sailors but properly skilled, trained and experienced men and women. Further, if, as I suspect, military commanders sought increases, or greater increases, in their numbers—if they argued that they needed, let us say, 2,000 more—do the Government accept responsibility if one or other of the forces cannot deliver what they ask and expect of them?

Secondly, paragraphs 60 and 61 of chapter 4 of the White Paper amount to just three sentences announcing a 30% reduction in defence civil servants. There is no detail there. Indeed, the lack of it makes me quizzical, perhaps even anxious about whether there is clarity within the proposal. So I ask: is some percentage of this already anticipated; for instance, in withdrawal from Germany or from outsourcing or privatising plans already in place? What does this reduction mean? It might seem to imply that further civilianisation of tasks is not possible. Might it, by contrast and worryingly, mean that the tasks presently done by civil servants are to be transferred to the armed services, further stretching their people resources?

Thirdly and finally, in the Royal Navy and in Portsmouth there is relief at the news that the one new carrier that is operational at any time will have 24 aircraft. Can the Minister tell us what decisions have been made about the attribution of these aircraft? If not, when will these crucial decisions be made?

3.54 pm

Viscount Hailsham (Con) (Maiden Speech): My Lords, for well over 50 years, I have been a silent attender at the deliberations of this House, initially on the Steps of the Throne, then later at the Bar of the House. I have always been immensely impressed by the important role that this House plays in the working of the British constitution. Therefore, for me, it is a huge privilege and pleasure to have the opportunity of addressing your Lordships directly from these Benches.

Inevitably, one is conscious of those who have been before. If your Lordships will forgive me a personal observation, when I look at the Privy Council Bench occupied by three of my noble friends, whom I have known for a very long time, I am conscious of my father and father-in-law. They used to sit there together, mostly in harmony and very often grumbling about the shortcomings of a government spokesman.

I am also very touched to see the noble Baroness my wife on the Cross Benches. This is not an Oscar ceremony and anyway I eschew the emotional stuff but it was very brave of her to marry a prospective politician and very resilient of her, if I may say so, to attend his maiden speech—she has heard an awful lot of the other ones. Frankly, without her I would not have survived the political course.

I am extremely grateful to the noble Lords, Lord Garel-Jones and Lord Goodlad, who did me the honour of introducing me to this place. We go back an awfully long way—back to 1979 and the Government Back Benches, to the Government Whips' Office and, of course, to the Foreign Office, where we had the privilege of serving under the noble Lord, Lord Hurd of Westwell, who to my mind is one of the most distinguished Foreign Secretaries this country has had since the war.

I am deeply touched by the kind reception I have received from so many of your Lordships and the staff of this House. In return, I am very conscious that the qualities expected of a Member of this place are very different from those that are expected down the corridor; in particular, a more collegiate, less partisan approach to debate and a certain self-restraint as to the frequency and length of one's interventions. It is in that spirit that I respond to the Motion so well moved by my noble mentor, the noble Earl, Lord Attlee. I will confine myself to making four substantive points and no more.

First, the defence review is to be welcomed, especially as regards the enhancement in equipment and the recognition for nimbleness and flexibility. The Chancellor is to be congratulated on making the resources available. But our forces are lean and in a crisis we may not have the opportunity to repair the deficiencies. So I hope that the Government will be sensitive to the need to accelerate some of the programmes. In that context, I will make a point about Paris. Our security forces are well used to dealing with prolonged sieges and terrorists who are anxious to escape with their lives, but we face something different now; namely, suicidal killers intent upon widespread and immediate murder. In respect of them, I hope that our services are properly armed, equipped and trained.

The second point I want to make relates to keeping your word. One needs to be very cautious about giving assurances and uttering threats but, once done, they must be honoured; otherwise, policy-making loses all credibility.

My third point relates to Russia. Putin's Russia is never going to be a comfortable neighbour, but we now have real issues in common. I hope that we can come to some *modus vivendi*. True, it will be at a price. The annexation of Crimea will not be reversed and the displacement of President Assad will not be the first priority, but I think we can come to a *modus vivendi*.

Lastly, on ISIL, I speak as one of those who voted against the second Gulf War. I was a teller on that Motion and assisted with its drafting, but I think that the House of Commons made the wholly right decision yesterday. I do not believe that bombing specific targets in Syria will defeat that organisation, but not to play our part will diminish our standing among those already engaged. It would also display a shaming degree of disengagement. The moral and ethical basis for such action clearly exists. The recent Security Council resolution gives explicit legal authority and, incidentally, it was declaratory only of long-existing principles of deterrence and self-defence. Precisely those principles justify the use of lethal force against individuals such as Jihadi John, who have committed heinous crimes against all humanity. For they have

made themselves outlaws in the true sense of the word in that by putting themselves outside the reach of the law, they have also put themselves outside the protection of law.

Those are the four points that I venture to place before your Lordships' House for your consideration.

4.01 pm

Lord Cormack (Con): My Lords, that was quite a speech. I am glad that there were not eight points. It is a very great joy to follow my noble friend and Lincolnshire neighbour Lord Hailsham. He is a considerable figure and has made a considerable speech. As he was speaking, in fact, I kept thinking of that description which Churchill once gave when he said, "That is not a maiden speech but a brazen hussy of a speech". We have heard a robust speech, robustly delivered, and we look forward to many more.

I have known my noble friend Lord Hailsham for many years. I knew him when he was the most dogmatic of government Whips, lecturing the 1922 Committee on how we should behave. I saw him as a splendid Minister of Agriculture when he came to stay at our home and spoke in my constituency, accompanied by his bag-carrier—one George Osborne. I also knew him when he became the gamekeeper turned poacher par excellence because in 1997, when our party was somewhat reduced in numbers in the other House, he became the harrier of the Government, never giving them quarter and keeping at them day and night—in fact, so much at night that they brought in Programme Motions so that he could not carry on doing it. He is a notable addition to your Lordships' House. I am delighted that he is here and it is a privilege to congratulate him on a very notable maiden speech.

I am conscious that this defence review is a significant improvement on the one we had in 2010. A number of your Lordships have made that point during the debate. I echo the words of my noble friend Lord Sterling of Plaistow when he urged the Government to try to accelerate the timetable a little. We really need them to do that.

Talking of brilliant speeches, what a marvellous speech Hilary Benn made in the other place last night. Yesterday's debate and decision brought into sharp focus the need for our defences to be kept up. We must identify and distinguish between enemies and irritants. I was glad that my noble friend Lord Hailsham talked about Russia, because many of us have of course been irritated but we have a common cause. We must remember that it is not possible easily to fight wars on two fronts. We have to give real priority to identifying and eliminating the worst enemy we have had for many generations and making common cause with the great power of Russia—and it is a great power.

We need a broad alliance with those with whom we have much in common. I urge the Government, through my noble friend Lord Howe, who is responding on their behalf, to have real recognition of that fact and, in consequence, to have a determination of the priorities which will serve the nation well. The review is a good blueprint: it maps out a strategic direction which needs to be followed but, as my noble friend Lord Sterling said, rather more quickly than the review itself indicates.

I wish the Government well in what they are doing. I again congratulate my noble friend on a splendid debut and look forward to the rest of the debate.

4.05 pm

Lord Davies of Stamford (Lab): My Lords, I add my own congratulations on the four maiden speeches we have heard this afternoon. All four maiden speakers not only are well known to me but have been colleagues and indeed friends of mine for decades. I commend them to the House as the ideal candidates for coming to this place, because they are men of great integrity, they are all people of very considerable experience and knowledge of the world, and they have always been committed, as I am sure they will remain committed here. We will therefore have very valuable contributions from them for, I hope, a very long time.

I do not want to say much about the SDSR itself. I thoroughly agreed with the brilliant analysis delivered by my noble friend Lord West and the noble and gallant Lord, Lord Stirrup, on that subject, but just add one thought, which I might repeat from time to time to make sure the Government do not forget it. Although of course I am delighted at the purchase of the P-8s, the Government would have saved an awful lot of public money and avoided an awful lot of risk if they had kept the Nimrod MRA4. It was a great mistake to cut those aircraft up in the vandalistic fashion that they did when they came to power in 2010.

I have a good announcement for the House, which is that I think we have solved the long-standing problem of the black hole—the alleged deficit in the MoD's programme, which it is said the Labour Government left in 2010 to their coalition successors. I have been conducting correspondence with the noble Earl about this for some weeks. Buried in his latest letter to me is a single sentence telling us that the Government went through our programme, which was based on resources being increased at 1.5% in real terms per annum, to see what would happen if resources had no real-terms increase at all but were flat in real terms for the 20 years of the programme. Of course, they came up with a deficit, and my maths showed that that deficit was even greater than the £19 billion or so in the equipment programme which is mentioned in the noble Earl's letter to me. I wanted to put all our correspondence in the Library of the House but, when I tried to do so, I discovered that Back-Benchers could not put correspondence in the Library. Ministers of course can, and I invite the noble Earl, if he would be so kind, to put our correspondence in the Library so that colleagues can follow this matter in detail. I hope we will not need to speak about it any more because this particular myth will be put thoroughly to rest.

I want to just say a little about Russia, which the last two speakers both touched on. Mr Putin must be congratulating himself on having carried off a brilliant coup. He has succeeded in getting away with changing frontiers by force, with annexing the Crimea and, in his own estimation, with ensuring that Ukraine can never join either NATO or the EU—partially because we have always said, since the Cyprus problem, that we would not have another state in either organisation which was split, and partially because it is quite difficult to extend an Article 5 guarantee to a country when a

[LORD DAVIES OF STAMFORD]

part of it is already occupied. He has guaranteed that the future of Ukraine will be very difficult and unstable. No one will have any incentive to invest there, and therefore the great poverty and very high unemployment in that country will continue indefinitely. I am sure that Putin thinks and calculates that that can in itself only lead to one of two things. One is that eventually the poor Ukrainian population will give up, throw in the sponge and vote in a pro-Russian Government, who will join the Eurasian Economic Union and do whatever else Putin tells them to do. The other is that the West will give up, and do a shameful thing and tear up its commitments to Ukraine on both NATO and the EU. The West will say that Ukraine cannot come into either organisation and will do some deal involving other parts of the world.

I am all for doing deals with the Russians, I must say, but not at the expense of good faith and the guarantees that we have given to Ukraine. Of course, the result of that would be more or less the same for Ukraine, but it would be a devastating blow to the morale of NATO, the EU and, particularly, the east European countries. It would be a terrible betrayal: something that we would regret for decades and perhaps centuries.

My final thought is therefore that we need to think carefully about how we can avoid that scenario. I think that the only way that we can is by thinking how we can extend an Article 5 guarantee to that part of a territory which is not occupied. That is a matter on which we should focus and which we should discuss with our allies over the coming months, despite the other very important issues which we also have to determine during that period.

4.10 pm

Baroness Ludford (LD): My Lords, I join others in thanking the noble Earl, Lord Attlee, for initiating this debate and in warmly applauding the four maiden speeches. I hope that it is not invidious if I single out my noble friend Lord Bruce of Bannachie as a very strong addition to our Benches.

The SDSR was of course accompanied by the national security strategy. Although that is not name-checked in the title of this debate, it is security in the broadest sense that I want to focus on rather than defence. One priority in the national security strategy, according to the Government, is to:

“Help strengthen the rules-based international order and its institutions”.

To that end, the UK will work,

“to promote stability, good governance and human rights”.

Then there is a high-level objective in the document, which is to “project our global influence”, which covers means such as expanding our world-leading soft power, investing more in alliances and building stronger partnerships. I fully support both the overall priority and the enumerating objectives. What I struggle with is matching the Government’s words with their actions. How does the pledge to abolish the Human Rights Act, threatening our adherence to the European Convention on Human Rights and our respect for Strasbourg court judgments, comply with the aspirations of strengthening the rules-based international order,

upholding our values and promoting human rights? If we cannot do it on the European front, how can we do it internationally?

Under the rubric of “protecting our people”, the *National Security Strategy and Strategic Defence and Security Review* pledged to work with allies to respond to threats and challenges. However, as the noble Lord, Lord McConnell, said, there is no mention of European co-operation in the response to the migration challenge. While there is a commitment to strengthen our capabilities to disrupt serious and organised crime, and the Prime Minister’s forward vows to counter threats which recognise no borders, those pledges are contradicted by the Government’s refusal to participate in a strengthened Europol—which, as it happens, has a British director. The Prime Minister said in his recent Chatham House speech that the EU matters for national security, so is he not endangering our security by repeating his periodic claim—not least in the *Daily Telegraph* today—that he might recommend a Brexit? The EU as such is hardly mentioned in the national security/SDSR document.

Another example of contradiction is the reported omission from the revised *Ministerial Code* of any specific pledge to uphold international law. That surely completely cuts across the pledge to a rules-based international order. Indeed, the constant sniping that we hear against judges and courts of all kinds—both European and domestic—strikes a contradictory note if the Government are attached to rules.

Too many in the UK, and even in the Government, seem not to be at ease with our international and European role and want to pull up the drawbridge and retreat into aggrieved and curmudgeonly isolation. We should, on the contrary, capitalise on our strengths in democracy, human rights and law and on our position at the intersection of so many networks—the EU, the Commonwealth, the United Nations, the transatlantic relationship and NATO—to contribute with confidence to Europe and the world. We should take our cue as a country from the contribution that all those British individuals who we furnish to European and international institutions make—most recently, and I congratulate her in her absence, the noble and learned Baroness, Lady Scotland, the new Secretary-General of the Commonwealth. There are so many more whom I do not have either time or place to name-check. We as a country should follow their example.

Lord Ashton of Hyde (Con): I remind noble Lords about the four-minute limit, because otherwise we are going to cut into the Minister’s reply.

4.15 pm

Lord Bilimoria (CB): My Lords, I welcome SDSR 2015, which starts with a vision of a secure and prosperous United Kingdom, with global reach and influence, with the NATO target of 2% of GDP spending on defence agreed by the Government. Thank you very much. There will be an increase in the defence budget in real terms every year—thank you very much—as well as a commitment to increase and not to reduce the Army below 82,000, and to increase the RAF and Navy by 700 people. Thank you very much. Spending will be, “£178 billion over the next decade on equipment and equipment support”.

increasing by 1% in real terms. This is all excellent news. The nuclear deterrent will be maintained, and the replacement of the Vanguard class with the new class. There will be an increase in,

“the resources for counter-terrorism police and the security and intelligence agencies to pursue terrorists”,

and,

“more than double our spending on aviation security around the world”.

This is absolutely marvellous. India’s Prime Minister, Narendra Modi, on his visit last month to the UK, spoke in the Royal Gallery of three joint defence exercises between the UK and India already in one year. This is marvellous. Does the Minister agree that we should continue that?

We will be dedicating 1.2% of the defence budget to science and technology over this Parliament, and establishing,

“a defence and security accelerator for government to help the private sector, allies and academia turn ideas into innovative equipment and services”.

This is absolutely brilliant—all music to my ears. I thank the noble Earl, Lord Attlee, for initiating this debate and congratulate all the maiden speakers.

The *Economist* has gone so far as to say that the SDSR 2015 allows Britain to reassert,

“itself as a serious military power”,

and will allow it to regain some of the respect that it has lost in Washington. Given the debate and the action in Syria, both here and in the other place yesterday, there is every possibility that we will have to put boots on the ground to fight the spread of anarchy across Syria and Iraq, and we will be left in a difficult position.

The expertise in this House was demonstrated yesterday to be a hundred times that of the other place, yet we did not get to vote yesterday at all. It shows how important it is that we look ahead and recognise the effects of the so-called Black Swans. The Prime Minister said that we must expect the unexpected. Earlier this year, I was privileged to lead the debate in this House on the 200th anniversary of the Gurkhas’ contribution to the UK and India. My late father, Lieutenant-General Bilimoria, was commissioned into the 2/5th Royal Gurkha Rifles, Frontier Force, and commanded his battalion in the 1971 war for the liberation of Bangladesh, was colonel of the Gurkha regiment and president of the Brigade of Gurkhas and retired as commander-in-chief of the central Indian army.

The noble Lord, Lord Howell, spoke about soft power, the BBC and the British Council. Professor Joseph Nye of Harvard University said that a combination of hard power and soft power gives you “smart power”. SDSR 2010 was not smart—it was dumb. Quite frankly, it was negligent; we had no carriers, no Harriers, no maritime reconnaissance, cuts to our troops and means before ends. Does the Minister agree with the noble Lord, Lord West, that there has been a 30% reduction in military capability since 2010? I have been very outspoken in my criticism of the SDSR 2010, with the cuts to the troops of 80,000—you cannot even fill Wembley stadium. Prime Minister Narendra Modi spoke in Wembley stadium. Today there are barely 3,000 Gurkhas in the British Army whereas, in India,

the Gurkhas are approaching 100,000. I was privileged to show General Dalbir Singh, the chief of the Indian army, from the 5th Gurkhas, around Parliament. Will the Minister confirm and reassure us that there will be no further cuts to the Gurkhas? Field Marshall Sam Manekshaw, former chief of the Indian army, said that if a man says that he is not afraid of dying, he is either lying or a Gurkha.

Yesterday, we saw the fight of the evil of Daesh, ISIL, ISIS, Islamic State or IS, whatever these monsters are called—we decided to intervene in Iraq and Syria yesterday, whereas last year we decided to intervene only in Iraq. Does the Minister agree that that was a mistake and that we should have intervened in Iraq and Syria a year ago?

Without doubt, defence of the realm is the most important role of government. We are a tiny nation with just 1% of the world’s population but thanks to the hard and soft power we have one of the most powerful defence forces in the world, so powerful that the world knows that this hard and soft power emanate from a country that is respected for and has fought for freedom, fairness, justice and liberty for centuries.

4.20 pm

Lord James of Blackheath (Con): My Lords, I fear that I may be flying under false colours in this debate, because the title makes direct reference to international security and stability but all my concerns are with the lack of any direct reference to our domestic internal security and stability, which I think should have been closely addressed in the report, and the lack of which I think is shameful. We are not going to be able to play any role in the international sector unless we have made our own internal lines secure and our own internal security reliable. Where are the initiatives to deal with that in a changing world?

We have had the horrible example of what has gone on in France, and I think that we should stop and think about what that actually means. It is a new form of warfare for which we have no ready-made defence. It is also hugely geared towards being tele-sensational. We should therefore be putting everything in place that we can to limit anyone’s capability to harness the media against us by putting on a “television spectacular”, as they did in France. We should be seriously considering banning all television coverage of any terrorist incident that occurs, because that is the lifeblood off which they feed. The most that I would go along with would be having some embedded tele-journalist going with our own internal teams.

We really need to have some internal rapid response units, which have got to be created specially, with the particular capability of addressing the other great deficiency in the report, to which the noble Lord, Lord West, has made reference: where are the defences of our greatest border of all, the sea? There is nothing. I live on the south coast. We have 140 miles of coastline with two tiny coastguard vessels that would not look out of place on the Round Pond in Kensington Gardens. There is nothing else at all. How is anyone going to have a rapid response to any sea-borne attack coming in? That is our easiest and most vulnerable target of all.

[LORD JAMES OF BLACKHEATH]

The report ought to be addressing the possibility of creating two very intensive rapid response units; I suggest one at Northolt and one at Catterick, and dividing the country between them on those lines. They should be equipped with a minimum of seven or eight helicopters each to give them reach anywhere in the country where a situation could arise, and they should have a dedicated combination, accessing the police most emphatically and the fire brigade if necessary. The SAS should emphatically have a permanent always-on-duty presence in each of those camps, and there should be an ability to go wherever.

In the French episodes, the first news that we had came in at 9.22 pm on the Friday evening. By the next morning the television was permanently showing the subject. We have to ensure in our case that anything that occurs here is completely wiped out as an attack before the television cameras come on by the morning; otherwise, once it goes that far, there is no holding it. The report does not at all address an adequate rapid response unit, and that is shameful. I hope very much that the Minister and his team will look back at this to see what they can do. It is not going to be very cost intensive because, if we are not going to be making war abroad, our own resources can be reshaped and reallocated to create these response units. For God's sake, though, please give them some viable craft to patrol our shorelines.

I wanted to address my final half-minute to the noble Lord, Lord Hain, but he has just left. The noble Lord was the other man in the ruination of the first great romance of my life, though he probably never knew it and never even met the lady concerned. She thought he was a combination of Jesus Christ and Trotsky. She got herself arrested every Sunday afternoon, and I had to appear in court on Monday morning and pay her fines for four years in a row. I was nearly bankrupted by it, so I am very glad to see the noble Lord here; he owes me an apology and quite a lot of money.

4.25 pm

Lord Soley (Lab): My Lords, I do not think I can cap that. Knowing all four of the speakers from the House of Commons, I know they will all make a great contribution. Some years ago, I considered inviting my noble friend Lord Hain to plant a tree in my constituency, but we got a bit worried that, when he cut the first turf, he would not know where to stop. He could have laid waste to the whole of Shepherd's Bush Green, so we did not.

I thank the noble Earl, Lord Howe, for his assistance in getting the LIBOR funds for the Mary Seacole memorial, plus the memorial gardens for nurses and other medical forces in combat zones and in danger zones, such as west Africa in the Ebola crisis. The Army has asked me to spread the word that it appreciates the opportunity to convey to people the importance of recognising the whole force concept—not just nurses and doctors but the people recruited from the NHS to go out to danger zones in order provide assistance. It is important, however briefly in a debate of this nature, where time is so limited, to put on record that sometimes we do not recognise enough the need for memorials to

people in and around the armed services—not just the service personnel, but those they recruit and employ in other areas. I hope the proposed memorial gardens will meet an unmet need in the country. I know we all appreciate it. The Minister might be slightly worried because charities keep ringing me and asking how much money is left in the LIBOR fund. One lady said to me that, if it runs out, they could slap another fine on them if they are late with her bank statement. There is an offer there.

There are only two points I want to make in this inevitably short debate. The first is about the naval base at Bahrain. I led a delegation to Bahrain last year. I know there is criticism of the Government there, and some of it is justified, but that very small country is struggling to develop the rule of law and a democratic structure. We sometimes underestimate how difficult that is for countries, but it is particularly difficult when just a short way down the causeway you have Saudi Arabia and just across the Gulf, directly opposite, you have Iran. It is a very unenviable position for a tiny nation to be in and the naval base and the US naval base lend stability to that country and are very important. In paragraph 5.57 the Minister commits the Government to build a new naval base, and I very much want to see that happen. This SDSR puts right some of the things we got wrong in the previous one, which was poor. Sometimes I feel that the wording is better than what the reality might turn out to be.

My final point is one that my noble friend Lord McConnell made about the crucial importance in this day and age of linking up foreign policy, defence policy and development policy. One example is Libya. I supported the Libya operation, but I was worried, as with all these interventions, about whether we would get the post-conflict situation right. Generally speaking, I am in favour of intervention. Condoleezza Rice, the Secretary of State under George Bush, got it right when she said that the really big mistake that the West made in post-war years was to give too much sympathy to dictators. When these brutal dictators fall, whether it is Saddam Hussein, Gaddafi or Assad in Syria, the consequences are enormous because their country is virtually wrecked and has very little structure to it. We need to do better than we have done so far. It is not easy to get it right. What I am saying should not be taken as criticism, particularly of our staff in Libya, who I know are putting their lives on the line at times, but it is profoundly important that we link up these three areas of policy and make sure that we make that extra effort in the post-conflict situation.

4.29 pm

Lord Oates (LD): My Lords, I congratulate my noble friend Lord Bruce of Bennachie on his excellent and informative maiden speech. His expertise on international development is obvious, but his knowledge and experience are much wider. During the coalition, he was always a source of wise and generous counsel. He was also one of the most articulate advocates in the media for the role of the Liberal Democrats in the coalition, a job we did not, I confess, always make easy for him.

I also congratulate all the noble Lords who have made compelling maiden speeches. I spent a number

of years working in South Africa, where the name of the noble Lord, Lord Hain, is not surprisingly held in very high regard.

I will focus on the Government's strategy for international development assistance, which was published alongside the SDSR. In particular, I will address the key role of economic development as part of our international aid effort, the strengthening of tax collection systems and the development of own resources. First, however, I will address the tone of the document. It describes the approach of the Government as a,

"fundamental shift in how we use 0.7%",

which will show that,

"reducing poverty, tackling global challenges and serving our national interest ... are inextricably linked".

But I am not sure how that marks a fundamental shift. The coalition strongly believed that these issues were intrinsically linked. It supported a greater emphasis on economic development, recognised the role of ODA in strengthening global peace and security and responding effectively to crises, and was committed to helping the world's most vulnerable.

The fact that this strategy was published under the imprimatur of the Chancellor of the Exchequer makes me slightly uneasy. I suppose that by now we are getting used to George Osborne's omnipresence—if not his omniscience—but in my experience, if George gets involved, there is always a trick to look out for. Therefore, we will need to scrutinise very carefully the budgets of those departments which will now spend ODA to check that the Chancellor has not just found a way to fund departments he is otherwise cutting.

However, I strongly support the emphasis of the coalition Government, continued by the current Government, on economic development as part of their aid strategy. It seems self-evident to me that the purpose of our aid budget must be to assist countries to get to the position where development can be driven from their own resources. Aid is necessary to assist many countries in overcoming the huge challenges that they face, and I am proud that the coalition met the 0.7% GNI target. However, the provision of aid is not a demonstration of success—it is the opposite. Our objective must be to provide aid in the most intelligent and effective manner to release the economic potential of the countries to which we provide it so that in time they no longer require our support. Stimulating private sector growth and freeing up trade is critical to driving this development. However, we must be clear about our objectives.

The Government are keen to stress the opportunities for British business that arise from our aid strategy. If that means that with economic development will come rising demand and that British business will be well positioned to take advantage, I wholeheartedly support it. However, our economic development strategy has to be about creating an environment where indigenous business can spring up and grow, where an educated populace can provide a skilled workforce and where the resulting economic activity can fund social development. It cannot be about flogging British goods and services or about multinational corporations further exploiting the resources of developing nations. That approach has comprehensively failed in the past.

That brings me to the second key issue: how Governments can strengthen their ability to get hold of their own resources through strengthened tax collection systems. As Dr Carlos Lopes, executive director of the UN Economic Commission for Africa, told us this morning at a breakfast for the Africa APPG, the solution for Africa is not more aid but using aid effectively to release domestic resources. The tax take in African countries is half the world average. The extractive industries pay less than half that.

In conclusion, I welcome the emphasis in the strategy on tackling tax evasion and avoidance and on improving tax systems in the developing world. That is closely tied to tackling corruption, for although the formal tax take is low in many developing countries, the informal tax burden through corruption can make the costs of doing business prohibitive.

4.33 pm

Lord Thomas of Swynnerton (CB): My Lords, in the 100 years or so since Britain gave up its proud policy of splendid isolation, we have been beset by a number of violent attacks. Some of these have been primarily murders of individuals, as in the case of the anarchists of the early 20th century and the IRA in the 1960s and 1970s. The bombing campaigns of the Germans in the First and Second World Wars were indiscriminate attempts to disrupt and kill, but as far as I know they did not target individuals. From the 1920s onwards, and intensely after 1945, we were beset by the revolutionary Bolshevik regime of Soviet Russia, whose interest was to subvert western civilisation by all means short of war. It is very satisfactory to think that that era has come to an end, and Russia has become a nation rather than a crusade—I echo the words of Chip Bohlen, the American ambassador to Russia, in 1962. The Falklands inspired a war but Argentina, of course, never threatened these islands.

Now, we respond to the new subversion of the caliphate, or Daesh, or ISIL—it seems that it is a movement with as many names as Chinese emperors. Their aim seems to be to kill indiscriminately, unlike the anarchists or the IRA, but all the same to shock the world by what the anarchists call the "propaganda of the deed", and to force the West and Christianity out of the entire Middle East.

There have been similar violent movements in the Muslim world in the past, such as the Assassins in medieval Lebanon, but the difference is that there are now suicide bombers, which is a new development. Since we need to be in the Middle East for our own commercial and strategic interests, and because, after all, we have friends and allies there, the UN has agreed to react and encourages us to do so in strength. As a historian of military matters to some extent, it is hard for me to imagine that we shall be able to defeat this new enemy without some form of ground campaign. Those 70,000 Syrian soldiers of liberty in whom the Prime Minister urges us to have faith may turn out to be less reliable allies than the Kurds, whose success nevertheless would not be a recipe for peace in the Middle East in general because of Turkey.

Saladin, the great medieval Kurdish general who conquered Jerusalem, taking it from the crusaders, would have been delighted to hear that statement in

[LORD THOMAS OF SWYNNERTON]

this House. If noble Lords want to know more of Saladin, I recommend *The Talisman* by the great Sir Walter Scott, whose novel is the best investigation of the crusades.

In my final minute, I would like to say how much I agreed with the noble Lord, Lord James of Blackheath, when he talked about control of the media. However, what he has raised is a very difficult matter and such control would require a great deal of strength and intelligence. It is not a question of asking a newspaper editor to shut down critical cartoons, as was the case during the war in the era of Mr Herbert Morrison, the grandfather of the noble Lord, Lord Mandelson.

4.37 pm

Lord Fairfax of Cameron (Con): My Lords, unlike the four admirable maiden speeches that we have heard today, this is not my maiden speech, because I made that 36 years ago when I was 23. However, this is the first time that I have spoken in your Lordships' House for several years following a short involuntary absence since 1999. I am very honoured to be back and thank those of my noble friends on this side of the House who voted for me. I hope to be able to repay their trust.

I declare two interests in this debate. First, I am the co-founder and chairman of a private security company, and, secondly, I am a senior executive with one of the world's leading tanker shipping companies, which is also owned by the Russian State Property Fund. I think it is only right that I declare those. I also thank the noble Earl, Lord Attlee, for his kind remarks in relation to me and my connections with Russia. I hope to be able to contribute on the subject of Russia in future.

On the subject of Russia, in particular I would like to approve the statement in paragraph 3.22 that Her Majesty's Government,

"will seek ways of cooperating and engaging with Russia on a range of global security issues",

including ISIL. That seems an admirably practical approach.

But also keep in mind Lord Palmerston's famous maxim that we have no eternal enemies or perpetual friends; we have only our eternal interests.

Turning to the review itself, and keeping an eye on the clock, I commend the Government on their clarity and impressive vision. I also single out for approval three particular ambitions that they mention in their review. The first is that of strategic reach, and in particular reference to the incoming QE class carriers, F35s and a land division strike force. Secondly, it is paramount to maintain our position at the top table in NATO and other international and strategic alliances. Thirdly, we should ensure that service men and women, and in particular their families, are properly looked after when their loved ones are abroad.

However, having spoken to current and former soldiers recently, including Special Forces soldiers, I ask the Government how their impressive vision is going to sit with the current realities, especially the funding realities. As one of them recently said to me, "This time, not another fudge, please".

I would also like to ask three particular questions. First, is NATO too old-fashioned and cumbersome for purpose? We need a NATO spearhead force able to mobilise and be deployed at short notice. Secondly, can the British Army really deploy a war-fighting division and is our reserve structure able to mobilise quickly in a crisis? Thirdly, does the review contemplate enough innovation and collaboration across the defence community?

I support the point made by my noble friend Lord Robathan yesterday about the tension between the expressed desire to recruit more Special Forces soldiers, but this coming from a smaller and smaller gene pool.

Finally—perhaps one original point—I would like to adopt the suggestion that I know is being promoted by the CGS at the moment in relation to his new CHACR initiative; namely, aligning the UK's commercial and military objectives while abroad, as do the US and France rather aggressively. I think it would do well for us to adopt the same to bridge the obvious funding gap.

4.43 pm

Lord Lyell (Con): My Lords, I start by thanking my noble friend Lord Attlee for giving us the chance today to look at the defence review. He and I go back quite a long way, from bouncing like peas in a pod in Poole harbour when we visited the special boat squadron, as members of your Lordships' defence group. He showed commendable guts then. My noble friend also accompanied me to Kosovo, where we became entangled with the Swedish and Finnish brigade, which was attached to our own brigade out there. My noble friend has been of valuable help and I assure him, and indeed the Minister, that the House of Lords defence group, otherwise known as the war Lords, has not gone away. The noble Baroness, Lady Dean, is not with us for some reason today, and, alas, my noble friend Lord Astor is taking a short period of leave. However, I say to the Minister that we have always relished the enormous and very tight relationship between military defence and Back-Bench Members of your Lordships' House who at various times in their lives perhaps got their knees quite brown in one way or another, either as a conscript or worse.

I direct your Lordships' attention just briefly to paragraph 4.40 in the paper in front of us today. It refers to the brigades and the number 50,000. It might come out in the course of his remarks, but can the Minister let us know what the mix of those 50,000 will be? That might be the number, but there will be all sorts of capabilities and capacities involved. Indeed, there is a very valuable illustration on page 28. I was particularly interested to see "LAND—A war-fighting Division". The symbol for "Intelligence, Surveillance and Reconnaissance" seems rather like that of the Whips' Office, but I do not worry necessarily about that.

Perhaps I may then direct your Lordships' attention to paragraphs 4.45 and 4.46, which detail the Special Forces. In any defence debate or on many matters, the less said about the Special Forces the better. We are delighted when we get news later of what happens, but one particular aspect of paragraph 4.46 concerns me a trifle. It states:

"We will buy advanced communications equipment".

I say cobblers to that; we want the best. And only the best will do, not just for the Special Forces but for the men and women who are also occupied with them.

On paragraph 4.48, perhaps my noble friend will be able to enlighten me either today or in writing on the term “innovative brigades”. I am interested in what the mix will be or what they might get up to.

On paragraph 4.49 on the Typhoons, can my noble friend let me know at some stage what the mix in the numbers will be? I understand there to be 138 F-35 Lightning aircraft at some stage. Can he advise me, please, what the mixture of F-35As and F-35Bs is likely to be?

The noble Earl, Lord Stair, who, alas, is not in his place, mentioned accommodation. This has concerned your Lordships’ defence group when we visit, but I am delighted to see in paragraph 4.53 that this will be one of the major projects. I see the noble Lord on the Front Bench indicating that my time is up—he will be relieved to learn that I am about to sit down—but if my noble friend the Minister could glance at paragraph 4.53, it would reassure me greatly.

4.46 pm

Lord Boyce (CB): My Lords, I declare my interests as in the register. It has been good to see that this SDSR has arrested the decline of the defence budget over the past five years and made some attempt to redress some of the woefully short-sighted decisions made in 2010. It is particularly encouraging to see in the Prime Minister’s foreword to the review his recognition of the need for,

“sea lanes to stay open and the arteries of global commerce to remain free flowing”,

and, from this, maritime security and the role of the Royal Navy moving back to where it should be in the centre of our defence strategy.

However, in the context of keeping sea lanes open, I have two concerns. First, safe navigation is fundamental. The Minister will be aware of the vulnerability of the global navigation satellite system—GNSS—to interruption and jamming and of the availability of eLoran, which is not similarly susceptible and provides a safe back-up in this eventuality. I declare an interest in this as an Elder Brother of Trinity House. Would the Minister care to comment on the Government’s intentions regarding a reliable and robust alternative to GNSS when eLoran is terminated at the end of this year when the French shut down their station, a station without which the eLoran system cannot function? There is a national resilience component to this—it is not just safe navigation—with regards to GNSS-generated positioning, navigation and timing, or PNT. It is on its signals that key elements of much of our national infrastructure depend.

Secondly on safe sea lanes, and as I mentioned in the debate following the Statement on the SDSR in the House last week, we should be concerned about the small size of our destroyer/frigate force. These are the workhorses of the fleet on which we depend to keep the sea lanes open. In replying to questions, the Minister said:

“As regards the sufficiency of ships, we are advised by the Chief of Naval Staff that a 19-ship destroyer and frigate fleet,

capable of co-operating on a global scale, is what is required”.—*[Official Report, 23/11/15; col. 518.]*

That may be so, and it may be what the Chief of Naval Staff said, but that is only because the number of tasks that we have traditionally and quite properly undertaken has been cut to accommodate the paucity of escorts.

For example, if the aspiration to meet national security objective 2, which is to project our global influence, is to be sensibly realised so far as the Royal Navy’s contribution to the core MoD task of defence engagement is concerned, we need more ships to cover the necessary footprint. Although we may be able to draw some comfort about the announcement of the concept of designing and building a new class of lighter, flexible, general-purpose frigates, it is simply too long to wait until the 2030s to see them.

In the upcoming and new national shipbuilding strategy, I exhort the Government to see what can be done to bring forward the introduction of those ships into service. This will benefit the industry by having a better shipbuilding drumbeat; it will generate earlier foreign sales potential, where other navies like to see the Royal Navy using a class of ship before they buy into it; and, of course, it would underpin the United Kingdom’s role in supporting international security and stability in the light of the SDSR.

4.50 pm

Lord Anderson of Swansea (Lab): My Lords, I congratulate the four maiden speakers and wish to make three brief reflections.

First, there is a consensus that this SDSR is valuable and welcome. It is certainly an improvement on its 2010 cost-cutting-exercise predecessor. However, I question whether the pace of change has been fully taken into account. There must be concern about the timeframe given the many uncertainties—the play of the “contingent and the unforeseen”, the “unknown unknowns”, such as the fall of the Berlin Wall, 9/11, the Arab spring and mass migration to Europe—all of which stand as a corrective to long-term planning.

There is a need, of course, for flexibility and agility in doctrine and procurement, where the lead times—such as for the maritime patrol capability and the new strike brigades—are long. Again, the Vanguard replacement seems to have been stretched incredibly from 2024 to 2028, and now to the early 2030s. Surely the case for adaptable platforms capable of modification as the nature of the threat changes has been made.

The history of the Upholder class submarine is instructive—planned in the early 1980s, abandoned in the early 1990s and eventually sold cheaply to Canada. I concede that part of the reason was cost-cutting, but the key consideration was that its role as a barrier to Soviet incursions into the North Sea had become redundant. Thus, even five-year projections can be swiftly undermined by events. For example, had Scotland become independent with an anti-Trident Government, we would need a massive rethink of strategy and bases.

We need to learn from overseas examples. From his previous knowledge of the health brief, I ask the noble Earl whether he is confident that there is, for example,

[LORD ANDERSON OF SWANSEA]

sufficient spare capacity in our London hospitals to cope with a major terror attack as the Paris hospitals appear to have coped. Is the planning for this contingency adequate?

My second reflection is that the SDSR has a welcome emphasis on inter-departmentalism at home and co-operation with our alliances abroad—certainly compared with its predecessor—but are the boundaries between the MoD, DfID and the FCO still too stark, as the noble Lord, Lord Howell, said? Should the departments not be seen as three legs of a tripod? Yet two of the three legs have a guaranteed budget, so the FCO has to take the strain. Is the balance correct? Are the boundaries of these budgets sufficiently flexible? For example, our military contribution to tackling Ebola was properly charged to the defence budget.

I come to my third and final reflection. The Oracle at Delphi advised those who sought its wisdom to “know yourself”. Yes, we are pre-eminent in soft power, but have we reached a true understanding of our role in the world? Did I detect a certain bravado in the tone of the review? The Prime Minister said exultantly, “Britain is back”. Have we made a root-and-branch examination of our role and capabilities? The Falklands, the last of our unilateral campaigns, could not now be repeated. The review should be read in parallel with the LSE review already cited. Thus, have we fully adjusted to our proper role in the alliances with increased specialisation in procurement and in regional market share? Is there now a case for a new St Malo treaty to add Germany to the Franco-UK alliance? Must we in the UK continue to have the full spectrum of capability? I am not confident that these and other questions have been adequately answered in the review.

4.55 pm

Lord Robathan (Con): My Lords, in congratulating the four very good maiden speeches, perhaps I may invidiously pick out that of my noble friend Lord Hailsham, who was introduced on the same day as me last month. I think noble Lords will agree that he will contribute greatly to this House. He made some excellent points and I thought that his timekeeping, in keeping himself to within four minutes, was particularly to be congratulated.

We are really taking up where we left off yesterday, except that in my case I was the 64th speaker in that debate, but today I am the 28th, so I suppose that I have been promoted. I welcome much in the SDSR, and today I concentrate on the Army. I walked down the Royal Gallery earlier and saw the names on the panels of those from the House of Lords who have died in service to this country. Many of course would have been volunteers for the First World War and the Second World War, but many would have had careers in the Army. We should all ask whether the Army will remain an attractive career.

Accommodation is extremely important, but young men—and they are primarily young men—want excitement, adventure, job satisfaction and above all a challenge. I am afraid that they may be less bothered about en suite facilities. Some 82,000 troops in the Army are too few. In the campaigns in Iraq and Afghanistan we created a much more professional

force than the one I joined. If we wish to retain those professional people, we have to offer them a continuing challenge. I was talking to young officers on Tuesday night. One had been to Oman, Jordan and Belize in the past year, which was pretty interesting. They were clever young men, and in their late 20s they look at an 82,000-strong force and think that, in the future, perhaps their careers may be limited.

On numbers, there are too few soldiers if we wish to saturate a city, as the French did in Paris after that attack. There are too few to deal with infrastructure attacks, as my noble friend Lord Arbuthnot mentioned in his maiden speech. Turning to those boots on the ground about which we hear so much, in the first Gulf War we deployed a division, as I recall. In the second Gulf War in 2003 we deployed something similar, although both were pretty difficult. Now it would be very difficult, and the Falklands, which the noble Lord, Lord Anderson, has just mentioned, would be impossible. That is because we have very few boots to stick on the ground. The SDSR has great aspirations, but I repeat: we need more troops. I should say that I told the Prime Minister this five years ago when I was a Minister in the MoD, and I survived—for a few years, at least.

If our Special Forces are to be elite and special, they have to undergo a rigorous selection process. Often that process is actually rather unfair and good people fail to get through, but one is totally reliant on the quality and the capability of the personnel—the individuals. Our Special Forces are very busy and extremely good at their job, but you cannot create larger Special Forces on a whim. The Americans tried something similar in Vietnam and it did not work well. Yes, of course the equipment is important, but you need to select and keep good people. Reducing the size of the Army to half of what it was 40 years ago has shrunk the pool from which we can recruit.

Until the 1980 embassy siege, not many people had heard of the SAS, but now it is lauded to the rafters. A huge amount is expected of the Special Forces. I am concerned that we expect too much from what, by its very nature, has to be a small, elite force. I remember training Sergeant Major Taff Richards, formerly of the Welsh Guards, running a selection in 1981. He said, “There are no supermen here. We cannot perform miracles or walk on water”. We have to have excellent people, we have to keep them, and we have to select from a larger pool.

I welcome the direction of the SDSR, but only that. I have highlighted the three concerns that I have about our depleted Army. It is too small, I am concerned that it does not offer an attractive enough career structure to keep people in, and we should not assume and cannot expect that very small, elite special forces can do everything that people seem to think they can.

4.59 pm

Baroness Jolly (LD): My Lords, I thank the noble Earl, Lord Attlee, for tabling this timely debate. I think we would all agree that we have had a really interesting few hours. I congratulate the Government on the full-spectrum approach to our security taken in the SDSR. The complexity of every security issue that we face means that we need to take a more strategic

and co-ordinated approach to using our military, intelligence, diplomacy, international aid and soft power resources to contribute with other like-minded states to our international security. Others on my Benches who are more expert than I have addressed aid and diplomacy. Here, I welcome my noble friend Lord Bruce of Bennachie and his maiden speech. He will be a welcome and great addition to our Benches.

On defence, the equipment announced in the SDSR and the posture that Future Force 2025 will deliver will, once set up, enhance the UK's ability to support international stability and security with Her Majesty's Armed Forces when required. The UK has never demurred in its commitment to working with our allies and partners to deliver international security. This SDSR acknowledges the important role that Britain plays. We can explore this further in Monday's debate in the name of my noble friend Lord Wallace of Saltaire.

When considering our ability to support international security and stability and work with our allies, one of my concerns is the personnel levels in Her Majesty's Armed Forces and in the supply chain, and our ability to deliver sovereign capabilities—more specifically, our ability to recruit and retain expertise in high-skill trades, such as nuclear engineers, avionics and also cyber specialists. I will return to cyber shortly. Having the equipment to deploy in support of international security is one thing; it is quite another to have the requisite personnel so that military capabilities can be fully used when directed by HMG.

The increase of the UK's expeditionary capability to 50,000 personnel will mean that one in three of the defence force will need to be deployable at any one time, compared with the current overall ratio of one in five. This narrows down to one in four for the RAF and one in three for the Royal Navy. What impact will this have on harmony time? There will be a division for high-intensity combat, drawing from two armoured infantry brigades and two new strike brigades. The strike brigades will use the Ajax armoured vehicles and the new mechanised infantry vehicles. Regulars and reservists will work on strategic communications and hybrid warfare alongside one another in the two new brigades. They will deliver better battlefield intelligence.

In addition to the stupendous new carriers, which will form the platform for the F35s, three new logistic ships will be purchased to support them, along with a mix of Astute submarines, Type 26 and Type 45 frigates, plus the yet-to-be-designed all-purpose light frigate. Many of us wait with bated breath on that one. The Royal Marines will also be available to use the carrier's amphibious capabilities.

As far as the RAF is concerned, the announced purchase of nine P-8 maritime surveillance aircraft is welcome after the cancellation of Nimrod in 2010. While these aircraft have an important role monitoring the UK's sovereign maritime area, they also have a vital role working with our allies to hunt submarines in the Atlantic—an activity that the UK unilaterally removed itself from fully participating in in the 2010 SDSR.

It has been said that the RAF has had a good SDSR—some might say not before time. Its pilots will

fly the C35s off the two new carriers, two new Typhoon squadrons with added capability and 20 new Protector RPAS, as well as a recapitalised air transport fleet.

Lord West of Spithead: Will the noble Baroness agree that the Royal Navy and the Royal Air Force will both fly the Sea Lightnings off the aircraft carrier?

Baroness Jolly: The noble Lord and I might hope that, but that is not what the briefing that I have been to said. Time will tell.

All this paints an exciting future, but it is very much a future picture. The noble Earl the Minister will remember a question asked at the excellent Peers' briefing on the SDSR about the timeline from 2015 to 2025, so that it is easy to follow the implementation of each capability. If it were to exist it would be hugely informative and very helpful.

I turn to personnel issues. On cuts to the Civil Service working within MoD, will the Minister acknowledge the general fall in morale? The loss of their expertise will be considerable and, once gone, it cannot be recovered. Will he confirm whether redundancy will be strategic or voluntary? With a restriction of 1% on salary increases, does this send the right message to those who are staying, when outside pay rises for the same skills are 4%? What estimate has been made of lost skills and experience, and what packages might be made available to those who would pose a strategic loss?

We face a range of threats, some state led. The return of Russia to the SDSR should come as no surprise—five years out is a long time. Some threats come from rogue players, such as Daesh and al-Nusra. Some, like cyberthreats, could come from someone's bedroom—that of a terrorist or a bored student. Cyber is real and poses a serious threat to the workings of our machinery and to civil society. I am sure that any recently purchased equipment or systems have built into their commissioning a detailed cyberdefence specification. Retrofitting is another issue; it is less straightforward and poses a far greater risk.

The commitment and realisation in the SDSR that cyber is a real and daily threat is welcome. The investment of £1.9 billion in defensive cyber over five years is to be applauded, as is the publication next year of the national cybersecurity strategy. There is a huge need to be fleet of foot in this as the picture emerges and new tools become available on the dark web. Change is the norm; it is rapid and without notice. The decision to base cyberthreat analysis and detection at Cheltenham is interesting. Where will the policy direction be determined?

Cyber is the future. We need to develop a large cohort of all manner of cyber expertise, working with operatives and with our trusted allies and partners. The recently announced Institute of Coding is a great initiative. I sincerely hope that applicants reflect the pattern in the Middle East and in India for similar courses, where more women than men apply.

During the last 20 years or so, we have seen the growth and importance of soft power alongside military hard power. I liked the "soft plus military equals smart" that was said earlier in the debate. I welcome the move to expand our presence in our embassies

[BARONESS JOLLY]

worldwide—an extension of deep country influence. We should never underestimate their influence and ability not only to be the face of UK plc, but also to be our eyes, ears and voices in country.

In a previous debate, I also welcomed the addition of the British Council and the BBC World Service to the SDSR. Having lived in the Middle East for some years and worked in the British Council, I have seen its activities and impact at first hand. It is the envy of many and if it did not exist we would have to invent it. I have just received a letter from the Minister and I am fairly sure that the question I am about to put to him had not been checked in that letter. If I repeat a question, then I forgive him—or perhaps he will forgive me.

A noble Lord: Whichever way.

Baroness Jolly: Whichever way. Can he confirm that there will be no cuts to either the British Council or the BBC World Service? How does the extension of deep country expertise dovetail with cuts to the FCO budget?

We have heard some fascinating maiden speeches—four and a half of them. We have heard the challenge from the noble Lord, Lord Hannay, on peacekeepers. I think that was unique. Noble Lords have woven most other points in and out. I welcome the positive tone of the SDSR, the commitment to 2% spend and the annual uplift announced by the Chancellor. As noble Lords have said, more needs to be done. All is not perfect. Our Armed Forces are prepared to put their lives in peril for us. We owe it to them.

5.09 pm

Lord Touhig (Lab): My Lords, in this debate the House is being asked to take note of Britain's, "role in supporting international security and stability in the light of the Strategic Defence and Security Review".

We have heard some first-class maiden speeches from the noble Lords, Lord Arbuthnot, Lord Bruce and Lord Hain, and the noble Viscount, Lord Hailsham. Each has served with considerable distinction in the other place and I have no doubt that they will do the same here, bringing their very considerable experience to our debates and enhancing the standing of your Lordships' House.

The debate could not have come at a more important time: less than 24 hours ago we began air strikes against ISIL in Syria. The defence of our country and Britain's international role in fighting probably the most evil of terror groups to inhabit our world is very much on the minds of our fellow countrymen and women. At the outset I pay tribute to the brave men and women of Britain's Armed Forces who, day in, day out, put their lives on the line to defend our freedom and our way of life. In my eyes and, I am sure, in the eyes of many others, they have no equal. Now that the decision to engage in Syria has been taken, no matter whether we agreed with this action or opposed it, we have to get behind our forces, giving them and their families our full support.

It would be easy to stand at this Dispatch Box and tear into the strategic defence review. It has many shortcomings and we considered some of these in the debate following the Statement on 23 November, and a number of noble Lords have shared their concerns

today. It would be easy to make party political points and hit out at the Government over the review. However, that is not my aim or intention. Today, of all days, we need to be a united country and a united Parliament.

There are still many unanswered questions about the review. Britain is a maritime trading nation and keeping open the world's sea lanes for trade and commerce is vital to our economic well-being, yet our Navy is small, stretched and lacks sufficient vessels. There is also concern that we have too few personnel to man our ships. The SDSR told us that Britain will increase the size of its frigate fleet in the long term. Will the Minister say what is meant by "long term"? Is it five years or 10 years? How long is it? If he has answered that in the letter I received 20 minutes ago, I hope he will forgive me for asking the question again. We are told that there will be a new class of lighter, flexible, general-purpose frigate by the 2030s. Can the Minister put some more meat on the bare bone of this plan, or is it another of those "long on promises and short on specifics" that characterise much of the review?

The size of the Royal Air Force is at an all-time low, when monitoring submarine incursions in or near our territorial waters is increasingly important. The SDSR tells us that we will buy Boeing P-8 maritime patrol aircraft to perform the task that was once done by Nimrod. Can the Minister say when Britain will have a fully operational independent capability to do this? I am told that it will be 2020. Is that correct?

In the case of the Army, the SDSR sets out a plan to form two new strike brigades, with 5,000 personnel, capable of rapid deployment. When will that take place? My reading of the review suggests that it will be 10 years before the rapid strike brigades can be deployed. I return to a question that I asked the noble Earl on 23 November, to which, probably because of pressure of time, he did not answer. Is it true that our Special Forces have shrunk by 40% due to restructuring and reduced numbers? The noble Lord, Lord Robathan, said in his speech last night that the pool of talent for the Special Forces has been shrunk by cuts, a point to which he returned today. He said that the Army is half the size it was when he joined 40 years ago, adding that it was difficult, if not impossible, to increase the size of the Special Forces further without dropping standards, and that that would make them no longer special and no longer capable of the task asked of them. That comes from a former soldier and Defence Minister. The noble Earl might care to reply to that when he responds.

If we look at the size of the Army, the review makes it clear that the Government will continue their policy of filling the gap in the number of full-time soldiers by increasing the reserves. The SDSR tells us:

"We will continue to grow our Reserves to 35,000".

Can the noble Earl tell us when this will be achieved? What of this comment from his noble friend Lord Attlee, speaking in the debate on the reserves in October, who said:

"I still think that the plan for volunteer reserves is deeply flawed—in particular, in trying to suggest that volunteer reservists will be identical to their regular counterparts".?

He went on:

“They may be interchangeable and they can certainly be interoperable, but they are never going to be the same. There is simply not enough time for training to get to that level of proficiency”.—[*Official Report*, 22/10/15; col. GC 59.]

Is the noble Earl, Lord Attlee, wrong when he tells us that the shortfall in regular soldiers is to be filled by less well-trained reservists who will never get to the level of proficiency we demand of our regulars? I am sure the House will be interested in the Minister’s response.

In our debate on the reserves, the Minister recognised the importance of retention. Can he update us today on this matter? Can he tell us the rate of recruitment and retention? In October he said that we had “turned a corner” on this matter about a year ago. How far around the corner are we? Just a handful of the 90 pages in this review mention the Armed Forces at all. There are still many questions but time prevents me asking them.

Finally, I will say something about the SDSR telling us that Britain is,

“the world’s leading soft power”.

The Government have acknowledged the importance of soft power with an £85 million investment in the BBC World Service to support initiatives in Russia, North Korea, the Middle East and Africa—a point that was made by the noble Lord, Lord Chidgey. Although we recognise the BBC to be one of the UK’s significant cultural exports, can the Minister indicate whether the Government have given any consideration to recommendations made by the Select Committee on Soft Power?

Many BRIC and Scandinavian countries shape their foreign policies around explicit soft power goals; for example, China has opened 327 of a projected 1,000 Confucius Institutes, encouraging philosophical understanding of its civilisation; and Finland sends monitors to join the Red Cross in Ukraine, not just for humanitarian aid but specifically to get closer to the people and to understand their wishes and needs. Worryingly, the Select Committee report concluded that Britain is weakening rather than bolstering its soft power institutions. Especially following the events in Syria, it is essential that the Government begin to make soft power central to any foreign and defence policy thinking. I would be grateful for the Minister’s views on this. Perhaps he could tell us a little more about what might be done other than the planned investment in support of the BBC.

I am sure the whole House will agree that it is the first duty of any Government to look to the care and well-being of their citizens, and that must begin with the defence of our nation. So when the Government come to Parliament with a document such as this, setting out their plans for our strategic defence and security, it is only right that it is given the most careful scrutiny. That has been done all around the Chamber today.

5.17 pm

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, we have had a detailed and extremely well-informed debate, benefiting, as ever, from your Lordships’ experience and expertise on

defence matters. I congratulate my noble friend Lord Attlee on having introduced it so expertly. I congratulate also most warmly the four maiden speakers, each of whom in their own way has shown how maiden speaking should be done. Time has been tight but we have covered a great deal of ground.

I begin by reminding noble Lords of the context in which our discussions have taken place. We are living in dangerous and difficult times. The threats we face are growing in scale, complexity and diversity. In the past year alone we have seen a newly aggressive Russia using proxies to menace the borders of Ukraine. We have seen the Daesh death cult export the horrors it has perpetrated in the Middle East across the globe, from the beaches of Tunisia to the streets of Paris. We have also seen a great migration spilling across Europe’s borders and into the Mediterranean due to the effects of growing instability in the Middle East and Africa.

Such threats do not just pose a danger to us directly but undermine our entire international rules-based system on which our values of tolerance, the rule of law and freedom depend. Yet in the face of these dangers, we will not retreat to our shores. Instead, we will continue protecting our people, projecting our influence and playing a central role in supporting global security and stability.

Our strategic defence and security review, published last week, strengthens our defence in three ways. First, it gives us the means to match our ambition. This Government have prioritised defence and security over many other areas of public spending. We have made a commitment to meet the NATO 2% target. We have put in place £2 billion of the joint security fund, which will see the defence budget rising in real terms by 3.1% in this Parliament. On top of that, we are meeting our UN target by spending 0.7% of gross national income on development. Additionally, we are increasing our investment in our security and intelligence agencies, and in counterterrorism. That money allows us to take the full spectrum of measures needed to tackle the causes and consequences of the threats that we face: tackling the poisonous ideology of Islamist extremism; refocusing our aid budget to support fragile and broken states; and preventing conflict across the world.

However, our SDSR is about hard as well as soft and smart power. There will continue to be times when we need to employ armed force to counter aggression. That is why, in the past year, we have been acting around the world, whether policing Baltic skies to deter Russia’s expansionism or using our Brimstone and Hellfire missiles to degrade Daesh in Iraq. Following yesterday’s vote in Parliament, we will be doing more in Syria. We are determined to stand shoulder to shoulder with our allies and strike at the heart of the terrorist lair.

This brings me to my second point. Our SDSR gives us the might to deliver, at home and overseas. Our Armed Forces are now increasing, not reducing. We have an equipment budget that has risen by £12 billion to £178 billion over 10 years, and we are using it to establish a potent new expeditionary force. It will be able to deploy 50,000 people, rather than the 30,000 we previously planned. It will give us two new strike brigades and be equipped with: more F35s, and earlier;

[EARL HOWE]

more Typhoon squadrons; nine new maritime patrol aircraft; new frigates and the two fully-crewed aircraft carriers; and more ISTAR and more cyber, along with £2 billion more on special forces. At the same time, we are guaranteeing our continuous at-sea nuclear deterrent by replacing our four nuclear submarines. Lastly, we will be keeping our capability on the cutting edge by launching a new defence innovation initiative next year.

Thirdly, our SDSR recognises that we must work with allies and partners to deliver our national security goals and tackle global threats. Of course, we have always worked with partners but, in the past, this happened far more by instinct; tomorrow, it will happen by design. At the heart of this new approach is our commitment to NATO, the cornerstone of our defence. As well as meeting our 2% commitment, we will be leading NATO's new high-readiness Spearhead force in 2017 and at next year's Warsaw summit, we will be pushing to ensure that the alliance delivers the military capability and investment agreed in Wales.

Besides NATO, the UK will be leading the joint expeditionary force of seven like-minded nations. On Monday, we signed a memorandum of understanding giving our forces the green light to train and operate together. We are also strengthening the institutions on which our rules-based international order depend, notably by doubling our peacekeeping contribution to the United Nations. But bilateral relationships are as significant as multilateral ones so we will be enhancing our special relationship with the United States; working with France as part of the combined joint expeditionary force, which stands up next year; and expanding our DA network, forging new friendships while bolstering our alliances around the world.

My noble friend Lord Attlee asked me a number of questions. First, he asked where we are with eLoran, an issue also raised by the noble and gallant Lord, Lord Boyce. As part of our work to improve the resilience of our precision navigation and timing systems, we are studying a variety of technologies. However, the need for a readily available and highly precise system with worldwide coverage is likely to mean that our requirement for resilient global navigation satellite systems will endure. I will write to my noble friend and the noble and gallant Lord if I can provide further information on that issue.

My noble friend Lord Attlee also asked me about the Vanguard class of SSBN and whether the intention was to run that on longer than originally intended. As set out in the 2010 SDSR, we have assessed that we can safely manage and maintain the Vanguard boats until successor submarines are introduced into service in the early 2030s. He asked me about extending the role of the Type 45 to include ballistic missile defence. As the White Paper sets out, there will be a programme of exploratory work around the BMD role for the Type 45, but it is too soon to speculate any further at this stage. My noble friend also asked about the new general-purpose frigates. As set out in the White Paper, the exact requirements for any general-purpose frigate will reflect other decisions taken as part of the national shipbuilding strategy to be announced next year.

My noble friend also asked about the two armoured infantry brigades and whether that means we will be down to two armoured regiments. The design of the armoured infantry brigades, so that they meet the Army's revised structure as announced in the SDSR, is being considered as part of new work being undertaken by Army HQ, so is work in progress. He questioned whether the two infantry battalions which are to be reconfigured for defence engagement would have sufficient capability—I think he said they would not have the capability of even a light-role battalion. That is not correct. As current world events demonstrate, the ability to build the CT capacity and fighting power of regional partners will be a vital aspect of the UK's future national security. The exact size and shape of these battalions will become clear as the concept develops, but these are exactly the kind of stimulating, challenging and relevant roles required to retain our most skilled and ambitious soldiers. As regards the 10,000 military personnel available to assist the civil authorities, my noble friend was correct in saying that this would be via well-established procedures for providing military assistance to civil authorities, with the military working in support of the police.

My noble friend Lord Fairfax, who I am delighted to see back on our Benches, made several very well-put points. I can tell him that the UK will lead a very high readiness joint task force from next year. The planning assumptions in the SDSR increased our ambition for the Army, and our plan is to deploy a war-fighting division as required. There is a strong emphasis in the document, as he will have observed, on innovation, and a substantial innovation initiative will be announced in the coming weeks.

If my noble friend Lord Lyell will forgive me, I will write to him about how the force of 50,000 will be made up, but it is important to emphasise that the Army is able to deploy a division now with sufficient notice, which could consist of an armoured infantry brigade, 3 Commando Brigade and 16 Air Assault Brigade, as well as forces from other nations. Joint Force 2025 is about improving capabilities to enable us to deploy a division from a wider range of Army formations more quickly.

I can tell the noble Lord, Lord Bilimoria, that there are no plans to reduce the numbers of Gurkhas in the British Army. The noble Lord, Lord Hannay, asked me about the provision of UN peacekeepers. The number of service personnel serving at present as UN peacekeepers is 291, of whom 276 are currently in Cyprus. Up to 370 additional personnel could be assigned to peacekeeping duties in South Sudan and Somalia, but I will write to him on the question of the baseline. However, as for equipment, I hope it will be a reassurance when I say that any UK forces deployed on UN duties will be trained and equipped, as normal, to the extremely high standards that we have always had in this country. The noble Earl, Lord Stair, questioned whether the figure of 82,000 includes the reserves. No, it does not. The reserves will be on top of the 82,000, with a total of 35,000. Manning levels have been increased—not by a great deal, but the corner has been turned.

A number of noble Lords devoted their remarks to matters relating to soft power. I will not elaborate hugely on what the SDSR contains on that subject, although I am the first to acknowledge the integral importance of UK development assistance to long-term security and prosperity. Our commitment to spend 50% of overseas aid on the states most important to national security will undoubtedly focus on south Asia, the Middle East and Africa.

The noble Lord, Lord Touhig, asked me about Special Forces numbers. It has been the practice of successive Governments not to comment on the size of the Special Forces, but I re-emphasise to the noble Lord that we are investing £2 billion in new equipment for Special Forces, which I hope will be an encouraging sign of the emphasis that we place on the role that they play for this country.

The noble Lord, Lord Chidgey, asked me about access to the World Service FM broadcasts. If I may, I will write to him on that topic, as I will to the noble Baroness, Lady Jolly, on both the World Service and the British Council.

The noble Baroness, Lady Smith, focused her remarks on morale and whether the Armed Forces are now large enough to cope with the tasks that are required of them. I simply say that, by deliberately planning for the Armed Forces to do more and improving their productivity, which is undoubtedly what we are doing, we will better reflect the current demands on the force, and we will configure better to meet the demands of multiple, smaller and more geographically dispersed operations. We have also built in the agility to reconfigure the force to respond to a higher priority challenge, should it arise. However, we are the first to recognise the risk of overstretch and of damage to morale, so her points were very well made and are well taken.

The noble Lord, Lord West, spoke about the 2% figure for NATO. The 1.7% figure that he cited is an external estimate of the defence spend for 2020-21, not now. I would say that comparing defence spending now with 2010 is not appropriate, because before 2014 we spent considerable amounts on operations such as that in Afghanistan. We now spend less, but with no impact on our capability.

The noble Lord, Lord Anderson, asked about funding for the military involvement in the Ebola outbreak in Sierra Leone. The net additional cost of Operation Gritrock in Sierra Leone was in fact met by DfID.

The noble and gallant Lord, Lord Boyce, perhaps understandably, spoke, as he sometimes does, about the size of the Royal Navy fleet. We will indeed maintain a destroyer and frigate fleet of at least 19 ships. We will look to increase that number by the 2030s. The fleet will be supported by a very capable and renewed tanker fleet, and a fleet of up to six patrol vessels will support our destroyers and frigates in delivering routine tasks and enhancing our contribution to maritime security and fisheries protection. Altogether, this means that not only will our fleet grow for the first time since World War II, but its high-end technological capabilities will allow it to provide a better contribution and to retain a first-class Navy up to 2040 and beyond.

The noble Lord, Lord Touhig, asked about the flexible general purpose class of frigate, which I mentioned earlier. Our plan to commence in 2016 a concept

phase assessment for an additional light frigate, which may result in a different type of frigate that satisfies the requirements of the Royal Navy, will proceed shortly. We believe that if the design and concept is worked through, it will be attractive to the export market. A combination of the modern Type 45 and the new anti-submarine warfare variant, the Type 26, should be sufficient in the mean time to provide protection to the deterrent and maritime task group. It is envisaged that the general purpose frigate will be able to conduct a wide range of other maritime security-related roles around the world, and thus take some pressure off our high-end warships.

The noble Lord, Lord West, asked about HMS "Ocean" and bemoaned the fact that it is going to be decommissioned in 2018. This is not in fact a bringing forward of the decommissioning date; it will continue in service as planned well into this Parliament, but, as part of the SDSR process, the decision was taken not to extend the 20-year lifespan that she originally had. We need, indeed, her personnel to man the new carriers.

My noble friend Lord James spoke powerfully about the need for a capability for home defence. I can tell him that that is foremost in our thoughts; my right honourable friend the Prime Minister recently announced that up to 10,000 trained Armed Forces personnel would be available to assist in any major incident within the UK. The SDSR also includes our work to provide closer military border force co-operation and better maritime surveillance. It is important to understand in this context that we have a cross-government approach to meeting our maritime surveillance task; the Royal Navy and UK Border Force provide different capabilities, which are suitable in different situations.

The right reverend Prelate the Bishop of Portsmouth focused some of his remarks on the plan to reduce the civilian workforce. It is too soon to say how those will play out. Further efficiencies will need to be found beyond our existing change programmes; we will undertake a series of studies that will identify opportunities for more innovative and flexible ways in which to work, including through better technology and moving work to different locations. The reduction in MoD civil servants will include many personnel in change programmes that are already under way, including the final draw down of British forces in Germany.

I will, of course, write on those issues that I have not had time to cover—

Lord Howell of Guildford: The report has a great deal to say about the Commonwealth network from both a trade and a security point of view. My noble friend has not mentioned that, and it may be difficult to do so now in the last few seconds. Will he ensure that when we debate the Commonwealth on 17 December he, or a fellow Minister, will be properly and well briefed in that aspect, because it is central to the future of this country?

Earl Howe: I share my noble friend's emphasis on the importance of the Commonwealth. I shall ensure that his words are registered in the right quarters as regards our debate on 17 December.

Our message here is clear—the danger may be increasing but so, too, is our determination to counter the threats that we face. Our SDSR ensures that we

[EARL HOWE]

have the means and might to match our ambition; it guarantees that, whatever challenges lie ahead, the UK will remain at the forefront of international efforts to preserve our security and stability for many years to come.

5.37 pm

Earl Attlee: My Lords, I am grateful to all noble Lords who have contributed to this debate, especially the Minister for answering it. I agreed with almost all noble Lords, although I think that some of them need to research the existence of the Fleet Air Arm. I remembered during the debate that I had forgotten to raise one particularly obvious point but, fortunately, no other noble Lords raised it, so I can keep it for another event. In the mean time, I beg to move.

Motion agreed.

Overseas Territories Joint Ministerial Council *Statement*

5.38 pm

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, with the leave of the House, I shall repeat a Statement made in another place earlier today by my honourable friend James Duddridge, Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs. The Statement is as follows:

“I thank the honourable Member for Foyle, Mark Durkan, for his Urgent Question, which gives me an opportunity to talk about the excellent work of the Overseas Territories Joint Ministerial Council. The meeting formally concluded late last night, but in reality it will carry on today with a number of bilateral meetings across Whitehall, including with me.

The Joint Ministerial Council is the highest political forum established under the 2012 overseas territories White Paper. It brings together Ministers, elected leaders and representatives from the overseas territories for the purpose of providing leadership and shared vision across the territories.

At this year’s meeting, we discussed a large range of subjects, including child safeguarding, economic development, financial services transparency, climate change, sustainable energy, education and skills and the challenges of providing healthcare in small jurisdictions. We also discussed sports participation by the overseas territories, pension arrangements with the Department for Work and Pensions, governance and security. We had a very full communiqué, establishing how we would work together over the coming year. It has been very successful and I look forward to further meetings later today, following up on some of the commitments made last night”.

5.40 pm

Lord Collins of Highbury (Lab): My Lords, the latest issue of *Private Eye* reported that, in the tax year 2013-14, there were 11,000 property purchases in the UK using tax-haven companies. Confirming that

this issue was discussed, the Minister said that we need to open up beneficial ownership so that criminal assets can be seized before they are moved out of the reach and jurisdiction of the UK Government. This morning, the Minister spoke only of an agreement to create central registries, and did not mention the words in the final communiqué about “similarly effective systems”. Has there been agreement from all overseas territories with financial centres to create central registries, or have some agreed only to “similarly effective systems”? If so, which ones?

Baroness Anelay of St Johns: My Lords, this is clearly a work in progress, and progress has been made. I have seen the flow chart showing where red and orange have gone to green, and progress has been achieved. The noble Lord asked about similarly effective systems. It may be that in some of the jurisdictions a centrally-held register is not seen as the best way forward. However, we have made clear that, in working in partnership with the overseas territories, it is important to have good governance and transparency. As my honourable friend said this morning, the discussions that have taken place over the past two days have been set out in the communiqué, and all the territories with financial services sectors agreed to hold beneficial-ownership information in their respective jurisdictions via central registers or similarly effective systems. We then said that we would give the highest priority to discussing how to take that forward, and I hope that we will then be in a better position to give the exact details that the noble Lord requests.

Lord Wallace of Saltaire (LD): My Lords, a number of houses in Windsor, Maidenhead, Kensington and Chelsea and various other safe Conservative seats in or around London are empty, either permanently or for much of the year. I have heard the Conservative Benches talking about this scandal, so this is a matter of great interest to the Conservative Party as well as to others. We were told after the G8 summit that the Prime Minister intended to establish publicly accessible central registers for beneficial ownership of companies in overseas territories and elsewhere. We appear not yet to have achieved central registers, nor even that our law enforcement and security agencies will have access to such central registers. How slowly does the Minister expect further progress to be made, and when can we at least ensure that the security services and police will have access to central registers in what are British sovereign territories?

Baroness Anelay of St Johns: My Lords, progress is being made on gaining access for the National Crime Agency to information that is held. It is important that we continue to do that work in co-operation with the overseas territories. We have been making progress, and I shall give some examples, which may help the noble Lord, Lord Collins, as well. Gibraltar will implement a central registry of company beneficial ownership in line with the EU fourth money laundering directive. Bermuda already has a central register. The British Virgin Islands have agreed to bring all beneficial ownership onshore, and the Cayman Islands are introducing a centralised platform. Montserrat will implement a central register with the information publicly available—though,

I recognise, on the payment of a fee. Fruitful discussions have taken place on developing a timely, safe and secure information exchange process to increase our collective effectiveness for the purpose of law enforcement, in which, whatever our party or none, we all have an interest.

Lord Naseby (Con): My Lords, in asking this question, I declare an interest as a member of my family works in the Cayman Islands. Is my noble friend aware of how welcome paragraphs 9, 12 and 16 are? Paragraph 12 states:

“It is not appropriate to refer to British Territories as ‘tax havens’”.

Furthermore, will she confirm in relation to paragraph 16 that “beneficial ownership information” is only,

“for the purpose of law enforcement”,

and nothing else?

Baroness Anelay of St Johns: My Lords, my noble friend is right to refer to the fact that the overseas territories involved in discussions about beneficial ownership are international financial centres, which is an appropriate way to describe them. My noble friend is right to point out that paragraph 16 refers to,

“technical dialogue between the Overseas Territories and UK law enforcement authorities on further developing a timely, safe and secure information exchange process to increase our collective effectiveness for the purposes of law enforcement”.

Lord Hannay of Chiswick (CB): My Lords, will the Minister confirm that I was right in noting that in the long list of subjects that was covered by the council in its discussions in the past few days, there was no reference to the possible effect on the overseas territories of a vote to leave the European Union, which would presumably have extremely important implications for them as far as aid, trade and the movement of people are concerned? Will she say whether this matter was discussed and whether the Government are helping the overseas territories to understand what the implications would be? Will she say whether the Government of Gibraltar really appreciate and understand that if this country were to vote to leave, Gibraltar will leave too, however it votes, and that its border with Spain will become an external border of the European Union, not an internal border?

Baroness Anelay of St Johns: My Lords, I assure the noble Lord, Lord Hannay, as I have done during the passage through this House of the European Union Referendum Bill, that we take responsibility for advising Gibraltar of the impact of its membership of the EU—through the fact that we are a member—and of its rights and responsibilities and the consequences that flow from them. I have also made it clear that we work in partnership with Gibraltar and that Gibraltar will be taking its own decisions about how to implement the European Union Referendum Bill. I am sure we will be further able to discuss with Gibraltar the broader issues about trade and the other matters to which the noble Lord referred.

With regard to the impact on other overseas territories, the noble Lord makes a very interesting point, and I shall certainly take it back.

Lord West of Spithead (Lab): My Lords, our nation, with the overseas territories, controls the largest area of ocean and EEZs of any nation in the world. Has there been any discussion about the protection of those huge areas and the development of their economic potential for the countries themselves and our nation?

Baroness Anelay of St Johns: I am very glad that the noble Lord raises this point, particularly as COP 21 is under way at the moment. He is right that the overseas territories include some of the most remote and biologically interesting places on earth, and contain more than 90% of our biodiversity. I assure him that that is why these matters were under discussion and why the UK Government made a commitment to protect these unique and diverse areas from being damaged. We have made that clear in the past, and we aim to designate the largest contiguous no-take MPA in the world around Pitcairn in 2016. We are working with the Ascension Island Government to protect 50% of their waters from fishing activities, and we are also working with South Georgia, the South Sandwich Islands, the British Antarctic Territory and the British Indian Ocean Territory. This is a vital matter for those overseas territories.

Baroness Northover (LD): My Lords, following on from my noble friend’s question, can I probe a little further? The Minister mentioned one or two overseas territories which were publishing registers, but could she say whether all overseas territories are participating in the central registers, and what is the timetable for doing this? Obviously the next stage is to make sure that these are public.

Baroness Anelay of St Johns: My Lords, discussions are ongoing about whether those registers will be public. Of course, some overseas territories feel that that is not appropriate to them. These discussions are continuing, but we have made great progress. We do not put a deadline on this, because the overseas territories have their own elected Governments; therefore we work in partnership with them. We do not dictate to them but work with them.

Baroness Hooper (Con): My Lords, in the past, representatives of the overseas territories have accompanied Ministers in their attendance at international meetings and conferences; I know that from my own experience, particularly in the Department for Education. However, it has been pointed out to me that at the recent and current meetings in Paris on climate change, no representation from the overseas territories was invited by the Government. Given what the Minister has said in reply to the previous question and that the overseas territories are likely to be greatly affected by climate change, is that not a mistake, and what is the Government’s policy on this for the future?

Baroness Anelay of St Johns: My Lords, our policy has been very firmly to engage the interests of the overseas territories in our discussions on climate change. I can say that with some confidence simply because it is one of my ministerial duties at the Foreign Office to be in charge of our participation in the COP 21 process. Therefore I have been involved in the soft

[BARONESS ANELAY OF ST JOHNS]
 diplomacy, which has involved my working with the small island developing states, not only in this country but when I have visited New York and attended ministerial week there. My noble friend is right to say that the overseas territories do not as of right have the opportunity to attend a vast range of international meetings because they are not sovereign nations, but they are able to attend the summit occasions by invitation. On this occasion I assure her that they have been fully involved in discussions beforehand, and I believe—although I do not have a record of this—that they submitted their views to the association of small island developing states when they came to their conclusions.

Welfare Reform (Northern Ireland) Order 2015

Motion to Approve

5.52 pm

Moved by Lord Freud

That the draft Order laid before the House on 26 November be approved.

Relevant documents: 16th Report from the Secondary Legislation Scrutiny Committee, 11th Report from the Joint Committee on Statutory Instruments

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): My Lords, the order will ensure that the people of Northern Ireland, at the request of their Executive, can benefit from the welfare reforms enabled by the Welfare Reform Act 2012 in Great Britain.

The UK Government have no intention or desire to legislate on an ongoing basis for welfare in Northern Ireland. Welfare is devolved to Northern Ireland and will remain so. The enabling Act time-limits the Government's power to legislate so that an order cannot be made after 31 December 2016.

The legislative approach we are taking has arisen at the request of the Northern Ireland Executive and the Assembly has granted its consent. The content of the Order in Council broadly corresponds to the 2012 Welfare Reform Act, which was debated at length and in great detail in this House. It introduced a number of changes to ensure that work pays, that the most vulnerable in society continue to receive the support they need, and that taxpayers' hard-earned money is spent responsibly. These principles underpin the Welfare Reform Act 2012 and are the same principles that underpin the Order in Council before the House today.

The Order in Council is based largely on the Assembly's Welfare Reform Bill that fell at its final stage in May of this year. It includes the reforms made in Great Britain by the Welfare Reform Act 2012; the various flexibilities agreed between the Northern Ireland Department for Social Development and the Department for Work and Pensions; the amendments agreed during the passage of the Assembly Welfare Reform Bill; and provisions that allow for Northern Ireland Executive-funded top-ups.

This order is a fundamental part of the agreement reached last month. As part of that agreement, the Government are committed to delivering welfare reform in Northern Ireland. We would, of course, have preferred not to take this approach. I assure noble Lords that the Government are taking only the action necessary to ensure that welfare reform is no longer an issue undermining the political process in Northern Ireland. We believe that this is the only way to resolve the welfare reform impasse in Northern Ireland.

As I have said, welfare is a devolved matter in Northern Ireland. However, it has in principle maintained parity with Great Britain, meaning that benefit claimants have been able to avail themselves of the same rates of benefit as those in the rest of the United Kingdom. However, as a result of the failure to implement welfare reform, the system in Northern Ireland is becoming increasingly different from that operating in the rest of the United Kingdom. This difference is not sustainable and will cause particular problems in the delivery of people's benefits. Once Great Britain moves entirely to the new system based around universal credit, Northern Ireland will need to create and maintain its own, separate system and meet the significant costs of the IT needed to support it.

The order means that Northern Ireland's welfare system will be placed back on track. A legacy welfare system that makes people dependent on benefits is no more sustainable in Northern Ireland than it was in Great Britain. The order will provide real benefits to people in Northern Ireland by helping to tackle worklessness and delivering real economic benefits.

The order provides the legislative framework to implement these reforms in Northern Ireland, including: replacing DLA with the PIP, which helps towards additional living costs caused by a long-term health condition or disability and is based on how a person's condition affects them, not on the condition they have; reforming contributory benefits so that they align with universal credit conditionality, including introducing a claimant commitment as a condition of entitlement; time-limiting ESA to underline the principle that, with the right support, claimants are expected to return to work; introducing tougher penalties for benefit fraud; and bringing in a benefit cap to ensure that those on benefits face the same choices as people in work. It reflects the agreements with the Northern Ireland Executive to make provision for agreed Northern Ireland-specific welfare-related administrative flexibilities and top-ups.

It is important to remember why the order is necessary. It is not intended to diminish Northern Ireland's devolution settlement. The legislative approach that we are taking has arisen at the request of the Northern Ireland parties, and the Assembly has given its consent. The order reflects the draft Northern Ireland (Welfare Reform) Bill, which has been debated at great length in the Assembly over the past three years. Accordingly, the order includes a number of amendments that reflect the will of the Assembly, including an 18-month limit for higher-level sanctions and discretionary payments.

The order is about delivering the fresh start agreement. It is about supporting hard work and aspiration, and creating the right incentives for people to fulfil their

potential and create a safe, secure and self-sufficient life, supported by, but independent from, the state. It is about making sure that spending on welfare is sustainable and fair to the taxpayer, while at the same time protecting the most vulnerable. Building an economy based on higher pay, lower taxes and lower welfare is right for the UK and right for Northern Ireland. I commend the order to the House.

Lord McAvoy (Lab): My Lords, I am grateful to the Minister for outlining the order to the House and for his brevity. Before we get to the order, it is important to be mindful of the events that have led up to this point and the context of this debate.

It is now almost a year since the Stormont House agreement was finalised. Those negotiations made substantial progress on some of the most contentious issues, including flags and parades, while also seeking a way forward on matters such as welfare reform and the devolution of corporation tax. The agreement marked a turning point but, as your Lordships will be all too aware, during the last year, particularly in the past 12 weeks, it appeared that there was a genuine risk not just that the devolution settlement might collapse but that we might see a return to direct rule for the first time in almost a decade. It is to the Government's credit that they have worked hard to come up with this agreement and, in doing so, they have our full support in bringing it forward.

6 pm

The Northern Ireland (Welfare Reform) Act 2015, which received Royal Assent this week, together with this order which the Act enabled, takes an important step towards bringing the events of the last 12 months to a close. I am sure no one will see this order as a perfect solution, but most will nevertheless regard it as necessary, as it paves the way for an end to financial penalties and a return to stable government.

The House knows that we disagree with much of the Conservative Government's welfare reform programme, and we have not held back from expressing that. However, we have also been consistent in our view that these debates are not the right forum for rehearsing the arguments we have made, and will continue to make, elsewhere. The Opposition will not, therefore, oppose the order today, just as we did not vote against the enabling Bill, which became law last week.

We hope that, in bringing recent disagreements over welfare reform in Northern Ireland to a close, this legislation will mark the beginning of a new chapter in its history and lay the foundations for progress on long-stalled issues. We particularly welcome the provisions made for transitional protections to help mitigate the impact of the changes. These include important protections for existing claimants affected by the bedroom tax and the transition from disability living allowance to the personal independence payment. There has also been an agreement on the way that universal credit will be implemented in Northern Ireland, which includes exemptions from the requirement for single household payments, provisions to allow the housing costs element to be paid directly to landlords and protections in the sanctions regime for lone parents seeking work. These are all welcome compromises on

the part of the Department for Work and Pensions. Although they may not address all the concerns that have been raised about welfare reform in Northern Ireland, they will go some way towards mitigating the impact on some of the most vulnerable among those affected.

Importantly, this agreement will also make available additional funding for the Police Service of Northern Ireland to step up its efforts to fight terrorism, and new funding for community initiatives, among them efforts to bring down the peace walls that have historically divided Northern Ireland's communities.

The compromises reached by all those involved helped to get the exceptional circumstances of Northern Ireland recognised, and the settlement agreed between Stormont and Westminster presents an opportunity not only to draw a line under the difficult events of recent months but to look to the future as we continue to support the building of a peaceful, as well as prosperous and fair, Northern Ireland. We welcome the order.

Lord Newby (LD): My Lords, I briefly echo the comments of the noble Lord, Lord McAvoy. In some respects, of course, this is an imperfect way of dealing with these very important changes. But the key point is that it is a way of dealing with them. They will now be able to be implemented in a way that is impossible to see via any other route. They do, as the noble Lord, Lord McAvoy, said, unlock other important developments in Northern Ireland. Therefore, we on these Benches welcome the order.

Lord Freud: I thank both noble Lords for the way they have approached this as something that we need to do to help the process in Northern Ireland and allow that country to function.

It is worth picking up just a handful of points before I close. The noble Lord, Lord McAvoy, indicated, I think, that he did not necessarily approve of some of the Government's welfare measures. However, let me explain how the current Welfare Reform and Work Bill will work in the Northern Ireland context. As part of the fresh start agreement, the Northern Ireland Executive recognised the importance of addressing welfare reform more broadly and not just the 2012 measures. The legislative consent Motion passed by the Assembly made this clear. So if required, we will introduce a further order to implement the relevant provisions of the Welfare Reform and Work Bill for the same reasons that we are introducing the order currently before the House: to provide Northern Ireland with a fit-for-purpose welfare system that takes parity as its starting point.

The noble Lord, Lord McAvoy, mentioned the transitional provisions of the order, which allow the Secretary of State to exercise the vast majority of regulation-making powers in the first instance. In effect, this means that the Secretary of State has the power to introduce regulations until that power is handed back to Northern Ireland.

On the noble Lord's point about some of the changes, the Northern Ireland Bill included a number of specific amendments which were agreed to help ensure that the reforms could be implemented. The Government remain

[LORD FREUD]

convinced that the proposals introduced in Great Britain remain right for Great Britain. In Northern Ireland, we have agreed administrative flexibilities to allow payments to be made more frequently and for the rent element to be paid directly to landlords. This recognises the devolved nature of welfare and the ability for there to be different administrative arrangements in Northern Ireland. It will be up to the Northern Ireland Executive to work out their exact administrative procedures. The universal credit system in Great Britain also allows for us to make these alternative payment arrangements, which will be used where appropriate.

I emphasise again that this order fulfils a vital commitment made as part of the fresh start agreement and it has the support of the Northern Ireland Assembly. It does not diminish the devolution settlement but supports the future of devolution in Northern Ireland and paves the way for the introduction there of a modern, reformed welfare system. I commend the order to the House.

Motion agreed.

House adjourned at 6.07 pm.

CONTENTS

Thursday 3 December 2015

Introductions: Baroness Thornhill and Lord Watts	1195
Questions	
Sir John Cass Faculty of Art, Architecture and Design	1195
House of Lords: Strathclyde Review	1198
Kurdistan Workers' Party	1200
Flood Defences	1203
Business of the House	
<i>Timing of Debates</i>	1205
National Security Strategy	
<i>Order of Consideration Motion</i>	1206
Autumn Statement	
<i>Motion to Take Note</i>	1206
State Pension: Women	
<i>Question for Short Debate</i>	1237
Strategic Defence and Security Review	
<i>Motion to Take Note</i>	1250
Overseas Territories Joint Ministerial Council	
<i>Statement</i>	1297
Welfare Reform (Northern Ireland) Order 2015	
<i>Motion to Approve</i>	1301
