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PARLIAMENTARY DEBATES
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OFFICIAL REPORT

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

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House of Lords

Wednesday 2 March 2016

3 pm

Prayers—read by the Lord Bishop of St Albans.

Pharmacies: Funding Question

3.06 pm

Asked by **Baroness Walmsley**

To ask Her Majesty's Government what steps they will take to ensure that every community continues to be served by a local pharmacy, in the light of their plans to cut funding to pharmacies in October.

The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con): My Lords, community pharmacies are a vital part of the NHS. The Government believe efficiencies can be made without compromising the quality of services or public access to them. Our aim is to ensure that community pharmacies upon which people depend continue to thrive. We are consulting on a pharmacy access scheme which will provide more NHS funds to certain pharmacies compared to others, considering factors such as location and the health needs of the local population.

Baroness Walmsley (LD): I thank the Minister for his reply. Has he made any assessment of the value of the services provided by pharmacies to the NHS, local communities and local authorities in assisting with their public health responsibilities? In light of the importance of all these services and the potential for expansion in future, is it not rather arbitrary of the Government to make these cuts that I understand could cause the closure of 3,000 pharmacies? Then they will sit back and wait for the survival of the economic fittest.

Lord Prior of Brampton: My Lords, it is important that we recognise the fundamental changes happening in the market that community pharmacies operate in. With the growth of online ordering of prescriptions, the large-scale automation of dispensing and the integration of health services within which community pharmacies are absolutely vital, the industry will have to change.

Lord Cameron of Dillington (CB): My Lords, have the Government rural-proofed this policy? Has detailed thinking gone into how people without transport in remote rural communities can access pharmacies for their local, possibly life-saving medicines? I am sure that there are solutions to be had in IT and so on, but has that thinking and even understanding gone into the process?

Lord Prior of Brampton: The noble Lord raises an important point. There is no doubt that community pharmacies are vital to all people, but particularly to those living in isolated rural communities. There will be a pharmacy access fund based around isolation and local health needs of the population. We are consulting with the Pharmaceutical Services Negotiating Committee over that issue at the moment. I assure the noble Lord that we are fully aware of the issue he raises.

Lord McColl of Dulwich (Con): My Lords, the Government's plans will squeeze all pharmacies, resulting in the closure of the least-viable ones—which are often in the poorest districts where they cannot easily diversify. Why do the Government not undertake a means assessment to find out which pharmacies are essential? Closing pharmacies will put even greater pressure on overworked GPs.

Lord Prior of Brampton: I assure my noble friend that not all pharmacies will be squeezed equally, as he put it. A pharmacy access fund will ensure that greater resources go to those pharmacies which serve isolated communities in rural areas, and a pharmacy integration fund will ensure that we encourage pharmacies to work more closely with primary care.

Lord Clarke of Hampstead (Lab): My Lords, does the Minister consider that prisons are communities? If he does, will he give the House an assurance that the NHS pharmacies operating in prisons will not face any cuts because, as I understand it, the pharmacies in some prisons are far below the required standard? Can we be given an assurance that they will be exempt from any cuts?

Lord Prior of Brampton: The noble Lord raises a very important issue. I do not have the answer to his question. If it is all right with him, I will investigate the matter and write to him.

Baroness Greengross (CB): My Lords—

Lord Mawhinney (Con): My Lords—

Lord Clement-Jones (LD): My Lords—

Noble Lords: This side!

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, we should get out of the habit of shouting "This side" when we are on our feet. I suggest that the Cross Benches would like to go next.

Baroness Greengross: My Lords, has the Minister considered the relationship between hospital pharmacies and local community pharmacies? At a hospital I know well 56 people are discharged every day. However, they cannot be discharged until their prescriptions are ready from the hospital pharmacy. As people wait up to four hours, beds are blocked 56 times for four hours while they wait. A closer link—which exists in one or

[BARONESS GREENGROSS]

two areas—between the two types of pharmacy might remedy that situation. Has the Minister any plans to look at that issue?

Lord Prior of Brampton: The noble Baroness makes a very important point. There are many delayed discharges from hospital because people are waiting for their medications and many hospitals do not have the automation within their in-house pharmacies to meet the demand to which she refers. The big driving force going through healthcare and community pharmacy today is one of integration, which means that community pharmacies must in future work more closely with their local hospitals and GPs.

Lord Clement-Jones: My Lords, we all have heard what the Minister has to say, but is not the Government's policy totally inconsistent in that community pharmacists are being encouraged to do more but, as these drastic cuts are being put into effect, they can only do less?

Lord Prior of Brampton: I think the noble Lord has misunderstood what I said. Interestingly, 40% of all community pharmacies are in clusters of more than three within 10 minutes' walk. There has been a proliferation in the numbers of community pharmacies at a time when we want a deeper integration of community pharmacy with primary care in particular.

Lord Mawhinney: My Lords, talking about the services which pharmacies provide, when do the Government plan seriously to regulate and inspect pharmacies with a view to making sure that their patient record-keeping and consultation facilities for patients are appropriate to the high standards of patient confidentiality which we insist on in every other aspect of the NHS?

Lord Prior of Brampton: The noble Lord raises an important point which I regret I cannot answer. I will have to write to him on that matter. However, for community pharmacy to play the important role in primary care that we expect it to do, it will have to have access to integrated patient records. The confidentiality that surrounds those records is very important.

Lord Hunt of Kings Heath (Lab): My Lords, this is all very well but will the noble Lord confirm that one of the ideas of his department is for doctors to prescribe medicines for a longer period so that fewer trips are made to the pharmacy, thereby compensating for the closure of up to 3,000 pharmacies? However, is he aware that it is estimated that £300 million-worth of medicines are wasted every year? I understand that a third of that is in medicines that are never opened by patients. Surely it is not cost-effective to extend the length of the prescription time because all you will do is add to wastage of medicines.

Lord Prior of Brampton: My Lords, there is no intention to extend the prescription time just for the sake of it. But there are many people who have stable long-term conditions, for whom a 90-day prescription

period might be appropriate. We are not saying that all prescriptions should be for that length of time but some of them might be.

Railways: Southern, Southeastern and Thameslink Franchises

Question

3.15 pm

Asked by **Baroness Randerson**

To ask Her Majesty's Government what assessment they have made of the performance of the Southern, Southeastern and Thameslink rail franchises, and what steps they intend to take to ensure that passengers on those routes receive an improved service.

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon)

(Con): My Lords, customers on these parts of the rail network need to see improved services. There are problems that are being fixed. However, Govia Thameslink Railway—GTR—Southeastern and Network Rail still have to do much better when it comes to fixing faults and communicating with their passengers. The Government are determined to reduce crowding and improve the passenger experience, which is why we are investing in the multibillion-pound Thameslink programme that is due to complete in 2018.

Baroness Randerson (LD): My Lords, I am glad the Minister agrees that customers are not getting the service they deserve. Thameslink and Southeastern have commuter satisfaction down at 68% and Southern at 70%. The disruption at London Bridge has not helped but it is only part of the problem. As the Minister says, the operators need to do better. Do the Government intend to terminate franchises early if there is no significant improvement in performance? Does the Minister agree that punctuality and reliability are more likely to improve if train companies are penalised financially and automatically required to compensate all affected passengers, based on a more generous compensation scheme?

Lord Ahmad of Wimbledon: My Lords, I acknowledge the challenges and issues that have arisen, particularly with these two franchises. I assure the noble Baroness that the Government are determined to hold those operating the franchises to account. That is why my honourable friend in the other place, the Minister for Rail, Claire Perry, meets the operators, together with the ORR, on a monthly basis to ensure that the requirements of the franchise are being met.

Lord Polak (Con): My Lords, my friends in Elstree and Borehamwood are never happy when I am on the Thameslink platform because, when I am there, there is always a delay or cancellation. Will the Minister support the action of the MP for Hertsmere, Oliver Dowden, in his campaign to get Thameslink to provide

a much better service for the people of Hertsmere, who pay a lot of money to be packed like sardines in an often-late train?

Lord Ahmad of Wimbledon: I assure my noble friend that the delays are not down to his presence on the platform, as he brings to our attention the delays that we are seeing on these lines. As I have already said, the Government are committed both to holding those operating these franchises to account and to ensuring that, yes, there is greater investment. That is why the Government have committed to the investment of more than £1 billion in the improvements at London Bridge and beyond, and we are committed to ensure that by 2018 these improvements are felt by commuters. He is quite right to point out that the current service is not good enough.

Baroness Smith of Basildon (Lab): As one of those weekly commuters from Bognor Regis to Westminster, I also have my tale to tell. I only just made it in on time on Monday, having sat on three separate trains before one left the station, and along with other commuters was shunted from one platform to another three times just to get on a train that worked. Go-Ahead, the parent company that owns the franchise, reported an increase in profits of more than 30% last year. Can the Minister tell us why this money is not being invested to improve services for passengers but instead is going into shareholders' pockets?

Lord Ahmad of Wimbledon: Investment is going into these franchises. There are three new fleets of electric trains, which will see an overall increase of 50% in capacity. Within the wider franchise, new trains will be introduced on the Gatwick Express later this year. But the noble Baroness is quite right to point out that the challenges remain. As I have already assured the House, the Government are working very closely not just with those who are operating these franchises but the Office of Rail Regulation to ensure that the challenges are met and the franchisees are held accountable.

Lord Tebbit (Con): My Lords, would the Government give some consideration to a restoration in the longer term of the vertical link so that "Notwork" Rail and the rail operating companies have one board of directors coming together to solve the problems, instead of blaming each other?

Lord Ahmad of Wimbledon: I note the reference that my noble friend made—I am sure he meant Network Rail. As noble Lords will be aware, we have appointed Sir Peter Hendy to look at Network Rail's operations and we are working closely together, as many delays on these lines—my noble friend is quite right to point out—are because of Network Rail-related issues and are not down to the franchisee.

Lord Wills (Lab): My Lords, I am delighted to hear the Minister being so tough about these things. Two weeks ago, my wife was on a Southeastern train to Ramsgate. When the train stopped, the doors opened,

a woman tried to get out and the doors shut on her. She managed to extricate herself and the train took off—all within about 30 seconds—lugging my wife and 13 other people to Broadstairs, where there was no one to help them or advise them on how to get back to Ramsgate.

The concern that Go-Ahead, the parent company of Southeastern, has for the health and safety and convenience of its passengers can perhaps be demonstrated by the fact that I have rung it three times and have, so far, received absolutely no response. From what we have heard already today, this is not an isolated occurrence of its insouciance towards its passengers. Will the Minister agree to meet me and any other noble Lords with concerns about this company to discuss what can be done to improve its performance?

Lord Ahmad of Wimbledon: It is always my pleasure to meet noble Lords.

Lord Lucas (Con): My Lords, I will add my name to that list. Southern is absolutely dedicated to reducing service to customers in all possible ways. Its first action when it took up the franchise was to abolish tea trolleys; its latest action is to abolish ticket offices, even though the ticket machines will not offer the best price and are extremely hard to use. Will the Government please take this franchise to task and either abolish it or make it better?

Lord Ahmad of Wimbledon: I assure my noble friend that we are of course holding those operating the franchises to task, as I have already said in your Lordships' House. If they do not deliver, they will be held to account. We are going to see the completion of the investment by the end of 2018 and I think that that will be the real challenge and test of how efficient these franchises are.

Housing: Underoccupancy Charge *Question*

3.22 pm

Asked by Baroness Sherlock

To ask Her Majesty's Government what steps they are taking to protect disabled people and victims of domestic violence from the effects of the under-occupancy charge.

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): We have already taken steps to protect disabled people and victims of domestic violence by providing local authorities with £560 million in discretionary housing payment funding since 2011. A further £870 million of discretionary housing payment will be provided over the next five years, which will allow local authorities to make long-term or indefinite awards so that people in difficult situations such as these are protected.

Baroness Sherlock (Lab): I thank the Minister for that Answer. The Government are spending a quarter of a million pounds appealing two bedroom-tax cases in the Supreme Court this week: one from a rape

[BARONESS SHERLOCK]

victim who had had a panic room installed by the police and the other from a family caring for their severely disabled grandson. I intuit that the Minister will not want to comment on the cases specifically, but he mentioned discretionary housing payments, which are always the Government's defence when the bedroom tax comes up. But the Government's own evaluation found that a third of people hit by the bedroom tax did not even know that the payments existed. Can the Minister tell the House what he is doing to improve the situation for disabled people and rape victims and how people will know about the discretionary housing payments?

Lord Freud: To start with, roughly 40% of people knew about the discretionary housing payments—that figure has now increased to 66%, I think. So there is information out there. I thank the noble Baroness for making the point that the Supreme Court is looking at this area right at this moment—today; I am necessarily more circumscribed than normal in some of what I can say on this area in the next few minutes.

Baroness Thomas of Winchester (LD): My Lords, have the Government thought of changing the law so that the partners or spouses of disabled people who are also their carers would be eligible to have the spare room—which is often needed for very bulky items such as hoists, wheelchairs and so on, as well as a bed—so that the carer, who is the husband, wife or family member, may have what one might call respite sleeping?

Lord Freud: The noble Baroness has put her finger on a Supreme Court issue, which I will just have to duck today.

Lord Wigley (PC): My Lords, if it turns out that the funds available to local authorities, which the Minister mentioned, are in fact inadequate to meet the defined needs of disabled people and others who should come within their orbit, will the Government make more funds available?

Lord Freud: We keep this under review and, as I said, we have increased the amount quite substantially for the next five-year period. Currently, local authorities have been somewhat underspending and we get a small return of the money that they do not spend. The bulk of local authorities, at the halfway point of the current financial year, have been spending under 50% of their allocation.

Baroness Lister of Burtersett (Lab): My Lords, two-fifths of local authorities whose policies are online make it clear that payment is short term, while nearly a third specify a fixed period for discretionary housing payments. The Minister's own evaluation report warned that,

“this funding is by its nature short term and offers tenants little certainty over their future”,

which is particularly relevant to disabled people and domestic violence victims. How much longer will the Minister pray in aid discretionary housing payments to justify an unjustifiable policy?

Lord Freud: On the noble Baroness's first point, we have made it absolutely clear in our guidance that these can be longer-term payments. One thing that we have done by having a five-year settlement is to give local authorities the confidence to make longer-term payments. The guidance in the manual says that, “it may be more appropriate to make a long term award in cases where a claimant's circumstances are unlikely to change, and making a short term award will cause them undue distress”. We have recognised the exact point that the Baroness makes.

Baroness Hussein-Ece (LD): My Lords, is it the case that current regulations allow for an additional bedroom for a disabled adult who requires overnight care but not for a disabled child in a similar situation? If that is the case, is that fair?

Lord Freud: I will have to repeat the answer that I gave to the noble Baroness, Lady Thomas.

The Lord Bishop of St Albans: Can I take the Minister back to the first question of the noble Baroness, Lady Sherlock, about panic rooms? His answer was that there is information out there but when someone has had a panic room installed through a sanctuary scheme, there is a clearly defined problem. It seems that we need to find some way to make sure that that advice automatically gets to them. Has the Minister considered any way in which we can encourage local authorities to have a duty to give that information about the discretionary housing payments?

Lord Freud: The information on this is disseminated. When people are written to, informing them that they are subject to the removal of the spare room subsidy, the information is made available to them on that occasion. Awareness of that is growing.

Lord Brooke of Alverthorpe (Lab): Given the well-known problems in housing with rentals and finding accommodation, have the Government given any thought to extending their policy on the underoccupancy charge to the private sector?

Lord Freud: The way that this was introduced was to replicate what happens in the private sector, where the LHA does exactly that: it provides the family with what they require. The removal of the spare room subsidy brings the same system into the social sector as was introduced into the private sector by the very party that the noble Lord sits in.

Baroness Hollis of Heigham (Lab): My Lords, two-thirds of those affected by the bedroom tax have a disability. Will the Minister tell us what proportion of those people affected—the two-thirds—are actually receiving discretionary housing awards? The money does not stretch to them.

Lord Freud: I have gone through these figures before. When you look at the numbers of disabled people who are subject to the spare room policy, 63% of the

original number were disabled on a DDA basis but, by the time you take it on to the higher rate DLA basis, the figure was down to 17%.

Asylum: Processing of Applications

Question

3.29 pm

Asked by **Baroness Hamwee**

To ask Her Majesty's Government what is their assessment of the amount of training required by employees on temporary contracts who process asylum applications, including gap-year students.

The Minister of State, Home Office (Lord Bates) (Con): My Lords, all members of staff who make decisions in asylum cases, whether on temporary contracts or otherwise, receive the same level of training. This includes a dedicated five-week foundation training programme that includes training on international and domestic law and safeguarding issues.

Baroness Hamwee (LD): My Lords, the decisions that people dealing with asylum applications have to take are very sensitive and complex. Would the Minister agree that they require skills such as critical analysis, sensitivity and maturity? Is it appropriate for young people—by definition students, as referred to in the *Observer* article—to be taking such decisions? Is there likely to be an extra cost to the Government from incorrect decisions being taken by people who do not have those attributes?

Lord Bates: I can understand the concern, because these are very sensitive issues that people are being asked to deal with. But I can reassure the noble Baroness that out of the 290 decision-makers currently looking at cases, two are undergraduates in law. Under this scheme we have often looked in particular at people who have an interest in law—perhaps with the possibility of their coming in to become decision-makers in future—who might get some experience doing that. They have their induction course with all of that but, crucially, they also have mentoring. An experienced person must sign off on all decisions taken by that individual. That is a very important safeguard which I hope will reassure noble Lords.

Baroness Afshar (CB): My Lords, as a teacher of Islamic law in Strasbourg, I can tell noble Lords that even post-doctoral students take a very long time to understand the complexities of notions such as rights, entitlement, duty and obligations, which are very different from current secular or Christian laws. I am not sure that five weeks is quite enough for people to grasp that knowledge, as well as having the social abilities to know what the facilities are. It is multi-tasking.

Lord Bates: The short answer, of course, is that it is not enough—and, of course, that five weeks is then followed up by a period of at least six months when they receive close mentoring and all their decisions are

checked. Also, in the cases that the noble Baroness mentioned, when there are areas of particular sensitivity, when people have been victims of torture or violence, or where there are LGBTI issues, there is also the provision of a second pair of eyes, which means that, even when an experienced person has done the evaluation, another experienced person will look at it. Of course, in the extreme situation that that person disagrees with the finding of the decision-making officer, they and their legal advisers will have the opportunity to appeal.

Baroness Gardner of Parkes (Con): What is the position regarding the phone helplines that we discussed with regard to the Immigration Bill this week? Is the same type of education or training given to people whatever phone line they work on—health or immigration? How qualified are they? Are they like insurance companies, which have a list of answers, and if you ask a question outside the list they have no answer? I do not think that we got an answer on that from the Minister the other day.

Lord Bates: I am trying to remember the immigration phone line to which the noble Baroness refers. I assume that she means the right-to-rent checks, for which there is a helpline charged at local rates. That is simply just to check immigration status. It is almost a binary issue of whether the person is legally entitled to be here or not. We think that it can probably be dealt with at that level.

Lord Hylton (CB): My Lords, I understand that students may well be able to carry out clerical functions connected with processing, but will the Minister assure the House that they are never in a position to conduct the substantive interviews on which essential decisions depend?

Lord Bates: If they have the qualifications and the mentoring in place, they can undertake those interviews. It is very important to say that their work is overseen by the independent chief inspector. When he looked at this, he found that the decision-makers were professional and dedicated and demonstrated commitment to fairness. Perhaps it might also be of interest to noble Lords to visit the office in Croydon—I can arrange that—to see the type of people who are undertaking these very important decisions.

Lord Christopher (Lab): My Lords, this department is not the only one which is employing temporary staff to deal with complex problems. The subject of this Question is not a problem that is going to go away quickly. Who knows how many years it will be before the number of asylum seekers declines seriously? It is appalling that we have this situation. It is similar in HMRC with temporary staff. It is quite disgraceful. There has to be some reason why the Government are doing this rather than establishing posts.

Lord Bates: The reason we are doing it is to ensure that people get crucial decisions as quickly as possible. When we inherited this system, we had a backlog of

[LORD BATES]
400,000 pre-2007 cases. Everyone was rightly expressing concern about that. That was why we needed to bring in people who could work through that backlog. The backlog has gone. We now have professional standards of six months for simple cases and one year for more complex cases. This is not like other areas where you get a seasonal flow, such as with passports or student visas. Because of events in Syria, there is currently a 29% increase in the level of applications. So it is very difficult to manage, and the people who are doing it are doing it in a very professional, effective and sensitive way.

Baroness Ludford (LD): My Lords—

Lord Naseby (Con): My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): There we go; saved by the bell.

State Pension Age *Statement*

3.36 pm

The Minister of State, Department for Work and Pensions (Baroness Altmann) (Con): My Lords, my right honourable friend the Secretary of State for Work and Pensions has today made the following Statement.

“Yesterday we announced the appointment of John Cridland to lead an independent review of the state pension age. The review will make recommendations for the Government to consider to ensure the future state pension age is fair and affordable in the long term. The review will report by May 2017. I want to stress that the review is independently led and evidence-led. It will be evidence put forward to John Cridland to consider in his important considerations about the state pension. The review will consider changes in life expectancy, as well as wider changes in society.

It is also useful at this point to remind the House why this kind of review is necessary. In 1945, a man, for example, retiring at 65 had a life expectancy of between 60 and 63. Men rose from 14.27 years in retirement after their pension age to 27 years under the present forecast and existing timescales, and women have gone from 18 years in retirement after their pensionable age to 29.5 years in retirement.

Future generations will rightly expect that we reflect those changes in how we set the pension. It is right that pensions should reflect these changes in life expectancy. Future generations will not thank us if we do nothing and do not have the courage to ensure pensions are sustainable to avoid them picking up the bill.

I want to make clear what this review is not. It will not cover the existing state pension age timetable up to April 2028. We have already provided legislation for this, and the review will not look to change the state pension age up to this point. The Labour Government first legislated for state pension rises beyond 65, but without any commitment to an independent review. When we brought forward the Pensions Bill in 2013, Labour seemed to have a change of heart. They agreed

with us about the need for a regular independent review of the state pension age. The shadow Secretary of State at the time, the honourable Member for Birmingham Hodge Hill, said:

“The Secretary of State and I have no difference of opinion on the need regularly to review the state pension age”.—[*Official Report*, Commons, 17/6/13; col. 661.]

So, that is what we are doing. Under that legislation, we are required to appoint an independent reviewer who will make recommendations to him on future state pension age arrangements. We have appointed John Cridland to lead this work. Under the legislation, we are required to report in 2017 on this, and that is what we will do.

This review is part of the Government’s reforms to pensions to ensure they are affordable for the long term. But it is right that we recognise those who have reached their pension age, who have worked hard, done the right thing and provided for their families. We are delivering for them. As a result of our triple lock, pensioners will be receiving a basic state pension over £1,100 higher a year than they were at the start of the last Parliament. We are providing greater security, more choice and dignity for people in retirement, while also ensuring the system is sustainable for the future”.

3.40 pm

Lord McKenzie of Luton (Lab): My Lords, I start by thanking the noble Baroness, Lady Altmann, for repeating the Statement delivered in the other place. One of the matters that has characterised this Government’s approach to pensions—changes to both the state and private pensions—has been the lamentable approach to communicating change. This has manifested itself in the frustrations of the WASPI group; the misunderstandings over why only a minority of those retiring after 5 April this year will receive the full rate of the new state pension of £155 per week; and issues arising from the so-called new flexibilities.

What assurance will the Minister give about not repeating the mistakes of the past when the review that is being undertaken brings forward its recommendations? The terms of reference require consideration of what a suitable state pension age is in the immediate future and over the longer term. However, the government press release states—this is what the noble Baroness said—that the review will be focused on the longer term and will not cover the existing timetable to April 2028. So can the Minister please reconcile these two positions? It is a classic case of confused communication which fuels speculation about the Government’s true intent.

Do we take it that there is no intention of revisiting with some transitional relief the position of those in their mid-50s who are adamant that they received inadequate notice of the rise in their state pension age?

The review has to take a view on how changes to state pension age rises support affordability. I ask therefore whether the triple-lock is within its scope.

We accepted the 2014 provision which required a periodic review of the pension age. We know that life expectancy is generally increasing, but we know that this does not always equate to healthy years of life.

We know also that health inequalities remain stubbornly persistent. How does the Minister consider that these factors should be reflected in a fair approach to the pension age? Can the review cover an assessment of the adequacy of social security arrangements for those who cannot sustain work before reaching an extended pension age?

We wish John Cridland well with his review: transparency, consultation and a clear recognition of the need for long-term notification of any changes will be vital.

Baroness Altmann: I thank the noble Lord for his comments. I would like to request and invite all noble Lords to be in touch with the review, so that we can ensure lessons are learned. If noble Lords have any observations on issues relevant to the consideration of long-term changes to the state pension age and state pension age policy, this is the opportunity to do that. It will be an independent review which will consider all the relevant factors, and the reviewer will welcome such evidence. The review is about the state pension age. It is also about the longer term. I repeat that it will not consider any changes to the state pension age timetable that is already legislated for up to 2028.

Lord McKenzie of Luton: If the Minister will forgive me, could we just clarify that point? The terms of reference—I have a copy here—say that the review will consider:

“What a suitable State Pension age is, in the immediate future and over the longer term”.

Baroness Altmann: The Government have made it clear that this is about the changes for the longer term and the appropriate framework for state pension age policy. No changes will be considered and the reviewer will not be looking at making or recommending any changes to the timetable before 2028.

Baroness Kramer (LD): My Lords, as Pensions Minister, Steve Webb set up a system for gradual rises in the state pension age that was widely hailed as both fair and affordable, so why are the Government seeking so soon to unpick this consensus? Are they contemplating changes that will fall harshly on low-income earners, especially women, who depend on the state pension and have no private pot to enable them to retire earlier?

Baroness Altmann: I assure the noble Baroness that this is not about unpicking anything. This was legislated for in the Pensions Act 2014. We are merely following the legislation that was introduced.

Baroness Bakewell (Lab): My Lords, I welcome this Statement from the Minister and the setting up of an independent inquiry. I can only offer my sympathy to the chairman because, as she knows, pension age is a hot potato politically. There was a debate in the Commons last week about the whole case of the baby-boomer, or WASPI, women, and a Motion, which was lost by only a few votes, calling for action from the Government on transitional provision for these women. Will the

Minister, who in a previous incarnation showed great sympathy for these baby-boomer women, express some concern that this is not within the remit of the newly appointed review?

Baroness Altmann: I stress to the noble Baroness and noble Lords that if there are any issues they would like to raise with the independent reviewer—lessons to be learned from the past or issues that should be considered for the future—they should do so. It is an independent review, looking at all the relevant factors.

Baroness McIntosh of Pickering (Con): My Lords, will the Minister assure the House today that the Government would accept any ruling or recommendation from the independent reviewer that that category of women—I have to declare an interest as I fall within that so-called group of women, and I served as shadow Minister for women’s pensions for a year—were not given 10 years, which is deemed to be the appropriate time to prepare for a later retirement age?

Baroness Altmann: The independent review will be considering long-term changes to the state pension age. It will not be recommending any changes before what is currently legislated for up to 2028.

Lord Watts (Lab): My Lords, will the review take into account the ability of people to work beyond the age of 65, bearing in mind that some people have a very physical job and may not be able to work after that?

Baroness Altmann: My Lords, as the terms of reference make clear, the independent review will consider changes in life expectancy as well all other relevant factors.

Lord Kirkwood of Kirkhope (LD): My Lords, will Mr John Cridland, as the independent reviewer, be provided by the Government with official terms of reference? We have seen a press release, but will there be formal terms of reference shaping the work that he does? Will it be possible for him to consider some of the schemes previously used by Scandinavian countries that simply index the increase in the basic state pension age to increasing longevity as it goes forward, both up and down?

Baroness Altmann: My Lords, this will be an independent review. All these issues are a matter for the reviewer. I urge as many noble Lords as possible to make representations to the review. It will consult widely across society and across interest groups to ensure that all these relevant factors are considered.

Baroness Hollis of Heigham (Lab): My Lords, does the Minister accept that there is a deep unfairness in having a single retirement age irrespective of background? In my home city, two wards one mile apart have a difference in life expectancy of 11 years. Those who are better off receive more state pension for longer and enjoy disability-free years. Will the Minister accept that every time she raises the state pension age,

[BARONESS HOLLIS OF HEIGHAM]
disadvantaged people have to wait longer for a pension while, at the same time, they are more likely to incur disabilities earlier, so that they enter retirement already unfit, unwell and unable to enjoy it?

Baroness Altmann: The noble Baroness raises relevant points. I stress again that the review is not just about raising the state pension age but about considering the appropriate way to run state pension age policy. I encourage her to raise those issues with the reviewer.

Lord Rooker (Lab): Did the Minister approve the wording of the press release that has been referred to, with the word “immediacy” in it?

Baroness Altmann: My Lords, the press release has been compiled by the department and the wording of the release has, of course, been approved.

European Union Referendum (Date of Referendum etc.) Regulations 2016

Motion to Approve

3.51 pm

Moved by **Baroness Anelay of St Johns**

That the draft Regulations laid before the House on 22 February be approved.

Relevant document: 26th Report from the Secondary Legislation Scrutiny Committee

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, before us today are two Motions, each of which goes to the heart of the United Kingdom’s place in the European Union. The first is a statutory instrument that, in light of the UK’s renegotiated relationship with the European Union, would set the date for the referendum. The second refers to a document published and laid before this House on Monday 22 February last week that sets out the terms of this new relationship.

I shall take each Motion in turn, but perhaps I may be forgiven if I start by saying how much I am looking forward to hearing today the maiden speech of my noble friend Lord Gilbert of Panteg.

The statutory instrument is required to set the date of the referendum. Given the deal achieved by the Prime Minister, it is time to give the British people their say. The Prime Minister has announced his intention to do so on 23 June, but it is for Parliament, in this House and the other place, to approve that date. The statutory instrument gives this House the opportunity to give its approval today.

The instrument does several other things, which I shall come to. First, let me set out why the Government believe that 23 June is the right day for the poll. The date strikes the right balance between having a proper debate and a timely vote. Any sooner and we risk unduly curtailing the campaign. Any later and we risk testing the patience of the British people. We have to take account of what is real in human life outside the

world of politics. Shortly after 23 June, schools start to break up for the holidays. Whereas I know noble Lords will continue to work after that—I do not know, I assume so; we normally do—it would certainly be seen as awkward if we held the referendum while people were on holiday over the summer. That has not been a popular proposal in the past. Delaying beyond late June would mean delaying a referendum until September or October. The British people would quite rightly expect to have their say sooner than that.

Lord Foulkes of Cumnock (Lab): My Lords, I had the opportunity yesterday of asking the Minister informally about the problem that might arise if the Queen’s Speech was to take place during the course of the referendum campaign and she kindly dealt with that. There was a report this morning that the Queen’s Speech is now going to be held in July. Can the Minister confirm if that is the case?

Baroness Anelay of St Johns: I am grateful to the noble Lord, who was helpful yesterday in one of the all-Peers briefing meetings that I have held to raise these matters. May I put on the record the answer I gave yesterday and respond immediately to his question? I have seen reports in the press, including in the *Times*. They have not been substantiated to me. Having been Chief Whip over a period of years, I am certainly aware of the fact that it would be highly unusual for any announcement of the Queen’s Speech date to be made as early as this. There is clearly no decision on that matter. However, the noble Lord raises an important fact about the Queen’s Speech and its interaction with the referendum. There is, I am assured, no inhibition on having the Queen’s Speech during the period of a referendum. That, I hope, underlines the initial answer that I gave yesterday. I am sure there is no let or inhibition on that going ahead.

It is important that people have enough time properly to inform themselves of all the options and to understand the consequences of their vote. Campaigners on both sides of the argument must have enough time to set out their case and have a full and robust debate. We believe that 23 June gives that balance. It also meets the practical requirements of the Electoral Commission. Its assessment of readiness, which was published last week, notes that the date,

“does not pose a significant risk to a well-run referendum”.

As well as setting the date, the statutory instrument also establishes the timing for three key stages of the referendum: the designation process, the regulated referendum period itself and the pre-poll reporting requirements. The House examined all those matters very closely indeed when the referendum Act made its passage through the House. The Electoral Commission’s assessment of readiness endorses the Government’s approach on each of these areas and notes that the arrangements for a well-run referendum are well advanced. This has been echoed by the Joint Committee on Statutory Instruments and by your Lordships’ Secondary Legislation Scrutiny Committee. Both have given the instrument their usual rigorous scrutiny and both were content with the approach proposed. I am grateful to the members of those committees.

The designation process is the means by which the Electoral Commission appoints lead campaigners on one or both sides. We have followed the Political Parties, Elections and Referendums Act in allowing a total of six weeks. The application window for campaigners will be open for four weeks from 4 March, were the House to agree later today that the statutory instrument be approved. The Commission then has two weeks, from 1 to 14 April, to decide which, if any, applicants to designate. Many noble Lords here today took an active part in the passage of the Act and will remember that designated lead campaigners receive a number of benefits, including: a higher spending limit, of £7 million; a free delivery of mailings to every household or every elector; and, assuming campaigners are designated on both sides, access to a grant of up to £600,000 and a campaign broadcast. The regulated referendum period follows the designation process, with no overlap of dates. It will run for 10 weeks from 15 April. During this period, full financial and campaigning controls will apply—in particular, spending limits for campaigners. I stress this point because this timetable specifically meets the requests made by Members of this House during the passage of the referendum Act. At that stage, I wrote to the noble Lord, Lord Willoughby de Broke, who will speak today on this very point.

Finally, the statutory instrument sets deadlines for registered campaigners to report any donations or loans to the Electoral Commission. It is the first time in a UK-wide referendum that sources of significant campaign finance will be visible and public before the poll, ensuring real transparency. This process was refined during the passage through this House of the European Union Referendum Act. I must thank in particular the noble Lord, Lord Jay, for leading that debate with his customary eloquence.

At the end of this opening speech, I shall move that the statutory instrument should be agreed to. However, the formal view of the House on that matter will be taken at the very end of proceedings tonight.

I turn now to the EU renegotiation. The British public made it clear that they were not content with the UK's relationship with Europe. The Prime Minister sought to address that. In November last year, he wrote to Donald Tusk, President of the European Council, setting out in detail the four areas in which he was seeking reform. These were economic governance, competitiveness, sovereignty and welfare, which has been allied with migration in the press. At the February European Council the Prime Minister negotiated a deal covering each of these areas. This deal gives the UK a special status within the EU that no arrangement outside the EU could match. It is a good deal for Britain—as the Prime Minister has said, it is a deal that gives us the best of both worlds.

This agreement is legally binding. It is also irreversible, because it can be amended or revoked only if every single member state of the EU, including the UK, were to agree unanimously to do so. It commits member states to future treaty change. Last week, it was registered with the United Nations as an international treaty.

Taking each of the four issues that the Prime Minister addressed in turn, let me set out briefly what the deal gives us. I appreciate that noble Lords will have had

the opportunity to look at the White Paper last week and to have considered other documents published since. On economic governance, the renegotiation secures the UK's position inside the single market but outside the single currency. It means that we have new commitments from the EU to complete the single market and sign new trade deals. The responsibility for supervising the financial stability of the UK remains in the hands of the Bank of England and other UK authorities. We have made sure that we will never join the euro; British taxpayers will never be required to bail out the eurozone; British businesses cannot be discriminated against for not being in the eurozone. And all discussions on matters that affect all EU member states will involve all EU member states, including the United Kingdom, not just members of the eurozone.

On competitiveness, the renegotiation delivers a new commitment from the European Commission to review annually the burden of regulation on business. If there is too much red tape, we will demand that it is cut. There is a specific focus on relieving the burden on small businesses, and for key sectors. The agreement also makes it clear that the EU will pursue,

“an active and ambitious trade policy”,

and that it must boost its international competitiveness in key areas such as energy and the digital single market.

On sovereignty, we are out of ever-closer union. We will never be part of a European superstate. The text of the renegotiation includes a commitment to change the treaties to exclude the UK from ever-closer union, “at the time of their next revision”.

We will not be compelled to aim for “a common destination”.

We have obtained new powers to block unwanted European laws: a legally binding agreement that our Parliament can, acting with some others in Europe—55% of national Parliaments—block unwanted new EU laws with a “red card”. A new mechanism will be created to review existing EU laws to ensure compliance with the principles of subsidiarity and proportionality, so that powers can be brought back to member states wherever possible. National Parliaments will be involved in this mechanism, and the European Commission will also be required to report every year to the Council on its compliance with these principles.

On welfare and migration, an emergency brake will mean that people coming to the UK from within the EU will have to wait four years until they have full access to our in-work benefits. This brake will take effect once the necessary legislation is passed. The European Commission has made it clear that Britain already qualifies to deploy that brake. Migrants from the EU working in this country will not be able to receive child benefit at UK rates if their children live in another EU country.

Let us be clear that much has been said elsewhere about the legal status of the deal. Let me elucidate. This deal is legally binding for EU member states. They all signed up to it in a decision under international law. The February European Council conclusions and the texts of the deal agreed at the Council set this out clearly. They are supported by the legal opinions of

[BARONESS ANELAY OF ST JOHNS]

both the Council Legal Service and Sir Alan Dashwood QC. The deal is also irreversible because, as mentioned earlier, it can be amended or revoked only if every single member state, including the UK, were to agree unanimously.

The European Court of Justice has held that decisions of this sort must be taken into consideration as being an instrument for the interpretation of the EU treaties. The Council president has confirmed this. He said:

“The 28 Heads of State or Government unanimously agreed and adopted a legally binding and irreversible settlement for the United Kingdom in the EU. The decision concerning a new settlement is in conformity with the Treaties and cannot be annulled by the European Court of Justice”.

This new settlement builds on a number of existing protections and opt-outs which apply to the UK’s membership of the EU. This means that the UK now has a special status within the EU: inside those areas of activity where it is in the UK’s interest, but outside those where it is not. I have already mentioned that we are not under the standard obligation for member states to join the euro. We will always keep the pound. The UK has remained outside the Schengen border-free area, which means that we maintain control over our own borders. The UK has opted out of many measures in the justice and home affairs fields while opting in to those which are essential to protect the security of this country.

Noble Lords will be aware that today we laid before Parliament the latest document intended to inform the public ahead of the referendum. This is the most recent in a series of papers fulfilling those commitments that I made to this House during the passage of the European Union Referendum Bill before it became the Act. There were calls from across the House to ensure that the voters went into this debate with all the information they needed. The Government listened carefully and brought forward amendments to the Bill in response to all the positions put forward by Peers from every Bench around the House.

The first paper is named specifically in the Motion on the Order Paper today—*The Best of Both Worlds: The United Kingdom’s Special Status in a Reformed European Union*. This fulfils the obligation under Section 6 of the European Union Referendum Act which required the Secretary of State to set out the results of the renegotiations and the Government’s view of them. The second paper details the process of withdrawing from the European Union. Though not specifically mandated in legislation, this paper, published on Monday, about Article 50 meets a commitment I made to the House on Report on 23 November at column 475 of *Hansard*.

Today, a third paper was published. It sets out the alternatives to membership of the European Union, and sets out unequivocally the Government’s view that none of the alternative models of association with the EU offers anything like such a good balance of advantages, obligations and influence as we get from our current special status within the EU. This paper is the first part of the report that the Government will publish to meet the requirement of Section 7(1) of the European Union Referendum Act 2015. The second part of that report, which will provide information

about the rights and obligations that arise as a result of the UK’s membership of the EU, will be laid at a later date—I hope not too much later. Work is ahead. Both parts of the report will be available eventually on the GOV.UK website. Today’s part is on the website and a copy is in the Printed Paper Office. As soon as the second part of the report is available it will immediately go on the website and, again, I commit that it will go into the Printed Paper Office.

The Prime Minister set out last week the Government’s clear recommendation that the United Kingdom should remain a member—

Lord Forsyth of Drumlean (Con): I am most grateful to my noble friend for giving way. We all appreciated the careful way in which she shepherded the Referendum Bill through this House. Indeed, there was a request for information, but does she not recognise that there is a difference between information and propaganda?

Baroness Anelay of St Johns: My Lords, of course, the Government are leaving propaganda to those who will be the lead designators of the campaigns. They are fulfilling their full requirements under the Act, as they should do.

This will be a once-in-a-generation moment to shape the future of our country. Ultimately, it will be for the British public to decide, and that includes Members of this House, as a result of the drafting of the Act itself. However, the Government have made clear their view. This Government came in with a clear mandate to renegotiate Britain’s place in Europe and to put those changes to the people. The Prime Minister has successfully completed the former. The instrument in front of the House today will set the date for the latter.

This is the last piece of legislation that will be debated in this Chamber to establish the referendum itself. As such, it represents Parliament taking the final steps towards a truly historic moment—giving the people of the United Kingdom and Gibraltar their say on membership of the European Union. The case for holding the poll on 23 June is a simple one. It gives time for proper debate without delaying and trying the electorate’s patience. There is little point in waiting further. We have a deal. The UK’s relationship with the EU has been changed and improved by that. It is time for the campaigners to make their case and for the British people then to decide, settling the issue for a generation.

At this stage, I refer back to a comment I made earlier—I will now formally move, with regard to the statutory instrument before the House, that the decision will be made later. I make that formal recommendation, which launches us on an historic journey towards a referendum in which every single Member of this House will be able to make their own, individual decision. I beg to move that the House do approve the European Union Referendum (Date of Referendum etc.) Regulations 2016.

4.12 pm

Baroness Morgan of Ely (Lab): My Lords, the starting gun has been fired and the Minister has correctly pointed out that this is the beginning of an

historic journey for our country. This is about our country's place in the EU and in the wider world. It is comforting to hear, after so many years of sniping and criticism, a full-blooded defence of the European Union from many, if not all, quarters of government. While we will pretend to enjoy the sight of Cabinet Members falling out with each other over this issue, it is worth underlining that the decision on whether we remain or leave the EU is too great a decision for us to fall into party-political squabbles. Whatever the initial motivation within the Tory party for wanting the EU referendum, we now need to do all we can to secure a remain vote, to put country above party and to do what is in the best interests of this nation.

The SI before us today, as the Minister has stated, sets out the date of the referendum, the start of the referendum period and the date on which designated organisations can apply for recognition. We have debated many of these issues before and we have no objection to the SI. The more interesting documents before us today are the White Paper, which sets out the agreement that the Prime Minister negotiated in Brussels in mid-February, and the devastatingly factual document produced by the Government on the process for withdrawing from the EU. If you were not sure about which way to vote in this EU referendum before, I would suggest you read the document on the process for withdrawal, which makes extremely sobering reading on what will happen in the interim period prior to any future relationship with the EU being concluded—a period that could last for a decade and put us in an extremely difficult situation as a nation. In addition, it is worth reading the document on alternatives to membership that has come hot off the press today.

The fact is that many of us would have supported the effort to remain a part of the EU, irrespective of the outcome of the Brussels negotiations. We believe that our relationship with our nearest neighbours must be much more than the four areas set out in that renegotiation. We think that our relationship is fundamental, yes, for access to our largest export market; critical, yes, for us to ensure safety for our citizens; and critical, yes, for protecting workers, consumers and the environment—but more than that, it sets out how we want this country to meet with the wider world. Never before have our country and our world been so interconnected; never before have we seen international terrorist threats that confront us all; never before have we seen worldwide emigration on the scale we see today; and never before have we been quite so aware that what happens economically on the other side of the continent will impact on our own standard of living in the UK. Now is not the time to be turning our backs on our nearest neighbours. Now, while the US is signing partnership deals with Pacific nations, is not the time to be retreating into splendid isolation, with no assurance of what our market access will look like. And now, when Russia is menacing in central Europe and the Middle East is in upheaval, is not the time to be reneging on EU solidarity and threatening our own national security. Now is the time to show leadership in Europe and demonstrate that we are committed to displaying an outward-looking vision for our country, safe in the knowledge that we have strength in numbers.

There are others who would have rubbished any deal the Prime Minister had returned with. Had he promised a decade's supply of the finest Belgian beer, or guaranteed a place in the European Championship for every UK nation, or guaranteed lovely sunny days for the next three years, they would still have said no. They believe that we need to regain sovereignty. Where was our sovereignty, though, last week, when the pound plummeted and the markets decided that all this insecurity was bad for our economy? Where was our sovereignty when we needed to ask Italy to send back one of the London bombers? And where will our sovereignty be when we have to go back to our continental colleagues in the event of a no vote and beg for access to their market of 500 million consumers and an economy of almost £11 trillion?

I have heard the argument that the EU has a trade surplus with the UK, so they will want to trade with us; but that does not take account of the fact that EU exports to the UK account for 3% of EU GDP, while our exports to the EU account for 14% of our GDP. Only in Cyprus and Ireland does the UK represent more than 10% of total exports. Half of the EU's trade surplus with the UK is accounted for by just two member states, Germany and the Netherlands—yet every single EU member state would have a veto on what that agreement would look like. Can we honestly be confident they would all be willing to sign on the dotted line in a generous trade deal? The leave campaign seems to have a schizophrenic attitude towards EU member states. On the one hand, they say that the EU is constantly ganging up on the UK and that we have no influence; and on the other they say that were we to leave, EU member states would roll over, allow us to tickle their tummies and agree to any new trade agreement we demand. Which one is it?

In an interconnected world, sovereignty is a fantasy concept. What the outers are offering is a dream ticket, promising a better life; but they have no idea of nor common belief in what that dream looks like or where it may lead. Nor can they offer any practical pathway or route to get to their promised land.

Lord Pearson of Rannoch (UKIP): My Lords, does the noble Baroness agree that although we have 3 million jobs making and selling things to clients in the European Union, they have 4.5 million jobs selling things to us? Does she agree that they need our free trade much more than we need theirs and that it will therefore continue?

Baroness Morgan of Ely: The noble Lord clearly was not listening to me. I just explained that not every single other member state, some of which do not have a trade surplus with us, may want to sign on the dotted line for a future trade agreement. The fact is that 14% of our GDP depends on our relationship with the EU compared with 3% of its GDP. They would have the upper hand in a future negotiating strategy.

In the light of the fact that nobody knows which way the public will vote, I wonder whether the Minister in summing up would let us know whether the Government have made any contingency plans for what would happen, in the case of UK withdrawal from

[BARONESS MORGAN OF ELY]

the EU, if there was to be a run on the pound. However, there are many people in this country who have yet to decide. It is those people we will all be trying to convince of the merits of our arguments in the next few months, and it is those people whom I believe the Prime Minister was trying to reach out to in his attempts at renegotiation. They may be relieved by the fact that we are no longer on an inexorable route to closer integration. They will be consoled by the guarantee that we will have a full say on the rules of the single market while remaining outside of the eurozone, and comforted by the knowledge that EU citizens will have to pay in to our welfare system before taking out of it. They can also be safe in the knowledge that the negotiations are legally binding and will take effect immediately after the British people vote to remain in the EU. The information that will set out citizens' rights and duties if we cease our membership of the EU, which noble Lords requested to be produced prior to the referendum, will be invaluable to that group of people. We look forward to that information being published.

The EU is far from perfect. While we sit here in our gilded, centuries-old institution—

Lord Robathan (Con): I should reassure the noble Baroness that I have been listening very carefully. Could she explain what role the World Trade Organization would have should there be any form of embargo or restrictions on British trade with the EU were we to leave?

Baroness Morgan of Ely: It is not about restrictions on trade. The fact is that we would have to renegotiate a completely new deal, about which we have no idea. We would still want access to EU markets. Some 50% of our trade is with the EU. If we went along with WTO agreements we would have to start paying tariffs on our exports. It may be that the noble Lord thinks that that would be a good idea for producers in this country; I believe that it would be fatal for many of our small businesses in particular.

Lord Tebbit (Con): What does the noble Baroness think workers at the Airbus factory in Toulouse would say if their Government put a tariff on the engines made by Rolls-Royce, on the wings made by British Aerospace, and on the landing gear manufactured by Dowty here? Would they refuse to accept those and still expect buyers from overseas to buy an aeroplane with no engines, no wings and no landing gear?

Baroness Morgan of Ely: My Lords, I am glad that the noble Lord asked me about Airbus, which is a major manufacturing industry based in north Wales. About 6,000 jobs depend on that relationship. I can tell noble Lords that I have been speaking to the leaders of Airbus in north Wales. They have assured me that they are very much in favour of retaining their membership of the EU. They know that, yes, there may be a short period when they could not retrain and move that facility abroad, but I can tell noble Lords that, in the long term, the French and the Germans

would be very happy to receive their ability to build wings on the continent, rather than having them built in our country. This is a critical issue and not a laughing matter, in particular for those 6,000 workers at Airbus in north Wales.

As I said, the EU is far from perfect. Yet we sit here in our gilt-clad, centuries-old institution, replete with our opaque methods of determining membership and quirky yet endearing traditions of expression. Who are we to throw stones at an institution that has had less than 60 years to establish itself? Yes, the EU needs reform: not just this one-off but constant reform to adapt to the needs and requirements of our age, as indeed do our own institutions in the UK.

As a nation we have a moral and practical interest in preventing conflict, stopping terrorism, supporting the poorest in the world and stopping climate change. We need our global institutions to function well to cope with these challenges. We either do this together through bodies such as the EU and UN or we will find to our cost that our ability to influence these challenges independently is restricted. How many would hear Britain's voice whispering in the world?

The EU also needs the UK. It needs us to be at the top of the table to help reduce the burden on business and ensure that we fight protectionism and trade dumping. But we need the EU. The EU has given us clear water, cleaner air, safer food, anti-discrimination laws, maternity and paternity leave, billions invested in our poorest communities and £3 billion a year for our struggling farmers. Some 3.5 million British jobs depend on that relationship with our nearest neighbour. We have seen caps on bankers' bonuses, the capping of credit and debit card fees, health and safety laws that have saved countless lives, paid holidays and protection for part-time workers.

But we cannot and should not duck the immigration argument. It is true that immigration brings pressures to some of our communities, but let us not forget that EU citizens make a net fiscal contribution to this country. They staff our hospitals, process our food and are central to the hospitality industry. Let us remind people that 2 million of our own UK citizens have taken advantage of the EU to make their homes on the continent.

Lord Radice (Lab): The noble Lord, Lord Lawson, is one of them.

Baroness Morgan of Ely: Indeed, some of them are in our Chamber. A weakened EU, which is likely to happen if we leave, will not be in the interests of this country. Let us not forget that, whatever else the EU has or has not achieved, there has been a peace dividend for more than 60 years in what was up until 1945 the bloodiest continent in the world. We should not take peace for granted.

Whether we remain or leave the EU is probably the most important political decision that my generation will ever make. The new agreement has now been set out. Our party will be at the forefront of the campaign to ensure that we retain our membership and remain a strong and powerful voice in our challenging and changing world.

4.28 pm

Baroness Smith of Newnham (LD): My Lords, we on the Liberal Democrat Benches welcome the fact that the Prime Minister completed his renegotiation with a settlement on the UK's membership of the European Union that enables him to campaign passionately, heart and soul, to keep the UK in the EU. We welcome that this is the position of Her Majesty's Government, even if not of all their Ministers—or of the former Ministers sitting in serried ranks directly opposite me.

I start by thanking the noble Baroness, Lady Anelay, for accepting amendments during the passage of the European Union Referendum Act to bring forward reports on the renegotiation such as the one under consideration today, *The Best of Both Worlds*. I believe this was the result of an amendment moved by the noble Lord, Lord Forsyth of Drumlean. I am very sorry that he appears to feel that it is propaganda and not the factual document he was looking for. Nevertheless, we are grateful that this document has come forward and, indeed, that the other reports that have come out, and are promised, on the consequences of withdrawal, the process of withdrawal under Article 50, and alternatives to membership in the possible event that the UK leaves the European Union.

The present report and the European Council conclusions of 19 February make clear that the United Kingdom already has a unique position within the European Union. We have a permanent opt-out from the euro and have remained outside the Schengen acquis. We are not part of the Schengen border controls and have flexibility on aspects of freedom, security and justice and of police and judicial co-operation. We are not signed up to every aspect of the European Union, even in the current circumstances.

However, the renegotiation goes further, creating a special relationship for the United Kingdom within the European Union which ensures that the UK will not be bound by the concept of ever-closer union—not something that I believe Liberal Democrats were too hung up on but an issue that seems to have affected many people concerned that European integration would go too far. That is now stopped. The renegotiation provides guarantees for the City of London thanks to a commitment to non-discrimination for non-eurozone members of the European Union and an emergency brake. Those who wish to leave the European Union would do well to consider whether it is realistic to imagine that the 27 would give us such a privileged position if we were on the outside—certainly, if we had simply decided that we no longer wanted to be part of the club and withdrew. The evidence suggests that they would not.

Of course, Her Majesty's Government would seek to negotiate a new arrangement in the event of a vote to leave on 23 June, possibly running parallel with the Article 50 mechanism—I will not say “negotiation” because we do not get to negotiate, should the UK leave. However, it is hard to know what future negotiations might achieve. Seeking to exit is an unknown direction; nobody has tried it to date, and it is hard to see how any changes would benefit the United Kingdom. I do not wish to engage in Project Fear but it is unclear,

for example, what would happen to EU nationals resident in the United Kingdom, or UK nationals such as the noble Lord, Lord Lawson, who we understand lives in France, should we vote to leave the European Union. I do not imagine that there would be an immediate move to repatriate UK nationals resident abroad, but perhaps we do not want to take that risk.

More seriously, a huge number of unknowns surround the sort of access that British citizens would have to employment and residency in the event of a vote to leave. It might be possible to negotiate rights for those already resident and/or working elsewhere in the European Union, or who have retired elsewhere in the European Union, but such access, if it is to be similar to the rights we enjoy today, would undoubtedly come with reciprocal rights. We would not simply be able to say that British nationals resident in other EU member states could remain but that, if we decided that we did not want EU nationals to be resident in the UK, we could somehow send them home, so we need to think about reciprocity.

Those who wish to leave are almost certainly correct that our erstwhile EU partners would not want to sever all ties. I do not believe for a moment that a vote to leave would simply mean that we were on the outside, completely separated. That is in the realms of fantasy on the negative side. However, it would be extraordinarily arrogant to assume that the UK is so important to the European Union that we would be accorded all the rights of full members once we decided to leave, but without any of the responsibilities. To suggest otherwise would be in the realms of deluded fantasy. After all, those states which have full access to the internal market via the European Economic Area are required to contribute to the EU budget, abide by the rules and yet do not have a seat at the table—“Pay, obey, no say”, as it was put in Brussels recently. So any attempt to keep the benefits of membership of the internal market would undoubtedly come at a price.

We would have less say than we have now but we would still be expected to contribute financially and we would still be bound by the four freedoms, including the freedoms we seem to like—the free movement of goods, capital and services—as well as the freedom we are a little ambivalent about: the free movement of people. The Prime Minister's renegotiation has secured some limits on free movement, which will be triggered in the event of a vote to remain. A vote to leave would ensure that the European Union remained unreformed and it would surely be unwilling to make new, alternative special arrangements for the United Kingdom after any vote to walk away. By staying in the European Union we can exert influence; by leaving, we lose influence.

Of course, some Members of your Lordships' House suggest that the European Union is not democratic—a point alluded to by the noble Baroness, Lady Morgan of Ely—and that somehow the European Parliament is lacking. I always find this a somewhat strange argument to make in your Lordships' House, where most Members, with the exception of 90 hereditary Peers, are not here on a democratic mandate. But the European Union does have democratic processes and the United Kingdom, as a member, has a seat at the table. Indeed, we have many seats at the table—in the

[BARONESS SMITH OF NEWNHAM]

European Parliament, the Council of Ministers and the European Council—not to mention a European Commissioner, currently drawn, as was his predecessor, from your Lordships' House. We play a full part in decision-making as a member of the Union.

There is no conceivable alternative arrangement to membership that would give us such influence—the Norwegians will tell you that. Yes, by leaving we could formally regain sovereignty but at the expense of power and influence—an “illusion of sovereignty”, as the Prime Minister has put it. Likewise, the idea of regaining control of our borders is nothing but a siren call. The UK is not currently part of the Schengen border regime; we still monitor our own borders. A vote to leave would not alter that. What it would do is make us less secure as we would be walking away from effective cross-border co-operation on policing, the European arrest warrant and the Schengen information system—areas of co-operation which show how the United Kingdom does indeed have the best of both worlds: access to EU structures where we want them, exemptions where we do not.

In conclusion, it is the view of the Liberal Democrat Benches that the UK is better off and more secure remaining in the European Union. It is good for the United Kingdom and good for peace and security in the European Union. We look forward to campaigning with the Prime Minister for a vote to remain.

Lord Forsyth of Drumlean: On the issue of influence in the EU—and I know the noble Baroness is very expert on European matters—could she confirm that in the past 20 years the UK has sought an amendment in the Council of Ministers on 72 occasions and been defeated on 72 occasions?

Baroness Smith of Newnham: My Lords, there are all sorts of statistics one can use. My understanding is, yes, where there have been formal votes the UK has been defeated. There are also many cases where there is a process of negotiation and votes are not held, where the UK is able to have influence. Working with our partners, we are able to stop legislation that we do not want. On the outside, a country such as Norway simply accepts anything that is put—or walks away from that part of the internal market. We have the opportunity to influence on the inside. On the outside, we lose even that.

4.38 pm

Lord Hannay of Chiswick (CB): My Lords, answering the first question on the Order Paper—the fixing of 23 June for the referendum—will not, I suspect, trouble the House for long. This really has to be the Government's call and now that the period of negotiation is over, the case for moving to a vote without unnecessarily extending the period of uncertainty, instability and volatility that we already see around us is surely a convincing one.

When the Prime Minister's Statement was repeated in this House last week, I said that I thought the reforms he had achieved were “substantive and valuable”. Having now read the Government's detailed account

of the negotiations in their paper, *The Best of Both Worlds*, I am confirmed in that view. I have no intention of going into a detailed exegesis of that paper, which I found clear and compelling, but I am puzzled that some members of the Government, the Lord Chancellor in particular, are challenging some of the content of that paper, which was issued in their name. I am puzzled, too, that the critics take so little account of the European Union's track record in honouring such post-dated commitments to treaty change. In both the Danish and Irish cases, the post-dated commitments were honoured in both letter and spirit when the treaties were next amended. Nor were they ever challenged in the interim by the European Court of Justice. Since mottos seem to be in vogue, I recall that “pacta sunt servanda”, which can perhaps be rendered into the demotic as “sticking to your deals”, is an absolute rule in Brussels.

It is sometimes suggested that, if the electorate vote in June to leave the EU, we can then return to Brussels and renegotiate the renegotiation, getting better terms for remaining in the EU. Up to last weekend, this seemed to be the view of that Pied Piper of Hamelin of our days, the Mayor of London, but he now seems to have changed his mind—something he does quite often—admitting that the choice in June is indeed binary: in or out. That is wise, because that is what it is. The Government clearly regard a vote to leave as requiring us to trigger the provisions of Article 50 to establish the terms of our withdrawal. There is not a scintilla of evidence that any of the 27 other member states or the Commission or the Parliament would be prepared to enter into negotiation on any other basis. Indeed, the February agreement specifically says that these reforms will be taken off the table if we vote to leave.

We are told by leading Eurosceptics that the EU is rushing headlong towards political union and that, despite all that has been said in this agreement about ever-closer union, we will be dragged along behind them. Again, there is no real evidence for that assertion. Quoting Jacques Delors, who has not held any office, European or otherwise, for more than 20 years, is not evidence. The negative reactions to the Brussels deal of those outside government who hold those views in other member states indicate their belief that the EU will not now be heading into political union. Brandishing such fantasies should surely not be part of the serious national debate in which we now need to engage.

The issue of sovereignty, already mentioned this afternoon, and whether pooling it or hoarding it is in the country's best interests, certainly will be part of that debate. But it is a complex subject not always well addressed. It is not enough just to mention the word “sovereignty” and expect the traffic to stop. Since the Second World War, successive Governments and Parliaments have chosen to exercise our sovereignty collectively with others on matters every bit as weighty as the European Union. Article 5 of the Brussels treaty, which set up NATO and which commits us to respond militarily, conceivably even in a nuclear exchange, to any act of aggression against one of its members, is one such commitment. So are our memberships of the United Nations and the International Monetary Fund. We accept the compulsory jurisdiction of the International Court of Justice, the International Criminal Court,

and the International Tribunal for the Law of the Sea. None of this pooling of sovereignty is being contested in the current debate, so when the pooling of sovereignty is contested in the EU context, it is surely reasonable to take account of those other instances and to recognise that what we are really discussing is the case for a rules-based international community in contrast to shifting back into a new world disorder.

The one thing that makes no sense is any suggestion that the decision in June is not that important, that the outcome does not really matter very much, and that everything will be much the same the day after as the day before. We are in all probability talking about the survival—or failure to survive—of two unions, not one, and about an irreversible shift in Britain's role in the world, which it will be too late to regret should the electorate decide to leave the EU.

4.44 pm

Lord Howell of Guildford (Con): My Lords, I welcome the statutory instrument, which should clear the way nicely to the referendum. I dislike the way in which the whole debate has become somewhat personalised, obviously with the eager help of the media. I assure your Lordships that I have good friends on both sides in this argument and I intend to keep it that way. I hope that we can stick, as the late Tony Benn always used to say, to the issues.

I can put my own view quite simply. First, I believe that Britain joined the EU, when it was the European Community, at the wrong time and is trying to leave at the wrong time—or is at least talking about it. We are discussing getting out just when the whole EU is evolving in entirely new directions, driven by major new world forces—a change which seems to have escaped the notice of many of the leavers, and indeed some on the remain side as well. Secondly, I greatly admire the tenacity and energy shown by my right honourable friend the Prime Minister over the deal which we are debating. However, I do not think that it will be an entirely central influence on the way that people vote in the actual referendum, although it has certainly opened up all sorts of reform ambitions in other member states all over Europe, as anyone can see by reading the continental newspapers.

I believe that the way in which people will be influenced to vote is by one overriding and much deeper issue. That is whether they think that the EU is heading inevitably for an integrated, superstate political union—centralised, with an all-powerful euro currency and dragging us into the mangle against our interests—in which case we should certainly leave and stand clear, or whether Europe is in reality evolving by necessity into a new model under outside and global impacts both good and bad, as we can see in the daily papers, which will compel us and the EU to become far more flexible and much less centralised. In that case we would be very unwise indeed not to stay and help steer the new model into being.

My own judgment goes to the latter case and to staying on board, for three main reasons. First, the peoples of Europe clearly do not want more integration and uniformity than they already have, whatever their leaders may say. The White Paper which we are debating, *The Best of Both Worlds*, asserts:

“Some ... countries have chosen the path of deeper ... integration”, but I wonder whether that is in fact right. Which are these other countries, except perhaps Luxembourg? Some countries may not want to go back beyond the existing co-operation but I see no popular support whatever throughout Europe for a lot more pushing together in the digital age, with more integration, centralisation and intrusion—on the contrary.

Secondly, over the last decade or so new trade patterns, supply chains and modes of production have been utterly transforming the old EU model. Even the single market is not what it seemed in the last century, certainly not for services where a single market in Europe barely exists, despite services being 80% of our GDP and at least 46% of our export earnings, as the Government's papers remind us. As for the eurozone, while that is depicted as a dominant and fearsome force ganging up against us from which we must be sheltered, it is in fact deeply and chronically sick. I see nothing but crisis and division ahead within the eurozone. I do not know whether the former Governor of the Bank of England, the noble Lord, Lord King of Lothbury, is here but I am glad that he now agrees with me on that.

Thirdly, huge new markets outside the EU are opening up which are not alternatives to the EU region but ones in which we must succeed. Asia, Africa and Latin America are where the big prizes are. The Commonwealth network ought to give us unique advantages in these markets, providing that we use it properly.

In short, we have to ride both horses. The immediate priority here in Europe is, and has been all along, reform—deep reform throughout the EU to meet the digital age and totally new world conditions, not least the total transformation of world energy that is now going on. As *The Best of Both Worlds* White Paper says repeatedly, that work is not over. Indeed, it is just beginning and in that work, all our history tells us that we can and must play a central part.

4.49 pm

Lord Mandelson (Lab): My Lords, I support what the Prime Minister negotiated in Brussels, and I hope that others on both sides of this House will do so. However we got to this point, we have to realise that it is a national fight that we have on our hands now, not a party one, and for the country's sake we have all of us got to make sure that the right side wins. We simply cannot allow British business and their employees to take such a hit for the sake of the political aims and whims of those who simply cannot understand the difference between taking back control of our country and the modern means of exercising influence in the 21st century—those who simply cannot understand how, yes, you can diminish your sovereignty when you enter a transnational treaty or institution, but then you get back in return a real increase in your power to affect public policy, big events and important challenges, which all of us face in our neighbourhood.

Noble Lords should be under no illusion that the coming referendum presents us with a profound moment in the life of our country—and once the die is cast, there will be no turning back. We cannot leave the

[LORD MANDELSON]

European Union and for economic and trade purposes be treated as if we are still in it; that is the unescapable fact that we are facing. Let us be clear about what that means. Unless we want to become a bigger version of Norway, accepting all the laws and rules of the single market without having any say over them whatever—and, by the way, paying quite a healthy sum into the EU budget for the privilege of doing so—or if we want to become some variation of Switzerland, which by the way has no passporting rights for its financial services into the European Union, leaving would mean no more unhindered or unfettered access to Europe's single market by Britain, our businesses or exporters. It would mean continuing to accept European norms and standards as a condition for the market access that we are granted, and it would mean that once the divorce is promulgated, after the two-year Article 50 process, we would face a return to paying EU tariffs while whatever deal was finally negotiated and struck between us. That means that we would pay EU tariffs on our exports and imports, which means higher prices in our shops.

Lord Lamont of Lerwick (Con): My Lords—

Lord Mandelson: If the noble Lord does not mind, I shall continue. It would mean losing the EU's preferential trading benefits in foreign markets until such time—and it would be a long time—before we were able to renegotiate them back. It would also potentially mean having to raise our own tariffs on imports for those markets, as they would no longer be covered by WTO-compliant agreements.

Lord Lamont of Lerwick: My Lords—

Lord Mandelson: Is this my time or the noble Lord's time that he is eating in to?

Lord Lamont of Lerwick: I am most grateful to the noble Lord for giving way, somewhat reluctantly. He has talked about access to the internal market and the additional costs, as he sees it. If this is so catastrophic, will he explain how it is that in the invisible trade in goods since 2011, the United States, without being part of the single market, has managed to sell considerably more than we have to that market? Even in terms of services, the United States sells more than \$200 billion worth a year.

Lord Mandelson: I am sorry—I am not just talking about invisible services. I am talking about British exports and British jobs and what we would pay in addition to get our goods, and all we contribute to supply chains and value chains, into the single market.

I am not going to dwell further on the trade implications of leaving, except to say that anyone who thinks that, freed from the so-called protectionist shackles of Brussels, we could somehow beetle around the world bagging major new free trade agreements like low-hanging fruit needs a reality check. This is not the 1970s, which is when Britain last attempted to negotiate an international free trade agreement. We have no people. We have no negotiating capacity left in Whitehall. We would have to rebuild it from scratch before we began that process.

More to the point, there are not the countries queuing up to negotiate with countries like us. We are a mid-sized, mature, already open, advanced, western economy. Others are seeking trade agreements either with large blocks of countries or with larger, younger, faster-growing, relatively closed economies with a lot more to bargain into a negotiation than we have to offer. That is the reality of international trade, and we have to grasp it.

I shall finish by going back to my original point about what the Prime Minister negotiated in Brussels. This package is not everything, but nor is it nothing. In particular, the renegotiation in the package reassures those members of the public with doubts—people with genuinely sceptical minds—that they can support UK membership again by making it clear that the EU's talk of ever-closer union is not a catch-all provision driving continuous political integration, by removing the right of EU nationals to unconditional and immediate welfare benefits and by giving appropriate protection to our economy from the operation of Europe's single currency, which we should not join and from which our businesses should not suffer any discrimination as a result of our being outside it.

This is not the end of reform in Europe. It is a start. Reform is a process; it is not an event. This package is, in effect, a bridge. It is a bridge that people with genuine doubts can walk back across in order to support the European Union in good faith, and I hope they will do so on 23 June.

4.58 pm

Lord Ashdown of Norton-sub-Hamdon (LD): My Lords, it is always a pleasure to follow the noble Lord. I so much agreed with what the noble Lord, Lord Howell, had to say about Europe at last changing and feeling the impetus of the external events that cause it to reform. This is such a bad time, especially when we have friends, particularly Germany, who can help us reform and change Europe in the direction that he talked about and that I would strongly support.

I do not think my memory is playing me false when I recall hearing Mr Michael Gove in the context of the Scottish referendum saying to the people of Scotland, "We accept, of course, that you are a nation. We accept, of course, that you have sovereignty, but we believe that your sovereignty is best exercised when pooled with that of the United Kingdom in Scotland's interest". There you have it. That is the argument. Quite so. It strikes me as odd that having articulated that and having realised that fact he then makes the conclusion that what is good for Scotland is not good for the United Kingdom within the European Union.

The case for getting out seems to me to rest on a strangely old-fashioned, almost Victorian, view of sovereignty—the days of Bagehot and Dicey, when all power rested in the nation state. It is no longer true. I suspect that there is now more power resting on the global stage today that affects the lives of ordinary citizens than is vested in the institutions of nation states like ourselves. The question is: how do you deal with that? There was a day when you could divide policies between domestic and foreign. You can no longer do that. There is no domestic issue that does not have a foreign quotient with it: not jobs; not the

environment; not terrorism, which is international; not crime, which is international; not the creation of systems of security, when we pooled our sovereignty. We pooled our sovereignty right from the days of NATO; that is what NATO was about. There is no sovereignty a state has that is more important than the sovereignty to defend itself, yet we found it entirely in the national interest to pool that sovereignty with others to give us better protection for ourselves. That is the reality today.

The question is: how do you deal with those global forces? Are they better dealt with alone, singularly, acting unilaterally, or in concert with your friends with whom you share so many interests? Manifestly, it is the latter. There are those who argue, “Of course, we could set up these trade deals with other people”. It would take a long time, by the way; it has taken Canada 10 years and it has not got there yet. It will take us a long time to set up a trade deal with, say, China. But how does that help us tackle crime on our streets when that is a European problem best tackled through the European arrest warrant on a European basis? How will it help us to create the clean environment that we want for the people of this country, when pollution is no respecter of borders? It is the deals we reach with our European partners that deliver what we want for our citizens.

I am a passionate European—not just because I believe in Europe; I find something attractive to this idea that it has put an end to war of 1,000 years, with the slaughter of countless millions of our young, by bringing ourselves together. I am also a passionate European because I remember in Bosnia, when I was trying to build peace after war, that it was the institutions of the European Union that gave me more assistance in creating those institutions of the state—a legal institution, a customs institution, and intelligence services. The European Union is a massive soft power that, acting together, helps to build peace after conflict. There is no better.

However, I am a much more passionate European for one other singular reason: there is nothing I want to see delivered for the people of Britain that cannot better be delivered by acting in partnership with our European Union partners than by acting alone. Nothing. We can tackle crime better through the European arrest warrant. We can create the environmental cleanliness we need because we can do that on a European basis. We can create better security. Yes, we can tackle refugees better, too. People look at this and say, “It’s the refugee issue that’s now persuading us not to vote for Europe”. This is madness: this is not a new problem; this is an old problem that goes back for 1,000 years or more—the vast passage of peoples—and is much better dealt with on a European, regional basis than on a singular one.

If you think this is a new problem, let me tell you it is not. It will not stop at this either, because this will be one of the great strategic issues of our time—mass movements of people stimulated by war, pestilence, and plague, but above all by global warming. It is only if we work together that we can deal with that. The Prime Minister is right: if we were to withdraw from this process, the probability is that Sangatte would turn up at Dover.

I recognise that the European Union is not dealing with the refugee issue very well, although it is somewhat hypocritical of us to criticise having taken not a single one of those miserable, desperate people tramping across the muddy roads of the Balkans to get to us. We have helped, by providing a home and assistance, not one of them. For us to do nothing to solve this problem and then carp and criticise Europe for not dealing with a million people in very short order is hypocrisy. They will get there over time. It will not be easy. It will not be elegant. But they will. This will be a major strategic issue for us in future, and it will be working regionally, together, that will assist us to solve that. I know that. I went not long ago to Kuala Lumpur to talk to the ASEAN nations which are already coming together to sort out the problems of massive movements of people out of the flooding Ganges delta.

Here is the thing I do not understand—I genuinely do not. Do we not understand how much the terms of trade of our existence have altered these past 10, 15 or 20 years? We no longer have a United States looking east across the Atlantic; it is looking far more west across the Pacific now. We no longer have the United States to act as our defender of last resort—our friend in all circumstances. It has its interests in the world and they do not necessarily coincide with ours. Meanwhile, on our eastern borders, we have a Russian President aggressively trying to destabilise and divide Europe. We can be sure that Vladimir Putin would be voting for us to leave as that is what he wants to see happen. He wants to divide Europe; that has been Russian policy for ages, and essentially we would be assisting him in doing so. To our south-east, the Arab world is in flames and, to our south, the Maghreb is in turbulence, reaching right down into Africa. All around us, new economic powers are growing up, individually more powerful than any of the European nations individually.

And should we believe that this is the time for us to abandon our solidarity with our European neighbours in such a turbulent and dangerous world, and the time for us to adopt the illusory sovereignty of a cork bobbing around behind other people’s ocean liners? That is the way to serve the worst interests of this country. By so doing, we would diminish our influence, we would diminish our protection and we would diminish our capacity for success.

5.05 pm

Lord Stoddart of Swindon (Ind Lab): My Lords, I confess that I was rather surprised when I came in to find that I was in such an exalted position on the speakers list. Now I have to follow that impassioned speech by the noble Lord, Lord Ashdown, so I am in some difficulty. But I shall try my best. First, I say to voters: when all the political parties are agreed, beware. Beware, beware, beware. I say to the Government, referring to the title of this debate, that those who always wish to get the best of both worlds very often get the worst of both worlds because they are being too greedy.

I turn to the statutory instrument arranging the referendum for 23 June. I would have thought, bearing in mind that the referendum need not take place until the end of next year, that the Government would have

[LORD STODDART OF SWINDON]

taken more time in the negotiations to get a better deal than the sad one that they have got. They would also have had the advantage of asking the Tory Party at its conference in October whether its members agreed with what the Government had brought back from the negotiation.

I have to declare myself straightaway; I always do. I was against joining the EEC, or the Common Market, in 1973, and now that the EU has gained so much additional power in policy fields other than trade, I am even more convinced that we should leave it as soon as possible and have the power in this country to decide our fate and future. I remind those people who say that the direction of the EU is not towards integration that at the beginning of this month the six original members of what was then the EEC proposed that the eurozone should become a fiscal power and have power in military matters as well. So in fact the direction is not backwards but forwards to, as they say, a more integrated Europe.

I cannot help feeling that the Prime Minister made a demeaning spectacle when he went to Europe and did not demand but pleaded with them to give him some concessions that would enable him to recommend that Britain should remain in the EU. I am afraid that he has not come back with anything at all of that sort: indeed, the concessions are pitiful. They are virtually as pitiful as the concessions brought back in 1972—possibly 1973, or was it 1974?—by Harold Wilson, which turned out to be no concessions at all.

He, too, promised that there would be no economic and monetary union. He gave that assurance. Well, we know what happened to that assurance. Now the Prime Minister is assuring the country that we will never join the euro. He cannot make that promise. The parliamentary situation arranges that. As he well knows, no parliament can bind its successor and there is no agreement, national or otherwise, that can alter that constitutional position. So he is promising something which he cannot properly deliver.

I am sick and tired of being told by politicians, self-serving multinationals and foreign potentates that Britain must remain in the European Union—not only for Britain's sake but for their sakes. We now have to arrange our affairs to suit the rest of the world, not to suit our own country. I remind the Government that they are here to serve British interests and not the interests of those people.

Britain has survived and thrived for 1,000 years as an independent country. Even in the face of hostility from European countries, it would do so free of the incubus of the EU. We need a country that is governed for itself—Britain governing for itself through its own institutions which have been with us successfully for the last 1,000 years.

5.12 pm

Viscount Astor (Con): My Lords, it is easy to be swayed in one's opinions by powerful speeches in your Lordships' House. When I listened to the noble Lord, Lord Stoddart of Swindon, I felt a burning desire to stay within the EU. To be fair on him, when I listened to the noble Lord, Lord Mandelson, half way through his speech I felt an immediate urge to leave.

I last spoke on the EU debate in 1975, so I thought it was about time I tried again. A lot has happened since then. We have had the Single European Act, Maastricht, and one must not forget that the one political party that campaigned to leave the EU in 1983, led by Michael Foot, was the Labour Party.

I make no secret that I am slightly Eurosceptic—it is difficult not to be. The euro is a failed concept. Schengen, as we see, is collapsing. The EU machine is often neither representative nor responsive to those it represents. We know that the Commission's accounts have not been signed off by its auditors for many years. Despite that, we have benefited by being a member of the European Union. However, we must not exaggerate its successes. It is not the EU that has prevented European wars; it is NATO that has kept us safe. We could, of course, survive easily outside the EU with secure borders and new trade agreements, however long that might take to accomplish. Having said that, following the recent successful negotiations, I believe we can also have a better continuing future within a reformed European Union.

It is not an easy process. When recently touring European capitals and talking to their politicians, I found that they all wanted us to stay in the European Union. They claimed that without us it might collapse and other countries might leave. Yet those same politicians fought tooth and nail against every change, every sentence, every dot and comma when the Prime Minister sought to renegotiate terms, so much so that even the Eurocrats—or European civil servants as I think they now like to be called—looked accommodating and reasonable in the process.

Lined up against the Prime Minister were formidable opponents. The Prime Minister succeeded way beyond expectations in his negotiations and I have nothing but admiration for the way he achieved the outcome. As someone who has known the Prime Minister probably longer and better than anybody else in this Chamber, I never doubted the ability, toughness, determination and intellectual rigour that he would bring to the negotiations.

The agreements are a substantial change to our relationship with the European Union. However, it is fair that I should ask the Minister a couple of questions. Should there be a successful stay-in referendum, what would happen if the European Parliament rejected some important elements of the deal? As we know, MEPs cannot be forced to vote one way or the other. The Attorney-General has said that the European court has to take the treaty changes into account and that the agreement is legally binding. In the past, the European court has been expansionist in its remit, so what would happen if it rejected a part of the agreement? I am no lawyer, so I look forward to my noble friend explaining this to me.

The other issue that the Minister did not mention is that, at one point, the Government floated the idea of a European Supreme Court to act as constitutional longstop to regulate the impact of EU law in this country in a similar way to what happens in Germany. I wonder whether that is still on the agenda and, if so, perhaps my noble friend will tell me how it would work.

My final plea is this: let this be the start of a reform of the EU into something that can adapt in the ever-changing world. We cannot allow this agreement to be the end of the process of reform. There is no right or wrong in the decision that we all have to make. There are compelling arguments on both sides. However, having weighed up all the arguments, I will be voting in the referendum to stay in the EU. I believe that our Prime Minister has made considerable progress and is the best person to lead this country forward in the continuing reform of the European Union.

5.16 pm

Lord Giddens (Lab): My Lords, this has been a pretty gripping debate so far, and it has only just started—so gripping, in fact, that I have scrawled all over my notes and completely ruined them, even though I took the trouble, unusually, to type out my speech.

I too am a passionate pro-European, but I am an academic and would put it in a rather more muted way than the noble Lord, Lord Ashdown, did. As my noble friend Lady Morgan said, this world is, by far, now more interdependent than ever before. That interdependence, connected to the expansion of global markets and an emerging global system of law, has fuelled a very rapid process of economic development in some of the poorest parts of the world. At the same time, large-scale tensions and conflicts have been generated too. Some of the most dangerous are today concentrated in the European neighbourhood. Wide-ranging collaboration is needed to separate the benefits from the risks and to manage them. The EU has an essential role to play here, as is emphasised in the document we are considering today.

I only wish that the opportunity had been taken to question some of the easy nostrums of those who would have Britain quit the EU. For instance, they routinely assert that the EU is a quagmire of bureaucratic regulation and the enemy of flexibility and progress, as though this were some unquestionable truth. Yet it is obvious that collaborative rules very often limit and reduce bureaucracy rather than the reverse. There could be no European single market without commonly agreed procedures and protocols that have to be stuck to. Imagine what would happen if 28 states had to agree individual trade deals with one another and in a rolling fashion. As the report makes clear, effective European security depends upon cross-border collaboration. The problem with the refugee crisis today is the lack of such effective collaboration between EU states, rather than an excess of it, and in this case the knock-on consequences could be very serious indeed. For me, it is in fact a terrifying example of what can happen when consensus breaks down and nations start again to see the world primarily through the narrow lens of self-interest.

A favourite adage of many Eurosceptics is that in today's world small is beautiful. I enjoyed the speech of the noble Lord, Lord Howell, which was a nuanced one. He has been an eloquent interpreter of this position. If one develops that view, free from the shackles of the EU, the UK can, as it were, float like a butterfly, sting like a bee, daily picking up trade deals here, there and everywhere. The EU, it has been said, is an analogue organisation in a digital world. Try telling that to the negotiators putting in place the Transatlantic

Trade and Investment Partnership, the biggest free trade deal ever implemented, should it be finalised. The US has made it clear that Britain acting in isolation would have no chance of joining up. Size and clout still count for an awful lot in world affairs. The EU holds 16% of global trade, compared to 14% for China and 10% for the US. The US, China and India have all made it clear that they want the UK to stay in the European Union. Britain exerts much influence in the world, given that it is a country of only some 60 million in a world of 7 billion, but it does so in some large part through collaboration and the attempt to enforce common rules within the EU itself, in NATO and in the UN.

Nor is it the case that leaving the EU would magically allow the UK to restore tight control over migration. Switzerland is not a member of the Union, but has negotiated a deal which allows access to the single market, as Britain would also have to do. To do so, the country had to negotiate 120 separate agreements with the EU. Yet Switzerland has a far higher ratio of immigrants per head of population than the UK does—more than twice the proportion, in fact.

As I messed up my speech, I will cut it short. The natural impulse is to revert to traditional political battle lines at this point. Many aspects of the approach taken in the report could be questioned, but keeping Britain a full and influential member of the EU is crucial to the country's future. I hope that all of us who share such a goal will work together on a cross-party basis, setting aside other political differences, to achieve this end.

5.22 pm

Lord Lawson of Blaby (Con): My Lords, in well over 40 years as a Member of one House or another of this Parliament of ours, I have never before known such a blatant campaigning document—not least one that is so economical with the truth—masquerade as a Government White Paper. The title itself, I have to say, is a lie—*The Best of Both Worlds: The United Kingdom's Special Status in a Reformed European Union*. The European Union has manifestly not been reformed, and, such is the nature of the beast, is almost certainly unreformable. Britain's so-called special status may well, should we remain in the European Union, prove to be not the best but the worst of both worlds. It is certainly very much worse than being outside the European Union.

Those of us who wish to leave the EU are asked to say what our alternative is to our membership, so I will answer that question. The alternative to being a member of the European Union is not being a member of the European Union. It may come as a great shock to the little Europeans in our midst, but most of the world, including significantly the fastest-growing countries in the world, are not in the European Union. As one who for a number of years had responsibility for the conduct of economic policy in this country, I have little doubt that we would prosper more if we were not a member of the European Union.

As for the contents of the White Paper, there is one curious and significant omission. It fails to mention the single most important feature of the Brussels agreement of 19 February—namely, the declaration:

[LORD LAWSON OF BLABY]

“Member States not participating in the further deepening of the economic and monetary union will not create obstacles to but facilitate such further deepening”.

Thus, at a stroke, we have given up our ability to veto a further transfer of powers from the United Kingdom to the European Union—should we remain in the European Union—that it believes is necessary for further economic integration. Not so much White Paper as white flag. Moreover, it completely undermines the claim in the White Paper that more powers cannot be transferred from the United Kingdom to the European Union without the United Kingdom agreeing.

What then of the exit mechanism in the welcome event of the referendum being won by the leavers? There is much talk of having to invoke Article 50 of the Lisbon treaty and of the process taking up to 10 years or even more. This is balderdash. If it requires Article 50 to leave the EU, the 1975 referendum would have been a fraud as the Lisbon treaty dates back only to 2007. Article 50 refers to the EU’s recommended procedure for negotiating the nature of the relationship of a member that has left the EU with the surviving European Union.

As the Prime Minister has frequently pointed out, Parliament is sovereign and we can at any time leave the European Union by repealing the European Communities Act 1972, which makes UK law subordinate to European law. Indeed, Article 50 of the Lisbon treaty states:

“Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements”.

In the case of the United Kingdom, our only constitutional requirement is the repeal of the 1972 Act.

Among the many grossly misleading scare stories peddled by the Government—whose only argument, I regret, is Project Fear, with nothing positive at all—is that we would have to renegotiate all our trade agreements with countries outside the European Union. The plain truth is that we have nothing to fear but fear itself. The great bulk of our trade with the rest of the world is regulated by our membership of the WTO and would remain wholly unchanged.

Lord Mandelson: Does the noble Lord accept that 60% of British exports are covered by the free trade agreements negotiated and won by the European Union on our behalf—60%?

Lord Lawson of Blaby: The great majority of the agreements we are party to through the WTO and its predecessor, GATT, were concluded before 1995, when, at that time, the European Union or its predecessor was not even a member of the WTO or GATT.

As for the argument that you need to be a member of the so-called single market to trade with the single market, that is an equal nonsense. Indeed, exports into the single market from countries outside it have, for many years now, grown much faster than UK exports to the single market. After all, the weighted average of the European Union’s common external tariff is only 3.6%. The prospect of our not being able to secure a far better free trade agreement than little Switzerland is minimal.

Certainly the future is uncertain. That, after all, is its nature. But the uncertainty surrounding Britain’s future within the European Union, should we decide to stay, is far more worrying than regaining our freedom. The EU’s blundering route to political union—for that is what it is all about; that is the purpose of the whole enterprise—will continue and, even though we have secured an opt-out from political union, we will remain shackled to it: a sort of colonial status.

This referendum debate is not primarily about economics. It is about whether we in this country wish to take control of our own affairs and to be a self-governing democracy with a global rather than a merely European perspective.

Baroness Ludford (LD): Before the noble Lord sits down, could I press him to spell out what his alternative is? He is the chairman of one of the leave organisations. He always raises a laugh—I have had the privilege of hearing it several times now—when he says that the alternative to being in is being out. But what does that freedom consist of? What kind of deal would he conclude?

5.30 pm

Lord Hain (Lab): My Lords, contrary to the protestations of the noble Lord, Lord Lawson, Britain has benefited from lower prices, more jobs, more trade and more investment by trading with the rest of the 27 European Union countries with whom we form the biggest, richest market in the world, amounting to more than 500 million people.

Our membership has been a considerable economic success, according to a new paper, *The Growth Effects of EU Membership for the UK: A Review of the Evidence*, by respected economic historian Professor Nick Crafts of Warwick University, in which he says:

“Membership has raised UK income levels appreciably and by much more than 1970s proponents of EU entry predicted ... Joining the EU raised the level of real GDP per person in the UK compared with the alternative of staying in EFTA”.

His calculations suggest that the positive economic effects of membership have outweighed the cost of Britain’s EU contributions and red tape by a factor of about seven to one.

Thanks to European co-operation, more than 4,000 suspected criminals have been sent back to other EU countries and more than 700 suspects have been brought back to face justice in the UK from elsewhere in the EU, including one of the London bombers. If we left the EU, our borders would be weaker. More refugees would try to enter because we would no longer be covered by its Dublin agreement, which requires the country where asylum seekers first arrive—the Greek islands, for instance—to process their applications. But if they do end up somewhere else in the EU, such as Britain, we can send them back to where they first sought asylum. Britain has so far sent back about 12,000. If they get to Calais, the French authorities have to try to stop them coming to Britain. If we left the EU, the French would have no such obligation. Our border with France would shift from Calais to Dover, and when asylum seekers arrived, we would lose our right to send them back.

Our workers benefit from EU laws that ensure at least four weeks' paid holiday and extended parental leave. Part-time workers have the same rights as full-time staff. The EU has also made flights cheaper, brought down credit card fees and abolished costly mobile phone roaming charges.

In 2014, the latest year for which figures are available, about 29 million British residents visited EU countries for holidays knowing they were protected by their European Health Insurance Card guaranteeing free or reduced-cost urgently needed treatment, including hospital admission.

Pollution does not stop at Calais, and high EU environmental standards mean we have cleaner air, beaches, rivers and seas.

Some of those advocating British withdrawal suggest that we can have our cake and eat it by staying within the European single market to retain the great bulk of our trade which is with EU countries. They want us to be like Norway or Switzerland, for example, but both those countries pay into the EU budget and also have to accept the free movement of people. Both countries must abide by EU trade regulations but have no role in the negotiations to make these regulations. They pay but have no say. So would Britain if we left: paying less but not that much less than we do now—about £7.5 billion rather than £10 billion a year now, on the Norway model.

In the case of Wales, because it receives more EU funding than any other part of the UK it would be worst hit by Brexit. Wales would end up paying the EU £320 million per year where we currently receive a net gain of £838 million per year. So each person in Wales could end up contributing more to the EU for much less. Instead of being given funding by Europe to tackle our problems, Wales would be paying into it to keep trading tariff-free.

On the intervention by the noble Lord, Lord Tebbit, on the Airbus, it is now Franco-German owned, British Aerospace having cashed in its share. There will be no obligation if we have left the EU to keep 6,000 north Wales workers making Airbus planes. That would shift to the continent. Critics say that Brussels rules over us, but most EU laws require the agreement of both the European Parliament and national Government Ministers. So our elected European MPs and Ministers accountable to Parliament can vote against proposals that would harm British interests. We can also veto certain proposals, such as any attempt to impose taxes on us.

Does European Union membership mean that we give up our sovereignty? No—there is a difference between giving up and choosing to pool sovereignty, because that promotes British interests. As the noble Lord, Lord Ashdown, said, we have already given up our right to do what we like in defending Britain because we are members of NATO; we already pool sovereignty with the US and others, because by doing that Britain has stronger defences. Anybody attacking us invites retaliation by all the NATO nations.

Just 70 years ago we gave up our right to do what we liked on foreign policy by agreeing to establish the United Nations Security Council. Its resolutions have the force of international law. However, as a permanent

member of the Security Council, we get to make the laws. By pooling sovereignty, the British people have greater influence in building a safer, more stable world. Pooling sovereignty can mean compromises, but we can better advance British interests by being right at the centre of NATO or the UN—and, indeed, the EU.

In today's global village, power shared means power regained. On trade, we live in a global marketplace. Opening it up further depends on our clout in world trade negotiations, and as my noble friend Lord Mandelson has said, only the EU collectively has that clout, including protecting British exporters against unfair competition.

Of course, Europe is not perfect. Nothing is—not our local councils, not our own families or football clubs, not even your Lordships' House. Does that mean we should opt out of them too? The EU does need reform, which is why we need to be right there on the pitch as a key player, not sitting in the stands, moaning as a spectator and suffering in cold isolation.

5.36 pm

Lord Stirrup (CB): My Lords, in contributing to this important debate, let me say at the outset that I carry no torch for the EU as an institution. I have attended far too many frustrating EU military committee meetings in the Justus Lipsius building, and watched with dismay the often arcane operations of the bureaucracy, to have any rosy illusions concerning the nature of the beast. However, bureaucracy and uncomfortable compromises are far from being the sole preserve of Brussels.

The underlying assumption of all civilised society is that by surrendering untrammelled freedoms we gain a net benefit. Not all consequences will be positive for every individual and group; some will be unwelcome, and will arouse antipathy and even anger. But we do not enter into such arrangements in order to satisfy all our desires and wishes. We do so because, on balance, the benefits outweigh the disadvantages.

The question, therefore, is not whether we find any particular measure or restraint to be repugnant, but what the overall balance sheet looks like. There are, however, two significant challenges to such an approach. The first is that the value we attach to each particular benefit will vary between individuals and between groups, depending upon their separate interests and priorities. The second is that it can often be difficult to recognise, and if recognised to quantify, all the effects of freedoms foregone and benefits accrued. The current debates on our EU membership frequently centre on issues such as jobs, trade, net migration flows and so on. Even here there is a wide divergence of view on which figures should go where on the balance sheet. But there are more intangible—though no less important—issues, such as the effect on our overall long-term competitiveness. How is that to be weighed and accounted for?

I leave the answer to that and similar economic questions to those more qualified to speak on them, and for my part turn to the issue of security. Too often the debate on the EU turns on what our membership does for us in terms of direct gratification. It is of course right that we should look at the question from

[LORD STIRRUP]

the perspective of national interest; but our national interest is not simply a matter of direct gains and losses. We cannot change our geography by referendum, and our position in Europe has always in large measure defined our interests. Our national security is inextricably linked to the security of the rest of the continent. In that regard, at least, we must ask not only what Europe can do for us, but what we can do for Europe—not out of altruism, or a sense of good neighbourliness, but out of sheer, hard-nosed self-interest.

One gets the impression that some people would be prepared to contemplate the decline of the rest of Europe provided that we could sit on the sidelines. The problem is that we are not and cannot be on the sidelines. Whether we like it or not, we are and will remain on the pitch. We therefore have a vested interest in helping to deliver the right result.

Let me give one example of where we have done so. For a number of years, some important members of the EU wanted to create military command structures that were separate from and parallel to those of NATO. Such duplication would have not only been a waste of scarce resources, but served to undermine and weaken the coherence of the alliance. We therefore opposed the proposition and carried the day. We could not have done so had we not been a member of the EU.

NATO today is stronger than it would otherwise have been thanks to the UK's position in Europe. This is crucial, because NATO is at the heart of our national security arrangements. That will remain the case, but the EU also has a key role to play. Our national security depends on the power that we can wield in the international arena. Power comes in many forms, but it almost always relies, in the final analysis, on economic strength. Given our dependence on European security for our own protection, we have a fundamental stake in the economic success of Europe as a whole, not just of the UK alone.

The EU also has the capacity to wield soft power, in a way that is not open to NATO. The EU was an important player in reaching an agreement with Iran on that country's nuclear programme. The EU responded to Russian aggression in Ukraine with a sanctions regime, the robustness of which came as a surprise to many—not least, I suspect, to President Putin. Putin fears and hates the EU. That alone should give us some clue to its security value.

In terms of economic clout and soft power, just as much as military force, we are reliant on partnerships to create the level of capability necessary to protect and advance our national security interest. They must be partnerships in which we play our full role, in which our voice is powerful and compelling, and in which we have a major influence over strategic security goals. That is the case today in the EU, and that is why I believe our continued membership to be so important.

As ever, there is much to be said on the debit side. EU members do not invest nearly enough in defence. The arrangements for co-operation between the EU and NATO are currently unsatisfactory. The EU tends to get ideas above its station, and as a result sometimes risks strategic overreach. These are all significant weaknesses that need to be addressed as a matter of

urgency within the EU. The UK can do much within the EU to tackle them. Outside it we can do nothing, but inside or outside we will have to live with the consequences.

There is much that I dislike about the EU and there is much that I would like to see changed. I trust that we will go on championing the cause of such change in a way that attracts others to the colours. But when I consider the perils that loom over our continent, when I look at the dangers facing the UK within Europe and when I think of the scale of response necessary to meet those challenges, I feel myself compelled to agree with those who claim that, for the UK, the one thing worse than being a member of the EU is not being a member.

5.43 pm

Lord Gilbert of Panteg (Con) (Maiden Speech): My Lords, I declare an interest as a consultant to the Britain Stronger in Europe campaign, working with Populus Ltd, which is a client of my consultancy business.

I have already seen the huge contribution made by noble Lords in this Chamber—the expertise and knowledge brought to scrutinising legislation and to great debates about the issues facing our country. I have seen, too, the huge work and wider public service of noble Lords outside this House. It is a great privilege and a considerable responsibility to join your Lordships' House and I thank noble Lords from all sides for being so warmly welcoming.

Most days I am lost here—either actually lost in a corridor or lost in comprehending how this Chamber works. The doorkeepers, attendants and staff across the House demonstrate huge skill, courtesy and great discretion. My thanks to the wonderful staff, who have so often put me literally or metaphorically back on the right track, is heartfelt.

I thank my mentor, my noble friend Lady Perry of Southwark, for her always wise advice, and my noble friends Lord Taylor of Holbeach and Lord Cooper of Windrush, who supported me at my introduction. I first worked closely with my noble friend Lord Taylor when he chaired the volunteer side of the Conservative Party in the dark years after our general election defeat in 1997. He was driven by a commitment to public service. His remarkable courtesy, integrity and good humour served my party well—as they clearly do your Lordships' House today. By contrast, I first worked with my noble friend Lord Cooper in the years immediately before that historic 1997 general election defeat. I deny that our contribution to that campaign was a decisive factor in that result. I learned much from my noble friend.

I was brought up and first got involved in politics in Pontypool in south Wales, the birthplace and political nursery of Lord Jenkins of Hillhead and represented in Parliament by the great social reformer Leo Abse and more recently by the noble Lord, Lord Murphy of Torfaen, who I am delighted has joined your Lordships' House. I saw in Pontypool that politics was about public service. It was a Labour town but with an active Conservative Party and thriving community organisations. My father, who I am sad was not here to see me at my

introduction, was very active in our local community. He epitomised selfless public service as well as being something of a pantomime impresario. I saw that so often the same people who were involved in the stuffing of envelopes for political parties one day would be at the counter of the charity shop the next. I felt then, as I do now, that getting involved in and working for any political party and fighting for your beliefs is valuable, decent and honourable.

This referendum campaign will have a profound impact on future generations. As a participant, I am very conscious that it has the capacity to both divide parties and bring people from different parties together. I hope that we will have a debate that will engage citizens who have never been involved in politics, and that we will all conduct ourselves in a way that increases long-term participation in our politics.

My noble friend the Minister emphatically outlined the nature of the new settlement in Europe that the Prime Minister negotiated for Britain. I believe that it gives us the best of both worlds. We will influence the decisions that affect us—decisions that would still affect us if we left the EU but over which we would have no influence. The deal secured for Britain also shows that the EU is capable of reform—reform that I have no doubt this Prime Minister will vigorously pursue in the interests of Britain and Europe.

The changes that he negotiated in the four key areas of welfare and free movement, sovereignty, economic governance and competitiveness have long been called for by many of those who will be on the other side of this campaign to me. I accept that those of us who wish to remain in the EU have a responsibility to show why our continued membership is positively in the interests of Britain. We will make that positive argument about the jobs that depend on our trade with Europe, the lower prices in our shops and the safety that our co-operation with European partners brings us. But those who would see us leave the EU really need to show in detail what Britain's future relationship with Europe and the rest of the world would look like and not just tell us that it will all be okay in the end because Germany will still want to sell us its cars. There is more to it than that.

Finally, there is so much that unites us in the Conservative Party. While I do not relish a campaign in which I will be on the opposite side to friends of mine, I commend the words of Dr Liam Fox MP, who said:

“Those who wish to remain in the EU are not ‘unpatriotic’ and those who wish to leave are not ‘idiots’”.

He is of course right. I very much hope that in this campaign we can have the best of both worlds: a vigorous and hard-fought yet respectful campaign that lives up to the huge decision we are taking at the same time as we engage people who have never participated in political campaigns before. In conclusion, I thank noble Lords for their welcome and hope I can contribute to the work of this House in the years ahead.

5.49 pm

Lord Howard of Lympne (Con): My Lords, it is a particular pleasure to follow my noble friend Lord Gilbert of Panteg and to congratulate him on his

excellent maiden speech. He and I have known each other for many years, have served our party for many years and share the very considerable advantage of having started our lives in south Wales. On the issue before your Lordships' House this afternoon we differ, but I echo the hope and aspiration of my noble friend that we can express our differences with courtesy and mutual respect. I think—though others may differ—that we have just about kept to the right side of that line this afternoon during our exchanges, and I hope we will continue to do so in the months ahead, because one thing is absolutely clear: on 24 June—whatever the result of the referendum—the Conservative Party will have to come together. It will continue to have the responsibility of governing our country for at least another four years, and probably, given the current state of Her Majesty's Opposition, for quite some considerable time after that. So we must, and we will, then come together under the continuing and outstanding leadership of the Prime Minister. We must bear that in mind and, indeed, keep it in the forefront of our minds, over the next four months.

Why is it, then, that on this issue I feel compelled to speak out against the Prime Minister, whom I have known and admired for nearly 25 years? It is partly because I have come to the conclusion that the European Union, in its present form, is a flawed and failing project, which is making its inhabitants poorer than they should be and because it is failing—contrary to what has been said by some of your Lordships this afternoon—to keep its people safe. But it is mainly because, in its present form, it is undermining and eroding our cherished principle of democracy. Of the many gifts which our country has given the world, the gift of democracy—of democratic self-government—is the greatest. At the heart of that democracy is a connection between the votes cast at our general elections, the Governments they elect and the accountability which comes from the ability of the voters to turf out a Government who fail to keep their promises.

Lord Foulkes of Cumnock: Does the noble Lord not appreciate the irony of what he has just said in this Chamber?

Lord Howard of Lympne: I am talking about the way in which our country is governed and our Government are elected. That principally is the responsibility of the other place. If a Government, having made their promises to the electors, are unable to keep their promises, not as a result of some conscious decision on the Government's part but as a result of a decision of the unelected European Commission, or the unaccountable European Court of Justice, that crucial connection is broken. That is why our membership of the European Union in its current form undermines and erodes our democracy.

Lord Ashdown of Norton-sub-Hamdon: If the noble Lord had not used the word “unelected”, I would not be asking this question, but does he feel no twinge at all about criticising an unelected institution elsewhere when he comes from an institution that bears no connection with democracy whatever?

Lord Howard of Lympne: I have explained the answer to that. Our Government are chosen democratically by the free and fair votes of the people of our country. I believed—and, indeed, continue to believe—that it would be possible to reform the European Union in such a way as to mitigate that damage. But despite the best efforts of the Prime Minister, that is not currently on offer. That is why I shall vote to leave on 23 June.

Our opponents ask us what alternative arrangements we would make if we left. I will quote the words of Jacques Delors. However, bearing in mind the strictures of the noble Lord, Lord Hannay, I will quote him not on the prospects of further integration but on the alternative arrangements that would be available to the United Kingdom. He said:

“If the British cannot support the trend towards more integration in Europe”—

which I think we are all agreed we cannot—

“we can nevertheless remain friends, but on a different basis. I could imagine a form such as a European economic area or a free-trade agreement”.

The impression has been created, not least in this debate—it permeated the speeches of the noble Baroness, Lady Morgan, and the noble Lord, Lord Mandelson—that if we left we would be some kind of supplicant. But we are the fifth biggest economy in the world. We are a market to which everyone wants access. We are, in fact, the biggest market for the rest of the European Union and we run a very substantial deficit in our trade with them. The document *Possible Models for the United Kingdom Outside the European Union*, which was published today, is replete—page after page is full of this—with the difficulties we would have in obtaining access to the European market. However, it makes scant reference to the need for others to have access to our market in our country—the fifth biggest economy in the world. Of course the Germans would want to continue to sell us their BMWs and Audis. Of course the French would want to continue to sell us their wine. They are sensible people; it is in their interests to trade with us on free and fair terms, so I have no doubt that we would reach an agreement with them in a relatively short period of time. We need to recover our national self-belief; we need to recover our national self-confidence; and we need, above all, to recover control of our nation’s affairs. We can achieve that only by voting to leave on 23 June.

5.56 pm

Lord Radice: We have heard a very impressive maiden speech from the noble Lord, Lord Gilbert, and look forward very much to what he will have to say in the future. I hope that the Conservative Party takes note of what he says about it and what it needs to do after the referendum. The noble Lord, Lord Howard—I was going to say my noble friend—has, as usual, made a very eloquent speech on this subject. I have heard quite a few of them in the past and his speech today was well up to standard.

Of course, if we went into the past, we might express strictures about the background that led up to this referendum. I will not take that up today, except to say that David Cameron—like Harold Wilson in 1975—had the referendum imposed on him not so

much by a democratic groundswell, as has been suggested from time to time, but by pressure from within his own party. However, we are where we are and the only aim now must be to win the referendum for staying in. That is what I will talk about in my few minutes. Judging by his recent performance, especially in the Statement he made to the Commons last week, the Prime Minister is now very much up to the task. Indeed, he made a most impressive speech. The deal he brought back from Brussels is a good one, certainly much better than many Eurosceptics had hoped for, because they were hoping that the whole thing would collapse. Of course, our former leader, Ed Miliband, confirmed that the deal also contains a number of commitments that were in our election manifesto, including that of the red card mechanism for national parliaments. But what is especially encouraging for the stay-ins is that David Cameron is now able to put forward, with all the authority of a British Prime Minister, the strategic case for staying in. That is a tremendous plus because it is this case and its persuasiveness, or lack of it—I think it will be its persuasiveness—which will decide the result of the referendum. It is not a question of the details of the package; it is the underlying strategy. As he made clear to the Commons, he believes—I like the words he used—that,

“Britain will be stronger, safer and better off ... in a reformed European Union: stronger because we can play a leading role in one of the world’s largest organisations from within ... safer because we can work with our European partners to fight cross-border crime ... and better off because British business will have full access to the free trade single market, bringing jobs, investment and lower prices”.

It is worth quoting the words of the Prime Minister because he said them with great passion and, I think, sincerity. I think they are absolutely right. He said:

“There will be much debate about sovereignty”—

and we have heard about that this afternoon—

“and rightly so. To me, what matters most is the power to get things done for our people, for our country and for our future”.—
[*Official Report*, Commons, 22/2/16; col. 25.]

That was not really addressed by the noble Lord.

What we have heard from the Prime Minister gives us the outline of a positive case for staying in but, without being negative, we are also entitled to put questions to the outers to which so far they have completely failed to respond. What is their alternative? The Government have published a report based on an analysis of some of the alternatives—Norway, Switzerland, Canada and the WTO model—which concludes:

“The UK Government believes that no existing model outside the EU comes close to providing the same balance of advantages and influence that we get from the UK’s current status inside the EU”.

The outers have to give a credible answer to this. They say it will be all right on the night, as we heard from the noble Lord, Lord Lamont. Sorry, it was not the noble Lord, Lord Lamont—he had better say something better—it was the noble Lords, Lord Howard and Lord Lawson, but they did not come forward with a viable option. They were very good at criticising what everybody else had said but they did not have any answer themselves and they will have to do that if they are to go on television for the next four months.

Finally, the referendum is not only an internal battle between Tory ins and Tory outs. To win the debate, Cameron will have to persuade many non-Tory voters—above all, Labour voters—many of whom are concerned not so much with the details of his deal but with jobs, prices and labour and consumer rights. He has to take those into account. My advice to David Cameron is that until the day of the referendum he must aim to be a Prime Minister above party. He has to unite the nation behind the case for staying in because that is the way to do it. I believe that if he can do that, the majority of the British people will support that case.

6.02 pm

Lord Macleannan of Rogart (LD): My Lords, referenda are unpredictable and this one is very unpredictable. In the period after the Convention on the Future of Europe, France and the Netherlands voted against the recommendations made by that convention, on which I served. It was pretty clear that the votes were not against the substance of the convention but against the Governments in office in those two countries. Both countries very speedily came round to acceptance of what the convention had done. We were rather delaying in this but we have seen it implemented in the Maastricht and Lisbon treaties.

Personally, I would be opposed to a convention which could result in a real disaster for Britain. The disaster would be if we took ourselves out of the international, global debate and felt that we had to bend our knee to the European Union, which in my view would not necessarily be at all responsive to our begging to have access to the free trade area. I believe we ought to have a system that enables the European Union to continue its discussion about reform, perhaps along the lines of the convention of which the noble Lord, Lord Kerr of Kinlochard, was the secretary-general, to enable the public to be more aware of what is going on in the European Union. Unfortunately, the press, and to some extent the media, are not conveying the positives about the European Union. They seem to focus only on the adverse features and nations quarrelling with nations.

If we leave the European Union, we might have to follow Norway or Switzerland but I cannot believe we would find that route at all appealing. Norway and Switzerland pay into the amounts that are distributed by the Union. They have to accept what is laid down in European legislation and they do not have any voice in the discussions. If that were to happen to us, it would be a disaster.

We have to pool our sovereignty in many respects. We pool our sovereignty in global organisations such as the World Trade Organization, the International Monetary Fund and the UN Security Council, but I do not believe that what we are engaged in in the European Union is necessarily pooling our sovereignty. We have a right to stand up against European legislation and we do from time to time, and we do it effectively. If we were to focus on expanding the trade within the European Union into services and digital, we would see a more positive outcome of these current debates.

The Union is in some difficulties at the moment in the eurozone but we are not part of the eurozone and we can help in ways that I think would be understood.

We are capable of coming to terms with other countries but it is far easier to build up our trade relations with those countries, particularly big countries such as China and Japan, if we go into international agreements with the European Union and pool our resources. There are 500 million people in the European Union and we have considerable authority and respect as part of that. I hope that it will not be thrown away on 23 June.

6.09 pm

Lord Boswell of Aynho (Non-Aff): My Lords, the debate so far has been characterised by both eloquence and passion and, if I may say, with a powerful maiden speech that exemplified both. I intervene briefly and primarily to clarify the position of your Lordships' European Union Select Committee, which I have the honour to chair.

While no doubt many, if not all, our members hold strong personal views on this vital matter—some of them will be participating in this debate—as a committee whose remit is scrutiny and forensic inquiry we shall refrain from publishing any recommendation on which way to vote, and I, too, will respect this in relation to my personal position. In our view, our main job, both in service of your Lordships' House and on behalf of the wider electorate, is to ensure that the recent deal is properly scrutinised. We will continue that work unabated until and indeed, if necessary, after the referendum is held, because there will be ongoing legal consequences of some of those decisions.

We are in the process of preparing a report to this House on the Government's and others' visions of European Union reform, which we will publish shortly. We are also looking at some of the specific legal implications of a vote to leave. I close my brief contribution by emphasising that, more widely, this work is intended to contribute to the national debate. I urge the Government to meet in full their undertakings and obligations to spell out clearly and intelligibly to the public the nature of the solemn choice they are to make.

6.11 pm

Lord Green of Deddington (CB): My Lords, I will focus on free movement. As the noble Baroness, Lady Morgan of Ely, remarked, this is not an issue to be ducked and I very much hope that it will not be ducked in this House. To my regret, my remarks will be rather critical. My regret is because I believe that, in regard to immigration, our country owes a considerable debt to the Prime Minister. In the face of strong and persistent pressure from business and academia, he stood firm in a major effort to reduce net migration, supported of course by his Home Secretary.

However, having followed these matters for some 15 years, I can only give my honest opinion. I feel bound to say that the outcome of the recent negotiations will have very little effect on immigration from the European Union. Our own research has shown that about half of EU migrants are single when they come and another quarter are couples with no children. Neither of those two groups qualifies for any significant benefits. It is hard to believe that the remaining quarter will make a significant difference to the overall inflow.

[LORD GREEN OF DEDDINGTON]

It seems much more likely, surely, that the availability of work in the UK and the prospect of wages at a multiple of those at home will be far more persuasive.

I accept that some of the other provisions on child benefits, marriage to EU nationals and deportation of EU criminals are useful steps, but they are relatively minor matters. The central issue is whether we have regained, or will regain, the power to control the inflow of EU migrants to the UK. Net migration from the EU has doubled in the past two years to 180,000 a year, almost the same as the amount from the rest of the world, and we will be left with no means of controlling it. Looking ahead, the introduction of the national living wage may add further to the pull factor. The implementation of universal credit will reduce the significance of benefits as a pull factor and, therefore, the significance of the outcome of these negotiations.

Putting aside the detail, I am afraid that the only possible conclusion is that the so-called emergency brake—even if we can reach agreement on its use, and there are questions about that—will have little, if any, effect on the inflow. It follows that we face the prospect that the present massive levels of net migration will continue well into the medium term and beyond. Indeed, as noble Lords will know, there is a tendency for immigration to accelerate as existing diasporas help their friends and relatives to come and find work. Net migration currently stands at about 300,000. The Government's own projections show that, even at 265,000 over the long term, the population of the UK would increase by about half a million every year. As I have said before in this House, and I make no apology for repeating it, that would mean building the equivalent of a city the size of Liverpool every single year for years to come. That is a very serious prospect and it must be addressed by our political system.

The Government have made serious efforts on immigration over the past six years. They have done their best in these negotiations to tackle that part of the flow that is from the European Union. But they have been denied by the rigidities of the European Union treaties, its institutions and, arguably, its mindset. To be fair, the Government have not even claimed that they will be able to bring EU migration under control. That is for a very simple reason: they cannot do so. Nor will they be able to do so in future. There are indeed risks on both sides in this referendum decision and it will be a difficult one for all of us. One risk is that, if we stay in, we will renounce any control over the size of the population for the indefinite future—actually, that is not a risk, it is a certainty. It is certainly not the “best of both worlds”.

6.17 pm

Lord Jopling (Con): My Lords, while I am fully aware of the shortcomings and the nonsenses of the European Union, I speak tonight in favour of our staying within that organisation. I must say that I sometimes feel that my patience is tried by the way in which those who oppose it seek to deride it. My experience goes back a long way on this. I feel that the anti-European approach has not changed very much at all over the years. We still have the same people, or their philosophic heirs, bridling at the very word “Europe”.

I remember almost 60 years ago, in 1957, moving what I think was the first motion of the Conservative Party conference about Europe. Then, all we were asking for was that we should seek with others to form an economic alliance with the original six members, which eventually turned into EFTA. It was overwhelmingly agreed by the party conference but there was a substantial number of Conservatives who voted to oppose it at that time. That was nothing to do with the six—it was to found an economic association that, as I say, turned into EFTA.

Over the years, we have still had what I sometimes regard as the same mindless approach to anything that has a Europe tag to it, relating to the colour of passports, women's institutes' cakes and straight carrots. I remember back in the 1960s, when I was a member of one of the first departmental Select Committees down the road, which Dick Crossman set up, we had the Permanent Secretary at the Ministry of Agriculture saying that we should not join the European Common Market because we would then have to put up with grey kippers. It all reminds me very much of giving a dog a bone.

Now, of course, the Eurosceptic element is having a field day belittling the Prime Minister's agreement to reorganise our relationship with the European Union. Quite frankly, they cannot have it both ways. They wanted many more fundamental changes than they have got, nearly all of which could be achieved only through a treaty. But within the timescale that the Prime Minister had set out of having a referendum before the end of next year, it would clearly be impossible to get a treaty through the processes. It was just not within the timescale and therefore treaty changes were impossible, but that is for the future.

We now have our new relationship with the EU. We are out of the euro; our borders are protected under the Schengen agreement; we have barriers to benefits for immigrants seeking them; and we are excluded from ever-closer union. This puts us into a new position, which is a sort of halfway house between full membership and solely being members of the EFTA agreement. That is an admirable position to be in and far better than being outside with little influence over crucial EU decisions, which could be very damaging to us.

Of course, not all Eurosceptic arguments are trivial in the way that I have talked about. One argument is to refer to loss of sovereignty and the desire for our Parliament here to make our laws. I do not object to a certain loss of sovereignty in this modern, global world but I do not hear dissent from those Eurosceptics when we come to consider the massive loss of sovereignty which we have with regard to NATO. It is a far greater loss of sovereignty when we commit our armed services to the possibility of our servicemen dying under the command of foreign generals. I am not against NATO in any way; I am vice-president of the NATO Parliamentary Assembly and as far as I am concerned, long live NATO.

As a former member and president years ago of the Agriculture and Fisheries Council, I am convinced that the relationship between European Parliaments and Governments over these last 50 years or so means that, after 70 years without a great European war,

much of that period of peace is due to the development of the European Community—not all of it, of course. I have two sons, and I regard the creation of the European Community as a principal reason for them not having been involved in such a great European conflict, unlike so many young people over the centuries who have died in a succession of European wars. I see this period of European peace as the greatest achievement of my political generation.

6.23 pm

Lord Soley (Lab): The only thing I would add to the economic debate is the importance of science and technology to this country. We, more than any other country in the European Union, benefit from the money that comes from it into our universities and science-based research establishments. Anyone who is thinking of leaving had better ask why the research establishments and universities in continental Europe would suddenly surrender the money that was being paid into the British universities and research institutes at their expense. I think that we would lose it. We are in fact a cutting-edge nation in science and technology, and part of the reason is the money that we get from the European Union.

That is a central part of the economic argument, but I want to make most of my comments on the political issue and follow on from the noble Lord, Lord Jopling, whose comments I have just heard. I was born shortly before the Second World War and it has often puzzled me that the British people tend to be more averse to the idea of a single European entity of some type, because my memory is that Europe was where the bombers came from. That is what you were brought up with, so one tended to be hostile to it. It is interesting today that although the bulk of the British people have for many years been very doubtful about Europe, the older population has been more opposed than the younger population, who were not brought up with the attitudes that I was about the First and Second World Wars. That is why, whatever happens on 23 June, in the long run this country will be more in favour of being in Europe than out of it.

It is this political argument that we need to discuss. I accept that economic arguments are likely to win or lose the referendum on 23 June, but that does not mean that the political arguments are unimportant. I fully understand and respect the feeling alive in the country that Europe is too bureaucratic, with too many rules and regulations. The noble Lord, Lord Jopling, and others mentioned this. The tragedy, to my mind, is that the one country in the European Union that would be better at dealing with this than almost any other is in fact Britain. We were enormously respected in Europe after the Second World War. People wanted us to join what was then the European Community and eventually became the European Union. Now, sadly, many people think, “Well, if you don’t want to be in, don’t be in”. A very damaging movement has taken place.

Why were we wanted in? It is not just because we were victorious in the Second World War but because of what we did after the war to help rebuild Europe. Who wrote that magnificent constitution for Germany? It was very largely, but not entirely, the British. Who wrote

the Court of Human Rights legislation? It was very largely the British. We are a rules-based society and although the noble Lord, Lord Howard, made much of the democracy point, which I agree with, he left out the all-important rule of law.

It is those two things together which have given this country stability over the generations—and it is that stability that Europe wants. Noble Lords may have heard the various comments from the United States in recent years about our position in Europe. The United States believes that that Britain brings stability to Europe. We are a leader in Europe—or, to be more precise, we were. In my judgment, we have lost that role to some extent in recent years because we have been the reluctant member.

I sometimes think that the arguments which UKIP uses for coming out of Europe almost reflect those which the SNP uses for coming out of the United Kingdom. They are similar arguments. Yet if you are a member of a powerful, successful and stable economic and political union, there are a lot of good arguments for staying part of it and being a leader within it. It was Britain’s role to be a leader. We are no longer the leaders of the world, as we were in the 19th century and early 20th century. We are no longer one of the top three powers, as we were for some 20 years or so in the post-1945 period. But, by heaven, we are an immensely powerful country in Europe. That leadership role which we had in Europe is one that we can have again—if we stop behaving like the spoiled child who tears up the textbooks when we do not like them.

A lot of things need change in Europe. Everything that has been said about the bureaucratic bits is right—but who is good at legislating to get rid of them, and legislating for the structures that enable you to have the rule of law and a laws-based society? We are. So I strongly urge everybody who wants to take part in this debate to think of our political role as a leading nation in Europe, which can set the terms of the EU and make it continue to be a successful, peaceful economic and political union. It gives so much to our people that we are in danger of losing. The arguments for it are very clear, and they are political as well as economic.

6.29 pm

Lord Tugendhat (Con): My Lords, this should be a great national debate. The noble Lord, Lord Soley, and my noble friend Lord Jopling in their speeches raised the level of the debate to where it ought to be. But it is also a debate within the Conservative Party. I very much associate myself with the remarks of my noble friends Lord Howard, Lord Howell and Lord Gilbert, in his notable maiden speech, who talked about the need for people within the Conservative Party to conduct the debate in a civilised fashion and to bear in mind that, after the referendum, we will still need to live together and govern together. That is something which, I hope, will colour the way in which the debate is conducted, at least on the Conservative side.

I believe that the Government’s White Paper, *The Best of Both Worlds*, should be seen as something of a prospectus. As such, it is open, like all such documents, to criticism; in years to come, aspects of it may turn out to have been mistaken. That is the nature of documents of that sort. But like it or not—and some

[LORD TUGENDHAT]

noble Lords do not like it—it is a serious attempt to set out the nature of this country’s special position within the European Union following the Prime Minister’s successful negotiations. It gives companies a basis on which to plan their investments and supply chains; it gives individuals the opportunity to plan their careers and retirements, for those who live in other parts of the Union; it gives the Government the basis on which to plan important aspects of our economic and foreign policy and security co-operation with other member states, as mentioned by the noble and gallant Lord, Lord Stirrup, in his eloquent intervention; and it gives our partners and allies within and outside the European Union a degree of confidence in the reliability of this country and its effectiveness as a partner and ally.

The weakness of those who wish to withdraw from the European Union is that they have no similar document or even a coherent set of ideas about what Britain’s position outside the European Union would actually look like. They have been campaigning for many years for an in/out referendum; they have believed that, if such a referendum occurred, the country would vote to leave. Yet they have come completely unprepared into the battle. This shows the very great difficulty of drawing up a coherent plan of what this country’s role and position should be if we are not within the European Union. When one looks at the leaders of the out campaign, one finds that Mr Carswell has one view, Mr Farage has another view—and Mr Johnson, of course, has several views.

We all recognise that a vote to leave will lead to a period of uncertainty; I think that everybody accepts that. The present trade relations with the European Union will have to be unwound and replaced—likewise, those with other countries where our trade relations are governed by EU agreements. This will take a long time. I do not know how long it will take, but it will certainly take years rather than months, and people who invoke the Canada free trade agreement are surely aware that that took five years to negotiate and has still not been ratified. Parliament, meanwhile, will be dominated by the changes required to domestic legislation derived from the European Union. This will cover agricultural support, aspects of social policy, competition policy, the structural funds, the involvement of our scientific research with EU programmes and many other things. The Government will not just be dealing with international negotiations—we will be dealing with a massive programme of legislation in this Parliament, which will make the conduct of government, whichever party is in power, exceptionally difficult.

So when the people who wish to leave the European Union accuse those who point out these difficulties of indulging in Project Fear, what they really mean is that they do not have the answers to some very difficult questions. In that respect, they are in a very similar position to Mr Alex Salmond during the Scottish referendum, when he could not answer vital questions about the currency and other issues. But at least Mr Salmond knew the destination that he was aiming for—on that point he was quite clear—whereas, so far, I have not heard from those who wish to leave the European Union a coherent explanation of the destination to which they are going.

6.35 pm

Lord Thomas of Swynnerton (CB): I hope I may be allowed to speak as a euro-Thatcherite, a designation of a very important political party, at the moment rather small but nevertheless eloquent and hopeful, in that we believe that we should carry through the reforms that Lady Thatcher created or inspired in this country, and also carry them through in the European Union. Some wise men have been able to speculate authoritatively about the attitude that Lady Thatcher might have had towards the questions posed about our referendum at the moment. Such foresight has been denied me. All that I can say is that I know that she would have disliked the idea of a referendum intensely, being historically well informed and knowing that a referendum has always been seen, in France and elsewhere, as an aid to dictatorship.

After the tumult of the referendum is over, it would be desirable to investigate why and how the British gave up their love of traditional representative government for all political decisions and adopted this alien plebiscitary procedure. Let us not have another one in our lifetimes, if ever. In this respect at least, let us draw closer to the United States, which has never had a referendum and has never even contemplated one, as far as I know. It would seem strange that the presence of the United States has never been mentioned very much as the alternative by those who wish to withdraw from the European Union. The idea of drawing closer to the United States does not seem the obvious solution.

Incidentally, we know where the British tradition would stand in relation to the referendum. Edmund Burke would have told his electors in Bristol very sharply about the iniquity of the idea, and I suspect that this would have been one occasion when William Pitt the Younger would have agreed with Edmund Burke 100%.

I turn to the specific subject of the debate, on which I have five observations. First, the exclusion that the Prime Minister has arranged from the idea of ever-closer union affecting us may turn out to mean less than it sounds, because it will probably be the motto or frame in which the other 27 countries will continue to work. I think that it is highly likely that we shall see in the next 50 years the creation of a European superstate of which this country will not be part. We shall have a relation with it and perhaps a creative relationship, but it will not be that of membership.

Secondly, somewhere in *The Best of Both Worlds*, the document that we are discussing, there should be some reference to the fact that, regardless of migration, taxation and other important political preoccupations, we should have some recognition that this country is intellectually, culturally and spiritually a real part of Europe, and has always been so. Thirdly, in relation to ever-closer union, the language of that document leaves much to be desired. Is it actually possible that a government White Paper can speak of a “burden reduction implementation mechanism”? I am afraid it does, twice, in footnote 7 on page 14 and in the last line of paragraph 2.38 on page 19.

Fourthly, it is desirable to recall that the preamble to the 1949 NATO treaty gives us our fundamental security, for it speaks of the alliance which binds us

and inspires us being founded on the principles of democracy, individual liberty and the rule of law. As my noble and gallant friend Lord Stirrup pointed out in his remarkable speech, these are the essential pillars of our security.

Fifthly, contrary to the often eloquent opinions of noble colleagues, friends who I admire, the document is a remarkable agreement reached by a Britain determined to maintain itself as an independent nation state with a group of friendly allies, some of whom, for diverse reasons, as I rather suggested, will want to pursue a more united destiny. Of course there are weaknesses in the White Paper. The noble Lord, Lord Stoddart, was quite right to draw attention to the lack of wisdom in using the word “never”. One should never use the word “never” in politics, as was said by the Minister of State who said that we would never leave Cyprus in 1957. It was Henry Hopkinson, later Lord Colyton.

The noble Viscount, Lord Astor, was quite right to draw our attention to the need for further work on the details of the arrangements. With such revisions, we could, in the long run, devise a very good manifesto for a new deal which would live up to the inspiring words of Franklin Roosevelt 60 years ago.

I shall end on a different note: keep your implementation mechanism dry.

6.42 pm

Viscount Trenchard (Con): My Lords, I thank the Minister for introducing this important debate. I spent many years living and working in Japan, and I have seen how Japanese people in business and politics view the UK and the EU. I was proud to be vice-chairman of the European Business Council in Japan but holding that office did not require me to support the subjugation of English law to EU law or the adoption by the UK of EU political and judicial structures.

I have also worked in Brussels, where I was amazed at the excessive construction of huge buildings housing thousands of civil servants duplicating or taking over functions previously carried out by member states' own Civil Services. We are, of course, fortunate in having my noble friend Lord Hill of Oareford as European Commissioner for Financial Stability, Financial Services and Capital Markets Union. As he pointed out in his letter to the *Times* yesterday, he has brought forward two pieces of legislation, which have been warmly welcomed by the City, to kick-start securitisation to support lending and to simplify the requirements of the prospectus directive. However, there is no reason why our Financial Conduct Authority, freed from its subjugation to the European regulators, could not have introduced such measures. Besides, we cannot expect that the next British commissioner would be appointed to the same office. My noble friend's predecessor, Michel Barnier, introduced the unnecessary and harmful alternative investment fund managers directive, even though there was little appetite in Brussels, until recently, to legislate to regulate a business sector that is principally based in the UK.

I wholeheartedly support doing everything that makes sense for us to do in collaboration with other European countries, many of which are members of NATO, which guarantees our national security. Our trade in

both goods and services would not be much affected whether we leave or remain in the EU. I am quite confident that we could negotiate a satisfactory agreement with the EU and believe that we should resume our membership of EFTA. In addition to that, as proposed by the late Ronald Stewart-Brown of the Trade Policy Research Centre, we could negotiate to stay in Europe for trade through a new intergovernmental customs union agreement with the EU with full UK voting participation in customs union policy decisions and internal market harmonised trade regulation. We would be free to negotiate our own new agreements with other countries in areas such as trade in services and investment, which are currently EU competencies.

Just as Japanese companies and other international direct investors were unduly worried about our deciding not to join the euro, they are now unduly worried for similar reasons about the possibility of Brexit. I find they are considerably reassured if it is explained to them that the UK could expect to conclude a satisfactory basis of continuing to trade with the EU. In spite of the sterling efforts of my noble friend Lord Hill, our financial services industry is increasingly constrained by the EU supervisory and regulatory regime under which it is required to operate. On its own, the UK would never have chosen to introduce much of this EU financial services and insurance regulation. Most of our financial services and insurance exports to the rest of the EU are wholesale in nature and therefore not dependent on the UK's EU membership. Arguably, the single market in services, especially financial services and insurance, is much more about EU integration through EU-wide legislation than it is about trade liberalisation. I believe the downside risks for the City of a well-negotiated UK withdrawal from the EU would be quite limited and comfortably outweighed by the benefits of being able to offer a more attractive and less cumbersome UK regulatory regime to foreign and UK investors, both for business with Europe and for exports to the larger, fast-growing markets in the rest of the world, free of the burden of inappropriate UK regulation.

I salute the Prime Minister for his dogged determination in trying to achieve as many as possible of the promises that he made to the electorate, but the negotiation process has revealed clearly just how difficult it is to get even relatively minor restrictions on benefits payments to migrants agreed, as just one example of how impotent we have become.

Many people argue that it would be a leap in the dark and involve too much risk for the UK to leave but, on balance, I believe that the greater risk for the UK lies in remaining a full member of an institution which, in order to recover from its current problems, needs to move in the opposite direction from where I believe we want to move. The eurozone needs to integrate and share more sovereignty, and I believe we will be less comfortable as a member of a more integrated EU as it moves inexorably towards statehood than we are now, notwithstanding the protections obtained by the Prime Minister for non-eurozone countries.

If our withdrawal from the EU were to deal a fatal blow to the European project, it might ironically force our European partners to morph the EU into a looser association based on free trade or free trade plus to

[VISCOUNT TRENCHARD]

which we might in turn be happy to belong. If associate member or trade member status were available for us now, I would certainly vote to remain, but the special status offered to us is not special enough and is not fundamentally different from the special status we have enjoyed before as a result of our various opt-outs. The train that we have boarded continues to travel in a direction in which we do not want to go, and now we have an opportunity to get off it. On balance, I think we should take it.

6.49 pm

Baroness Young of Old Scone (Lab): My Lords, I am going to speak about something completely different. Some of the overwhelming reasons for remaining in the European Union have already been rehearsed—and for me they are compelling. They include 70 years without a major European or world war, economic arguments of preferential access to the single market, and the boost to our international influence by being part of a major power block capable of holding its own with the US, China and Russia in an uncertain and increasingly dangerous world.

There is, however, another reason as powerful as these—the environment. For the sake of our environment, on which human existence and prosperity depends, we must remain in the European Union. There are four reasons for that. First, the environment is no respecter of national boundaries—for example, half of our air pollution goes to Europe and it generously sends half of its pollution to us. The health of our seas, our migratory species of fish and birds and butterflies, and international patterns of waste management all depend on member states of the EU working together across national boundaries to negotiate, monitor and enforce common environmental standards.

Secondly, the vast majority of UK environmental standards are drawn from EU legislation: water and air quality, waste management, protection of wildlife sites and species of conservation importance, and the impact of chemicals on the environment and human health. Working together at an EU level, member states have been more ambitious than they would have been working separately and have worked harder on common implementation. Back in the 1980s, the UK was known as the “dirty man of Europe”, when we pumped raw sewage regularly into the seas and produced more sulphur dioxide and acid rain than any other European nation. We could have done something about this as the UK standing alone, but we did not. Since then, collectively working with our EU partners—egging each other on, as it were—we reached EU agreements that meant that sulphur dioxide pollution fell by almost 90% over 20 years. Now, 600 UK beaches are safe and pleasant to bathe on—apart from the dreadful weather—where fewer than 50 were previously. We no longer lose 15% of our most important sites for nature conservation every year in this country, which was the case before the habitats and birds directive was enacted.

Thirdly, the EU also brings environmental benefits beyond its borders. Collectively, the EU has muscle on the international environmental stage. It has been the leading voice in calling for international action on a range of conservation challenges and in negotiating

with the biggest polluters and emitters globally. We would not have had the success that the Paris Climate Change Conference delivered globally without the leadership shown by the EU bloc.

Fourthly, higher environmental standards in Europe are not just about the environment. They drive innovation and technology and reshape markets. The UK has a green economy worth £112 billion and a £5 billion trade surplus in green goods and services. Shared EU standards in the single market can drive that further to the benefit of the UK economy.

What would happen to all this if we left the European Union? The document published today, *Alternatives to Membership*, outlines the difficult and lengthy processes that we would have to follow. Many of our UK environmental standards are not enshrined in UK law—they simply comply with European regulations. I am not confident that we would see equivalent UK environmental legislation put in place any time soon. Would a post-Brexit Government prioritise the protection and restoration of nature, for example? At best, we might negotiate an economic agreement with the single market that would require us to achieve some EU environmental standards, but we would be in the Norwegian position—if you will pardon the expression—of having to comply but having no influence on the shaping of these standards: the “pay, obey, but no say” position.

Those laws and regulations not covered by single-market rules would simply cease to apply. This would include important issues such as the habitats and birds directive that have driven action to bring threatened species back from the brink and have protected our most iconic and treasured habitats and sites.

We already have experience of what happens to environmental standards that depend entirely on UK law—they are highly vulnerable. Look at what the Chancellor did, at a unilateral stroke, in killing carbon capture and storage development, zero-carbon homes, onshore wind power and the Green Deal. Such fickleness undermines green markets and destroys investor confidence in green industries. EU environmental agreements may take a long time and a lot of effort to negotiate, but once they are there, they provide a degree of certainty for business and investors.

These are the environmental reasons why remaining in the EU is fundamental. If you care about clean water and air, safe beaches, thriving wildlife and an effective approach to climate change—if you care about human health as a result of a chemicals—you can only support remaining in the EU. This is why, a month ago, I co-founded Environmentalists for Europe with Stanley Johnson, Boris’s dad. This is important for two reasons. The first is to demonstrate that there are some sensible Johnsons, but it is also to ensure that people across the UK hear very clearly the case that only by remaining in the EU and working collaboratively with our EU partners can we protect a healthy environment for the people of the UK.

So let us get on with it. Support the statutory instrument. Roll on 23 June. Let us endorse our continuing EU membership so that we can stop trying to pursue isolationism dressed as sovereignty when the environment is not amenable to national boundaries or actions and so that we can focus on the much more important

task of achieving more for shared security, economic development and a common environment through collaboration.

6.55 pm

Lord Fairfax of Cameron (Con): My Lords, in view of what I am about to say, I would like to make one point clear at the start. I am no cake-filled, misery-laden little Englander—or whatever phrase it was that a citizen of this country disparagingly made about this country recently. I happen to speak four European languages with varying degrees of competence and have spent a large part of my life working and living, on some occasions, in European countries with great pleasure. Time is obviously very tight today. I recently heard from the Minister that we will have more opportunities to debate this subject between now and 23 June. So I will confine my remarks to one point today.

First, I will make two preliminary comments. As everyone knows, what has become the European Union was started after World War 2, primarily by France and Germany as the European Coal and Steel Community out of, as my noble friend Lord Jopling said, an understandable desire that they should not fight each other again any time soon. My father, who was a Member of this place, along with many of his contemporaries who had lived through the war, was a keen supporter of Europe, if I may call it that. But as we know, what we now have bears very little resemblance to that first body. What started life as a trade organisation has grown into a political behemoth full of pretensions but also shot through with defects and weaknesses.

Of course, the clue is in the name: “the European Union”. Throughout this debate, and generally, people refer to this body as “the EU”. So just to remind ourselves of the inexorable direction of travel, let us call it “the European Union” and not by the shorthand.

I come now to my main point. I want to compare my right honourable friend the Prime Minister’s 2013 Bloomberg speech, which I have recently read with great approval, with what in fact he brought back from his recent frantic negotiations. I ask whether it is reasonable for him to recommend the package achieved to the British people, given the pre-negotiation promise he made—that if he did not consider that what he had achieved was satisfactory, he would not recommend it to us.

As those of your Lordships who have read the Bloomberg speech will know, in it the Prime Minister set out his frank views of what is wrong with the European Union today and his vision of the ways it needs to reform itself, as well as the changes he regarded as essential to the UK’s relationship to the European Union.

The Prime Minister began by saying:

“For us, the EU is a means to an end—prosperity, stability, the anchor of freedom and democracy both within Europe and beyond her shores—not an end in itself”.

He went on to set out what he saw as the three major challenges facing the EU: first, how the eurozone problems are driving fundamental change in Europe; secondly, what he quite rightly called the “crisis of European competitiveness”; and, thirdly, the increasing gap between the EU and its citizens.

Regarding competitiveness, he said:

“Europe’s share of world output is projected to fall by almost a third in the next two decades”.

Regarding the democratic deficit, he said that,

“there is a growing frustration that the EU is seen as something that is done to people rather than acting on their behalf”.

He commented that,

“the biggest danger to the EU comes not from those who advocate change but from those who denounce new thinking as heresy”.

Perhaps that comment might be rather relevant to this debate.

Finally, he said:

“My point is this. More of the same will not secure a long-term future for the eurozone. More of the same will not see the EU keeping pace with the new powerhouse economies. More of the same will not bring the EU any closer to its citizens. More of the same will just produce more of the same—less competitiveness, less growth, fewer jobs”.

In summary, I would say that it was a call for fundamental reform both of the EU itself and of our relationship with it. He went on in his Bloomberg speech to suggest four or five remedies for these three challenges: competitiveness, flexibility, the repatriation of powers and more democratic accountability and fairness.

Now let us look at what he brought back. First, I acknowledge sincerely the great personal effort that the Prime Minister obviously put into these negotiations in very difficult circumstances. I understand that a fig leaf normally has three or five lobes—but the Prime Minister has settled on four points, which are in the document that we are considering today. The first is, “permanent protection for the pound and ... guarantees that”, the UK,

“will never be required to bail out the eurozone”.

The second is,

“commitments from the EU to cut red tape, complete the Single Market and sign new trade deals”.

The third is,

“formal agreement that ... the UK is carved out of ‘ever closer union’”,

and the fourth is,

“new powers to tackle the abuse of free movement”,

of EU citizens to protect the UK’s benefit system.

Putting aside for now questions about whether these points, about which there remain concerns, are legally binding, do they amount to the fundamental reform that the PM set out in his Bloomberg speech? Are they in fact new at all or simply restatements of existing norms? With great respect for all the hard work that the PM put in, with the exception of the very thin concessions conceded to allay our immigration concerns, no, they do not and are not.

I was going to detail the essential shortcomings of the deal but it seems that this may not necessary. On this key point, please listen not to me but to no less than the written words of Global Counsel, the consulting arm of the noble Lord, Lord Mandelson, who I note is not in his place. Global Counsel comments that the Prime Minister’s deal,

“includes no new ‘opt outs’, no UK veto on unwanted financial services legislation and no repatriation of powers”.

As they say in court, no further questions.

[LORD FAIRFAX OF CAMERON]

This brings to my final point, as I am looking at the clock. I wish that the Prime Minister had been a little more candid with the British people about what he had brought back. He could have said, “Look, I haven’t been able to achieve what I set out to, so, in accordance with my promise, I therefore have to recommend that you do not accept it”. Secondly, he could have said, “Look, this is the best deal that I could do in all the very difficult circumstances, and you just have to accept that. Let’s get on with it because of the impossibility”—as the current government document says—“of a prosperous and secure life for the UK outside the EU”. I regret that the Prime Minister would appear to have pulled the wool over the eyes of the British people. They have got used to this in relation to Europe over the years, and I regret that it may come back to bite him in a painful place on 23 June.

In his Bloomberg speech, the Prime Minister stated that,

“the democratic consent for the EU in Britain is now wafer-thin”. For the reasons that I have tried to set out in these brief remarks, the wafer may be about to break.

7.04 pm

Lord Mawson (CB): My Lords, I am one of the many millions of people in this country who remain undecided about our future in Europe. I do not claim to be an expert but I have enjoyed the many hours of meetings in your Lordships’ House on European Union committees debating the issues surrounding the attempts to bring 28 different countries together and get them to function as a family of nations.

As a family, we have a home in France and love going there and immersing ourselves in its very different culture, history and traditions. We welcome the fact that France is not like the UK and sees the world very differently from ourselves. That is a very good thing. There are 26 other countries besides ourselves and France that also enrich this diverse community that we call the European Union. Diversity, not uniformity, is the spice of life. We are told by scientists that biodiversity, not equality and fairness, is the very building block of life. Difference is the key to our very existence. The world is not and never has been equal and fair; it is gloriously diverse.

When we embraced this truth, many years ago now, in the middle of an international community in the East End of London in very challenging housing estates, our life and work began to grow, and jobs, skills, businesses and opportunities started to flourish around us in what was formerly a dependency culture. People came together in a shared enterprise. Maybe there is a clue in the micro as to what we must now do in the macro. Unity in real diversity is the name of the game, but can the agreement deliver that reality?

I come to this debate with an interest in business and social justice. I am an entrepreneur and a practical Yorkshireman. For me as an undecided who welcomes this referendum and this debate, the key issues are practical ones, not theoretical or emotional. I have sat on EU committees and listened to senior colleagues from across Europe being emotional about “the project”,

with actually too little to say about how in practice you make all this governance machinery work. There needs to be a little more humility on all sides of the argument, and the British public know that. The electorate need practical examples of how the EU will work successfully, not large meaningless numbers and spin—they do not believe it.

The questions I am struggling with as a person who gets the point of deep quality trading relationships across Europe are as follows. First, it is all about delivery. Can the 28 countries, when they come together, actually deliver for those children who may well be drowning in the Mediterranean in June when this vote takes place? It may well be such images, or the lack of them, that define the outcome of this referendum. As a Member of this House I have had the privilege of listening to colleagues examining the numerous organisations that the EU has created to deal with the challenging issues of our time, but are they capable of working together, of putting a practical act together when it really counts, or is the EU a fair-weather organisation? Can it deliver on the euro, the security of our borders, migration and defence? Major General Julian Thompson’s arguments about ending the defence myth are a serious challenge. Are the EU organisations capable of working together, or is it all politics and hot air when it really counts? Have we invested in the relationship-building at a practical level to enable this machinery to work?

Secondly, while party politics is not my bag and I am not a great believer in the proposals of the late Tony Benn and what he had to say, I liked the man, and on the issue of democracy and being able to get rid of our rulers when they mess up he had an important point. If we sign up to yes, how do we get rid of these people if it does not work? I have engaged enough with EU funding systems at a practical level to know that they are a bureaucratic nightmare to deal with. Sometimes in the early days, as a small charity in east London, it felt as if we were carrying Europe for over eight months before it paid its bills. It certainly never seemed to be a learning organisation that was capable of learning from innovation and what was actually happening on the ground in some of our most challenging housing estates in multicultural communities.

Does the EU help us to share our knowledge and skills or is it a hindrance? Is the EU a learning organisation? I am not a purist when it comes to democracy, but there are real democratic questions here. How do we get rid of our rulers in this deal that we are about to do if they cannot actually rule us and deliver for our people and if they are indeed incapable of learning from real-life experience in other communities across Europe? By the way, have our Brexit colleagues any idea how many zeros will be on the lawyers’ fees if we leave? Nice work if you can get it.

Thirdly, are the changes that the Prime Minister says he has won for us real, or will some wily civil servants in Europe water them all down—I have seen this before—and find a hundred reasons why this is all so difficult legally? Yes, they are the right direction of travel. We do not want more Europe, we do not want no Europe, we do want less Europe, but can this be made legal? Is Europe really up for the radical changes

some in this House are rightly asking for, or is it an institution incapable of the real reform it so desperately needs for a new generation that is increasingly defined by innovation and entrepreneurship?

Fourthly, I am not persuaded by the large numbers that are bandied about in this debate on all sides by politicians, most of whom have never tried to make any of this work in practice on the ground. They have not themselves tested the systems for real in trade and the rest; they have sat on committees talking about them. I have found in life that most numbers such as these are meaningless in practice. I long for some of our politicians to stop hiding behind numbers and to take us carefully through one or two small and real examples of how this will work in practice for a real SME or business struggling to trade in Europe. Let them show us the systems—top, middle and bottom, warts and all—and explain how they will change in practice to facilitate more trade and interaction. Let us get into these details.

The British public long to see real debate with real players on the ground. What will it be like for SMEs in practice if these changes happen? Will anything change in the real world? Come on politicians and media: give the British people the practical evidence—show us the micro. I have run out of time, but I long to hear practical examples of what all this means. We have four months; let us have the examples.

7.11 pm

Lord Stevens of Ludgate (UKIP): My Lords, the Government's scare stories are an attempt to justify their failure to achieve any real reform of the EU. If leaving is going to be such an unmitigated disaster, why on earth did they run the risk that the UK would vote to leave?

Various options if or when we withdraw have been mentioned. Let us look at Norway as an example. A recent statement by a senior Norwegian Minister said that, in the run-up to the referendum in 1994, the yes campaign warned of recession and unemployment if Norway stayed outside the EU. More than 20 years later, Norway is trading more than ever with EU countries and with the rest of the world. Unemployment in Norway is at a much lower level than in most EU countries. As it is outside the common agricultural policy, Norway is free to have an agricultural policy in accordance with local needs. It is outside the common fisheries policy. It is not part of the euro, so monetary policy is set in Norway for Norway. It is not part of the EU's attempt to co-ordinate tax, so Norway is free to set taxes and duties as it wishes.

Some people say that Norway is forced to accept all EU regulations. In fact, despite the EEA agreement, most EU regulations do not apply to Norway. Between 2000 and 2013, Norway adopted just over 4,700 directives and regulations through the agreement. In the same period, the EU adopted 52,183 pieces of legislation. Of all EU legislation, only 9% was adopted into the EEA agreement. Surely, if we went the Norwegian route, which I am not advocating, we could do much better, as we are the fifth largest economy in the world. Even Liechtenstein—an EEA and EFTA state—has an exemption from free movement.

Let us look at the scares about our exports. To which European country do we export the most? It is Germany, with which we have a huge trade deficit. The UK is the only EU member state that sells more outside the EU than to other members. Due to the conflicting demands of 28 members, the EU has still not concluded a trade deal with the United States. How much easier it would be for the UK to do it on its own. After all, Peru and Australia have such deals. Staying in the EU is the biggest risk of all. Its share of world GDP is falling year by year, from 30% in 1980 to 16% now, and by 2020 estimates are it will be smaller than that of NAFTA and the Commonwealth.

It is a fallacy to believe that our relationship with Brussels will remain the same if we vote to stay. If that happens, the EU will regard it as the go-ahead to impose even more integration; our special status will be treated with the normal contempt. The remorseless process of enlargement will soon see membership extended to Turkey and Bosnia with their Muslim population of more than 80 million.

Can we trust the EU? In 2011, Mr Cameron secured in the clearest possible language a written guarantee that the UK would not be required to bail out the euro. He has got it again. He made that opt-out a plank of his general election campaign, yet one month later he was obliged to pledge £850 million to bail out Greece. Three months after that, he was obliged to pay the £1.7 billion "prosperity surcharge" that he first described as completely unacceptable. Given this record, how can we trust any assurance from Brussels?

If we were not a member, would we join? Perhaps we share the views of the Business Secretary, Mr Javid, an in campaigner. He said:

"It's clear now that the United Kingdom should never have joined the European Union. In many ways, it's a failing project, an overblown bureaucracy in need of wide-ranging and urgent reform".

If that is the voice of the in campaign, we do not need an out campaign at all. The real scare story is staying in an unreformed EU with still no control of our borders and subject to bureaucrats we cannot vote out and who have made it clear they do not care what we think. There are 195 sovereign nations in the world and 167 manage without being members of the EU. Withdrawal from the EU is the safe option. Our continued membership is a further leap into the economic chaos created by the euro and uncontrolled migration.

7.16 pm

Lord Foulkes of Cumnock: My Lords, I have found it very interesting sitting through this debate. I have heard some voices from the backwoods I have never heard before. I have had the strange experience of my noble friends Lord Radice and Lord Mandelson asking me to support the Prime Minister. I do support the Prime Minister in one sense: I am going to urge people to vote to remain.

However, David Cameron has made an awful mess of referenda. He has shown no skill, no judgment, and no ability to deal with them. Now we are ending up with a lame duck Prime Minister—because that is what he is—leading us into an unnecessary referendum on Europe. Many of us on this side argued that it was

[LORD FOULKES OF CUMNOCK]

unnecessary. Referenda have not, until recently, been part of our British constitution. There were no major changes in treaties that required us to have a referendum. Above all, there was no demand from the public for a referendum. It was a device to paper over divisions in the Tory party. It has not worked very well on that, has it? We now have the position where the Prime Minister's great friends on the other side of the argument are rubbishing him, and the Tory party is riven more than ever before.

We have already seen the Prime Minister's incompetence on referenda in Scotland. He conceded to the nationalists in maladroit negotiations on the timing of the referendum. The SNP chose it to suit itself. The wording of the question made sure that the SNP was on the yes side and could accuse those of us who wanted to save the union as being negative. He conceded on all other aspects including the franchise. It was a miracle that the no campaign triumphed in that referendum and we saved the union. Much of the credit goes to my noble friend Lord Darling rather than to the Prime Minister, who turned victory in that referendum into defeat with his statement in the morning on English votes for English laws. As a result, the SNP surged to victory in the general election, as far as Scotland was concerned.

Once again, it is left to the rest of us to save the Union—this time, it is the European Union. I think the European Union is a real-life miracle. As the noble Lord, Lord Jopling, and others have said, a continent riven by two world wars in the first half of the 20th century has had no major conflict for 70 years. We have 28 countries with 25 languages, different cultures, different histories, working together united in a common endeavour—that is a true-life miracle.

I have had the pleasure and privilege of travelling the world. The European Union is the envy of countries in other regions. They would like to copy it—to copy the peace and prosperity. I have seen it in central America, the Caribbean and the Far East. The UKIP people can laugh, but they are the cynics in this. I have seen people around the world who recognise the triumph of the European Union.

It is true, as others have said, that it is not perfect. However, it is those of us who treasure the ideal of the European Union who are the first to recognise this and want it to change. Take the criticism about the lack of democracy. Was not it strange when we heard the noble Lord, Lord Howard, attacking democracy from this, the only non-elected legislative Chamber in the European Union, something that we on this side want to change so that we can have a senate of the nations and regions? It really was ridiculous to hear that, and I am glad that the noble Lord, Lord Ashdown, joined me in that criticism. Take sovereignty. It is not about removing sovereignty but sharing sovereignty. When we see the power held by the multinationals, the banks and other large institutions, it is clear that the only way we can deal with them on behalf of the people we represent—or at least those in the other Chamber represent—is by working together through multinational organisations such as the European Union. Pooling sovereignty gives us more power. Some people say that we have lost identity by being part of the

European Union. But the French are no less French and the Italians are no less Italian by being part of the European Union. The paradox is that the United Kingdom, which to some extent has never had a proper identity as a United Kingdom, is developing that within the European Union because we see ourselves as an important part of that.

One of the key issues in this debate and in the referendum is this: what is the alternative? The leave side has failed and will continue to fail to define any alternative. We have heard Norway mentioned. On Monday, I had the pleasure of being at a seminar with a Member of the Norwegian Parliament, who urged me against trying to follow them because, as others have said, Norway has to take the decisions of the European Union without the power to change them.

Labour is united in this campaign. The Tories are hopelessly divided. The members of the SNP are pretending that they want to stay but praying that England votes no and Scotland votes yes so that another referendum for independence in Scotland is triggered—just as Sturgeon confided in the French ambassador that she wanted Cameron to continue as Prime Minister; unfortunately for her, that leaked out.

The European Union has been good for working people, for the environment—as my noble friend Lady Young said—for health and safety, for jobs and for working conditions. Our vision is of a socialist Europe with socialist and social democratic Governments around the continent. I do not expect those on the other side to support that, but I know they have their own vision of Europe. However, as we face 16 long weeks of campaigning, I hope that all of us on the stay side will emphasise the positive vision of peace and prosperity that we in this Chamber have seen for the past 50, 60 and 70 years. We should not deny that to our children and our grandchildren.

7.23 pm

Lord Selsdon (Con): My Lords, I suffer from a great disadvantage in that during the last referendum I was secretary and treasurer of the Conservative Group for Europe, where everyone was going to provide a large amount of money. But I found at the end of the day—on the coldest day of all, driving from Sheffield in an open-top car, frozen stiff—that I was presented with a rather large bill. I did not know what to do, and then someone who would become one of my noble friends said, “My dear chap, give a dinner party and tell the truth”. So, with a little bit of influence from the officials, we managed to have the first dinner in the banqueting hall with a note arranged by others to say, “Please each of you pay enough money to let the poor lad off his debt”.

The noble Lord, Lord Foulkes, reminded me that I have never understood who Confucius was, and I have been very confused by much of what I have seen—I have read most of the data and most of the briefs. However, I am told that there will be no claim for full benefits for up to four years for immigrants, and I think that that is rather nice. I am told also that 44% of all UK exports go to the EU now—I would query that, but it is a significant figure; that 50% of all foreign investment in the UK comes from the EU; and

that £20 billion of trade deals are under way for the UK, including those with the US. This is all really rather encouraging.

The debate today is not really about trade but is perhaps a matter of organisation. I was always brought up to believe that investment follows trade. We have an extremely good trading position at the moment: we have surpluses on manufacturers, for some of them for the first time, and we do not have a balance of payment problem. The economy is doing extremely well. However, having read that 44% of all UK exports go to the EU and 50% of all foreign investment comes from the EU, I was concerned, because I was not sure how and where those figures are. We have no economic problems, but we have certain emotional problems.

I have no intention of speaking for any longer, because I have spoken already on this. However, I congratulate the Government on what they have done. If it is presented in the right way, we can go off for a period of security. I thank the Minister very much for what she did the last time; it was a very difficult time and I should like to have raised a lot of other issues. However, I am content with what I have seen and read, and I wish the Government all success.

7.26 pm

Lord Lee of Trafford (LD): My Lords, it was primarily the changed attitude to Europe that caused me to leave the Conservative Party in 1997. In my resignation letter to my then association chairman, I wrote:

“The Conservative’s new Eurosceptic policy certainly puts clear water between itself and the opposition—it is just that I feel happier on the other shore! It is not I who have changed my beliefs and my approach—it is the Conservative Party that has changed, I believe for the worse”.

Many of those Eurosceptic Tories are still around today. Nothing negotiated by the Prime Minister would have satisfied them. They have never spoken favourably about Europe, opposing anything and everything European over the years. Thankfully, the coming referendum has a much broader electorate than just the Conservative Party, which is patently split down the middle.

I am delighted that our young people are substantially in favour of remaining in Europe. Indeed, somewhat tongue-in-cheek, I would give those under 30 two votes each because it is their future that we are talking about—the octogenarians and septuagenarians like me have had our future.

I believe that the arguments for staying in are overwhelming and, indeed, overwhelmingly supported—by international statesmen; by virtually all our senior politicians across the political divide, past and present; by virtually all our former military chiefs; by the vast majority of our major trading companies; by the 80% of the Engineering Employers Federation who, in conference, recently voted in favour of remaining; by the vast majority in the City; by nearly all our trade unions; almost certainly by the National Farmers’ Union; by those engaged in overseas aid; by most university vice-chancellors; and by the tourist industry, with 80% of UK inbound voting to remain.

Of course, if we pulled out, Europe would still want to trade with us, but as we would have so publicly snubbed Europe, it would not make it easy for us.

Indeed, why should it? It would adopt, I suggest, a very tough approach, not least because it would want to discourage any other country from following Britain in making a UDI and breaking away. A vote for Brexit would be a vote for the certain devaluation of the pound. Goldman Sachs, HSBC and UBS have all forecast that the devaluation of the pound could be up to 20%. It would be a vote for economic uncertainty and upheaval at a time when the world economy is fragile. It would unquestionably weaken military co-operation, could put our energy supplies at risk, and would most certainly cause some businesses to part-relocate or invest elsewhere.

Today we face a range of global problems—tragically, so many refugees, terrorism, human trafficking, drugs and third-world poverty. It is manifestly obvious that these are best tackled internationally and in co-operation with others. To pull up the drawbridge, to retreat behind national walls, swathing ourselves in the union jack and droning on about sovereignty, would be a disaster for this country and for Europe. In short, we would be taking the “Great” out of Great Britain.

I have faith in the good sense of our people. I believe that on 23 June they will vote decisively to stay in, and that the overall majority will be much greater than any today imagine.

7.30 pm

Lord Spicer (Con): I shall be very brief, not because I cannot think of anything to say, but because others have said most of it before me. I want to begin by asking what is likely to determine the outcome of the referendum. I do not think it will be the mechanical efficiency of the campaigns and so on; it will be the self-churning groundswell of public mood. I sense that that groundswell is beginning to work towards coming out of the EU because people are increasingly weary of the bossiness of a distant Government over the choice of which they, the people, had little say.

I realise that Britain joined the common market for economic reasons and was prepared to pay a political price for that. For Germany it was the other way round; it joined for political reasons and was prepared to pay an economic price. One accepts that the problem arises for quite the opposite reason from that which people have been saying in this debate. It is clear that the economic case is on a sharp decline. Britain is in there, but we are in a rather sluggish market, rather a miserable market in many ways. Above all, we are a member of an institution that cannot even negotiate modern trade agreements. That is rather like not being able to organise a party in a brewery.

It is quite incredible that we do not yet have a modern trading treaty with Japan, the United States or China. In my view, that can be explained by the fact that we are dealing through a protectionist organisation. If we had done it ourselves, contrary to what the noble Lord, Lord Ashdown, said, and we had negotiated directly as a country, we would have achieved modern trading agreements with those areas. That is because we believe in free trade; we invented free trade. The EU is a protectionist organisation. It does not believe in free trade so it is constantly on the back foot when it is negotiating.

[LORD SPICER]

It has been said today that Britain could not negotiate its own treaties. That is the exact reverse of the truth. I am approached sometimes as the person who was the pain in the neck during the passage of the Maastricht Bill and asked whether I was wasting my time and, more important, everyone else's time. I think that we held the forth, kept the door open for progress towards this referendum. It will now be up to the people to decide. I know which way I will vote; it is fairly obvious which way I will vote. That is democracy, and that is the really good thing about what we are discussing.

7.34 pm

Lord Russell of Liverpool (CB): I rise to give a subjective view—an apolitical view—from the Cross Benches and, I hope, a slightly more emotionally continent view than some we have heard this afternoon.

I am a post-war baby boomer. I remember growing up in the 1950s and 1960s, in a slightly grey, post-imperial world. It was a period of industrial and political decline. I can remember the failure of the country to harness what Harold Wilson called the white heat of the technological revolution. It seemed to pass us by rather convincingly as our cars rusted and our aerospace industry became insolvent. But there were some good things. I remember some fantastic music, and swinging London had its upside. So I thought, “What can I do to help this country in its state of decline?”. I did the most helpful thing I could think of and emigrated. From 1971 to 1978 I had an interesting life in the city of Vancouver in Canada. I think I am one-32nd part Cree Indian, so it seemed a natural place to go. I missed a lot of fun: I missed the oil crash in Europe; I missed our entry into the EU; I missed the three-day week and candles left, right and centre; I missed the referendum; I missed the International Monetary Fund rescue. All in all, it was great timing.

In 1981, I made the second wisest decision of my life. The first was marrying Lady Russell, who is an extremely beautiful southern Italian academic. The second was going to a school in France known as l'Institut Européen d'Administration des Affaires—apologies to *Hansard*—better known as INSEAD, where one of my colleagues was the wife of the noble Lord, Lord Davies of Stamford. At that time, it was a profoundly eccentric thing to do. The idea that one would actually study business instead of learning it by making a series of mistakes and probably losing rather a lot of money along the way, and the fact that one would do it in France and partly in French, was not fully comprehensible to many people. What did I learn there? I learned to look at the world through a global lens, as a joined-up entity. I had the extraordinary experience of standing in a semi-circle of about 18 different nationalities watching the Falkland conflict unfold, trying to explain to my non-British colleagues that this was not something straight out of Gilbert and Sullivan but was actually happening in front of our eyes. I can remember the outbreak of the hostilities in Lebanon, and I can remember watching and witnessing Israeli colleagues cutting short their stay at INSEAD to go back because they were called up, and Lebanese colleagues doing the same. So I left that school with a visceral sense of the interconnectivity of the world we live in.

I have since spent 30 years working as a head hunter. We work for a wide range of public and private companies in every single major economy in the world. I can tell you, my Lords, that the UK's role as a leading member of the EU is fundamental to the way in which the rest of the world values our contribution. Is the EU perfect? In no way. But I would like to share four reflections with your Lordships and ask you to think about them.

First, have all the influential voices, most of whom are job and wealth creators, who have grave concerns about our leaving the EU, all been misled and misunderstood? Secondly, why is it that so many of Brexit's most prominent political advocates in both Houses of Parliament appear to have had relatively little commercial experience but feel qualified to opine on issues with huge economic consequences for all of us? Thirdly, as I reflect on those leading political proponents of Brexit, does anyone share my unease at the prospect of being governed by individuals several of whom appear to still be unduly influenced by their nannies from early on in their life and still refer to them occasionally in public discourse? Fourthly, as one or two noble Lords have said, what is completely absent in this Chamber is the voice of the future—the 18 to 30 year-olds who will have a vote in June. They are the people who will be living with the consequences of the decision we take, not ourselves.

For those of you who have not seen or heard it, I commend the remarkable speech made in another place by Nicholas Soames. It said all there is to be said about why the EU was created. As I think you can guess, apolitical I may be, but I think that to leave the European Union would be a huge wasted opportunity.

7.40 pm

Lord Cormack (Con): My Lords, it is a privilege to follow that refreshing speech of the noble Lord, Lord Russell of Liverpool, because at these times in debates one is reminded of the Peer who said, “Everything has been said but not everyone has yet said it”. We are at that stage.

Like the noble Lord, Lord Russell, I want to bring a personal perspective to the debate. I remember the 1975 referendum when I was a relatively new Member of Parliament. What I enjoyed about that most of all was campaigning in my own constituency alongside Labour colleagues. We had the good fortune to have Sir Geoffrey de Freitas and Professor David Marquand to come and stay with us and we went out and campaigned with a degree of enthusiasm and vigour. What has happened since then?

My noble friend Lord Howard made a notable and compelling speech and referred to the EU as flawed and failing. When I go to my weekly meetings of the Sub-Committee on Home Affairs of our European Union Select Committee and I sometimes see the piles of papers, read the jargon and the confusing abbreviations, I have some sympathy with my noble friend. Yet when I do that I think of Dr Johnson, one of the greatest of Englishmen, who, observing a dog dancing on its hind legs said, “The wonder is not that it is doing it badly but that it is doing it at all”.

Over the past 40 years or more since we have been a member of the European Union, remarkable things have happened and I want to share with your Lordships two brief memories. In 1972, as chairman of the Campaign for Soviet Jewry, I went to help receive a group of people who had been given their exit visas from Moscow at a reception centre in an old castle just outside Vienna. There I met a particularly beautiful girl who spoke the most faultless English. When I said to her, "You must have passed out with the best marks possible", she laughed and said, "Yes—until the day after my parents got their exit visas. Then I was called in by the rector of the university and told I had failed everything".

Fast forward 30 years. In 2004 I had the good fortune to take a party from the All-Party Arts and Heritage Group to the Baltic States to that very university in Tartu in Estonia where the girl had virtually been expelled. There we were greeted by the rector, who said how proud he was that Estonia and the other Baltic states were now members of NATO and the European Union. Things like that resonate with me.

When at my home in the lovely city of Lincoln I open my shutters in the morning and look at one of the most glorious buildings in Europe, I am reminded of once replying, when I was asked who I was, "My identity is English"—even though my family come from Scotland—"my nationality is British and my civilisation is European". Now is not the time, for all its manifest imperfections, for us to turn our backs. As we enter a difficult period in world affairs which will increasingly be dominated by the great power blocs, is this really the time to cut ourselves off from the continent of which we are historically and geographically a part?

I have one reason above all others why I will vote to remain in. The reason is north of the border. The noble Lord, Lord Foulkes, talked about the referendum in Scotland. We kept the United Kingdom. Mistakes were made and there was a lurch from complacency to panic. Speeches were made which perhaps should not have been made. We saw some of the consequences when we debated the Scotland Bill in this Chamber two nights ago. However, we are still a United Kingdom. If the vote went to come out there is a real chance—I put it no higher—that within five years not only would we be outside the European Union but the United Kingdom could come to an end.

That has not been mentioned in this debate up to now—so not everything has been said—but every right-thinking citizen of the United Kingdom should contemplate it very carefully before voting no on 23 June. In voting no, not only would we be turning our backs on the European Union in its hour of greatest need when we have a real contribution to make, but we would also, quite possibly, be turning our backs on the greatest and most successful union of nations that has ever occurred.

7.46 pm

Lord Hylton (CB): My Lords, I agree wholeheartedly with the noble Lord, Lord Cormack, that Britain and Ireland remaining in the EU is very important to

peace in Ireland, north and south. However, I should like to go back 70 years when Sir Winston Churchill said in Brussels:

"I see no reason why, under the guardianship of a world organization, there should not arise the United States of Europe, which will unify this Continent".

At Fulton, Missouri, after naming the Iron Curtain, he said:

"The safety of the world requires a new unity in Europe, from which no nation should be permanently outcast".

In Zurich in September 1946 he said:

"If we are to form the United States of Europe ... we must begin now".

In May 1947 at the Albert Hall, he spoke of our own role. He said:

"Britain will have to play her full part as a member of the European family".

In August 1949 at Strasbourg, he continued:

"There is no reason not to succeed in establishing the structure of this United Europe, whose moral concepts will reap the respect and recognition of humanity".

Two days later, Churchill emphasised the moral aspects of the Council of Europe and its Assembly.

We neglect at our peril the words of one who led us to victory in 1945. From then on, he kept returning to the theme of European unity. He sensed the need to replace the old empires of Prussia, Austria and Ottoman Turkey, which collapsed in 1918, with something better. He saw that only by united strength could the Soviet empire be resisted, to the point of its collapse.

I am delighted that Sir Winston kept on stressing that Europe is a moral idea to which Britain can make a special contribution. Like him, I want to see a moral Europe—one that protects all its citizens and residents through the rule of law. I desire a Europe that can welcome and resettle a huge variety of refugees—one that rejects the trafficking and slavery of newcomers.

The rebuilding in Bosnia of the famous bridge of Mostar and the Ferhadija mosque in Banja Luka are symbols of what can be done. The European movement itself was inspired by the urgent need for reconciliation through the ending of old enmities. This was an idea that could fire people's moral imagination. Even today, in far more prosperous times, we can surely use our strengths on behalf of the poorest and most disadvantaged.

The Eurosceptics, of whom there are many, have rightly exposed the bureaucracy, lethargy, waste and poor accounting of the EU structures. These, of course, have to be overcome, and so does the democratic deficit. They are reasons for reform, but not for a bad-tempered Britain to turn its back on friends and allies. We should recall that we went to war for the sake of Belgium, Serbia, Poland and much more recently, of Bosnia and Kosovo. We are the natural ally of smaller countries. That was why my grandfather and great-uncle were killed in action in 1916 and 1917. It was also why I appealed for the Baltic states that have been mentioned at the very moment when Saddam Hussein was invading Kuwait.

Above all, we should recall the great-hearted vision of Churchill. That is why we should strive for devolved decision-making at the lowest reasonable level. That is why we should vote for a moral, co-operating and renewed Europe.

7.52 pm

The Earl of Caithness (Con): My Lords, I recall sitting in this House listening to the debates on the referendum in 1975 and being influenced by their very high quality. We have had some very high-quality speeches today, but I have not been influenced to the same extent yet as I was in 1975. In 1975, there was the danger of isolation of the UK. That was one of the features that came through in the debate.

We are reassured today by the out campaign: “Don’t worry, we are the fifth-largest economy in the world. It doesn’t matter if we get out”. In 1975, we were the sixth-largest economy by GDP so I see no difference. I have also been a Minister in Brussels and been prevented from doing what we wanted to do because of the Treaty of Rome and all the frustrations that came with that. I guess that I am a Eurosceptic by nature. I believe that the architecture of the EU is far from perfect.

However, I have concerns on what the Government have proposed. The biggest concern is between the euro and the non-euro countries. There will be a big clash between the pound and the euro in due course. I cannot make up my mind whether we are better off in Europe trying to help to solve that or better off outside. With regard to businesses, I thought that the speech of the noble Lord, Lord Russell of Liverpool, was the best we have heard today. I was very influenced by that speech. But business has changed—we export services; we export digital equipment and knowledge. That is a very different type of export from what we had in 1975. If we are not within Europe, I fear that those great exports will be the ones that suffer. Let us not forget that the EU will require third-party equivalence for any trade deals that they do with this, as it currently does with any other country. It will take far longer than the out campaign has indicated to get any sort of deal with the countries in the EU.

On financial reforms, I disagree very much with what my noble friend Lord Trenchard said. For four years I have been on the European Sub-Committee on Finance, scrutinising the European laws. All the evidence shows that what has been put forward by the EU would have been put forward by our Treasury in any case. It was not an EU matter but a global matter. Just to help my noble friend Lord Trenchard, I can say: do not believe too much in our civil servants. If he reads the report on Defra’s performance with agricultural payments and he remembers all the gold-plating that our civil servants have done to make us more uncompetitive, then perhaps being in Europe is not quite so bad.

The noble Lord, Lord Soley, mentioned research. That was one of the subjects that I wanted to talk about, too, but there is no need to now that he has mentioned it. I am concerned that we will lose a lot in the research world if we are not part of Europe and we will not have that freedom and the benefit that we get from linking up with European universities and business. After 40 years of being in the membership of a club there are bound to be hidden benefits that will not come to light until a decision is made to leave. I mention the European health insurance scheme as one of the many benefits that people in this country will lose should we come out.

I turn to the other speech that really impressed me, which was that of the noble and gallant Lord, Lord Stirrup. The West is not a fashionable concept at the moment. The world is a much more dangerous place than it was 10 years ago. To my mind, an effective EU is a vital component of a secure EU and a strong West. We have not banged the drum for some of the achievements of the EU in the past 10 years—on the environment, Burma, Somalian pirates and in Iran. Perhaps that is something that we are not good at—beating the drum. If we vote to come out, the biggest party will not be in the houses of those who lead the out campaign; they will be in Moscow and Beijing. Those are countries that believe they would like to be big because if they are big they can bully their neighbours and make their neighbours’ lives much more uncomfortable. We are lucky; we do not have a border with the great bear with its sharp claws, but Europe does. I was hugely influenced on that finance Sub-Committee when we asked the Lithuanian Minister the benefit of joining the euro. His reply was: defence.

Some of the out campaign speeches have done nothing but supported what Scotland tried to achieve last year, which was independence. They said: “Give us our power back. We want to be independent, away from being controlled by overseas”. That is what some of the Scots wanted. The noble Lord, Lord Lee of Trafford, suggested letting the under-30 year-olds have two votes. If the Scottish under-30s had had two votes there would be a separate Scotland now.

I shall end with a quotation that I used in my maiden speech by that great bard Burns:

“O, wad some Pow’r the giftie gie us to see oursels as others see us”.

How would European partners see us? We have preferential terms now; we will have even more preferential terms if what the Government propose is agreed.

If the out campaign succeeds, I am not at all certain that there will be an EU. I would go further than my noble friend Lord Cormack—he said that there would not be a UK. I do not think there will be an EU as we know it now. In that context let me close by reminding your Lordships that the French voted twice against us joining the EU before we did.

7.59 pm

Lord Davies of Stamford (Lab): My Lords, it is a great pleasure to follow the noble Earl. We sit together on the same Sub-Committee, and I endorse everything he said about financial regulation.

It has been a most extraordinary debate. We have had three very original, very lucid, very remarkable speeches from a personal point of view on the subject: one by the noble Lord, Lord Jopling; another by the noble Lord, Lord Russell of Liverpool; and the third by the noble Lord, Lord Cormack. I found those particularly inspiring. However, we also had a complete abdication in the debate from those advocating our leaving the European Union. I always believed that the normal rule for rational human discourse was that, if someone had a proposal to make a change, it was for him to argue the case to explain why the change would represent an improvement and how the benefits could be secured. We have heard absolutely none of that.

Let me get across some of the major activities that we have in common with our partners in the European Union, which we would no longer have if we left. We played a major part in the political co-operation in common foreign policy activity, which has been very useful for world peace. The European Union has been part of the quartet in the Middle East: it played a major role with the United States in achieving accommodation with Iran, which is very important, and in achieving the Minsk agreement with Mr Putin. I put this question to the eurosceptics, such as the noble Lord, Lord Lamont: why is it that we would be better off in performing that role—whether for world peace, or in our own interests—if we no longer sat in the Council of Ministers and were no longer a party to the discussion or to the processes of policy formation and delivery? Similarly, we in the European Union have done a great deal to help the development of emerging countries, both through trade agreements—Cotonou and post-Cotonou—and through the largest aid programme in the world. If the eurosceptics win this referendum, is it their intention that we pull out of that activity altogether? Presumably we cannot be part of a trade agreement, Cotonou or otherwise, if we are no longer part of the European Union. Would we cease to support the projects that are now being supported there, or would we perhaps decide, all on our own, to replicate the structures of project evaluation and supervision and thereby spend a lot of money, which could have been spent for the benefit of the countries we are trying to help? Is that a sensible thing to do—is that in the national interest?

On the environment, we had great success in the Paris conference, and the EU has been shown to be a major force in this field. If the eurosceptics win the referendum, do they intend to abandon our present policy on the environment altogether? I know that the noble Lord, Lord Lawson, wants to do that. If they do not want to abandon it, what sort of role do they see for our country? The people in this country are entitled to ask that question. If we are still going to support, from outside, the European Union and its policy initiatives in this field, why would it be an advantage to us to do it from outside? Why would it be an advantage not to be in the Council of Ministers, nor to be discussing these matters with the Commission and developing a coherent and common position?

I turn to the very important issue of the Justice and Home Affairs Council, Europol, the common arrest warrant and so on, which are matters of life and death. We know that the eurosceptics hate those measures. They fought like cats against them, in this House and the other place, and never wanted to accept them in the first place. What are they going to do? That is one area where the man who I think wishes to be leader of the out campaign, Boris Johnson, has actually given an answer, in yesterday's *Telegraph*. He says that he is going to form a series of bilateral intergovernmental agreements. The idea of having 28 separate bilateral agreements is obviously absurd; I will not waste the time of the House by explaining why, because everyone can see that. It shows that Mr Johnson and his colleagues have not even begun to think this through. What is required is an integrated structure of communication

and response systems of information and intelligence-gathering and distribution. It has to be a permanent or long-term structure in which people are trained and which can be exercised if it is going to be of any use when a crisis suddenly arises. In this field, I do not think that there is any understanding of the national interest among the eurosceptic spokesmen, either in this debate or by Mr Johnson in his famous article yesterday.

Let me turn to the economic issues, which noble Lords have rightly discussed, although in an extraordinary way. The noble Lord, Lord Lawson, actually said earlier that we can get the same benefits through the World Trade Organisation that we can get through the 45—he did not say that, but I know that there are 45—trade agreements that the EU has with other markets around the world. That is completely wrong; it is simply factually incorrect. I do not know how such a distinguished man, who has been a Chancellor of the Exchequer, can make such an elementary error. The WTO is not a substitute for those agreements and, if it was, it would probably take seven or eight years to negotiate such agreements. Again, there was a sense of complete unreality on the part of the eurosceptic spokesmen.

The eurosceptics owe us an answer on our relationship with the single market—which we all know is so important for the employment of millions of people—future investment flows and the location of business decisions. Are they going for the Swiss model, or the Norwegian model, or some model of their imagination? What effort have they made to see how viable that model might be? They owe it to the British people not to lead them into the dark or on to treacherous ground and abandon them when it is too late and the decision has been taken. We need to know now what the alternative plan is and we have not had a single whisper about what it might consist of.

Obviously, this is a very important matter; anybody who thought that it was not should at least pay a little attention to the fact that all our major trade partners, in the EU and outside it—in fact, all the major decision-takers in the world, with one important exception—have urged us publicly to stay in the European Union and pointed out the damage we would do to ourselves and to others if we left. That is true of Shinzo Abe, Xi Jinping, Narendra Modi, Barack Obama and Christine Lagarde. Are we simply going to ignore all that advice? If we are going to take this matter seriously, we need to have a serious debate in which the British public can focus on factual, material and genuine arguments and not on just a lot of emotionalism. In this debate the noble Lord, Lord Lawson, talked about colonialism, but that is just an emotive term, bearing no relationship whatever to reality. Quite extraordinary things have been said. Every day the *Daily Mail* publishes pictures of refugees, asylum seekers or foreigners generally, making them look as sinister as possible, and it will of course go on doing that until June. However, that is not the way to take a very important decision, which is going to affect the lives of ourselves and many future generations in this country.

8.06 pm

Viscount Eccles (Con): My Lords, in following the noble Lord, Lord Davies of Stamford, I reflect that although emotionalism can be a bit of a trap, when

[VISCOUNT ECCLES]

people vote on 23 June a great many of them will in fact be voting for emotional and not necessarily rational reasons. Let me follow the noble Lord, Lord Hylton, and go back to Churchill in Strasbourg in 1949. I was fortunate enough to be there when he addressed the Council of Europe in French. The second half of his speech was the one into which he really threw himself: it was about tyranny, the knock on the door in the middle of the night, and war. It was very powerful. He was not anywhere near so certain about how the institutions that would fulfil his ideas would be created or how they would develop.

I suppose that that is what we are considering today: how has this project worked out so far? What happened to us was that we joined a club of six, hesitantly and rather late. We did not have control over who were the members of the club. Quite often, people in clubs do have such control, but geography and other considerations meant that we did not. Right from the beginning, we thought that this would be an uncomfortable club. There were good reasons for that: our attachment to common law, which is very different from the law that Napoleon put in place; our unwritten constitution; our empiricism—we are rather hesitant about any theory; and our dislike of bureaucratic control. This afternoon noble Lords have referred to the latter quite often, and I agree that Whitehall is not necessarily much of an improvement on Brussels. Of course, Brussels is informed with remnants of 19th century German socialist thinking, which is very different from how we have arrived at where we are. The documents that come out of Brussels are written in an English that generates mistrust in the normal British reader. It would be better if we had more people working in Brussels than we do today.

The arguments about staying or leaving now encompass a great deal about economics—jobs and prosperity. I am pretty sceptical about all that. It does not seem that the reason we have real incomes of four times what they were before the Second World War has much to do with politics and politicians. It seems to me much more to do with the advance of science and technology. Therefore, I again do not see much distinction between how Brussels would handle our economic future and how Whitehall would handle it. I am pretty sceptical about both. For example, who predicted fracking and the technology of horizontal drilling, which enabled that industry to be developed? Indeed, who predicted that the price of oil would fall from \$115 per barrel to \$33 per barrel? I do not think there were very many people who knew about that.

I suppose that it is always right to be quite sceptical, whether it is scepticism about the European Union or a more general scepticism about the way we deal with the muddle of this life. I suppose that if integration of the eurozone entangled us in some definitive way we would have to leave, but I do not see that there is an argument for leaving now. There is too much at stake, such as the troubles in the Middle East. Let us not forget that at the fall of the Ottoman Empire it was the French and the English who resolved the borders that were put in place. There is also Libya and Mr Putin. Whither the United States of America? I am being sceptical again; I am not too keen on Mrs Clinton and

I am certainly very unkeen on Mr Trump. Then there are the economic uncertainties in Asia and in China. Finally, there is the huge migration into Europe. The European Union is having to react to all this.

The idea that the European Union has to change is widely in the air. It has only just started to be debated seriously. We need to be there to assist as it continues, as I believe it will. Being uncomfortable does not need to be a permanent condition.

8.12 pm

Lord Willoughby de Broke (UKIP): My Lords, I was going to make a long speech about my nanny, but the noble Lord, Lord Russell, has discouraged me from doing that. I do not want to go over the outcome of the Prime Minister's negotiations in detail, but it is worth pointing out that, after three days of hard slog, all-night meetings, working lunches, working suppers, posturing photo opportunities and communiques, the result was the status quo—nothing much has changed.

I suppose that that might be considered slightly unfair. In fact, the Prime Minister has already said that the UK can now veto the Commission's proposals, so long as 15 other member states raise the red card as well. I call that a pretty long shot, I must say. We will be allowed to pay EU immigrants more benefits the longer they stay in this country. I suppose that that is another win, is it? The EU will agree to become more competitive—that must have been a very tough one to argue. I can just imagine the other 27 representatives of member states saying, "No, we want to be less competitive", but I suppose that after eight hours of hard bargaining the Prime Minister got his way and won that one. He also said that sterling is a separate currency to the euro—how much negotiation did that take, I wonder?—and that London is the capital of the United Kingdom. That was not in the final communique, but it was about the sort of achievement we got.

So after all the promises—such as the Bloomberg debate, which the noble Lord, Lord Fairfax, mentioned, where the Prime Minister set out his vision for a fundamentally reformed, outward-looking EU with powers flowing back to member states, or his speech to the Conservative Party conference in 2014, when he promised to cut immigration, repeal the Human Rights Act and repatriate powers from Brussels—all the travel, the grim hours of all-night negotiation and all the English breakfasts, the PM has come back with not one power returned, and not one line in the treaty altered. The PM is like a conjuror who has gone to the party with his hat but has forgotten the rabbit. He has not even produced the most myxomatosed rabbit out of his hat.

We will still have to pay £20 billion a year to the EU institution—a good name for it. It is an institution whose accounts have failed its own audit for the last 20 years. We will still be unable to control our own borders. We will not have repatriated a single power back to the UK Parliament after those negotiations. Our laws will still be proposed and enforced by the unelected Commission in Brussels and voted through by the Council of Ministers, where we have a very weak voice indeed and where we are, as I think the noble Lord, Lord Lamont, said, routinely outvoted.

The Prime Minister's reforms have been routinely rather rubbished, I am afraid—quite rightly—so they have had to fall back on the scare tactics. I will not go into them; we have heard a lot of them tonight from our Europhile friends. Their weakness is that they said exactly the same thing about the euro—that we would be marginalised and excluded from the top table, and no one would trade with us if we did not join. Of course, the reverse is entirely the case. We have created more jobs in the last three years than the whole of the eurozone put together. Far from being marginalised, we trade all over the world very successfully. The Europhiles who told us to go into the euro were wrong then and they are wrong now when they tell us we will be lost if we do not stay in the EU.

It is very depressing to hear these forecasts of doom about if we leave. Do the Europhiles really believe that Britain would be unable to govern itself outside the EU? We are, after all—as we heard before—the fifth-largest economy in the world. London is the world's financial centre. We have four of the world's top 10 universities. English is the world's default language. We have a permanent seat on the United Nations council and we have the fourth-largest Armed Forces in the world. Britain is the eurozone's biggest single market—bigger than the USA. We are Germany's biggest single market—bigger than the USA. Is it really so difficult to imagine us living outside the EU? I do not think that it is. I remind the House—I think someone else said this—that there are 195 nations in the United Nations; 168 of them get by very well without being members of the EU. So can we.

I suppose that this debate is to celebrate Mr Cameron's achievement in Brussels, entitled *The Best of Both Worlds*. No: it is the worst of both worlds, because we have gained nothing and remain subservient to the EU. It is time to leave—time to run our own country again.

8.17 pm

Lord Hamilton of Epsom (Con): My Lords, like my noble friend Lord Howell of Guildford, I have to make a confession, which is that I quite mistakenly voted to stay in the EU in 1975. At that time we were the fourth-richest country in the EU—Germany, France and Italy had bigger GDPs than we had. It is quite interesting that we are now the second-richest country in the EU. There was a great sense of optimism on my part when we joined. I thought that we were such a poverty-stricken country—we were not going anywhere and we seemed to be riddled with problems—and we were joining this rich man's club. Now those roles are reversed: we are the rich ones and it is the EU that faces very serious problems. It is rather interesting that there is no optimism in the message from those who say we should remain in the EU. They merely have a Project Fear, saying that it will be the end of the world if we pull out.

I was rather interested, as my noble friend Lord Stevens was, by my right honourable friend Sajid Javid's remark that if we had been outside the EU today he would not have joined. We have to think about that. Are all these people who express such enthusiasm for the EU really saying that if we were outside the EU today we would join it? If we search

our inner selves, many of us who might be in favour of staying in would not be keen to join today. That is certainly a significant factor in this whole debate. Let us face it: the EU is not thriving. My noble friend Lord Hague some time ago described the role of the UK in the EU as like being trapped in a burning house with no exits. Things have moved on since then. The heat of the fire has now gone up considerably and the whole building is at great risk of collapsing, but there is another factor: the possibility of an exit.

I want to address something that has been raised an awful lot this evening: what is the vision of those of us who want to pull out? We must be clear about the significance of staying in. There are certainties, near certainties and unknowns in any path that people might decide to take. The certainties here are that we will go on with much of the same, receiving edicts from the unelected Commission in Brussels and with no right of veto in our own Parliament. We will continue to send net contributions of around £10 billion a year to Brussels. We will be unable to make any free trade treaties of our own with countries around the world because that is an EU competence and we have no right to do so. Of course, we will continue to lose cases at the European Court of Justice. To date, we have lost 101 out of 130 and I am sure that will go on.

However, it is the near certainties about Europe that are much more troubling, and no one has really mentioned them. I am quite interested in this. The immigration crisis is leading now to the destruction of the Schengen area. No one has much doubt that the Schengen area is about to come to a grinding halt. How long can we go on having free movement of labour in Europe if we go on getting these massive immigration flows coming in? I would have thought that threatened it. A growing number of economists say that the eurozone is now completely unsustainable. For some time it has operated on the basis that it is much too cheap for the northern countries such as Germany and Holland and much too expensive for those in southern areas of the eurozone. That means it cannot go on as it is and there must be limited time before it eventually collapses. The problem with all this is that we are somewhat shackled, not to a corpse but certainly to a dying man. One must ask whether that is really the future we want for this country.

The unknown, of course, is that we do not know how long all this will take to map out. I am absolutely sure that the eurozone will eventually break up and then there is the question of whether it will take the rest of the EU with it when that happens.

Let us put the criteria for Brexit. As my noble friend Lord Lawson said, what we absolutely know is that if we vote to come out we will repeal the accession Act 1972, which means we will not be subjected to any more edicts from Brussels. We will also be £350 million a week better off as the result of not sending money to Europe. We will gain the freedom to create our own treaties, which is very important. Let us face it: the future of economics is not in the EU. The future of trade is all over the world and we should establish treaties with countries across the globe. We will regain control of our borders. In light of the immigration flows at the moment, that must be a good idea. Then, of course, under the existing organisation, we will

[LORD HAMILTON OF EPSOM]

have two years anyway to negotiate a new treaty with the EU. I sincerely hope that that will be a free-trade treaty, which will put us on a par with those countries that are not asked to pay contributions or to obey every edict that comes out of Europe.

The unknowns are that we do not know how long these negotiations might take or what effect this will have on inward investment into the United Kingdom. On the other hand, there might be people who will invest in the United Kingdom because they like us having less legislative pressure on our businesses than in the past. The fact is that the eurozone faces a major crisis and its survival is at stake. If the eurozone collapses—as many people are coming to the conclusion that it must in the fullness of time—it is a question of whether the EU stays together as well. In that case, we should get out before this disaster comes across the whole of the EU.

8.25 pm

Lord Howarth of Newport (Lab): My Lords, I do not like to dismay so many of my friends but I believe that Britain should withdraw from the European Union. My friends who disagree with me insist that it is essential that we remain for our security and our prosperity. It is absurd to suggest that the countries of the European Union will cease to co-operate with us on security matters if we leave: their own security will require it. As to prosperity, the truth is that no one knows whether we will be a little richer or a little poorer in the next few years—whether we are in or out of the European Union. Respected and dispassionate economic commentators such as Roger Bootle judge that the economic arguments are inconclusive.

Britain joined the EEC late and in 1975, when the establishment instructed an electorate that was more deferential than it is now, voters accepted its advice. It is true that in our history and culture Britain is and always will be European. Those of us who are sceptical about the European Union can honour the ideal of peace that animated its founders but the reality is that Britain has never been at home within the political structures of the European Union.

Of course, the European Union now is not the same as the European Economic Community that we joined in 1975. The most important change has been the creation of the eurozone. That has been a disaster. The well-intentioned architects of the eurozone inflicted the torment of mass unemployment, particularly on young people, in Greece, Spain, Portugal and Ireland. If the countries of the eurozone proceed towards political union we shall be marginalised; if they do not, the eurozone will remain an economic disaster zone. We opted out of the eurozone but we cannot escape its effects, which include depressed demand in export markets that are important to us, the contagion of financial instability and the relative decline of the European Union in relation to the global economy.

The other area where the EU is palpably failing is migration. The incapacity of the European Union to deal with the challenge of mass immigration has grievous human consequences and is setting alight dangerous nationalisms and atavisms. I do not want the debate in Britain about the referendum to be an unpleasant one

over immigration. It is entirely consistent with wanting Britain to leave the European Union that one should want Britain also to be a liberal and outward-looking society.

The European Union has no means of democratic remedy for these failures. No European demos has emerged. The European Parliament fails convincingly to express the will of the people of Europe across national boundaries. The institutions of the European Union were created not to be truly democratic but to permit the exercise of enlightened officialdom. The fundamental reform that the Prime Minister pledged to seek has been unobtainable. The democratic deficit of the European Union provokes deep discontent and not only in Britain. In the 21st century, citizens want their institutions of government to be transparent and accountable. The current system of bureaucratic condescension and elite wrangling might have been acceptable in 1957 but should not be in 2016.

Those who want to remain say that none of this really matters and that what is important is that we will have more power if we stay inside. But for all his efforts on the inside, the Prime Minister has been able to achieve only marginal changes in policy. To be subject in so many decisions to qualified majority voting does not feel like power. To suffer the all too often abysmal policy-making and administration of the Commission feels like a poor substitute for self-government.

We would not be powerless outside. We are the fifth largest economy in the world. We have businesses that can conquer world markets. The City of London is a major financial centre. We still have a Civil Service well able to support Ministers to negotiate the new relationships that we will need. We have the best universities in Europe. We have an envied culture. We have numerous other treaties and alliances, and businesses in the European Union will continue to wish to trade with us. The alternative to membership of the EU will not be isolation. Of course, no one can predict the precise nature of the arrangements that will be negotiated—but, if I may say so, it is a silly and disingenuous tactic to scare people with that uncertainty. What is certain is that we will have a strong hand to play.

The Prime Minister and, indeed, my noble friend Lord Mandelson rightly made the distinction between power and sovereignty, but they were too dismissive of sovereignty. Historically, Britain has defined itself in terms of the institutions of the monarchy and parliamentary government. It should be a matter of national and democratic self-respect for Britain that we make our own laws in our own Parliaments accountable to our own people who will be able to dismiss those who govern them if they disapprove of them. We should resume the sovereignty that we lent to the EEC in 1972. When Parliament passed the European Communities Act, it undermined itself and our parliamentary democracy. That has been a major cause of the disaffection with politics that has grown so worryingly since that time.

Government in the modern world will be intensely difficult, whether we are in the European Union or out of it. But if we have the courage to take responsibility

in our own democracy, we will find a new clarity, purpose, maturity and confidence. Even the Scots may prefer it. We should not be fearful of this responsibility. The remain campaign should elevate its tactics above the politics of fear. I say to my own party, the Labour Party, that it should not fear that it cannot win a general election and govern decently and generously in the interests of working people and all our people. In the words of Franklin D Roosevelt, we have nothing to fear but fear itself.

8.32 pm

Lord Garel-Jones (Con): My Lords, it is a commonplace to state that we live in an interconnected, global universe. Many noble Lords have already made this point so I will not dwell upon it, but belonging to the largest trading group in the world undoubtedly gives us influence in those areas where international bodies take decisions that affect the daily lives of our own people.

I want to concentrate on just two issues. The fundamental challenge for the European Union is to identify those areas where, by acting together, the 28 member states can exercise greater influence over our interests and values without undermining the essential values of individual nation states, which provide—I am sure noble Lords will agree—a sense of belonging and social cohesion. But it has to be said that over the years the influence of national parliaments has been progressively diminished by Brussels and the Commission. One only has to look at the number of so-called patriotic parties that have emerged right across Europe to see the damage that this has done to the standing of the European Union right across Europe.

When the principle of subsidiarity was introduced into the treaty at Maastricht, I thought, “That’s it, game over. Nothing will ever be done centrally that can properly be done at national level”. How wrong I was. Since then a bureaucratic procedure was built around the principle of subsidiarity called the yellow card system, which has, to all intents and purposes, neutered this great principle. One of the things that the Prime Minister has achieved is to upgrade that yellow card to a red card, which enables national parliaments to block any proposals put forward by the Commission which they feel breach the principle of subsidiarity. Furthermore, the period of time that national parliaments have to get their act together, as it were, has been increased by 50% from eight weeks to 12 weeks.

Most of the comment and debate on the agreement made in Brussels has centred on a whole range of other important issues. I certainly do not want to diminish their importance other than to emphasise that many of the concerns that have been raised have their roots in the way in which national parliaments and national Governments have been slowly pushed aside by the Brussels bureaucracy. So as we move forwards, the red card that the Prime Minister has achieved will prove to have enormous importance.

I want to deal with just one of the many myths put about by those who advocate withdrawal—namely, that the remaining members of the European Union would be anxious to do a deal with Britain because

they export more to us than we do to them. Well, yes, we would be sitting at a table with a group of people whose treaty we have just treated with contempt. We have nearly 50% of our exports at stake: they have about 10%, most from France and Germany. In any event, the idea that they would be in a hurry to produce a deal is not the case because they would be able to continue to trade with Great Britain through the WTO rules. So while I very much doubt that those who advocate leaving the European Union could achieve as good a deal as Norway, let us just give them the benefit of the doubt for the moment. Norway contributes to the EU 80% of what we do and accepts unlimited EU immigration. Actually it has a higher percentage of EU immigrants than we do. It not only abides by the single market regulations but has to accept all new directives over which it has no say whatever. It is actually called “fax diplomacy”. The directive is sent to the Norwegian parliament and it has 90 days to implement it. I find it ironic that UKIP and its friends who are advocating withdrawal are waving the national flag when in fact they are waving goodbye to national parliamentary sovereignty.

Lord Pearson of Rannoch: My Lords, I just want to put the noble Lord straight. It has never been UKIP’s policy to emulate the European Economic Area and Norway’s position. We feel that we can do something very much better for ourselves.

A noble Lord: It was, the year before last.

Lord Garel-Jones: The quick answer to that is: you will not. I mention Norway’s deal only because I think that is much better than the one we would eventually get.

So the only thing that is certain about Brexit is uncertainty, and it is an uncertainty that will last for a very considerable time indeed. In the mean time, the Prime Minister has negotiated an agreement, with some elements specific to Great Britain and others that will benefit the whole European Union. European negotiations, as many noble Lords here know, are complex and difficult and involve a great deal of compromise. Compromises have to be made on all sides. That is what Margaret Thatcher did in the Single European Act, it is what John Major did in Maastricht, and it is what David Cameron has just done in Brussels.

8.38 pm

Lord Oates (LD): My Lords, I welcome the setting of a date for the referendum and I support the case for remaining in the European Union set out in the White Paper. I hesitated before putting my name on this rather long speakers list but I am glad that I did because I just do not recognise the European Union that so many noble Lords have described—where apparently we have no friends, can win no votes and have no influence.

I thought it was Britain that had led the way in creating the single market, in securing admission of the members of the former communist bloc, in opposing Putin and securing a united approach to Iran, in pushing a free trade agenda and in living up to all of

[LORD OATES]

General de Gaulle's worst nightmares. Of course the EU is not perfect. Of course it needs continuing reform. But we are not alone in thinking that. If we would for once drop the grumpy old man act and seek out our allies, we would find them. But for now our focus has to be on the referendum. I hope that the positive case for our membership will be made in this campaign and that it will not descend into an unrelenting diet of negativity.

I want us to convince the British people of the benefits of the European Union, as I have done since I rather proudly had my first and indeed only letter published in a national newspaper in 1993, calling for a referendum on the Maastricht treaty. I wanted then—and I want us now—to show why, despite all the inevitable frustrations of any multinational organisation, the EU is a massive force for good in the world, that Britain is a massive force for good within the EU, and that British exit would be very bad not only for Britain but for the European Union.

My case for the European Union is a simple one. It is about peace, prosperity and solidarity in the face of the many challenges that confront our world. It is about the benefits of working together rather than drifting apart in antagonism and misunderstanding. It is about avoiding a descent into the nationalist competition and conflict that have afflicted our continent so many times in the past.

While I want a campaign that focuses on the positive, I am not persuaded by those who object when the facts are pointed out to them—the Brexiters who cry, “Project Fear” every time someone puts a point to them that they cannot or will not answer. This was the tactic of the nationalists in the Scottish referendum. Unable to answer some of the most basic questions about their future outside our union, they shouted, “Project Fear” to distract attention. So let us not be distracted by those Brexiters who have decided to take a lesson straight out of the nationalists’ playbook. Let us be relentless in reminding them of reality and challenging them to deal with it.

On the day that the referendum date was announced, the noble Lord, Lord Tebbit, spoke on BBC radio. He was asked what life would look like after Britain had left the European Union. Rather like the noble Lord, Lord Lawson, he said, “That’s simple; it will be like it was before the EU”. The noble Lord went on to describe, in some detail, his pride in Britain as a country that had intervened on numerous occasions to rescue Europe from war and domination. He catalogued the occasions over many centuries, from the days of, in his words, “the dictator Philip of Spain”, through the Napoleonic Wars and into the First and Second World Wars. I do not know exactly how many millions of lives were lost in those conflicts but I do know that arrangements that bring people together to work in partnership for peace and prosperity are better than the arrangements we have had in the past and may, if some Brexiters get their way, end up with in the future.

This is not some tired historical discussion. Today the external pressures on Europe are greater than they have been for decades and the internal threat from

nationalists selling divisive politics and beggar-my-neighbour economics is higher than it has been since the 1930s. In such circumstances, I am sorry to see distinguished former Cabinet Ministers, who I feel I grew up with, drinking the elixir of Brexit. Many of them played important roles in the development and success of the European Union and the single market. All of them have had the privilege of living the majority of their lives free from the threat of European war, as part of a European project which has helped nurture democracy in the former fascist and communist states of southern and eastern Europe and has contributed to delivering peace and prosperity to our continent.

So I say to the noble Lords, Lord Lamont, Lord Lawson, Lord Howard, and others: I want my generation and the generations that follow to continue to share in the privilege that they themselves have enjoyed. I want them to continue to work, study and holiday throughout Europe. I want them never again to fight their way across it. The noble Lord, Lord Lamont, in declaring his support for Brexit today, described the referendum as a once-in-a-generation opportunity. I hope that it will not be a one-off opportunity for his generation to screw up the world for my generation and the generations to come.

8.44 pm

Viscount Ridley (Con): My Lords, at this late hour a lot has been said already. I wish to make a specific argument about the document *The Best of Both Worlds* and a general one about the provision of accurate information during the campaign that we face.

On the second page of the Prime Minister’s foreword, he says:

“Leaving Europe would threaten our economic and our national security”.

But nobody on either side of this argument is talking about leaving Europe. We are talking about leaving the political arrangement known as the European Union, as the Prime Minister himself said in his Bloomberg speech in 2013:

“If we leave the EU, we cannot of course leave Europe”.

This is not just a semantic point. It goes to the heart of the problem that I have with this and other dossiers put out by the Government supposedly to inform voters before the referendum. Again and again these documents make claims for the European Union that it does not deserve. The credit or the blame often lies elsewhere—or at least is shared elsewhere with inter-governmental collaborations or with national decisions. Let me give a few examples.

On page 42, *The Best of Both Worlds* makes the claim that EU membership is necessary to combat Russian aggression in Ukraine. The evidence for this claim is threadbare to say the least. The US and Canada both imposed sanctions on Russia over its actions in Ukraine and, indeed, it is arguable that the EU bears some responsibility—some, not a lot—for provoking Russia with the ill-judged inclusion of military matters in its negotiation with Ukraine. On page 23, it is claimed that EU membership is necessary to protect UK energy security. How can this be when 60% of our imported gas comes from Norway and 60% of our coal from Russia, Colombia and America? There is no

common EU energy policy. On page 42, *The Best of Both Worlds* makes the claim that EU membership is necessary to deal with Ebola. This is nonsense. Norway made a significant contribution to fighting Ebola. The EU has treaty obligations to co-operate with third countries in the field of public health. Anyway, it was mainly through the World Health Organization that we made our magnificent and leading contribution to defeating that terrifying outbreak in Sierra Leone.

I could just about understand if these frankly mendacious claims were being made on behalf of the remain campaign in the cut and thrust of debate. After all, that campaign has been extraordinarily careless with facts and numbers already. Only this afternoon, before the Treasury Select Committee in the other place, the leaders of the BSE campaign admitted that 3 million jobs would not be lost, that all the trading would go on, and that claims of an £11 billion rise in prices are entirely speculative—and, therefore, that many of their own claims cannot be trusted. But the claims in *The Best of Both Worlds* are being made by civil servants in supposedly neutral documents. One reason this matters, as I argued when the European Union Referendum Bill was before this House, is that we must make this a final decision that all sides can respect going into the future. So it is vital that the playing field is level and the Government are seen to give accurate information that is not misleading. I have to say that the worries that some of us voiced during those debates about purdah and related matters look increasingly justified. I think my noble friend Lord Forsyth was quite right to use the word “propaganda” earlier this afternoon.

Will my noble friend the Minister take great care to give credit to intergovernmental arrangements and national actions and not to fall for exaggerated claims made on behalf of the political and bureaucratic arrangements within the EU? Listening to some of the speeches this afternoon, you would think that the sun could not rise in the east tomorrow morning if the European Commission did not command it and that it would not if we left the European Union. We hear that the EU is a military alliance, apparently eclipsing the role of NATO. We hear that the EU is to be given credit that is actually due to the United Nations, the World Health Organization, the International Monetary Fund, the World Bank, the World Trade Organization, the G20, the G7, Basel, Codex, Five Eyes and many more such international collaborations. Again and again, we find that standards that are set at the international level are simply transmitted through the EU to us.

In the case of scientific co-operation, not only is our closest scientific co-operator—measured by the number of co-authors on scientific papers—the United States, not the EU, but many of the formal scientific collaborations across the continent of Europe, such as the European Molecular Biology Organization, the fusion project ITER, the European Space Agency, and the particle physics laboratory CERN are not EU projects, they are European projects. Indeed, CERN has an accelerator which runs under an EU external border. Furthermore, even the EU’s science funding projects, FP7 and Horizon 2020, have 13 non-EU members in them including Norway, Switzerland, Turkey,

Israel and other countries. I ask my noble friend the Minister: can we please not make the mistake of using “Europe” when we mean the EU, and not imply that they are the same thing when they are not? One is a political and bureaucratic supranational body with a democratic deficit and the other is a principle of international collaboration.

To end on another point, I agree with what has been said on the other side of this argument: that we should remain civil and amicable throughout this process. So it is that I have to report a worrying development. As I was coming through Westminster Tube station yesterday and limping, unfortunately, because of my sciatica, I passed the noble Lord, Lord Kerr of Kinlochard, who said to me, “Damn—I told them to shoot your arm, not your leg”.

8.50 pm

Lord Judd (Lab): My Lords, in an awful lot of the debates that have gone before today’s debate in the House, I found it mystifying when people argued that they always saw the relationship with Europe and its institutions in terms of what we could get from it to strengthen our economy, and that they were completely against the concept of wider political activity and commitment within Europe. Why do I not understand that approach? It is because I was a young man in the post-war period and remember that the atmosphere, right from the beginning, was highly political. When the European Coal and Steel Community was established, it was not an end in itself. It was established because those who did so desperately wanted a peaceful, stable Europe—and with that, the opportunity to make a contribution to a peaceful, stable world.

When we moved into the Common Market, that was true, too. For many of the statesmen who brought it into existence, it was not an end in itself. It was a means of achieving the reality to which they all aspired. I say to those on the other side that, as a committed member of my own party, I was always inspired by Churchill on this. He had a vision that our future depended on working with the world, and that if we were to establish one that was peaceful and stable we would need the institutions with which to do it. I have always therefore seen this as a story of evolution but if that evolution was to be successful, it would depend above all on visionary leadership. What has been wrong with our participation in the European Union is that we have played the game badly. We have always put a sort of defensive position to the British public.

I was a Minister responsible for Europe, way back in the 1970s. When I was fulfilling that task, there was an attitude that what you really should do as a Minister was come out of your negotiations in committee saying, “My God, in spite of all the pressures, dangers and threats coming from Europe in this context, I have secured these safeguards for the British people”. I really believed in those days that we needed some Ministers who would come out of committee saying, “We’ve had a terrific tussle with this issue”, then explain what the issue was and say, “As a result of that tussle and argument, we have achieved this solution in the interests of the European people, and in their interests we are looking to the interests of the British

[LORD JUDD] people". In the world in which we live, we cannot separate the well-being and security of the British people from those of the wider European community, so we need that kind of leadership. Our problem in persuading the public now is that we have played it that way and have not demonstrated consistently how effective and indispensable Europe is for achieving the very aspirations that are dear to their hearts. I make this point because, if those of us who believe that we should stay in succeed in the referendum, we cannot sweep under the carpet that task of leadership not only within the community but for the British public in terms of what it is all about and how it is relevant to those issues.

There is another issue—I know that I tread on some toes when I say this—but, because of the complexity of the task, a centre of expertise around Europe has built up, and with that has gone a culture of elitism that has alienated people. I have often thought that was unfortunate, because we have to enable that elite itself to understand how dependent it is on the good will and positive identification of the people of the countries that are members. We have to take that issue very seriously—as we should with our own committee system on Europe, in seeing how far we can make it more real for ordinary people in the kind of witnesses we call, and so on, so that it is not again seen as part of an elitist game that does not relate to them.

I conclude by saying how glad I was to hear the opening speech from our side by my noble friend Lady Morgan—and, indeed, the speeches by the noble Lords, Lord Howell and Lord Ashdown, who is not in his place at the moment. They spelled out which issues are facing the world and how we simply cannot face them without working together with others. We may not be doing it perfectly, but the challenge to leadership is how we get it right, not how we walk away from the collaboration and co-operation and bury our heads in the sand. The challenge is to say that we cannot have a peaceful world without co-operation and we must have the institutions within which we can co-operate. Our role is to provide leadership and moral inspiration, showing the importance of tolerance and human rights, not just as an end in themselves but as a manifestation of the tolerant and inclusive kind of civilisation that we not only want but is indispensable to humanity's future.

8.57 pm

Lord Inglewood (Con): My Lords, I have always believed that as the world evolves it will be necessary for political processes and the conduct of public business to adapt. For that reason, I have been a supporter of this country's membership of the European Union and its predecessors, albeit they are far from perfect. They have brought to this country a wide range of benefits, many of them not at all easily defined as economic. I like our country being a member, and I believe that my family have gained great benefits and advantage from that.

We live in an interdependent world of networks, and we cannot simply unilaterally decouple from it all. Change has to be negotiated, and we must all recognise as part of those negotiations that our priorities may be

different from other people's; that is what our Prime Minister has recognised and what he has done. It is an interesting aspect of all this to me as a Conservative, but as someone who has also been a long-standing supporter of our membership of the European Union, that for him the line of least resistance in the Tory Party today would have been to go hell-for-leather for Brexit. But he has not done that; he believes, firmly, from the position that he is in, as do the majority of his colleagues, that the national interest should prevail and that it is in the national interest, despite all the difficulties that it is posing him, that we remain members.

For my part, there are two particularly significant reforms that the Prime Minister has achieved—not necessarily the headline reforms. The first relates to the relationship between those countries in the eurozone and those countries outside. It has been very important properly to entrench the fact that we cannot be discriminated against and cannot be compelled to bail out the eurozone if a disaster strikes there. It is interesting, too, that it was open to those countries that have gone into the eurozone to have done it completely outside the European Union mechanism. It is only because it is part of it that we are in a position to have secured that.

Secondly, the emphasis on the role of national parliaments is very important. It seems to me, not least because I have spent 10 years in the European Parliament, that the Monnet model of how the constitutional arrangements across the Union should work has not worked very well. There is a democratic chasm between some of the decision-making at European level and the citizen which needs to be bridged, and this could begin to be part of the process of doing that.

On a previous occasion, I explained that I thought that any fool could get divorced; the difficult thing is then dealing with the children and the financial settlement. If you look at Article 50, you see that once you press the button, you are not only out of what you want but you are out of everything. There seems to be absolutely no consensus about what should happen if we leave. Some people say that we should try to renegotiate, and others say that we should rely on the World Trade Organization. I am worried by the fact that there is no apparent plan from those who wish us to leave the union about what happens next. I do not think it is all right simply to say, sanguinely, "Well, it'll be all right on the night". I think they owe it to the public to be a bit more precise and firm about what the proposition they are putting in front of them might be.

I am concerned because, whether or not it is strictly logical, there is clearly a real risk to the union between England and Scotland. I live just south of Scotland, and what happens there is going to make quite a big difference to me. I am concerned that if we leave the European arrest warrant many of the security arrangements tied up with the Anglo-Irish agreement may well fall apart. That matters.

I do not believe in "one leap and we will be free from bureaucracy". I was reading the newspaper coming up to London this morning, and read that the RPA's activities have just been reviewed by the other place. The RPA is a bureaucratic nightmare. If you look at

the administration surrounding the health service and education, you get the feeling that there is no country in the world that is more enthusiastic about bureaucracy than this one. I simply do not believe that in fact jobsworth does not really like bureaucracy here in England.

One thing is certain about Brexit: it is that, if you think about it, it is inevitable that once we have left the club, whatever terms we are offered later will be less good than the terms we are on now. The other thing that is absolutely clear to me as a lawyer, and having talked to many lawyers who are much better lawyers than I am, is that the legal unravelling of the arrangements we have in place are going to be very long, very drawn out, very convoluted and very expensive. I suspect that they would take a lot of people's eyes off the ball, and that is not desirable. It appears to me that the case for Brexit is basically an article of faith; it is a step in the dark. It seems to me that I and the British public are being asked to stake the farm and everything else besides on a runner that has never previously run in a small race on a wet Wednesday afternoon—the 3.15 at Uttoxeter—and I do not think it is a good thing to do.

9.03 pm

Lord Kerr of Kinlochard (CB): Being privileged, as I am, to sit behind the heirs and disciples of Thatcher, I have been thinking about how she would have reacted to this White Paper and this debate. When she sent me to be her negotiator in Brussels, her instructions were quite simple: find out what the children are doing and tell them to stop it. She was clear that we should be in every room, playing a central part, with a seat at the table and banging the table. She was certainly not sentimental, but she knew what solidarity meant. She was extremely generous to González because she understood how important EU accession was for the consolidation of democracy in Spain, so she sided with Kohl—not her natural instinct—and against Giscard to ensure that Spain got into the club. She never forgot that in the Falklands crisis when Reagan wobbled, Mitterrand was the first foreign head of government to ring and promise full support, which he delivered. In her Bruges speech, which is well-remembered throughout central Europe now, she said that she was convinced that the great cities of central Europe would again escape from the iron curtain and enjoy membership of the community of western democracies and the four freedoms that go with it. What she would do, were she here now, is only speculation. I suspect that she would be bustling over to Brussels to sort out this Schengen nonsense and to do something about Syria—and deal with the 10 million displaced people and 5 million refugees. I do not think she would be glorying in standing aside and not being involved. Although it was ruthlessly unsentimental and not always fun, she felt that we should have a seat at the table and felt a sense of solidarity. Sometimes these days I miss that.

Speaking late in the debate has the disadvantage that all the points one wanted to make have already been made by one's own side, but it does permit one to comment on points made by the other side. I dare to venture a comment on points made by the noble Lords, Lord Lawson of Blaby and Lord Howard of

Lympne—and possibly their disciple, the Diogenes of Swindon, the noble Lord, Lord Stoddart. This is on the theme of Thatcher's heirs.

I have tremendous respect for the noble Lord, Lord Lawson, who put up with me as his Private Secretary for far too long, and who was excessively polite about a document I drafted for him, which—to put it mildly—did not advance his career. But today Homer may have nodded. The noble Lord, Lord Lawson, claimed that the White Paper which we are debating contained a major lacuna because it did not refer to the sentence of page 12 of the European Council conclusions text, which states that,

“Member states not participating in the further deepening of economic monetary union will not create obstacles to but will facilitate such further deepening while this process will, conversely, respect the rights and competences of the non-participating Member States”.

I think he may have missed paragraph 2.12 in the White Paper, which seems to me to summarise fairly that sentence.

On the substantive point, I am surprised: the noble Lord, Lord Lawson, like the current Chancellor, has always argued with ruthless logic—inexorable logic—that the eurozone, in order to survive, needs to deepen and strengthen. So why is he complaining when in this text member states not participating in the further deepening of economic and monetary union will not create obstacles to a process which he believes is in their interest and in ours?

Lord Lawson of Blaby: If the noble Lord will allow me, he has made two mistakes, not one. In the first place, it is in the interest of the peoples of Europe not to try to make a success of the eurozone and monetary union, but to abandon it. It has been a complete disaster; it will be in the interests of the people of Europe to abandon it. Secondly, I said that “facilitating the deepening” means that if they think that further powers should go from the member states, including the United Kingdom, to the centre in order to facilitate a further deepening, we are obliged to go along with that.

Lord Kerr of Kinlochard: On the second point, I have to correct the noble Lord. The sentence is clearly about further integration inside the eurozone without additional powers being passed by member states outside the eurozone. On the first point, I can only apologise. I had myself thought that the former Chancellor, the noble Lord, Lord Lawson, agreed with the present Chancellor that it was in the interests of the UK that the eurozone market should not collapse and that it was in the interests of the UK economy that these arrangements should survive. That is the policy of this Government. I had thought it was a policy supported by the noble Lord, Lord Lawson.

The exchange with the noble Lord, Lord Mandelson, did not quite bring out the fact that of course we could trade with other third countries on WTO terms. The terms that we trade on now, which have been secured by the EU, are much better than WTO terms, because they have been secured using the muscle of a market of 500 million people. That is a fairly fundamental point. The key point on trade is that if we leave, we lose.

[LORD KERR OF KINLOCHARD]

The argument of the noble Lord, Lord Howard, on the other hand, did seem to contain a lacuna, which I greatly welcomed; this time he did not advance what I call the Maurice Sendak theory. The Sendak argument—I call it that in tribute to that great literary work, *Where the Wild Things Are*—is one that the noble Lord has advanced in public several times; I heard him explaining it on the radio the other day. I think it is a view held by Mr Cummings—not the cartoonist but the conspirator. The argument is that if the nation votes to leave on 23 June, we should not leave but should stay firmly where we are, saying and doing nothing, not invoking Article 50, and the wild things will all come rushing to us as supplicants, saying, to quote from the great book:

“Oh please don’t go—we’ll eat you up—we love you so!”

This is a theory that Mr Boris Johnson advanced a few months ago and then resiled from a few months ago, and then advanced again a fortnight ago and then resiled from this week; his bicycle wobbles but he remains vertical. Sadly, the wild things are fiction. The fact is that the other member states are fed up with us. To them, this week’s European Council on the refugee crisis is much more important than was the Council, and the conclusions, that we are debating now.

It is surreal that any UK Government could decide not to act on a no referendum. It is even more surreal that the French press, which believes that Mr Cameron got away with murder, could agree that in the event of a no, murder should be followed by massacre.

Lord Howard of Lympne: The noble Lord says that the French Government are furious at what the Prime Minister got away with, but the French Foreign Minister is on the record as saying that the Prime Minister achieved nothing of substance.

Lord Kerr of Kinlochard: I thank the noble Lord for his helpful intervention. I believe that if we were to say no, our decision would be greeted with regret in most EU capitals, but that regret would be accompanied by some relief that all the contingency concessions made to Mr Cameron would automatically fall away—and they would; that is what the European Council’s conclusions text says.

The different argument that the noble Lord, Lord Howard, advanced today is one that I have to take much more seriously. This time it is the rest of the world that comes as supplicants, rather than the EU 27, to a self-confident UK freed of the shackles of the European Union, bestriding the world, trading on our own terms and striking new alliances. The Canadian, Australian, New Zealand, Japanese and Indian Governments have all made clear that they believe it is in their interests and ours that we stay, not go. That is the view of the US Administration, the Government in Beijing and the G20. I do not believe that the rest of the world is waiting to do business with us on our terms.

Despite reservations about the strategy that the Government have followed, I have to say that I warmly endorse and welcome the conclusions of their White Paper: we are better off, safer and stronger in the EU. That is certainly true.

9.14 pm

Lord Lamont of Lerwick: My Lords, I am delighted to follow the noble Lord, Lord Kerr. We worked together extremely closely in Brussels. He was never my Private Secretary, and I think I am a bit relieved that he was not. We were on the same side—at least I think we were, most of the time. I always used to rely on the noble Lord, Lord Kerr, to tell me what the mind-set was of those against whom I was negotiating and he had very good judgment. However, I was rather surprised today when he whispered in my ear, “I am very pleased you haven’t made up your mind about whether we should remain in the European Union”.

He had a bit of a point in that I have found this quite a difficult decision. Some people may not believe that, but it is a very momentous decision. It is a great change in British policy over 40 years and, of course, it is an extremely difficult decision to be in argument with colleagues and close friends.

I have never before argued that we should leave the European Union. I have been accused of arguing that. I know that one should never refer to one’s own speeches, but in 1994 I made a speech in which I was accused of advocating withdrawal. What I actually said in 1994—and it caused a bit of a storm at the time—was that the EU was becoming such a political union that the time would come when we would have to choose between being part of that political union or going on our own way. I think that was, probably quite by chance, what happened subsequently. Europe integrated more and more and had a different vision of its future from what we had.

Taking a longer view of our relationship with Europe; it has never been a comfortable one. It has been awkward all along. We had to get out of Schengen; it was not comfortable for us. We had to get out of the single currency; it did not fit our ambitions for Europe. Our great contribution to Europe was supposed to be the single market and the acceptance of qualified majority voting. Well, yes, up to a point, although there has been an awful lot of argument over whether Lady Thatcher would have been in favour of remaining in the EU or coming out. The one thing I do know about Mrs Thatcher is that she bitterly regretted the introduction of qualified majority voting. She felt she was misled and that it was a great step in the wrong direction.

Some people think we have not been constructive enough in our attitude to Europe. I know Tony Blair would not object to my revealing a private conversation. I remember having a conversation with him on a train going to Darlington. We were discussing his approach to Europe. He said, “The answer to Europe is to be constructive. Get in there, be positive, agree with them and they will all come round to our way of thinking”. I am afraid I said to him, “I have seen that movie several times and it always had the same ending”. It did not work for Tony Blair either.

We have heard today arguments about the pooling of sovereignty—there is nothing at stake, it is just the pooling of sovereignty and this is very similar to NATO. NATO is a military alliance, which is quite different from transferring law-making powers to a body whose law is superior to your own domestic law.

Not for nothing did Elmar Brok, a leading member of the European Parliament and a close ally of Mrs Merkel, describe the European Union as “a state under construction”.

I think many people have become disillusioned in Britain because of the sleight of hand with which that objective has been concealed; the way in which the constitutional treaty became the treaty of Lisbon; the way in which countries have been asked to vote several times when they voted the wrong way in referenda. It is for all those reasons that disillusionment has set in in Britain. Many people such as myself believe that it would be far better to have a relationship based on economics alone.

Many people have argued in this debate that for us to sell to the single market of Europe we have to be part of it. I put it to the noble Lord, Lord Mandelson—I agree I did not put it very well or clearly but I think it is an important point—that the United States has Europe as its main trading partner. Since 2011, the United States has sold more in goods than the UK has. It is not a member and it does not have any say in the rules, but it does not find that a huge obstacle. Services are also extremely important, because people say the future is services. They say that the British economy is strong in services and indeed it is, but the United States exported to the European Union over \$200 billion worth of services whereas the United Kingdom only exported less than £100 million of services. That, I suggest, makes a very strong dent in the argument. The noble Baroness, Lady Smith of Basildon, can deal with that in her reply. She did not reply very well before, but we will listen to her when she replies to that argument.

My noble friends Lady Byford and Lord Tugendhat asked the question that is asked all the time. They say that we who are sympathetic to departure from the EU never spell out the exact terms on which we would have a trade relationship with Europe. I am not sure exactly what detail they want us to go into. Obviously nobody can say what the tariff on this or that, on shoes or clothes, will be. The question ought to be: is there a deal available or is there not? Is there a negotiated free trade deal available or not? My noble friend Lord Howard quoted what Jacques Delors said—that the British are probably interested only in an economic relationship with the European Union and, therefore, if they wish to leave, we should give them an economic relationship and a free trade area.

Lord Kerr of Kinlochard: I must counter the noble Lord. I think that the quotation by the noble Lord, Lord Howard, was completely accurate. What Delors said was that you can have an EEA, which is what the Norwegians have, or you can have a free trade agreement, which is what a lot of countries round the world have, but you cannot have access to the single market.

Lord Lamont of Lerwick: That was not what Delors said at all. I am sure that my noble friend Lord Howard will not mind me revealing that he took the quotation from material that I supplied to him. That was not remotely what Delors said. I further inform the noble Lord, Lord Kerr, if I may, that Jacques Delors said it several years ago, and, much more

recently, Mr Schauble, the German Finance Minister, and, I believe, the Economic Minister of Germany, both stated that a free trade agreement with Britain would be not just desirable but, from a German point of view, necessary. That is a very important point. However, my noble friend Lord Garel-Jones poured cold water on the argument that it matters enormously to the people in Europe to have an agreement. It matters to them as much as it matters to us. It is not a question of surpluses or deficits; the German manufacturers want to know exactly on what terms they could sell into the UK market just as we would need to know on what terms we could sell into the German market. It is a question of mutual need.

Lord Ashdown of Norton-sub-Hamdon: My Lords—

Lord Garel-Jones: My Lords—

Lord Lamont of Lerwick: I am happy to give way, but I have already taken eight minutes. I will let the House judge who should intervene.

Lord Ashdown of Norton-sub-Hamdon: I am so grateful to the noble Lord, and I am sorry if I test the patience of the House. Of course it is the case that the deal will be available; the question is at what price and for how long. Of course it is the case that some countries in Europe would want that deal, and Germany is one of them, for the reasons that the noble Lord has very appropriately expressed. However, the point is that that deal has to be agreed by all 27, and that is where the difficulty is going to come. The difficulty will be not be with Germany, which has an interest, but with the many others that do not. I am sure that the noble Lord understands that.

Lord Lamont of Lerwick: I understand what the noble Lord is saying but I do not accept that other countries are necessarily going to object. If Germany, the most important country in Europe, finds it overwhelmingly in its interest to have a trade deal with Britain, and has declared well in advance of this happening or being a possibility that it thinks it would be necessary and desirable, then I think we can assume that many other countries in Europe would follow. What I did not understand was the point made by my noble friend Lord Garel-Jones that somehow people would be less willing to have a trade agreement because we had shown contempt for the European Union by deciding to withdraw. Surely if a country makes a democratic decision simply that it does not want to be part of a political agreement with another group of countries, that is not a cause for anger or resentment; that would be completely against the ideals that the European Union is meant to stand for.

I have spoken too long. I believe that there are important areas where we have lost control of our own affairs in the development of the political union in Europe. It is quite true that the Prime Minister has achieved some worthwhile and notable concessions.

I believe that he has achieved as much as any person could have achieved, but that will still leave us open to the need that always exists in the political bodies of

[LORD LAMONT OF LERWICK]

Europe—the European Parliament and the European Court of Justice—to have another leap forward. Just look how they undermined our opt-out from the charter of fundamental rights that Tony Blair thought he had achieved.

It is wrong to say that there is a status quo option on the ballot paper in the referendum. There is no status quo. Europe will continue to develop and integrate. When people cast their votes they must think not just of the present but of what Europe and Britain will look like in 40 years. That is the question.

9.25 pm

Lord Hunt of Chesterton (Lab): My Lords, it is a special privilege to take part in this most important debate about the future of our country and of our esteemed neighbouring countries. I appreciate that it is an unusual occasion when I and my Labour colleagues speak on the same side as the Conservative Government. My own early views of Europe and the world came from my grandparents. Colin talked about the German culture and medicine that saved his life after being captured in the trenches. Maxwell talked about our uncles who died in the trenches and in testing aircraft. After the First and Second World Wars, Maxwell flew the flag of the League of Nations and then of the United Nations, and I hope that we will be flying the EU flag on 23 June after we win the referendum.

In my professional life as a scientist and engineer, I was first impressed by the science and culture of Russia. Perhaps we should acknowledge and appreciate the UK spaceman in the satellite who waved to us on St David's day.

My generation of scientists was excited by the growing European networks and facilities extending from the Atlantic to the Urals, even during the Cold War, but later we were able to benefit from growing collaboration in Europe as the new political structures were created. The early European networks after World War II in the 1960s and 1970s were not as strong as the great continental organisations in the United States. But as the EU was formed with significant budgets, exceptionally able EC officials and committees, as the noble Lord, Lord Ashdown, underlined this afternoon, were able to use their diplomatic skills to connect the EC and the European Parliament to the intergovernmental European institutions, for example in nuclear and plasma physics and astronomy, weather forecasting, environment and biology. These were great developments. The EC role is sometimes dismissed, but it transformed those institutions and connected them to many useful projects, which set the agendas and standards for international science, technology and business worldwide.

Many UK SMEs—I declare an interest as a director of one—were funded by the EC to develop and apply science from these major projects. Evidence has been provided by research bodies and by business to the House of Lords Science and Technology Committee on the consequences of staying in the EU or leaving. The overwhelming conclusion has been that UK science and engineering has benefited from our involvement in the EU. Rolls-Royce, however, explained that the UK industry has not benefited as much as it might

have done as a result of the UK policy to demolish the regional development agencies introduced five or six years ago.

The UK should do more to benefit from EU philosophy. We all know that in France and Germany the approach has been to—"pick winners" is the old phrase—create great projects such as the Ariane and Airbus projects, whereas the UK has not been part of the leadership of the projects.

Sadly, the Treasury still does not understand the philosophy. The Brexit criticism of UK membership of the EU is that it detracts from our sovereignty. The Science and Technology Committee has discussed this. The expert evidence emphasised that the EC and the European Parliament have been effective in listening to the concerns of people across Europe about the environment, human rights, working conditions, vacations—and have created these new rights.

I am surprised that this has not been mentioned today. The strongest argument for the democratic role of the EU came in comments by the *Evening Standard* business correspondent three days ago. The business correspondent asked Mr Murdoch why he was so keen that the UK should leave Europe. He said that it was quite simple: if the UK is out of Europe he just goes into No. 10 and they do what he tells them. If he goes to Brussels they take no notice. That is quite a strong argument to which we should listen.

A point made by the noble Lord, Lord Willoughby de Broke, is that one important role of the UK in Europe is based on our tremendously strong and capable universities, which are a great magnet. It is this aspect that brings many thousands of excellent students to Europe, and then many of them return to their countries. It is argued by some university administrators that if the UK was to leave Europe, this important part of our intellectual life would become considerably less attractive, with business consequences.

It seems curious that in the recent words of a high official of the Conservative Party, the UK is the corner shop of the world. I think he made a mistake and that he meant the workshop of the world, but that is what he said. Therefore, some people still have Napoleon's view that we are a shop-keeping country. We are not. We are a great centre of intellectual and international learning. This aspect is important for the continued maintenance of our position in Europe.

Looking to the future, the ultimate goal for the UK is surely for it to use its pivotal position in the world and to join France in leaving the United Nations Security Council, which should of course have the European Union representing our Europe. There would then be a slot for somebody else. This would be the natural future. The idea that we are going to continue fighting for our little position in the world is not the way to look forward to the future.

9.32 pm

Lord Forsyth of Drumlean: My Lords, it is a pleasure to follow the noble Lord, Lord Hunt. I was struck by his comments thanking the European Union for its support for science and research. I will make a deal with him. I will give him £20 and then he can give me

£10 back and I will try to understand the logic of his position. We are net contributors to the EU and the money we get back is our money. The difference is that we are told how to spend it by people who are not accountable to anyone.

Lord Hannay of Chiswick: Perhaps the noble Lord is not familiar with the research that has been done by Universities UK. It states that moneys which come through the programmes of the European Union are worth 1.4 times moneys that come from simple research in the UK without collaboration with others. Before he starts with “It’s our money” he should think of that.

Lord Forsyth of Drumlean: If the noble Lord had been listening to me, the point that I was making—I am sure he understood it—is that we are net contributors to the EU and therefore what comes back is money that we have already contributed. If we did not have to join the EU we would have that money and be able to spend it on our priorities in science and research.

The noble Lord, Lord Judd—I am not sure whether he is in his place—talked about how Ministers were wrong in the way they operated within the EU. They would come back and announce that something had been a great triumph when it had been a disaster. I confess that I have been in that position. The person who turned disaster into triumph was the noble Lord, Lord Kerr. He is brilliant at taking a disaster and making it look like a triumph—as we saw from his speech when he explained how the Prime Minister’s negotiation was a great triumph. I am delighted to see that he has lost none of skills.

However, the problem still remains. The fact that the Prime Minister, with all his energy and enthusiasm, spent six months going round the European capitals, flying here, there and everywhere, staying up half the night and coming back with a mouse of a negotiation, indicates just how impotent we have become in the European Union, and what is the central issue of this referendum campaign: how can we get back to a position where our Prime Minister can make minor changes to welfare without the permission of the European Union?

I have to say to my noble friend on the Front Bench, Lady Anelay, that during the debates on the referendum Bill, she assured us that the Government would not abuse their position and use taxpayers’ money for a particular position. The documents that have been produced to date are a travesty of these promises. My noble friend Lord Ridley did an excellent job in highlighting some of these points.

I look at the stuff that is coming out from the Government in arguing for remaining in the EU. We are told that 3 million jobs will be lost and that cheap flights and holidays will be at risk. The Chancellor of the Exchequer is abroad saying that our economy will be subject to a great shock, and he is getting some of his chums in the G20 to join in the clamour. How that helps to strengthen the pound, I do not know. Special advisers are getting on to business leaders, cajoling them into signing letters, and generals and others are signing letters. We even have the Governor of the Bank of England—a position that has always been

outside politics—saying that our country depends on “the kindness of strangers”—a quote from “A Streetcar Named Desire”, or Emma Thompson running down the country. How many of those things are advancing Britain’s interests, I do not understand.

Of course, there is the big business agenda. Why does big business like Europe? Because it can go to Europe and spend £1.5 billion on lobbying and shut out competition. We had a classic example of that today. Look at the front page of the *Times* where Europe has suddenly, unexpectedly, decided that vaping should be treated as a tobacco product, so the cost should go up. I wonder who has been lobbying Brussels to achieve that? The tobacco companies and others. Who will suffer disbenefit? The people of this country who, in their hundreds of thousands, have been able to give up smoking tobacco to have vaping.

Lord Foulkes of Cumnock: I remember when I, along with others, tried to introduce anti-smoking legislation in the other place. We were lobbied again and again. The noble Lord, Lord Forsyth, and all his colleagues were the people who acted on behalf of the tobacco companies. I would name some people if I had the time who were paid by the tobacco companies and who either were or went on to become Ministers in the Conservative Government, so he had better be careful.

Lord Forsyth of Drumlean: The difference is that if the Government do something that is against the interests of the public, the people of Britain can throw them out. There is nothing they can do when Brussels passes a directive. It is almost impossible to reverse directives because you have to have the support of all the other member states—and all the horse trading that goes on.

I would like to tackle one of the arguments which is utterly irresponsible coming from unionists. It is the argument saying that if we vote to leave the European Union it will threaten the integrity of the United Kingdom and the Scots will vote to leave the union. For any unionist to make that argument is grossly irresponsible. First of all, as unionists, we believe in the United Kingdom. This is a United Kingdom decision. We do not accept the idea that there is no mandate for the whole of the United Kingdom. This is what got Labour into trouble because it started saying that the Tories did not have a mandate in Scotland. As a result, it fed the nationalist tiger and now it is reduced to one MP in Scotland. Let us not have any more of this notion that this is not a decision for the whole of the United Kingdom.

I was very struck also by the *Times* today, which published a letter from that great man Tam Dalyell, who defied the Labour Whip to vote for us to join the European Union and joined Ted Heath in the Lobbies. His letter in the *Times* pointed out that this is a ridiculous argument. There is no appetite for a further referendum in Scotland and, indeed, the Prime Minister has just stuffed the mouths of the Scottish nationalists with gold to get them to sign up to the new powers in the Scotland Bill. No Scot in their right mind will vote for bankruptcy because that is what independence would mean, with the oil price where it is and the current state of the economy in Scotland.

[LORD FORSYTH OF DRUMLEAN]

Of course, there are many positive benefits that could come to Scotland from being out of the European Union. Let us take one export industry—Scotch whisky—and one country. In India, Scotch whisky makes up 1% of the spirits that are drunk but the tariff is 150%. Yet the European Union has just failed again to reach a trade deal with India. We could do a trade deal that could be of huge benefit, and there are enough Indians and enough of a market to keep all the distilleries in Scotland working till the end of time in order to supply it. That is just one example.

Lord Foulkes of Cumnock: My Lords—

Lord Forsyth of Drumlean: The noble Lord has had a go. When they say a trade deal would take 10 years or more, I ask: how long did it take to do the trade deal with Ukraine? It was done in one month. I believe that two issues are at stake here: cost and control. We need to be able to control immigration—not stop it, but decide what happens. How else are we going to meet our manifesto commitments on numbers, and how else are we going to prevent discrimination against people from Commonwealth countries and elsewhere in the world?

If we are honest with ourselves, this is about how we see ourselves as a country. Do we have the Mandelsonian view that it is all over, or do we see ourselves as a country with a great past and a great future, based on the innovation and expertise of its own people?

Lord Foulkes of Cumnock: You sound like Alex Salmond.

Lord Forsyth of Drumlean: The noble Lord says that I sound like Alex Salmond. That is another reason why the nationalists should not be taken seriously when they argue that leaving the EU would lead to the break-up of the United Kingdom. The Scottish nationalists must be the first nationalist organisation in the history of the world to think it can get independence by joining a supra-national bureaucracy that is not accountable to the people concerned.

The noble Lord says that I sound like Alex Salmond. Perhaps, then, I shall conclude like Alex Salmond, by quoting Robert Burns:

Be Britain still to Britain true,
Amang oursels united;
For never but by British hands
Maun British wrangs be righted!

9.42 pm

Lord Willetts (Con): My Lords, it has been an extraordinarily lively debate. My noble friend Lady Anelay said at the beginning that we would be trying the patience of the voters if the referendum were held any later, but I feel that I might try the patience of this House if the debate concludes any later. I would like to briefly reflect on the debate, especially on the very lively and powerful interventions that we have had from the Privy Council Bench—many generals under whom I served as a foot soldier in battles in the past.

The interventions have often concerned our economic relationship with the EU. As we come towards the end of the debate, the options are becoming clearer.

There is some kind of Swiss or Norwegian option, involving joining the European Economic Area. The exact terms of that would have to be negotiated, but it would very probably involve accepting all the major freedoms of the single market. Indeed, the former Swiss Prime Minister has put it as follows:

“It therefore seems very optimistic to me for Leave campaigners to suggest that EU member states would simply grant the UK full access to the Single Market while allowing you to opt out of free movement”.

There is, therefore, some kind of deal on offer, but it involves accepting the product regulations and the four freedoms that come with membership of the European Economic Area. We do not have to go down that route if we leave. There are alternatives—and in several powerful interventions we have been told that the alternative is to look at the US relationship with the EU. That would indeed be a different model, which would not involve our joining the European Economic Area. The US-EU relationship still involves tariffs on US goods coming into the EU and vice versa. It involves customs controls on goods moving back and forth. In many ways, it would involve an increase in the red tape facing British businesses as they went through the same kind of hassle that US businesses now face. You have to comply with EU product regulations. That is why Lincoln Continentals are not cruising up and down the streets of Mayfair: they do not comply with EU regulations.

When it comes to services, the EU is absolutely clear—even clearer after the financial crisis—that if you wish to offer financial services in the EU you have to be based and regulated in the EU. Iceland is a warning about people offering services in the EU without being properly regulated in the area. Many American banks are located in London because—one among many reasons—that is how they access the EU market. Clearly, in a negotiation that led to our having a similar kind of relationship with the US, the EU would expect that type of arrangement. That is not because the EU is an unusually protectionist power. Let us be frank: the US similarly has a very protectionist attitude to competition from European countries, including ourselves. It is clearly in the British interest that these barriers between the EU and the US be reduced, and there is currently a negotiation aiming to do exactly that—TTIP. I do not believe that there is any prospect of any improvement in trade relations that could do better than the mutual powers of negotiation now happening between Europe and America. If America is to make any concessions to anyone for access to its markets, it will be to the EU and vice versa, so the best thing we can do is play a constructive role in those negotiations.

Another aspect of the relationship is the eurozone, on which the British Government have taken a strategic decision. Our approach to Europe was once described as, “Britain should be in the fast lane, but driving very slowly with everyone else flashing their lights behind us”. What we have decided to do with the eurozone is pull over and allow them to accelerate. There is an argument that this was a mistake, but my view is that if the eurozone is to succeed—it is clearly in our interest for it to succeed if at all possible, although it is a very confused and risky economic experiment—the deal is,

“You go ahead; if you need to integrate, do so, but preserve our full rights as a member of the single market”. That is what has been secured.

It is not just a matter of economic arguments, though. We have also heard about democracy and democratic deficits. Very few people have put that argument more powerfully than my right honourable friend in another place, Michael Gove, in an excellent article setting out his views. I pulled up short when he said:

“EU rules dictate ... the distance houses have to be from heathland to prevent cats chasing birds”.

He said that there is an EU rule that they have to be five kilometres away—an example of the trivial interference that we have from the EU. I have looked into this. There is indeed an EU habitats directive. It does not specify any five-kilometre rule about the location of housing next to heathland. That comes from Natural England, as it decides how it will interpret this EU directive. The five-kilometre rule is planning guidance—not legally obligatory—proposed by a UK agency when it thinks about what this rule should mean. The lesson I conclude from this is that a lot more of what we do lies in our own hands than we sometimes admit. Speaking as a former Minister, maybe we sometimes use the European Union as an alibi when it is a matter of domestic responsibility for domestic policy and domestic legislation. Britain is indeed a proud and self-confident country and we often still have the capacity to make our own decisions. We should celebrate that power and I do not believe our membership of the European Union is a significant threat to it.

Lord Pearson of Rannoch: Would the noble Lord accept that only about 9% of our economy and 9% of our jobs come from sales and trade to clients in the European Union, and that that is declining in deficit? Would he agree that 11% of our economy goes to the rest of the world and that the remaining 80% stays in the British economy? Does he accept that the whole of that 100% is afflicted by EU regulation? Would he care to answer that?

Lord Willetts: I would not.

9.49 pm

Baroness Ludford: My Lords, this has been a very interesting debate. First, I congratulate the noble Lord, Lord Gilbert of Panteg, on his maiden speech and in particular his stress on the cross-party nature of the campaign for the remain vote. I will return to that point.

I will now utter a phrase not often heard these days. The Liberal Democrats are fully behind the Government and support Mr Cameron to the hilt—rather more than some on his own Benches. That support includes the date of 23 June. The Prime Minister made an excellent start with a sparkling performance on “The Andrew Marr Show” and a combative presentation since. I particularly agree with his arguments about sovereignty needing to be pooled if it is to be real not illusory. That point was made by my noble friends Lord Ashdown and Lord MacLennan.

I am very glad that the Prime Minister stressed the value of the EU to UK security, an argument that the Liberal Democrats and many in this House had to fight hard on. I think of the noble Lords, Lord Hannay and Lord Boswell, in that context. When the coalition had to decide on staying with the opt-in to policing and crime-fighting measures, there was quite a lot of heavy lifting so I am very pleased that the Prime Minister and the Home Secretary have been persuaded there.

The Liberal Democrats, who are fully united as a party behind our 70-year history of support for Britain in Europe, believe passionately that remain is not only the rational and right thing to do but also the patriotic choice, playing to our strengths and multiplying our ability to promote our interests. As my noble friend Lord Lee of Trafford said, leaving would take the great out of Britain.

I want to pay special tribute to Europe Minister, David Lidington, who is something of an unsung hero of the renegotiation exercise. He is intelligent, diplomatic and knowledgeable, and his six-year longevity in the post—a poisoned chalice, some would say; I have no idea whether he wanted to be there for that long—has been an asset given the relationships he must have built up with Ministers and officials across the EU. We saw a dividend of that on 19 February. I hope I have not just dealt a blow to his further career prospects. I particularly enjoyed his response to the Brexiters in the other place last week. He said:

“If the Prime Minister had come back from Brussels brandishing the severed heads of the members of the European Commission and proceeded to conduct an auto-da-fé in Downing Street of copies of the Lisbon treaty, they would still be saying, ‘This is feeble, insufficient, not enough’”.—[*Official Report, Commons, 25/2/16; col. 564.*]

He was absolutely right.

I heard the Foreign Secretary speak a little less colourfully this morning. While still describing himself as a Euro-sceptic, he made a powerful case in presenting the document published today for how Brexit was a risky leap in the dark and that none of the potential alternatives was viable for Britain. Just today, the former Swiss President and, this evening, the current Norwegian Prime Minister advised against copying their countries’ relations with the EU.

We all wait—and still wait—for an honest portrayal by the leavers of what they propose instead of EU membership. We waited in vain during this debate as answer came there none. The noble Lord, Lord Lamont, talked about a free trade agreement but as others—including the noble Lords, Lord Willetts and Lord Kerr, said—that is fundamentally different from access to the single market. Everybody sensible accepts that access to the single market comes at a price.

All our friends and allies, not only in the EU but also in the Commonwealth including Canada and Australia, in NATO—which, as the noble and gallant Lord, Lord Stirrup, said is made stronger by the UK’s membership of the European Union and those organisations being partners—and of course in the United States and, importantly, Ireland, urge us to stay in the EU. Can the leavers cite a single country or leader apart from Putin’s Russia that wants Brexit?

[BARONESS LUDFORD]

The US trade representative has said that the United States is not interested in a trade deal with just the UK.

We know, of course, that the leavers are all over the place. Boris Johnson—true to form—could not stick to his suggestion of a second referendum for more than five days. And 13 days before his announced “decision” to back leave, he had been singing the praises of the European Union. Boris executes more U-turns than all the black cab drivers in London, who, by the way, are not among his fans.

We have also heard rather a lot of “porkies” from the leavers, I am afraid. The noble Lord, Lord Willetts, mentioned the one about the habitats directive, which boils down to some non-statutory guidance from Natural England. Boris himself has cited the one about being stopped from having safer lorries that would be more visible to cyclists. He claimed that the French had blocked this measure. However, it passed into law with the agreement of the Council and the Parliament and will come into force in a few years’ time. When the measure was going through, Boris himself blamed the British Government for trying to block this proposal. So some correct facts would not go amiss, including on our budget contribution, where there have also been some wild claims. I commend the organisation infacts.org for picking up a lot of these mistakes.

My noble friend Lord Oates, who made an excellent speech, said that anyone would think that we had no friends. I am afraid that is the attitude of all too many of the leavers. I find a defeatist streak in them and a lack of faith in this country. The side that lacks confidence in the strengths of Great Britain is not the remain side: it is those who want to take their bat home. That quitting attitude undermines, and rats on, our friends. We should be a reliable partner, asking, in the words of the noble and gallant Lord, Lord Stirrup, not just what Europe can do for us but what we can do for Europe. That is the question Winston Churchill asked, who has already been invoked in this debate. I found an article that Edward Heath wrote 20 years ago, which stated:

“I readily accept that at that time”—

that is, the time of the Zurich speech in 1946; I was fascinated to hear the noble Viscount, Lord Eccles, say that he was present—

“Churchill did not envisage Britain being a full member of this united Europe”.

But Edward Heath added:

“This reluctance was based on circumstance; it was not opposition based on principle”.

Mr Heath went on to quote Churchill in the House of Commons debate on the Schuman Plan in June 1950, when Churchill asserted:

“The whole movement of the world is towards an inter-dependence of nations ... If independent, individual sovereignty is sacrosanct and inviolable, how is it that we are all wedded to a world organisation?”—[*Official Report*, Commons, 27/6/1950; col. 2158.]

Apparently, in a letter to his constituency chairman in 1961, he said:

“I think the Government are right to apply to join the European Economic Community”.

One of the joys of the last week or so has been the tweets by Sir Nicholas Soames, who, of course, is the grandson of Churchill. I note that he retweeted a tweet by Charles Grant at the Centre for European Reform, which said:

“As Sir Nicholas Soames’ grandad might have said, the EU is the worst possible way of running relations among European states except for all the others”.

I think there are some things we can do, apart from expressing the remain arguments effectively, to make the British people feel more at ease in the European Union. One is to stop the amount of destabilising change and domestic reorganisation for its own sake in the NHS, local government and the legal system. I am not arguing for stasis when reform is needed, but changing the public and civic realm out of recognition, which has not happened in France or Germany, for instance, makes people nervous, uncertain, bewildered and even frightened, unsure of themselves and their identity, and, all too often, looking for someone or something to blame—and that scapegoat tends to be Europe. I also think that we should stop gold-plating European directives, as has been mentioned.

I make a plea to the Government to go easy on some provocative and partisan policies. I read in the *Financial Times* that the Prime Minister is advising the Chancellor to ditch his planned raid on pension tax relief because he wants to woo the voters. If the Government would like to do a bit of wooing of the opposition parties in order to create a good cross-party mood of co-operation for the remain campaign, that would not go amiss either. Perhaps the Government could look again at the Investigatory Powers Bill and whether it is a good idea to produce it three weeks after three critical parliamentary reports; at the forced sell-off of social housing; at the attack on Labour Party funding in the Trade Union Bill, which is divorced from a comprehensive reform of party funding; and at slashing the Short money for opposition parties to do their work of holding the Government to account. Perhaps the Government might have a rethink on these policies.

I conclude by hoping that after a remain vote, the Government will pursue multilateral reform inside the EU, working with like-minded partners in a sensible, pragmatic, British way. This was the strategy in coalition of Ministers such as Edward Davey and it must be renewed. That valuable exercise, the balance of competences review, is an excellent basis for doing so. Perhaps then we can get away from using the phrase “Britain’s relationship with Europe”, as the BBC so often does, and remember that if we really want to play a leading role in the EU we have to start by embracing the fact that we do indeed belong to the EU.

10.01 pm

Baroness Smith of Basildon (Lab): My Lords, after just over six hours of debate, I think we have seen your Lordships’ House at its best. Perhaps unusually for a debate of this length in this House, as the evening has drawn on, the speeches have got livelier, there have been more interventions and the debate has been reinvigorated. In a previous debate on this issue, I predicted that in the campaign leading up to the

referendum we would have some really excellent debates and fact-based communications to inform and enlighten the electorate. I think we have seen that today in this debate and we are privileged in this House to have the benefit of the expertise of noble Lords who speak from experience as well as conviction.

We have heard from noble Lords who have represented us in the European Parliament, those who have worked in Europe and the EU, and those who have been engaged in and held positions in Europe-wide organisations. We have heard from the noble Lord, Lord Hannay, who had an important diplomatic position in Europe. We have heard from my noble friend Lord Mandelson, a former Trade Commissioner. That contribution was invaluable and struck a chord with what I thought was an excellent speech by the noble and gallant Lord, Lord Stirrup. Although the noble and gallant Lord was talking about security implications and my noble friend Lord Mandelson was talking about trade, they both addressed the issue that has been raised by some, that somehow we lose power and sovereignty by being part of the EU. Both of them, in the respective cases they identified from their experience, provided evidence that in the world of today we actually gain strength, power and influence by being engaged in the EU.

I praise the noble Lord, Lord Gilbert of Panteg, for an excellent maiden speech. He made a very eloquent and positive case for the EU. But I was also impressed that he made an eloquent and positive case for political engagement. In this day and age, when politicians are often criticised, those were important remarks to make in a maiden speech. I look forward to his future contributions.

When I predicted an intelligent and informed debate, I also predicted that we would hear nonsense, scaremongering and bad temper along the way. But when I predicted such acrimony, I did not expect it to start with the Cabinet or to start so soon. I find it a bit rich for Iain Duncan Smith to tell us that we are more likely to see Paris-style terrorist atrocities if we remain in and for the leave campaign to then accuse others of fear tactics. This is the most important national debate for a generation. The decision taken by our citizens across the UK will not just have a profound effect on our relationship with other EU countries but will strike at the heart of our place in the world. There will be real, lasting and, in cases, dramatic impacts on individuals and communities.

What is clear—and those of us campaigning to remain have a duty to point this out—is that a vote to leave is exactly what it says on the tin. It will trigger the process towards Article 50, which provides for exit, and it will do so straightforwardly—no ifs, no buts, as the Prime Minister is known to say. It is complex, it is difficult, and there are no guarantees that replacements for all the agreements from which we in the UK benefit could be in place in the two-year negotiating period—or it could be longer, in which case we would be in an even worse position. I appreciate that some noble Lords say that this can be done; perhaps it is possible. But for those who value those protections, “possible” and “perhaps” are not enough. There is a duty to be very clear about the risk.

The Labour Party is very clear about why we believe that it is in the interests of the UK and our citizens to remain. My noble friend Lady Morgan clearly identified so many of those issues, as did other noble Lords. I was very pleased to hear my noble friend Lady Young speak from her experience, when she raised those environmental issues and how valuable EU regulations have been in protecting our citizens. She asked whether there was a sensible Johnson; we could argue that there are two because we also have Alan Johnson leading the Labour campaign to remain. Insightful perspectives were offered by my noble friend Lord Soley and the noble Lords, Lord Hannay, Lord Tugendhat and Lord Jopling. They set this debate in a wider context, with a wider perspective.

My noble friend Lord Radice said that the Prime Minister has to rise above party politics and I think that he is right, because the Prime Minister has to recognise the importance of attracting allies from outside his own ranks—indeed, he needs to. The noble Baroness on the Liberal Democrat Benches raised one example a moment ago. There is another example: the trade unions are among the strongest supporters of the investment, the jobs, the trade, and the benefits for working people that are guaranteed by the EU. Surely the Prime Minister should think long and hard about the Trade Union Bill. Through that Bill, Mr Cameron is determined to make their work more difficult by making it harder for them to raise funds to campaign and harder to support the Labour Party. That does not seem a great negotiating strategy. At times, I have found the Prime Minister’s negotiating strategy quite baffling. He has to recognise that, far too often, it has been focused on trying to resolve the problems within his own party—and he was never going to be on to a winner there.

Chris Grayling let the cat out of the bag when he declared:

“Many of us made our minds up weeks ago, but we did the right thing and let the Prime Minister continue his negotiations”.

Clearly, they were not waiting with bated breath for the Prime Minister to come back from Brussels with the deal before they decided how they would vote. Let us be clear: nothing would have satisfied them. But negotiation within the EU is not a one-off, once-in-a-generation debate like a referendum. As noble Lords have said in this debate, it is an ongoing process. The reasons we should remain in the EU are so much deeper than just one negotiation and the Prime Minister’s deal. It is of course about trade, investment and jobs. It is also about standards, protecting our environment, ensuring that customers are not ripped off with dodgy goods, and about support and protection for workers across the EU, so that one country is not pitted against another in a race to the bottom.

These are real issues; they mean something to people and they impact directly on lives. It is about vision. That is where—my noble friend Lord Foulkes made this point—although we all want to remain in the EU, we see things a bit differently from the Prime Minister. In his 2013 speech, when he set out his vision of our relationship with Europe, he said:

“But today the main, over-riding purpose of the European Union is different: not to win peace, but to secure prosperity”.

[BARONESS SMITH OF BASILDON]

But it is also to secure peace. The noble and gallant Lord, Lord Stirrup, made a similar point—probably more powerfully than I will be able to—that the vision of Europe, standing together for peace, protecting its citizens, and fighting crime and terrorism is as important now as it ever was. The threats and challenges that we face today are almost unrecognisable from the days after the Second World War or during the Cold War—but they are no less real.

It is not just the threat of terrorism, from whatever source, but serious and organised crime that threatens the very fabric of society: people trafficking, fraud, cybercrime, child abuse, including pornography and paedophilia, drugs and money laundering cannot be tackled within our shores alone. We need not just co-operation but shared intelligence, joint operations and joint working if we are to have any impact on bringing those criminals to justice.

If I ever had any doubts about our voting to remain, the debates that we had here in your Lordships' House on the coalition Government's bizarre charade of the opt out then opt back in again on EU police and criminal justice measures were enough to convince me. There are many noble Lords here tonight who took part in those debates. The 2010 Conservative manifesto made these issues one of the key areas in which we would distance ourselves from the EU and have a "repatriation of powers". It was the political equivalent of the magician's card trick—a complete illusion. The reality was never going to live up to the rhetoric, fortunately. The clear impression was given that we were to free ourselves from the shackles of Europe, withdraw from the European arrest warrant and reinstate good old British policing. But the days of "Dixon of Dock Green" have passed. We had a bizarre hokey-cokey of opting out of all the measures and then opting back in again.

So what did we opt out of that gave us that great repatriation of powers? Ministers were never able to explain, or admit, whether any of the measures that we opted out of had any impact or were even in use in, or applied to, the UK. They included a directory of specialist counterterrorism officers that did not actually exist. We opted out of a temporary system for dealing with counterfeit documents, which had already been replaced, and out of a bundle of measures relating to Portugal, Spain and Croatia that did not even apply to us. It was a fallacy. What is important on that point is that, despite the rhetoric and the overblown claims of getting rid of the European arrest warrant, Ministers soon recognised that this could only ever be a vanity exercise. We needed those EU powers and regulations. It was in our interests and in the interests of our citizens. We were unable to fulfil our obligations to our citizens in terms of safety and security without them. Even the head of Europol, Rob Wainwright, has expressed his fear for our capacity to fight crime and terrorism from outside the EU.

It is as my noble friend Lady Morgan said: after the sniping and criticism, you have to step back from the rhetoric and politics to deal with the real issues at stake. That is why this campaign needs good judgment and hard facts. While many are clear about how they will vote, many more are still considering their position.

They may not be obsessed with these issues, or even engaged at all with them, but throughout their lives they want what is best for their families, their communities and their businesses. They are listening to the debate, reading the information and coming to their own decisions.

A vote to remain does not need an absolute conviction that the EU is perfect in every way—we all know that it is not. But it is perfectly logical, reasonable and sensible to have criticisms or concerns about the EU and, at the same time, hold the balanced view that it is in our interests to remain and vote yes. It is perfectly logical, reasonable and sensible to want to vote remain and want change. The point has been made already that the EU needs to reform and that reform can be made only from within. Yet if we vote to leave, decision-making will continue during that minimum two-year negotiating period. It is hard to believe that anyone would take us seriously at all in making those decisions. Even after those two years, or longer, once we were no longer part of the EU our businesses would obviously want to continue to trade with EU countries. They would still have to abide by those regulations in doing business but we would have abdicated any responsibility to them in helping to shape those regulations. Our consumers buying goods from outside the EU would no longer have the quality, safety and environmental protections that they have now.

Those who campaign to leave have to offer something more than motherhood and apple pie, or "It'll be all right on the night". This is deadly serious. It must not descend into a campaign about who can shout the loudest, get the most celebrities or frighten the most voters. We have had a valuable debate today, which is a credit to your Lordships' House. I hope that it informs the debate. We have no objection to the SI. We look forward to the referendum and we shall be campaigning to stay in.

10.14 pm

The Minister of State, Ministry of Justice (Lord Faulks) (Con): My Lords, this has been a historic debate. The House has well and truly put its stamp on this very important issue. Many have spoken with personal experience. Sometimes there has been an acknowledgement that there is a visceral element to the reaction that many people have to this issue, as there will be throughout the country. So many points have been made that I hope noble Lords will not be too disappointed if I confine my remarks to rather few of the issues raised during the debate.

Unfortunately, being a late arrival to the debate, I was unable to be here during the maiden speech of my noble friend Lord Gilbert of Panteg. My late inclusion was because of the acute discomfort that my noble friend Lady Anelay was in. I salute her tenacity throughout the whole business of the European Union Referendum Bill and her dedication to bringing matters to the House's attention. But I have it on the highest authority that he made an excellent maiden speech, and we very much welcome him to the House and look forward to his future contributions.

My task in winding up this debate has been made easier by the fact that the noble Lord, Lord Kerr, made many of the points that I might have made in

winding up, and rather better than I would have done. I can deal with the date quite briefly, in view of the widespread acceptance of the SI. The Prime Minister has announced his intention to hold the referendum on 23 June, and my noble friend Lady Anelay explained why the Government believe that that date strikes the right balance between giving enough time for a proper debate and not making voters wait too long to have their say. There will be four months from the announcement of the date until polling day, six weeks for campaigners to apply to be designated, and a 10-week regulated referendum period. We believe that that is ample time. Traditionally, general elections have only six weeks' notice; this referendum will have had much more. The intention to hold a referendum before the end of 2017 was announced in the Prime Minister's Bloomberg speech of 2013; it was affirmed at the election last year and reaffirmed by the passing of the referendum Act in December. No one can claim that they were not given sufficient notice.

Most importantly, the Electoral Commission has confirmed that it is content with the Government's proposals and that, in its view, arrangements for a well-run referendum are "well advanced" and that the date does not pose a "significant risk". It was only the noble Lord, Lord Stoddart, who suggested a different date; he suggested that the Government should wait until after the Tory Party conference, an invitation that the Government have no difficulty in refusing. The approval of the procedure has been echoed by the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee; both have considered the instrument and both are content with the proposals.

Lord Howarth of Newport: The noble Lord has suggested that the Electoral Commission is content—maybe it is—but has it offered a view on the character, integrity and neutrality of the various so-called information documents that the Government have been pouring forth? It might be that it would consider that those documents are not in fact as neutral as they ought to be.

Lord Faulks: I am unaware of any view having been expressed about those documents but, since the noble Lord asks about those documents, which have been variously described as "propaganda", they are the Government's attempt to make their case and to make it clearly—*The Best of Both Worlds*, as the Government see it. We look forward to those who wish to leave the European Union putting forward their views in writing so that they can be scrutinised and dismissed as propaganda if they must be. But rather, I would suggest, a proper analysis of views on one side and another should be undertaken.

I turn to the deal—the EU renegotiation. I take the point made by my noble friend Lord Ridley that this is a question of a relationship not with Europe but with the EU. There have been a range of opinions. The special status that the renegotiation has delivered means that Britain can, as the pamphlet suggests, have the best of both worlds. We will be in the parts of Europe that work for us, influence the decisions that affect our economy and help to keep our people safe. We will be

in the driving seat of the world's biggest single market, but we will be out of the parts of Europe that do not work for us—the euro, the eurozone bailouts and the passport-free, no-borders Schengen area—and we will be permanently and legally protected from being drawn into ever-closer union.

The deal has achieved agreements in each of the four areas that were set out by the Prime Minister in his letter to Council President Tusk in November last year. On sovereignty, the deal ensures that the UK is out of ever-closer union, will never be part of a superstate, and has achieved new powers to block unwanted European laws. On competitiveness, the deal secures new commitments from the EU to cut red tape, complete the single market and sign new trade deals. On economic governance, we have made sure we will never join the euro, that British taxpayers will never be required to bail out the eurozone and that British businesses cannot be discriminated against for not being in the eurozone. On welfare and migration, we have made sure that new arrivals from the EU will not be able to get access to full benefits for four years and that child benefit will no longer be sent home at UK rates.

The noble Lord, Lord Green, suggested that this might not reduce the flow of EU migrants. The new relationship means that EU migrants can no longer claim full benefits for some time, and this ends what has been characterised as something-for-nothing welfare arrangements. The Government are not making a forecast of numbers, but we know that around 40% of EU migrants are supported by the benefits system, so reducing this artificial draw will, the Government believe, help us control and reduce immigration from Europe.

The legal nature of this deal has been called into doubt by some, but let me be clear: this deal is legally binding for all EU member states and the decision of the heads of state or government has now been registered with the United Nations as an international treaty. The conclusions of the February European Council as well as the text of the deal itself clearly set out the legally binding nature of the deal, and the European Court of Justice has held that decisions of this sort must be taken into consideration as being an instrument for the interpretation of the EU treaties.

Council President Tusk was clear that:

"The 28 Heads of State or Government unanimously agreed and adopted a legally binding and irreversible settlement for the United Kingdom in the EU. The decision concerning a new settlement is in conformity with the Treaties and cannot be annulled by the European Court of Justice."

The legal opinions of both the Council Legal Service and Sir Alan Dashwood QC further confirm the legally binding nature of the deal. All those documents are footnoted in the document described as propaganda by those who oppose this process.

My noble friend Lord Astor asked whether the European Parliament could veto elements of the deal after a remain vote. Martin Schulz, the president of the European Parliament, has said that he absolutely rejects the notion that MEPs have a veto and has given a guarantee that the European Parliament will, immediately after the referendum to stay in Europe,

[LORD FAULKS]

legislate on the proposal of the Commission. Manfred Weber, the leader of the centre-right EPP, the biggest block in the European Parliament, has said that with strong backing from EU member states and parliamentary leaders a UK package,

“could go through very quickly after the referendum. One or two or three months is possible”.

So we are confident that we can get the changes we need written into EU law.

Lord Hunt of Chesterton: Perhaps the Conservatives might join this group. It might be more expeditious.

Lord Faulks: I am sure they will be grateful for that suggestion.

The position is that this is a legally binding agreement. Of course all countries have evinced a clear agreement to be bound by the terms. The European Court of Justice cannot be bound by the agreement itself—it is a final court determining the validity of an agreement—but it is not realistic to expect that it will in any way go against what is a clear agreement in international law entered into by all members of the European Union.

Lord Forsyth of Drumlean: Will my noble friend explain why the Lord Chancellor takes a different view from him?

Lord Faulks: In an interview which I saw, the Lord Chancellor suggested that the European Court of Justice—or the CJEU, as it now prefers to be called—is the supreme court in Europe and is above all European institutions in interpreting the law. That is entirely a correct statement of the position. If he suggested—and I am not sure whether he did or did not because it seemed to me that he and the Prime Minister might have been talking about rather different things—that the treaty was not binding on the European Court of Justice, he was right to the extent that it is open to the European Court of Justice to decide that its jurisdiction is determined by the nature of the treaties only. It is highly unlikely that they would do so—highly unlikely because there is a clear agreement evinced by the 28 countries, the members of the European Union. No self-respecting court that had any say for its own reputation would do violence to that agreement.

Lord Howard of Lympne: Is it not the case, however, that although all courts these days are unpredictable, the European Court of Justice is more unpredictable than most? Unless and until a case came before the European Court of Justice, we simply do not know what their decision will be.

Lord Faulks: Some courts are more predictable than others, but the confident assertion from all legal advisers whose opinion I have read is that, for example, were there to be an argument to the effect that our changes to migration arrangements were somehow contrary to the principle of free movement, there is no way that the European Court would say, “Well, the treaty has freedom of movement, but all the member states have agreed to the contrary that there should be

this arrangement for the United Kingdom”. I simply cannot believe that it is arguable that there would be any other conclusion than that there was honouring of the agreement.

Lord Hannay of Chiswick: My Lords, could the Minister confirm what I believe to be the case, and stated when I addressed the House earlier: that in the cases of Denmark and Ireland, where postdated commitments were entered into for treaty change, which took quite a few years to fulfil, there was no evidence and no case in which the European Court of Justice sought to tamper with those agreements? That is rather more important than endless speculation about what it might do.

Lord Faulks: I am grateful to the noble Lord. He is quite right. Those are substantial precedents and a clear indication of what might happen—as he quite rightly said, in invoking the Latin maxim *pacta sunt servanda*.

Lord Spicer: Can my noble friend think of an example where the European Court has intervened and where it has not done so in favour of an integrationist centralist Europe, according to the *acquis communautaire*?

Lord Faulks: With great respect to my noble friend, I am not sure that going over the entire jurisprudence of the European court would help, either at this time of night or at all, in terms of answering this fundamental question. We, the Government, submit that the answer is clear: this is a binding agreement.

May I also advance the argument that we are better off in the EU? The Government believe that the UK will be better off. The Government’s long-term economic plan is delivering economic security for families and businesses, underpinned by sound public finances. We plan to do this by investing in the UK’s future, addressing the productivity challenge and rebalancing the economy towards trade and investment. With turbulence in the global economy, membership of the EU supports this plan by giving British business access to the free-trade single market, and dozens of trade deals across the world.

Through our EU membership, we already have trading agreements with more than 50 countries. Concluding all the trade deals currently under way could ultimately be worth more than £20 billion a year to the United Kingdom GDP. Once these deals are completed, around three-quarters of UK exports to non-EU countries would be covered by an EU-negotiated free-trade agreement. Of course, we could make other deals—whether we could make them on better terms must be seriously in doubt. This Government’s deal keeps the EU moving firmly in the right direction and hard-wires competitiveness.

Would we be safer in the EU? The Government believe that we would. Our EU membership allows the UK to work closely with other countries to fight cross-border crime and terrorism, giving us strength in numbers in a dangerous world. Our new settlement reiterates that the responsibility for national security

rests solely with national Governments and that EU institutions will fully respect the national security interests of member states.

The Government believe that the UK will be stronger in the EU because we can play a leading role in one of the world's largest organisations from within, helping to make the big decisions that affect us. Membership of the EU, like our membership of NATO and the UN, amplifies the UK's power and influence on the world stage. At a time when we are, as many noble Lords have pointed out, faced with an increasing range of serious threats, co-operation at an international level is more important than ever.

This is a significant package of measures, delivering changes that are substantial, legally binding and irreversible in the sense that they can be changed only if all 28 member states agree. Of course it will not solve all the problems with the EU. In that sense, it should be seen as an important step on the road to EU reform—a point made by my noble friend Lord Howell, in his thoughtful speech—rather than the destination.

As to leaving the EU, noble Lords will be aware of the discussion elsewhere about a vote to leave being a means of securing further concessions in the renegotiation process, ahead of a second vote. That appears to have been briefly the view of the Mayor of London and is still the view of Mr Dominic Cummings.

The noble Baroness, Lady Morgan of Ely, asked if there was any contingency planning for Brexit. The Civil Service is working full-time to support the Government's position, and the Government's view is that the UK will be stronger, safer and better off remaining in a reformed EU. I want to be very clear on behalf of the Government: a vote to leave is exactly that—a vote to leave. The Government cannot ignore the democratic decision that will be made on 23 June; there is no option on the ballot paper to have a second renegotiation or to hold a second referendum. The Prime Minister has been explicit that a vote to leave would trigger Article 50 of the treaty. It would begin the process of a British exit from the EU.

Lord Lawson of Blaby: On the point that the Minister has just made, it is not a matter for the Prime Minister to decide whether Article 50 is invoked in the event of a referendum for leaving; it is a matter for Cabinet. The Cabinet will have to have before it papers setting out all the various options, and it will be for Cabinet to decide which of those options it wants to pick up.

Lord Faulks: Whatever the process, it is clear that Article 50 will have to be adopted. The EU treaties, which the UK is signed up to, set out a legal process for EU member states to leave. My noble friend Lord Lawson suggests that we can simply ignore that process by repealing domestic legislation in the form of the European Communities Act, which is the piece of legislation that incorporated the treaty into our domestic law, but if we simply did that and ignored the UK's international obligations, we would be violating the rule of law. It would hardly be a good way to begin a

negotiation with 27 other member states to get a good deal for Britain by breaking international law.

The public would expect that if we were to leave, we would do so, as we have traditionally done, in accordance with the law and following the terms of the treaties. A vote to leave would start the clock on a two-year period to negotiate the arrangements for the UK's exit. I should also be clear about what would happen if that deal to leave was not done within two years. Our current access to the single market would cease immediately after two years and our current trade agreements with 53 countries around the world would lapse.

The Government have made our position clear: the UK's national interest—the interests of every individual, family, business, community and nation within our United Kingdom—will be best served by our country remaining part of a reformed EU. There was almost total agreement across the House today that we should let the British people have their say on 23 June. Clearly, then, there is no reason to wait. Let us give each side time to make their case, then let us put the question to the British people. Let us settle this issue for a generation, and let us vote to remain.

There is a Motion to approve the statutory instrument before the whole House. I beg to move.

Motion agreed.

European Union: United Kingdom Membership

Motion to Take Note

10.34 pm

Tabled by Baroness Anelay of St Johns

That this House takes note of Her Majesty's Government's policy paper *The best of both worlds: the United Kingdom's special status in a reformed European Union* presented to Parliament pursuant to section 6 of the European Union Referendum Act 2015.

The Earl of Courtown (Con): My Lords, on behalf of my noble friend Lady Anelay of St Johns, I beg to move the Motion standing in her name on the Order Paper.

Motion agreed.

Supply and Appropriation (Anticipation and Adjustments) Bill

First Reading

10.34 pm

The Bill was brought from the Commons, endorsed as a money Bill, and read a first time.

House adjourned at 10.35 pm.

Grand Committee

Wednesday 2 March 2016

Employment Allowance (Increase of Maximum Amount) Regulations 2016

Motion to Consider

3.46 pm

Moved by Lord Ashton of Hyde

That the Grand Committee do consider the Employment Allowance (Increase of Maximum Amount) Regulations 2016.

Lord Ashton of Hyde (Con): My Lords, I am pleased to introduce the Employment Allowance (Increase of Maximum Amount) Regulations 2016, the Employment Allowance (Excluded Companies) Regulations 2016 and the Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016. As all three sets of regulations deal with national insurance contributions, it seems sensible that they should, with the leave of the Committee, all be debated together.

The substance of the two instruments concerning the employment allowance was announced at the Chancellor's summer Budget on 8 July last year. The NICs rates and thresholds for the 2016-17 tax year were announced as part of the Chancellor's Autumn Statement on 25 November.

I will start with the Employment Allowance (Increase of Maximum Amount) Regulations 2016. The Government are committed to supporting businesses which want to expand their workforce. To that end, the employment allowance was first announced at Budget 2013 as a reduction of up to £2,000 a year for eligible businesses and charities on their employer NICs bill. In the year 2015-16, the allowance has benefitted almost 1.2 million employers, helping to cut the cost of employment in the UK. These regulations increase the employment allowance to £3,000 from 6 April 2016. The increase will further support businesses and charities to enable them to grow. As a result of this increase, 90,000 more employers will be taken out of employer NICs altogether. It also means that firms will be able to employ four workers full-time on the new national living wage next year without paying any employer NICs.

The Employment Allowance (Excluded Companies) Regulations 2016 focus the employment allowance on companies that support employment. As announced at summer Budget 2015, these regulations mean that limited companies where the director is the sole paid employee will no longer be able to claim the allowance from April 2016. This ensures that the allowance is focused where it should be, on its original objective of supporting businesses with the costs of employment. HMRC anticipates that there still will be around 1 million employers who will benefit from the employment allowance next tax year, taking this measure into account.

Lastly, I turn to the Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016. As you

may be aware, these regulations contain some technical detail, so I hope noble Lords will bear with me while I explain their content. The consumer prices index rate of inflation is the basis of indexation for most of the national insurance contribution limits and thresholds. The CPI rate of inflation was minus 0.1% in the year to September 2015. As a result, not all of the national insurance contribution limits and thresholds will need to be changed for the 2016-17 tax year. The exceptions to this are the upper earnings limit, the upper secondary threshold, the upper profits limit and the new apprentice upper secondary threshold.

I start with the upper earnings limit, which is the level of earnings at which employees begin to pay class 1 national insurance contributions at the additional percentage rate. It is aligned with the point at which the higher tax rate is paid. From this April, the income tax personal allowance will increase above indexation from £10,600 to £11,000 and the point at which the higher tax rate is payable will increase from £42,385 to £43,000 in the 2016-17 tax year. The upper earnings limit will be increased from £815 to £827 per week from 6 April 2016 to maintain this alignment.

The upper secondary threshold is the level below which employers are entitled to a 0% rate of national insurance contributions on the earnings of employees under the age of 21. Since it was introduced in April last year, the zero-rate earnings band for employees under 21 has supported the jobs of more than 1.5 million young people. The UST will continue to be aligned with the upper earnings limit and will also be set at £827 per week from 6 April 2016.

From April this year, employers will also be entitled to a reduction in secondary class 1 NICs on the earnings of eligible apprentices under the age of 25. This will reduce the cost to employers of providing apprenticeships for young people. The new apprentice upper secondary threshold will be the level below which employers are entitled to a 0% rate of NICs on the earnings of relevant apprentices. Like the UST, it will be aligned with the upper earnings limit, and so it will be set at £827 per week from 6 April 2016.

Moving on to the self-employed, these regulations also set the upper profits limit for class 4 contribution liability. The upper profits limit is the level of profits below which the self-employed pay the main class 4 percentage rate of NICs on profits above the lower profits limit. The UPL also will rise to maintain alignment with the level at which the higher rate of income tax is payable—to £43,000 for the 2016-2017 tax year. These regulations also set the prescribed equivalents of thresholds and limits I have mentioned for employees paid monthly or annually.

In the 2016-17 tax year, employers will continue to pay contributions at 13.8% on earnings above the secondary threshold. Employees will continue to pay 12% on earnings between the primary threshold and the upper earnings limit, and 2% on earnings above that. This is in line with the commitment the Government made in the National Insurance Contributions (Rate Ceilings) Act 2015 to provide certainty for businesses and employees by locking in the main rates of class 1 NICs for the duration of this Parliament.

[LORD ASHTON OF HYDE]

Finally, to ensure that the National Insurance Fund can maintain a working balance throughout the coming year—which the Government Actuary recommends should be one-sixth of benefit expenditure for the year—these regulations provide for a Treasury grant of up to 5% of benefit expenditure to be made available to the National Insurance Fund in the 2016-17 tax year. A similar provision also will be made in respect of the Northern Ireland National Insurance Fund.

I commend the draft Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016, the Employment Allowance (Excluded Companies) Regulations 2016 and the Employment Allowance (Increase of Maximum Amount) Regulations 2016 to the Committee.

Lord Tunnicliffe (Lab): My Lords, I thank the Minister for introducing these regulations this afternoon. As he has outlined, there are three separate instruments before us today. I will start by addressing the two on the employment allowance before turning to national insurance limits and thresholds. The Opposition will not oppose any of the measures, but I will put a number of questions and clarifying points to the Minister.

Labour is committed to stimulating employment growth and in particular supporting SMEs, and therefore from the outset we have been behind the intent of the employment allowance. That said, it is not clear whether the policy is having the intended impact. The main reason stated by the Government for these changes is to make the employment allowance more focused on businesses that create and sustain employment, ensuring that the employment allowance is better targeted on employers who may take on additional staff, and so supports the objective of supporting employment. However, as the Chief Secretary to the Treasury openly admitted, there is a particular problem when it comes to,

“assessing how many jobs are created as a result of the allowance, because of the inherent complexity in that matter”—[*Official Report*, Commons, National Insurance Bill Committee, 21/11/13; col. 58].

Given the Government’s stated purpose, it is not at all unreasonable for us to judge the success of this policy against the number of people it enables SMEs to employ. However, due to the apparent impossibility of collecting the necessary data, how would we know? How can the allowance be targeted on particular gaps in small business employment if we do not know who is and who is not using the allowance to take on more staff? Indeed, according to the employment allowance impact report, only 34% of those surveyed stated that they planned to use the allowance to take on additional staff. The majority said that the money would be absorbed into the general revenues and expenditure of the business.

Increasing the allowance by £1,000 to mitigate the increased cost of the national minimum wage seems perfectly reasonable. However, can the Minister go into some more detail about the impetus behind the exclusion of sole-director companies? What were the reasons why further exemptions were felt appropriate? Can the Minister when responding make particular

reference to whether the evidence of tax avoidance had encouraged the Government to respond in this fashion?

As I stated at the beginning, we support the measures, but perhaps it will be appropriate to offer a word or two of caution. In the report *Awareness and Impact of the Employment Allowance—Research with Small Employers*, the main reason for businesses not claiming the allowance was concerns around eligibility. Does the Minister anticipate whether further exemptions will be added? If so, the Government ought to be aware of the confusion that already exists among employers about who is eligible. It is also worrying that the understanding of the rollover mechanism built into the legislation is lower still. Does the Minister not agree that producing policy with the intent of easing the burden on SMEs can only be as effective as the knowledge of those whom the policy impacts? Without this, the efficiencies that the Government are making are pointless.

I turn to some of the specifics about the regulations themselves. The consultation was held for five and a half weeks, between 26 November 2015 and 3 January 2016. Why was the period so short? The Chancellor announced these measures in his summer Budget; surely consultation could have commenced during the Summer Recess?

A more significant point is that HMRC has not published a summary of the responses to the consultation in question. Its publication would be of value—I would be interested to see, for example, whether contributions were made by those who had started their own business and claimed the employment allowance, and what they believed the impact of the proposed restriction of the allowance to companies with a single director would have had on the ability to establish their company. Can the Minister say whether there are any such examples? Could he give a commitment to publish the consultation and place it in the Libraries of both Houses? Given the acknowledgment that data collection on, and analysis of, the employment allowance is difficult to come by, any information gathered on the issue would be of considerable value.

4 pm

Paragraph 11.3 of the Explanatory Memorandum refers to the same consultation on the regulation of small businesses, and says:

“The basis for the final decision on what action to take to assist small business will be responses to the technical consultation on the Excluded Companies Regulations, to ensure that the measure does not have any unintended consequences”.

We are only going to access the merits of the Government’s judgment in this regard if we have the relevant information available to us.

Finally, paragraph 3.2 of the Explanatory Memorandum states:

“Disregarding minor or consequential changes, the territorial application of this instrument includes Scotland and Northern Ireland”.

Would the Minister commit to writing to me to outline how this measure, and indeed the national insurance measures, will be applied differently in the devolved Administrations?

The third measure in this set of statutory instruments—the Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016—sets limits and thresholds for class 1 national insurance contributions paid by employees and employers on employee earnings and for class 4 national insurance contributions paid by the self-employed. The rise in the threshold for employees means that employees will pay up to an additional £1.20 per week in national insurance. However, the Government have not shifted the lower threshold upwards accordingly. Although this has occasionally stayed the same as the previous year, that has not been normal government practice. Could the Minister expand on the Government's thinking behind this aspect of the proposals?

In addition, the regulations set the thresholds for two national insurance relief measures: first, abolishing NICs for employees under the age of 21 on earnings up to the higher rate threshold; and secondly, abolishing employer NICs up to the upper earnings limit for apprentices aged under 25. The Government's ambition to create 3 million apprenticeships by 2020 is widely known. However, a repeated problem that we have consistently raised is that, although a rise in the number of apprenticeships is of course welcome, they have disproportionately favoured people over the age of 25. Could the Minister say whether today's regulations are a recognition from the Government that something needs to be done to tackle the lack of high-quality apprenticeships available to young people? Have his colleagues at the Treasury produced statistics about the number of people under the age of 25 who will be affected? If the Minister has any information on this, I would be very grateful if he would share it with us.

I end by once again stating that the Opposition will not be opposing these measures today. However, I would be grateful if the Minister could respond to the points that I have raised, if not in his reply perhaps at a later date in writing.

Lord Ashton of Hyde: My Lords, I thank the noble Lord for his questions and above all for his party's support for these regulations, which I believe was also given last year. When I have answered some of the questions, I think he may feel even happier about providing that support.

The noble Lord asked whether the employment allowance achieved its intended purpose of supporting employment, given that the impact report stated that only 34% of those surveyed planned to take on more staff. The aim of the employment allowance is of course to support businesses and help them to grow by reducing the cost of employment. Statistics published by HMRC at the end of October 2015 show that 1.17 million employers have had their employment costs reduced by the employment allowance. Of course, it is up to individual businesses to decide how best to use these savings. The latest research from the Federation of Small Businesses suggests that 29% of small businesses will use the savings to boost staff wages, 28% will employ additional staff and 24% will invest resources. However, this is one of a suite of measures and, as I said, it is up to them how to use the allowance.

The noble Lord made a point about information and asked how we can target the employment allowance to specific gaps in small business employment if we do not have the data about who is using it. There are already positive indications to suggest that employment allowance is being widely claimed by the small business community. The impact report states that nearly seven in 10 eligible businesses with fewer than 50 employees are claiming the allowance. That report was compiled when the scheme had been running for less than a year. Since then, figures show that 1.17 million employers have benefited and, at the moment, 98% of the benefit of the allowance goes to small and medium-sized businesses—by which I mean those with fewer than 250 employees.

I turn to the regulations on excluding single-director companies from employment allowance. The impetus, as the noble Lord put it, behind these is to reinforce the objective of the allowance as a means to support wider employment and to help to ensure that it is focused on reducing the cost to companies of expanding their workforce or taking on their first employee.

On the question of eligibility for the allowance, whether further exemptions will be added to it and potential confusion from the changes, the report on awareness and impact on employment that the noble Lord cited was published last July and represents a snapshot of the research carried out between November 2014 and January 2015. Since then, the Government have published take-up figures and, at the end of 2014-15, the take-up rate stood at 89%—a quite substantial improvement—with more than 1 million employers claiming the allowance. As I mentioned, the mid-year estimate was 1.17 million employers. We are encouraged by those statistics and think that the early concerns set out in the report have eased with the passage of time, but, of course, the Government continue to monitor the effectiveness of employment allowance and its contribution to wider government aims.

The noble Lord asked why the technical consultation on single-director companies was so short. In fact, the tax consultation framework sets out that the consultation period for this sort of secondary legislation is four weeks, and this consultation was a bit longer, at five and a half weeks, because of the Christmas break. It was closed in early January to enable the measure to come into effect in April, as announced. As for a summary of the responses to the consultation on the single-director company measures, paragraph 8.1 of the Explanatory Memorandum provides a short summary of the comments made in response. It was quite short, and we have no plans to extend that because the essence of the replies is contained in that short summary.

The noble Lord asked, in relation to the paragraph in the Explanatory Memorandum on the technical consultation on excluded companies, whether the responses to the consultation informed the action taken to assist small businesses. That paragraph relates to the technical consultation. The responses to the consultation were useful in assisting HMRC to write the guidance for the measure, which will be published in due course on the government website GOV.UK.

The territorial application was mentioned. I can confirm that all these measures will apply to the whole of the United Kingdom, as set out in paragraphs 5.1

[LORD ASHTON OF HYDE]

and 5.2 of the Explanatory Memorandum on the employment allowance changes. The paragraph that the noble Lord cited was included in relation to all the SIs to assist the Speaker in the other place by drawing attention to the fact that the instrument does not need to be certified for the purposes of the English votes procedures in the other place.

There was slight confusion about the Government increasing the upper earnings limit, meaning that employees have to pay more national insurance contributions on their earnings. The proposed increase in the upper earnings limit will maintain the alignment with the point at which the higher tax rate is paid. This will increase to £43,000 next year, which is slightly above inflation. At the lower end, the CPI rate of inflation, as I mentioned in my opening remarks, has been minus 0.1%, so those rates have been frozen. That is consistent with the approach taken in the past when the retail prices index was negative, which led to the thresholds being frozen for the 2010-11 tax year.

Lord Tunncliffe: I may have suffered from a touch of brain fade, but did the noble Lord respond to my question about the extent to which tax avoidance had been a feature in the single-director exclusion?

Lord Ashton of Hyde: I did not, or at least I did in the sense that I made the point that it was focused on helping businesses to employ people. This brought it in line with the original policy, so I made it into a positive point and I did not specifically mention avoidance. However, we think that overall, in line with the policy, it is right to focus it on creating employment.

The new policy on apprenticeships starting in April will involve the abolition of the class 1 national insurance contributions for young apprentices under the age of 25. That will obviously reduce the cost of employing an apprentice, which is part of the Government's strategy to support high-quality apprenticeships. It is part of a wider strategy, which will also introduce the UK-wide levy on employers with pay bills over £3 million to fund the step change needed in apprenticeship starts and help to achieve the 3 million apprenticeship starts this Parliament, which is part of our policy.

I was asked how many people will be affected by the under-25 national insurance relief. The impact assessment published with the regulations notes that an estimated 180,000 employers offer apprenticeships in the UK and are likely to benefit from this measure. The BIS apprenticeship data in England for the 2013-14 academic year show that around 500,000 apprentices under the age of 25 were employed throughout the country. HMRC estimates that there are around 130,000 apprentices in England aged 21 to 24. This group will be directly affected by this measure, with those under 21 already benefiting from the zero NIC rate since April 2015.

I think that I have dealt with most of the questions. Of course, if I have not covered them all, I will certainly look through the record of the noble Lord's speech and write to him. I repeat that I am grateful to him for his support and I commend these regulations to the Committee.

Motion agreed.

Employment Allowance (Excluded Companies) Regulations 2016

Motion to Consider

4.14 pm

Moved by Lord Ashton of Hyde

That the Grand Committee do consider the Employment Allowance (Excluded Companies) Regulations 2016.

Motion agreed.

Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016

Motion to Consider

4.14 pm

Moved by Lord Ashton of Hyde

That the Grand Committee has considered the Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016.

Motion agreed.

Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016

Motion to Consider

4.15 pm

Moved by Baroness Neville-Rolfe

That the Grand Committee do consider the Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016.

Relevant document: 24th Report from the Secondary Legislation Scrutiny Committee

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con): My Lords, this order forms part of the implementation of the unified patent court agreement and is an essential step in the United Kingdom's ratification process of that international agreement. The creation of a single patent system has been a long-held desire across Europe. The current European patent system is fragmented. Even if you go through the European Patent Office, you have to maintain a bundle of patents with each patent covering a single country where you want protection. Each patent must be enforced separately in the national courts of each country. For example, around a quarter of the patents litigated in the UK between 2000 and 2008 had parallel litigation in other European countries involving the same parties. This can be very costly and burdensome.

The negotiations to bring about a single patent and court for Europe were finally concluded in February 2013 with the signing of the unified patent court agreement. The UK worked hard during those negotiations to secure changes to the agreement which UK businesses needed. Most notably, my right honourable friend the Prime Minister was personally involved in bringing the part of the court dealing with the pharmaceuticals and life sciences sectors to London. This is good for the pharmaceutical industry, which is very important to the UK economy, and it will further boost the reputation of the UK as a global centre for commercial dispute resolution.

The unitary patent and the unified patent court form a package of European patent reforms which aim to provide a more streamlined and cost-effective option for innovative businesses wanting to protect and market their inventions across Europe. The Government want the UK to be the best place in Europe to innovate, to patent new ideas and to set up and expand a business. The unitary patent and the unified patent court will help us to deliver this goal. Importantly, the whole system can come into effect only once 13 countries, including the UK, have ratified the unified patent court agreement. So far, nine countries have ratified the agreement, and it is likely that the court will be open for business in early 2017.

I now wish to address the matters which the report of the Secondary Legislation Scrutiny Committee has brought to the attention of noble Lords as issues of public policy likely to be of interest. The committee raised a concern that the approach to implementing the software exception appeared to be inconsistent with the European Patent Convention, which requires that European patents are treated in the same way as national patents. I want to reassure noble Lords that there is no inconsistency. The UPC agreement introduces an exception to patent infringement which allows very limited use of computer programs. The exception is intended to allow someone to find out how a computer program works so that they can write another program that works with the original. For example, a programmer wishing to write an app to work on a smartphone needs to know how the phone's software works to make sure that the app will communicate properly with it. The new software exception would allow the programmer to find out how the phone software works, but if the app still used the patented features of the phone's software, the programmer would need a licence from the patent owner.

The consultation identified widespread and serious concerns from businesses in the high-tech and ICT sectors about the uncertain scope of the proposed exception. Many responses to the consultation proposed a "safe haven" approach, where the exception would not apply to national patents which are granted by the UK Intellectual Property Office. In the light of these concerns, and after further discussions with concerned parties, the Government have decided that the software exception will be introduced only for European patents and unitary patents at first. It will not apply to national patents, thus providing the safe haven advocated by business. The legislation will then be reviewed within five years of entry into force of the UPC agreement, which is expected in 2017. The safe haven approach is

not inconsistent with the European Patent Convention, which allows for contracting member states to make special agreements on any matter concerning European patents which are subject to national law, and the UPC agreement is just such an agreement.

The second matter of interest raised by the Secondary Legislation Scrutiny Committee relates to contributory infringement, where a person knowingly provides another with the means to infringe a patent. For example, providing someone with a part which is essential to making a patented invention without the patent owner's permission could be a contributory infringement. The Patents Act 1977 already makes adequate provision for contributory infringement of European patents valid in the UK. For such a patent, the infringement can occur only in the UK, because the patent is valid only in the UK. The order amends the Act to account for the unitary patent because infringement of a unitary patent can take place in any country covered by the patent, not just the UK. I wrote to the committee on 27 January to clarify those points, and I note the report of the committee which acknowledges that my letter dealt with the issues raised.

The order amends the Patents Act 1977 and makes changes in three areas: it clarifies where the UPC will have jurisdiction and where the UK courts will retain jurisdiction; it ensures that the Patents Act correctly provides for the unitary patent; and it introduces two new exceptions to patent infringement which are provided for in the UPC agreement but which do not currently exist in UK law. These two new exceptions to patent infringement are an exception to allow plant breeders to use patented biological material to create a new plant variety—the UK is the fourth largest market for plant breeding in Europe after the Netherlands, Germany and France, where this exception already exists—and an exception which allows limited use of computer programs, which I have already spoken about.

The European Patent Convention established the current system more than 40 years ago. The order is a major milestone towards achieving the goal of an even more streamlined and cost-effective system. It allows the UK to ratify the agreement in conjunction with a further order on privileges and immunities, which will be brought before the House later in the year, following a recent international agreement. I commend the draft order to the Committee.

Lord Lyell (Con): My Lords, I was waiting for the noble Lord who speaks for the Opposition to commend the excellent work and great speech of my noble friend. Your Lordships may be startled to learn that, 39 years ago, I was a young Opposition Whip taking the Patents Bill through your Lordships' House. One had to be a lawyer and a scientist, and I am neither, but it enabled me to have immense fun, and I am sure that involved in the proceedings—luckily, not today—are issue and action estoppel, res judicata and many other elements.

One particular chunk of that Bill, now an Act, is concerned with compulsory licences. I thank my noble friend very much for her excellent opening speech. I think that it was less than a minute in that she mentioned the pharmaceutical industry, which caused me to pay close attention. There was quite a problem—indeed,

[LORD LYELL]
a government defeat—on compulsory licences. Will my noble friend be kind enough to write to me to confirm that there is no major change on compulsory licences, which I think are covered from Section 48 onwards?

If my noble friend glances at page 4 of the draft order, she will see mentioned, among the enormous number of entries on the left-hand side, Sections 103 and 105. Perhaps I should have grasped this 39 years ago, but I did not. Why is there an,

“extension of privilege for communications with solicitors relating to patent proceedings”

in England and Wales—I know not about Northern Ireland—but an,

“extension of privilege in Scotland for communications relating to patent proceedings”?

In England, it is communications with solicitors; in Scotland, it is not necessarily so. I do not think that there is a major problem—it may be a legal problem, or it may be something else. As I murmured to my noble friend before we started our proceedings, I recall that two years ago there was a singularly difficult case that will have concerned her department over extradition, and the law of extradition did not cover the territory of Scotland for that particular matter. However, I do not think that compulsory licences and the communications and privilege that we are discussing will be of that gravity.

I thank the Minister very much for setting out the necessity and the reasons for this order. Perhaps she would be kind enough to write to me about Sections 103 and 105 and confirm that the situation concerning compulsory licences is still in order and working. I am very grateful to her and to the Committee.

Lord Stevenson of Balmacara (Lab): My Lords, I was not in any sense trying to discombobulate the noble Lord, Lord Lyell. I certainly wanted to hear what he said so that I could use anything that he did say to amplify and extend the point that I want to make in response to the Minister. As the noble Lord said, the noble Baroness made a very good fist of introducing a complicated and technical area, showing her ability to switch from detailed trade union negotiations and Sunday shopping yesterday to today’s detail on patents. This subject usually attracts a slightly larger audience. I am rather sad that we do not have the usual coterie of friends and camp followers who normally flood in for debates on this interesting and yet rather narrow topic.

Funnily enough, the noble Lord, Lord Lyell, has stolen one of my lines, which must be almost unique in the annals of your Lordships’ House. I was going to pick up a slightly narrower point but he raised it for me by drawing attention to a potential territorial problem in the way in which some of the sections are described. Mine is a more general question, which is that this instrument—which we are certainly not against and indeed support—does not include the Isle of Man. I wonder whether some explanation can be given as to why plant breeders and others in the Isle of Man will be excluded from the new benefits. I am sure that the officials supporting the Minister will have a ready answer for that, as it is an obvious question to ask.

I was involved, as was the noble Baroness, in the primary legislation that set up this court and we had a lot of discussions about it. Therefore, many of the comments that I would have made are redundant because we are aware of where this has come from and fully support the way in which it has been developed. As far as I can tell, the statutory instrument is exactly as one would expect it to be.

Having said that, I notice that the Minister said that we were making some progress—albeit glacial rather than dramatic—on getting this to take off. She mentioned that nine out of the 25 countries have now signed up to the agreement, but she said that she thought there was a possibility of the court starting in 2017. I wonder whether she can expand on that a bit. Can anything more be done to progress this? I know that she has been active in Europe on these matters and I am sure that she has been raising people’s interest in it as she has gone around.

Related to that are two questions about overall progress, assuming that we get there in 2017. There was talk in the original discussions in Committee and on Report about the possibility of a second court in this whole approach. The first one is clearly going to be in London, where the bulk of patent work and activity is happening, but there were hopes in Scotland that the expertise within the Court of Session could be deployed if there were sufficient work. I wonder whether she has any thoughts on that and whether progress on that or any further assessments has been made.

Secondly, for those who are not up to speed on the detail, the way in which the scheme operates is that, rather than having a single place within which patent expertise is to be developed, four of the major countries have bid for—and got, as I understand it—the four main platforms of patent law. However, I think that I read in the papers somewhere that there were some difficulties in holding these courts in one or two of the countries which had expressed an interest. Is there is anything to report on that? Clearly, it would be great if more than one court could be located in the UK, and if there were a failure, possibly in Spain, perhaps there will be an opportunity for the UK patent group to bid for that as well.

Turning to the two exceptions which the Minister talked about, the comments she referred to in the report of the Secondary Legislation Scrutiny Committee were broadly supportive of the plant breeding exception, as are we. As has been said and she repeated, the UK has the fourth largest plant breeding industry in Europe, and we must do what we can to try to support it. I did not come across any evidence to back the assertion made in the report that the plant breeding industry is very supportive of introducing this patent to the UK. I do not wish to delay the debate, but if I could be sent a letter explaining where that evidence is to be found I would find that helpful, because my colleagues in Defra have indicated that they would like to be better apprised of this development.

4.30 pm

On the points about computer programming, it is a pity that the noble Baroness, Lady Bowles of Berkhamsted, is not able to be here, because she has such expertise in this area. I will resist making too

heavy a gibe on this, but in a move towards trying to create a successful unified patent court, it seems a little bizarre to provide a safe haven for a group of people in the country who do not particularly want to be fully engaged with this patent activity in the unified court. To create a safe haven for patents developed in this area within the UK and allow them to be dealt with separately, not exposed to the rigours of the EU and the unified patents scheme, seems a little bizarre. I accept that a five-year review will take place, but perhaps the Minister could explain a little further why that was necessary. Again, the representations were not published for us and we are not aware of them. If there is significant concern about this, it may be the right decision, but I do not have the information to allow me to make a judgment.

Finally, I associate myself with the general comments that this is an exciting European initiative. This is the sort of thing that strong membership of the European Union could and should be developing for the people of this country, and I absolutely associate myself with the words of the noble Baroness in saying that this is the right course and we should support it.

Baroness Neville-Rolfe: My Lords, I thank the noble Lord, Lord Stevenson, for his comments and for his support for this statutory instrument. As he said, we have debated these issues on and off, and this is a very important European initiative which I am very glad to be presenting to the Committee.

I am also delighted to see my noble friend Lord Lyell and to hear about his experience of the 1977 Act. I will now look to him when I have patent complications, which will improve our discussions in the Tea Room even more. My noble friend courteously gave me advance notice of his questions, so I will answer them briefly and write to him if he feels that necessary. Sections 48 and 49 of the Patents Act 1977 relate, as he said, to compulsory licences. There is no change. The unitary patent regulation requires national law on compulsory licences to apply to unitary patents. He also asked about Sections 103 to 105 relating to the client-attorney privilege before the comptroller of patents. The comptroller will have some jurisdiction over unitary patents, for example over entitlement, so we need to apply Section 103, which is the reason for this curious provision.

Continuing on these difficult questions of detail, the noble Lord, Lord Stevenson, asked about the Isle of Man. There will be a separate order for the Isle of Man, but the Isle of Man Government have indicated that they want the UPC. The noble Lord shot the bullet in terms of questioning me, but I think that the answer is a positive one; this European endeavour will also stretch to the Isle of Man. He also asked about the ratification process. As I have said, we have had nine ratifications so far with a few more expected this summer. In particular, we expect Germany and the UK to be ready this autumn for the reasons I have already stated.

On the point about keeping the pressure on, on Monday I was at the European Competitiveness Council at which Commissioner Bienkowska gave us an update on progress with ratification. I think it is fair to say that the Competitiveness Council is keeping up the pressure in this important area.

In terms of where the UPC will be based, the noble Lord, Lord Stevenson, mentioned that several countries were sharing in the opportunity here, and it is worth just running through them. The court of appeal will be in Luxembourg. The court of first instance will have a central division in Paris and specialist sections in London, for pharmaceuticals, and Munich, for mechanical engineering. The court of first instance will also have a number of local divisions in most member states, including in the UK, Germany, France, the Netherlands, Austria, Denmark and Finland. Sweden and the Baltic states will join together in a regional division based in Sweden.

The case-counting data so far suggest that the UK will only have enough cases to sustain one local division, at least in the early days of the new court. Of course, the UK could set up an additional local division in Scotland in future, should the case load increase, in consultation with the court jurisdictions across the UK.

The noble Lord, Lord Stevenson, asked about the object of the software exception. I think I explained this fairly well in my opening remarks. We listened to industry concerns because this exception is untested and there is no case law on its interpretation. As a result, we are implementing the exception for European patents first and will then review how it works—as he said, we have a five-year review clause. In that way, the Government are able to meet their obligations under international law and to give effect to the provisions of the UPC while addressing the real concerns of industry on this issue. I can certainly share some of those with the noble Lord, but they were quite substantial. We believe in listening to consultation on these sorts of matters in the IPO area.

The noble Lord also asked about the evidence from plant breeders. They were pretty noisy about this provision, both here and in the European Parliament. They responded to our consultation to support it. I know that other member states feel the same: that the system for plant breeding works well and you do not necessarily want to add extra patent complications. That is why we felt it was okay to make this exemption.

Lord Stevenson of Balmacara: I understand the case for that, and we take it, but it would be interesting to see the nature of the evidence. I have not seen evidence published for this particular point, and it would be helpful if it was possible to see it.

Baroness Neville-Rolfe: We would of course be delighted to send the noble Lord what evidence we have. It is useful, when you make exemptions, to look at why you are doing it—what the rationale is—and what it means for future cases. I would be delighted to share that evidence with the noble Lord and look forward to his comments. Plant breeding is a very important industry. We are not number one in Europe, but its output is very important to the future of this planet.

I think we are all agreed that the order takes us a step closer to implementing the UPC agreement and makes it easier for businesses to enforce their patents across Europe. Innovative businesses have been waiting for more than 40 years for a single European patent system, and we are much closer to achieving that long-held aim. With the introduction of the UPC,

[BARONESS NEVILLE-ROLFE]

for which we now have premises, firms will be able to start taking advantage of the unitary patent if they so wish. I commend the order to the Committee.

Motion agreed.

4.39 pm

Sitting suspended.

Limited Liability Partnerships (Register of People with Significant Control) Regulations 2016

Motion to Consider

4.44 pm

Moved by Baroness Neville-Rolfe

That the Grand Committee do consider the Limited Liability Partnerships (Register of People with Significant Control) Regulations 2016.

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con): My Lords, for the convenience of noble Lords, it will be helpful to consider the Register of People with Significant Control Regulations 2016 together with the Limited Liability Partnerships (Register of People with Significant Control) Regulations 2016. These regulations set out how the register of people with significant control will work and apply the register to limited liability partnerships.

In 2013, the Prime Minister set out the ambition for the UK to improve corporate transparency and tackle criminal abuse of UK corporate entities. I am therefore pleased that we are today debating regulations underpinning the detail of the register of people with significant control, which bring that ambition one step closer to reality. The register of people with significant control is the foundation of the UK's ambition to increase the transparency of UK corporate entities.

The benefits of the increased transparency provided by the register have the potential to be far reaching. For law enforcement, the Metropolitan police force estimates that, in cases where hidden beneficial ownership is an issue, 30% to 50% of an investigation can be spent in identifying the beneficial owners through a chain of ownership layers. For business, increased transparency will ensure that companies know who owns and controls their suppliers and customers. Investors will also know who controls companies they are investing in. For civil society, increased transparency will allow people to hold businesses to account, and citizens will know who controls companies when they purchase goods or services.

The register of people with significant control—the PSC register—will record the details of people who own or control UK companies. There are five separate conditions for being a PSC, which are set out in Part 1 of Schedule 1A to the Companies Act 2006: first, that an individual holds, directly or indirectly, more than 25% of the shares in a company; secondly, that an individual holds, directly or indirectly, more than 25% of the voting rights in a company; thirdly, that an

individual holds the right, directly or indirectly, to appoint the majority of the board of directors; fourthly, that an individual has the right to exercise, or actually exercises, significant influence or control over a company, the definition of which is set out in statutory guidance, and would include individuals with significant veto rights over the operation of the company. I shall paraphrase what the fifth condition is for the benefit of noble Lords. The fifth condition is where a trust or a firm controls a company through one of the other conditions and there is a person who has the right to exercise, or actually exercises, significant influence or control over that trust or firm. Again, the definition of significant influence or control in these circumstances is set out in the statutory guidance.

Where a PSC meets one of the first three conditions, the company does not need to identify on its PSC register whether that person also meets the fourth condition—I remember discussing that during the passage of the Bill. In summary, the company regulations set out the detailed requirements for the PSC register. They are: the scope of the register; the fees a company can charge for providing copies of its own register; the information to be included on the register; the contents of warning and restriction notices; and how the protection regime will work for PSCs at risk of harm by their information being made public. The limited liability partnership regulations—the LLP regulations—apply the provisions of both the primary and secondary legislation on the PSC register to LLPs, with appropriate modifications.

The full costs of the register of people with significant control are set out in the three impact assessments. First, the enactment impact assessment sets out the broad policy costs, including the costs of the provisions in the Act and many of the provisions in the regulations, which are calculated to have a net cost to business of £85.9 million per year. Secondly, the protection regime impact assessment sets out the costs and benefits of companies applying to the protection regime. This is calculated to have a net cost to business of £4.7 million per year. Thirdly, the impact assessment on the costs and benefits of making a company's own PSC register publicly available calculates the net cost to business of companies giving access on request to the company's own register. This is calculated to have a net cost to business of £10.9 million per year. A very important point, given the scale of these costs, is that they are spread over a very substantial population of some 3.4 million companies, including 59,000 LLPs. The average cost per company is estimated to be £25 per annum. As I explained earlier, this is an important policy and the benefits of the register have the potential to far outweigh the costs.

The PSC regime contains robust penalties to promote compliance with the requirements. These measures support law enforcement and the tax authorities' existing powers and investigations. The most serious offences, when a company fails to investigate its ownership or when a person or body fails to respond to a request for information from the investigating company, carry a maximum sentence of two years' imprisonment on indictment or a fine, or both. We will take strong action where companies and individuals break the rules.

Noble Lords will recall from the debates on the Small Business, Enterprise and Employment Bill last year that we put in place a protection regime because this Government believe it is important, where an individual is at serious risk of violence or intimidation, to protect a PSC's identity from the public register. The PSC's information will of course still be available to law enforcement, and the individual will still have to fulfil their PSC obligations. Through these regulations, we have set a high bar for the protection regime, so it cannot be abused or damage the utility of the public register. We have tightly drawn the grounds for protection where the risk of violence or intimidation is a result of the company's activities or where the risk comes from the association of the PSC with that company.

Parts 6 and 7 set out who can apply for protection, what types of PSC information can be protected and how they can apply. Noble Lords will see that Part 6 follows the successful existing company law for directors, whereby a PSC's usual residential address can be protected. I know I have benefited from that company provision in the past. Part 7 is novel and allows the protection of all of an individual's PSC information from the public register. This is because we recognise that the nature of a PSC differs from that of a company director. As part of the broader package of changes to company filing requirements made by the Small Business, Enterprise and Employment Act, the date of birth—2 January in my case—will be suppressed on the public register at Companies House in the details of both PSCs and directors, so that dates of birth are not so freely available.

I will also set out the key differences in how the limited liability partnership regulations apply compared to the company provisions. The LLP regulations adapt two of the conditions mentioned earlier, so that they apply more appropriately to LLPs. The first condition is adapted to take account of the fact that LLPs do not have share capital. The revised condition is that an individual has the right to more than 25% of the surplus assets of an LLP on winding up. The third condition, which is adapted to reflect the fact that LLPs do not have directors, is that an individual holds the right to appoint or remove the majority of persons entitled to take part in the management of the LLP.

I will bring the other parts of the PSC register provisions to your Lordships' attention. An important part of the PSC register conditions is the term, "significant influence and control" in the fourth and fifth conditions. During the passage of the Bill I explained that the meaning of this term would be set out in statutory guidance. The draft statutory guidance for companies was laid in the House Library alongside these regulations. I am very grateful to the company law experts and civil society organisations that helped develop this guidance throughout last year. I am also grateful to the businesses and individuals who commented on the guidance when it was published for final comments in December.

The draft statutory guidance for LLPs has also been prepared and is currently published on GOV.UK. This statutory guidance can be laid in Parliament only once the LLP regulations we are debating today have been made. My department has also developed, with the help of a working group of legal experts, business

representatives and civil society organisations, non-statutory guidance for companies and LLPs to guide them through the requirements step by step. The guidance was published at the beginning of February and has been well received by businesses so far.

Before I conclude, I will give the Committee an update on international progress, and highlight how the Government are building on the foundation of the PSC register and leading by example on the global stage by putting the register in place. In the EU, the fourth anti-money laundering directive was adopted in May 2015, which means that by early 2017 all member states must hold beneficial ownership information through a central register. I welcome the close working with my honourable friend Harriett Baldwin, the Economic Secretary to the Treasury in the other House, to transpose this directive.

The UK is taking the lead on extractives transparency. We were the first member state to implement reporting requirements for all large and listed companies, and we expect the first reports for UK companies detailing the payments they have made to Governments across the world to be made available later this year. In a similar vein, in October 2014 the UK was successfully admitted as a candidate country for the extractives industry transparency initiative. This in effect puts more information into the public domain and allows the Government to be held to account for our policies on the extractive industries in the UK. We continue to work with other countries, through the G7 and G20 fora, to implement international corporate transparency standards, which are of course very important. I commend these regulations to the Committee.

Lord Hodgson of Astley Abbotts (Con): My Lords, I want to intervene briefly. My noble friend makes a powerful case for the regulations and I appreciate the changes which have been made, particularly as regards the protection regime to allow confidentiality where people may be vulnerable to intimidation or attack. However, I want to sound a cautionary word about how we can pile further regulation in with the best of intentions but which may have consequences that we do not really appreciate and do not want. It is the balance to be struck between transparency on the one hand and privacy on the other; that is to say, my right to confidentiality about my personal and private affairs and the right of the wider public to know about situations where my actions may affect them.

The regulatory balance that we are trying to strike must be to have a regulatory structure that is sufficiently robust and imposes sufficiently strong standards to attract people, because they have confidence in the way the markets are being policed, but not such high standards that the bureaucratic burden of doing business becomes too heavy and people therefore seek alternative ways of carrying out their businesses in markets in other parts of the world. We also need a structure that is risk-focused so that it looks at the points of vulnerability and worry. My noble friend was unwise enough to mention the money laundering directive in her remarks, which gives me a chance to say that this is a classic example of blanket regulation which achieves very little indeed. It makes wonderful work for compliance officers filling in forms. The accountants love it because

[LORD HODGSON OF ASTLEY ABBOTTS]
they have to verify that it has all been done, and the thousands of our fellow citizens who are wandering around the country with certified copies of their passports and a utility bill under their arm beggars belief.

The Government have resisted and resisted a de minimis number, which would mean that when you wish to open a bank account for your godson that you can put £10 into on his birthday, you would not go through the ridiculous performance that we are going through now. I think that the situation has reached a level of fear among the regulated community that is hard to believe. Last week I happened to have a money laundering inquiry. When I left Oxford, I went to work in the United States. I had an inquiry saying, “We see that you worked in the United States in the 1960s. What were you paid?”. That was 50 years ago and I cannot remember. That sort of thing brings the regulatory system into disrepute.

5 pm

I am broadly satisfied that the balance between maintaining confidence in the market and not driving business away has been struck in these regulations, so I do not oppose them but the Government need to think that they are all of a piece, getting away from money laundering. Just as water will find the weakest point in the dam, so the malefactor will find the weakest point in the regulatory structure. Can my noble friend comment, either this afternoon or perhaps by letter, on what is now happening at Companies House? As I understand it, from 1 April you are going to be able to incorporate a company for £10. Incorporating a limited liability company gives you fantastic benefits and quite a lot of credibility. Is £10 really the amount at which you show a serious level of financial commitment? Further, I understand that there is something called the citizens’ company registration service. You just fill in a form online and there are no mandatory money laundering checks.

If we are going to lean hard, as we are, in these regulations, and I understand why we are doing that, should we be taking these sorts of steps, which facilitate people starting up and running companies with virtually no financial commitment at all and, apparently under this alternative citizens’ registration service, virtually no checks on a person’s background? My noble friend is an experienced company director. I do not think that I have ever been asked a question by Companies House about any of the companies which I have been responsible for filing. It is an entirely self-policed service. If you are an honest chap, you tell Companies House and it accepts it; if you are not an honest chap, it still accepts it. I understand that there is now a net increase of 200,000 a year in the number of companies being registered. I think that my noble friend said in her opening remarks that the total is now 3.4 million companies.

Therefore, while I understand why we are going to approve these regulations, I think that the Government need to keep in mind the balance to be struck. Of course we want to make this country an attractive place to do business; of course we want people to have confidence in the markets; but we need to make sure that we are placing the weight of regulation where it really needs to be placed, as opposed to just spraying regulations all over the place.

Lord Stevenson of Balmacara (Lab): My Lords, it is a pleasure to hear the bilious rants from the other side, with which we on this side have some sympathy. I liked the point about the number of times one has to scan one’s passport into an email in order to prove some point or other. Whatever happened to identity cards?

However, there are serious points relating to these regulations which I welcome and will support as they go through. I take the point made by the noble Lord, Lord Hodgson, about the weight or pressure being placed on companies in relation to transparency and the money laundering system more generally. However, that is not the only area where this process came from; as the Minister mentioned, it came from the desire of civil society to have a better handle on how some companies are being operated, as well as from those who wish to invest and from other stakeholders. There is a feeling that the Companies Acts cumulatively perhaps have not kept pace with how people regard the operations of the commercial sectors in the country. Obviously now with LLPs as well, which are not strictly commercial in the business sense but still operate commercially, the ability to have scrutiny is being reduced. It is interesting that the extractives directive and other things have been quoted in support of the need to have this transparency. That better contextualises the situation and I was grateful to the Minister for sketching that out.

That having been said, the point was made that at the end of the day, people will have to operate this in a way that will not be destructive to jobs, the creation of new companies, investment and trade, and these things sometimes do not see it right. Certainly when I began going through these Explanatory Memorandums, piles of which still wait to be destroyed, trees having been cut down all over Europe to create them, it seemed a bit otiose to say the least. On the other hand, these are some of the better Explanatory Memorandums I have seen and I congratulate the department on its work. However, this was difficult to get right. The issues here are complicated and are not factual; with these things we often see that a figure is mechanically put in at one end and comes out at the other, while this is judgment all the way through. I read them with interest and recommend them to those who might have an interest in how this process goes through.

The Minister mentioned this but perhaps it was not brought out as much as it could have been. The Government could have taken a position on this, which is articulated in the EMs, that the regulatory process might not achieve the best result. In the past we on this side have often been critical of the sense of a “voluntarism approach” to many of the problems which we perceive in the commercial world. On this occasion the Government have decided to go with a regulatory structure. It has not been an easy decision but I commend them for the rigour with which they have approached it.

Nevertheless—the noble Lord, Lord Hodgson, picked this up—the judgments about what is a significant interest and control in an operation are heavily dependent on interpretations in the fourth and fifth legs of the process. While I listened with interest to what the Minister said about that, I was not entirely convinced that that was picked up either in the documentation

we have had or in the wording she used to describe it. I do not think that that is sufficient to hold this back because, as I say, it is a good attempt to try to get it to balance out in a fair way. However, I wondered about the review process because I suspect that this is such a major change in some ways, not in monetary terms and not necessarily in its impact but in the whole way companies relate to the Government and to the wider parts of civil society, that it would be useful to have a pretty firm statement about how this will be seen in practice and whether there will be a formal process. Of course there will be a review, but it would be helpful to have that articulated now. Perhaps the Minister will be able to address that when she comes to respond.

The weakest part of this is the relationship to LLPs. In a sense that sounds very critical but I am not trying to be. LLPs are relatively new in the way we do business and therefore are not perhaps as well exposed as conventional companies. Their instance is largely in the business services and professional area, and it is harder to see quite where the analogues with a board of directors and control for profit is concerned. However, the sense is that the most appropriate way of biting a person with control of an LLP is in the way in which the proceeds of any dissolution would fall, with 25% going to the person deemed to be a person of significant control. That was not perhaps as strong as some of the other measures that apply in the commercial sector, and maybe that could be reflected on before the guidance finally gets published. I suspect that there might be a bit of an issue around that as we go forward, but it would be appropriate for a review provided that it is picked up and it is made clear to people that it will be coming forward.

In summary, I was present during the time the primary legislation went through last year. I was not directly involved in some of the debates around it but I followed them with interest. This is a big change; those who care about some of the actions and activities of companies and have been frustrated in the past because there was a veil behind which it was very difficult to see will feel that this is a step in the right direction. It is not overly bureaucratic but the noble Lord, Lord Hodgson, is right to say, “Hang about—is this really worth all the hassle?”. I personally think that it is, but the questions that need to be asked are: how will you review this, how quickly will that happen and how effective will it be as regards how we might take this forward?

Baroness Neville-Rolfe: My Lords, I thank the noble Lord, Lord Stevenson, for his support for these regulations and for his kind words about the Explanatory Memorandum. I will make sure they are passed on to those who worked on it. It always helps to thank people when things are good because that leads to yet further good performance. Let us hope that the regulatory structure works. As the noble Lord said, it is a big change, but this is an important new regime for companies and it is critical that the detailed requirements are correct and fit for purpose. Increased transparency about who owns and controls UK companies is important in maintaining the UK's higher standards of corporate trust. As we have discussed in relation to many different issues recently, having the sunlight of transparency can be an extremely powerful policy weapon, and we as a Government seek to use it in a number of areas.

We have committed to a review: I think that both sets of regulations require the Government to review the costs to business within five years. I note the points that the noble Lord made, in particular in relation to the LLP regulations, and will make sure that we keep an eye on that. I also repeat the hope that other countries will move ahead as we have done with the PSC, because this only works, as in so many areas, if other countries do this as well.

It was a delight to see my noble friend Lord Hodgson returning to the debate. I am grateful for his cautionary warning about perverse effects, which one could write into many areas of regulatory life. As he says, we need the right balance between transparency and privacy. We focus on risk, and the National Crime Agency is fully on board to be involved in the protection assessment process. As an expert in risk assessment, the NCA is well placed to ensure that assessments are consistently applied and protection applications robustly interrogated.

I share my noble friend's concerns about the operation of the money laundering directive, which I used to speak about when I was on the Back Benches. I am glad to say that the business department and the Treasury are doing work on its application as part of a deregulation review. I very much welcome the chance to have a discussion with him so that his examples can be fed into that work.

Lord Hodgson of Astley Abbotts: I have sent something in.

Baroness Neville-Rolfe: I thank my noble friend for that and will make sure that it is seen by the relevant reviewers. My husband has already provided some examples. He has to look after an elderly aunt—not an obvious money launderer—and has run into the same sorts of difficulties that I am hearing from my noble friend. We need to try to improve things in these areas, which is partly why the work we are doing on the deregulation initiative continues to be very important. The Treasury is in the lead of course on the transposition of the directive, but BIS has responsibility for article 30. The important thing is that the two departments are working together to try to make sure that this is done in a proportionate and sensible way.

My noble friend Lord Hodgson asked a very good question about the accuracy of data at Companies House and whether we receive complaints about that. Companies House will follow up on all complaints about company information being incorrect or incomplete. My noble friend may be right that there are not that many complaints but it will follow them up. In 80% of cases where there appears to be a breach of the Companies Act, companies correct the information straightaway. Most companies are trustworthy and want to provide the correct data, although there are occasionally errors. Where appropriate, investigations are passed to other enforcement agencies, and the changes we are making here will improve our chances of catching the bad guys.

Finally, the noble Lord, Lord Stevenson, asked about capital. My officials considered whether using rights over profit and capital should be part of the approach to identifying the PSCs of the LLPs but, in consultation, business and others told us that this could be difficult conceptually and operationally. As I explained in my opening remarks, the regulations therefore operate on

[BARONESS NEVILLE-ROLFE]

the basis of the closest analogy to owning a share of the company's capital for LLPs, which would be the right to a share in the LLP's capital if it were wound up. We will have to see how that goes, as we discussed, and we have the review provision, as I have already explained.

Lord Hodgson of Astley Abbotts: I am not asking my noble friend to reply now but can she give us the Government's considered view as to whether 10 quid gives you the right of access to a limited liability company? Will she also comment on the citizens' registration service that apparently—I may be completely wrong—enables you to go online and get a company registered with no money-laundering checks at all? It must be a hole in the dam if you set up this elaborate structure but people say, "If you do it this way, you can have no money-laundering checks at all". I am not asking for a response now but it would be helpful if she could comment on that at some length.

Baroness Neville-Rolfe: My Lords, I should like to reflect and write to my noble friend. Obviously, we want to make it easy for people to set up companies. We have had a record level of company creation in this country, and that has been part of the Government's success over the past few years. I will certainly write to my noble friend and look forward to engaging further with him on this important topic.

Motion agreed.

Register of People with Significant Control Regulations 2016

Motion to Consider

5.16 pm

Moved by Baroness Neville-Rolfe

That the Grand Committee do consider the Register of People with Significant Control Regulations 2016.

Motion agreed.

Electricity Supplier Payments (Amendment) Regulations 2016

Motion to Consider

5.17 pm

Moved by Lord Bourne of Aberystwyth

That the Grand Committee do consider the Electricity Supplier Payments (Amendment) Regulations 2016.

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, this instrument amends regulations concerning the contracts for difference scheme and the capacity market. As noble Lords will be aware, these schemes were introduced as part of the electricity market reform programme introduced in the previous Parliament.

Specifically, a series of technical amendments will be made to the CFD supplier obligation, which is levied on all licensed electricity suppliers in Great Britain to meet the costs of CFDs, in order to improve its efficiency and transparency. Separately, the instrument will amend the levies that fund the bodies responsible for managing CFD contracts and for managing settlement under the capacity market, which I shall outline to noble Lords now.

The first of these schemes, contracts for difference, or CFDs, encourages investment in low-carbon generation at a lower cost of capital due to the long-term price stabilisation provided under the contracts, which reduce overall costs to consumers of transitioning to a low-carbon generation mix. Then, through the capacity market, regular payments are provided in return for reliable capacity being available when needed, to ensure that sufficient capacity is available to meet demand. A fundamental aspect of both schemes is the competitive auction process for awarding contracts, which drives down costs to consumers.

As noble Lords may be aware, the first CFD allocation round in October 2014 resulted in 25 renewable generation projects being awarded CFDs at a significantly lower cost than would have been achieved through the renewables obligation scheme, which is being phased out. The capacity market auctions were held in 2014 and 2015, with the latest auction securing 46 gigawatts of capacity at a price of £18 per kilowatt per year. A recent transitional auction for demand-side response was also held earlier this year.

Noble Lords will have seen that the Government made an announcement yesterday of a number of changes to the capacity market framework to ensure that it remains fit for purpose to meet our security of supply needs, including bringing forward delivery by holding a new early auction for delivery in winter 2017-18. We have now launched a consultation on these changes, and in due course will be taking final decisions and will present revised regulations.

However, the regulations we are considering today have a different purpose, and in them the Government are simply looking to make several minor amendments to the payment arrangements in order to improve the efficiency with which CFD costs are recovered from electricity suppliers, which will ultimately reduce costs to consumers, and to set the rates for the operational levies relating to both schemes. In order to implement these amendments, three sets of regulations will need to be amended by this instrument. Subject to the will of Parliament, these changes are due to come into force by 1 April 2016.

Before we commence the debate, I will describe these amendments briefly. First, the Electricity Supplier Payments (Amendments) Regulations 2016 amend the instrument that established the CFD supplier obligation mechanism in order to improve its efficiency. As I outlined earlier, the CFD supplier obligation is levied on all licensed electricity suppliers in Great Britain to meet the costs of CFDs. It is set on a quarterly basis by the Low Carbon Contracts Company, a government-owned company that acts as the counterparty to CFD contracts. The supplier obligation is comprised of a levy which is paid on every unit of supply, and a

reserve amount. The levy and reserve amount are calculated based on forecasts of payments to CFD generators. These supplier payments are then reconciled against actual payments following the end of every quarter.

This instrument makes a number of minor and technical amendments to improve the efficiency and transparency of the supplier obligation. They are designed to minimise costs both to suppliers and ultimately to consumers. The most significant of these amendments amend, first, the calculation of the levy that is paid by electricity suppliers so that it is a better estimate of suppliers' actual liabilities. Secondly, they allow this levy to be reduced without notice in circumstances where the Low Carbon Contracts Company considers that electricity suppliers are likely to pay significantly more than they need to. Thirdly, they improve the transparency of CFD costs in the future by requiring the Low Carbon Contracts Company to forecast CFD costs for at least 12 months ahead and to publish the date that each generator is expected to start receiving CFD payments.

These changes were the subject of a public consultation and received a largely favourable response. We estimate that when combined with further regulations that the Government intend to lay in due course, they will reduce the costs to consumers of CFDs by approximately £38 million over the period 2016 to 2020. The Government intend to lay further regulations in due course as not all of the proposals consulted on are being implemented by this instrument due to cost and their impact on the CFD settlement system.

The second objective to be delivered through this instrument is to set a revised operational cost levy for the Low Carbon Contracts Company and to set a revised settlement costs levy for the Electricity Settlements Company, the company responsible for transactions relating to the capacity market. The increases to the budgets of both companies reflect the operational requirements and objectives of the Low Carbon Contracts Company and the Electricity Settlements Company in 2016-17. Both levies were subject to public consultation, allowing the opportunity for scrutiny of the key assumptions in the budgets and, importantly, to ensure that they continue to represent value for money for consumers.

Finally, before we start the debate, I would like to assure noble Lords that the Government will continue to evaluate and monitor the measures introduced under electricity market reform to ensure that they remain effective and continue to represent value for money. I beg to move.

Lord Grantchester (Lab): I thank the Minister for his introduction to the regulations. As he rightly says, they are mostly technical in nature and do not impact on policy to any large degree. The ESO regulations around the CFD counterparty to raise funds are largely operational and, quite understandably, are likely to be subject to amendment through operational experience in order to improve efficiency and increase transparency with a view to reducing the costs of the scheme for suppliers and their consumers.

All the amendments included in the regulations appear sensible and come with a very large acceptance on the part of stakeholders, both through consultation

responses and through discussions at a stakeholder event in October last year. The main amendments are largely financial and will lead to changes between the balance of funding moving more towards the interim levy and away from the reserve payments. Notice periods for changing the interim levy rate will become more flexible, deadlines will become more helpful, and generally information, data and recognition of commercial sensitivities will improve the scheme's operations. Within the structure of the scheme, that is commendable.

However, seeing the details of its workings, the CFD counterparty mechanism struck me as somewhat cumbersome. While I am sure that there are unlikely to be major changes to the structure, nevertheless the Minister might enlighten the Committee about why the scheme is set up with quarterly contributions to reserve funds and a yearly operational costs levy for the capacity market settlement body.

I understand the reasoning behind setting up the CFD counterparty in relation to Treasury implications and as the mechanism through which CFDs will be administered and paid, but I understand that suppliers strongly urged the Government to allow the CFD counterparty to operate a working capital model for funding cash flow and building reserves as a more commercial way to operate. Surplus levies could then be rolled into subsequent levy periods to smooth out volatility of payment. Can the Minister confirm whether reserves and operational cash flow costs are to be reconciled to suppliers every year and balanced?

In the reconsiderations of the scheme, did the Minister's department put any thought into whether working capital arrangements at a marginal cost to public borrowing requirements could be less cumbersome and less costly to operate? In trying to widen and increase the pool of supply participants, are the Government confident that the costs on small independent suppliers are not constraining their participation? I am sure that the Minister will confirm that the CFD counterparty body will be audited, but are there other operational cost checks on the operation of the body?

Perhaps I may widen my remarks beyond the supplier obligation to CFDs in general for a moment. I take the opportunity today to ask the Minister whether the Government will set any technology requirements or specific exclusions for participants in the next auction. I am thinking here of onshore wind and solar technologies. Can the Minister confirm that they will still be allowed to participate so that these technologies can develop and generators will have a continuing route to market for returns on their investments? With the challenge of climate change and the changes required of the UK energy market, we wish to be technology neutral.

Lord Deben (Con): My Lords, I declare an interest as chairman of the Committee on Climate Change, and I want to comment on these documents.

It is extremely helpful to have had the Minister's clear explanation. Of course, congratulating a Minister means that you are then going to use the word "but", and that I intend to do. One problem is that the public find all these matters impenetrable. I recognise that they are technically very complex, but I ask the Minister to seek better ways of explaining the system to a wider range of people. I spend a lot of my time doing that,

[LORD DEBEN]

and I hope that I get it right, but one of our difficulties in trying to convince people of the battle that we face on climate change is that many of the arguments are not easy to understand. Therefore, a constant desire to try to explain what we are doing and how it works in language which normal people can understand is very important. I do not expect, and I am sure that no one here would say, that the statutory instruments here will advance that cause. However, I do not want us to miss the opportunity of saying that what the Minister has so clearly said really needs to be said more widely, because there are many for whom difficulty arises simply because they do not understand.

5.30 pm

Secondly, I very much support the Government's determination to be flexible when dealing with these matters so we can deliver what we have to as cheaply as possible. In the Climate Change Act 2008, great play is made of the cost-effective means of delivery. I believe that if we are to win and continue to win the battle for public support, they must feel that we are doing this in the most cost-effective way that it can be done. Many of the technical changes being made here are for that purpose.

I ask the Minister, as did the spokesman for the Opposition, about the concept of bringing all this into a more commercial mechanism, which was very much part of the discussions in the consultation. Again, I congratulate the Minister on the very genuine nature of those consultations. It was clear that the Government wanted to know and understand how the industry saw its proposals. I emphasise that because it is not always true. Some consultations ought to have inverted commas around the word "consultation" because there is no intention of changing anything. These clearly were not of that kind and I thank the Minister for making sure that that was so. However, that leads me to suggest that the proposal from people in the business world for greater commercialisation of the mechanisms used should be attractive to a Conservative Government, if I may put it in this controversial way. I am surprised that we have not taken those steps and I wonder whether we intend to do so in future—the Minister said there would be further instruments.

I also associate myself with the question about the opportunity for different generating systems to compete. The principle under which we have to operate is a portfolio of generating mechanisms. I am sure that the Minister would agree that is because we are trying here to tell the future. We are trying to do what needs to be done to ensure that in future we will be able to make the best decisions. That means that we cannot make choices based on deciding well in advance which of the technologies is likely to become the most valuable. We cannot do that because we do not know. Therefore, we have to pay the cost of running a number of technologies in parallel. Sometimes that cost is considerable, as we see in the nuclear industry. However, it is a necessary part of ensuring that we both combat climate change and keep the lights on.

Britain has shown a remarkable example to the rest of the world in being very clear that it does not want to be prescriptive wherever non-prescription is possible.

It would be a great pity if we started to resile from the basic concept of, as far as possible, allowing the market to make these decisions. That does mean ensuring that all the differing ways of development have their time to compete against each other. I very much hope that the Minister can reassure me on that.

Lastly, every time we talk about this mechanism, we should remind ourselves that it is the product of a cross-party agreement. This was not dreamt up by the coalition, the previous Labour Government or this Conservative Government. It was a mechanism which came out of the cross-party commitment—the consensus we have on climate change. Therefore, when we debate these things it is perfectly proper to debate the mechanisms, because we are agreed on the purpose. The aims are one thing; the means are bound always to be a matter of sensible discussion. Although this has not been the sharpest of debates or the largest of audiences, it is important for us always to distinguish between our common purpose and our common desire to find the best way to achieve that purpose. Sometimes we mistake those two things, therefore, as always, I will say that it is good to repeat that this is part of our consensus, but it is also right in a democracy to be prepared to argue about some of the ways in which we might make sure that that consensus obtains. Therefore, in pressing those last two points and joining the spokesman for the Opposition, the noble Lord, Lord Grantchester, on that, I hope that the Minister will be able to satisfy both of us.

Lord Bourne of Aberystwyth: My Lords, I thank the contributors to this important debate. I am grateful for the contributions from the noble Lord, Lord Grantchester, and my noble friend Lord Deben. I will deal with the points in the order in which they were raised, turning first to the points raised by the noble Lord, Lord Grantchester.

The point about the organisation of the levy and the fact that we are looking at it in terms of supplier obligation is for the precise reason he hinted at, that we did not want to put a pressure on the public purse. That is why it is funded in the way it is and why we looked at the working capital method but decided that it was not good value for the public or the consumer, so the obligation here, as the noble Lord knows, is placed on the supplier. While I appreciate that the marginal cost might not be that great, he will know that the approach of the Government is to bear down on unnecessary costs on the public purse as much as possible, and we felt that this was one.

The noble Lord also asked a question about the review, and he is absolutely right: there will be an audit process. He also asked whether reserves are reconciled at the end of each quarter. Yes, they are, as the operational costs will be at the end of each year; that is absolutely right. Therefore the key principle is that it is an industry-funded system. I thank him very much for the largely warm support he gave to this, and as I say, the essence of this—I am not very often able to do this—is that it saves money for the consumer and at the same time maintains the principle of ensuring that we look at renewables as a large part of the way we are driving forward our policy on decarbonisation. We will of course keep it under review.

On the points raised by my noble friend Lord Deben, indeed I was fearful as soon as he said that he thought that I made a very good job of presenting the case because I knew that something would come along as the sting in the tail. However, he made some fair points. I understand what he said about the legislation sometimes being impenetrable. Of course that is not confined to this area; I can well remember taking the pension schemes legislation through the House of Lords, which was certainly at least as obscure and probably more so. However, the point is well made, and there is a constant battle between trying to ensure that what is necessarily a technical piece of legislation is at least to some extent reconciled with a degree of clarity. I struggle as much as anyone else sometimes to understand exactly what we are doing. We want to take people with us, so it is important that we ensure that we put the case across in very plain and simple ways.

I welcome what my noble friend said about the need to be flexible and to do what we are doing as cheaply and reasonably as possible—that is very much part of the Government's intention. That was set out in plain language by the Secretary of State when she presented her reset speech. In that speech she set out clearly what we are doing with regard to the CFD auctions, and of course one will be held towards the end of 2016. Pot 2 will ensure that it is open to new technologies and we will come forward with more details on that in due course. But as noble Lords would expect from a Government that are committed to a market approach, again as was made clear in the reset speech, obviously we want to deliver the best solution in terms of decarbonisation in the most affordable way while of course maintaining security of supply. These are the three aims of the department, and as I say they were set out very clearly in the reset speech.

I can reassure my noble friend Lord Deben that we are looking at these issues in terms of value for money with the innovation budget and the budget we have at large. He will know that we are looking, for example, at tidal lagoons across the piece to see if they can possibly deliver part of the mix in a value-for-money way. So that is very much the approach. I agree with what my noble friend said at the end of his contribution about the importance of going forward together across parties, and indeed not just parties. Earlier this afternoon I met Archbishop Gallagher from the Holy See, and we are grateful for what faith leaders, and not least the holy father, are doing in relation to promoting the importance of climate change and stressing how it affects the world at large and the most vulnerable. This is not limited to political parties and I think that we in the United Kingdom, without being complacent, have been adept at building a broad coalition on the need to move forward on decarbonisation across parties and beyond parties. I very much welcome that; in fairness it was evident in Paris in how opposition parties reacted and expressed their support, and in other ways too. I would certainly associate myself and the Government with what was said there.

If there is anything I have missed, it will be picked up and I will write to noble Lords, but with that I commend the regulations to the Committee.

Motion agreed.

Immigration (Health Charge) (Amendment) Order 2016

Motion to Consider

5.43 pm

Moved by Lord Ashton of Hyde

That the Grand Committee do consider the Immigration (Health Charge) (Amendment) Order 2016.

Lord Ashton of Hyde (Con): My Lords, the Committee will be aware that the immigration health charge was introduced in April last year by the Immigration (Health Charge) Order 2015, with the aim of ensuring that temporary migrants make a fair and proportionate contribution to the NHS services available to them in a manner in line with their immigration status. The charge is paid by non-European Economic Area temporary migrants who apply for a visa for more than six months or who apply to extend their stay in the UK, and is set at a competitive level of £200 per annum and at a discounted rate of £150 per annum for students. The charge is refunded where an immigration application is refused, rejected or withdrawn.

The Government estimate that the charge could raise as much as £1.7 billion at present value over 10 years. This represents an important new source of income for the NHS, income that is shared between the NHS in England, Scotland, Wales and Northern Ireland, and spent as they see fit. The charge has already been shown to be highly successful, collecting more than £100 million in its first six months of operation for the NHS.

Those who pay the charge and who are subsequently granted entry clearance or leave to remain receive NHS care in the same way as a permanent resident, subject to the same clinical need and waiting times, as long as their leave is still valid. They pay only charges that a UK resident would also be expected to pay, such as dentistry and prescription charges in England. The exemptions to the charge are listed in Schedule 2 to the Immigration (Health Charge) Order 2015 and include visitors and certain vulnerable groups. Also exempted are nationals of Australia and New Zealand, which leads us to the purpose of today's debate.

The Immigration (Health Charge) (Amendment) Order removes the exemption from the charge for Australian and New Zealand nationals. It also reduces the amount of the charge for youth mobility scheme applicants from £200 to £150 per annum, in line with students. It also makes a minor and technical change that updates the reference in the 2015 order to the part of the Immigration Rules that relate to visitors. Australian and New Zealand nationals have benefited from a one-year exemption from the charge, and this order ensures that there will be equal treatment for all non-EEA nationals.

The UK, Australia and New Zealand all face the challenges of increasing healthcare costs and the management of migration flows. We regularly discuss these challenges with Australia and New Zealand, and have held consultations with them on the charge since 2013. The Secretary of State for Health confirmed our intention to introduce the charge with his Australian and New Zealand counterparts in December.

[LORD ASHTON OF HYDE]

We greatly value our close relationships with Australia and New Zealand, and remain committed to strengthening the relations between our countries. For this reason we are retaining the reciprocal healthcare agreements for short-term migrants from Australia and New Zealand coming to the UK for a period of less than six months. These agreements provide that short-term migrants to the UK from Australia and New Zealand are entitled to some NHS treatment free of charge. In turn, this is broadly reciprocated when our citizens go there.

The application of the health charge to nationals of Australia and New Zealand is compatible with the terms of our reciprocal healthcare agreements, as these reciprocal agreements do not apply to the longer-term, temporary migrants who will fall within the scope of the charge.

I will also comment on the application of the health charge to Australian and New Zealand nationals. First, the health charge is set well below the true cost to the NHS of treating temporary migrants. For example, non-EEA temporary workers who are here for more than 12 months have a weighted average cost to the NHS of just over £800 per head per year.

Secondly, Australian and New Zealand migrants who come to the UK for a short stay, including tourists, will not pay the health charge. In 2014, nearly 70% of the total number of Australian and New Zealand nationals who came to the UK came as visitors. This group will continue to benefit from the reciprocal healthcare agreements we hold with these countries, which entitle them to free-of-charge NHS care for health conditions that arise during their stay and which require immediate or prompt attention.

Thirdly, and outside the terms of our reciprocal healthcare agreements, we do not charge Australian and New Zealand nationals for the use of any NHS primary care services such as GP or nurse consultations; nor do we charge for treatment in an accident and emergency department. The NHS also provides free-of-charge care to those with certain infectious diseases and, in England, to victims of certain types of violence.

Fourthly, and in recognition of the UK's close and important links with Australia and New Zealand, we are reducing the amount of the health charge that applies to the youth mobility scheme from £200 to £150. The youth mobility scheme is a cultural exchange programme which allows young people aged 18 to 30 from participating countries and territories to experience life in the UK for up to two years. This is the category used by more than half of Australian and New Zealand nationals applying to come to the UK for more than six months, who would consequently be liable to pay the health charge. Young people of all nationalities eligible to enter the UK under the youth mobility scheme will benefit from this reduced health charge rate, not just those from Australia and New Zealand.

We place great value on the strong relationships that we have with Australia and New Zealand, but the UK, like New Zealand and Australia, faces the challenges of increasing healthcare costs and managing migration flows. It is therefore right that temporary migrants from these two countries should now contribute to the

extensive and high-quality range of NHS services available to them, in line with temporary migrants from all other non-European Economic Area countries. We estimate that the changes set out in the order will result in additional income of £41 million for the NHS in present value over five years, in 2016-17 prices. The Governments of Australia and New Zealand have been fully consulted on the charge and I commend the order to the Committee.

Lord Rosser (Lab): I thank the Minister for his introduction and explanation of the purpose of the order. I suppose that neither of us this evening will have to go through the experience of having to address a packed meeting of the Committee.

The Immigration Act 2014, as the noble Lord said, enabled the Secretary of State to provide by order for an immigration health charge to be applied to those seeking leave to enter or remain in the UK for a limited period. The charge was introduced in April last year through an order. This order now amends that order—the Immigration (Health Charge) Order 2015—by reducing from £200 to £150 the immigration health charge payable by youth mobility scheme applicants and it removes the exemption from the immigration health charge available to nationals of Australia and New Zealand. The changes are intended to take effect from early next month.

As the Minister said, the immigration health charge of £200 annually and £150 for students is payable by non-EEA nationals who enter the UK for more than six months in a temporary capacity or who apply to extend their stay in the UK. Those who pay the charge can access NHS services free of charge to the same extent as UK residents. Nationals from Australia and New Zealand were exempt from paying the charge pending further consideration of reciprocal healthcare arrangements, and it has now been agreed that the immigration health charge should be applied to nationals of Australia and New Zealand to bring them into line with other non-European Economic Area nationals. We will not oppose that amendment to the 2015 order, but I have a couple of points to raise.

First, can the Minister say whether these amendments will have any impact on present charges for healthcare paid, or not having to be paid, by UK citizens in Australia and New Zealand, and, if so, in what way? I raise this point in the context of the Government's statement in the Commons debate on this order that the Department of Health has entered into discussion with Australia and New Zealand on the scope of reciprocal healthcare agreements.

The Minister referred to the fact that the £200 did not cover the NHS costs incurred in respect of those paying the charge. While we agree with the principle that people should make a fair contribution to the costs, we asked in the Commons debate what proportion of people paying the immigration health charge levy were in fact in work and making a contribution to the NHS through the taxes and national insurance that they pay. For people in this category, what is the net cost of their use of the NHS once their taxes and national insurance payments are taken into account? I do not think that the answer to that question is contained within the Explanatory Memorandum, although I say

that with some hesitation, as I cannot say that I have necessarily understood all the figures in that document. That is not a criticism of it, by the way. It would be helpful if the Minister could, either now or subsequently, provide a response to the questions that I have raised.

Lord Ashton of Hyde: My Lords, I am very grateful to the noble Lord for indicating his support, as did the Opposition in the other place a couple of days ago. I am also grateful for his questions. The noble Lord asked whether there were any new charges within the reciprocal arrangement as a result of the immigration health charge that has been brought in. The answer is no, to my knowledge. However, as the noble Lord mentioned, the reciprocal health charge is being reviewed partly as a result of this charge. It is not so much a direct causal link, but in negotiating and discussing the immigration health charge with the relevant two countries, it was decided that, in view of the fact that the reciprocal health charge is 30 years old, it would be suitable to look at it again. The Department of Health is currently doing that.

There are charges within the reciprocal health agreement. There are different charges for Australians and New Zealanders here as opposed to UK citizens in Australia and New Zealand. For example, Australia levies a health charge for certain categories of visa applicants, including older migrants applying to become permanent residents. Students are required to have health insurance while in Australia. There is a consultation fee for anyone in New Zealand accessing GP care. These things will be reviewed in the next few months.

The Department of Health intends to work with both countries over the next year to clarify those terms.

The noble Lord also asked about the number of migrants who work here, pay taxes here and contribute to the NHS. He also asked, as did the Opposition spokesman in the other place, about the net cost to the NHS once those taxes are taken into account. I do not have the details to hand, but I will write to him with them. However, I point out that, of the Australians and New Zealanders who come here, 70% come as visitors, so the charge does not apply to them anyway. I can tell him that for Australians, in the year to September 2015—this is not the net figure but in terms of those working—22,333 visas were issued, of which 15,284 were work visas, tier 5 or tier 2, which is about 68%. For New Zealanders, it is roughly 69%. There were 8,104 visas issued, of which 5,606 were working visas. This includes the youth mobility scheme, which allows young people to work for up to two years. However, I will look at the figures in detail and write to him.

I think that I have covered most of the questions that the noble Lord asked, and I stress once again that we greatly value our relationships with Australia and New Zealand, which is one reason why we maintain the reciprocal healthcare arrangements. We have no intention of removing them. In fact, they will be the only ones left by the end of the year. On that basis, I commend the orders to the Committee.

Motion agreed.

Committee adjourned at 5.59 pm.

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