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PARLIAMENTARY DEBATES
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HOUSE OF LORDS

OFFICIAL REPORT

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

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House of Lords

Tuesday 17 October 2017

2.30 pm

Prayers—read by the Lord Bishop of Norwich.

Retirement of a Member: Lord Lloyd-Webber

Announcement

2.36 pm

The Lord Speaker (Lord Fowler): My Lords, I should like to notify the House of the retirement, with effect from today, of the noble Lord, Lord Lloyd-Webber, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to thank the noble Lord for his much-valued service.

British American Tobacco

Question

2.37 pm

Asked by Baroness Thornton

To ask Her Majesty's Government what assistance they have given British American Tobacco in its challenge to the claim for unpaid VAT brought by the government of Bangladesh.

The Minister of State, Foreign and Commonwealth Office (Lord Ahmad of Wimbledon) (Con): My Lords, Her Majesty's Government have engaged with the Government of Bangladesh over discriminatory action against British American Tobacco Bangladesh. This engagement includes discussions at senior official levels since February 2015. The engagement was in line with the guidelines of the World Health Organization's Framework Convention on Tobacco Control. We take very seriously our obligations as a party to the FCTC and guidance in this regard was issued to all posts in December 2013 and again in May 2017 to assist compliance.

Baroness Thornton (Lab): I thank the noble Lord for that Answer, but I beg to disagree that this is in line with the United Nations guidelines. I was prompted to ask this Question because the high commissioner in Bangladesh found time to champion British American Tobacco. Given that the activities of tobacco companies in Bangladesh are estimated to cause around 100,000 premature deaths a year, does the Minister really consider that the high commissioner's actions were consistent with the UK's obligations under Article 5.3 of the Framework Convention on Tobacco Control, to which we are a proud signatory and participant and which commits parties, including the UK, to protecting public health policies from the commercial interests of tobacco companies?

Lord Ahmad of Wimbledon: I have had the good fortune to meet our high commissioner on the ground; she engages in the widest possible way to ensure that both the diplomatic and the business priorities of our interests are protected. I pay tribute to her work in Dhaka in this regard. The noble Baroness referred to guidance. Perhaps I may refresh memories on this issue.

The guidance in question is the guidance I have referred to; namely, what we issue to all posts. Any post should not:

“Engage with foreign governments on behalf of the tobacco industry”—

there is an exception—

“except in cases where local policies could be considered protectionist or discriminatory”.

In this regard, the actual issue was of whether British American Tobacco Bangladesh was issued with a retrospective VAT demand of approximately £160 million. Indeed, both the law ministry and the Finance Minister of Bangladesh agree that there is no case to be answered.

Lord Rennard (LD): My Lords, is the Minister aware that British American Tobacco faces allegations about the exploitation of child labour in the production of its poisonous products in Bangladesh? All its workers there face the severe risk of health problems—they result from the absorption of nicotine through the skin and from the use of pesticides—and further respiratory problems. If the high commissioner is engaged in representing BAT in Bangladesh, will the Minister undertake to ask her also to investigate these allegations and report back to the House on them?

Lord Ahmad of Wimbledon: First, I ask the noble Lord to write to me on the specifics of this issue and I will take it up myself. However, perhaps I may correct one element within his question. The high commissioner is not there representing British American Tobacco—she is there representing Britain.

Baroness Meacher (CB): My Lords, the Minister referred to protecting British commercial interests, and if that really is the motivation we have to raise questions. We know that tobacco taxes are recognised by the World Health Organization, the World Bank and indeed the British Government as probably the most effective way of cutting smoking. Does the Minister accept that it is hypocritical to have our diplomats engaged in trying to reduce taxes in countries like Bangladesh, bearing in mind that it sounds as though this is for British commercial interests?

Lord Ahmad of Wimbledon: The noble Baroness is right to raise the important issue of the harmful effects of tobacco, but let me assure her that the representation that the high commissioner made in this regard was based on the exception. The VAT demand was levied only retrospectively; in the opinion of the law ministry of Bangladesh, that does not adhere to the country's legal principles. That point should not be lost. Therefore, we are not batting for the tobacco industry; this is about the high commissioner acting within the guidance issued.

Lord Forsyth of Drumlean (Con): My Lords, does my noble friend not think it extraordinary that opposition parties should attack our high commissioner, who is simply ensuring that the rule of law is upheld? Can he say how many people are employed by British American Tobacco and how much they pay in tax to the Exchequer?

Lord Ahmad of Wimbledon: On the second part of the question, in terms of specific numbers, I will write to my noble friend. He is right, as I have already said

[LORD AHMAD OF WIMBLEDON]

from the Dispatch Box, that our high commissioners do an incredible job in many sensitive and challenging areas. I refer not only to Her Excellency Alison Blake, but to all our high commissioners and ambassadors around the world. We should commend, not condemn, their efforts.

Lord Faulkner of Worcester (Lab): My Lords, I do not wish to condemn the activities of any representative of the British Government, but the policy enunciated by Andrew Lansley—now the noble Lord, Lord Lansley—in March 2012 was that he wanted tobacco companies to have “no business” in Britain and that, “both at home and internationally, we will continue to act against the vested and commercial interests of the tobacco industry ... My objective is to achieve smoke-free communities; theirs is to make a profit from selling intrinsically harmful products”. Is that still the Government’s policy?

Lord Ahmad of Wimbledon: I think that my noble friend is in his place—

Noble Lords: Oh!

Lord Ahmad of Wimbledon: There is always a concern in the House of Lords; as one noble Lord who introduced me said to me, “Always remember there’s someone who has written either a book or a paper about the subject you’re about to answer on”.

We are entirely consistent; as I have already said, the Government stand very firm on the harmful effects of tobacco on those who indulge in smoking. Irrespective of that point, although it is a pertinent one, it remains true that our high commissioner was acting in the interests of a British company and within the rule of law, and that was qualified by the law ministry of Bangladesh.

Lord Collins of Highbury (Lab): The key issue here is the international agreement we have signed up to. The Framework Convention on Tobacco Control says that in low and middle-income countries, the policies of Governments should be to increase tax revenue. That is what we signed up to—increased tax revenue on cigarettes. In the light of this decision in Bangladesh, will the Minister consider whether there is a need to ensure proper enforcement of that international convention?

Lord Ahmad of Wimbledon: I hear what the noble Lord says. I assure him that we are one of the leading nations in the developing parts of the world, of which Bangladesh is a good example, and want to ensure Bangladesh’s transfer to being a middle-income country. We are in favour of ensuring that all legal taxes which need to be paid are paid, particularly by British companies. This was a retrospective VAT demand. As I have alluded to on a number of occasions already, the law ministry disagreed with the action of the NBR, saying that there was no scope to demand VAT retrospectively.

Baroness Thornton: My Lords—

Noble Lords: Order!

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): My Lords, it is time for the next Question.

Home Ownership Question

2.46 pm

Asked by **Lord Kennedy of Southwark**

To ask Her Majesty’s Government what percentage of the United Kingdom population own their home either outright or with a mortgage; and what assessment they have made of whether this figure may increase or decrease in future.

The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Northern Ireland Office (Lord Bourne of Aberystwyth) (Con): My Lords, in 2015-16, the latest year for which data are available, 34% of households in England owned their home outright, while 29% bought their home with a mortgage. DCLG does not hold data for the United Kingdom. After falling from 71% in 2003, the percentage has stabilised at 63% from 2013 to 2016.

Lord Kennedy of Southwark (Lab): With home ownership at a 30-year low and more young people than ever before priced out of the mortgage market, is the Minister aware of the work undertaken by the Building Societies Association, which has highlighted that one in four people whose borrowing extends beyond the age of 65 is a first-time buyer? What more will the Government do to help the teacher, the classroom assistant, the small-business person, the firefighter or the police officer who in their 30s are all too often priced out of the market, particularly in London, with the various government schemes not helping to date?

Lord Bourne of Aberystwyth: My Lords, as I have indicated to the noble Lord, the position has stabilised over the past few years and barely changed—in fact, it has become slightly better during the past year with the percentage having fallen from 71% in 2003. The noble Lord will be aware, as the House is aware, that the Government are taking many measures to extend home ownership but also to diversify the tenure of houses—£2 billion was announced earlier this month, much of which will go on social rent. We are extending home ownership but at the same time seeking to diversify supply, because the noble Lord is right that this is a serious challenge. As he has indicated, there is a serious intergenerational problem that we wish to address.

Lord Sharkey (LD): My Lords, in the last financial year, private builders built 121,000 new homes in England, housing associations built 25,000 and local authorities built 1,840. The Government admit we need to build at least 275,000 homes every year just to prevent prices rising. Private builders will not build any more than they do; housing associations can maybe build 50,000 a year—that means local authorities will have to build 85,000 each year. How will the Government enable them to raise the money to do that?

Lord Bourne of Aberystwyth: My Lords, as I have indicated, the Government have just announced £2 billion, and we will be shortly explaining precisely how that money will be spent. Much of it will be going on social rent.

We have committed to 1 million new homes by 2020, and 1.5 million new homes—a further half a million—by 2022, which are needed to meet the challenge. It is a far better performance than we have had in recent years. There is a massive challenge here and the Government are aware of this. Part of it is also answered by something that we announced fairly recently: building homes in the right places and ensuring that more of them are built where there is the greatest need and the greatest pressure.

Lord Tugendhat (Con): My Lords, for those of us who began our political careers campaigning for a property-owning democracy, the figures my noble friend has given are somewhat disappointing. It is encouraging that the Government are seized of the issue of intergenerational unfairness which exists at the moment and I look forward to the measures that may perhaps be brought forward in the Budget, but does he not agree that it is not only in respect of difficulties in buying their own home that the young are disadvantaged but in a whole host of other financial aspects, including saving for pensions?

Lord Bourne of Aberystwyth: My noble friend is right. The intergenerational fairness to which I referred does not apply just to housing; there is a similar issue in relation to pensions. A lot of work has been done on this, and the Government are looking at it very seriously. He is right that we need to do far more. I should point out that this is against an expanding population so, although the percentage is static at the moment, that still means we need an increased number of homes because the population is still expanding. Yes, there is a massive challenge and the intergenerational fairness issue is not limited to questions of housing.

Lord Howarth of Newport (Lab): My Lords, the Minister says that the Government are seeking to diversify supply, but surely they are not doing nearly enough to increase supply. If Harold Macmillan, as Housing Minister, was able to build 300,000 houses a year in the early 1950s in a country far poorer than ours is today, why can the Housing Minister in today's Government not do as well or better?

Lord Bourne of Aberystwyth: The noble Lord is right about the size of the challenge but I think, in fairness, he should acknowledge that the £2 billion recently announced begins to address the sort of issue that we are looking at. It is not about just extending home ownership, although the Government are committed to that; it is about diversifying supply, and that £2 billion, in addition to the money that is already there, will make a considerable difference.

Lord Green of Deddington (CB): My Lords, does the Minister agree that we have heard an awful lot about the supply of housing, but there are also some important questions to be asked about demand? He mentioned population; 50% of the projected population growth is down to immigration and we should not be blind to that. Furthermore, of the new households created in the past 10 years, about 90% had a head of household who was born overseas. It is a big factor. We should face up to it.

Lord Bourne of Aberystwyth: My Lords, I am certainly not going to deny the population growth. The facts are there for people to see. That is undoubtedly the case. But it is not a question of simply saying that there is too much demand and we need to stop immigration. The noble Lord did not suggest that, I know, but that would not be the way of proceeding. We have all sorts of skills shortages in many parts of the economy and we have to take account of those when we plan for population growth in the country.

Lord Shipley (LD): My Lords, the Minister will be aware that Help to Buy has assisted quite a number of young people to buy their first home, but is he aware of the research which now shows that Help to Buy is actually helping to increase house prices, putting home ownership beyond the reach of many more people?

Lord Bourne of Aberystwyth: My Lords, the noble Lord alludes to the need to ensure that younger people can buy their own homes. That is indeed very important. It is part of the intergenerational question that I referred to. The Government have many schemes that will assist people. Notably, lifetime ISAs are making a considerable difference now. Yes, it is a challenge and something we are looking at. The evidence he spoke of is actually ambiguous—it is not clear that that is the case—but we are looking at ways of encouraging younger people into the market because it is important that we do so.

Islamophobia

Question

2.53 pm

Asked by *Baroness Warsi*

To ask Her Majesty's Government whether they have a definition of Islamophobia; and, if so, what it is.

The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Northern Ireland Office (Lord Bourne of Aberystwyth): My Lords, we are clear that hatred and intolerance against Muslims have absolutely no place in our society. Any criminal offence that is perceived by the victim or any other person to be motivated by hostility or prejudice based on a person's religion or perceived religion is a religious hate crime. The Government do not currently endorse a particular definition of Islamophobia. Previous attempts by others to define this term have not succeeded in attracting consensus or widespread acceptance.

Baroness Warsi (Con): I thank my noble friend for that Answer. He will be aware that it is 20 years since the Runnymede Trust published *Islamophobia: A Challenge for Us All*, which first tackled the issue of Islamophobia. Does he agree that it is high time for us to have a definition of Islamophobia? Does he agree that we cannot fundamentally challenge the hate that underpins hate crime unless we define what that hate is? Is he agreeable to meeting a cross-section of community organisations and individuals, including the All-Party Parliamentary Group on British Muslims, to come to a definition?

Lord Bourne of Aberystwyth: My Lords, I acknowledge the massive and continuing work that my noble friend does in this area. As to her last point, I am very happy to meet the all-party group and community organisations to discuss these issues. There is a definition, as my noble friend rightly says, used by the Runnymede Trust. There are many definitions, but we do not use a single definition of Islamophobia, and I do not accept that there is a need for a definitive one. It is clearly recognised, and we have very effective monitoring of race-hate crimes. As my noble friend knows, considerable work is done by Tell MAMA and the Anti-Muslim Hatred Working Group in these areas. We do that while understanding and being able to recognise Islamophobia, but perhaps not being able to define it precisely.

Lord Singh of Wimbledon (CB): My Lords, the noble Baroness, Lady Warsi, has rightly drawn our attention to the vagueness of the term Islamophobia. I add a point that concerns me: the culture of victimhood that it can easily lead to, which is not very healthy. There is also the way in which figures for crimes against other people are included in the statistics for Islamophobia—up to one-third, according to a freedom of information request. But the greatest concern is that this sort of thing does not really tackle the underlying issue of hate crime, which arises out of ignorance and prejudice. It is there at all levels of society, and we are doing very little to combat it.

Lord Bourne of Aberystwyth: My Lords, the noble Lord is right about the general nature of the fact that we have a considerable body of hate crime based on race, gender, religion, disability, sexual orientation, age and so on. Any hate crime is a crime against us all; that is a starting point. It is worth noting that we have some very effective legislation in this country, which is—thank goodness—very much enforced on a routine and regular basis. I do not accept that we are unable to act on this because we have no particular definition of Islamophobia. As I said, considerable and very effective work is done by Tell MAMA and the Anti-Muslim Hatred Working Group in that area. We see the results of that every day through very effective reporting and enforcing, and considerable interfaith work done by groups coming together in that regard.

The Lord Bishop of Norwich: My Lords, does the Minister agree that, whatever our definition of Islamophobia, one of the most effective ways of preventing it is by good relationships between the different faith communities, exemplified by the new church/mosque twinning programme promoted by the Christian Muslim Forum? That is already established in Oldham, Rochdale, Walsall and Wolverhampton. What can the Government do to encourage those local community initiatives, which can transform the way in which a local community views Muslims in their midst?

Lord Bourne of Aberystwyth: My Lords, the right reverend Prelate is right about the many good examples on the ground, brought about by the Christian church, in conjunction with the Muslim religion and, often, with the Jewish religion. I have seen very effective partnerships, such as Nisa-Nashim, as well as the effective partnerships

through virtually all our 42 cathedrals in England, where massive good work is done. Considerable good work, probably more effective than anything, is also done by prominent British Muslims through example. I am thinking of people such as Nadiya Hussain, Mo Farah and so on, who probably do far more by example than many of these programmes.

Baroness Farrington of Ribbleton (Lab): My Lords, will the Minister give the House an undertaking that, given some statements by police authorities that they are unable to cover the following-up of hate crimes because of cuts in their staffing levels and budgets, the Government will act immediately to ensure that police budgets are made up to the point where hate crimes can be followed through?

Lord Bourne of Aberystwyth: My Lords, we and the Home Office meet regularly with police forces to discuss these issues, and that issue has not been brought to my attention. If the noble Baroness has evidence of this, I would be very happy to look at it. Indeed, if any noble Lord has such evidence, please bring it forward, and I will certainly take a close look at it.

Baroness Pincock (LD): My Lords, monitoring hate crimes is very important, but encouraging education programmes to counter hate crime is more so. Given that local government cuts have resulted in savage reductions in community cohesion programmes and young people's services, will the Minister agree to explore ways in which more resources could be provided to enable local councils to provide those services to encourage greater cohesion and understanding between communities?

Lord Bourne of Aberystwyth: My Lords, local authorities do an excellent job in ensuring that organisations such as the Holocaust Educational Trust get the message across about some of the dreadful events that have happened in the past and in ensuring that community cohesion, good interfaith relations and the importance of different religions is understood in schools. That is happening very effectively, as I see on a regular basis when I visit schools and other community organisations.

Nazanin Zaghari-Ratcliffe

Question

3.01 pm

Asked by **Baroness Northover**

To ask Her Majesty's Government what action they are taking in relation to the case of Nazanin Zaghari-Ratcliffe, a British-Iranian dual national citizen detained in Iran.

The Minister of State, Foreign and Commonwealth Office (Lord Ahmad of Wimbledon) (Con): My Lords, we raise all our British-Iranian dual nationality detainee cases with the Iranian authorities at every opportunity, including the case of Nazanin Zaghari-Ratcliffe. The Prime Minister, the Foreign Secretary and the Minister for the Middle East, the right honourable Alistair Burt MP, raised these cases with their Iranian counterparts

at the UN General Assembly in September. Our ambassador in Tehran raises these cases at every opportunity, most recently with the Iranian Deputy Foreign Minister on 16 October.

Baroness Northover (LD): I thank the Minister for that Answer, but softly, softly seems not to be working. The Iranian Nobel Peace Prize winner Dr Shirin Ebadi has advised that Nazanin Zaghari-Ratcliffe's first trial and imprisonment, let alone the new charges, are illegal under Iranian law. What is the Government's assessment of this advice? Do the Government agree that they have the power to take legal action against the Iranian Government to protect Mrs Ratcliffe's rights as a British citizen? Will they now do so?

Lord Ahmad of Wimbledon: My Lords, the noble Baroness refers to the reports, which were widely reported in the UK, that Mrs Zaghari-Ratcliffe has been charged with additional crimes. We are aware of those reports, but we have not yet seen the details of the charges from any official sources and we are urgently seeking further information from the Iranian authorities. The noble Baroness refers to a softly, softly approach. We continue to raise these issues consistently; indeed, last week my right honourable friend the Foreign Secretary met the Foreign Minister of Iran and the Vice President of Iran and raised this case and all cases of dual nationals. There is complexity here because, as the noble Baroness will be aware, not all countries recognise dual nationality. Iran is one of those countries. However, we continue to be consistent and to raise all these cases on a regular basis. We will continue to do so to ensure that we can secure the release of all the detainees currently being held.

Baroness Afshar (CB): My Lords, as an Iranian-born Member of this House, I say that it would be extremely helpful not only to Nazanin Zaghari but to all defenders of human rights and all women in Iran if the Government insisted that the Iranian Government respect their own rules and regulations and allow that all prisoners are entitled to proper representation. The difficulty here is that it is the Revolutionary Guards who are preventing the process. I am sure the Government would help the Iranian Government and Iranian citizens in prison by insisting that consideration of the proper legal representation of prisoners be maintained at all points.

Lord Ahmad of Wimbledon: The noble Baroness obviously speaks with great knowledge of Iran. I assure her and indeed the whole House that we continue to raise these issues in a robust manner. I am acutely aware of the details of all these cases due to my responsibilities as Minister for Human Rights at the Foreign and Commonwealth Office. Equally, the noble Baroness will be aware that she calls upon certain elements within the Iranian Administration; I hope they heed that call but, unlike the UK, Iran does not legally recognise dual nationalities, so it views these detainees as Iranian nationals.

Lord Collins of Highbury (Lab): My Lords, the noble Baroness referred to the softly, softly approach. Are the Iranians, in response to our representations, criticising any public campaign on behalf of Mrs Zaghari-Ratcliffe?

If they are, it is about time that we stopped the softly, softly approach and started shouting from the rooftops that the rule of law must apply.

Lord Ahmad of Wimbledon: When it comes to human rights anywhere—whether it is in Iran, or the issue of detainees in Iran who are dual nationals—the UK continues not only to fulfil its obligations but to demand consular access. As I said before, the Iranians view this case and others like it in a different light because they do not view the people involved as dual nationals. The noble Lord is right to raise this important issue but it is for the Iranian Government to respond to the international pressure coming not just from the UK but from other countries. We will continue to press the Iranian Government for early release.

At the same time, I can report some progress in this case. Mrs Zaghari-Ratcliffe, has been granted access to her family in Iran, together with her daughter, and I understand that they visit her at least weekly. She has also been having telephone calls with her husband. These are small steps forward and we will continue to make all representations at the highest level to ensure that we see a resolution of this case, and indeed the cases of all dual nationals who are currently in Iranian prisons.

Lord Howell of Guildford (Con): My Lords, I strongly agree with the comments that have been made. I know my noble friend recognises that we remain strongly in support of the Iran nuclear deal, which of course has been questioned on the other side of the Atlantic. Will he reassure us that, even while we do that, we will in no way relax our focused criticism of the appalling intolerance and violence of aspects of the Iranian regime, particularly its constant destabilising activity throughout the Middle East, which has caused enormous suffering to many peoples in the area?

Lord Ahmad of Wimbledon: I could not have articulated the Government's position better myself. My noble friend is quite correct that we are supporters of ensuring that the nuclear deal that was reached with Iran is sustained and strengthened, but that in no way takes away from our strong representations about the abuses that we see. Indeed, their growing influence in certain parts of the Middle East, as my noble friend said, is destabilising to the region and, I would suggest, to the global picture as a whole.

Arrangement of Business

Announcement of Recess Dates

3.08 pm

Lord Taylor of Holbeach (Con): My Lords, now might be a convenient point for me to inform the House of the proposed Recess dates for the first part of next year. In the customary fashion, a copy of these dates will be made available in the Printed Paper Office and they will be included in tomorrow's edition of *Forthcoming Business*.

Subject of course to the progress of business, I expect the House to rise at the conclusion of proceedings on Thursday 8 February and return on Tuesday 20 February. We also currently plan for the House to rise for Easter

[LORD TAYLOR OF HOLBEACH]

at the conclusion of its proceedings on Thursday 29 March and return on Monday 16 April. Again, I must emphasise the caveat about the progress of business. That caveat has to make the later dates, in particular, provisional. The dates I have advertised today coincide with those currently anticipated in the other place.

International Investment

Statement

3.10 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton) (Con): My Lords, with the leave of the House, I shall now repeat a Statement made by my right honourable friend the Secretary of State for Business, Energy and Industrial Strategy.

“Mr Speaker, the United Kingdom has a deserved reputation as one of the most open economies in the world; one which welcomes international investment and the benefits it brings. Our position as the fifth-largest economy in the world has been built on international trade and investment. Today’s Green Paper affirms our commitment to that approach and sets out proposed reforms to our scrutiny of foreign investment to ensure that our national security is protected.

An open approach to international investment must include appropriate safeguards. It is vital that the UK Government can deliver on our primary duty to safeguard national security and ensure that the interests of the British people are protected. It is important that the Government have both knowledge of potential national security risks to the UK and the ability to act where necessary.

Our review has highlighted that it needs to be updated to take into account the changing structure and size of companies in sectors critical to our national security. Our reforms will bring the UK into line with many major developed economies. We want to develop clear, consistent and proportionate rules which enable us to scrutinise the ownership of our infrastructure but which are also well understood and give international investors the clarity and transparency they require.

We propose a two-stage approach. First, I am now updating our current arrangements by consulting on amendments to the Enterprise Act 2002 to enable the Government, if necessary, to intervene in mergers which fall outside the current provisions. In most sectors, the thresholds in the Act allow the Government to intervene on public interest grounds only in mergers where the acquired company has a UK turnover of more than £70 million or the merger results in an increase in the UK share of supply to 25% or more. These thresholds are no longer appropriate for certain sectors, particularly those where smaller companies may hold technologies which are critical for national security. For these sectors, we propose to introduce amendments by secondary legislation which would lower the turnover threshold to £1 million and remove the requirement for the merger to increase the share of supply to 25% or more.

Specifically, I am consulting on amendments to the thresholds for the dual-use and military sector and certain parts of the advanced technology sectors. The first

of these relates to items that are currently subject to export controls. Hostile actors should not be able to acquire these items, or the knowledge about how to make them, by buying UK-based businesses. The second relates to companies involved in the design of computer chips and quantum technology. Advanced technologies can create threats which are difficult to detect and may mean that devices could be directed remotely, should a hostile actor gain access.

The Green Paper also seeks public views about options for broader reforms to the way we scrutinise investment for national security purposes. In particular, we are seeking views on two proposals: broadening the range of transactions that the Government are able to review for national security purposes; and the introduction of mandatory notification of foreign investment into certain parts of the economy which are critical for national security, such as the civil nuclear and defence sectors.

The Government intend that any reforms should be firmly targeted at national security. While the national security assessment by its nature must remain confidential, we will also seek to provide greater certainty and clarity to businesses on the process itself. These proposals will ensure that our arrangements for protecting national security are aligned with the practices in other major countries and are more robust to the evolving nature of national security threats and technological change.

Let me say something about takeovers more generally, outside the area of national security. We have held discussions with stakeholders, including the Takeover Panel, about the current process for takeovers. These discussions have covered the need for more information and time to allow for assessment of takeover bids by interested parties, and how assurances given during the takeover process can be properly assessed and compliance scrutinised. We believe the recently proposed changes by the Takeover Panel would improve the UK’s takeover rules. We look forward to the conclusion of the consultation.

Alongside this, the Government will act, where appropriate, to ensure that public funds are protected in merger situations. In particular, we will take steps to ensure that government-funded research and development grants can be clawed back following a takeover if the new company would have been ineligible to receive the grant or the purpose for which the grant was made has changed.

I now turn to a particular international investment announcement made late last night. Last Tuesday, I briefed the House on the trade dispute brought by Boeing against Bombardier. Since the outset, I and my colleagues have been constantly engaged and this has included looking at alternatives.

I am pleased to tell the House that yesterday the boards of Bombardier and Airbus announced plans for a joint venture involving the C Series aircraft. The deal is expected to be completed by the second half of next year. I have spoken directly to Pierre Beaudoin, the chairman of Bombardier, and Tom Enders, the chief executive of Airbus, specifically about this joint venture. I have also discussed this with Chrystia Freeland, Canada’s Minister of Foreign Affairs. My top priority

has been to emphasise the importance of giving certainty to Bombardier's high-quality UK workforce now and in the future.

The Shorts factory in Belfast employs more than 4,200 skilled workers and supports a supply chain of hundreds of companies and many more jobs in the UK. Airbus also has a large presence in the UK, employing more than 15,000 people, and is firmly rooted in the UK's advanced technology industrial base.

It is in all our interest that the C Series is successful. Both Bombardier and Airbus have made a number of important commitments to me, including that C Series wing manufacturing will continue in Belfast and that the strategy will be one of building on existing strengths and commitments. This announcement offers the potential to protect the interests of Bombardier's Belfast workers and UK supply chain. The UK is already Airbus's wing factory for the world and this announcement reinforces that position.

The trade dispute brought by Boeing against Bombardier's C Series remains in place. We consider this action by Boeing to be totally unjustified, unwarranted and incompatible with the conduct we would expect of a company with a long-term business relationship with the United Kingdom. We refute entirely any suggestion that our support for Shorts contravenes international rules. We will continue to work to see it resolved while Bombardier and Airbus negotiations continue.

I remain in close contact with Airbus, Bombardier and the Canadian and US Governments. I will be speaking to the chairman of Bombardier and the chief executive of Airbus again later this week for an update on progress. I will, of course, continue to meet the representatives and Members of this House who have been assiduous in standing up for their constituents' interests. I will do everything I can to secure the best possible future for Bombardier's Belfast workforce and its UK-based suppliers. I commend this Statement to the House".

3.18 pm

Lord Mendelsohn (Lab): My Lords, I thank the Minister for repeating the Statement in this House. I also thank him for his personal interest in these matters, not just in relation to Bombardier but for his deep involvement in shaping the Green Paper, which is shown through its pages.

I turn to the last part of the Statement, which is the very welcome news that Bombardier and Airbus have determined to create a joint venture to look at developing the C Series aircraft. The pairing of these two cutting-edge product lines is a very exciting prospect for the future of aerospace manufacturing and the excellent industry that we have here. We are hugely encouraged by such a step and what it means for the UK. I would be grateful to the Minister for some further information on what assurances or indications the Government have gained from both companies as to the likely investment or potential for jobs growth in this country as a result of such an excellent step. I reaffirm the broad consensus of the House, as demonstrated during the course of the last Statement, that we strongly support the Government's actions in defending Bombardier's position against a completely unjustified and unwarranted attack

by Boeing, and a process which we are not convinced is as straightforward and clear as it could be. We urge the Government to do whatever they can and we support their continued efforts to try to ensure a swift and speedy resolution of these matters.

We warmly welcome the excellent and timely Green Paper *National Security and Investment and Infrastructure Review*. We are pleased that the Government have chosen to look at how we can update our structures to deal more effectively with changing times. As a general observation, this creates further changes to our merger regime, some of which the Minister has already mentioned, such as matters involving the Takeover Panel and the FCA and further reviews of corporate governance. Even some of the insolvency reforms have a bearing on how we look at this regime. I make a plea for a more holistic process in how we review these issues of industrial strategy. Especially as we face Brexit, it would be useful if the Government could come up with a more joined-up approach to how these different parts can achieve the outcomes that we want, rather than having conflicting and competing claims or unwelcome consequences.

In relation to the principles from which we approach this review, it is important to state—as the review itself does—that we have to ensure that the UK remains open for investment and participation. We still want to be a major global player in all these areas. Sometimes the indication that we are involved in a review creates a chill. We should be clear that, while it is entirely legitimate to protect the country's interests, we will not create a large investment review. This also applies to how we address issues such as the clawback of funds and how those funds might be used for early development or other things for companies which might not be eligible. That provision would itself raise a series of questions. One has to assess things delicately and put them in sensible terms. The intention is clearly right, but we would not want it to have unwelcome consequences.

We are pleased with the short-term and long-term approach to ensuring that we have an adaptable and operational system. The review stresses our foreign direct investment position, which this House has discussed many times. We are mildly sceptical about the nature of some of this investment. The charts in the paper identify the level. If we subtract the gold transactions which take place in the UK as goods received—which effectively net each other out—I am not sure the position would be so flattering. Our FDI position is not as good as is suggested and we should be conscious that we have a long way to go in encouraging the right sort of job-creating investment. The review should be seen in that context, rather than giving the feeling that we are in a much stronger position than we are.

Will the Minister provide some thoughts on the following issues? First, what are our national security requirements? Are these strategic or are they direct security concerns? What balance will be in place on issues such as security of supply versus strategic control, as well as our own capacity to ensure that we have certain technologies? We welcome the important short-term measure of lower thresholds, which does plug gaps. On long-term measures, the review is right to look at mechanisms such as call-ins and notifications.

[LORD MENDELSON]

However, these raise questions themselves, the first of which is the nature of acquisitions and security concerns as companies develop in the modern world. This is not always about the takeover of a company. As we have seen from the way in which companies acquire access to technology and other things, this can frequently be done through partnerships, joint ventures and other things which do not involve a complete and direct transfer of equity. Sometimes control changes due to debt, so we need to consider all these measures. I would be very grateful for the Minister's observations on those points.

In relation to the nature of these companies, we have looked at lower tests on dual use in the military sector and those involved in the design of computer chips and quantum technology. Certainly, our security concerns can be identified in other high-tech sectors, including life sciences and even food technology, as well as other areas of science and research. I would be very grateful to be told how the Government decided which sectors to select.

In the context of the voluntary and mandatory reforms, what was the thinking behind the notion that you can divide those sectors into voluntary and mandatory? Certainly, the guidance the Minister talked about would be enhanced by giving a much clearer view on that.

Finally—I do not wish to sound too mischievous, but I will ask this question anyway—does our reviewing the matter at this stage suggest that we may well take a different view over the long term, as these companies already fell within the threshold, or that we might be open to taking a different view on what took place in relation to ARM or even Hinkley Point?

Lord Fox (LD): My Lords, I draw your Lordships' attention to the interests registered in my name. I, too, thank the Minister for repeating the Statement in this House. He is of course right to declare that the UK economy should be open. All of us on these Benches earnestly hope that that is the way the Government continue to play it and that we do not start to close down and become a little England.

The Minister also rightly highlighted the need for changes in appropriate safeguards. The world is changing very quickly, national security needs are changing and the Government are right to keep those under review, so this is a timely process.

The noble Lord, Lord Mendelsohn, asked for a holistic approach to the whole issue of mergers and acquisitions. *En passant*, I add pensions to that list, which he did not include, because increasingly pensions and the rights of pensioners are becoming a driver within the mergers and acquisitions section.

On the Statement, there is a powerful case for strengthening the public interest in takeovers, as, indeed our leader Vince Cable has argued regularly, most recently, I think, on the AstraZeneca case. However, while lowering the threshold is a welcome step, the Government's proposals are narrow and do not add a great deal to the overall public interest element, which should be covered in a more holistic approach. In recent months we have seen several of the UK's high-tech companies snapped up by foreign competitors. This has been exacerbated by the fall in the value of the

pound. That is a regrettable outcome. Therefore, today's inclusion of computer chips in the list of new technologies singled out is somewhat interesting given that it follows the much publicised acquisition of ARM, arguably the world's best chip designer. That, again, was driven by the weakness of the pound. Perhaps the Minister agrees that there is an element of closing the stable door here. We wish that some of the measures we are discussing were in place at that time.

The addition of quantum technology raises the question: why only that? Again, the noble Lord, Lord Mendelsohn, opened up a list of other technologies. I had biosciences and some aspects of IT and encryption on my list. It seems to me a rather narrow list when you consider the potential threats to a range of technologies. In some technologies, the threats have not been thought of yet but they exist. In our view the scope should be widened to defend not just the science base from a security point of view but also the overall knowledge base of this country. Knowledge can leak out from this country through a variety of means, of which mergers and acquisitions is but one. Joint research projects are another. In many cases you often have competing aims where inward development exercises try to draw foreign investors into research projects where the IP driver in this country would be to exclude some of those investors. In many cases, therefore, we are creating a situation that is leaking out valuable information—whether it is for security interests or economically valuable—through actions that the Government or local government are driving. Perhaps this is something that the Minister could look at. At the heart of this is the narrow look at security needs. These Benches would widen that to cover more economic interests of this country, and we hope the Government will take that on board.

Turning to Bombardier, I am sure the whole House welcomes the announcement of this deal, which should protect the future of the plane-maker. Clearly, only a few days ago, we were discussing a very bleak future for the 4,000-plus workers and all of those indirectly involved in the economic area that it has created in Belfast, so this is good news. I said at the time that even though this is not a case that would, in the end, be won by Boeing, time was the issue that would kill off and affect Bombardier. This is a very effective way of trying to bridge that time and of negating that problem. We should all congratulate everybody who has been involved in expediting this so swiftly and effectively. I am sure there are "i"s to be dotted and "t"s to be crossed, and I hope the Minister will give assistance to all those who require it to make sure that happens. In that regard, will the Minister tell us what anti-trust hoops he expects this deal to have to jump through?

We would also welcome some clarity from the Minister on what assurances have been forthcoming, both on investment and on the public statement made by the CEO, Tom Enders, on the notion that operations will be more efficient. What will be the job implications in both Belfast and perhaps in Broughton? What assurances have been given, and how will he be able to uphold them? In many ways, the US Administration and Boeing might feel that they have got off the hook somewhat by this, but there are still huge tariffs outstanding on this aircraft. The actions of the US

remain a salutary warning to this country that its relationship with the Trump Administration is, at best, strained and poses something of a black cloud.

In conclusion, today's announcement on takeovers and mergers sets out steps in the right direction. We welcome greater breadth in scrutiny and the requirement for notification. I am sure that, as the consultation process goes through, the Government will look at the technologies, and at which elements of which technologies we should be concerned about. I hope they will also take on board the public interest aspect in mergers and acquisitions.

Lord Prior of Brampton: I thank both noble Lords for their broad welcome for the news on Bombardier and the Green Paper. Turning first to Bombardier, both noble Lords would like further information about jobs, growth and possible anti-trust implications, but it is too early to say at the moment. This joint venture has only just been announced. It is still subject to negotiations between the two parties. Rather than hazard a guess at where they will come out, perhaps we should report back to the House when further details become clear.

Turning to the Green Paper, both noble Lords would like a more holistic approach. The noble Lord was referring particularly to the takeover context, and he is absolutely right. Pensions are absolutely essential in that context, as are environmental obligations and the like. The noble Lord, Lord Mendelsohn, referred more to a holistic approach in the context of industrial strategy more generally, rather than specifically on takeovers. He will have to wait until later in November, when we will announce our industrial strategy. I hope he will agree, when that strategy is before him, that it is a holistic, joined-up approach to industrial strategy.

I will deal with some of the other issues that both noble Lords raised. Of course foreign direct investment is essential. There is a balance; we want to be open to foreign direct investment—the last thing we want to create is a chill, as the noble Lord put it, on investment coming into this country. Although it is absolutely true that a number of high-tech British companies have been sold over the last two or three years, particularly to American buyers, in the vast majority of cases those American companies have brought capital and support. I refer, for example, to Google's acquisition of DeepMind; it has put huge resources behind that company which might not have been there had it remained a private British business. SoftBank's acquisition of ARM falls into that category as well; it gave a number of important undertakings about research and keeping that research in the UK. Therefore, there is a balance to be struck in these areas and the last thing we want to do in this country is shut ourselves off from investment from the US and elsewhere. If one looks at how we support small tech companies, it raises a much broader issue about patient capital, spin-outs from universities and the like. I hope we will deal with those issues when we come to our industrial strategy in a few weeks' time.

Both noble Lords raised whether the definitions of quantum computing chips and dual-use defence were too narrow. They will, no doubt, want to comment on that issue in the consultation. We have gone for quantum

computing and chips in particular because they are often embedded into infrastructure and safety-critical areas. Quantum computing is precisely the area where cybersecurity is so important; we can use it to break complex encryption codes and the like. We felt, having done a lot of consultation, that those areas of chips and quantum computing were the critical ones. I understand the noble Lord's point about life sciences; there may be other areas that he would like us to consider as part of the consultation. In general, however, this is a question of balance and where we draw the line. We can always argue about the balance, but I am reassured that we have not got it too far wrong when both noble Lords broadly support what we are doing.

3.37 pm

Lord King of Bridgwater (Con): In general, I welcome my noble friend's announcement that the Government intend to act in this area. However, I have one concern. In consulting on possible amendments to the international investment arrangements, we notice what happened when the pound suddenly weakened and overseas investors took the opportunity to take over UK companies. I worry about what will happen in the interim, before any new changes are made. I have felt for some time that these changes need to happen, and if companies see that the rules may change for them quite soon, we may find that it pre-empts people into taking action now.

I also note from his Statement that the Secretary of State has been busy, helpfully, talking on the telephone to Airbus and Bombardier. I suggest that he makes one more telephone call to the chairman of Boeing, to say that that great company, which we much admire and with which we in this country have had very good relationships hitherto, has not been helped at all by this unfortunate action it has taken. The best thing it could possibly do now, in recognition of the complications it has introduced, is to withdraw the action it has taken and enable the companies to go forward in this new arrangement, which I greatly welcome.

Lord Prior of Brampton: My noble friend makes two important points. On Boeing, I cannot swear to it, but I think the Prime Minister has spoken to Boeing directly about this issue. Certainly, my right honourable friend Greg Clark, in the other place, is also in touch with Boeing. Boeing has two big investments in this country, which relate to helicopters and to a new facility it has opened in Sheffield, so it is an important part of our economy. I assure my noble friend that we are having conversations of the kind that he describes with Boeing. I understand my noble friend's point that this consultation might lead to some companies pre-empting this and coming forward to buy a British company now rather than later. We have considerable soft power in these areas, so we can use quite a lot of influence behind the scenes to prevent that happening. But we certainly need to bear that consideration in mind.

Lord Spicer (Con): My Lords, if this is genuinely about defence, that is one thing, but if it is going to be part of some sort of more protectionist policy, that will not sit well with Brexit. I am not sure what the

[LORD SPICER]

word “holistic” means in this context but I am suspicious of it. Actually, we should particularly encourage large-scale projects that people get worried about because, once you are into a large-scale project, you cannot get out of it.

Lord Prior of Brampton: My Lords, my noble friend is absolutely right that foreign direct investment into this country is essential. For example, Hinkley Point power station is funded largely by the French and the Chinese. We are absolutely open to investment from all over the world, so there is no intention at all of discouraging foreign direct investment coming into this country—on the contrary. I think that we are the third biggest end point for foreign direct investment after the Chinese and the Americans, and there is no intention of harming that. As far as the word “holistic” is concerned, I think that the noble Lord meant “joined-up government”; it was not in any way directed at some conspiracy to prevent investment coming into this country.

Lord Howell of Guildford (Con): My Lords, I particularly welcome the better news about Bombardier. Having, ages ago, been the Minister responsible for inward investment into Northern Ireland, I can confirm that the engineering skills legacy of Belfast and indeed of Northern Ireland is colossal. From the days of Short Brothers and Harland and Wolff, when I was involved right down through the years, there has been a highly innovative and skilled operation, and I am very glad that it will be preserved and encouraged with further investment, as it should be.

On inward investment generally, I agree with my noble friend and the noble Lord, Lord Mendelsohn. We have to be a bit careful. We rely on heavy capital and inward investment to balance the books in this country and compensate for our colossal trade deficit, and we need to avoid any implication that we are somehow turning against being an open house for most inward investment, although there obviously have to be some safeguards. Can my noble friend reassure us about one area that he mentioned—civil nuclear power? The nuclear scene is dominated by both foreign ownership and foreign inward investment and support, not least for Hinkley Point C, which will survive and prosper only with heavy Chinese help and involvement. Can he assure us that nothing that has come out today will get in the way or cause further disruption of our already rather difficultly placed nuclear programme? It is not going well now and will go even worse if we cut out foreign investment.

Lord Prior of Brampton: My noble friend makes a number of very good points. First, as he rightly says, the 4,200 people who work at Short Brothers have some outstanding, world-class engineering skills, and the fact that Bombardier and Airbus have come to this agreement is extremely good news for all of them. Secondly, as far as civil nuclear power is concerned, he is absolutely right. Hinkley depends on Chinese investment, as indeed do many economies throughout the world. I think that it would be very foolish of us to be at all concerned about the Chinese investing in our civil nuclear power industry. The Chinese will probably

build 150 nuclear power stations in their own country over the next 10 years, and they will unquestionably be among the world’s best when it comes to building and operating nuclear power plants. We should take the fact that they are investing in the UK as a very good thing.

Lord Lea of Crondall (Lab): My Lords, does the Minister agree that Boeing has for many years been a classic example of indirect support of the military-industrial complex—to use General Eisenhower’s phrase—in the United States through defence expenditure, R&D and so on, and that the same applies to high-tech industries generally? Therefore, is it not a fact that we have to scrutinise matters very carefully and take a robust view of our long-term strategic interest when it comes to the arguments that keep flying around across the Atlantic?

Lord Prior of Brampton: The noble Lord is absolutely right. Boeing has been hugely supported by the American defence industry since the Second World War at least. He is right that we should vigorously defend any claims that Boeing has against the British Government’s support of Bombardier in Northern Ireland.

Lord Lansley (Con): My Lords, I want to ask my noble friend about the extent to which the proposals in the Green Paper, which I confess I have not yet had the chance to read, are aligning the public interest test for national security purposes with the export control regime. My recollection from serving on the quadrilateral committee in another place is that national security was not the only consideration for export controls; other considerations also applied, including our international and human rights obligations. However, my noble friend’s Statement said that this is targeted firmly at national security. Do we intend to reinforce the export control regime in toto or simply the aspect of it that relates to national security?

Forgive me, but if I may, I will also ask: while the Government are pursuing amendments to the Enterprise Act on the public interest intervention, will they also make progress on updating the public interest test on media plurality, which was foreshadowed in the debate here on the Digital Economy Bill in the last Session? It needs to be substantially updated to reflect the changing media framework to which that media plurality is applied.

Lord Prior of Brampton: My noble friend has asked me two questions and I am not sure whether I can do them full justice. On his first question about the export control regime, it is true that the £70 million test will come down to £1 million for companies that are subject to the export control regime. I assume that those companies would, by definition, be concerned with national security issues. In so far as they are not, I will have to write to my noble friend on that point.

I will also have to take further advice on his second question. At the moment, there is no intention to extend the Green Paper consultation to media plurality, but I will double check that and write to my noble friend.

Update on EU Exit Negotiations

Statement

3.47 pm

Baroness Goldie (Con): My Lords, with the leave of the House, I wish to repeat a Statement made in another place by my right honourable friend David Davis, the Secretary of State for Exiting the European Union. The Statement is as follows:

“I will now update the House on the fifth round of negotiations with the EU. In view of the fact that the October European Council is this week, I will also review the progress of the five negotiation rounds since June.

While at times the negotiations have been tough, both Michel Barnier and I have acknowledged the new dynamic that has been created by the Prime Minister’s speech in Florence. This momentum was maintained during the October round. Both negotiating teams continued to work constructively together. Since June, we have steadily developed our shared political objectives. There is still some way to go to secure our new partnership, but I am confident that we are on the right path.

I will now take the House through each of the negotiating issues in turn. On citizens’ rights, we have made further progress towards giving British citizens in the EU and EU 27 citizens in the UK the greatest possible legal certainty about the future. In future, our legal orders will be distinct and different. Last week, we explored the ways in which we will make sure that the rights we agree now will be enforced in a fair and equivalent way. We also explored ways in which we can fully implement the withdrawal treaty into UK law. This will give confidence to European citizens living in the United Kingdom that they will be able to directly enforce their rights, as set out in the agreement, in UK courts.

The two sides also discussed ways of ensuring consistent interpretation of our agreement. Although we have not yet arrived at a single model that will achieve this, we have explored a number of solutions. We should also not lose sight of the fact that we have made significant progress in this area since June. We have reached agreement on: the criteria for residence rights; the right to work and own businesses; social security rights; rights for current family members; reciprocal health care rights; the rights of frontier workers; and the fact that the process for securing settled status in the UK will be streamlined and low cost. But, of course, there are still some issues outstanding for both sides, including the right to continue to enjoy the recognition of professional qualifications; to vote in local elections; to onward movement as a UK citizen already resident in the EU 27; the right to return; the right to bring in future family members; and the right to export a range of benefits.

In many of these areas, it is a straightforward statement of fact that our proposals go further and provide more certainty than those of the Commission. We are trying to find pragmatic solutions. In the fourth round, we offered the guaranteed right of return for settled citizens in the UK in exchange for onward movement rights for British citizens currently living in the EU. We look forward to hearing the Commission’s response on this offer.

I recognise that there has been some concern regarding the new system which European citizens will have to use to gain settled status in the UK. So last week, I confirmed that while there will be a registration process, the administration process will be completely new, streamlined, and—importantly—low-cost. Furthermore, any EU citizen in the UK already in possession of a permanent residence card will be able to exchange it for settled status in a simple way. They will not need to go through the full application process again. The tests associated with this process will be agreed and set out within the withdrawal agreement. As a result of our productive discussions, the Commission is also able to offer similar guarantees in return for those British citizens in the European Union. These clarifications, on both sides, have helped to build further confidence.

This round also saw further detailed discussions on Northern Ireland and Ireland. In a significant step forward, we have developed joint principles on the continuation of the common travel area and associated rights. These joint principles will fully preserve the rights of UK and Irish nationals to live, work and study across these islands. They will also protect the associated rights to public services and social security. To provide legal certainty, these principles recognise that the withdrawal agreement should formally acknowledge that the UK and Ireland will continue to be able to uphold and develop these bilateral arrangements. Our teams have also mapped out areas of co-operation that function on a north-south basis, and we have begun the detailed work to ensure that that continues once the UK has left the EU. We also agreed a set of critical guiding principles to protect the Belfast Good Friday agreement in all its dimensions, and we are working on the necessary steps to make this a reality. Throughout this process we have reaffirmed our commitment to the rights of the people of Northern Ireland to choose to be British or Irish or both, as they choose.

I have set out before our shared determination to tackle the unique circumstances of Northern Ireland by focusing on creative solutions. We have begun to do so. But we cannot fully resolve these issues without also addressing our future relationship. As the Prime Minister said in her Statement to this House last week:

“We owe it to the people of Northern Ireland—and indeed to everyone on the island of Ireland—to get this right”.—[*Official Report*, Commons, 9/10/17; col. 43.]

On the financial settlement, discussions continued in the spirit fostered by the Prime Minister’s significant statements in her Florence speech. The Prime Minister reassured our European partners that they will not need to pay more or receive less over the remainder of the current budget plan as a result of our decision to leave. She reiterated that the UK will honour commitments that we have made during the period of our membership. Off the back of this, in the September round we agreed to make a rigorous examination of the technical detail where we needed to reach a shared view, and this work has continued. This has not been a process of agreeing specific commitments; we have been clear that it can come only later, but it is an important step so that, when the time comes, we will be able to reach a political agreement.

[BARONESS GOLDIE]

Finally, on separation issues, we have continued to work through the detail on a range of issues, in particular in those areas relating purely to our withdrawal such as nuclear safeguards, civil judicial co-operation, and privileges and immunities. While we have made good progress, we believe that the remaining issues are dependent on discussions on our future partnership. We are ready and well prepared to start those discussions.

In conclusion, our aim remains to provide as much certainty as possible to businesses and citizens on both sides. I have made no secret of the fact that to fully provide that certainty we must be able to talk about the future. We all have to recognise that we are reaching the limits of what we can achieve without consideration of our future relationship. The Prime Minister's speech in Florence set out the scale of our ambition for a new partnership with the European Union. She also laid out our case for a simple, clear and time-limited period of implementation on current terms. At the European Council later this week, I hope that the leaders of the 27 will recognise the progress made and provide Michel Barnier with the mandate to build on the momentum and spirit of co-operation we now have. Doing so will allow us to best achieve our joint objectives and move towards a deal that works both for the UK and the EU.

There has been much discussion of what would constitute sufficient progress. Let me be clear that sufficient progress and the sequencing of negotiations has always been an EU construct. Negotiations require both parties not just to engage constructively but to develop their positions to advance. On the UK's part, I have always been clear that we will conduct these negotiations in a constructive and responsible way. We have been entirely reasonable. The work of our teams and the substantial progress we have made over recent months proves that we are doing just that, and we are ready to move these negotiations on. I commend this Statement to the House".

My Lords, that concludes the Statement.

3.57 pm

Baroness Hayter of Kentish Town (Lab): I thank the Minister for repeating the Statement, although sadly it adds nothing to what we have already seen in the press. Indeed, it is rather less since we have been able to read what the EU negotiators and their political masters think of how things are going, and it was their side that used the words "impasse" or "deadlock". It is noticeable that the Governments of the 27 EU member states have shown markedly more unity than the 29 people who sit around our Cabinet table. Moreover, while the British side argues, the clock ticks relentlessly on, so it is time to talk turkey for the sake of citizens, business, trade, farmers and consumers. If that means talking money now, so be it. We know that the Government's reluctance to do so is a fear of their more uncompromising Eurosceptics.

A financial deal will need to be made, a deal that some will not like no matter how good it is, so why put it off for fear of their wrath at such cost to everyone else? Every industry, as well as agriculture, consumers, patients, doctors, lawyers and investors, says that we must end this uncertainty. Just this morning I met

representatives from Rolls-Royce who told me how key it is that we can trade freely with the EU. We might make the best aircraft engines, but they include parts from the EU, use the skills of people from the EU, and sell within the EU when complete, as do 90% of Toyota cars made here. Their reps were telling me this morning that non-tariff barriers, rules of origin certificates and so on are as challenging as tariffs if we leave the customs union.

Meanwhile, Rolls-Royce and other companies are highly dependent on our participation in the European Aviation Safety Agency, but they are hearing nothing from the Government as to what they want in that regard—as with other vital agencies, such as Euratom and the European Medical Agency. I even read talk of us coming under the US Food and Drug Administration in Maryland—or la-la land.

There is a host of other non-trade issues where reciprocity is key: the mutual recognition of civil and family judgments, handling insolvency cases, data protection, and long-term insurance contracts. All those issues need early negotiation and preparation by the Government, which those industries concerned simply find that they are not invited to engage with. They can get no answers on those questions and nor can we. For example, the Minister for Consumers in the Commons said last week that while consumers will retain rights on goods bought,

"from a trader based in the UK",

beyond that,

"is a matter for negotiations".—[*Official Report, Commons, 10/10/17, col. 51WH.*]

Nothing was set out about what we wanted from those negotiations. She said only that we are exploring options in maintaining early warnings of dangerous non-food products—shared at the moment via Rapex—as with the pharmacovigilance network on unexpected responses to drugs and our key role in the European Consumer Centre Network. It is not simply that Europe is not ready to talk on these issues, though I understand it is on some of them, but that the Government are not engaging with industries or the consumers concerned.

There are three key areas on which Parliament, not just the Government, must have the right to decide. One is future trade with the EU, where the Institute of Directors is demanding to know what the Government want from our EU trade deal. Can the Minister indicate whether achieving tariff-free trade is the Government's objective? The second area is about transitional agreements. The word "implementation" was used, but I think we are really talking about transitional arrangements. Can the Minister confirm that the Government will press to achieve those arrangements on the same terms as now and to ensure that the withdrawal Bill contains approval of those agreements? Finally, does the Minister agree that any walking away from the negotiations—effectively a "no deal"—should be a matter for Parliament and not Ministers alone? Will the Government therefore agree to amend the withdrawal Bill to ensure that any such decision will be taken by Parliament?

Baroness Ludford (LD): My Lords, it is 16 months after the referendum. The brazen and airy assertions by the leave campaign that negotiations would be easy

and our economy would prosper have been revealed as the empty rhetoric they always were. The Government believe that,

“we are on the right path”.

That path seems not only to be a long one, but to have an unknown end point.

On citizens’ rights, it seems true that some progress has been made, but 4 million to 5 million citizens are still in limbo. The Government’s approach is still flawed because of their concept that EU citizens resident in the UK will have to secure settled status, even if the Government claim the process will be streamlined and low-cost. Those citizens should not have to secure what they already have by right, and it remains a matter of great regret that the Government refuse to give the unilateral guarantee of existing rights that a majority in this House wanted. Can the Minister assure us that we will have the novel experience of witnessing a process by the Home Office that is administered efficiently, quickly and accurately?

To complain that,

“the sequencing of negotiations, has always been an EU construct”, is rather feeble. It has always been clear that this sequence would be followed—so what is it now that takes the Government by surprise? The Secretary of State even accepted the sequencing a few months ago after a little bit of huffing and puffing. The Government maintain that they are ready and well prepared to start the negotiations on transition and final status, but as the right honourable Kenneth Clarke MP has said, that sounds like la-la land—there is no substance. The truth is that members of the Cabinet are fighting like ferrets in a sack, with no agreement in prospect. This is a key reason for lack of progress.

The sensible approach would be to stay in the single market and customs union not only in the transition but in the permanent relationship. Instead of that stability, we hear the deeply destabilising nonsense about no deal. The Secretary of State told the other place that he had not talked up no deal, but he has failed to disown it. Many of his ultra-hard Brexiteer colleagues have talked it up. Those ideological obsessives positively want no deal as the destructive revolution they crave. Will the Government now rule out the hugely harmful no-deal prospect?

The former top official at the department of trade, Sir Martin Donnelly, rightly calls this reckless bravado. The OECD says that it would immediately cut UK growth by 1.5 percentage points. The Resolution Foundation predicts that in a no-deal scenario the “just about managing”, the people whom the Prime Minister professes to care about so much, would suffer the most from an inflation hit to the tune of £5 a week on top of the current 3% rate of inflation. No wonder polls show that 47% of people are now against Brexit—it is 49% of women; I shall not make any remarks about how sensible women are—compared to 42%. Has not the time now come to offer the British people an honourable way out of this morass through an opportunity to think again, to really reflect in a further referendum, once they can see the concrete reality of what Brexit entails?

Baroness Goldie: My Lords, I thank the noble Baroness, Lady Hayter, for her points. The scenario that she described sounded a bit alien to me—she quoted “impasse” and “deadlock”. However, I was intrigued to see her colleague in the other place, the right honourable Keir Starmer, say in a recent letter to my right honourable friend David Davis:

“The announcement of further progress on the rights of EU citizens and the issue of Northern Ireland is welcome. It is also encouraging to see a more constructive tone in the talks”.

So Mr Starmer seems to be content that something healthy is happening; I hope that might act as a contagion to his noble colleague on the Benches opposite.

The noble Baroness also raised the important issue of trade. The Government have been consistent in articulating their objectives: we want a bold and ambitious free trade agreement—that is at the heart of what we are negotiating for, and we are determined to seek that outcome. That to some extent leads on to points raised by the noble Baronesses, Lady Hayter and Lady Ludford, about there being no deal. The Government have been very clear that we are in this to negotiate the best possible deal for the United Kingdom. However, if any Government were simply to disregard the possibility that we might end up in a no-deal situation, they would be culpable. The Government have to plan for all eventualities. The presumption is that we will negotiate a deal—that is what we all want—but it would be grossly irresponsible for any Government to dismiss the possibility of no deal. That prospect is there; we hope that it is unlikely to occur, but it is one against which the Government have to plan, and they will do so.

The noble Baroness raised a number of important issues relating to safety agencies and food products. It is important to make it clear to your Lordships that we value the structures currently in place. We would like to negotiate to see those replicated. If we have to devise our own structures within the UK so that we are in a safe framework post Brexit, that is what we will do—in some cases, we are engaged on that work now.

The noble Baroness referred to the implementation period. That is a helpful addition to the discussions. It emerged from the Prime Minister’s speech in Florence. It recognises that in March 2019 there will be a point where both sides know what they want to do but the implementation will take some time. It is realistic to anticipate that and to recognise that an implementation period may be necessary.

The final, rather pessimistic note from the noble Baroness was about walking away. I assure her that my right honourable friend David Davis and all his colleagues in the Department for Exiting the European Union are a busy hive of bees. There is an awful lot of buzzing going on down there. There is an awful lot of flying between the European agencies, parties and personnel. That is right. That is healthy. That is exactly what we need to do—to not only conduct dialogue but keep ourselves informed of intelligence about what people are thinking. That is a very healthy activity. There is no doubt about the commitment of the Secretary of State and his department to continue with these negotiations in an energetic fashion, to try to secure the objective we all want of a really good deal for this country, placing our relationship with the EU on a strong, prosperous and optimistic footing for the future.

[BARONESS GOLDIE]

I cannot help thinking that I could offer the noble Baroness, Lady Ludford, the welcome news that she had won the lottery and she would accuse me of being parochial and mean. I think that what has been achieved in relation to citizens, much of which was repeated in the Statement, is welcome. It is clear. It gives a certainty which has not been there before. I totally disagree with her interpretation of it.

The noble Baroness also said that we should rule out no deal now. No, that would be utterly the wrong thing to do. This is a negotiation. The Government have responsibilities to the people of the United Kingdom, made clear in a referendum vote, which they are obliged to implement and deliver. I have already made clear in my response to the noble Baroness, Lady Hayter, why I consider it would be culpable for a Government not to anticipate the—I hope, remote and certainly unwelcome but none the less possible—prospect that there might be no deal.

Politicians can be accused of living in a bubble but my impression from outside this place is that across the country people are saying, “Just get on with this. Get on with your negotiations and produce something that can allow the United Kingdom to move on to the next phase of life”. On the matter of a second referendum, I have to say to the noble Baroness that her party fought a general election on that premise and it did not seem to resonate particularly positively with the voters. I also have to tell her that in Scotland the prospect of a second independence referendum is going down like a lead balloon. The bottom line is that when voters vote on something and a decision is made, they expect politicians to honour and respect that.

4.13 pm

Lord Butler of Brockwell (CB): My Lords, whichever way we voted in the Brexit referendum, I think we all agree that these negotiations are very important for our country. Would the national interest not be better served if the loyal Opposition stopped carping at the Government’s position and got behind our negotiators instead of undermining them?

Baroness Goldie: I am pleased to have the opportunity to respond to this extremely positive contribution. I thank the noble Lord, Lord Butler. There is a serious point to be made here. At their core, these negotiations have the national interest of the United Kingdom at heart. At their core, they have the need to respect a referendum result. That is what the Government are charged with prosecuting, progressing and, I hope, ultimately delivering on. It is not terribly helpful if the principal Opposition are offering a variety of views, ranging from inconsistency to self-contradiction, because it gives the EU negotiators the impression that even within the United Kingdom everyone is fighting like ferrets in a sack.

Noble Lords: Oh!

Baroness Goldie: There are always points of minor dissonance to be found; one accepts that. But the voting record of the Opposition in the Commons is that, on the one hand, they were happy to vote to trigger Article 50—the thing that would let the train

leave the station—but then the Opposition seem to want to turn round and say, “We don’t like the look of this. Stop the train”. Half the party then seems to want to say, “Paint the train a different colour, and then it might look all right”. These inconsistencies just do not help, and it is important that the Opposition square up to their responsibilities. Yes, they should legitimately question aspects of the negotiations, but they have to have a coherent position of their own. At the moment, that is not yet clear.

Lord Tebbit (Con): My Lords, first, in the discussions that are going on there has been talk of alimony and a divorce settlement. Does my noble friend know what is to happen to the matrimonial home? That is: the offices which are owned and occupied in Brussels, and have been partly financed by British taxpayers. Are we to get our share of their capital value or not? I think we should get it. Secondly, there has been a great deal of talk at times about protecting the rights of EU citizens who will be resident in this country after Brexit. They should be properly protected, but what can my noble friend say about the rights of British subjects who will be resident after Brexit in the European Union? Some of them have been arrested under European arrest warrants and held in detention, without being told the charges against them or brought into court to have those charges tried. That is a right which we have had for 700 years, but it seems it is not yet acknowledged in Europe. What are we going to do to protect our people?

Baroness Goldie: I thank my noble friend for his two questions. The specific issue of the capital value of buildings comprising part of the EU estate is a matter for the negotiation. It will form part of the information which is made available to inform discussions on the final financial settlement. I am not able to pre-empt that and do not know what those details are, but I am satisfied that they will be part of the overall equation when that issue is addressed. On the matter of UK citizens in the EU, the Government take their position very seriously. We are satisfied that, given the arrangements we are proposing to the EU for EU citizens in this country, we can expect to see those arrangements reciprocated for our UK citizens elsewhere in the EU. My noble friend raised a specific issue about apprehension and an alleged contravention of human rights. It is disturbing to hear such an account but, at the same time, these citizens are protected by the rule of law and that will continue, both in the EU and within the United Kingdom post Brexit.

Lord Grocott (Lab): My Lords, on the financial settlement, can the Minister confirm as a matter of fact and experience that, during the 40-odd years of our membership of the European Union, we have been very large net contributors to the European budget and have always honoured our financial obligations quite properly, as we always have done in relation to other international organisations? The Prime Minister herself has assured our European friends that they will not,

“need to pay more or receive less over the remainder of the current budget plan as a result of our decision to leave”,

and that the UK,

“will honour commitments we have made during the period of our membership”.

In view of that fact, I genuinely cannot understand what on earth the requirements are, in addition to those undertakings and that factual reference to our experience and past behaviour, which the European Commission expects us to deliver.

Baroness Goldie: The noble Lord, Lord Grocott, sets out a simply stated position. I think that is at the heart of the negotiations. It is right that all these matters should be on the table and that due regard should be given to them. As I said to my noble friend Lord Tebbit, I cannot anticipate what the detail will be, but it is all in the bubbling cauldron of negotiations for the final financial settlement.

Baroness Smith of Newnham (LD): My Lords, the Secretary of State's comments suggest that agreement has been reached on the criteria for residents' rights. In the light of questions that were raised with me outside the Chamber last week, is there any provision for, or has there been any discussion about, the rights of UK citizens who move from the United Kingdom to one of the EU 27 states between now and the time we exit the European Union? How Her Majesty's Government envisage the situation for EU nationals is quite clear in the UK's paper on settled status. Is there going to be reciprocity for UK citizens leaving between now and March 2019?

Baroness Goldie: The aspiration is to achieve for UK citizens elsewhere in the EU the same rights, privileges and entitlements as will be enjoyed by EU citizens in this country. I will ascertain whether there is any more specific information I can provide to the noble Baroness and, if there is, I will write to her.

Lord Birt (CB): My Lords, my friends in Europe all tell the same story: that no leading Government nor anybody in the Commission has any real understanding of what the UK wants its future relationship with Europe to be, yet in the Statement the Minister said we are ready to begin discussions on that future relationship. Are the Government really ready? Will we be able to go in December and put on the table detailed, precise plans setting out what future relationship with Europe we really want?

Baroness Goldie: I can merely reiterate what I said when reading out the Statement and in comments I have subsequently made to other contributors: we are very clear that we want a strong relationship with the EU that is mutually beneficial and allows both entities to benefit from many of the advantages which have emerged and which have been evident. That is what we are negotiating to try to achieve. We regard the EU 27—language is important—as friends and allies. We want them to continue to be friends and allies, and that is the objective of the negotiations at every meeting we have.

Lord Maude of Horsham (Con): My Lords, surely no one can doubt that it is very much in the interests of both sides for there to be a sensible, pragmatic agreement at the end of all this, if only because the absence of an agreement means an immediate €10 billion gap in the EU's budget. Will my noble friend confirm that Article 50 is absolutely clear that these must be negotiations, "setting out the arrangements for"—

the state's—

"withdrawal, taking account of the framework for its future relationship with the Union".

It would arguably be unlawful for there to be an agreement on the withdrawal arrangements without any visibility of the framework for the future relationship. If the result of this is that we end up with no deal because there has been insufficient time left by the European Union negotiators for those future relationship discussions, arguably that would be because they had behaved unlawfully.

Baroness Goldie: I thank my noble friend for bringing to the attention of the House something which has been overlooked and yet is of fundamental importance. My understanding is that the text which he quoted from Article 50 is correct: the arrangements for withdrawal are inexorably interwoven with the future relationship. It is very important that everyone bears that in mind. I very much hope that the gloomy scenario he outlines, which I hope is an entirely remote possibility, does not materialise. I do not think it would be in the interests of the United Kingdom or the European Union. All involved in the negotiations will be cognisant of the bipartite nature of the Article 50 obligation.

Lord Higgins (Con): My Lords, the Statement brings out very clearly the complexity of the whole Brexit operation. Could my noble friend perhaps put her remarks in the context of the report published today by the OECD, which brings out very clearly that after Brexit we are likely to be worse off economically and have a lower rate of economic growth than if we were to remain in the European Union? At some stage we have to consider the benefits and disadvantages anew because no one voting in the referendum—perhaps no one at all—fully comprehended the difficulties that Brexit would involve. As far as the no-deal argument is concerned, the OECD again brings out that it, too, would be disastrous. Does my noble friend not agree that if we arrive in that situation it is essential, as the noble Baroness opposite suggested, that Parliament should take a view on whether we should go ahead against that background? Clearly we do not need another referendum—we have had one and it was a bad enough example of how such things operate—but it is crucial that at that stage Parliament should reach a decision on whether we finally go ahead or not.

Baroness Goldie: I say to my noble friend that Parliament will be fully engaged throughout the process and, as we have repeatedly set out, will get a vote on the final deal. I have to remind the House, though, that the British people voted to leave and we will deliver on that instruction. Although we do not want or expect a no-deal outcome, Parliament gets a vote on the final deal but it does not get a vote on whether or not we leave.

Lord Liddle (Lab): My Lords, the Minister referred to the public wanting us to get on with it. May I therefore follow up my noble friend Lady Hayter's question: why are the Government refusing to talk about money now? Although the Prime Minister has made these general commitments, what the EU wants is clarity about what past commitments we are liable for. These are past commitments and nothing to do

[LORD LIDDLE]

with the future trading relationship. Why are we delaying talking about that now, when the need for a transition deal is urgent and the absence of it will lead to the loss of jobs in the City of London and elsewhere very quickly in the coming months? Is the real reason not that the Cabinet is so divided on the question of the EU that the Prime Minister is terrified of making any concession to her Eurosceptics? Is it not therefore a disgrace, in a way, that a former head of the Civil Service should try to say that the Opposition are to blame for the pretty pass in which the nation now finds itself?

Baroness Goldie: It is not for me to defend the noble Lord, Lord Butler; he can do that very adequately himself. I think it was I who carped about and criticised the Labour Opposition. There is a phrase, “If the cap fits”. I think the Labour Opposition have a question to ask themselves. The noble Lord asks me why we do not come out with what we think about sums paid to date and what sums we should get back. These are all within the negotiating environment, and the fundamental rule in any negotiation is that you have to some extent to preserve your own thoughts and confidence and not have that be the subject of general discussion and public comment because you will weaken your negotiating position. I am aware that the shadow Chancellor, the right honourable John McDonnell, seems to take the view that you should just shove money at it and pay whatever you want. What I want to know is exactly how much money the Labour Party thinks we should be throwing about. I do not think that is a strategy to pursue. It is naive and ill conceived, and I cannot agree with the noble Lord that it is a sensible way to proceed.

Lord Elystan-Morgan (CB): My Lords, how often have the joint bodies set up between Her Majesty’s Government and the devolved Assemblies met since the activation of Article 50, and how often do they intend to meet in the next six months? Does she accept that there is a very strong feeling in Cardiff—mirrored, I suspect, in Edinburgh—that they are completely cosmetic entities with no practical significance whatever?

Baroness Goldie: I am sorry that the noble Lord takes that view; I suggest that it is not underpinned by the facts. The Government have been clear from the start that the devolved Administrations should be fully engaged in our preparations to leave the EU. Since the election, the Secretary of State has spoken to Ministers from the Scottish and Welsh Governments on a number of occasions to update them on the progress of negotiations. In addition, the joint ministerial committees have been meeting. In fact, there was a meeting just Monday past, which built on discussions that the First Secretary of State has led with the Scottish and Welsh Governments. So there has been a lot of consultation and there is continuing consultation. It is very important that the devolved Administrations not only feel but are part of this; that is precisely the situation that the Government have endeavoured to create.

Lord Campbell of Pittenweem (LD): The noble Baroness bravely described the carping and criticism within the Cabinet as dissonance. Let me put to her a

specific question raising just that carping and criticism. Is it still the Prime Minister’s position that during the period of transition—or implementation, if you prefer—the ECJ will continue to enjoy jurisdiction, just as it does now; or has the Prime Minister bowed to the will of the Foreign Secretary and Mr William Rees-Mogg?

Noble Lords: Jacob.

Baroness Goldie: I thank the noble Lord, Lord Campbell, for his question. In relation to the implementation period—it is important that we make clear what we are talking about—I understand that it may mean that we start off with the ECJ still governing the rules that we are part of for that period. The Government are also clear, however, that if we can bring forward a new dispute mechanism at an earlier stage, that is what we will do.

Lord Garel-Jones (Con): My Lords, is it not a statement of the obvious that, given the results of the referendum, the Government must do what they are doing: have talks with our partners in the European Union to achieve the best possible outcome for this country? That said, while it is much too early to speculate about what that outcome will be, is it not also true, as the Supreme Court has made clear, that the Government have a duty to bring the results of those discussions to Parliament? Picking up the point made by my noble friend Lord Higgins, this is a parliamentary democracy. Parliament authorised the referendum. It has not authorised any outcome or no outcome: that must come to Parliament.

Baroness Goldie: I thank my noble friend for his question. I can only repeat what I have already said: Parliament will be fully engaged and it will get a vote on the final deal.

Lord Soley (Lab): The noble Baroness does not have to worry about the position of the loyal Opposition; she should worry about the opposition in the disloyal Government. That is where her problem is. I welcomed the Florence speech and the recent Statement, but it is not about the issues she raised at first; it is about the desire of the Europeans and the British Government to make progress. It is that lack of progress that is causing so much of a problem. It is about money, because commitments will have to be made in future, unless we are to leave a lot of the other organisations involving science and technology, aerospace and 101 other things. We need to address that money problem. If the Prime Minister has had the psychological advantage of going to those two meetings and making it clear that we are willing to move on that, this Statement is good and desirable. The other things are, frankly, purely decorative.

Baroness Goldie: I do not accept the noble Lord’s view that progress has been inadequate or disappointing. I think there is recognition that progress is now visible and tangible. That has been borne out by different parties. It was borne out by Michel Barnier himself, who said at the end of the October round:

“Since Florence, there is a new dynamic. I remain convinced that with political will, decisive progress is within our reach in the coming weeks”.

It seemed last night at dinner that Mr Juncker and the Prime Minister share that view. That is encouraging and what we want to see. On the specific issue of money, I do not think I can add anything further to what I have already said.

Channel 4: Privatisation (Communications Committee Report)

Motion to Take Note

4.35 pm

Moved by Lord Best

That this House takes note of the Report from the Communications Committee, *A privatised future for Channel 4?* (1st Report, Session 2016–17, HL Paper 17).

Lord Best (CB): My Lords, I rise to introduce this debate as the chairman of your Lordships' Select Committee on Communications at the time when it produced the report entitled *A Privatised Future for Channel 4?*. Note the question mark. We completed our work over a year ago and there have been some dramatic developments since then. I will be sharing some thoughts on the current position, as will no doubt a number of your Lordships during this debate. I hope the Minister will bring us right up to date.

First, let me summarise our unambiguous and unanimous recommendation to government: "Don't privatise Channel 4". Our view was that Channel 4 played several significant roles within the so-called ecosystem of broadcasting: in providing a different perspective; in promoting greater diversity, with the Rio Paralympics as a brilliant example; in delivering a high-quality news service with Jon Snow at peak times; in supporting film-making through Film4; and in commissioning regional production of important television programmes. We feared that these special roles would be threatened by privatisation, and harsh commercial imperatives would make it hard for Channel 4 to fulfil its special remit as a distinctive and innovative broadcaster.

The Channel 4 corporation—which includes More4, E4, All 4, 4Music and Film4—is currently 100% publicly owned, although it is 100% commercially funded. Its annual revenue is around £1 billion. If offered for sale, we saw a strong likelihood of acquisition by a foreign—probably American—buyer. We saw it as inevitable that this would mean a dilution of the ethos of public service broadcasting and we were doubtful that any fine assurances given at the time of purchase would survive. We noted that the broadcasters' regulator, Ofcom, does not have the power to revoke Channel 4's licence and we were alarmed at the prospect of new owners simply walking away from their public service broadcasting obligations.

It is true that the committee was not entirely uncritical of Channel 4's performance. In particular, we were unhappy with Channel 4's delivery of its special requirement to make programmes specifically for older children, 10 to 14 year-olds, and young adults, 14 to 19 year-olds. We recognised that such programmes do not attract lucrative advertising. But, as also noted by

Ofcom's chief executive, Sharon White, when she appeared before the committee, we felt Channel 4's commitment to this part of its public service compact was inadequate.

Overall, the committee noted that Channel 4 was doing very well. The audience share for its portfolio of channels is the third highest, after the BBC and ITV, although in terms of revenues it is placed fourth after Sky. Its percentage of younger adult audiences—the 16 to 35 age group—is much higher than for its competitors: 15% for its news programmes, for example, compared with 7% for the BBC. Its financial results were very healthy and its spending on content—particularly new, original productions—was growing impressively.

So, why would anyone want to take drastic action to change the basis on which Channel 4 has been operating with such success? First, I think I detected a political or philosophical antipathy from some commentators toward a publicly owned body—even one that deploys no public money and is profitable—based on a belief that public ownership inevitably brings governmental interference, bureaucracy and inefficiency.

Secondly, we noted the very obvious motivation from HM Treasury: privatisation would raise funds from a market sale that could reduce the nation's debts. We heard different views on how much might be achieved, with a range from about £800 million to something over £2 billion. However, off-setting such one-off gains are, of course, the potential losses, not least of jobs in production companies and exports. A short-term windfall would only be sensible if the sale meant greater long-term gains.

The third argument was that privatisation would bring opportunities for greater financial sustainability, with new investment and increased efficiency. A key question for us, therefore, was: is Channel 4 in a financially vulnerable position from which privatisation could save it? The then Secretary of State for Culture, Media and Sport, John Whittingdale, told us that C4's future was very uncertain. Given its dependence on advertising revenue, he was worried that—unlike Sky with its subscription revenues and ITV with its own production business—C4C depended on advertising for 90% of its income, putting it in a precarious position in the event of an economic downturn. He felt that a privatised Channel 4 could make savings which could go to programme-making. Another witness, David Elstein, thought privatisation could lead to the cutting of well over half the 800 jobs at C4C, and the savings could go to enhancing the channel's public service remit.

Your Lordships' Communications Committee, on reviewing the evidence, did not accept that Channel 4 was in a precarious position. Its revenues were buoyant and it had healthy reserves to see it through any dips in advertising revenue. We also noted it was ahead of the game in shifting its emphasis to advertising online, a strategy which is of particular relevance given its high concentration of younger viewers.

That was then. I now turn to the position facing Channel 4 today, some 18 months after publication of our report. In the intervening period, DCMS continued to look at the options for Channel 4 and Karen Bradley, the new Secretary of State, wrote to me in the spring with the big announcement that the Government

[LORD BEST]
will not be pursuing the privatisation route. This decision was very welcome to the committee and I like to think that our report had some modest influence on it. Karen Bradley's letter added that the Government were keen to see Channel 4 making a greater economic contribution to the nations and regions beyond London and the south-east, where two-thirds of programme producers are currently based. She announced a consultative exercise to look at whether Channel 4 itself should be based outside London and whether more of its programmes—which are all commissioned from independent producers, not made in-house—should be made away from London.

Coming to today, therefore, there seem to be two key questions for the future of Channel 4. First, with the current uncertainties in the UK economy, is the outlook for the channel still as rosy as it was when the “no privatisation” announcement was made? Secondly, could and should Channel 4 move itself and/or more of its spending away from London and the south-east? In considering these two questions, the committee was helped by a special, informal session last month with Channel 4's chair, Charles Gurassa, and its chief marketing and communications officer, Dan Brooke. On Channel 4's financial strength, Ofcom noted that a combination of the rise of online video services such as Netflix and Amazon, and post-Brexit weakness in the wider economy, could threaten C4C's viewing figures and advertising revenues. However, Ofcom added that the TV advertising market is likely to recover. Channel 4, with its quality programmes and investment in the popular All 4 online platform, to which—incredibly—half the population of 16 to 34 year-olds have signed up, and with the cushion of healthy reserves, would appear to be well able to weather all but the most devastating storm. Ofcom's analysis concluded that,

“within the bounds of the most likely trajectories for TV advertising spend and TV viewing, C4C can remain financially sustainable in its current form throughout its current licence period”—

that is, until 2024.

The second issue is Channel 4's impact in the nations and regions. Clearly, government is keen to see this publicly owned enterprise playing its part in stimulating the local economies away from the south-east, and the results of Karen Bradley's consultation suggest that this view is widely held. Certainly, a similar success story to that of the BBC's move to Salford's MediaCity would be more than helpful. However, the BBC is close to 25 times the size of Channel 4; and since C4 commissions all its programmes externally and has relatively few staff in London, relocating its HQ would be unlikely to bring together a new hub for creative industries elsewhere. Indeed, a number of the London posts would still need to remain there to handle the advertising sales which require close proximity to that industry in Soho.

Enders Analysis, which consistently furnishes the committee with well-researched reports, also points to the risks of a considerable loss of talent and extra staff costs from redundancy and relocation packages. Enders suggests that the additional spending to achieve a modest regional economic impact could be poor value for money.

To prevent an enforced relocation to Birmingham or elsewhere, Channel 4 needs to succeed in making the case that its commissioning investment in Scotland, Wales, Northern Ireland and the regions furthest from the south-east can and will grow, probably by C4 accepting a formal increase in its current requirement for 35% of its production budget to be spent away from London. If government is not convinced and Channel 4's HQ must move away from Westminster, to recoup the costs involved, compensation for Channel 4 may need to be found in an extension of its licence beyond 2024.

In conclusion, I stand squarely by your Lordships' Communications Committee's core recommendation that Channel 4 should not be privatised. This broadcaster continues to do innovative work, creating much-needed plurality in the broadcasting world, championing diversity in many forms—nearly half the UK population watched the Rio Paralympics—and it seems well able to sustain its strong financial position into the future. I am sure that the Minister will confirm this. I hope that he will update us on the Government's current thinking on the possible move for the C4 HQ. I know the committee will want to join me in wishing Channel 4's new chief executive, Alex Mahon, every success.

I thank my successor, the noble Lord, Lord Henley, for arranging the very helpful updating session with Channel 4 last month. I thank the committee's then clerk and policy analyst respectively, the incredibly diligent Anna Murphy and Helena Peacock; the committee assistant, Rita Logan; our special adviser, Professor Richard Tait; and, of course, my fellow committee members, who all engaged so fully in our inquiry and produced what I hold to be both an insightful and influential report. I beg to move.

4.48 pm

Lord Sherbourne of Didsbury (Con): My Lords, I was a member of the Communications Committee which produced this report in July last year. I begin by paying tribute to the chairmanship of the noble Lord, Lord Best. I was on the committee for the three years when he was chairman, and one could not have wished for a more effective chairman. He always managed to achieve in our reports that often elusive combination of consensus and clarity. He has also achieved something else rather remarkable—namely, the Government have agreed, and acted on, the recommendations of our report. I commend the noble Lord, Lord Best, and the committee for that.

At the heart of this debate is the following question: what is the point of Channel 4? What is its distinctive role in UK broadcasting? The statutes and licensing agreements that govern Channel 4 are set out in our report. There is the Communications Act 2003 in Appendix 4; the Digital Economy Act 2010 in Appendix 5; Channel 4's licence agreement in Appendix 6; and there are the public service broadcasting obligations set out in the Communications Act 2003 in Appendix 7. If one reads these, one can become very glazed-eyed. But help is at hand, because the chair of Channel 4, in his annual report, has summarised admirably and crisply Channel 4's obligations as being,

“to innovate, challenge and inspire, to stimulate debate and open the door to opportunities for the stars of tomorrow”.

The issues in my mind, therefore, are as follows. Does Channel 4 have the right business model to achieve its remit? Is it being effectively assessed? To what extent is it meeting its remit, and where could it do better? Finally, should it be privatised?

First, on the business model, last year revenues rose to almost £1 billion, the highest ever. Of course, there must be a question mark over future advertising revenue, but that would be true of any commercial organisation, not just Channel 4, and there has been a strong performance in sales and digital revenues. Channel 4 has a strong balance sheet and reserves. Would privatisation help it to do any better? The evidence given to the committee on this point was mixed, but the view that we came to was that a change of ownership of Channel 4 would put at risk the remit of the channel.

This brings me to the next question: how accountable is Channel 4 and is it being assessed effectively? Some of the obligations—the quantitative ones—are obviously easier to measure. The qualitative ones were seen as inevitably fuzzier. However, Ofcom told the committee that it could,

“live with a degree of fuzziness,”

because, as it said, the quality of broadcasting cannot be easily measured.

The next question is whether Channel 4 is achieving its remit. Our broad view was that, yes, it was. It is worth highlighting as an example of this—as was mentioned by the noble Lord—the wonderful Channel 4 broadcast of Rio’s 2016 Paralympics. This was its largest ever international broadcast, which increased still further the public’s interest in, and support for, these games—and all in Channel 4’s Year of Disability.

Could Channel 4 do better? We received evidence from the then Secretary of State and others that the programming for older children and young adults was unsatisfactory. I hope that that has been taken note of.

Finally, I turn to the central question that we addressed: should Channel 4 be privatised? If it were to be privatised, would it be possible to preserve its remit? Both David Abraham, the chief executive, and the noble Lord, Lord Burns, thought that the pursuit of profit would erode the remit. Another witness—this was interesting and important—did not appear at all confident that Ofcom would always require adherence to the remit. The most interesting point that emerged, however, which, from memory, emerged only after a certain amount of delving, was that Ofcom confirmed that it did not have the power to revoke the Channel 4 licence. That would require a change in legislation. So the view that we took was that, in the case of any change of ownership through privatisation or any change in the remit, Ofcom would not have the power to revoke the licence. For all those reasons, our committee concluded that there were more risks than benefits to privatisation. I therefore welcome the Government’s decision that Channel 4 should remain publicly owned.

4.54 pm

Baroness Quin (Lab): My Lords, I, too, welcome the report produced by the Communications Committee. I am a member of the committee, but I cannot claim any credit at all for this report, because it was agreed shortly before I joined. However, it is an excellent report,

and I also very much welcome the Government’s response to it. As an opposition Member of this House, I do not often utter that phrase, but I warmly commend the Government for their positive response to the report and for the decision not to privatise Channel 4.

I also welcome in the Government’s response the focus that they gave to the needs of the regions and nations, and I will focus the majority of my marks on this issue. Over the years, I have been concerned by the reduction in regional activity and in regional budgets of the main television services in this country. It has been very marked—and I now have quite a lot of nostalgia for the old days of Tyne Tees Television and its busy studio in Newcastle, and for the BBC’s equivalent in the west end of Newcastle, in Fenham, which was called the “Pink Palace”, which was also a place of great activity at that time. It is important that we shift the focus back to the regions in this process. However, I am conscious of the fact that we cannot expect Channel 4 to solve the issue on its own. Obviously, the industry as a whole needs to look at it, in conjunction with government.

I also accept the point made by the noble Lord, Lord Best, that the issue cannot be solved simply by Channel 4 moving headquarters, with some of the difficulties that that involves. Noble Lords will please take it as read that, if Channel 4 decided to move to Newcastle and Gateshead, I would be absolutely delighted. However, I recognise that, given the relatively small number of people who are employed and the fact that most of Channel 4’s activity is commissioned, as the noble Lord, Lord Best, said, simply trying to move headquarters would not be an answer to this issue. In fact, when Channel 4 commissions programmes, obviously, it does so from independent companies that already exist. An issue which is important for me is to try to increase the number of those independent companies in areas of the country where they are underrepresented. That is a more important way forward to address some of the regional deficits than simply concentrating on headquarters.

I am aware that Channel 4 does a lot already; it has offices in Glasgow and Manchester, and certainly the briefing I saw from Channel 4 indicates that spending has been increased in a number of areas of the United Kingdom. For example, spending has increased a lot in the West Midlands, and it has doubled year on year in Northern Ireland and in Wales. I applaud that; I am not making a case for the north-east wanting to take money away from elsewhere—which I hope will reassure my noble friend on the Front Bench, Lord Griffiths of Burry Port, whom I welcome wholeheartedly to his new role in the House. I very much look forward to hearing his contribution later on in this debate.

I am also pleased that Channel 4 is committing itself in various ways to look at the regional deficit we have. However, given its current activities, I am slightly worried that an east-west divide might replace a north-south divide. I encourage Channel 4 to look closely at increasing some of its activities east of the Pennines as well as in the western half of the UK. There are many ways in which that can be done. I think that Channel 4 already has an apprenticeship scheme, and it needs to ensure—I think it is endeavouring to do so—that apprentices are found in different parts of the UK.

[BARONESS QUIN]

The Communications Committee recently carried out a study of the theatre industry. One difficulty facing apprentices from areas outside London was simply the cost of accommodation in London and the difficulty of coming to London to undertake those apprenticeships. Again, Channel 4 cannot solve that problem, but I think that the Government and Channel 4, and the Government and the media industry more generally, could, working together, make a difference in ensuring that apprenticeships provided an opportunity for people all around the UK and not just in one area.

I also encourage Channel 4, and indeed other media companies, to co-operate with universities in the regions and with all those who provide training and education in this important sector of the economy. In its report on the theatre industry, the Communications Committee found that there was a very uneven picture across the country regarding careers advice and schoolchildren being alerted to opportunities in the media industries. This is something that the Government, as well as the industries, have to look at in their contacts with the education system.

Finally, Channel 4, as well as other companies, should look at the events that will be happening in our country over the next few years and seek to maximise the opportunities that they will provide. Just to mention one, next year the north-east will host the Great Exhibition of the North, a celebration of the history and heritage of the north, which will also look to the north's future. It will provide opportunities for many of our media companies, including Channel 4, to highlight some of the activities in that part of the country.

I am out of time. There are many other points that could be made, but I conclude by once again welcoming the report and the response to it by the Government and Channel 4. I look forward to seeing the results of this approach in the very near future.

5.01 pm

Lord Razzall (LD): My Lords, although my time on the Communications Committee had come to an end by the time this report on Channel 4 was produced, I have remained involved in the subsequent deliberations about the channel's future.

I take this opportunity to thank the noble Lord, Lord Best, not only for this report but, as mentioned by the noble Lord, Lord Sherbourne, for his work as chair of the committee, which overlapped with my membership of it. This is also a moment when I would like to commemorate the work of my friend Lord Hart, who sadly passed away in the summer. I think it was Lord Hart who came up with the brilliant title for one of the committee's reports on the BBC, *Reith not Revolution*.

For more than 90 years, the concept of public service broadcasting has been at the heart of the British broadcasting model. Public service broadcasters have been tasked with offering their audiences the best of everything—programmes whose goal has been collective public benefit in the broadest sense, rather than simply courting popularity or revenue. Channel 4 has epitomised this approach with its policy of targeting younger viewers and its specific concentration on, for example,

disabilities—hence coverage of the Paralympics, with its concentration on the employment of people with disabilities—and its landmark coverage of Gay Pride on the 60th anniversary of the Sexual Offences Act 1957.

As an aside, although Channel 4 has, as I said, been ground-breaking with its focus on disability issues, and in the appointment of the first female chief executive of a major channel, it is a shame that its copybook was somewhat blotted over ethnic diversity. This is arguably the fault of the Government, who apparently vetoed a well-qualified minority ethnic woman as a non-executive director, causing, as people will remember, uproar in the BAME community. The executive team at Channel 4 is all white.

As the noble Lord, Lord Best, said, when this report was published, the threat of privatisation was in the air. The report is unequivocal: do not privatise. The committee clearly felt that privatisation would have put at risk the very remit of Channel 4, which is a vital part of the creative economy, providing invaluable support for smaller independent production companies and acting as a platform for exciting new programming. The major financial issue with privatisation is that to generate a significant private investment in Channel 4 would be incompatible in value with retaining the remit which makes Channel 4 so special. As shown in evidence given to the committee, with the inevitable focus on profit rather than the channel's remit, privatisation would have had a detrimental effect on Channel 4's coverage of news and current affairs, diversity and the plurality of public service broadcasting in general. For example, to privatise Channel 4 would be likely to imperil the great success story that has been referred to, including the pioneering coverage of the Paralympics. On these Benches, we are delighted that the Government have agreed with this report and shelved the idea of privatisation. This is clearly an opportunity for the Government to confirm that the question of privatisation is permanently off the agenda and will not be revisited.

As the noble Lord, Lord Best, has indicated, there are new challenges now faced by Channel 4, in particular the idea announced by Karen Bradley at the end of March—and I think included in the Conservative Party election manifesto—that Channel 4 should be moved out of London. In looking at this suggestion, it must be remembered that Channel 4 makes no programmes of its own, so is a publisher not a programme maker, and employs only 860 people in its London office.

There are two major arguments against a full removal of Channel 4 from London. First, as one noble Lord said, the UK's advertising industry is primarily based in London, so the 250 or so staff involved in this area would have to remain in London to successfully sell their advertising. Secondly, and this is a point not often recognised, a relocation outside London would be damaging to a number of small regional independent production companies who sell their programmes to Channel 4. A number of these companies are pitching programmes with relatively small budgets and currently can make only one journey to London to sell their product, allowing them to tour all broadcasters in a day. A relocation could be expensive and disruptive to these companies, costing significant extra time and money.

However, that is not the end of the story. At the moment, Channel 4 is reviewing its options, which will obviously mean waiting until the new chief executive is in post at the end of the year. But there are a number of actions that Channel 4 could take to improve its involvement with the nations and regions. First, there is absolutely no reason why the present regional quota of 35% of programme spend should not be increased to 50% or more. Secondly, there is no reason why regional commissioning editors cannot be established outside London, mirroring production hubs such as Manchester. Finally, Channel 4 should seriously consider the suggestion made by PACT that All 4 and the technology team should relocate to, say, Birmingham. This would involve around 200 jobs, and dovetail with the move of half of BBC3's team to the city and with Birmingham's role as a trading academy and centre for BBC journalism.

In conclusion, I welcome the decision to kill privatisation. Winning the title of Channel of the Year at the Broadcast Awards in both 2016 and 2017 and the top prize at the 2017 Digital Cinema Media awards is a true testament to the success of this exceptional broadcaster.

5.08 pm

Lord Birt (CB): My Lords, it is most disrespectful to my noble friend Lord Best's Select Committee to have allowed more than a year to pass before discussion of this insightful and comprehensive report. Indeed, discussion has been delayed so long that, as others have observed, the report has been overtaken by events; albeit in this case a most happy event. Thankfully, the Secretary of State proves to have a mind of her own and has rejected the option of privatising Channel 4, which an unlucky civil servant inadvertently advertised to the world—not the first person to fall foul of the powerful magnifying lens on the very doorstep of No. 10.

The argument against privatising Channel 4 is quite simple. It will apply as long as television channels remain a significant pathway for reaching audiences with television programmes, which will be for quite some time to come. The argument is this: alone in the world, in a century of benevolent and insightful regulation, UK Governments of both main parties have put public service broadcasting at the centre of our national life.

The BBC was born nearly a century ago with fine purposes but it was the regulators of Independent Television that required ITV, where I apprenticed as a lad, to spend its advertising monopoly profits across the gamut of public service genres, and thus spur the BBC to shake off the fusty cobwebs of the 1950s and to reach true heights of creativity and ambition. Channel 4, born without a profit motive, has for decades brought a new and different creative slant to British broadcasting—a more piquant taste: innovative, experimental, risk-taking. As almost all noble Lords have mentioned, its embrace of the Paralympics was simply magnificent—an extraordinary, unimaginable game changer which gave us a new cast of take-your-breath-away heroes for the nation.

Another of the channel's greatest achievements is as a chronicler. If future generations want to understand the flavour of our times, how social attitudes and

mores shift, they will be able to watch "Benefit Street", "Gogglebox", "Educating Yorkshire" and even "Naked Attraction".

Like all institutions, however, Channel 4 has certainly slipped the odd catch. It completely failed over recent decades to appreciate the significance of digital, and it dropped the ball badly in acquiring "The Great British Bake Off". Channel 4 is there to innovate, to create anew, not to outbid another public broadcaster with precious public funds and, in the process, fatally to wound a deeply loved national institution and, moreover, like "Strictly", a quintessential BBC programme. The snatch was not even competently done. It was if Channel 4 long ago had bought the Beatles but forgot to contract John and Paul. The "Bake Off" episode was a grievous failure of both the management and governance of Channel 4. It will have new management, if not yet new governance. Let us hope that a new chief executive will put the channel firmly back on track.

We need Channel 4 to stick to its last because public service broadcasting in the UK is not waxing but waning. The competitive environment has changed fundamentally in two decades as advertising shifts to the internet. As a result, ITV, where I spent much of my career, now offers a tiny fraction of the public service programming that it once made. The BBC's resources, too, have been massively depleted by the two raids on its finances since 2010, with substantial programme cuts still to come. So overall investment in the UK in public service broadcasting is declining substantially. If Channel 4 were to be privatised, the notion that somehow its public service broadcasting remit could be retained is simply sophistry. I have worked extensively in both public and commercial broadcasting and I am absolutely certain from my own direct experience that the imperatives are wholly different and that a privatised Channel 4 would be very different.

Our best and only hope for the foreseeable future is to have two independent public service broadcasters, the BBC and Channel 4, the one complementing the other, providing mutual stimulus, each keeping the other on its toes. We should not want to return to where we were 60 years ago, when I was a teenager, with a single public service broadcaster, with all the risk of stasis and complacency that all monopoly eventually brings.

5.14 pm

The Lord Bishop of Chelmsford: My Lords, I, too, am a member of the House of Lords Communications Committee. We normally meet on a Tuesday afternoon, so it is nice to have our meeting through the medium of this debate, in which members past and present can speak to each other. I thank other noble Lords for joining in as well. I also want to pay tribute to the noble Lord, Lord Best, for the wise and winsome way he chaired the committee for three years and, in particular, for helping us to produce this report, which we dare to think has made a bit of a difference.

To put it simply, there is nothing quite like Channel 4. I realise that some people may think that bishops arrive fully formed, like ships in full sail, from a production line over the river at Lambeth, but all of us have other lives both past and present. In my early 20s

[THE LORD BISHOP OF CHELMSFORD]

I worked for several years in the film industry and saw at first hand the huge boost that was made to British film by Channel 4. I remember going to a meeting in 1979 which was held to discuss the very possibility of Channel 4 as a publicly owned public service broadcaster but funded by advertising, and being inspired and excited by the different perspectives that Channel 4 might offer—and so it has. In many areas, Channel 4 has pioneered a broad diversity of views and voices, most recently, as has been said many times in the debate, the Paralympics.

Unlike some other broadcasters, Channel 4 gets the fact that diversity in the UK today cannot just mean regional accents. Here I think I need to say of the latest things coming from the Government that, while of course we need to support the regions, to understand Britain today we need to move beyond regional accents to the other things that shape us culturally and ethically. I would like to see all public service broadcasters do much more in this area. That is because to understand our own national diversity and at the same time create greater coherence and commitment to each other within that diversity, we need to see what it is that creates community and belonging through the variety of narratives that shape a world view and an ethical framework for inhabiting the world. In the past this may have happened through belonging to a town, a county or a nation. It was underpinned by shared values that often had their roots in a common religious tradition. Today, however, it is just as likely to happen through a multiplicity of faiths or through other cultural and subcultural ways of belonging.

If anyone gets this in British broadcasting, it is Channel 4. Its challenging remit to provide diverse and alternative views is therefore significant enough in itself, but the fact that it is a public service broadcaster funded by advertising means that, unlike every other superficially similar broadcaster one could name, its motive is profit not for the good of its shareholders but for the further development of its ambitious and adventurous programming. Therefore, as has been well put by the noble Lords, Lord Best and Lord Sherbourne, to privatise the broadcaster would not only be to compromise it but to be in danger of destroying it. Whatever any potential buyer may promise when it signs the cheque, the need to deliver a profit as the end in itself is bound to erode the diversity of its programmes, especially those which attract less in advertising. Many of the people we interviewed during our inquiry pointed out that it will be the adventurous, diverse and alternative programmes that are likely to suffer most. Similarly, as other noble Lords have emphasised, moving out of London seems unnecessary since all the advertisers are in London. Any financial savings would soon be swallowed up by train fares, travelling back to the very place the organisation had just vacated.

The report speaks for itself and, along with others, I am glad that the Government have responded so positively to it. However, let me emphasise that there are two areas where Channel 4 needs to improve its game. The first is programmes for children, where, in recent years, Channel 4 has not really done anything much at all. The second, where it has particular responsibilities, is programmes for children and young people. Both Sharon

White, the chief executive of Ofcom, and the Children's Media Foundation have challenged Channel 4 on this issue. Sadly, the reason there are fewer programmes for those age groups is probably commercial: children's programmes just do not attract sufficient advertising. However, if Channel 4 wishes to continue to operate in the way it does—rightly, in my view—it really cannot use that argument, since that is the very argument it employs in defence of its status and funding arrangement. It cannot have it both ways. If Channel 4 is to be a public service broadcaster financed by advertising, it needs to use the more profitable programmes to support those that are less so, such as those for children.

Channel 4 is a hugely innovative and successful broadcaster with a unique place in the hugely creative British broadcasting economy. The Government and our nation need to be proud of what we have achieved in broadcasting in this country and ensure that this intricate, fairly fragile—as the whole world of advertising changes in a digital era—but nevertheless effective media ecosystem is not damaged by unnecessary interference. However, Channel 4 must be held to account, particular on programmes for children and young people, so that it continues to produce a range of broadcasting with an ever-greater diversity of views and voices, and so that we are not just better informed and entertained but better able to understand who we are—and see it reflected on the box.

5.22 pm

Lord Holmes of Richmond (Con): My Lords, it is a particular pleasure to speak in the debate. In doing so, I declare my interests as set out in the register. I also want to salute the noble Lord, Lord Best, for all his work as chair of the Communications Committee, not least on all the reports pertaining to broadcasting.

When I was growing up in the post-industrial, grey West Midlands, the most amazing of bright lights arrived, in the form of a multicoloured figure of four. Even the “4”, on-screen, before 2 November, was exciting for us in believing a new channel was arriving in our town. I was 11. I did not know about ownership models; I did not know that the channel was going to be publicly owned and privately funded; I did not know about the statutory remit; I did not know it was going to be a publisher broadcaster. I did not know any of that, but I knew that the channel, once it started—with the cutting-edge “*Dispatches*”, “*Channel 4 News*”, American football, “*The Tube*” and the monstrous *Max Headroom*—was mind-blowing television for me. I did not know the word “diversity”, but I knew this was different. It changed my viewing habits and, through that, it changed my view.

Later in life, I learned about the operating model, ownership, the statutory remit and much more but, fundamentally, that point of the purpose of the channel stuck with me from those very first viewing days. What I believe is the golden thread can be simply and essentially expressed: a model that enables profit into programmes. That profit is 20% of the UK television ad market—some £1 billion. It may interest your Lordships to know that the first advert ever to be screened on Channel 4 was for the Vauxhall Cavalier 1600 GLS—a nice car. I am tempted to ask whether the Minister is still driving his. To come right up

to date, that ad money is going into content, whether we are talking about TV or new media. Everything about the future is about content and Channel 4 currently puts 64% of its revenues into content.

As noble Lords have mentioned, perhaps the greatest reason for having a Channel 4 was demonstrated by its coverage of the Paralympic Games. I was fortunate to do the deal with Channel 4 for the summer 2012 Paralympic Games in London. What the channel did no other broadcaster could have done. It was innovative, ground-breaking, challenging, attitude-altering and opportunity-creating broadcasting. Right from the moment of signing the contract and through the ad campaign, that jokey, jaunty style of Channel 4 was evident; for example, the trailer featuring Paralympians coming out of the tunnel post-Olympics with the strapline, “Thanks for the warm-up”. “Meet the Superhumans” was one of the greatest pieces of sports marketing ever made to promote the Games, with “The Last Leg” getting into all the issues not just around Paralympic sport but around disability. It used the Games as a driver to get into people’s minds and homes, shaping attitudes, beliefs and understanding in relation not just to disability but the whole world of diversity.

Channel 4 did that not just for 2012; it took it forward to Rio 2016. It increased both the level of coverage and the number of those involved in it, with 75% of talent on-screen and behind the cameras being disabled. It also used 2016, the year of the Rio Paralympics, as the channel’s year of disability. I was delighted to chair the year of disability advisers, not just because we had a great mission on our hands but because, as an acronym, it spelt YODA.

Beyond programming, 50% of Channel 4 apprenticeships and 35% of work experience placements went to disabled people last year—pushing and stretching what is possible more and more. That was 2012 and 2016. How different does the UK feel in the summer of 2017 compared to that golden summer not just of sport but of possibility in 2012? Now we have Brexit, a hung Parliament, the fighting in Raqqa, questions about Russia, terrorism and Trump. If there was a need and purpose for Channel 4, a gap in the market, in 1982, the need is tenfold, a hundredfold, in the summer of 2017.

And that begins in the nations and regions of the United Kingdom. The channel already exceeds its nations and regions target of 35%. Routinely, more than 55% of new starts on the main channel, expressed in terms of cash and hours of coverage, derive from the nations and regions. In 2016, the proportion from Wales and Northern Ireland doubled, with a fivefold increase from the Midlands, supporting SMEs, employing more than 17,000 people and unleashing ideas and talent right across the United Kingdom.

Commissioning spend is the most effective means of driving regional economic growth in the United Kingdom—those are not my words or those of Channel 4, but those of the indies through their umbrella association, PACT. Yes, the channel does a lot, but there is more to do in continually striving to see how we can be bolder as a channel and achieve more in terms of production, enablement and empowerment across the nations and regions.

We are at a turning point for Channel 4. The don that is David Abraham is soon to depart, to be replaced by the marvellous Alex Mahon. Yes, the leadership is changing; yes, the crown is passing, but the mission remains the same. As the right reverend Prelate said, diversity in all its forms is about the nations and regions, but it is about so much more than that if we are to connect with this country and to enable it to feel like a United Kingdom once again. The leadership is changing. The mission remains the same: to stretch, challenge, push and provoke—producers, indies, commissioners and editors, as much as the viewing public. It is in the statute; it is in the staff; it is in the very DNA of the channel. That is the remit; that is the purpose; that is the point of Channel 4.

5.30 pm

Lord Gordon of Strathblane (Lab): My Lords, what a delight it is to follow the noble Lord, Lord Holmes of Richmond. I regret that my enthusiasm for Channel 4 dates from slightly later in my career. I was no longer a teenager, I am afraid, but well into my thirties. Indeed, I recall speaking at a radio and television conference in Monte Carlo, trying to make the argument that Channel 4 was not a threat to radio advertising. But I agree with the noble Lord’s enthusiasm for the report produced by the noble Lord, Lord Best, and his committee. They have done a great and very thorough job. I am also very glad that the Secretary of State, in her letter to the noble Lord, Lord Best, said the Government were convinced that,

“Channel 4’s public service model and remit, which are so vital to the continued strength of the UK’s broadcasting ecology, would not be best served by privatisation”.

For me, it is really quite simple. It has nothing to do with wicked capitalists or anything else. It is a simple statement of fact. If Channel 4 was privatised, you would have to service the capital involved, either by paying dividends or paying interest on bank loans. By definition, that money would come out of the pot that would otherwise be spent on programmes. Therefore, in my view, it is a bad idea. Logically, I cannot exclude the possibility of Channel 4 being acquired by a benevolent philanthropist who wants to lose money on it for the sake of having influence. That, I suggest, is not a particularly desirable solution. We do not want people wanting their influence spread throughout one of our public service broadcasters. It would also leave you with a great problem as regards the succession.

I was impressed by the committee’s observation that it felt that Channel 4’s current model was robust enough to survive to the end of the current licence period. Here I take slight issue with the noble Lord, Lord Birt. Actually, Channel 4 was quite smartly out of the blocks on digital, faster than a lot of other broadcasters. It has an 11% audience share and a 20% share of ad revenue. Quite early on—in fact, I think it was the first to do it—it started to sign up viewers as registered supporters of Channel 4. That number has now grown to 15 million. As the noble Lord, Lord Best, said, the remarkable figure is that one in every two adults aged 15 to 34 has signed up to Channel 4. I fully foresee political parties raiding Channel 4’s staff because this is something that most people would give their eye teeth to achieve.

[LORD GORDON OF STRATHBLANE]

The idea of moving Channel 4 is pretty ludicrous in terms of moving the entire staff. Most people already concede that you would have to leave the sales force behind, which is roughly a third. You could make quite a credible argument that the people dealing with Parliament should be left in London—either that or Parliament maybe moves to wherever Channel 4 is going—but logically the two should be together if you want an efficient operation. The same is also true of corporate governance. So you end up with very few people actually free to be moved. For that reason, the comparison with the BBC and Salford is pretty misleading. As the noble Lord, Lord Best, pointed out, BBC staffing is 25 times the size of Channel 4's. The number of BBC staff in Salford alone is four times that of the entire non-sales force staffing of Channel 4. What was a small disruption for the BBC could be cataclysmic for Channel 4.

In this regard I will quote from the Enders Analysis report. I understand that Enders Analysis also advised the committee in quite a lot of its findings. It makes the point that, at best, the cost of the relocation packages for staff would be close to £35 million, and you would have to give Channel 4 the opportunity to recoup that amount by extending the licence to 2030 or 2034. But even if it recouped the amount, there would still be money being spent on relocation costs for staff that could be spent on programming.

The tragedy is that once people are in London, it is very difficult, for very obvious human reasons, to get them to move, because nowadays if people are a couple, both of them are in jobs. The chances of both of them getting a job simultaneously in the same region outside London are, frankly, next to zero. The number of people who refuse to move is really quite surprising. Some 62% of the people the BBC tried to get to move to Salford refused to go; 90% of Office for National Statistics staff refused to move to Newport. These are huge costs. The conclusion of Enders Analysis is, quite simply:

“If the commissioning layer were to be impaired by the exodus of talent, Channel 4 would effectively cease to be”.

It is as serious as that.

I agree with the point made by the noble Lord, Lord Best, that you are dealing with commissioners here—not people who are making programmes but people who are commissioning programmes—and where they are located does not matter a whit. They could be in Land's End commissioning programmes in John o'Groats, or vice versa. The money, energy and creative talent are generated where the programmes are made, not where they are commissioned.

In conclusion, I would leave Channel 4 pretty well where and as it is. I understand the observations made about children's television. I point out simply that it is not that children's television is not attractive to advertising, it is that politicians, including ourselves, have said that they cannot have any. Confectionery manufacturers would gladly advertise to children if we allowed them to. We have not yet squared that circle. We have to find a way of advertising to children that somehow is acceptable, if we want children's programmes to be financed by advertising; otherwise, we have to find an alternative method of financing it. All in all, Channel 4

has kick-started the revolution in this country that has created such a vast and thriving independent production sector. While it is attractive to media commentators—and, I am afraid, occasionally to politicians—to uproot the plant regularly to see if it is still healthy, there is a lot to be said for leaving things as they are and letting Channel 4 continue to prosper.

5.37 pm

Lord Storey (LD): My Lords, I, too, thank the noble Lord, Lord Best, and his committee for an excellent report. Like other noble Lords, I am delighted that the Government seem to have pushed to one side their plans for the privatisation of Channel 4. I hope they have been shelved indefinitely. It is comforting to see Channel 4 recognised for what it is: a public broadcaster and national asset that deserves to remain as such and not in the hands of some overseas media tycoon.

The obligations of Channel 4, given to it by Parliament and then defined by itself, are:

“Be innovative and distinctive ... Stimulate public debate on contemporary issues ... Reflect cultural diversity of the UK ... Champion alternative points of view ... Inspire change in people's lives ... Nurture new and existing talent”.

It has certainly achieved that, with a plethora of ground-breaking programmes, from the early days when Jeremy Isaacs was the first chief executive, setting the channel's original cultural approach, with opera and foreign language films and programmes as diverse as “The Tube” and “Brookside”—the latter, of course, made in Liverpool—and the establishment of the “Film on Four” strand, which, it is not an exaggeration to say, led to the revival of the British film industry in the 1980s. Of course, Jeremy Isaacs was the chair of the European Capital of Culture panel which awarded it to Liverpool—a good man. Many noble Lords have mentioned its fantastic coverage in recent times of the Paralympics. One should note that we have in our own midst probably Britain's greatest Paralympian, one who won more gold medals in swimming than any other. It is of course the noble Lord, Lord Holmes of Richmond.

While I do not promise that my speech today will meet any of the criteria that I listed, I aim to illustrate how a move away from London would not force Channel 4 to compromise on any of its obligations and would even allow it to flourish. The opening at midnight last Friday of the largest infrastructure project in the whole of the UK, the second crossing of the River Mersey, was covered on regional news but not mentioned on any national news broadcast. Imagine if similar treatment had been given to an infrastructure project of such size if it happened in London or the south-east. One reason to suggest that Channel 4 might be better relocating—although it is considerably disingenuous—is that the Government could lead by example. Rather than suggesting that Channel 4 should move, perhaps the Government could move, let us say, the Department for Transport to the north-east. Then we would not see 24 times as much spent on infrastructure per resident in London as compared to the north-east.

Channel 4 has loudly protested that it commissions over 40% of its programmes from outside London, but the actual process of commissioning still takes

place in London. Only 30 of its 800-strong workforce are based outside central London—less than 4%. An up and coming regional director or writer, or a media company, must still regularly trek to London if they wish to see any chance of their programme being made. It seems that Channel 4 is not perhaps as nurturing of new talent as it could be, for many are unable and unwilling to relocate to London or even to visit regularly in pursuit of a media career.

Despite this, only 3% of our gross TV industry spending goes to Yorkshire—3%. Only 1% goes to the Midlands and even less to the north-east. Do Channel 4 and the TV industry in general believe that these areas have no new talent to nurture, or simply that those born in the regions with a talent for media must move to London? We currently have the opportunity to ensure that Channel 4 is more open to this new, young, regional talent that it seeks to nurture, and it would be foolish of us not to grasp it. That does not mean that we would leave 400 or so members of staff, or however many, to deal with advertising. I was very much taken—we had not cleared this beforehand—with my noble friend Lord Razzall's suggestion of how we might move certain parts of Channel 4 to different parts of the country. I hope the Government might take that up.

We are constantly reminded exactly how little government, big business and the media understand the attitudes and issues of those living beyond the bounds of the M25, especially in the north and in Scotland, Wales and Northern Ireland. I hope that a greater understanding born of proximity could be created by the relocation of Channel 4, which surely is sorely needed. Perhaps the idea of the referendum result being to leave the European Union would not have been so unthinkable if the news media had been aware of the mood in Bangor, Berwick or Bury St Edmunds, rather than simply the dominant opinions of people in, for example, Battersea. If Channel 4 truly intends to champion alternate points of view, let us allow it to put its money where its mouth is and support it in moving to somewhere it can easily find the alternative viewpoints it seeks to champion.

Huge figures of money are quoted as necessary to the relocation but I urge us to consider the wider financial effects of the move. The West Midlands Combined Authority predicts that Channel 4 relocating within its bounds would improve the local economy by £5 billion over 10 years—a figure which is not to be sniffed at, even when taken with a pinch of salt. This, coupled with the fact that Channel 4's relocation budget works out at less than half the money agreed to purchase "The Great British Bake Off" in the deal finalised last year, puts the so-called astronomical costs of relocation into perspective.

We have heard Channel 4's fears that if it relocates it will lose 62% of its managerial staff, as happened with the BBC's move to Salford. So what? We must examine whether we can accept Channel 4, a publicly owned British institution, being held hostage by its middle managers. We cannot allow Channel 4 to be held back from new opportunities due to the concerns of staff who have the option to move with it or not, as the case may be. Channel 4 has said that it aims to inspire change in people's lives. It must then accept and embrace such changes itself.

Finally, as I am out of time, I hope that noble Lords will consider that there are other viewpoints about relocating outside London and the south-east. I wish Channel 4 to continue its ground-breaking media presence over the next several decades.

5.45 pm

Baroness Kidron (CB): My Lords, I declare my interests and take this opportunity to thank the late David Rose, who gave me my first opportunity to direct a film when I was not yet 24 years old and there were no women directors around. I also pay tribute to the noble Lord, Lord Best, who is a diplomat of the highest order and an excellent chairman of the committee, and to the Secretary of State for heeding our call in her wonderful decision not to privatise Channel 4.

I thought that I would be providing an alternative view, but it turns out that I rise only to support the noble Lord, Lord Storey, which I am happy to do. I want to draw attention to an influential report, *A New Destination for the Arts*, which many noble Lords may remember was published in 2015 by GPS Culture. It made a very strong case for the transfer of public arts funding to the regions and nations. The report became the zeitgeist for a couple of years, and was responsible for a huge shift in attitude, with vast sums of public money and some private funds going from London to the regions. The report argued that London had drawn further and further ahead of the rest of England in its dominance of cultural life and that unless decisions on programme design and funding allocations were taken at local level, the privileges and concerns of a metropolitan elite would always prevail, thereby leaving the nations and regions behind in relation to the cultural, economic and social benefits of the creative industries. Crucially, that also leaves them out of the financial support and training of creative talent.

I hear those noble Lords who talk about reallocation and the dearth of talent. There has been a presumption in this debate that all the talent lives in London. I would say that while there is a presumption that most of the talent works in London, it does not necessarily live there, and this is a huge opportunity.

Furthermore, the report gave evidence that the rebalancing would have to be at sufficient scale to reduce the risk of parochialism and ensure the creation of creative communities, which rely on a mix of skills and competencies to make creative collaboration and production sustainable. The same argument pertains here. We have seen what the BBC's move has meant in Salford; we have seen the "Game of Thrones" effect in Northern Ireland and that of "Doctor Who" in Cardiff. Controversial and expensive as that BBC move to Salford was, it has had a significant economic and cultural impact, with a growth in opportunities for local employment and training. We can see that a more diverse group of decision-makers eventually ends up making our screens more diverse. That includes the vast numbers of UK citizens who live outside London and are currently under-represented, not only on the screen but particularly behind it.

I accept Channel 4's arguments that moving its production spend and not its headquarters would make the greatest difference, that it is a publisher and not a producer, and that it wishes to stay close to its

[BARONESS KIDRON]

advertiser clients. But as the report articulates, it is only by creating an entire environment, sufficiently large and powerful that commissioners and production staff live and work, side by side, outside the capital, that we will see cultural change. What we have to decide is what we want to see in cultural change. Equally, I accept that if the Government were to insist on the superficial act of moving the headquarters but leaving the production spend with companies largely based in London, the cultural dominance of decision-makers in London would remain. The more exponential benefit of production spend is a greater contribution, so it is an all-or-nothing picture.

The noble Lord, Lord Best, will laugh if I disagree with Enders, because I often disagree with Enders. However, I think its assumption that the talent is in London and it has to move that way is false. As someone who plays host to at least 30% of the members of the Newcastle acting community who have to leave their families, their houses and their homes to come to London but who cannot afford to live and work away from home unless they B&B with me, I think we have to take this seriously.

I would like to make it clear that Channel 4 exceeds its current remit and that my words, and possibly those of the noble Lord, Lord Storey, are applicable to any major institution in the cultural industries. Whether it is for Channel 4 to fulfil the vision of moving something up north is an open question but, unless it is done by someone in the cultural industries, we are going to have an industry that is perpetually out of balance.

Our public broadcasting is the envy of the world. Its independence is an essential aspect. Channel 4 is an independent statutory organisation that enjoys sole responsibility for delivering undertakings on a 10-year licence, which it is in the middle of, so I do not understand on what basis we are insisting that it does anything—because, until it fails to meet its existing obligations, I do not see a role for government in moving it anywhere. While I personally would be delighted to see Channel 4 do its brilliant work of making distinctive and innovative programmes and challenging and inspiring further from this House than Horseferry Road, that is a decision for the Channel 4 board, not for the Secretary of State.

5.52 pm

Lord Griffiths of Burry Port (Lab): My Lords, it is a pleasure to be here. I am delighted to be speaking to a report introduced so wonderfully by the noble Lord, Lord Best, to whom tribute has been paid from many quarters for the clarity with which he put his view and for the intelligence with which he anticipated so many of the points that I want to make. I was delighted to hear the impassioned speech by the noble Lord, Lord Holmes, which swept us off our feet. He told us of his watching habits at the age of 11. It was a long list. My only disappointment was that it did not highlight a programme on which I appeared more than once: “The Big Breakfast”. I shall never forget the experience of sitting on the studio couch being interviewed by two puppets called Zig and Zag. Some of the committee work in this House has made me aware of that experience and of some of its colour.

The future of Channel 4 must be a matter of concern for all of us. Since it was set up in 1982, it has become part of a brilliantly conceived ecosystem of free-to-air provision for the British public, and we ruin or harm or diminish it at our peril. I, too, regret that this report has taken so long to come to our attention on the Floor of the House. When I was reading it, I found it difficult to understand why the Government had set their heart on privatising Channel 4 at all. There were many financial, regulatory, commercial and professional voices mentioned in the report, even competitors in the field, and the Government’s position seemed so lonely among all the very different advice that was being given. The noble Lord, Lord Best, mentioned that an American might have bought Channel 4 if it had been for sale. We can imagine what such an American might have done with the remit which currently governs Channel 4 programming. It would not have been the same at all. It is not going to produce much money to do all those things, such as stimulate public debate, inspire change and nurture new and existing talent, which is truly radical.

I would add to the programming that has been mentioned the extraordinary film series, “The Promise” and “The State”, which Peter Kosminsky brought to our screens and which, very bravely, took us into the heart of complicated situations in a graphic way, as only the arts can succeed in doing. It was strange for me, a newcomer to this business, to read of the Government’s commitment to privatisation. Possible motives have been alluded to by noble Lords who have taken part in the debate. However, wiser heads prevailed and the project was abandoned. Privatisation went off the table, and we came to the question of nations and regions—and nobody, of course, can be against that.

We have had different advocates. My noble friend Lady Quin made an impassioned plea for the north-east. If I were less bound by my brief, I would go to town on the case for Wales. The barely disguised suggestion is that a significant part of the core business, if not all of it, should up sticks and move to another part of the country, although the noble Lord, Lord Storey, and the noble Baroness, Lady Kidron, have suggested more varied ways in which that might be achieved.

The Secretary of State announced the Government’s U-turn on privatisation from the heart of Media City in Manchester. We have heard about the letter that the noble Lord, Lord Best, received, and we have seen a copy of it. She made a big speech in Media City, in which she turned her attention towards regionalisation. She declared herself,

“unsympathetic towards those who recoil in horror at the very idea of media jobs being based outside the capital”.

Indeed, she offered Manchester as an example of what was being done for the industry by people who had shown themselves prepared to move out into other parts of the land.

We should be careful about facile comparisons. I happened to be working with the BBC in a peripheral way when, during the 1990s, some departments were being decanted from London to Manchester. I became aware of numbers of experienced staff who had roots, mortgages and children at school in London which they simply could not abandon. Others have mentioned

the plight of such people. They are real human-need stories. There will always be a human cost to such a plan. It was the existence of already vibrant BBC activity in Manchester, together with the eventual presence of ITV, that allowed those relocated departments the possibility of achieving critical mass as the bold new venture was developed.

There is no similar place beckoning the Channel 4 operation. Indeed, Channel 4 has conducted its own consultation process, which has made it aware of the need to provide greater investment in programme commissioning that favours the nations and regions far more than at present. We can only hope that, when Alex Mahon comes into office as the chief executive officer, she will take those plans forward. It is worth pausing to rejoice at the fact that a woman is to be the chief executive officer, a first for a major broadcasting company in this country, and to talk about the fact that, while mention has been made of the fact that diversity on the board is less than it could be, there has been a terrific commitment to the question of diversity as far as it includes disabled people. You cannot win everything, but I should say that while Channel 4 has struggled with the question of diversity and there are things that it might have done better, there are things that we must rejoice at its having achieved.

There is no familiar place for Channel 4 to relocate to. In my view, everything would have to begin several steps back from what happened in Manchester. Nor should we forget that, at least in those days, the BBC did most of its work in-house. A lot more is put out now to independent companies—then it produced its own programmes. Channel 4, as many have said, does not work that way; it commissions its work from outside bodies. Are we aware that it sets up and employs 3,000 people across the nation and has spent £1.5 million on such programmes, a not inconsiderable amount? Just think of “Location, Location, Location”, whose production team is based in Glasgow and which films throughout the country, or “Hollyoaks”—why has no one mentioned that? It is Channel 4’s largest production and is rooted in the north-west, with 70% of its workforce drawn from the area. Then there is “Ackley Bridge”, a new school drama that is filmed and based in Halifax.

I suspect it would be interesting to look more closely not just at Channel 4 in this regard but at where terrestrial broadcasters as a whole currently commission their programmes, to ensure that independent producers in all areas of our regions and nations get the chance to tell their stories and broadcast their ideas about the world, each from their own perspective. This is not just a Channel 4 issue; ITV and the BBC, which are public service broadcasters too, should be asked, as well as Channel 4, to defend their commissioning policies. A key feature of our terrestrial television system is that it is a complex interrelated ecology where the channels compete on quality and diversity so that audiences receive the best service possible.

We damage Channel 4’s ability to maintain and develop its levels of performance at our peril. Since earlier I heard debates about implementation and transitional arrangements, I note that Channel 4 is awaiting the arrival of a new CEO, so perhaps this is

the time to just wait a moment, consult and see how things turn out. Perhaps “Festina lente”—“Make haste slowly”—is the best advice that we could give ourselves.

6.02 pm

The Parliamentary Under-Secretary of State, Department for Digital, Culture, Media and Sport (Lord Ashton of Hyde) (Con): My Lords, I am grateful to the noble Lord, Lord Best, and his committee for all their work on this subject, and to all noble Lords for their interesting contributions today. I welcome the noble Lord, Lord Griffiths, who has just spoken in his first outing on DCMS. I congratulate him on his speech and look forward to many further contributions from him on DCMS subjects in future.

I also thank noble Lords who approve of the Government’s actions on this matter, a somewhat rare and pleasant experience for a member of the Government. Clearly things have moved on somewhat since the committee’s report was published last summer, but the issues raised remain vital in ensuring a successful future for one of the UK’s most important cultural assets. I am therefore very pleased to be here today and to have the opportunity to listen to noble Lords’ views and set out the Government’s position.

Channel 4 is an important part of the UK’s broadcasting landscape, as the noble Lord, Lord Best, laid out clearly at the beginning of the debate. Commercially funded yet publicly owned, and operating as a “publisher-broadcaster”, it has a unique role in providing for audiences and stimulating the wider creative industries. Channel 4’s remit includes requirements to be distinctive, to innovate, to promote alternative views and new perspectives and to appeal to a culturally diverse society. In the 35 years since it was launched, it has made an indelible mark on UK culture and society. The noble Lord, Lord Best, and my noble friends Lord Sherbourne and Lord Holmes mentioned the Paralympics as an example of landmark programming.

Yet the channel faces challenges from what is a very fast-changing broadcasting landscape, particularly given its reliance on advertising revenues, a challenge highlighted by developments in the advertising market over the last year or so. Channel 4 is a public asset. It is therefore entirely sensible for the Government to consider from time to time how best to secure its future, including whether it would be better placed to succeed under private ownership. As noble Lords will be aware, the Government set out earlier this year that Channel 4 will remain publicly owned. I know this was welcomed by members of your Lordships’ Communications Committee, as confirmed today by the noble Lord, Lord Best. I reaffirm today the Government’s commitment to a publicly owned future for Channel 4. I hope that will partially reassure—temporarily, at least—the noble Lord, Lord Birt.

As a publicly owned broadcaster, though, Channel 4 must deliver value for the public who own it. That value can come in different forms, as the noble Baroness, Lady Kidron, pointed out, both on screen and off. Off-screen, Channel 4 has delivered value through its pivotal role in the development of the UK’s independent production sector. The sector is now world-renowned, generating £3 billion of revenue each year. Channel 4

[LORD ASHTON OF HYDE]

provides on-screen value by delivering the remit prescribed in legislation and in meeting the programming quotas set by Ofcom. My department's written evidence to the committee's inquiry set out that:

"The government regards C4C's ability to deliver against its remit and maximise public value in a sustainable manner as a priority".

Channel 4 has a strong record in many areas of its remit—as the noble Baroness, Lady Kidron, says, in some areas it exceeds it—but there is room for improvement. The committee concluded, as the right reverend Prelate the Bishop of Chelmsford has reminded us today, that the current programming for older children and young adults is "unsatisfactory", echoing concerns raised by Ofcom over recent years. We have made it clear that we expect a stronger commitment from Channel 4 in this area. We have also given Ofcom new powers through the Digital Economy Act to impose children's content quotas if it deems that necessary. The provision of other areas of core public service content, such as arts programming, has also been low. More broadly, the Government have also made it clear that we want Channel 4 to deliver even more of the innovative and challenging public service programming that it was set up to offer. We look forward to seeing how the new chief executive and director of programmes take on this challenge.

Both on and off-screen, we believe Channel 4 must deliver value for the whole country that owns it. This means contributing to balanced economic growth, stimulating creative industries and serving audiences across the UK. I am grateful to the noble Baroness, Lady Quin, for her support—albeit, I have to say, slightly geographically qualified—for this concept. PACT, the TV production trade body, has found that of the £2 billion budget for UK productions in 2016 just 32% was spent outside London. Similarly, only one-third of UK production-sector jobs are based outside London. As has been mentioned, only 3% of Channel 4's staff are based outside London, and it spends around twice as much on programming made in London as in the rest of the UK combined. Furthermore, earlier this year Ofcom said it had concerns about Channel 4's representation of people in the nations and regions.

We feel that decisions about Channel 4's programming should not all be made in the bubble of Westminster. Very importantly, people seeking to work in the media should not feel that they have to move to London. This is a barrier not only to people from different regions but to people of less affluent financial backgrounds. This point was ably made by the noble Lord, Lord Storey.

The transformation of Salford's MediaCity over the past decade, led by the BBC, is truly impressive. With more than 250 companies employing more than 7,000 people, it has become a world-class cluster. It demonstrates that the television sector in the UK does not have to be all about London, but I accept that the BBC and Channel 4 are not an exact parallel, and I would not claim them to be.

As a result, we launched a consultation earlier this year on how Channel 4 could increase its regional impact, primarily through moving staff and increasing

commissioning. We published the results of this consultation last month. The overwhelming majority of respondents stated that Channel 4's regional impact would be enhanced if more of its people and activities were located outside London. A significant majority further agreed that increasing Channel 4's commissioning quotas, as mentioned by the noble Lord, Lord Razzall, and my noble friend Lord Holmes, would be an appropriate and effective way to enhance Channel 4's impact in the nations and regions. Alongside the consultation, we have commissioned external consultants to analyse the potential regional economic benefit and cost of relocation and increasing commissioning in the nations and regions. This will be published imminently, and we will see whether it addresses the points made by the noble Lord, Lord Gordon.

As the Secretary of State set out in her speech at the Royal Television Society last month:

"TV must reflect the real world and the country that we live in".

Relocation may not mean relocation of the whole business, but the Government are clear that Channel 4 must have a major presence outside London. We are also very interested in the potential for Channel 4 to increase its commissioning in the nations and regions.

We look forward to working with Channel 4's incoming chief executive, Alex Mahon, who is due to start at the beginning of next month. We await her plans for Channel 4, and will continue to work closely with the channel over the coming months. This will not be an overnight process, I reassure the noble Lord, Lord Griffiths, but we hope to reach agreement with Channel 4 on the direction forward by the end of the year.

A couple of points were raised during the debate. I cannot let the comments of the noble Lord, Lord Razzall, about diversity on the board go unanswered. Last year, the Secretary of State approved the appointment of four individuals who met the job descriptions of the post, which was advertised by Ofcom, out of the five put forward by Ofcom, so it was very much in answer to the specific job descriptions that they were selected. Ofcom is currently undertaking a process to recruit three new non-executives to the Channel 4 board, and I am confident that it will make every effort to ensure a diverse field of candidates.

The noble Baroness, Lady Quin, made the very reasonable point that we cannot expect Channel 4 to solve the regional deficit on its own. We agree, and we do not think that there is a direct comparison with the BBC, but it is true that more than half the BBC's public service staff are outside London, whereas 97% of Channel 4's staff are in London. We feel that, as a publicly owned broadcaster, it must do more for the whole country.

In conclusion, Channel 4 is a vital public asset, it is one that we support, and it will remain so. In continuing under public ownership, the Government are clear that Channel 4 must play its part in a country that works for everyone. It should strengthen the creative industries that are such a successful part of our economy and provide a platform for new voices and untold stories from across the UK, celebrating the diversity mentioned by the right reverend Prelate.

I again thank the committee for its work on this important matter, and I look forward to returning to discuss progress on these issues in due course.

6.14 pm

Lord Best: My Lords, my deepest thanks to all Members of the House who contributed to the debate, particularly to all those—most of whom serve on my committee—who made very kind remarks, for which I am very grateful.

The unanimous view, I think, from everyone who spoke was that Channel 4 has been doing great things, has fulfilled its remit and should definitely not be privatised. I am grateful to the Minister for reaffirming that decision tonight: privatisation is not going to happen. The Minister also made it clear that the Government are very keen on the idea not just of Channel 4 commissioning more programmes from outside London—although that will be very important to the new settlement that they come to with Channel 4—but that a good part of its headquarters should move away from London; I think I could read between the lines there. Alex Mahon, the new chief executive, may need to make proposals that take that into account. I would only say that the decision needs to be based on the evidence, which needs to be looked at carefully. That will take a little time—nothing too rash, as the noble Lord, Lord Griffiths, urged.

My final comment is that if I were Alex Mahon, going into the job as chief executive officer of Channel 4, I would probably get the speech of the noble Lord, Lord Holmes of Richmond, placed on the walls of my new office, whether they are in London or anywhere else.

Motion agreed.

Brexit: Agriculture and Farm Animal Welfare (European Union Committee Report) *Motion to Take Note*

6.15 pm

Moved by Lord Teverson

That this House takes note of the Reports from the European Union Committee, *Brexit: agriculture* (20th Report, Session 2016–17, HL Paper 169) and *Brexit: farm animal welfare* (5th Report, HL Paper 15).

Lord Teverson (LD): My Lords, the common agricultural policy has probably not been one of the most popular policies of the European Union over the past 40 years in the United Kingdom. Successful as it was in its original years in ensuring food security for the European continent after many years of warfare and trial, when we joined in the 1970s it was perhaps seen as the main reason for the large budget contribution that the United Kingdom made to the European Union. I remember all too well in the 1980s the structural problems, with the milk powder mountains and wine lakes. More recently, we have had schemes such as set-aside that were not particularly successful, the issue of the green pound and all the other bits of Eurocrat jargon that surround the CAP.

At the moment, under the most recent form of funding, the new system for landowners means that the more land you own, the more subsidy you get, so the barley barons get most of the cash, our food prices are higher than the world average, small farms are still going out of business and rural biodiversity is still declining. We can look at the common agricultural policy and say that it has not been an overwhelming success for the United Kingdom—and perhaps not for Europe. It still takes 36% of the European budget, although that has hugely declined from more than half the budget over the life cycle of the common agricultural policy.

You could say that if there is one area where Brexit has to work, it must be agriculture. Indeed, we heard much evidence of the various opportunities from our withdrawal under Brexit to move away from the common agricultural policy. The first is cheap food. At the moment, it is true to say that, with external tariffs for food, farmers are relatively protected, and some of our witnesses suggested that if we moved away from the common agricultural policy post Brexit, food prices could reduce by 7% or 10%.

We have an excellent opportunity to save taxpayers' money. At the moment, under the CAP, our farmers and landowners receive €28 billion per annum in subsidy. It accounts for 40% to 60% of farm income. We could stop that, as the New Zealanders did in the 1980s, take it back into the Treasury and use that money elsewhere.

We could get rid of some of the rules. We found it a little difficult to find too many rules that the agricultural industry wanted to get rid of immediately, but the three-crop rule was one of them and there are others, perhaps more contentious ones such as on pesticides, that could be removed. In terms of animal welfare, we could move the gauge up or down. We could take more opportunities to drive our own welfare standards within agriculture.

Of course, we do not have to give all those funds back to our own taxpayers; we could use them perhaps more intelligently in terms of environmental management, rural development, integrated policies and making sure that agriculture is not an isolated area of policy but that it ties in well with climate change and broader environmental policy.

The United Kingdom is a big food importer. Our trade balance with the European Union is some €18 billion per annum. That surely gives us some leverage to attract free trade agreements from other countries across the world that want access to that market. Clearly, we have access to most of those elsewhere already so that would not change greatly. That is a list of important positives from disengaging from the CAP as part of the Brexit process. We heard a lot of that from many of our witnesses.

Of course, there are challenges as well, which are significant. First, regarding trade, some 80% of our exports of agricultural produce go to the European Union. If we add in the food sector and those countries where the EU has free trade agreements from which we benefit, the number goes up to 97%. Part of that is around perishability. It is much easier to export products to geographically close areas and, obviously, it is part of the single market. Indeed, at the moment the EU

[LORD TEVERSON]
external tariff is 54% on dairy products and some 22% on cereals. That gives an idea of the sort of level of tariff barriers there could be.

Of course, there will be non-tariff barriers as well. We as a committee are not saying in any way that we would not be able to reach a trade agreement, but if we did not, clearly some of those non-tariff barriers would be even greater. I am sure that the noble Lord, Lord Trees, will tell us about phytosanitary conditions and all of those other non-tariff issues.

We would hope to trade at least on World Trade Organization terms, but I hope there will be much better opportunities with the EU in a future agreement. However, already we have issues with the WTO over tariff rate quotas. This is already a key area. The Government have been successful in finding agreement with the European Union over the splitting of these quotas, but immediately that has caused a reaction in the United States, New Zealand and Brazil objecting to that solution and opening up that whole area of future tariff rate quotas with both the EU and the UK. It gives a taste of future meddling and perhaps vexatious intervention that some of these issues will create.

People are one big area the industry is concerned about and that is why being able to retain current EU staff and workers in this country, and in this sector in particular, is important. It is well known, and has been said many times, that 90% of our vets in abattoirs, an important part of our animal welfare programme, are non-UK EU nationals. In both food processing and agriculture, we require a large number of workers from the EU. Yes, we could replace them from other parts of the world, but that obviously will depend on our migration policy. Already we have difficulty in attracting and retaining people. An issue that came over very strongly is that agricultural workers in particular are skilled workers. The way in which they are able to harvest is very skilled but not in terms of a Home Office definition. It is an area where automation cannot substitute in the medium or short term. People are a key factor.

The committee welcomes the Government's response on funding, which is guaranteed at current cash levels up to the next election. In reality, after that—this is not something that we should blame the Government for—the public and taxpayers will find it difficult under continued austerity to justify the amount of money that goes to this sector. So there will be a real issue around selling that deal. Of course, that may be around being able to guarantee better environmental management of all the public services that farming provides.

There is an issue around devolution. One of the things that the CAP provides is a common framework for agricultural policy not just for all member states but within the United Kingdom. Yet, importantly, agriculture is devolved. How do you make sure that there is a continued single market within the United Kingdom? Will we have four different regimes? Indeed, policy stability is one area that I had not thought of but it came through from some of our witnesses. The CAP might be difficult to change, but at least it meant the future could be planned to a large degree. Will that remain? In Ireland, there is an issue not so much of devolution but of cross-border trade and supply chains, so there are particular challenges.

Our report on welfare received a great deal of media attention on, for example, beef hormones and chlorinated chicken, which is not really a welfare issue, but under international pressure for other trade deals will those welfare standards be challenged? Our witnesses, particularly from this sector, were very keen that welfare standards should not decline post Brexit.

Lastly, in terms of the challenges of which there are many more for those who have read the full report, there is Defra itself. We have said many times in our environmental and fisheries reports that the workload on Defra is huge. Apart from being sympathetic to the Minister on the Front Bench, we again ask whether there are sufficient resources for Defra to deliver legal certainty and all those policies in that huge area over the period.

If I may start to conclude my remarks, there is a real dilemma in this area. Two approaches can be taken in terms of benefits and potential positives about Brexit and the negatives. Will we become a low-tariff, competitive New Zealand-style economy, open to free trade, open to those opportunities to bring down food prices and move on those deals where high-quality food and welfare standards will be difficult to enforce, given the sort of negotiations we will have with countries such as Australia, Argentina, Brazil and particularly the United States? Or will we continue to be a country, outside Europe, that demands high welfare standards and high-quality food and that looks to protect our hill farmers? It is absolutely clear that all our livestock farming cannot compete with the economies of scale, and particularly the lower welfare standards, in the large economies of the United States, Australia and New Zealand, perhaps, but also Argentina and Brazil. They can be characterised as the Liam Fox version and the Michael Gove view of Brexit—interesting but the Government will have to resolve that dilemma.

Will the Minister be able to include agriculture more successfully in his 25-year environmental plan? What is going to happen about tariff rate quotas? How does he see the whole WTO negotiations? How can we have a farming Bill when at present we do not know what the end destination is? Will the Minister reconfirm our commitment to high animal welfare standards? How does he see the transition?

Some 71% of land in the UK is devoted to agriculture, which employs 800,000 throughout the food supply chain and is 7% of the economy, worth £100 billion of value added. It is a vital part of our economy and our future. This raises as many challenges as it does opportunities. I beg to move.

Baroness Vere of Norbiton (Con): My Lords, I respectfully remind noble Lords of the advisory speaking time of six minutes. There is another debate after this, and I am sure those noble Lords would be most grateful.

6.30 pm

Lord Jopling (Con): My Lords, I am delighted to follow the noble Lord, Lord Teverson. I congratulate him and his committee on producing a most interesting report, which takes us on to new ground. I particularly want to follow up the latter part of his remarks. I draw the attention of the House to my farming interests, as shown in the register.

Close attention is at last being paid to agriculture and the implications of Brexit. Twice in the last year I have spoken in this House about the fundamental problems and solutions: I am still waiting for a response from the Government. When I read the Minister's evidence to the committee I did not get much further. We now have a position where the NFU and the Select Committee are beginning to address these crucial matters. Until now, apart from promises to continue the current support for five years, most of the comments from Ministers have related to environmental matters and animal welfare. These are important but they are not central to the challenges which we face in agriculture.

People are at last talking about trade and tariffs. I am very alarmed indeed when I hear former and current Ministers speaking about free trade and illustrating their point with New Zealand's experience some decades ago. It had a ready, untapped market nearby which we do not. In the years after the Second World War, British agriculture was supported by a near-free-trade policy, but this was underwritten by a system of agricultural support through guaranteed prices and efficiency payments, which cost the United Kingdom Treasury huge amounts of money. A review of agricultural policy was set up after the 1964 Conservative defeat, led by my old friend Jim Prior—I am sorry that our noble friend Lord Prior is no longer in the Chamber. I was a member of that study, and we concluded that a better system of supporting agriculture was not through guaranteed prices and efficiency payments but through import levies. This became the policy of my party in both the 1966 and 1970 elections, before we joined the European Community. Some people criticised it because of its effect on the cost of living and the price of food, but this had no political impact because we were able to demonstrate that the effect was absolutely marginal. This is partly because food was a much decreasing part of the cost of living and partly because farm-gate prices are a small fraction of shop-shelf prices.

As the Select Committee report demonstrates, we still have support for agriculture in the United Kingdom through the common external tariff of the common agricultural policy. If we were foolish enough to move to a free trade philosophy, the agriculture industry would be challenged by a flood of cheap imports, produced under standards which are far below our own, which would depress prices. Not only that but our exports to the European Union—which as the noble Lord, Lord Teverson, said are very substantial—would have to jump over the common external tariff unless we were inside it. We face a great dilemma. First, we must realise that the neatest way to support agriculture is through tariff protection. The effect on the cost of living was marginal in the 1960s; it is even less now. The report suggests that in 2015 the tariff was 10.7% over all agricultural goods. We should seek to negotiate that so that we remain, as far as possible, within the current tariff regime of the European Union. Secondly, arguments in favour of free trade in agricultural products are, in a way, a repeat of the great debates on repealing the Corn Laws in the 19th century. It was wrong then and it remains wrong now.

6.36 pm

Lord Rooker (Lab): My Lords, I will kick off with a few words on the animal welfare report. The Government's response to the report says that they want to maintain high animal welfare standards after Brexit, that it is important to base animal welfare policy on evidence, and that we should seek to avoid high standards being undermined by cheaper imports produced to lower ones. They agree that consumer awareness and appreciation of high-welfare products are key to the willingness to pay and that labelling is a key aspect of consumer transparency and awareness. However, it is speaking with a forked tongue to applaud high welfare standards while the food production animal is alive, but then ignore the issue at the point of slaughter. I am not in favour of banning any process that Parliament has agreed for exemption of the requirement for animals to be stunned before slaughter but, if we are to put consumers first and their interests to the fore, the label must clearly say whether an animal was or not. That is a key element in animal welfare. It is not a clear issue but it should be so for the consumer. There can be no argument—Brexit or not—which opposes informing consumers.

Will the Minister explain the Government's response to paragraph 15 on financial support? What on earth did they mean about new ideas, piloting new ways of working, and telling people not to be guided by the CAP but to be creative for the future in respect of animal welfare?

Farming is for the long term; farmers cannot wait and wait before crucial decisions are made. I will illustrate with a couple of good, real-life examples where urgent decisions have to be made by the end of this year—not hanging around in the lazy way the Government are—which I found in the Agri Brigade column in the current edition of *Private Eye*. Unless an agreement regarding organic farming standards is signed between the United Kingdom and the United States in the next three months, the Organic Milk Suppliers Cooperative will stop production of Kingdom organic cheese, which has an 18-month production cycle. The deal for this is between the EU and the USA. It took the United Kingdom co-op eight years to develop the brand and in 2015 it became the first EU dairy business to qualify for USDA certified organic status. This opened up a premium market for UK farmers. Today, Kingdom Cheddar is the only volume European cheese sold in the United States. The UK co-op dairy farmer members altered their farming practices to meet US standards: in other words, they raised them from those of the EU. They had to use fewer antibiotics, improve breeding and calf management and improve animal welfare. The cheese needs a processing, maturing, packing and shipping time, plus a shelf life in the United States of 18 months, so an early decision by the end of this year is crucial to continue.

The co-op has pointed out that an exchange of letters between the United Kingdom and United States Governments does not need to wait until the Article 50 process allows for third-party talks; it is simply an equivalency exchange of letters to recognise regulatory standards of production. On 14 September, the co-op pointed out that this valuable business had been hard won.

[LORD ROOKER]

It says that it cannot afford to take the risk of producing for a niche market a product that it may not be able to sell post Brexit in April 2019. What are the Government doing about this? Time is short; they must know about this. Will they agree, for example, to purchase production which in any event cannot be sold later to the United States? I have not raised this purely on the basis of what was in *Private Eye*; I contacted the co-op and have raised it with the agreement of its chair.

A second example is that of sheep production. This autumn, UK sheep farmers have to decide whether to retain millions of ewe lambs for breeding or send them for slaughter as fat lambs. If these young females are kept for breeding, most will not be put to the ram until late next year and will give birth in spring of 2019, just as the UK leaves the EU. Some 40% of lamb production goes to the EU, so unless we keep access to the single market, these exports will face an EU sheep-meat tariff of over £2,600 a tonne. The price that UK farmers receive for their animals will collapse and that will completely smash hill farming in this country. The idea that we can wait around for this lazy Government to wake up to the reality of life is a non-starter. We are being damaged as we speak. This is not something that can wait. Action on these two issues is required by the end of the year.

My final point concerns access to labour. The patronising attitude of the Government to the committee's points on labour supply for the food and agricultural industries simply hides the fact that the leavers did not have a clue about the structure of the industry in the UK. In fact, the very same issue about EU labour supply is emerging in the committee's current inquiry on energy security after Brexit. The status quo is not being maintained in the current period of uncertainty while the Tory party fights it out among itself, to the detriment of the nation because people are leaving the UK. This has nothing to do with seasonal workers; that is a separate issue. As we have already heard, 90% of vets, 40% of meat inspectors and an even higher number of workers in abattoirs and meat cutting plants are from the EU. The Government say that sourcing workers from the domestic market is the key. It is implied that reducing regulation, which I say effectively means risking food standards, is an option. This is what the Government mean when they refer to, "more flexible inspection models and risk based controls", in their response to Recommendations 43 and 44.

I do not know why we carry on with this charade, to be honest. This cannot be done—it is as simple as that—without enormous damage to our economy, living standards, public services and standing in the world. The cost is too high. We know that now; we do not have to wait. As the noble Lord, Lord Butler, said earlier this afternoon, it is not carping to point out the obvious and take steps to avoid a very bad decision.

6.43 pm

Baroness Miller of Chilthorne Domer (LD): My Lords, I thank my noble friend Lord Teverson and his committee for producing two very thought-provoking reports. I am very much looking forward to the maiden speech of the noble Lord, Lord Vaux of Harrowden.

I would like to concentrate my remarks on conclusion 153 of the committee's report on agriculture, which states:

"It may be hard to reconcile the Government's wish for the UK to become a global leader in free trade with its desire to maintain high ... standards for agri-food products".

I think it will be not just hard but impossible. Besides the quality of our food, we can reach the same conclusion about our countryside, biodiversity, farm animal welfare, workers' standards and almost every aspect of farming. The choice is between keeping what makes our landscape and food special or opening the door to free trade agreements that will force low food prices to determine everything. I remind your Lordships that cheap food is cheap because the environmental cost, the health cost and every other cost of producing it are hidden.

I was very pleased to hear Michael Gove say that we are,

"determined to be global leaders in protecting unique landscapes and habitats".

To achieve that he will need to speed up the environmental plan so that there is a policy base for negotiations. I thank the Minister very much for chairing such an interesting round-table discussion on the plan last week in your Lordships' House. I hope that it will be the first of several. Michael Gove also said:

"Our new agricultural policy will recognise the importance of improving production as well as protecting our strong food and animal welfare standards".

However, he gives no clue as to the policies that will make this happen. I suggest a few policies that could help our farmers maintain their place in a global marketplace. I think that New Zealand has been mentioned at least twice this evening. The fact is that our farmers will not be able to compete with mass-scale, low-standard production scenarios. Britain has 700 people to the square mile and New Zealand just 46. We are a small, intensely populated island so we must plan for an agriculture that is closely and sensitively related to our communities and recognises that the health of our ecosystems is fundamentally related to the health of our cities, towns and villages. We are a relatively small-scale producer in global terms but other countries buy from us because of the outstanding quality of British beef, lamb and other products. That is a good niche to be in and is one we can expand.

I hope that post Brexit the EU will still be an important market for us. Therefore, will we try to conform to the same standards? Two current examples are neonicotinoids—I know that the Minister is responsible for the national pollinator strategy—and glyphosate, both of which are being increasingly restricted and possibly phased out in the EU. Will our Government move in parallel?

To keep and develop our quality agriculture, it is clear that we must encourage bright young people to go into farming. At the moment, scenarios of halving incomes, such as that in the Agriculture and Horticulture Development Board report, are frankly very off-putting to them—realistic but off-putting—and so are the nigh impossible economics of getting a foot on the ladder because of the diminishing number of small farms, which was so eloquently laid out in the recent CPRE report. That report shows why small farms of under

20 hectares are very important. Can the Minister confirm that the Government are already thinking that public money should reward farmers for public goods rather than the size of their landholding?

Animal welfare has been mentioned this evening. I maintain that animal welfare is definitely a public good because well-kept animals, besides that being ethically important, are healthier. That is a very important public good when it comes to antibiotic usage. Other important policy areas to develop a vibrant food production sector include continuing to follow the precautionary principle with regard to pesticides and hormone-treated meat and improving food labelling schemes, which was also mentioned this evening. It is necessary to maintain country of origin labelling but expand that to include production methods, as advocated by the Labelling Matters coalition, and for all the reasons so eloquently laid out by the noble Lord, Lord Rooker. We need to be more open to farming methods such as agroforestry which deliver multiple benefits and multiple incomes for farmers. What are we going to do to recognise diversity of breeds and seeds? For example, diversity in seed varieties is very important. What will happen with the registration and intellectual property rights of EU-registered varieties?

Finally, there are two issues in the Brexit debate that are Defra's responsibility but have not been mentioned recently. If Brexit happens, pets and pet owners face a sad choice: take holidays apart or do not travel. Pets will have to be left in kennels rather than enjoying France or Spain with their owners when the EU pet passport scheme stops applying to the UK, as the UK leaves the EU. Will owners returning from the EU with pets face months of quarantine? Can the Minister give any reassurance that reciprocal arrangements for pets will be reached such as those that will apply to people?

Finally, animal passports will also affect the multibillion-pound horseracing industry. Currently, Irish, British and French counterparts can, under EU law, move tens of thousands of horses a year freely in and out of each other's countries without hindrance. What will happen if that tripartite passport scheme were to end? What discussions have been held about this issue, and is there a solution within sight?

6.50 pm

Lord Curry of Kirkharle (CB): My Lords, I welcome the opportunity to contribute to this debate. I, too, am a member of the committee and I want to express my appreciation for the excellent support that we received, and continue to receive, from our clerks and the staff team. I declare my interests: I am a partner in a farming business in Northumberland and a trustee of Clinton Devon Estates, both of which are in receipt of the EU basic payment scheme and engaged in environmental stewardship. My other interests are listed in the register and include chairmanship of the National Land Based College and the Prince's Countryside Fund.

For the agricultural sector, Brexit presents the most important event since the Agriculture Act 1947. This is a once-in-a-lifetime opportunity to reshape British agriculture and make sure that we design appropriate support arrangements and negotiate sensible trading agreements, so that we really can ensure that agriculture

continues to contribute to the economy, is valued by the food industry, can shape and influence the management of the countryside, and can influence the health of the nation.

The noble Lord, Lord Teverson, has already highlighted the economic importance of agriculture, which, together with the food industry, is the largest contributor to the UK economy by far. However, with well-designed policies, and appropriate access to markets, British agriculture could contribute much more. Brexit presents an exciting opportunity to reshape the future for farming in the United Kingdom. The trade negotiations are of critical importance, as we highlighted in the report, and I am pleased to see that the Trade Minister is negotiating a split of the tariff rate quotas with the EU, as we recommended, even if this proves an interim measure for a transitional period while we negotiate longer-term trade deals. The noble Lord, Lord Teverson, has already mentioned this issue.

Access to the EU market is critical for all agricultural products, particularly our lamb and pork. The noble Lord, Lord Rooker, has passionately referred to this. I fully understand the need to take a tough stance in negotiations and threaten to walk away, but I hope common sense will prevail on both sides and that we secure access to markets without major disruption. I also hope agriculture is not sacrificed as part of the panic to reach trade deals, to open up markets for the rest of British industry. Moreover, we need a period of transition or implementation—I really do not mind what it is called.

We also need to take this opportunity to review our performance as an industry sector and to seriously examine whether we are fit for purpose and able to withstand greater competition, as we anticipate more exposure to global markets post Brexit. We should seize the opportunity to address our own productivity record. Productivity needs to be a major driver of policy. Time is short so we should develop, as a matter of urgency, tailor-made solutions focusing on skills and the application of science. We need a professional industry, as the noble Baroness, Lady Miller, said, that attracts bright talent. Our record in the application of scientific knowledge—knowledge exchange—has not been good enough. As I said at the beginning, I declare an interest in these areas. It is essential that the Government recognise the potential to improve our productivity and ensure that targeted support and incentives are available to address this. It should be an important component of a redesigned policy.

The Prince's Countryside Fund has already been doing some important work with a programme aiming to assist family farm businesses to improve their confidence, efficiency and resilience. I know the Minister is well briefed on this work. Many farm businesses are under severe pressure and need sound advice to make both short and long-term decisions on the future of their businesses. A recent analysis by the PCF shows just how dependent many family businesses are on the basic payment scheme. Only 16% made a profit from farming activities without the benefit of the BPS and other diversified income. Many of these farms are impacting on our productivity and need help. For some, a well thought-through exit scheme would be a sensible solution.

[LORD CURRY OF KIRKHARLE]

We also referred to regulation in the report and, as a former chair of the Better Regulation Executive, I am very concerned, not only about the transfer of EU regulation into domestic law but also that we take the opportunity to simplify support systems. We said:

“Brexit presents a new and important opportunity to replace elements of EU agricultural regulation that are bureaucratic, ineffective or ill-tailored to farming conditions in the UK”.

I hope the Government will bear this in mind.

There is lots of speculation and debate about how to design a new support system that properly recognises the public goods that agriculture delivers, and has the potential to deliver, in its management of the countryside. We address this in some detail in the report. It is vital that we try to quantify what those public goods are, their value, and how they can be applied and targeted to deliver specific outcomes in different geographic areas. Obviously, caring for the environment, in both environmental protection and improving habitats—building on the progress that we have made—is critical, but these are not the only public goods that agriculture delivers. I have been trying to encourage Ministers and officials to view this as an opportunity to be clear about the outcomes that we want from the management of the countryside. These include environmental outcomes, of course, but also outcomes in water management, carbon sequestration, public access, healthy and wholesome food, vibrant rural communities and so on. Once we are clear about these outcomes, we can then target policies to deliver them if the market will not do so.

Finally, let me move on to the need to replace the CAP with a UK framework. We address this in the agriculture report. I fully understand that the devolved Administrations of the United Kingdom will see Brexit as an opportunity for further devolution of both resource and policy. However, the potential for having very diverse policies throughout the United Kingdom create confusion and conflict is very high. We said in the report:

“This will require either a UK-wide framework or the negotiation of co-ordinated agricultural policies by the UK Government and the Devolved Administrations”.

We need to take this seriously: it is a real concern and it is urgent.

In conclusion, it is a real privilege to have the opportunity to contribute to post-Brexit policy design. Most of us were too young in 1947. It is also a huge responsibility, and we need to think very carefully about how we do it. This is such an important point in our history: we will leave a legacy that will be judged by future generations.

6.57 pm

Lord Whitty (Lab): My Lords, I congratulate the noble Lords, Lord Teverson and Lord Curry, and the other members of the committee. It is a very effective report. We speak in a week when we have had two quite bad pieces of news. The first is that the Agriculture and Horticulture Development Board has produced a fairly well-based report on its expectations for various scenarios as the outcome of Brexit. They list three: evolution, which is, broadly speaking, the Chancellor of the Exchequer’s preferred outcome; unilateral liberalism, which I presume is Liam Fox’s preferred outcome;

and fortress Britain, which, I presume from his remarks this week, is Chris Grayling’s preferred outcome. Whatever the origins of those broad-brush outcomes, the conclusion is that in the last two, there will be dramatic falls in farm income in almost all sectors and for almost all farms. In the first scenario, which is broadly the status quo—through a free trade agreement—farm incomes will be kept up only if the level of subsidy from the UK Government keeps pace with what would otherwise have been the European payouts. In all three scenarios there is a presumption that consumer prices will increase, which may be interesting for some theorists. As the noble Lord, Lord Curry, says, we have an opportunity to redevelop and bring in a different British agricultural policy, replacing the 40-odd years of the CAP. Michael Gove has a serious challenge.

We have to see any new agricultural policy in the broadest possible terms. As a bit of history, the CAP was first conceived not simply as a protectionist food policy—although it was always that—but as a regional, rural and social policy. In effect, it was avoiding for the rural areas of France and Italy the kind of depopulation and rural poverty which in the previous century had hit other economies such as those of Ireland and Scotland, and which in the current century is hitting many Asian economies with rural depopulation and poverty. The CAP has always had multiple outputs.

Therefore, we need a wide range of objectives—public goods, as the noble Baroness, Lady Miller, calls them—for any new system: support for the wider rural economy and society, and the rural environment; support for land and water management; and the preservation and enhancement of our natural capital. The answer will be different in different parts of the country, and it will be different in different English regions. However, there are political problems with the fact that they will be very different in different parts of the devolved Administrations. If what has hitherto been the Brussels input to agricultural policy is simply centralised in Whitehall, there will be quite serious problems with the devolved Administrations. We need an all-UK approach to this, but it will be difficult to achieve without causing grave difficulties for the devolution settlement.

Just this week, Carwyn Jones, the First Minister of Wales—who was my oppo in Wales when I was Agriculture Minister and he was in Cardiff—has pointed out that certain trade outcomes and regulatory outcomes could completely wipe out hill farming in Wales. That would be a disaster, not just for Wales but for the whole country. There will also be serious problems in Scotland and Northern Ireland. In the latter, it is greatly compounded by areas covered by previous reports from the Select Committee with regard to the Irish trade and the dominance of the north-south arrangements. Goods which end up as consumer goods finally cross the border several times, and the Irish economy, both north and south, depends heavily on exports to the UK, and via the UK to the EU.

My second main point is on trade. The noble Lord, Lord Teverson, already reported on this week’s row on trade quotas. This is a situation in which, quietly, EU, UK and WTO officials were seeing a way forward. Almost immediately after that became semi-public

knowledge, it was objected to by other countries, with which some hope we will reach very detailed free trade agreements in the near future. This proves a number of things. First, we do not have that many friends out there. However, it also proves that if agricultural quotas are not settled, it will be very difficult to deliver a whole-scale free-trade agreement with Europe and, beyond Europe, with other countries. Unless agricultural quotas are settled, because agriculture is such an important aspect of the European Union, reaching an agreement on other trade arrangements with Europe will be more difficult. When we come to negotiate the other agreements that people have in mind, unless we have settled that, they will not know what their quotas will be, whether they have an arrangement for a free-trade agreement with Europe already—in which case there are quotas referred to there—or if they can trade with Europe free of quotas but facing tariffs.

It is in fact worse than that. Historically, any agreement on trade has floundered heavily on failure to agree, under the WTO or whatever, and under GATT before it, on agricultural quotas and the reflection of the level of subsidy—the amber box subsidies—in any trade negotiations. The latest example of that, only 10 years ago, was the almost complete failure of the Doha round, principally because we could not agree multilaterally on trade quotas and trade subsidies for agriculture.

Agriculture therefore has implications way beyond its own importance within our economy, our society and our countryside. Unless we manage to resolve with our European partners and beyond the way in which we treat trade in agriculture, we will not get free trade agreements anywhere.

7.05 pm

Lord Hope of Craighead (CB): My Lords, I, too, congratulate the noble Lord, Lord Teverson, and his committee on their excellent and wide-ranging report on agriculture. Things have moved on a little since it was published last May and the Government issued their response to it. But for Scottish farmers, which is my area of interest, their future outside the EU is still a very uncertain world.

I am not a farmer or a landowner. My only qualification for contributing to this debate is that I own a small cottage which sits in the middle of a hill farm in East Perthshire and which is close to some of the best soft fruit-growing areas in the region of Tayside. The hill farm is typical of such places in our area. The only income, apart from the subsidy under the CAP, to which the noble Lord, Lord Whitty, just referred, comes from selling the stock produced on the farm. As the farm is organic, there are exacting EU rules that must be and are complied with. The weather is a frequent cause for concern. Heavy snow at lambing time can result in many losses. Late frosts and lack of rainfall may delay the growth of grass in the grazing areas, resulting in the need to buy in extra feed. The fact is that the subsidy is essential to the farm's survival.

As for the fruit-growing areas in Tayside, raspberries and strawberries are now being farmed on an industrial scale. Access to a large and reliable workforce is crucial during the picking season, which can extend to as much as three or four months, due to the use of plastic

tunnels and similar equipment. The bulk of this workforce is supplied by seasonal workers from the EU. Not nearly enough people live locally who are available or willing to do this work. Without certainty that this workforce will still be available after Brexit, these enterprises may have to close down and the industry disappear. So the effect of the vote to leave has been to create an increasing sense of uncertainty as we move closer to exit day.

There are three matters of particular concern: ensuring that the subsidy continues after Brexit; preserving and protecting the market for beef and lamb; and access to seasonal labour for the fruit growers. First, as the report makes clear, farmers in the devolved areas are proportionately heavily dependent on financial support from the EU. In Scotland, it comes in the form of the basic payment scheme, which is administered by the Scottish Government. In their reply to the report, the Government say that they will continue to commit the same cash total in funds for farm support until the end of this Parliament. So far, so good. But what will happen then? As each month passes, the end of this Parliament will draw closer, and there will be an increasing need for clarity as to what will happen after that. I appreciate that no Government can bind their successor, but it will not do for us to have to wait until the new Parliament has been elected to find out what will happen. Surely, some mechanism can be put in place so that farmers can be assured that the same amount of money, adjusted for inflation, will be available and ring-fenced for future years. The question of whether the current level of subsidy will continue beyond the life of this Parliament should not be allowed to remain unanswered for much longer.

Whether there will be continued access to the European market for Scotch beef and lamb, and if not, what will replace it, is a matter of increasing concern as well. Some 89% of Scotland's exports in beef and lamb goes to EU countries. Demand for these products remains strong but its future has now been put at risk by the vote to leave. The Government's response is right to draw attention to the conflicting factors that are at play as plans are laid for the future. On the one hand, there is the risk of barriers being put in their way by excessive tariffs or excessive delays at our frontiers. On the other, as has been mentioned, cheap imports of beef and lamb from countries with whom we enter into new relationships, with less rigorous standards than our own, would make our home-produced stock uncompetitive.

Hill farms operate on narrow enough margins as it is. In their response, the Government say that they will work with the industry to build a new future when we leave the EU and that the maintenance of our existing high standards will be protected through domestic legislation. Can the noble Lord say what progress has been made in discussing these issues, especially with the devolved Administrations, and what form that legislation might take? Trade, of course, is a reserved matter, but agriculture is not. Scottish hill farmers need an assurance that their particular needs are being taken into account so that the work that they are doing to such high standards will continue to be profitable.

[LORD HOPE OF CRAIGHEAD]

Lastly, in their response to the section of the report on filling the labour gap, the Government say that this will depend in the first instance on the ability to source workers from the domestic labour market. They say that there is not enough evidence to introduce a new seasonal agricultural workers scheme, although they will keep this position under review. The Minister should come to Tayside in the harvesting season to see what is going on there. Access to the willing and competent workforce which its EU workers provide is vital to its success. The fact is that that region's domestic labour market cannot provide that kind of service. That may not be the case elsewhere—I do not know—but it is certainly no answer to the fruit-growers in Tayside.

In response to the section on devolution, the Government say that they are aware of the importance of agriculture to the devolved Administrations, and that they will work closely with them to address the issues specific to their industry. Are they willing to acknowledge that the opportunities for filling the labour gap might differ between one part of the country and another? Will consideration be given to allowing Scotland to have its own seasonal agricultural workers scheme? I hope that the noble Lord will be able to use his influence to see that it will.

7.11 pm

Lord Howard of Rising (Con): My Lords, I declare an interest as a landowner and a farmer. I thank the noble Lord, Lord Teverson, and his committee for the work that they have done. The Brexit committees must be working overtime and all night for the amount of reports and papers they produce. Unfortunately, in the time available there is too much ground to cover in the detail that one would like, but there are one or two points that I would like to make to your Lordships.

In several places, both the animal welfare and food standards reports comment on the conflict between the present high standards in animal welfare and food products and on whether the ability to buy cheaper food in world markets might lead to a decline in those standards. In the case of animal welfare, I cannot see why coming out of the European Union should cause standards to decline. If there are lower tariffs, there may be attempts to import animals from countries where their welfare may not be to our high standards, but it should be quite possible to insist on standards, and the savings on leaving the European Union will mean that resources will be available to ensure that these standards are maintained.

The same would apply to food. If food purchased on the world market is cheaper, as the noble Lord, Lord Teverson, pointed out earlier, it does not mean to say that the food is worse. Indeed, it may be better. We know that the man from Del Monte only ever picks the best.

I realise that it is the job of the committee to foresee and bring attention to difficulties, but all too often the underlying assumption is that things will be worse outside the European Union. Too many of the comments of those consulted reflect their wish to protect their vested interests and cling on to subsidies, rather than consider what would be best for the greater good. That is understandable, but it is the duty of politicians to

take an objective view. Although the report has much to commend it, there is still scope on occasions for a more rigorous review of the self-interest arguments—perhaps a little more Boris and a little less moaning.

Concern was expressed in the report about the availability of labour. However, I point out to your Lordships that, certainly in my part of the country, East Anglia, and on my farm in particular foreign labour was being imported to cope with seasonal requirements long before Britain joined the European Union, and this will surely continue after we leave.

Comment was also made in the report on the rigidity of the common agricultural policy, and this is certainly true. If we are to have farming subsidies, I agree with my right honourable friend the Secretary of State at Defra that they should be directed at preservation and conservation in a more flexible and environmentally friendly manner than the present system under the European Union. That system demonstrates how EU centralisation, one size fits all and bureaucracy can be plain foolish by the time it percolates through to where edicts are put into practice.

7.15 pm

Lord Davies of Stamford (Lab): My Lords, with very great respect to the noble Lord, I do not think that he has read the report on animal welfare which is before us. It makes it quite clear that WTO rules do not, contrary to what he said, provide a basis for excluding meat produced at standards which are too low.

I remind the House of my interests as declared in the register. I own some land in Lincolnshire, which I regularly rent out for grazing. I will endeavour to be very succinct and to advance simply six propositions in the course of six minutes.

The first proposition is that British agriculture will never again operate in such favourable circumstances as it does now, while we are a full member of the EU. That is simply because agricultural policy and agricultural subsidies are decided by 28 countries, in the great majority of which the political weighting of agriculture is much greater than it is in this country. Therefore, the best friend of the British farmer has always been the French, German, Polish or Dutch Minister of Agriculture, not the British Minister of Agriculture, who has a brief from the Treasury saying, "For God's sake cut the cost and reduce the subsidy if you possibly can".

My second proposition is that that would be a problem if we remained outside the EU but in the single market in some form or another, because it would mean that over the years, with increasing discrepancy, British farmers would be subsidised and supported at a lower level than their competitors. In any market that obviously produces distortions, and things become very bad for the less favoured party, which in this case would be the British farmer.

Proposition number three is that far more serious is the scenario that the Government want to lead us into. It is one where we are not a member of the EU single market but endeavour to sign free trade agreements with lots of people around the world. The Government deceive themselves entirely about the prospects of doing that, by the way. I have explained on many

occasions in our debates that there is very little prospect indeed of signing such a deal with China unless we are prepared to drop steel quotas, or with India unless we are prepared to accept Mr Modi's demands for massive immigration into this country, or with the United States unless we are prepared to accept hormone-injected beef and chlorinated chicken. So there are great difficulties in that and, even if there were not, it would be absurd to say that we should throw away the benefit of the particularly favourable terms under which we can sell 70% of our exports to the EU and to those countries with which the EU has free trade agreements, and to suggest that we can compensate for that with the remaining 30% of our exports. As I have just explained, more than 90% of that 30%—that is, the three countries I mentioned—are very unlikely to do a deal with us at all. Therefore, the Government's policy urgently needs rethinking from the bottom up. They are leading this country into a minefield, which is uncharted from their point of view, and I am afraid that they do not see the great dangers that we are facing.

However, in the event that we sign free trade agreements with some other countries—let us say members of the old British Commonwealth, such as Australia, New Zealand and Canada—they will be largely concerned to sell us their agricultural products. We will have very large refrigerated ships arriving in London every week with massive amounts of cheap Australian frozen beef, which will knock the bottom out of that market.

Therefore, my fourth proposition is that in those circumstances we will have the worst of all possible worlds. We will have a situation in which British farmers meet competition from countries with cheaper labour and considerable efficiencies and economies of scale, undercutting our producers in the domestic market—and, at the same time, because the continentals will not allow us tariff-free access to their markets while we allow other countries to export to the UK in competition with their exports, we will have to face tariffs on our exports to the EU. That point has already been well made. The tariffs are very high—20%, 40% or 60% at present, depending on the product. That would be the worst of all possible worlds for British agriculture.

I make two propositions on the animal welfare issues that have been raised in the second of the reports before us. Proposition number one: it is a total waste of time and will not contribute one iota to the sum of animal happiness, and will almost certainly contribute to the detriment of animal happiness, to concoct a system of animal welfare and not protect it at the frontier by excluding imported products that are themselves produced to lower standards. If you do that, you are simply exporting the industry to somewhere else in the world where animal standards are lower, losing employment in this country and generating employment somewhere else, and the animals will certainly be treated far worse wherever they are then raised. Quite disgusting things happen to these poor animals, including in what we might think of as sophisticated markets such as the United States, which runs almost a complete zero grazing system. This will not contribute at all to animal welfare but will destroy employment in our own country. It does not make sense.

My final proposition is this: it is not possible to stop products coming in at the frontiers, as logically should be done, because it is not consistent with WTO rules. The committee could have been slightly more unambiguous on this point, as it is quite clear that there are no WTO rules to provide for that. It is therefore quite certain that a large number of countries will say that it is excluded by the WTO rules. We have already heard examples this evening of how the WTO can take a very perverse line, if it wishes to, in pursuit of the interests of a particular nation. The idea of renegotiating the rules of the WTO is complete nonsense—it would take decades. And why would any of these countries agree in principle to change rules that are, in many cases, in their favour and against our interests? I am not sure that that problem can be resolved.

The position is this: the prospects of the British farmer are pretty grim and the prospects for animal welfare are pretty grim. We owe it to the nation to say those two things extremely clearly.

7.21 pm

Lord Vaux of Harrowden (CB) (Maiden Speech):

My Lords, it is an honour to speak for the first time in your Lordships' House. It is often said that joining this House is like being a new boy at school. I would go a little further: it feels more like being the nervous child who joins half way through the second term, when everyone else has already made friends and knows their way around the building. It is for that reason that I am so grateful for the kind and generous welcome from so many of your Lordships. I am not sure whether to be reassured or worried by the noble Lord who said, "Don't worry, I have been here for 10 years and I still feel like the new boy". I also thank those many members of staff who have been so helpful in my first couple of weeks. I know I will need their assistance for much, much longer and I thank them in advance.

I have received much advice on the subject of this maiden speech—gratitude and brevity are common themes. On the matter of controversy, it has been less clear-cut. I will try not to follow the advice that said, "Don't worry about that; just go for it".

My career has been mainly in finance and technology, as well as the emerging markets of south-east Asia. More relevant to today—and here I must declare an interest—for the last couple of years I have been farming beef and sheep in south-west Scotland and am in receipt of various subsidy payments under the CAP.

I thank the committee and the noble Lord, Lord Teverson, for these excellent reports. The *Brexit: Agriculture* report provides the best independent analysis that I have yet seen of the many opportunities and challenges, sometimes contradictory, that the industry is facing. Less favoured area beef and sheep farmers face particular challenges. Up to 40% of sheep farming production is exported, of which around 95% goes to Europe. Profitability is already low. The noble Baroness, Lady Miller, and the noble Lord, Lord Whitty, have already referred to the AHDB report that shows that profits could halve. In fact, it shows specifically that, in the worst case, LFA beef and sheep farmers risk having their profits entirely wiped out.

[LORD VAUX OF HARROWDEN]

I welcome the Government's statement that they do not wish the industry to face a precipitous cliff edge and the commitment to provide the same cash support until the end of the current Parliament. However, in the event of a no-deal Brexit, at the end of March 2019 sheep farmers will be faced with an immediate loss of market for over a third of their production. Could the Minister please explain what analysis the Government have carried out on the impact of a no-deal scenario on the beef and sheep sectors specifically, and what plans they have to mitigate the effects of this potential cliff edge?

The Government's response to these reports sets out many general aims and intentions, all individually laudable. For example, the introduction to the response describes a,

"once in a generation opportunity to transform our food and farming policies, improve our environment and protect our rural landscapes ... to create the best trading framework for both consumers and producers".

On sections 31 to 35 of the report, the response talks of designing,

"a new agriculture policy from first principles in order to most effectively support the agricultural sector".

It is hard to argue with any of that. However, I know I am not alone in feeling that these responses are, if your Lordships will forgive me, rather woolly.

As the noble Lord, Lord Rooker, pointed out, farming is a long-term business. Investments in land improvement, machinery, buildings and bloodline improvements and so on are all substantial multiyear commitments for small family businesses. The lack of specific policies and the resulting uncertainty is making it very difficult for farmers to plan for the future. Talking to a neighbouring farmer on Saturday, he said simply, "It is just all up in the air".

There is already anecdotal evidence of delayed investment decisions, and it seems likely that the availability of finance may start to be affected. This would have serious knock-on impacts throughout the supply chain and for the wider rural economy. The average age of farmers is 59, and the uncertainty is putting succession plans at risk and must be deterring new entrants to the industry. Will the Minister please assure us that we will soon see the,

"coherent domestic policy to support farmers to become more profitable, to support environmental outcomes and to promote things such as animal welfare",

which the Minister of State referred to in his evidence, as set out in paragraph 17 of the report, so that farmers can start to invest for the future again?

7.26 pm

The Earl of Kinnoull (CB): My Lords, it is a great pleasure to follow for the first time my noble friend Lord Vaux of Harrowden after his excellent and fluent maiden speech. He brings to the House not only expertise in agriculture but strong credentials both as an accountant and as someone who has held senior positions in the software industry for almost two decades, in both the UK and Asia. At the weekend, I spoke to a near neighbour of his in Galloway. In praising my noble friend's diplomatic skills, this neighbour suggested that one of his toughest assignments, indeed achievements,

has been to bring harmony and order to an important local entity that he chairs. I speak of course of the Fleet District Salmon Fishery Board—the source, no doubt, of a lot of local argy-bargy. I look forward very much to hearing his many contributions to the House in the years to come.

I declare my interests as set out in the register of the House, especially those in relation to agriculture, and remind the House that I am also a member of the European Union Select Committee. I too congratulate the noble Lord, Lord Teverson, on the barn-storming speech he made earlier. It was the most wonderful survey of what has gone into these two very powerful reports in this important debate.

I will make three points tonight and confine myself to the *Brexit: Agriculture* report. All these points relate to resources. The first concerns seasonal workers, and here the ground has been prepared by the noble Lords, Lord Teverson and Lord Rooker, and my noble and learned friend Lord Hope of Craighead. I live in Perthshire, surrounded by soft fruit farms, and am active in organic vegetables. I can confirm that the local farms active in these sectors, including us, use significant numbers of seasonal workers, almost all of whom come from EU 27 states. I repeat the invitation of my noble and learned friend Lord Hope, and associate myself with all his words, and ask the Minister to come to Perthshire, where I will give him a personal tour of the situation so he can see how strong these businesses are and how much we depend on these seasonal workers.

The report went into the science of this. Paragraph 253 records that Queen's University Belfast estimates that, UK-wide, this seasonal workforce is 80,000 strong in horticulture alone, 98% of whom are from the EU 27. Paragraph 264 of the report goes on to say that:

"Many workers in the agricultural sector are often regarded as 'unskilled', but are in fact extremely skilled at sector-specific tasks such as crop handling and harvesting".

I know only too well how true this is. I was, therefore, initially delighted to read in the Government's response that:

"Access to a sufficient and appropriately skilled workforce is essential for the whole food chain, and we welcome the Committee's recognition of the importance of this issue".

However, I was baffled later on in the Government's response to read:

"For seasonal workers, the Government has stated that it does not believe that there is sufficient evidence to introduce a new Seasonal Agricultural Workers Scheme in at this moment. We keep this position under careful, ongoing review".

I regret—and here I concur totally with the noble Lord, Lord Vaux—that these words have sent a shiver down the spine of those businesses which use seasonal agricultural workers and their investment sentiment is accordingly very poor—and it is very poor in the very agricultural sectors that have been responsible for so much of the growth in agricultural GDP in recent times. "Why would one invest in a climate of such future workforce uncertainties?" is essentially the question being asked at the farm tables, in Perthshire for sure and, I have no doubt, elsewhere. I would be grateful if the Minister would comment on all of this and tell us

whether this position is changing and, if not, what extra evidence the Government need in order to change their mind.

Moving to my second point, as I believe the Government will conclude that a new SAWS is not only necessary but very much in UK PLC's interests, I hope that such a new scheme will learn the lessons of the old one. An example here would be the need for flexibility on visa end dates. The old SAWS was clear that, when the time was up for a seasonal worker, he had to go home. This was unhelpful in the agricultural sector where harvests can be late unexpectedly, leading to wholly unnecessary problems.

A more important example for today is the fact that forestry was not included in the old SAWS. Earlier today in the River Room, the Minister was launching Action Oak. This vital initiative unites all the relevant UK bodies in working together in the face of the multiple disease, pest and squirrel threats to trees—particularly oak trees—and, ultimately, of course, to energise landowners and land managers to plant. It is a milestone in helping to protect our countryside and environment. A small part of this milestone will involve the use of seasonal forestry workers. Accordingly, I ask the Minister to confirm that the needs of the forestry industry will form part of the careful, ongoing thinking that the Government are doing about seasonal agricultural workers, as I referred to a moment ago,

In closing, I move to my third point. The report sets out between paragraphs 277 and 283 why Defra needs considerably more resources, especially additional staff. The Government response on 29 June stated:

“The resourcing of EU exit work is a key priority of the Department and is subject to on-going assessment. Work continues to identify the number of dedicated posts required in the long-term to meet the demands of EU Exit”.

In other words, “Don't know about that”. I wonder whether, three and a half months further on, the Minister could update us on how the thinking is on whether Defra really has enough resources. I know that this House would press strongly for resources to be given to Defra at this vital time.

Throughout this debate there has been a common theme of the importance of the agricultural sector to our nation and of it, and indeed Defra, being properly resourced. I hope we will hear strong and positive news from the Minister who, as the whole House knows, understands all of these issues so well.

7.33 pm

Lord Wigley (PC): My Lords, I also congratulate the noble Lord, Lord Vaux of Harrowden, on his polished maiden speech and wish him well in the House. I am grateful to the noble Lord, Lord Teverson, for introducing this report. I should declare an interest by way of ownership of six acres of farmland—not one of the biggest estates in the land—and as a member of the Farmers Union of Wales.

I want to put on record the very grave misgivings among the agricultural fraternity in Wales concerning Brexit, particularly if it transpires to be—as seems probable—the hardest of hard Brexits. There are many aspects of life in Wales which differ from those of England, but none more stark than in the agricultural sector. Sheep farming is the predominant sector in

Wales, with 80% of Welsh farms involved in the sheep industry, and the Welsh sheep flock amounts to 29% of that of the UK.

The proportion of Welsh GVA produced by agriculture is about 0.7%, compared to 0.4% for the UK. It was because circumstances are so very different for agriculture in Wales to that in England that agriculture was fully devolved to the National Assembly. That is one of the compelling reasons why any powers returned from Brussels to the UK which are relevant to farming should be fully transferred to the devolved Governments. It is then a matter of getting an agreed framework in place for discussions between the four Administrations of these islands to ensure that issues relating to the harmonious working of a UK single market can be best resolved.

As we leave the EU, we shall of course leave the CAP. Welsh farmers could face a cash crisis unless there are specific safeguards. These are necessary because Welsh farm income levels are very modest. Between 2012 and 2016, the average annual farm business income of all Welsh farm categories was only £26,520. Welsh agriculture depends heavily on financial subsidies from the EU. Wales currently receives about £274 million a year by way of direct subsidies under the CAP, with a further £555 million coming to Wales between 2014 and 2020 through the Rural Development Programme. In total, 80% of farm income in Wales comes from the EU's common agricultural policy.

The current level of funding should be guaranteed by the Treasury to the Welsh Government, as was promised time after time by Brexit campaigners during the referendum. These funds should be outside the Barnett block and ring-fenced by the Welsh Government for supporting agricultural. Such guaranteed funding should run for 10 years. It is no use promising that the funding will last only to 2022 when agricultural investment runs on a five to 10 year planning cycle.

Welsh farming, particularly the meat sector, is heavily dependent on EU markets, which take some 35% of all the meat produced in Wales. So the outcome of Brexit is critically important for Welsh farmers. Any changes to the CAP levels of funding or in market access could have catastrophic consequences. The degree of damage will depend on the type of Brexit which the UK Government negotiates.

In this context, an important study was published in August. Undertaken by FAPRI, the Food and Agricultural Policy Research Institute, it was commissioned to undertake the economic modelling work by DEFRA and the devolved Administrations. The conclusions of that work were dramatic.

The study focused on three alternative scenarios. The first considered the impact if the UK succeeded in negotiating tariff-free and quota-free access for UK products into the EU and likewise for EU products into the UK, with the UK maintaining the EU tariff structure to the rest of the world and for there to be a 5% facilitation cost on UK-EU trade. In these circumstances, the study projects a small benefit for the UK beef and dairy sectors and a marginal 1% decrease in sheep prices and output value. We could live with that option.

[LORD WIGLEY]

The second scenario was on the basis of there being negotiated a World Trade Organization default package, including most favoured nation status being granted to imports from the EU to Britain and on UK exports to the EU; for tariff rate quotas to be retained on imports from third countries; for no change in the tariff structure for exports to the rest of the world; and for there to be an 8% facilitation cost on UK-EU trade. This would have a favourable impact of up to 30% on beef and dairy prices, but an adverse impact of 30% on sheep prices. That clearly could be advantageous for some parts of Britain but devastating for large parts of Wales. It would also have a 4% to 5% adverse effect on wheat and barley, which should make England hesitate before supporting that option.

It is, however, the third scenario which should frighten the living daylight out of anyone concerned with agriculture—the hard Brexit option of unilateral trade liberalisation. This would mean zero tariffs on imports into the UK, both from Europe and the rest of the world; it would mean having most favoured nation status for UK exports to the EU; no change in tariff structures for UK exports to the rest of the world; and an 8% facilitation cost on UK-EU trade. This scenario—the black Brexit bombshell, if I can call it that—would cause a 45% drop in beef prices, a 29% drop in sheep prices, a 10% drop in milk and dairy prices, and a 5% to 7% drop in wheat and barley prices.

This month, the Agriculture and Horticulture Development Board published the results of similar modelling which again predict that, for all the extreme Brexit scenario, there would be a drop in all farm incomes of over 50%, with less favoured area livestock farms particularly hard hit.

The Farmers Union of Wales has called on the Government to secure a long-term agreement with the EU to maintain tariff-free access to the EU's single market for Welsh agricultural products. The FUW has also called for a 10-year transition period. This is something that Brexit campaigners must take on board: the harder the Brexit settlement, the longer the transition period that will be necessary in order to minimise economic chaos.

What all this means is that a hard Brexit will signal the end of Welsh farming as we know it. Any Government which would allow this to happen would be guilty of mind-blowing irresponsibility. If there is to be a hard Brexit, surely there must be a confirmatory referendum in early 2019 so that people have the opportunity to think again. Among those leading the queue for such reconsideration will be the farmers of Wales when they fully appreciate what is about to hit them.

7.40 pm

The Duke of Montrose (Con): My Lords, I join those who wish to congratulate the noble Lord, Lord Teverson, on securing this debate. I must declare my interests as set out in the register, in particular as the recently retired president of the National Sheep Association of the United Kingdom, 50 years as a hill livestock farmer and member of the Scottish NFU.

I consider it a privilege to have been able to participate in this committee inquiry, and the rate at which our committee staff summed up the evidence put before us

I found quite breath-taking. We received evidence from 20 witnesses representing every aspect of the industry, from academics to production and marketing. We also received 56 written submissions, all of which must have a direct interest in this subject, including from the Minister.

For the livestock side of the industry, it hardly needs me to emphasise what many other Peers have been saying. In fact, most of the points I would like to make have already been introduced into the debate, but I want to nail down one or two aspects. Anything less than tariff-free access to Europe will cause immense disruption to the livestock industry. The noble Lords, Lord Whitty and Lord Wigley, have drawn the attention of your Lordships to the Agriculture and Horticulture Development Board report which came out just last week. It reiterates that the Government have said that they will guarantee the same level of funding at £3.1 billion for food production from the date of Brexit to the end of this Parliament. Some farmers feel that they can operate without any of that, but what there is has provided a lifeline for much of our beef and sheep production, as many noble Lords have pointed out. Can the Minister tell the House how much, if any, of that sum was required for the administration of the current scheme or what additional costs were incurred under this heading? It would be a great triumph if the Government could come up with a support system that cost less, and I hope that they will strive to achieve that.

Most noble Lords will also understand how agriculture presents a stumbling block to the dedicated free trade enthusiast, a point made by the noble Lord, Lord Whitty, as it continues to develop tariffs and subsidies in spite of various international agreements. That is so much so that it has been the undoing of much that was hoped for in the most recent Doha development agenda. However, it has always proved hard to see how there cannot be some assistance in certain critical situations. The Government are obviously looking at the minimum that can be worked with as well as where we will stand if no deals are available. The noble Lord, Lord Teverson, told us that there has been some discussion about the allocation of European tariff-rate quotas for agricultural goods. Inevitably, this has produced a negative response from the third-party nations which at present are the beneficiaries of this policy, and that highlights how there is nothing straightforward about the whole negotiation. Because of the third parties involved, it looks as though no meaningful agreements can be reached until the UK lays out its attitude to basic WTO rules and publishes a proposal for its tariff rate schedule. Can the Minister tell the House if there is a target date for finalising this proposal and what that date might be?

The report I referred to earlier emphasises that the number of farms in England has fallen by 20% in the past decade, but we are familiar with the fact that that is only part of the story. Some consideration should be given to the manning required to keep the skills and experience needed to make the countryside run well. Until now, farmers have prided themselves on being open to innovation. The innovation they have welcomed has largely been in relation to efficient and economic food production. What illustrates that well is that

according to World Bank figures, the total numbers working in UK farming just after the Second World War came to around 10% of the working population. Today the figure is less than 0.9%, which is a fall of around 99%. For other countries in Europe the equivalent figures are 20% at the end of the Second World War reducing to a current figure of around 2.8%. How much lower can we afford to go? Proposals now come with a heavy element of what we like to think will be beneficial environmental measures. There is no doubt that as we understand more about the science of what surrounds us, they are something that we have to try, but their history is fairly short and it will take some time to tell how many of them will turn out to be merely passing fads. We are still faced with an escalating world population and the need to double food production efficiently.

7.46 pm

Baroness Murphy (CB): My Lords, I speak with no more expertise in agriculture than being resident in rural south Norfolk, so I am rather like my noble and learned friend Lord Hope in that respect; I am surrounded by fields. The county of Norfolk has the largest agricultural sector of any English county and contributes 7% of English food production. I am a psychiatrist first and a historian second. I do not think that my first skill will be useful in this debate but perhaps the second will be.

I congratulate the committee chaired by the noble Lord, Lord Teverson, on identifying in no uncertain terms the serious risks to which the Government are exposing our rural community. Leaving the European Union is of course a political decision, not an economic one, but in my view possibly the most foolish political decision a UK Government have taken in my lifetime. I do not blame the British public. If you ask them a foolish question, you will get a foolish answer. There is no escaping it, however, because apart from the Lib Dems, the main political parties are intent on hurtling over the cliff like lemmings. By the way, lemmings are not committing suicide; they are simply misjudging the distance they have to jump across the water to find a new habitat—a rather better analogy for the Brexiteers, I think.

Our rural economy is kept afloat by the £3 billion that flows into rural areas from the EU, and while there is a commitment to the continuity of mainstream CAP funding over a brief transition period, history tells us that the Government will almost certainly pull the plug on farming subsidies quite quickly. There seems to have been very little in the way of learning from history of how previous subsidies developed over a longer historical period. I will not go back to the support for wheat producers through the Corn Laws that went on for 30 years after the Napoleonic wars, as the noble Lord, Lord Jopling, did, but I will refer to 1917 as the Atlantic blockades began to bite during the First World War. The Corn Production Act 1917 and Agriculture Act 1920 ensured that the last years of the Great War were profitable ones for farmers, but those Acts which protected farm wages and corn prices were repealed in 1921—just three years of peacetime for the Government to lose interest in farming. In 1921 the Government were facing a potential £20 million

subsidy bill for the agricultural sector when other parts of the economy had no such protection and high food prices were resented by a predominantly urban electorate. We are, and remain, a nation of townies. The result was a rapid reduction in agricultural wages, by about 40% in the first year, and the increased indebtedness of farmers, which did not improve until subsidies were re-introduced in the Second World War. Then it started all over again. Indeed, subsidies were withdrawn again after the Second World War, apart from support for some important food products we were short of.

What will be different this time round? Perhaps the Minister will tell me. Will the urban public be happy to see £3 billion go into a sector that produces only £9 billion of GDP? That seems unlikely. As the economic disaster of Brexit impacts on the rest of industry and our public services, the Treasury will surely look to that £3 billion pot to start funding its other priorities—and I might vote for it too. That is a threat to the very fabric of rural Britain, not only to our home-grown food production capacity but to the environment, landscape and wildlife. I thought the noble Baroness, Lady Miller of Chilthorne Domer, would say what she has said before: that it would be ironic if the old Britain that the Brexiteers are so nostalgic for is wiped out by Brexit itself.

Of course, if we get a common market free trade deal with Europe and a continuing customs union, all will not be so doom and gloom, and there could be a new settlement for agriculture and the environment. No one doubts that the common agricultural policy system is inefficient and has rewarded the wrong things. Indeed, I carry no candle for the great wheat barons of Cambridgeshire; I hope one is not sitting in the Chamber. It would be nice to see more-focused support for the type of sustainable but efficient food farming that produces goods that are attractive to consumers all over the world without ruining our landscape. However, if we leave with no deal, as some deluded folk seem to think we can with equanimity, then, as we have heard so often here, our farming communities will become theme parks, perhaps for foreign investors chasing nice houses. Will the Minister assure us—I am asking a lot—that the Government will not leave the EU without a realistic trade and customs deal sealed, and will create a mechanism to support the public benefit that farming can have for us all?

7.52 pm

Viscount Hanworth (Lab): My Lords, I follow an excellent speech. The six sub-committees of the European Union Committee of the House of Lords have produced a collection of authoritative documents that have revealed in detail the nature of Britain's relationship with the European Union. I have counted 17 such documents that are addressed specifically to the problems of Brexit, and there are more to come.

The reports demonstrate the complexities that an advanced industrial nation faces in the context of a global economy, where there are numerous interdependencies of trade and production; they have also served to highlight some startling deficiencies in the knowledge and intelligence of the incumbent British Government. However, to be fair, such shortfalls are

[VISCOUNT HANWORTH]
inevitable in the complicated modern world. It seems that the sub-committees have processed and revealed far more information than the Ministers in charge of Brexit negotiations are capable of absorbing. Even the civil servants charged with advising the Ministers may be severely challenged. Therein lies one of the major hazards of Brexit.

The first matter on which to focus our attention is our trade in agricultural products with the EU and the rest of the world. The EU is our largest single trading partner in agricultural products. Of our agricultural exports, 80% go to the EU and 97% to countries in a wider free trade network, which includes the countries with which the EU has a free trade agreement. Likewise, 94% of our imports of foodstuffs and agricultural produce, which considerably exceeds the value of our exports, come from such countries.

The EU trading arrangements are based on a commonality of interest among the member nations, though their basic feature is unrestricted free trade among those nations. The EU has established numerous free trade agreements beyond Europe, while maintaining tariff barriers that have been designed to protect European agriculture and industry. The British Government are keen to maintain the benefits of our free trade with the EU while seeking to promote our trade with other nations through further reciprocal agreements. In the somewhat discredited phrase, the aim has been to have our cake and eat it. It is a fallacy to imagine that we could easily negotiate a more profitable trade in agricultural products with the rest of the world, as the Foreign Secretary has asserted. As examples of products that could be targeted for greater exports, he cited haggis, which the US has banned on health grounds since 1971, and Scotch whisky, on which India imposes a 150% duty. Those are hardly significant opportunities.

The process of negotiating trade deals is lengthy and difficult. At the heart of any such negotiations are the tariff rate quotas, which provide favourable reciprocal trading relationships at reduced tariff rates within limits governed by the values and volumes of the trades. Our Government have blithely assumed that they could acquire a proportion of the EU quotas determined by previous volumes of trade. As we have heard, that proposal has met with strong resistance from those with whom we would seek to increase our trade. The UK has been told that such an arrangement is unacceptable to the US and other WTO members, who wish to force the UK to open its market further to their farm products. Several witnesses who contributed evidence to our sub-committee warned that this would be the likely outcome. Many commentators regard it as unlikely that, after Brexit, the UK will be able to retain access to the free trade agreements of the EU with third countries. The nightmare is that we shall become subject to conditions of free trade in respect of imports, while being restricted in our exports.

The greater access to our markets of agricultural producers in the third world might result in lower prices for our consumers, but it could devastate our agricultural industry. In return for allowing our industrial imports into the US, we would have to allow the import of US agricultural goods that are produced to very different standards and by very different methods

from our own. The EU imposes stringent standards on food safety, animal health, the use of pesticides and a wide range of agricultural practices. If Britain were constrained to pursue a trade policy outside the EU network, many of the standards that we impose on imports might have to be disregarded. To be competitive in overseas markets, we might have to lower our standards, which would severely prejudice our chances of maintaining our volume of trade with the EU. Merely to incorporate raw materials in our products from sources that are not regulated by EU standards would prohibit our trade with the EU.

Next, I turn to the restrictions on the freedom of movement of labour that are the objective of many Brexit advocates. British agriculture relies greatly on workers from the rest of the EU. There is considerable reliance on seasonal migratory labour for harvesting and fruit picking, but many permanently resident EU migrants are employed throughout the agricultural and food processing industries. Some of the facts and figures are surprising. We have been told that 40% of staff on egg farms are EU migrants, as are 50% of workers in egg-packing factories. In poultry meat factories, the figure is 60%. In recent years, nearly half of the veterinary surgeons registering in the UK have qualified from veterinary schools elsewhere in the EU. We have been told that 90% of the vets working in slaughterhouses are EU nationals from abroad. Vets can be described as skilled workers, in contrast to fruit pickers and abattoir workers. However, our witnesses have been unanimous in declaring that it is unhelpful to make such a distinction in agriculture. Fruit pickers may not have qualifications relating to their job but they are skilled nevertheless, and they cannot be replaced readily by casual untrained labourers. Our agriculture depends on them. Whereas some Ministers recognise the truth of that, the message coming from the Government is that the immigration policy after Brexit will be based on the skill levels of immigrants.

There is much more that can be said but I am conscious that our time is limited. I am happy to see that others have raised some of the many issues that I have neglected.

7.59 pm

The Earl of Sandwich (CB): My Lords, the noble Lord, Lord Teverson, and his committee have given the country an honest picture of the sorry prospects for agriculture in relation to Brexit. We have heard some splendid contributions. I congratulate my noble friend Lord Vaux on his very pertinent speech.

My interest in the register refers to income that our small west Dorset estate receives from the EU, chiefly under environmental stewardship schemes. I am also well aware of the plight of small and marginal farmers in the West Country, some of whom are our friends and neighbours.

The NFU reminds us that,

“farming is the bedrock of our largest manufacturing sector, food and drink processing. This is worth £108 billion per annum and employs 3.9 million people”.

Our whole nation owes a debt to farmers and farmworkers for our food supply and the care of our environment. Generation after generation of farmers have looked

after these two essential elements in our lives: what we eat and the countryside we enjoy. And yet we are allowing the most vulnerable to go slowly down into the mud.

This must not go on. As the noble Baroness, Lady Miller, has already mentioned, we are already losing small farms day after day. One-third of all holdings under 20 were lost in just one decade, 2005-15, according to the CPRE quoting Defra. With Brexit looming, the prospects are not very bright.

The sort of vision laid out recently by Neil Parish MP in his CLA interview concerns me, because he should know. He mentions that struggling farmers and tenants on marginal land are expected to be the casualties of any future system, but he offers little comfort to them. He talks instead of,

“bigger ... and more competitive farms”,

in the future and sees competitive farming moving,

“towards more of a grant-based system”.

Payments, he says, must go to those who are “actually farming”.

The sub-committee wants the Government to clarify their intentions as soon as possible, as any reductions will have a significant impact on agriculture, as everybody has made clear. Equally, it says, farmers themselves will have to make a strong case and perhaps lobby Parliament to maintain support at the same, or similar, levels beyond the end of this Parliament.

One key point in the report was made by the First Minister of Wales, who said in evidence that the loss of subsidies would,

“put our producers at a competitive disadvantage”,

compared to other member states unless similar levels of support are put in by the Government. This is such an obvious fact that it stares us in the face and demands an answer.

The report also warns that leaving the EU will create,

“significant uncertainty for the ... agri-food sector”.

If UK and EU standards begin to differ after Brexit, there is a risk for producers of substantial non-tariff barriers being in their way.

The section on movement of goods in the new customs White Paper conjures up the prospect of huge inland customs offices behind every port, with all the attendant queues and delays. How do the Government think that this could ever be an improvement on today's traffic to and from the EU? How will farmers and food exporters be affected by the transition to WTO requirements? It seems, from all accounts, adversely.

In their response to the report, the Government admit that EU tariffs in the agriculture sector are higher and more complex than in other sectors and say that they are,

“carefully assessing the potential impact”.

Well, they should hurry. There is not much time.

The NFU has long grappled with the issue of better regulation. This is not an easy subject when you think of those complicated IACS forms and their successors. How can farmers or anyone expect to receive grants without completing these massive documents? Whatever the outcome of Brexit, I cannot see this as an EU problem;

it is a UK disease just as much, so let us try to cure ourselves of it. We will all agree with Neil Parish that we want something that delivers payments on time and does not get messed up by computers. The NFU states that,

“farmers have had their fair experience of bad regulation and the NFU has ... long campaigned for reform. This does not reflect an opposition to regulation per se, but rather a desire to see the details of design and implementation improved”.

Delays in Defra, hearings and appeals are another thing: I have myself waited two years and still have no reply. Then there are all the EU directives on clean water, nitrates, crop protection, animal welfare and so on. Are we going to reinvent all these? How will we trade with Europe if we are not aware of the latest standards of health and hygiene? Do our EU committees continue to monitor legislation, or will they be disbanded? These are serious questions and the exasperating fact is that this Government are still not in a position to answer them.

The latest “no deal” drama, designed perhaps to hurry the negotiations, is going to postpone these decisions even longer. In the end, surely we will have to accommodate the EU in roughly the way we do already, or else find ourselves on the end of fines and litigation. If an amendment to the Bill brings us back to the drawing board, I shall not be sorry.

Finally, on migration, which has been mentioned by many speakers, it seems obvious that many farmers and market gardeners who depend on seasonal migrant labour will find it impossible to carry on after Brexit—my noble and learned friend and others have mentioned this. The Government say in their response that they have announced their intention,

“to commission advice from the Migration Advisory Committee to better understand the reliance on EU migrant workers across the economy”.

As the report says:

“The entire food supply chain will be adversely affected”.

When will the MAC give this advice? Do we not know enough already to realise that these seasonal workers from Europe are either not going to come at all, or they are going in due course to be denied visas and deprived of any services normally due to them? They will go underground or disappear into the black market, and who is going to cope with that: accident and emergency?

8.06 pm

Lord Greaves (LD): My Lords, there were a lot of wise words there from the noble Earl. This is a really good report and I congratulate my noble friend and his committee on producing it, and I associate myself with a lot of what has been said today, particularly the excellent speeches by noble friend Lady Miller and the noble Lords, Lord Wigley and Lord Whitty.

The report is amazingly topical. That it is topical five months after it has been produced is a sign that nothing very much has happened. After the initial speech by my noble friend Lord Teverson, we heard an interesting speech from the noble Lord, Lord Jopling, with whose conclusions I agree. However, in the course of it, he attacked the repeal of the corn laws and I thought, “Only in your Lordships’ House could the repeal of the corn laws still be an issue for debate

[LORD GREAVES] and discussion". As the noble Lord said, it was wrong then and wrong now to remove the tariffs; I would say that it was right then and wrong now. It was right then because Britain controlled farming policy not only in this country but in all parts of the British Empire, which were the great wheat-growing lands, and it controlled much of world trade. The world has changed since then.

Many noble Lords have pointed out defects in the common agricultural policy—indeed, there are many—but the noble Lord, Lord Whitty, reminded us of the way in which the underlying purposes of the CAP have evolved over a period of time. When it was set up so many years ago, its purpose was essentially food security: to make sure that the then six members of the Common Market had security over their own basic food supplies—this was just after the war, when there was great insecurity around. In that, there is no doubt that it has been outstandingly successful. As the years have gone by, many of the other things that it has evolved and the ways in which it has supported agriculture have changed, from tariffs and intervention payments to maintain prices, through to direct payments, through to the present system of area payments—where basically farms are paid for being a farm and for being a certain size, whatever they do on that farm—together with Pillar 2, which has not used as much money as Pillar 1 by any means, but has evolved in ways which have enhanced local environments and rural development. I do not believe that without the CAP those policies would have been introduced into this country.

What do the Government want? In this week's *Farmers Guardian* I came across a statement by a Defra spokesman. I will read it out because it includes all the contradictions and the lack of clarity which underlie the present position. It says:

"Outside the EU and free from the bureaucracy of the Common Agricultural Policy our farmers will be able to focus on growing, selling and exporting more fantastic produce. We are determined to get the best deal, one that allows us to continue to have tariff-free, frictionless access to the EU market and we will strike new trade deals around the world to help farmers take advantage of the growing appetite for great British food";

in other words, every possible advantage of every possible system and every possible circumstance. The fact is that completely frictionless access to the EU market, which we have now because we are in the customs union as part of the single market, is incompatible with regulation-free operations. The European Union is simply not going to agree—whether or not the talks get that far—to frictionless access to the market unless this country accepts most of the rules and regulations that operate within the existing CAP and single market. We will have to obey the rules and will have no say in what they are. That is a fact that this Government do not seem to understand.

I just want to say something about food security and the very learned comments made by the Transport Secretary on television on Sunday that all we have to do is grow more food in this country. I do not think we need to grow more food. We might need to grow better food and different food but what we need to do is stop wasting so much food. About half the food grown in this country is not eaten. It is ploughed back because

the market has failed; it is rejected by the supermarkets because it is not the right shape and colour; it is left unsold in supermarkets and thrown away; and huge amounts of it are bought and thrown away. If only people would really tackle that problem, it would transform the food market and answer a lot of the problems.

Ask farmers what they think about government policy at the moment and they will say, "They do not know what they want, they do not know what they are doing and they do not know where they are going". A decision has to be made. The Government have to decide: do they want full, frictionless access to European markets and to remain a member of the biggest free trading area on the planet, with all the advantages of that, or are they going to throw all that away and go for the unknown?

8.13 pm

The Duke of Somerset (CB): My Lords, I welcome these two reports to the general series of Brexit debates, and declare my interest as a farmer in receipt of EU basic payments and as a landlord of other farms. The main theme running through both reports is the economic woe that would result from a hard Brexit, where WTO rules would prevail in the absence of trade and customs deals.

By way of background, UK farmers currently export at least 60% of their output to the EU. As the 18th speaker, I make no apologies for repeating some of the points that have already been made because they are very important. Our costs of production are far higher than our future competitors', be it sheepmeat from New Zealand or beef from Brazil. Thus it would be a terrifying scenario were UK producers to face a likely 50% tariff tax into Europe, plus the customs checks, at the same time as they faced open doors to imports from the rest of the world at low or nil tariffs. A vivid example of this could be sheepmeat, which would look like this: New Zealand lamb imports, with no tariffs applied, arrive at about £2 a kilogram, as against UK lamb costs to the EU of nearly £6 a kilogram when the 50% tariff is applied. This will make no sense.

However, the Government have told us that they intend to maintain the current payments of subsidy to the end of this Parliament. But in terms of medium-term—let alone long-term—planning, which farming and certainly forestry need, this is not very reassuring. The Government talk of negotiating a deal as their preference, together with a changed subsidy basis at home, but daily we see the complexity of this, with the stalling of the talks in Brussels and opposition even to the reform Bill along the Corridor. Just look at the controversy over things such as third-country rules, rules of origin, the division of current quotas, or most favoured nation clauses. These are all challenging hurdles that we have to overcome.

Presumably we would like to see our citizens benefit from Brexit but the cost of food is rising and it is bound to do so. I hope that we will not abandon our animal welfare standards or our quality assurances but these will be extremely difficult to maintain in the face of free imports of beef from the US food lots or dubious chicken practices. One might say that the market will choose but when we buy our sandwiches

or visit a food outlet, it will be nearly impossible to know the origin of the meat, especially as current food labelling can easily mislead. We also know that 85% of shoppers make their choice on price.

These standards add to our production costs, and the danger of a race to the bottom is well made in the reports—as is another major problem: our heavy dependence on EU labour. As in many other industries, our vets, our fruit and vegetable pickers and our milkers—as a few examples—are now mostly non-British. How is this to be addressed when we are unable to get the basic agreements as to the rights of our citizens living in Europe and vice versa? The House has frequently highlighted this problem, and it is vital that workers and employers have certainty now as to where they will stand at Brexit.

The question of definition between skilled and unskilled labour and the effect of this on visa approvals is paramount. Just because a worker cannot produce a paper qualification does not mean that he is unskilled. The recent fall in the value of sterling means a 20% reduction in wage values and it is not helping the retention of EU staff, so a recruitment shortage is already apparent. Perhaps the Minister will confirm that an assessment of needs will take priority over simple skill distinctions. I know that I am painting a gloomy picture, but I believe that it is realistic and typical of the disaster that Brexit will be for our country. We have—just—voted to leave, but we did not vote to become poorer.

Defra is planning its next 25-year environmental strategy and would like to shift support further in that direction. That is fine if basic farming can survive and contribute towards desirable projects, such as the maintenance of traditional features, soil and water quality and wildlife—even sheep grazing in marginal uplands. We have been hearing about the value of natural capital. Ecosystems that slow water, biodiversity that encourages raptors and environmental assets such as timber production for housing and carbon capture are excellent, but they all require a healthy rural economy to work.

Will the Government encourage the rollout of GM crops? GM could increase yields by 1 tonne per hectare, which would pay arable farmers for the complete loss of their current subsidy. Without knowing it, we are already eating quite a lot of GM food. However, 60% of UK land use is for grass. Livestock is the sector most reliant on subsidy, at well over 100%, whereas dairy is the least reliant: only 1p to 2p per litre is represented by subsidy. Thus, there will be some big changes to our rural landscape, and there is not much in these two reports to encourage anyone to welcome March 2019.

One possible exception is the chance to simplify and humanise bureaucratic administration and inspection. However, given our tendency to gold-plate EU regulations, I rather doubt it. I am sure the Minister will put a positive spin on the situation. But unless the Prime Minister herself can be shown the pitfalls of hard Brexit, our countryside and industry will be ill served.

8.20 pm

Lord Liddle (Lab): My Lords, I congratulate the noble Lord, Lord Vaux of Harrowden, on his maiden speech. I think I am right in saying that it is many centuries since his ancestors first appeared in this Chamber but his speech tonight shows that he has a very good contribution to make to the modern House of Lords, and so we welcome him. I also congratulate the noble Lord, Lord Teverson, on a quite brilliant extempore exposition of his committee's report, which showed tremendous clarity of thought about the complex issues involved.

I am no agriculture expert but I approach this as someone who has looked at European Union affairs in the round for the last quarter-century. I should declare my only interest in this debate: I am a member of Cumbria County Council and although I am not a landowner or a farmer, I am well aware of the views of many hill farmers who find themselves on the margins, many beef farmers who are pretty prosperous and many middling dairy farmers who somehow or other manage to survive. That is the knowledge which I bring.

For me, the real problem in the question of agriculture and Brexit is the clash of goals, which the Government have failed to resolve. This is the clash between, on the one hand, what Defra says in its response to the Select Committee's report about securing,

“a more productive and environmentally sustainable future for UK farming”,

and, on the other, what we saw in the White Paper on trade that the Government published last week. That was an ideological commitment to Britain having an independent trade policy in which I fear British agriculture is literally going to become the sacrificial lamb. Dr Fox's commitment to an independent trade policy is evangelical. The paper is full of statements about the benefits of free trade and about how Britain is going to take advantage of the boundless scope for new agreements with the Commonwealth, old and new, and the new economic powerhouses of the world. I do not think the picture of a free-trade nirvana for Britain is realistic.

I worked in the European Commission for three years; I went there to work in Peter Mandelson's cabinet when he was Trade Commissioner. I went as a committed but rather naive free trader, and I quickly learned that there is no such thing as a free lunch in trade relations. Only hard bargains can be struck. Our trade partners are not going to lay wreaths on the statues of Cobden, Bright and Robert Peel. They see trade relations as fundamentally about economic power, and you will get no deal unless you put bargaining chips on the table. What are our British bargaining chips? I am afraid to say that the bargaining chips we have are the same as the bargaining chips the EU has in its trade relations, which are the tariff and quota regimes in agriculture. This is what the Australians, the New Zealanders, the Americans, the Brazilians and the Argentinians will be trying to get at in return for our greater access to their markets. As we have heard from other speakers, there will be very serious consequences as a result of this policy. As many speakers have said, it will make it impossible to have a free trade agreement with Europe that covers agriculture,

[LORD LIDDLE]

and our exporters will face huge tariffs which will be a big problem for them. But it will also mean that our domestic producers are undermined by low-cost producers from other parts of the world.

Some people will say that that is what free trade means. We saw it in textiles. In textiles, poor people are benefiting from cheap clothes and cheap shoes as a result of free trade. I do not think the same argument quite applies to agriculture. It is an approach that shows the price of everything and the value of nothing. From my Cumbrian experience, I know that agriculture and farming are embedded in the county's way of life. Hill farmers do not just live off their sheepmeat sales; they sustain the landscape and a culture that has rightly just been awarded world heritage status. There are things of great value that we have to fight to preserve.

I also believe that getting this wrong could have a profound impact—I would like the Minister to comment on this—on the unity of the United Kingdom. I believe the reckless pursuit of an independent trade policy could easily give the Scottish Government the excuse they want to raise again the question of Scottish independence and the Scots' control of their agriculture. Similar pressures might well come in Wales. This would be a very high price for Britain to pay for an independent trade policy. I hope the Government realise that they are facing a clash of goals which they have to resolve very quickly.

8.28 pm

Lord Trees (CB): My Lords, it is a pleasure to speak on this topic. I thank the noble Lord, Lord Teverson, for opening this debate in such excellent fashion and for the fair-minded way he has chaired the Energy and Environment Sub-Committee, on which I had the pleasure to serve until recently. I declare my interests as a veterinary surgeon as listed in the register of interests.

The issues that Brexit presents to agriculture and animal welfare fall broadly under four areas, which are common indeed to many other industries and which I remember with a mnemonic, “the right leaving system”—“t” for trade, “r” for regulation, “l” for labour and “s” for support; that is, financial support. It will be important that we get the right leaving system because the implications of Brexit are profound with respect to both agriculture and animal welfare.

A major concern with regard to new trading environments concerns animal welfare, and many noble Lords have spoken on this already. We are rightly proud of the high standards of animal welfare that we in the UK apply to our livestock. There have been repeated assurances from the Government, including the Prime Minister, that a priority will be to maintain the UK's high standards of animal welfare, as well as assurances from stakeholders such as the NFU, which told the sub-committee that it absolutely supports the Government's ambition to maintain welfare standards post Brexit. These assurances concur with UK public opinion, which suggests that 80% or more of the UK public want animal welfare standards to be maintained or indeed improved post Brexit.

So why am I worried? Welfare costs money; it inevitably increases the cost of production. There have been views about Brexit alternative to those that I have just cited, professed by various politicians and others, that leaving will offer opportunities to reduce the cost of living through lower-priced imported food. Indeed, a former Defra Minister has suggested that the price of food might reduce by as much as 10%. There is an inevitable contradiction between the pursuit of the lowest-cost food and a desire for high welfare and environmental standards. While a major selling point of the UK's agricultural produce is its high quality, it would be unacceptable and quite impractical to have a situation where we either lowered those standards; or produced food to export at a higher standard, as a premium product, yet offered our own population imported food produced to lower environmental and welfare standards. There is a real risk of this because, if we are to operate under WTO rules, it is far from clear that welfare considerations, as distinct from animal disease considerations, can be used legitimately to limit imports in any way. The sub-committee heard conflicting evidence on this, and it is extremely important that we have some clarity over this issue.

In free trade agreements the partners can agree mutually acceptable welfare standards, so achieving FTAs that incorporate minimum welfare standards in many different countries—including, critically, the EU 27—will be important for animal welfare as well as wider economic reasons. Of great significance is the pressure that could be exerted by consumers, charities and NGOs, and the presence of existing assurance schemes. Schemes such as Red Tractor and RSPCA Assured have been extremely successful in advancing and maintaining welfare standards, and are generally understood by the consumer. Although they are voluntary, there could be scope to use financial inducements that might replace the CAP to achieve a higher compliance rate among UK farmers. Have the Government considered how financial inducements might be used to help to maintain welfare standards? Of course, the best way in which the public could ensure good environmental and welfare standards of food production would be to buy British products with assurance labels. This not only safeguards standards but enhances food security, reduces food miles and maintains our rural economy.

On a general point, with regard to the withdrawal Bill and animal welfare, while the Secretary of State has given some assurances about the important legal principles set out in the EU treaties, can the Minister explain, in writing if necessary, which of the principles of animal sentience and environmental laws will be recognised as general principles under the terms of the withdrawal Bill? Importantly, can he confirm whether they will apply to future government decision-making and judgments in court?

The regulations pertaining to animal medicines and vaccines are essential for health and welfare—an aspect of regulation not yet mentioned in the debate. It is essential that we can transpose the EU regulations in such a way as to maintain existing products, facilitate the pipeline of future products and ensure that the future UK regulatory environment provides appropriate standards to satisfy the future overseas markets on which we will depend, not the least of which is the EU 27.

The last issue is labour. Another major impact of Brexit on animal welfare is the serious veterinary workforce shortages that we are facing, because such a large proportion of vets in the UK are non-UK EU nationals. I have spoken about this in a previous debate, so I will not reiterate everything. Suffice it to say that all trade in livestock and livestock products depends crucially on veterinary inspection and certification, much of which is done by non-UK EU nationals—indeed, nearly all the vets responsible for the welfare of animals at slaughter fall into this category. It is critical that, post Brexit, we can continue to recruit EU nationals to work here, so as not adversely to affect both trade and animal welfare.

In conclusion, if we can achieve all of the above, at least with regard to animal welfare, we will have achieved the right leaving system.

8.35 pm

Lord Krebs (CB): My Lords, I thank the chairman of the Select Committee of which I am a member for the skilful way in which he chaired our meetings and drew these two reports to powerful and important conclusions.

In my short speech, I want to talk about two questions which lie at the heart of what we have been debating this evening. First: what is the Government's plan for feeding the nation with affordable, safe and nutritious food after Brexit? We have not had a food policy for decades, but in the light of what we have heard this evening, it seems that there is a case for the Government having a plan. Secondly—a point that we have heard a lot about—what kind of future land use policy and farming industry do the Government want?

First, a few comments about feeding the nation, and particularly about the price of food. We heard conflicting views about this, and it would be nice to have some clarification from the Minister of the Government's view. The major food retailers and the British Retail Consortium estimate that a no deal Brexit could add about 10% to food prices, and today's report from the Resolution Foundation echoes that conclusion. Even with a deal, if it was a hard Brexit outside the single market, there could be significant tariff and non-tariff barriers, which would add substantially to the price of food.

To the poorest people in our country, this could be the difference between being able or unable to feed their families. The lowest decile income group already spends more than 17% of its weekly income on food and non-alcoholic beverages, according to the Office for National Statistics, and research at Oxford University for the Trussell Trust has revealed that three quarters of the 1.1 million users of food banks go hungry several times a year. Undernourishment is not just a third world problem; shockingly, it is right here in the UK, one of the richest countries in the world. Therefore, have the Government estimated the impact of Brexit on food prices in a no deal or an outside-the-single-market case and, if so, what is the answer? What, in particular, is the Government's estimate of the impact of any price changes on the poorest people in this country?

I will not say anything about food standards and safety, other than to ask the Minister what plans there are for replacing the role of EFSA after Brexit?

What about the future of farming and land use? As your Lordships have already heard, the Secretary of State for Transport offered the view on Sunday that, in response to a no deal outcome or an outcome in which there are significant tariffs, farmers in the UK would step in to fill the gap by growing more food, a comment that the chair of British Summer Fruits described as, "Tripe that beggars belief". It is an interesting idea, but I would welcome some clarification from the Minister on his department's analysis of how any increase in production of food would be achieved. Would it involve more intensification of farming or turning over more land to farming, bearing in mind, as we have already heard, that more than 70% of the land surface in this country is already farmed, and much of the remaining land surface is populated by towns, cities and villages? Can an increase in production by UK farmers be reconciled with protection and enhancement of habitats and endangered species that will enable the Government to fulfil their promise of leaving the environment in a better state than they found it, bearing in mind that the more primary production and the more of the sun's energy that we take for our own consumption the less there is for the rest of nature? We cannot have it both ways. Perhaps the Minister can also add which particular kinds of food would the farmers in this country grow more of if they were to increase their production?

We heard a lot about the role of non-tariff barriers in relation to animal welfare and I do not propose to repeat that, other than to say that our farmers are in favour of maintaining high standards but, given the upward pressure on food prices that could result from Brexit, there may be a downward pressure for us to import cheaper products from overseas.

As the noble Lord, Lord Teverson, said in his introductory remarks, and as others including the noble Lord, Lord Curry, and the noble Baroness, Lady Miller, have said, we are in some ways faced with a fork in the road for the future of agriculture and land use. One future is characterised by free trade, low tariff and non-tariff barriers and cheap food, with a race to the bottom on welfare and other standards. In that future, many farmers would be unable to compete and there would be a real opportunity to reclaim the countryside for wildlife and conservation. So, perhaps that is the Government's plan.

The other future is one in which tariff and non-tariff barriers are maintained to protect standards for consumers as well as to protect our farmers. This, as we have heard from many noble Lords, is likely to be associated with more expensive food. There may, of course, be a third, middle way which I have not thought of, and I very much hope that the Minister will be able to share with us his department's current thinking on these matters.

8.41 pm

Lord Grantchester (Lab): I thank the House for allowing me to speak momentarily in the gap. I had thought that my name was on the list to speak. I declare my interests as a dairy farmer receiving EU funds and having been chairman of a dairy farmers co-operative.

[LORD GRANTCHESTER]

I thank the noble Lord, Lord Teverson, for his excellent introduction to the two reports and congratulate the committee on the comprehensive nature of both of them. They deserved separate debates for which Back-Bench advisory time could have been increased. I also congratulate the noble Lord, Lord Vaux, on his maiden speech.

The first issue is obviously support for single farm payments under the CAP. Average farm income is £38,000. I know that averages hide wide discrepancies between farms and the various sector differences. The AHDB Horizon report has indicated that this could fall to £15,000 under a poor outcome on leaving the EU. This underlines the key area of defining the support to be adopted following the ending of government commitments to fund the £3 billion of support that UK agriculture in its widest sense currently receives. To vulnerable sectors where direct support is a key part of revenues in beef, lamb and cereals, the economic survival of farming and the UK's production of food is at stake.

The second key issue is that primary processing must be maintained in the UK and be competitive as much of agriculture's perishable output is consumed within the UK. Ideally this should be UK-owned as, in that way, the decision-making is done from a UK perspective to UK-defined priorities.

The next issue is overseas trade where, in the UK, an overriding percentage, some 80% of agricultural product trade, is undertaken with the EU. The Government like to talk of free trade deals. Is it the measure of success whether it is free trade or not? I pose the question as trade seems to be spoken about only in terms of "free" trade, without qualification. Against the background where every trading bloc supports its agriculture, implications need to be examined and an equitable level field maintained. To leave the EU, the portion of tariff trade quotas needs to be split and then allocated. There is also the position of aggregate measures of support to determine.

It is not a wise, more a glib, retort to state that no deal is better than a bad one. It needs underlining most stridently that no deal under WTO rules is the worst possible kind of bad deal in any continuum of definitions. The belligerence being shown—that the UK must somehow have its own trade policy—must be tempered with reality. The US has already objected to the UK and EU's representations to the WTO on splitting the TRQ between the UK and the EU. The European Union has answered that the EU and UK intend to maintain the existing levels of market access available to WTO members. Will that split happen at an average across all the agricultural sectors? As was discussed earlier, average settlement could distort or displease the various commodity sectors. A letter from the UK mission in Geneva suggests that a sectorial approach, based on historical trade and consumption patterns, will be pursued. Can the Minister confirm this? Can he also confirm whether it is agreed that aggregate measures of support may also be split and allocated to the UK, as the EU currently has an allowance of €72 billion, of which it uses only a small portion?

There is so much of importance in these two reports. I echo the conclusion that the UK must confirm and clarify continued support to agriculture on action-based measures for improved productivity across the industry sectors while delivering environmental benefits and enhanced production standards with high animal welfare assurances.

8.46 pm

Baroness Jones of Whitchurch (Lab): My Lords, I am grateful to the noble Lord, Lord Teverson, for introducing the two excellent reports with such clarity and to all noble Lords who have spoken this evening. I characterise it as a debate of the experts and the heavyweights and include in that the noble Lord, Lord Vaux. I congratulate him on his maiden speech and look forward to hearing his contributions in the months to come.

It is impossible to consider this debate in isolation from the wider Brexit landscape. The Government are once again in crisis over the direction that the Brexit negotiations might take. The European Union (Withdrawal) Bill has been roundly criticised, not least by the Delegated Powers and Regulatory Reform Committee of this House, which highlighted the excessively wide powers that Ministers were trying to take for themselves. As we know, the Bill is now stalled in the Commons with a weak Government facing over 300 amendments, many of which are from their own side. The negotiations in Brussels are also stalled, with no progress to show after 15 months and the possibility of no deal looming larger.

Agriculture is just one sector among many frustrated and angry at the lack of progress, but this is one where we cannot afford to fail. Without overstating it, a healthy UK farming sector is fundamental to our economy, to individual prosperity, to our environment and to consumer confidence in food safety and standards. We urgently need clarity about the future vision and the practicalities, not least about the issues of devolution which many noble Lords have raised today. This Brexit agriculture report, and the earlier report on trade in goods, identify the scale of our reliance on trade with the EU. A number of noble Lords have repeated this point. We are only 61% self-sufficient in food and the figure is dropping. Despite the ill-informed comments of Chris Grayling, it is impossible to imagine how we would feed the nation in the short and medium term without a continuing reliance on EU imports, particularly of key foods such as fruit and vegetables.

There is an increasing recognition from those in the farming and food production sectors that continuing tariff-free access to the EU single market is crucial. This has to make sense. The reports make it clear that no deal, and a reliance on WTO rules, could be disastrous for our food trade. We have already heard the risks associated with falling back to WTO rules, with a number of non-EU countries objecting to our plans to inherit part of the EU's quotas for agricultural goods. I therefore hope that the Minister can reassure us that a no-deal outcome for agriculture is not seriously being considered.

The report also highlights the growing concern among food producers and manufacturers that supplies of migrant labour will be restricted. This is an issue

among those employing both seasonal workers and full-time staff. The UK summer fruit and salad growers are already flagging up problems with seasonal workers. This affects some 80,000 workers, most of whom are from the EU, and many of whom are already making plans not to return even before the Brexit deadline. The Environment, Food and Rural Affairs Committee report, *Feeding the Nation*, identified similar concerns from food producers. However, Ministers at that time denied there was a problem. I recall that when I raised this with the Minister in an Oral Question earlier this year, I had a similar denial that a problem existed, so perhaps he can now clarify whether this is still his position, or does he now agree that we should reinstate the Seasonal Agricultural Workers Scheme in some form? However, this is not just a problem for seasonal workers; there are more deep-seated recruitment issues with full-time staff. The British Poultry Council estimates that 60% of its workers are EU nationals and the British Dairy Farmers body estimates that 56% of its farms employ EU workers. These are specialist jobs, which UK citizens cannot or will not do. A recent YouGov survey found that only 4% of respondents would consider this type of work. These jobs are often in remote settings, with low pay and unsocial hours.

In addition, we have heard this evening about the problems of recruiting vets and the fact that so many of them come from the EU. These challenges extend across other farming and food manufacturing sectors, so does the Minister understand the urgent need to give existing EU workers greater certainty about their right to stay, as well as providing for a sector-specific migration policy to provide the crucial workforce for the longer term?

The separate report on farm animal welfare also highlighted a number of crucial challenges which have been echoed in this debate. As the report made clear, animal welfare barely featured in the referendum debate but, by the same token, we know that the British public care deeply about this issue, as indeed do farmers. We are rightly proud of our high animal welfare standards, and no one wants them compromised. As the report makes clear, 80% or more of the UK public want the standards maintained or improved post Brexit. So far the comments of the Secretary of State and other Defra Ministers have been reassuring on this issue, but there are real concerns about whether this is a universally held view among our trade negotiators, particularly some members of the Cabinet, who are under intense pressure to come up with the new markets and opportunities promised in the referendum. Therefore, I hope the Minister can once again reassure us that any new free trade deals will require imports to meet UK animal welfare standards. Will he also guarantee that there will be no moves to lower domestic standards to reduce price? I hope he agrees with most players in the sector and, I think, all noble Lords who have spoken this evening, that the UK should compete internationally on quality, reputation and brand recognition, not price. I hope he will also say something positive about enhancing animal welfare standards. For example, I hope he will add his support to the campaign to ban live exports for slaughter or fattening, and to the need for mandatory labelling of the welfare systems used.

We welcome the reassurance that the Government have given to farmers about protecting farm payments until the next election, but the report also makes a strong case for clarity and certainty beyond that date. As we have heard this evening, longer-term investment decisions are crucial to maintain a robust farming and food sector. We cannot wait around, as many noble Lords have stressed. At the same time, there is understandable concern that the sector will compete with other powerful lobby groups for a shrinking pot of money after 2019, particularly if the latest economic forecasts are to be believed. Therefore, while we look forward to the forthcoming discussions about the future shape of subsidies and payments post-CAP, and while we very much welcome the emphasis of the Secretary of State on environmental protection and the public good, we hope the Minister will take the message back that these issues cannot be left until the last moment. We need guidance and clarity now.

Finally, the Minister will know that there is considerable unease about the future shape of governance and regulation needed to uphold our agriculture, animal welfare and environmental policies, as well as our international obligations post Brexit. Obviously, if we want to continue trading with the EU, we need to demonstrate parity with existing rules. Concerns remain, however, as to whether the EU (Withdrawal) Bill will deliver equivalence on issues such as environmental protection and animal welfare standards. The governance gap left by those lost EU institutions must be filled, including access to justice, and recourse to effective penalties such as fines for government failure.

In addition, the Europe-wide scientific institutions, which underpin an enormous amount of the work that we do in agriculture and with which we collaborate so effectively, will need continuing agreements on participation or separate UK replicas. Consumer rights in food safety and food quality standards will also need to be enshrined in new laws with new institutions. I hope the Minister will be able to give us some reassurance on this matter.

All these issues pose huge challenges and vast complexities, and I have been able to touch on only a few of them. The lack of progress is not helpful. Thankfully, the Government are now beginning to accept the need for a transitional period; let us hope that can continue until we have an acceptable alternative structure in place. Among those in the Chamber today, there has been a great deal of agreement, but the complexities and contradictions of a future deal are all too apparent. It is hard to see how farmers and consumers will be winners when the final dice fall. I hope the Minister can reassure us that the Secretary of State will have a seat at the top table when the dice fall and the final package is being agreed, so that he can put some of his errant Cabinet colleagues straight and we do not end up becoming the sacrificial lamb, as my noble friend Lord Liddle implied. Finally, will the Minister confirm that when the details of the future package are known, given the major concerns that have been raised around the Chamber today, the promise to give Parliament a meaningful vote on the outcome will be adhered to both in the spirit and in the letter? I look forward to his response.

8.57 pm

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Gardiner of Kimble) (Con): My Lords, I am most grateful to the noble Lord, Lord Teverson, and the committee for the reports on agriculture and farm animal welfare. They provide—as have all the previous reports to which I have had the privilege of replying—such an important and useful resource as we move towards exit and develop further our future farming and animal welfare policy. I of course agree that the Government have a key role to play in securing a positive future for farming and our countryside. It is appropriate here that I should declare my own farming interests, as set out in the register. As your Lordships have said, 70% of UK land is farmed, so our decisions on future agricultural policy will have a profound effect on our natural landscapes and rural communities for years to come.

The committee's reports raise a number of important areas relating to trade, access to labour and future funding arrangements that require our attention. As your Lordships will know—I am afraid that I will say it again—this Government are committed to ensuring we leave our environment in a better state than it was in when we found it. We are working to drive forward our vision for a vibrant agricultural sector, underpinned by high animal welfare and production standards. I am delighted that the noble Lord, Lord Vaux of Harrowden, has chosen this debate to make his maiden speech. His experience of these matters, and some of the others that he has mentioned, will be invaluable in our deliberations.

I hope your Lordships will also accept that, although I shall endeavour to respond to as many questions posed by your Lordships as possible, I shall follow up this debate with a detailed response, because if I answered every one of the questions asked in the debate, we would all be here at midnight.

However, it is important to address the issues raised in the reports, and, obviously, one of the key elements was agriculture seeking clarity on future funding arrangements. It is clear that farmers will need time to adjust to any rearrangements. That is why the Government have a manifesto commitment to maintain the same cash total in funds for farm support until the end of this Parliament. I know that my honourable friend the Farming Minister, George Eustice, has been in communication with the noble Lord, Lord Teverson, and has confirmed that the figure includes all EU and Exchequer funding provided for farm support under both Pillar 1 and Pillar 2.

My noble friends Lord Jopling and the Duke of Montrose, and the noble Lord, Lord Krebs, posed the question of how we can become more productive and grow more food. The Government are showing their intent by facilitating investment to enable the industry to become more productive and innovative. Through the UK Government agritech strategy, launched in 2013, £80 million has been invested in four world-class centres for agricultural innovation to support the wide-scale adoption of innovation and technology in the food and farming supply chain. We are already seeing new partnerships form, for instance between one of our centres for agricultural innovation and the National Institute of Agricultural Botany on potato yields.

The Government are also developing a modern industrial strategy with the aim of improving productivity. The food and farming sector plays a key role in our rural communities in this country, so it is well placed to contribute to our aim of improving productivity across the nation. The noble Lord, Lord Curry, who has great experience of agriculture, and I will want to reflect on that in greater detail.

I also endorse the committee's recognition that we have some of the highest farm animal welfare standards in the world. To me, coming from a farming background, good stockmanship and husbandry are matters of principle for the overwhelming majority of farmers, who have the utmost respect for their animals and their welfare. We have some of the most robust animal welfare legislation in the world, and I say to the noble Baroness, Lady Jones of Whitchurch, that we have made it clear that when we leave the EU we will not only maintain but, where possible, seek to improve our high standards. We have already announced a number of measures to strengthen our current standards, and all have been welcomed very widely. I hope that those will also be endorsed by the noble Baroness, Lady Miller, and the noble Lord, Lord Trees. The Secretary of State recently announced that we will publish draft legislation for consultation around the turn of the year to increase the maximum sentence for animal cruelty offences to five years in prison.

We are delivering on our manifesto commitment to require CCTV in every slaughterhouse in England and have recently concluded a public consultation on this issue. The noble Lord, Lord Rooker, referred to these matters in part of his speech. We also have a manifesto commitment that, as we leave the EU, we can take early steps to control the export of live farm animals for slaughter. We are also raising standards on farms by modernising the English statutory welfare codes, another move which has been welcomed by industry. The updated codes of practice—

Lord Davies of Stamford: My noble friend Lord Rooker particularly suggested in the course of his excellent speech that we ought in this country to make it mandatory to state what method of slaughter has been used when meat is sold. Do the Government endorse that objective?

Lord Gardiner of Kimble: If the noble Lord had been a little more patient, I would have come to that matter. I assure your Lordships that I will come to it.

We have already consulted on a new code for meat chickens and plan also to prepare new codes on laying hens and pigs. These measures will demonstrate to consumers at home and abroad—the noble Baroness, Lady Jones of Whitchurch, rightly referred to this—that our food is produced to the very highest standards. I believe it will serve to entrench the UK's position as a global leader in animal welfare.

We will of course continue to ensure that our high animal welfare standards are underpinned by robust science and evidence. Our research programme in Defra is complemented by the independent advice that we receive on specific welfare issues from the Farm Animal Welfare Committee. In addition, the Animal Health and Welfare Board for England has strategic oversight

of Defra's animal health and welfare policy and supports the department in its partnership working with industry. We will continue to work closely with Defra's delivery bodies, including the Animal and Plant Health Agency, on the enforcement of animal welfare standards to make sure that we improve our current delivery of farming policy and pave the way for a smooth transition to a future system.

I was most grateful for the invitation from the noble Earl, Lord Kinnoull, and the noble and learned Lord, Lord Hope of Craighead. In fact, I attended a conference in Dundee earlier this year and, on my way, saw for myself in Tayside and Perthshire the enormous importance and traditions of fruit-growing in that part of Scotland. The noble Earl and the noble and learned Lord, together with a considerable number of other noble Lords, raised the question of access to labour and seasonal labour. It is important that I say that the Government are working very closely with the Home Office, business and communities on this significant issue.

In both reports, the committee stresses the importance of developing future policy that addresses the agricultural sector's labour needs. My honourable friend the Farming Minister attended the Seasonal Workforce Working Group, which brought industry and government together to discuss seasonal labour needs and to share potential solutions and best practice. I say to the noble Earl, Lord Kinnoull, the noble Lord, Lord Vaux, and the noble Earl, Lord Sandwich, that I encourage all relevant sectors to contribute to the Migration Advisory Committee's call for evidence. It is very important that, in considering these matters, all relevant sectors make their contribution.

One of your Lordships said that this has been a debate of the giants and, although I have a brother who is a vet, I am very conscious of that when the noble Lord, Lord Trees, is present because he speaks with such experience and authority. I assure your Lordships that I have regular meetings with the British Veterinary Association and the Royal Veterinary College—it is my privilege to lead on animal health and welfare. In government we absolutely recognise the key role played by vets in ensuring high animal welfare and health standards. Indeed, the Prime Minister specifically made it clear that securing the status of the veterinary workforce is a top priority. It has been my privilege to meet many EU nationals who serve in our veterinary profession and I can say how important they are to us.

A number of your Lordships also stressed the important work that is being done and must be done with the devolved Administrations, and I am very conscious of that. Many noble Lords mentioned that but I was very conscious of what the noble Lords, Lord Teverson and Lord Rooker, as well as the noble Lord, Lord Wigley—as I would expect, quite rightly—the noble Lord, Lord Liddle, and the noble Baroness, Lady Jones of Whitchurch, had to say on the matter. I would be the first to say that all these matters are extremely complex. It would be absolutely daft to suggest that any of the matters we are discussing are straightforward; they are extremely intricate. However, it seems to me that we need to ensure the effective

functioning and maintenance of the UK's single market, both to preserve the internal market and to ensure that the UK can meet its external trade commitments.

It is also essential that we ensure that the devolved Administrations are confident about co-operative working. Importantly, the Secretary of State has had, and will be having, many meetings with them to discuss such collaborative working. It is essential that the UK Government continue to work closely with our colleagues in the devolved Administrations on an approach to returning powers from the EU that both works for the United Kingdom as a whole and reflects the devolution settlements of Scotland, Wales and Northern Ireland. A number of your Lordships mentioned the historical importance of our connections with both Northern Ireland and the Republic.

Turning to future trading arrangements, I agree with your Lordships that all potential impacts of new trading relations on the agri-food trade must be considered carefully and that the Government should work and consult widely with producers and consumers. We are determined to create the best trading network and framework for the UK. So many of your Lordships raised this issue and I am very conscious of their experience. My noble friend Lord Jopling has experience as a Minister, and he is worried about going back to the dilemmas of the 19th century. However, it is important that we work strongly on finding the right way forward. The Government plan to replicate broadly the EU's current schedule of WTO commitments. This would mean that our bound tariffs—the maximum that can be applied—would not be reduced from current levels. Some WTO members choose to apply tariffs at a level below their bound rate. As the committee noted, such a decision has impacts on different groups, including farmers, consumers and the food industry.

We are making a proposal that is consistent with the WTO rules and are committed to engaging extensively in the coming weeks and months. We have hosted meetings with food and farming and fishery organisations across the breadth of the country to ensure that their views are fully represented. The Secretary of State has been clear that we cannot compromise our high environmental and animal welfare standards. That point was raised in particular by the noble Lord, Lord Teverson, my noble friend Lord Howard of Rising and the noble Viscount, Lord Hanworth, but I think it is shared by all noble Lords.

It is essential that consumers have confidence in the food they eat. That is an issue that the noble Lord, Lord Rooker, in part of his career, was very conscious of. Many consumers prefer British farm produce, given the trusted high standards we apply and the confidence they have in our sector. The retail and catering sectors, too, play a key role in promoting higher animal welfare standards throughout the food chain. I say to the noble Lord, Lord Davies of Stamford, that this is where I will refer to the noble Lord, Lord Rooker. Leaving the EU does indeed present us with an opportunity to decide whether current labelling rules on animal welfare and other matters are as they should be. Obviously, we will be considering this matter—another point that the noble Duke, the Duke of Somerset, raised.

[LORD GARDINER OF KIMBLE]

I sense that, other than the noble Lord, Lord Teverson, there has been more pessimism than optimism in some of tonight's contributions. It is very important that in our deliberations we are rightly proud of our food and drink industry. The global demand for British produce is growing, with exports of UK food and drink surpassing £20 billion for the first time last year. Whisky is the UK's top export at £4.1 billion, with cereal and associated products at £2.3 billion, dairy at £1.4 billion and meat at £1.6 billion. Indeed, given that the noble Lord, Lord Wigley, spoke tonight, I must mention also the excellent Welsh lamb, with exports worth £111 million last year out of a lamb total of £326 million. As your Lordships have said, these are enormously important parts of our rural fabric and it is essential that we work to ensure their continuing success.

Lord Rooker: What is the answer for farmers and primary food producers who have to make a commercial decision by the end of this year because the production process will take them beyond April 2019, when they will lose their markets if the issues are not settled? What is the Government's answer to those people? Thousands of people need to make decisions at the end of the year about entering a production process when, at the end of the day, they may not be able to sell the product.

Lord Gardiner of Kimble: I understand that. It is why we are working night and day. I say to the noble Lord that we are not a lazy department. The department has the responsibility and its Ministers and officials are working night and day in the British interest and for British farmers. I would be grateful if that was recognised by some of your Lordships.

The noble Lord, Lord Krebs, rightly referred to the fact that the Secretary of State set out in his speech to the WWF in July that we need to take the opportunity, outside the common agricultural policy, to ensure that public money goes to reward environmentally responsible land use. That is why we have pledged to work with farmers, food producers and environmentalists across the UK to devise a new agri-environment system. In doing so, we will be able to recognise better the valuable work done in our rural communities, in which food production and good environmental land management run hand in hand. Many custodians and farmers of the land recognise that. It is my privilege to meet many farmers and land managers and they are much more positive than many of your Lordships have suggested about agri-environmental schemes and working to increase food production.

The EU (Withdrawal) Bill will convert the existing body of EU environmental and animal welfare law into UK law. That is very important. I agree with the noble Lord, Lord Greaves, that food waste is an issue that we all in this nation should grapple with. I am grateful to the noble Lord, Lord Teverson, and the noble Earl, Lord Kinnoull. I said—forgive my passion—that I see officials working night and day and how excellent they are, and Defra has recruited more than 450 additional staff, comprising policy generalists and specialists to support our comprehensive exit programme. More than 350 have already taken up posts, with the

remainder currently progressing through our pre-appointment processes. They are welcome and very important to us.

I am also seized—this comes within my responsibilities—by what the noble Baroness, Lady Miller of Chilthorne Domer, said about pet passports and equine sector issues. I was in Newmarket talking to equine interests and pet passports came up only this morning in discussions. It is very much work in hand.

We can all agree and unite on many issues where we have to work in partnership. This is where a wide range of stakeholders come in as we develop our future agriculture policy.

I am struck by the words of the noble Baroness, Lady Miller, about future generations. Not only do we want a domestic farming policy that encourages the current generation but it is absolutely essential that we encourage future generations. That is why innovation, agritech, agricultural colleges and all that we are doing is about the future generations who will farm the countryside and the land for us, to produce top-quality food and to address soil health management, which I know the noble Lord, Lord Krebs, is particularly interested in. He used to advise me on the issue when he chaired the Climate Change Adaptation Sub-Committee. We need these advances in agritech. We need to produce high-quality food and enhance our environment.

From the outset, both reports have been of immense value in highlighting many of the matters we are wrestling with. A thriving farming industry with improved environmental conditions and high animal welfare standards: we ask our farmers to do an enormous amount. I am conscious of what the noble Lord, Lord Liddle, said about farming in the communities of Cumbria—indeed, in all the rural counties of Britain—playing a key part. It is the backbone of the countryside and provides so much for us.

We need to commit to developing a future farming policy that produces a vibrant agricultural, horticultural and, indeed, forestry sector that plays its part in developing a better environment for future generations and champions the highest possible welfare standards. I repeat, the noble Lord, Lord Teverson, gave a considered and rounded speech about the opportunities, challenges and the enormous complexities of this. It is our responsibility to get it right, and that is what the department responsible for this issue is working night and day to secure.

9.19 pm

Lord Teverson: My Lords, the hour is late and another debate is due to take place. I thank all noble Lords for their passionate contributions, including that of the Minister. One thing I want to do, in particular on behalf of the members of my sub-committee, is thank our clerk at the time, Celia Stenderup-Petersen. She was an excellent clerk for our committee, but ironically and largely because of Brexit, she has since left her post and now has a job with the Danish foreign office. We wish her well. I also thank Jennifer Mills, our policy analyst, and our special advisers, Professor Fiona Smith on the agriculture report and Caroline Spence on the welfare report. I also thank the noble Lords, Lord Cunningham of Felling and Lord Trees, who have left the committee.

I finish by pointing out that the noble Lord, Lord Krebs, said something that is absolutely right: we are at a fork where the Government must make a decision. I was also very impressed by the maiden speech of the noble Lord, Lord Vaux of Harrowden. In the end, he was the only speaker to describe the Government's official response—I do not include the Minister's response to the debate in this—as “woolly”, which is an appropriate adjective for the subject. Until the issue of the fork is resolved, that is inevitably the Government's position. However, I thank the Minister for providing clarity on a number of issues from Defra's side, and I hope we are given the same clarity, perhaps in a different way, from the Department for International Trade, so that in future we have a congruence of both departments.

Motion agreed.

Nuclear Research and Technology (Science and Technology Committee Report)

Motion to Take Note

9.20 pm

Moved by **The Earl of Selborne**

That this House takes note of the Report from the Science and Technology Committee, *Nuclear research and technology: Breaking the cycle of indecision* (3rd Report, Session 2016–17, HL Paper 160).

The Earl of Selborne (Con): My Lords, the Science and Technology Select Committee report, *Nuclear Research and Technology: Breaking the Cycle of Indecision*, is the topic of our debate tonight. It is the latest instalment in the committee's work on civil nuclear policy which goes back at least 20 years, the most relevant previous report being that of November 2011. The committee then recommended that the Government should set out a long-term strategy for nuclear energy and establish an independent nuclear research and development board which would advise the Government and monitor the Government's progress against a nuclear research road map. Following that committee report, an ad hoc advisory board was formed under the guidance of Sir John Beddington, then the Government's Chief Scientific Adviser. The work of this ad hoc board led to the development of the 2013 nuclear industrial strategy and a nuclear R&D road map; so far, so good.

The committee's recommendation that a statutory nuclear R&D board be formed was not accepted. Instead, the Government established the Nuclear Innovation and Research Board as a temporary advisory board for three years, with its term expiring in December 2016. Our committee therefore decided last year that it was an appropriate time to revisit this topic in the light of the Government's forthcoming industrial strategy White Paper. We benefited greatly from the expertise of our committee clerk, Anna Murphy, our specialist adviser, Professor Tom Scott, and our policy analyst, Dr Daniel Rathbone. We are most grateful to them.

As noted in paragraph 19 of our report, the evidence showed that within its terms of reference, NIRAB has been widely regarded as a success. It was, however, handicapped by not being charged with responsibility

for the full co-ordination of UK civil nuclear research, nor was it constituted to develop international co-ordination, and of course it had only a three-year timespan. Our report restates the recommendation from 2011 that a non-departmental public body should be set up on a permanent basis with a co-ordinating and supervisory role for nuclear R&D in the United Kingdom.

The nuclear sector desperately needs continuity and consistency for its research and development. *The Clean Growth Strategy*, published last Thursday, states:

“The Government has asked the Nuclear Innovation and Research Office (NIRO) to convene a new advisory Board, building on the success of the Nuclear Innovation and Research Advisory Board (NIRAB)”.

It is a relief to learn that NIRAB is effectively to be re-established, but it does not appear that the new advisory board will be given the wider remit we have called for, both in the 2011 and in the 2017 reports. Our witnesses seemed unaware that the Government still consider they are working to their 2013 road map. Time and again, our witnesses told us that the UK was missing a clear vision and strategy as far as the nuclear industry is concerned. We state in paragraph 52:

“In light of the strongly critical evidence we have received the Government needs to review and refresh the 2013 strategy for nuclear energy, in conjunction with the NIC”—

the Nuclear Industry Council—

“and take swift and concrete steps towards its further implementation”.

The current work on preparing a nuclear sector deal, referred to on page 37 of the clean growth strategy, would provide an excellent opportunity to review and refresh the 2013 strategy.

The strategic policy decision which needs to be addressed first and foremost was posed to us by the noble Lord, Lord Hutton, chairman of the Nuclear Industry Council:

“Do we want to be a top-table nuclear nation, which is the role we have always occupied and done so brilliantly in the last 60 years, or are we going to settle for some other role which might not be the full-spectrum range of capabilities that we have got used to?”

I profoundly agree with him that the Government must decide whether they wish the UK to be a serious player in developing nuclear generation technology as a designer, manufacturer and operator, or alternatively to restrict its interests to being an operator of equipment supplied by others.

Once the Government have made this overarching decision, other strategic decisions will flow from this to define a clear set of objectives and timescales with which the nuclear industry can align itself. We recommend, in paragraph 58, that,

“If the Government were to decide that the UK should be a serious player in nuclear fission, the following would be the minimum steps needed to achieve this: development of a domestic research programme that is of sufficient scope and scale to make the UK an attractive partner for developing new technology to support new nuclear build (including Small Modular Reactors) in the UK and abroad; participation in and contribution to international programmes (for example the Generation IV International Forum)”.

The Government's clean growth strategy reports that £460 million will be allocated,

“to support work in areas including ... advanced reactor design”.

[THE EARL OF SELBORNE]

Can the Minister explain whether that £460 million is all new money or includes what remains unspent from the £250 million allocated over five years in 2015 for nuclear research and development?

It would be madness to attempt to develop the next generation of fission technologies on our own. If ever there was a need for international collaboration, it is in this respect, and the Generation IV International Forum is fulfilling precisely that role. We stopped being an active member of that forum in 2006 for financial reasons. NIRAB and our committee have both recommended that we rejoin the forum rather than continue with observer status. Now that the Government have declared their intention to support work in advanced reactor design, the case for rejoining the forum has become overwhelming.

There is wide international recognition that the future of nuclear energy from fission is likely to depend on SMRs, whether using light water technology—as used in existing reactors—or Generation IV technologies, for which the timescale is much longer. Those noble Lords who were in the Chamber last Thursday to hear the Answer to the Oral Question of the noble Viscount, Lord Hanworth, on when the Government would report progress on the competition to design SMRs, will remember that the answer was “shortly”. The techno-economic assessment of SMRs was commissioned in May 2015 and completed in August 2016. This assessment is an essential piece of evidence for the public debate on whether SMRs have a role to play in the United Kingdom and in global markets for electricity generation, district heating, water desalination, and the production of certain chemicals. Should we seek to design and manufacture SMRs both for domestic and overseas markets? The delay in publishing the assessment is yet another example of the need to break the cycle of indecision. I have some sympathy with Jesse Norman MP, who in his evidence to the committee as the then departmental Minister for these matters stated that he did not think that the SMR competition should have been named a competition and that it was more a call for ideas across a much wider spectrum.

Chapter 5 of our report refers to the National Nuclear Laboratory, owned and operated by the Government but required to operate as a commercial business. We believe that the Government should make use of this resource for independent advice and provide a modest amount of core funding.

We then refer to the sorry situation of our membership of Euratom being deemed incompatible with Brexit. The die is now cast on this and the Nuclear Safeguards Bill is making its way through Parliament. When the Bill comes to this House, we must give it careful scrutiny. Unless it secures all the benefits—and they have been considerable—that we have derived from our membership of Euratom, we will face many problems, not least that of losing our lead in nuclear fusion research. I beg to move.

9.32 pm

Viscount Hanworth (Lab): My Lords, Britain needs to continue to generate a substantial proportion of its electricity from nuclear power. The supply of electricity

will need to increase considerably to accommodate the electrification of transport and the continuing decarbonisation of our energy resources.

The growing volume of wind-generated and solar-generated electricity, which is affected by a wide variability, will need to be underpinned by baseload generation, which has to come from nuclear power. At present, nuclear power provides some 18% of our electricity. At the peak in 1997, 26% of the nation’s electricity was generated from nuclear power. Since then, numerous reactors have closed, including all the original Magnox fleet. The older AGRs, or advanced gas-cooled reactors, built more recently, have been life-extended, and further life extensions across the AGR fleet are likely.

In 2010, when the coalition Government came to power, we seemed set to build a new generation of nuclear power stations. The then Government were prepared to construct up to eight new nuclear power plants and keen to consider the proposals of any willing provider. Those who expressed an interest included the French company, EDF, and the German companies, E.ON and RWE. However, in consequence of the Fukushima disaster of March 2011, the German Government decided to abandon their own nuclear power projects. This led to the withdrawal of the two German contenders, leaving EDF alone to build the power station at Hinkley Point.

In March 2012, E.ON and RWE put their Horizon joint venture up for sale, and it was eventually purchased by Hitachi in November 2012. From 2010 until 2015, the policy of the Government was that the construction of any new nuclear power stations in the UK would be led and financed by the private sector. By 2015, faced with the collapse of the programme to build new nuclear power stations, the Government proposed to provide large subsidies to the Hinkley Point C plant, paying twice the market rate for electricity. It appears nevertheless that the Government still adhere to the belief that the nuclear programme should be largely self-financing. They seem to have lost the will to face up to the realities of what is needed to secure the future of our electrical power industry.

There is a strengthening opinion that we can do without additions to nuclear power beyond the eventual contributions of the Hinkley C power station. This delusion has been encouraged by the growth of renewable power generation and by its declining cost. There is also a belief in some quarters that we can overcome the intermittency of the renewable power resources by relying on an interconnected energy market which will enable us to draw our power from the wider European community. It hardly needs to be said that Brexit threatens that ambition. It also needs to be understood that electrical connections to the continent of Europe cannot be expected to compensate greatly for the variability in our own power supply. The uniformity of the meteorological conditions over a wide European area implies that, at times, there will be a universal dearth of the supply of renewable electricity. At such times, it would be very expensive to acquire our power via a wider European market.

The report of the Science and Technology Select Committee does not hesitate to express dismay at the Government’s delay and indecision in confronting the

needs of our future electricity industry and of its nuclear component. There are two immediate priorities. The first of these, which has not commanded much attention in the report, is for the Government to provide sufficient support and encouragement to the Horizon consortium to enable it to proceed with its plans to build new reactors at Wylfa and Oldbury, which were the sites of the last two Magnox reactors to be built. The final investment decision is yet to be made by the consortium, and it will depend on the financial support of other parties, which will join the enterprise only if they can be convinced that favourable terms will be forthcoming from the Government.

The second priority, to which the report pays considerable attention, is the lack of progress in the competition to determine the design for a small modular reactor—SMR—which could be deployed extensively in the UK and which could also be aimed at overseas markets. As we have heard, the Government announced the competition for a small modular reactor in March 2016, and it was expected that phase 1 of the competition would be completed by autumn 2016, with the publication of a road map. We are still waiting for that. Meanwhile, some UK companies have invested heavily in developing their solutions. I am told that, without a clear government road map, those companies will have to decide by the end of year whether to continue to invest in SMRs or to walk away. Should they walk away, Britain will lose much of our nuclear competence—in which case, we would have to rely entirely on foreign suppliers for our nuclear equipment. That would be an extraordinary outcome for the nation that was the first to create a civil nuclear power station.

These are the demands of the immediate future. However, there are demands and opportunities that lie further in the future to which we should also be paying attention. Perhaps the foremost of these requirements is for a means of disposing of our nuclear waste. The indecision of which the report talks has severely afflicted the Nuclear Decommissioning Authority—the NDA—which has responsibility for decommissioning the sites of the original Magnox power stations and for the disposal of their waste.

There have been three options for waste disposal with which the Government have been confronted since they acceded to office in 2010 and on which they have failed to make a decision. The first option, which was rejected in the past by a previous Conservative Government, is to bury the waste in a secure depository. The second option is to partially burn the waste in a version of the Canadian CANDU reactor, which can be described loosely as a slow breeder reactor. This reactor has a far more powerful digestive system than the conventional civil nuclear reactors. The third option, which proposes a more fundamental solution to the problem of waste, is to burn it in a fast reactor, of which the Hitachi PRISM is one of the most capable of being realised within an acceptable timescale. The PRISM reactor would be able to profit from an abundant supply of nuclear fuel—the stock of plutonium residing in the UK. In this way, what has long been regarded as a nuclear hazard would become a major asset.

The problem of radioactive waste is not an inevitable accompaniment of nuclear power generation. It affects the fast reactors to a much lesser extent than the

conventional second- and third-generation reactors, which are preponderantly pressurised water reactors which consume only a limited proportion of the available uranium fuel. The predominance of such reactors is because, at its inception, nuclear power was dominated by military rather than civil demands. The pressurised water reactor was required for military marine propulsion. It displaced another early design, which would have been much more appropriate to civil purposes. This alternative design, which had been tried and tested by the 1960s, was a molten salt reactor for which the fuel is an abundant thorium isotope. It has the virtue of passive safety; it would never have been implicated in accidents such as the Three Mile Island or Chernobyl incidents, or the Fukushima meltdown. Its waste products are far less hazardous and long lasting than those of conventional reactors.

I believe that, if the UK were to become involved in the development of a molten salt thorium reactor, its future as a leading nuclear nation would be assured. For that purpose, we would need to regain some of the technological courage that characterised our nuclear industry in the early post-war years. We should also need to depend upon public investment in the project and to seek a partner in the enterprise, which might be another European nation.

9.41 pm

Baroness Bowles of Berkhamsted (LD): My Lords, I congratulate the committee on the report and its apt subtitle, *Breaking the Cycle of Indecision*. There are excuses for that indecision—public opinion features large—but it resulted in having to make decisions about electricity generation while staring in the face of concerns about a “lights out”, as well as global warming.

The Economic Affairs Committee report on the electricity market is referenced in Chapter 3 of the report we are discussing and, as a member of that committee, it is fair to say that the effect of indecision played a part in our putting greater emphasis on reliability and security of supply. Nuclear power normally fits into the reliability slot; I say “normally” because of concerns that still flow around Hinkley Point C. The Hinkley build demonstrates all the frustrations that arise from buying in technology. We have analysed and reanalysed Hinkley C, looking at cost penalties and financial risk, while always having to take promises about delivery. Being on the outside of development and intellectual property makes that evaluation very difficult, as well as cutting us out of spinoffs and significant construction jobs.

I have some small personal experience of spinoffs in the nuclear industry. At the start of my career as a patent attorney, I drafted some of the very first European patent applications ever filed. I thought it was neat that they were in the name of Euratom. They were for things from the JET project, but one reason for seeking patents was their technical relevance well beyond nuclear fusion. For other clients, I drafted patents for robotics and communications in the nuclear environment—again, all with spinoff relevance for use in other industries. The combination of ability to evaluate, security of supply for electricity, supply chain and spin-off potential leads me to conclude that there is a strong case for the UK to be a nuclear technology maker, not a nuclear technology taker. That includes the case for SMRs.

[BARONESS BOWLES OF BERKHAMSTED]

The UK already has extensive nuclear commitments, and there have been several debates on the effect of leaving Euratom. At this late hour, I will not revisit the things that I have spoken about before, but we have been told that various options might be negotiated with the EU—perhaps associate membership or something more—although those options might require freedom of movement commitments, as was the case for Switzerland.

I welcome that the Nuclear Safeguards Bill has been published to establish a new nuclear regulator. Can the Minister update us on how preparations are going for the actual setting-up of inspection regimes, given that inspection has to involve international bodies? Having those inspections in place is required before we can make nuclear co-operation agreements.

Finally, as with all things Brexit, businesses want to know what is going to happen. Some cannot wait until 2019 to find out and are making plans to establish themselves in other countries. There was a report just last week on “Sky News”, the gist of which included that, although the Government said there would not be restrictions, industry said there would be. Reasons include, of course, that even where nuclear regulations do not interfere, customs delays and other considerations come into the mix, such as delay for short-lived isotopes trying to get over the border. Unfortunately it is not in the Government’s gift to provide any guarantees other than that they will negotiate hard, and that makes it all the more important to remove uncertainties that the Government can control and show that there are things worth hanging on for. Earlier rather than later commitments to a substantial nuclear sector deal would be valuable. Regrettably, I am not reassured by the 22 February minutes of the Nuclear Industry Council, which record the Government’s high-level expectations for the potential nuclear sector deal as:

“Many important issues such as skills, exports and technology should be considered, with the overarching objective of cost reduction across the industry firmly in mind”.

After mentioning short, medium and long-term objectives and opportunities to enhance the supply chain outside the nuclear sector—it is good that that is there—the minutes end with another call for ideas for cost reduction. Competitiveness is yet again emphasised in the Government’s response to the relevant part of today’s report. While understanding competitiveness, I sincerely hope that the Minister is able to give something a bit more visionary about a nuclear sector deal than the expectation management that these comments suggest.

9.46 pm

Lord Oxburgh (CB): My Lords, I am sure the whole committee would like to express its thanks to the noble Earl, Lord Selborne, for his skilful navigation through these tricky waters. He guided us with great skill. I declare an interest as a fellow of the Royal Society and of the Royal Academy of Engineering.

Last week, the Government published their clean growth plan, so I concentrate today on the role of nuclear power generation in clean growth. Once in operation, nuclear power stations are virtually emission-free. Currently, most electricity in the UK is generated

by a combination of gas, coal, nuclear and intermittent renewable sources, mostly wind. However, as the National Audit Office recently noted, BEIS,

“expects almost all existing nuclear and coal-fired power stations, which together generate almost half of the UK’s power, to close by the end of the 2020s”.

Moreover this corresponds to a time when demand is expected to increase. There is a challenge.

Currently, the UK has a maximum electricity demand of around 50 gigawatts. With the expected increase in the number of electric vehicles, this figure will rise, but that rise will be dwarfed by the increase that would occur if our national heating shifted from gas, which it is at present, to electricity. That would increase electricity demand by something like four or five times. It would be enormous.

The most striking change in UK electricity generation over the past decade has been the astonishing rise in the contribution of renewables, largely wind. However, the wind does not blow all the time and there is no sun at night, so for dark early evenings in mid-winter when there is no wind we do not have enough dispatchable power to meet maximum demand. By “dispatchable”, I mean power that is available on tap when we need it. This is true whatever the volume of intermittent renewables we add to the system; that minimum demand remains.

Until gas generation is equipped with CCS to mitigate its emissions, nuclear remains the principal means of generating clean dispatchable electricity. The Government recognise that more nuclear will be needed and have identified a number of sites. As our report points out, over recent years there has been increasing interest in so-called small nuclear reactors, SMRs, which other speakers have discussed. The attraction of SMRs is that they are small enough to be built in a factory with tight quality control; individual units can be transported complete by road; and a number of units may be assembled together to provide any desired output, or they may be deployed in smaller groups. In principle, they can be commissioned one by one as they are delivered to a properly prepared site.

Large reactors, by comparison, are somewhat inflexible and respond slowly to changes in demand. The more nimble SMRs could be shut down in summer and, operating in tandem with some battery storage for immediate response, could prove very effective in following changes in demand at any time of year. Factory-built small reactors have been used by the navies of the world for some years. The civil requirements are rather different but the UK has indigenous relevant technical experience. The financial aspects of SMRs remain uncertain but, broadly, it is believed that after the first of a kind, subsequent power costs would be less than those of conventional large reactors.

At present there is no SMR operating anywhere in the world, and the first company to be able to demonstrate an operational system will clearly have a significant commercial advantage in what is likely to be a burgeoning market. The opportunity that we have is to re-enter the field of nuclear manufacture. In their industrial strategy Green Paper, the Government mentioned the possibility of a sector deal for the nuclear area. This is the opportunity.

There are two main questions for the Government. First, what role is there for SMRs in our nuclear future, recognising that they would fit well into a clean-growth plan that heavily emphasised intermittent renewables? Secondly, if we are to have SMRs, who will build them? A response to the Government's SMR design competition, due nearly a year ago, then becomes urgent. The Government's reply on SMRs is lengthy but virtually content-free. The window of commercial opportunity is open for a limited time, and further Micawber-esque procrastination is likely to consign the UK to the role of follower rather than the leader it could be.

9.53 pm

Lord Hunt of Chesterton (Lab): My Lords, this is an important debate as Parliament once again considers nuclear research and technology and how it should be organised in future. I thank the noble Earl, Lord Selborne, for chairing our committee very well. I declare an interest, having worked in the past on research and advice in civil nuclear fission associated with industry in the CEGB, the UKAEA and EDF Energy, and more recently on fusion, first with the Culham fusion laboratory and then with the commercial Tokamak Energy.

As the report by the House of Lords committee concludes, the UK's planning and co-ordination of civil nuclear fission power stations has not led to investment in fission construction—really, from the 1970s onwards. In his evidence to the committee, a director of EDF Energy, Mr Xavier Mamo, was asked how they did things in France. If you look at paragraph 29, you will see his very complete description. He described the strategic governance of the nuclear fission industry by the French Government and said that there was high-level political participation in the committee. Over 50 years, nuclear-powered electricity expanded to 80% of the total. A strong feature was the involvement of top engineers and scientists—for example, École des Mines—with access to the highest levels of government.

By contrast, the UK has had a number of different technical bodies, listed on page 9 of our report, for its research, technology and regulatory tasks, with different sources of funding. Our committee was not impressed by the current co-ordinating body of NIRAB, set up in 2014. At points 9 and 10 of the Government's response, they announced the creation of a successor to NIRAB, but they could not find time to give it a new name. I gather that the name is likely to stay the same. Surprisingly, the new body is apparently only for nuclear fission; there is no reference to fusion research and technology, which will play a significant role in future energy systems. Is the new NIRAB membership restricted to non-commercial bodies, even in key areas of expertise, which would then be omitted? Can the Minister clarify that in his response? This high-level independent body should review and promote the appropriate public and private nuclear systems to be considered. It should take a strong role in participating in international programmes such as the fourth generation system, and international bodies such as the IAEA and the future form of and connectivity with Euratom.

This body should also involve the UK's two significant fusion programmes. One is run by the UKAEA at the Culham laboratory, which also works in collaboration with Euratom. The second, totally unmentioned in all government statements, is the very large and significant commercial Tokamak Energy system. I know from other parts of my life that you can do some extraordinary work and the Minister can announce it in the House of Commons, but then there is no reference in any public document to this commercial activity. Sometimes you feel that the parties are swapping on the other side of the House. This company, Tokamak Energy, whose publications are now the most cited of any fusion project in the world, is in Britain, in Didcot. Is it referenced? No, it is not.

An important part of the Government's response is their outline proposal that the UK should start soon on a programme of constructing small modular reactors, such as the Rolls-Royce proposal for constructing about 10 400-megawatt nuclear fission devices, pressurised water reactors, which could be operational in about five years. Sites have been specified and identified, some of which are in critical parts of the UK, where the northern powerhouse could participate. The UK's construction of submarines, which is where this technology was developed, involved stressful conditions, ensuring that these reactors will be very reliable. I understand that already some overseas countries are expressing interest in buying UK-proposed SMRs.

The new NIRAB should also address the long-term challenge of developing nuclear energy fusion, so that there will be no need for mining uranium or processing past and present nuclear waste. It will take hundreds of years even to deal with that waste, but not the tens of thousands of years into the future when we have nuclear waste either in concrete underground or in other processes. Such very long-term issues need to be discussed by the new body, and it needs to bring in all the people and organisations who can contribute.

10 pm

Lord Broers (CB): My Lords, I congratulate the noble Earl, Lord Selborne, both on his excellent opening speech, which so well reflected the findings of the Select Committee, and on his characteristically expert chairing of this inquiry, as mentioned by the noble Lord, Lord Oxburgh.

I shall restrict myself to one request this evening in the hope that, should it be granted, we would be in a better position to realise what is proposed for power generation in the *Clean Growth Strategy*, published last week. This strategy contains some good news on renewables and points out that one way to see power emissions fall by 80% by 2032 is to grow renewables and nuclear to over 80% of electricity generation. I agree with that approach. My request is that a detailed and quantitative road map also be developed that shows the possible ways for delivering this combination of renewables and nuclear and, indeed, other alternatives. This road map can use as a starting point the *Nuclear Energy Research and Development Roadmap*, developed by Sir John Beddington's ad hoc committee in 2013, and should become an essential part of the cost of energy review to be carried out by Professor Dieter Helm.

[LORD BROERS]

The *Clean Growth Strategy* contains what are called decision pathways, which are valuable but far from complete in giving specific targets for delivery either in energy supply or usage. They do not describe how and when the many different technologies will be introduced and at what price the energy will be delivered. Nor do they set quantitative targets, or schedules for the various methods for reducing consumption. The type of road map that I am seeking would allow progress to be monitored across the full spectrum of energy supply and demand and include alternative pathways that could be followed should technologies fail to meet their predicted performance levels or schedules. I have not been able to find such information anywhere in the supplementary documents referred to in the *Clean Growth Strategy*. So, at the moment we seem to be proceeding with a hope and a prayer that what is required will be delivered when it is needed and we can only despair when schedules slip and costs overrun, as they inevitably will with the complex factors that comprise our overall energy system.

These factors include everything from the price of gas and the potential of fracking to the long-range consideration of when fusion energy will become practicable. One cannot predict with any precision the progress gained through investment in R&D, but it is none the less necessary to make predictions so that one has a scale against which to measure actual progress. Reference to the road map will indicate whether it is necessary to change direction as new ideas and unforeseen problems appear and show the options that are open for change.

As I have said, the *Clean Growth Strategy* states that renewables and nuclear together may have to increase by 80% by 2032. There are many options open to back up intermittent renewables but the best option appears to be nuclear fission, and this is what is put forward in the *Clean Growth Strategy*. The pair of EPR reactors at Hinkley Point are to play a major role in maintaining our nuclear capability. However, there are likely to be continuing delays and cost overruns before they are operating. The two similar EPRs that the Chinese are building at Taishan are experiencing further delays, as are the reactors at Flamanville in France. The first Taishan reactor is now scheduled to go online in 2018, four years behind schedule, and the first at Flamanville in the middle of 2018, about six years behind schedule.

The road map I am asking for should include all of the many alternative energy sources, but it is especially important that it includes small modular reactors, which have several advantages that make them ideal, as mentioned by many speakers, for backing up intermittent renewables, as advocated, for example, by NuScale for wind energy. The US company, NuScale, was the first to have its design accepted for evaluation by the US Nuclear Regulatory Commission in March of this year. The NRC will take 40 months to review and issue a design certificate. When that is done, it is expected that the first SMR will be operating in conjunction with a wind farm in Idaho in the early 2020s. SMRs will be the smallest commercial reactors, giving them great flexibility and low cost. It is claimed that they can be too small to melt down, so they

are safe. Worldwide there are about 50 SMR designs under development and it is hoped to reduce the capital cost to about \$2,000 per kilowatt, which is about the same as for the EPRs.

If we are to enter the SMR market, we had better get on with it. Please Minister, may we have a comprehensive road map so that we may better understand how and when to employ the different types of nuclear reactors?

10.05 pm

Lord Hennessy of Nympsfield (CB): My Lords, I add my thanks to the noble Earl, Lord Selborne, for his ever deft chairmanship of your Lordship's Science and Technology Committee and to its ever helpful staff. I confess that, having left the committee, most Tuesday mornings I now rather pine for our sessions. They were often fun and always fascinating. I declare my fellowship of the British Academy. I have no idea why, but it occasionally looks at the history of civil nuclear power, so I think I ought to.

The question lurking behind tonight's debate is whether we as a nation have lost our nerve as a serious civil nuclear power. There was a time—when I was a teenager in the early 1960s—when we seemed to be brimming with nuclear nerve, even verve. In 1956, we had become the first nation to provide civil nuclear-generated power into a national grid, when the Queen threw the switch at Calder Hall in Cumberland. As other noble Lords have mentioned, by the early to mid-1960s a fleet of first-generation Magnox stations was coming on stream and they did sterling service to baseload provision over several decades. We also had a plan for the future all mapped out. There was a road map: my noble friend Lord Broers is calling for another one. The second-generation advanced gas-cooled reactors were to fill the gap between the Magnoxes and the fast breeder reactor, whose dome on the prototype site at Dounreay in Caithness stood gaunt but full of promise, looking over the swirling waters of the Pentland Firth, where the North Sea meets the Atlantic. Beyond the fast breeder beckoned the lustrous prospect of nuclear fusion—abundant and clean—which we thought in the 1960s would be transforming world energy about now. Dounreay is being dismantled and cleaned up as we meet and fusion is almost certainly still decades away as a feeder of grids, though I am sure we will get there one day.

Where does the Government's response to the Science and Technology Committee's report fit into the wide sweep of UK civil nuclear history? Does it offer the country a fighting chance of leading the small modular reactor generation deploying to maximum and sustained effect our scientific prowess, engineering skills and technological flair? Can we hear a call to arms to restore ourselves as a serious civil nuclear pioneer and pacemaker, no longer reduced, as at Hinkley Point, to buying another country's technology off a very expensive shelf? Up to a point. Things are moving, but is there enough of what David Lloyd George liked to call "push and go" in Whitehall? I hope there is, that the Minister—for whom I have great respect—can convince your Lordships this evening that there is, and that the cycle of indecision has been well and truly broken.

However, the language of the Government's reply to the Select Committee report does not exactly glow with a critical mass in the making. There is no ruling out in its prose, but there are tepid signs of ruling in. Let us eavesdrop for a moment on the BEIS draftsmen and women as they crafted paragraph 27:

"As we move to de-carbonise our economy, there will continue to be a demand for the secure, low carbon energy that nuclear provides. This could include energy from SMRs. For example, third generation modular reactors have the potential to play an important role within the near-term electricity generation market, but only if they can reduce costs to a competitive level. While more novel modular reactor technologies offer the potential to deliver major breakthroughs in cost, safety or functionality but are less technologically mature and require further basic research and development support".

More than a touch of the tentative there, as there is in paragraph 29 with its recognition that:

"Government could have a role in reducing barriers, including on siting and regulatory approvals, which could help de-risk projects and ensuring they are acceptable to the public".

I counted five could's in the response to our report.

However, to be fair to Her Majesty's Government, there is a dash of push and go in paragraph 32. Dealing with the SMR, it declares that:

"We must invest time now to make a strategic decision for the UK—a decision that could have implications stretching many decades into the future".

Exactly, but can the Minister be more precise than the Government's response of 13 September, which said that the decision would be taken in the coming months? Paragraph 35 is certainly very welcome, outlining as it does government funding for advanced manufacturing and for the nuclear R&D programme.

I gladly acknowledge that the Government's reply to the Select Committee report has its touches of pep, but much of it strikes me as a long, weary sigh induced by the feeling that it is all too difficult. I hope that the Minister will sweep this impression away with a burst of brio and enthusiasm and a flurry of reasons to be cheerful. I live in hope.

10.10 pm

Lord Fox (LD): My Lords, it is always a pleasure to hear the noble Lord, Lord Hennessy, speak but it is also a challenge to follow him. I predict that there will be no swirling waters of the Pentland Firth in my speech.

Along with everyone else who has spoken, I thank the noble Earl, Lord Selborne, for his leadership on the report and during my early years on the committee, and join him in thanking the team that supported us in producing this report. I also thank my fellow members of the committee, many of whom were able to give a seminar on this subject at the drop of a hat, as noble Lords have heard.

This is a subject of great complexity, but I hope that the Minister has received some clear messages from what has been said today. The time for the Government to sit on their hands, if ever there was one, has gone. As the noble Lord, Lord Hennessy, said, the time for push and go is with us.

The report sets out three things that have to happen for us to see some action in this area. First, as my noble friend Lady Bowles, the noble Lord, Lord Oxburgh, and others set out, the Government need a strategic

plan for the UK energy market—the road map which the noble Lord, Lord Broers, set out in detail on the kind of energy that we will need, how we will generate it and when we will need it. Without that master plan, it will be very difficult for us to fit this one technology into the wider picture. It is clear from the *Clean Growth Strategy* that some of the elements of that are in place. However, as the noble Lord, Lord Broers, very clearly set out, there is work to do before this becomes a clear and obvious road map. I hope that the Minister can tell us when and how this will be forthcoming and whether it follows on from the Dieter Helm review. If we are to have a nuclear section within the industrial strategy, surely it has to be based on something of this nature in the first place. In a sense, what is the chicken and what is the egg in the process of developing the industrial strategy?

Secondly, as other speakers, including my noble friend Lady Bowles, set out, the Government need to firmly establish what sort of nuclear industry we want to have. Are we a maker or a taker, as she said? Are we going to be a player in electricity generation technology or are we going to settle back and buy it off the shelf? If the answer is that we are going to be a player, time really is at a premium. For example, our position regarding Generation IV and SMR reactors needs to be clarified very swiftly. This report sets out those questions, but the Government's response largely avoids giving us an answer to them. In the Government's opinion, are we going to be fully in the generation technology business—because being half in and half out is an expensive way of not achieving that?

Looking at the committee's report, the pedestrian nature of the Government's response should not be a surprise. For a long time, we have had slow progress and, frankly, a lot of retracing of steps as well as shuffling forward. Yet, to be fair, some elements of that response were positive. It is good to see that a successor organisation to NIRAB is on the horizon. I found the language about its nature in the Government's response somewhat sphinx-like, so if the Minister can set out when he thinks this organisation will emerge and what differences and similarities it will have in relation to NIRAB, that will be very helpful. It is also interesting to see that the NIC will soon meet. What outcomes does the Minister expect from the NIC, and when will these begin to flow?

I said that there are three conditions. Obviously, the third of those is funding. It was good to see set out in the *Clean Growth Strategy* that the Government are earmarking £460 million. Sadly, in the atmosphere of suspicion, I had exactly the same questions that the noble Earl, Lord Selborne, had. Is this new money? Is it coming out of the Challenge Fund, or where is this money coming from? Perhaps the Minister could fill that in.

Before closing, I would like to say a few words about SMRs—there has been a lot said already—and about Euratom. It is good news that, after stalling a year ago, the SMR competition is moving forward. The noble Lord, Lord Oxburgh, set out the situation very thoroughly. My understanding is that there are more than 30 entrants sitting in the in-box for this competition, and it is going to be a challenge to deselect these.

[LORD FOX]

The issue of comparing apples with pears is going to arise very quickly. Some of these bids will be finished for very highly developed concepts and designs; some will be merely front-end concepts. Some, I suspect, will be genuine light-water Generation III-style; some will border on Generation IV. How is that deselect process going to be embraced? It is a challenge, and it could happen that we will end up spending another year or two in that comparison process, so it would be very helpful to know how that technical comparison is going to be carried out.

In their response, the Government talk about the SMR market—"the market"—in abstract, but frankly, the Government are the market, and they need to take responsibility for being the market. Indeed, in some cases, or many cases, the UK alone will not be a sufficient market for the economics of these reactors, so the Government have to be in, in order for whoever wins this complicated down-select process to be able to step forward into the international market and gain purchase in that market to create an economic product. Therefore, I would welcome the Minister's view on how the Government intend not just to encourage other people to be the market but to be the market themselves.

On Euratom, I associate us with all the comments that have been forthcoming, particularly those of the noble Earl, Lord Selborne. The Government are making reassuring noises about the post-Euratom environment in which we will find ourselves. We on these Benches still consider this to be an unnecessary burden that the Government have taken upon themselves. There is still an opportunity for the Government to buy themselves some more time. The Prime Minister is acknowledging that the ECJ will have a role in certain aspects of the transition process. Given that the major bugbear for the continuing relationship with Euratom is the role of the ECJ, it seems perfectly reasonable that, if the ECJ has a role in some aspects of the transition process, it could also continue to have a role with Euratom, and we would not have to leave Euratom until after the transition period. Can the Minister say what thoughts the Government have had on that point, so that, rather than leaving Euratom on leaving day, we would leave after the transition period? Perhaps that is what they are already planning, but it would be very helpful to have that information.

The noble Lord, Lord Hennessy, asked whether we had lost our national nerve; the noble Lord, Lord Hunt, pointed out that we need a nuclear vision for the United Kingdom. Now is the time for that clarity because, if the Government wait any longer, the corporate will and the people—the engineers, the people with the knowledge to deliver any vision—will be gone. I would welcome the Minister's views on those points.

10.19 pm

Lord Grantchester (Lab): I thank your Lordships' Science and Technology Committee for its report on nuclear research and technology and thank its chairman, the noble Earl, Lord Selborne, for his excellent introduction to our debate tonight. The report is timely and cogent and provides a slight déjà vu moment as it is in so many respects a reiteration of its earlier 2011 report, with many similar recommendations.

The Government set up the Nuclear Innovation and Research Advisory Board in January 2014 for a three-year period. To the charge of indecision and its implications throughout this report, the Government replied that they must take account of the risks and costs associated with being the first-mover solution in adopting nuclear technologies. It seems that, with the report highlighting NIRAB's final report recommendations and returning to its report of 2011, the Government must set out their position once more.

Continuity and consistency are needed. One of NIRAB's recommendations is for a successor body to be set up to retain access to independent expert advice on nuclear research and innovation to reform its policy decisions. Only last Thursday, in *The Clean Growth Strategy* document, the Government came forward and asked the Nuclear Innovation and Research Office—NIRO—to convene this new advisory board. Perhaps now the Government could establish this new advisory body with the wider remit called for by your Lordships' committee both in this report and in its 2011 report. My noble friend Lord Hunt also asked some probing questions about its constitution.

Throughout the report, there is a thread of criticism that the Government are failing to come forward with a vision and a clear strategic direction of travel. Many speakers tonight have drawn attention to this from the many witness statements. The differences in approach between the committee's report and the Government's answers highlight that the Government need to take on board what and how they communicate as they take their role forward.

The report reiterates many of its challenges from the 2011 report. The Government need to reiterate their revision following the disbanding of NIRAB, communicate again what is the road map for the future, and define the nuclear industry's ambitions against other sectional interests in their industrial strategy. The noble Lord, Lord Hennessy, thought the Government—and, by implication, the nation—have lost their nerve.

Last Thursday's launch of the Government's clean growth strategy is the opportunity to reset the Government's strategy and determine their approach. The overriding concerns around climate change set the emphasis on the energy market to decarbonise the economy. The Government must be at the leading edge of innovation and technologies to achieve this. They must be at the leading edge in acting on this imperative. The Government are correct to identify the UK as a world leader in cutting emissions while growing the economy. Statistics back up this analysis. UK emissions in 2016 were 42% lower than in 1990 and 6% below those in 2015, while in the same period UK GDP increased 67%. Low-carbon innovation is at the core of the strategy. The noble Lord, Lord Broers, challenged the Government further to set a comprehensive road map for this growth strategy to include the relative merits of renewables and nuclear to provide a balance in power generation.

While the UK has done well so far, it is now falling behind since the Conservative Party took charge of the Government. The UK is now on course to fail to meet the fourth and fifth carbon budgets. On the fourth carbon budget, the UK will be 6% over, and on the fifth budget, it will be 9.7% astray—that is, widening

over time. The Government need to rectify the situation as a matter of urgency and build on this report to set the parameters for nuclear research and technology to inform the role of nuclear power. It is proven that low-carbon transition is compatible with high growth. The Government must refresh the 2013 strategy, answering the question posed at paragraph 55 of the report: what sort of nuclear nation does the UK want to be? The noble Lord, Lord Fox, underlined this question and posed three conditions that the Government must meet in their answer.

The Government have already been challenged by the Economic Affairs Committee, which says that their reliance on Hinkley Point is a very risky strategy. This one nuclear plant cannot provide the defence that this is “nuclear power solved”. The Government have the huge problem of dealing with plutonium waste disposal. In the days of DECC, it consumed half the Minister’s departmental budget. How can this plutonium material be linked to reactors at the Magnox sites? It is existing technology. Can the Minister say whether there is a joined-up strategy between plutonium disposal and low-carbon energy generation at least cost? My noble friend Lord Hanworth added indecision on this to his charge sheet. What are the Government’s thoughts on this and the other areas on which they are delaying a decision?

The noble Lord, Lord Oxburgh, expressed disappointment at the government response regarding small modular reactors. Against the challenges of Brexit, the size of the market is open to debate, and the amount of international collaboration needed could well be an added impediment to the Government at this critical time. However, I have one important question for the Minister in this respect. What estimate has his department made of the cost of electricity produced by small modular nuclear reactors, and has that estimate appraised the differential in cost where a number of SMRs are aggregated?

In keeping with the report’s challenge to the Government, the section on the National Nuclear Laboratory argues that the lack of direction in government thinking has resulted in a less than satisfactory coherency to the NNL as it straddles the dichotomy between being a commercial entity competing with other companies and being a government-owned national laboratory with public assets. In their reply, the Government state that they have agreed with the NNL to expand the role of NIRO, which is hosted by the NNL. Does this resolve the situation or merely continue the lack of coherency?

Finally, regarding Euratom, the Government have come forward with the Nuclear Safeguards Bill. We will examine this carefully. Although this underlines the clear importance of the issue regarding how the UK will undertake its responsibilities as a member of the International Atomic Energy Agency, there are many concerns. I have two important questions for the Minister in the present Brexit discussions. First, does the Prime Minister’s proposal for a two-year post-Article 50 implementation period extend to Euratom? Secondly, will nuclear co-operation agreements concluded between Euratom and third countries continue to apply to the UK for the duration of any post-Article 50 implementation period?

It is imperative that the UK concludes nuclear co-operation agreements with Euratom and non-EU countries such as the US before the UK leaves the EU. Can the Minister inform the House what is happening in this respect? The Government have much to achieve and they need to set out the clarity of their vision following tonight’s debate.

10.28 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton) (Con): My Lords, I begin by thanking my noble friend Lord Selborne and the members of his committee for an exceptionally good report. I would like to read out a paragraph from the summary at the beginning, because in a sense it underlies the big question behind this debate. It says:

“The decision the Government must make is whether the UK should be a designer, manufacturer and operator of nuclear generation technology or alternatively whether it should restrict its interest to being an operator of equipment supplied by others from overseas”.

That is the big question that we are talking about this evening. If I may put it slightly less eloquently than she did, the noble Baroness, Lady Bowles, asked whether we are going to be a maker or a taker.

The noble Lord, Lord Hennessy, asked whether we have lost our nerve. I may be wrong, but I do not think he was directing that question at the Government today but rather was looking at it historically. The truth of the matter is that we did lose our nerve in the 1980s. The incidents at Three Mile Island and Chernobyl did not help, and Fukushima since then has not helped. The noble Lord, Lord Hennessy, described the history of civil nuclear power in this country, and I will talk about that myself. It is true that we were a leader in this technology, but in the 1980s we lost our nerve—it goes without saying. And we lost our nerve for 30 years.

The question this evening is whether we have regained that nerve and to what extent, especially given that this is not a no-risk, zero-sum game. Civil nuclear power is fantastically expensive. As the noble Lord, Lord Broers, mentioned, the technology being used at Hinkley is not yet on stream in China or France; it is running four or six years late and over budget. Let us not pretend that this is an easy decision. When people say, “Make up your mind; make a decision”, let us at least be realistic. The sums of money we are talking about are massive—the budget for Hinkley is more than £20 billion.

Sometimes, especially at this time of night, our glass is half empty. Therefore, I thank the noble Lord, Lord Grantchester, for reminding us that carbon emissions are 42% lower than in 1990 at a time when we have had economic growth of 67%. That is a remarkable achievement. No one can say that our energy policy has been all bad over that time.

To start, I will talk a little about the history. We have long experience of working in the civil nuclear field going back to the 1940s, coming out of the Manhattan Project in 1945. The UK Atomic Energy Authority was set up in 1954 to oversee the development of nuclear power in the UK. The first reactor was Calder Hall in 1956. This led to the construction of the Magnox fleet of reactors in the 1950s and 1960s,

[LORD PRIOR OF BRAMPTON]

followed by the AGRs in the 1960s and finally the PWR at Sizewell B, which began operating in the 1990s. As the noble Lord, Lord Hennessy, reminded us, the Dounreay Nuclear Power Development Establishment developed fast-breeder reactor technology. It is true that until the mid-1980s, we were at the forefront of nuclear research and development and were world leaders in many areas. Throughout that time and subsequently, nuclear power provided reliable, low-cost, base-loaded electricity to the UK, producing about one-fifth of all our electricity.

That brings us to the mid-1980s. Since then, publicly funded research and development, and the people working in the nuclear sector, have contracted as the UK facilities landscape was consolidated and global interest focused on the deployment of evolutions of existing light-water reactors. Since the early 2000s and the renaissance of interest in civil nuclear power, it has become apparent that those with the skills to take forward a nuclear programme in the UK are getting older and the R&D facilities and skills required would be lost unless we embark on a major reinvestment in nuclear. That is where we found ourselves in 2010 and 2011.

The UK's nuclear research landscape and supply chain are increasing again due to the Government's £180 million nuclear innovation programme to meet the challenges brought about by the national resurgence in interest in nuclear energy. In the wake of the House of Lords Science and Technology Committee's reports of 2011 and 2017, and the 2013 nuclear industrial strategy, which set out the Government's aims for a world-leading nuclear research landscape, the Government have also put in place the necessary advisory and co-operative frameworks to support such aims. The 2015 spending review followed this with an announcement of funding for,

“an ambitious nuclear research and development programme that will revive the UK's nuclear expertise and position the UK as a global leader in innovative nuclear technologies”.

As some noble Lords have pointed out, last week we announced the clean growth strategy, which reiterated the Government's commitment to nuclear and outlined our ongoing investment of £460 million in nuclear innovation, covering both fusion and fission. For the avoidance of doubt about where that money is coming from, £180 million is coming from BEIS for nuclear fission, £131 million for fusion, £61 million is coming from Innovate UK, £68.3 million comes from research councils and £20 million has come from the industrial strategy challenge fund. That is where the £460 million comes from.

BEIS launched the initial phase of its £180 million nuclear innovation programme in November 2016 with over £20 million of funding covering five areas of research on future fuels, fuel recycling, reactor design, materials and manufacturing and a strategic toolkit to underpin decisions on which emerging technologies are brought to market. The first £20 million tranche is progressing well and is providing evidence and information that will set the foundations for further funding to be announced in November.

The £180 million nuclear innovation programme was developed based on the recommendations of NIRAB, which ran from 2014 to 2016 as a three-year temporary advisory board comprising 26 experts, chaired by Dame Sue Ion. The Government are working in partnership with the Nuclear Innovation and Research Office to convene a new advisory structure, under the banner of NIRAB, to provide independent expert advice on research and innovation. A process of seeking people to join this board has commenced and we expect that to conclude in November.

In view of the central question posed by the committee's report—and to ensure that there is no misunderstanding on this—we are not currently in the business of designing and building our own conventional reactors for new build. That is self-evidently the case. It is not a realistic short-term proposition. That said, the UK supply chain has a number of niche capabilities that makes it attractive to international partnerships. In particular, modular and advanced reactor technologies present an opportunity in future for the UK to build its capacity alongside international partners—and in the longer run, of course, there is fusion as well. Government research and innovation support targets a number of these opportunities, and we are investing in the capacity of our regulators to engage with their peers on the co-operation and harmonisation that will be essential to the deployment of any new technology on a global basis. As noble Lords have pointed out, this could never be a national strategy. Even SMRs, which are a cheaper alternative to conventional nuclear, would work efficiently or effectively only if there were an international market and not only a national market.

The Government have made good progress—I accept that it has been slow to date—in assessing the potential of small modular reactors. We will be closing the competition and publishing the detailed techno-economic assessment in the very near future. The techno-economic assessment used evidence gathered from 14 SMR vendors and the subsequent competition received eligible expressions of interest from more than 30 different companies across the nuclear industry, including 18 SMR vendors.

We recognise that the Government have a role to play in helping to establish the right market conditions to allow credible and investable modular reactor propositions to come forward. Only last week we announced £7 million investment to expand the capacity of the UK's nuclear regulators to prepare them and the sector for the advanced technologies of tomorrow. The Government are now working with industry, through the industrial strategy nuclear sector deal, on a potential policy initiative to support the sector. That includes setting up a national college for nuclear to train 7,000 people by 2020, and Sellafield committing to achieve a workforce where 5% are apprentices, graduates or sponsored students within five years.

The nuclear industry, therefore, is in a position, from the point of view of technology, skills and regulation, to rebuild for the future the kind of leadership we had in the 1960s and 1970s. In response to the committee's central question, the investments currently being made create the opportunity for the UK to be a,

“designer, manufacturer and operator of nuclear generation in the future”.

Nuclear power is a mature technology capable of providing secure, low-carbon affordable energy. The Government are committed to it playing a significant role in our future energy mix and being a key element in helping to meet our long-term climate change commitments. In terms of new nuclear, as all noble Lords know, the Government have signed a contract for Hinkley Point C, which is scheduled for completion in 2025. It will be the first new nuclear plant in the UK for more than 20 years. As existing plants come to the end of their lives over the coming decades, the Government believe that new nuclear will have a key role to play in meeting the demand.

Lord Grantchester: My Lords, perhaps I can press the Minister on one point. He was right to point in his analysis to the very expensive cost of this new technology coming on stream and the nuclear industry in general. A question that I hope he will be able to answer in his winding-up remarks is about the relative cost to the consumer of the new build. We have the example of Hinkley Point C in terms of one technology. If the noble Lord is looking to the future, it may be something which the UK could put an emphasis on. Is he able to say what the cost of the electricity is in his department's analysis of power produced by small nuclear reactors?

Lord Prior of Brampton: As the noble Lord knows, the price for Hinkley is £92.50, which I think is indexed. The latest price in the auction for offshore wind was £57 and I think that the general figure I have heard for SMRs is around £60. Do not quote me on that, but it is a figure I have heard from people in the industry. Clearly, it depends on how much is produced and how economic it is in producing SMRs. The sum may come down below that. The fact is that the price of renewables is coming down. I know that the prices are variable and not baseload, but the industry does not stand still.

I am pleased to announce today that the Government intend to work with the secretariat and other members of the Generation IV International Forum in order to retake our place as an active and participating member of the forum in 2018. The GIF is the main grouping of countries interested in developing advanced nuclear technologies. Government can help to create the environment and frameworks to support nuclear development and deployment. We can also underpin the regulatory framework necessary to assess the safety,

security and environmental aspects of new technologies. Ultimately, however, we must remember that the assessments and decisions on which technologies succeed rest not only with government but with the industry—and when I say the markets, I mean the price of the product.

We must remember that other industries are not standing still and waiting for nuclear to play catch-up. Renewables such as offshore wind and energy storage technologies are evolving at a pace. To maintain its place in the competitive low-carbon energy markets of the future, nuclear will need to provide additional value in terms of its flexibility, functionality or reduced costs to supplement its baseload availability. In a low-carbon green world, nuclear should have a big role to play, but it will have to be competitive with other low-carbon technologies.

10.43 pm

The Earl of Selborne: My Lords, I am very encouraged by my noble friend's reply and the fact that, as I understand it, the Government are committed to rejoin, after several years, the Generation Four International Forum. What we have seen is a great signal to the nuclear community that we are setting our aspirations once more at something that is ambitious and recognises the expertise that we have in our science base in this country in matters nuclear.

We have had a very interesting historical lesson from all parts of the House, not least the Minister, and I was expecting it from the noble Lord, Lord Hennessy, who is a great expert on these matters. It is not surprising that successive Administrations rather lost their way on nuclear when the public felt greatly disenchanted, for reasons we all understand.

Perhaps I am eternally optimistic, but from the Minister's response just now, the clean growth strategy and the forthcoming industrial strategy White Paper, I do see some opportunities to have the question we posed—breaking the cycle of indecision—resolved satisfactorily.

It remains only for me to thank all noble Lords who have stayed to this very late hour, by my standards, to participate in what I have found a most interesting debate.

Motion agreed.

House adjourned at 10.46 pm.

