

Vol. 789  
No. 111



Thursday  
15 March 2018

PARLIAMENTARY DEBATES  
(HANSARD)

# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Royal Assent.....	1757
Questions	
Brexit: Fashion Industry.....	1757
Children: Missed Education .....	1760
Schools: Outdoor Classroom Day .....	1762
Online Hate Speech .....	1764
Procedure Committee	
<i>Motion to Agree</i> .....	1767
Integrated Communities	
<i>Statement</i> .....	1768
Building Safety Update	
<i>Statement</i> .....	1780
Revised Draft Airports National Policy Statement	
<i>Motion to Take Note</i> .....	1791
Economy: Spring Statement	
<i>Motion to Take Note</i> .....	1814
<hr/>	
Grand Committee	
National Minimum Wage (Amendment) Regulations 2018.....	GC 173
Works Detrimental to Navigation (Powers and Duties of Inspectors) Regulations 2018.....	GC 179
Criminal Justice and Police Act 2001 (Powers of Seizure) Order 2018 .....	GC 184
Passport (Fees) Regulations 2018 .....	GC 188
<i>Considered in Grand Committee</i>	

Lords wishing to be supplied with these Daily Reports should give notice to this effect to the Printed Paper Office.

No proofs of Daily Reports are provided. Corrections for the bound volume which Lords wish to suggest to the report of their speeches should be clearly indicated in a copy of the Daily Report, which, with the column numbers concerned shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

*This issue of the Official Report is also available on the Internet at  
<https://hansard.parliament.uk/lords/2018-03-15>*

The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

<b>Abbreviation</b>	<b>Party/Group</b>
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

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

© Parliamentary Copyright House of Lords 2018,  
*this publication may be reproduced under the terms of the Open Parliament licence,  
which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

# House of Lords

Thursday 15 March 2018

11 am

Prayers—read by the Lord Bishop of Newcastle.

## Royal Assent

11.06 am

The following Acts were given Royal Assent:

Finance Act,  
Supply and Appropriation (Anticipation and Adjustments) Act,  
Space Industry Act,  
City of London Corporation (Open Spaces) Act.

## Brexit: Fashion Industry Question

11.06 am

Asked by **Lord Clement-Jones**

To ask Her Majesty's Government what assessment they have made of the impact on the fashion and other design-based industries of the potential loss of European unregistered design rights for United Kingdom-generated designs following Brexit.

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con):** My Lords, as expressed in the United Kingdom technical note on other separation issues, where the UK does not have existing domestic legislation to protect certain types of rights, it will establish new schemes. This will preserve the full scope of the unregistered Community design right in the United Kingdom.

**Lord Clement-Jones (LD):** My Lords, the hard exit from the EU means the loss of EU unregistered Community design rights and of vital protection for designers who first disclosed their design in the UK. This is just the way to lose London Fashion Week. We have discussed the problems with loss of country of origin rights for our broadcasters. Is this not yet another example of why the creative industries want us to remain in the single market?

**Lord Henley:** My Lords, I am not going to get into the wider debate about the EU at this stage, but what I can say, to expand on my Answer, is that we will bring forward various statutory instruments in this country to further our rights here. The negotiations will take place with the EU as part of the leaving process, which we hope will deal with these matters, but there are also, as the noble Lord is fully aware, what I think I can call inclusions in the current EU regulations, which obviously need to be sorted out by the EU itself.

**Lord Howarth of Newport (Lab):** My Lords, in framing new law for the period following Brexit, will the Government be mindful that intellectual property

rights create monopolies? Will they therefore reflect carefully on the appropriate balance within the UK's future intellectual property regime between the producer interest and the consumer interest and make sure that they are not unduly influenced by producer lobbies?

**Lord Henley:** My Lords, obviously we will take account of all those who have an interest. The noble Lord is right to draw that to my attention. He will be aware that we went through a major reform of intellectual property rights with the 2014 Act, which I think was discussed at length in this House—fortunately, I was not involved. I am not sure that the noble Lord would want to go through that process again, but there are some minor changes that need to be made as a result of leaving.

**Lord Foster of Bath (LD):** My Lords, not only will we need reciprocal arrangements with the European Union with regard to intellectual property, including unregistered design rights, but does the Minister accept that we will also need them with regard to enforcement of intellectual property rights, currently carried out in part by Europol? How will that enforcement be carried out?

**Lord Henley:** My Lords, again, that will be a matter for discussion as part of the leaving process.

**Baroness Goudie (Lab):** My Lords, we have a problem of indecision. Organisations such as fashion week will disappear from London. The amount of GDP that fashion week brings to this country is enormous. As we are not doing very well in other parts of the world, we really need it to continue. Will the Government assure those industries that they are welcome here, and do so quite quickly, otherwise they will look to go to Paris and Milan, because they are asking and baiting them to come?

**Lord Henley:** My Lords, the noble Baroness is taking a rather pessimistic view of things, but we are aware of those risks. When one thinks of the strengths of the industry in this country, I think it is very unlikely to leave overnight. We will be in discussion with people such as those at the British Fashion Council and listen to their particular concerns. As I said, we will continue with our negotiation as part of the leaving process.

**Lord Howell of Guildford (Con):** Did my noble friend notice the highly successful Commonwealth fashion event the other week, which demonstrated that London fashion was roaring ahead regardless of Brexit? It involved wider-world influences in a highly successful and satisfactory way.

**Lord Henley:** My Lords, sadly, I missed that, but I am very grateful to my noble friend for bringing it not only to my attention but, more importantly, to the attention of the House.

**Baroness Hayter of Kentish Town (Lab):** My Lords, as a dedicated follower of fashion—that gives away one's age, does it not?—I would add that although the IP itself is important, we also need our lawyers to

[BARONESS HAYTER OF KENTISH TOWN]  
continue to represent any of our designers when they appear in courts in other countries. We also need the models and others to be able to move across borders so that they can perform or show their wares. Will the Minister give some assurance that, in the discussions on Brexit and the ability to move for work, this will be uppermost in their minds?

**Lord Henley:** Yes, my Lords, we will take the point about lawyers into account, and I will make sure that the noble Baroness's concerns are brought to the attention of my honourable and right honourable colleagues. As regards others such as models moving abroad, I think that there will probably be no problem whatever, because there will be a particular attraction to making sure that English models and all others involved in the fashion industry are able to work in Europe and sell their wares.

**Lord Tebbit (Con):** My Lords, I wonder whether my noble friend can tell me whether we have any problem with the Americans, for example, behaving in a dastardly, unfair way, as Lib Dem Peers fear our European friends would behave if we were not in the EU.

**Lord Henley:** My Lords, I think I had better confine myself purely to questions about fashion rather than other areas, but on that particular subject I can agree with my noble friend.

**Lord Wallace of Saltaire (LD):** My Lords, does the noble Lord's department have an estimate yet of how many statutory instruments will be required to fulfil the pledge he has just given us? Will those statutory instruments be by the affirmative or the negative procedure?

**Lord Henley:** My Lords, on the overall number of statutory instruments that will be required, different people have put forward different estimates of very large numbers. As regards this particular subject, as far as I know, we need just one statutory instrument. There might be more, and I will write to the noble Lord if that is the case. Whether they will be affirmative or negative is again something that I cannot answer at this stage, but I will write to the noble Lord if a decision has been made.

**Lord Watts (Lab):** My Lords—

**Lord Tomlinson (Lab):** My Lords—

**Lord Lawson of Blaby (Con):** My Lords—

**Noble Lords:** This side!

**The Minister of State, Ministry of Defence (Earl Howe) (Con):** My Lords, I have taken a note of the speakers who have contributed, and it is the turn of the Conservatives.

**Lord Lawson of Blaby:** My Lords, I congratulate my noble friend on his excellent Answer to the original Question. The Liberal Democrats' refusal to accept this clearly portrays a lack of confidence in this country's

ability to govern itself. Does he think that that is simply a lack of confidence in this country, or that it might be because the Liberal party will never be in government again?

**Lord Henley:** I did serve in government with the Liberal Democrat party in the past. Whether that will happen again is a matter for speculation, but I suspect it is unlikely that I would be part of that, and one would hope that the Liberals would not be part of it either.

## Children: Missed Education Question

11.14 am

Asked by **Baroness Massey of Darwen**

To ask Her Majesty's Government how they plan to respond to the National Children's Bureau report, *Children Missing Education*, published on 31 January; and what plans they have to improve the collection of national-level data on such children.

**The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con):** My Lords, in September 2016 we introduced a duty on schools and local authorities to work jointly when carrying out inquiries to establish the whereabouts of children to ensure that they are safe and receiving suitable education. We have a commitment to review the impact of these regulations by September 2019. The review will take into account the points raised in the National Children's Bureau report issued in January this year.

**Baroness Massey of Darwen (Lab):** I thank the Minister for that response. He will be aware that almost 50,000 children were missing from education between 2017 and 2018. How will the Government build an accurate picture of who these children are, where they live and what their needs are? How will they form a strategy to deal with this problem when there is no national data on these children?

**Lord Agnew of Oulton:** My Lords, we believe that part of the reason for the awareness of more children being home educated is as a result of the duties we placed on schools in the 2016 guidance, which I mentioned in my first Answer. The next stage is to ensure that local authorities are using all their existing powers to investigate cases of where home education might be occurring or where children are missing. Yesterday, in our integration strategy, we announced further measures on that.

**Baroness Nicholson of Winterbourne (Con):** My Lords, will the Minister confirm that these children will form a high priority for the teaching of English, reading and writing, given that they are most likely to be among the three-quarters of a million people in the United Kingdom who do not speak our native language?

**Lord Agnew of Oulton:** Obviously, children who are missing from education are one of the highest priority categories that we have to worry about. In the integration strategy document announced yesterday, we launched a consultation on the guidance and enforcement of

independent school standards—a lot of children can end up in such small schools—and guidance on unregistered schools, which will deal with similar issues.

**Lord Touhig (Lab):** My Lords—

**Baroness Garden of Frognal (LD):** My Lords, some groups particularly at risk of missing education include disabled children, those with special educational needs, young offenders and children in care. Surely these young people should be known to social services, the police, doctors or other authorities. Will the Minister tell us what the Government are doing to encourage these authorities to liaise with the education authority to ensure that these children get the education that they need and deserve for a better life?

**Lord Agnew of Oulton:** My Lords, it is already a requirement following the issue of our guidelines in 2016 that, for any child registered as SEN, permission must be sought from the local authority to move them to home education. We are strengthening that guidance, as announced yesterday, and have indicated that we will carry out an exclusion review, which will of course begin with these vulnerable children.

**Lord Touhig:** My Lords, I apologise to the noble Baroness; I did not see her standing up. In England and Wales, 70% of children excluded from school have learning difficulties. Many exclusions are not even officially recorded—they are soft exclusions. We are in danger of creating an underclass of young people who are lacking basic education, are alienated from society and might become criminalised. Unlike the point made by my noble friend Lady Massey, this data is known and is available. What are the Government doing about it?

**Lord Agnew of Oulton:** My Lords, it is important first to differentiate between temporary and permanent exclusions; the ones of concern are, I think, the permanent exclusions. The figures on that have not increased dramatically in the past few years—it has gone up from 0.07% to 0.08%. However, as I mentioned in my earlier Answer to the noble Baroness, we have announced an exclusion review, which will look at many of these issues. The other point I would like to raise is that we have opened a number of alternative provision free schools over the past few years, and they are dealing with some of these issues.

**Lord Laming (CB):** My Lords, does the Minister accept that some of these children will be denied any form of education and, perhaps even more serious, those who are being denied it are also being excluded from the safeguarding arrangements in this country and therefore are exceptionally vulnerable to abuse, neglect and exploitation?

**Lord Agnew of Oulton:** My Lords, I accept that this is a vulnerable group of children, but local authorities have a number of powers of intervention. The guidance that we will be issuing shortly will clarify that to ensure that they are aware of all the tools that they have available to them.

**Lord Polak (Con):** My Lords, we are a tolerant and diverse society in which home schooling plays a part. However, there should be a register of these institutions to ensure better safeguarding, and certainly premises should be looked at from a health and safety point of view. Who is driving the agenda for secularisation? Will the Minister remind Ofsted that the humanists are not the only minority group with opinions? Does he agree it is bizarre that it is they who are the most intolerant and are being evangelical in wanting everyone to conform to their views?

**Lord Agnew of Oulton:** My Lords, we try to represent a broad coalition in education. I am proud that we live in one of the most tolerant and inclusive countries in the world—as I said in an article in the *Times* today—and we have to meet the concerns of all people. The humanists have to be reasonable, as do any of the other religious groups, and my job is to ensure that we reach a compromise for all concerned and that children are safe.

**Lord Watson of Invergowrie (Lab):** The Minister referred to home education in his Answer to my noble friend Lady Massey, although that is not mentioned in the Question. He avoided the Question on the collection of data, which is important. The Government do not collect data on the number of children whose parents claim they are being educated at home or elsewhere. The same is true of national statistics on unregistered schools, which are an increasing problem. No one knows how many children are being educated in unregistered schools, although Ofsted estimates it is as many as 6,000. Surely the time is now right for the Government to place a legal obligation on parents to register children not attending school, as proposed by my noble friend Lord Soley in his Bill which is going through your Lordships' House. Will the Minister signify his support for that?

**Lord Agnew of Oulton:** My Lords, as I made clear at Second Reading, we are aware of these concerns and have been motivated by the Bill of the noble Lord, Lord Soley. We shall watch its progress in Committee with interest. I am not able at this stage to give a unilateral commitment on registration, but I am sympathetic to the arguments made by the noble Lord opposite. We have to be aware of the nuancing around this. For example, if we insist on registration, what do we do about the parents who refuse to register? If that does not solve the problem, they remain missing. What do we do with parents like the one who said in the newspapers the other day that she would go to prison rather than co-operate in any way? This is an open area for discussion, and I have an open mind.

## Schools: Outdoor Classroom Day *Question*

11.23 am

Asked by *Baroness Miller of Chilthorne Domer*

To ask Her Majesty's Government how they plan to support Outdoor Classroom Day, to be held on 17 May; and whether they intend to increase the opportunities for children to learn in an outdoor environment.

**The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con):** My Lords, learning outside the classroom can provide children with stimulating experiences, building on knowledge gained through formal lessons. Teachers may take opportunities within the national curriculum for such learning, and events such as this serve a useful purpose in raising awareness for outdoor learning. We leave it to teachers to use their professional judgment to decide how to plan and deliver their lessons, including whether to participate in events such as Outdoor Classroom Day.

**Baroness Miller of Chilthorne Domer (LD):** My Lords, I thank the Minister for his positive response and for recognising that there are benefits. However, does he accept that the benefits are much greater than he has suggested? Several studies have shown that academic achievement is raised, behaviour is improved and everything across the range of children's activities benefits from substantial time spent in outdoor learning? Does he agree with Sir David Attenborough, the patron of Learning through Landscapes, which runs Outdoor Classroom Day in the UK, that unless children understand nature they will not be able to protect it when it is their generation's turn to do so? Will he ensure that his department introduces a minimum time for children to spend outdoors in a quality, natural environment?

**Lord Agnew of Oulton:** My Lords, I very much agree with the noble Baroness that connection to nature is vital. I grew up on a farm. At 14 years old I was sent out by the farm manager to do some straw burning on my own and I ended up needing 13 fire engines to deal with the issue. I learned on that day that you do not light a fire with the wind behind you and that if you cut a firebreak it needs to be commensurate with the strength of the wind. I learned that smoke is as dangerous as fire. So you do not have to convince me. We are moving forward: in the January environment plan we announced £10 million of funding for initiatives including school visits to natural environments, the nature-friendly schools programme and an expansion in care farm places, which I hope I can expand on in a moment.

**Baroness Byford (Con):** My Lords, is the Minister aware of the enormous work that is done between the farming community and local schools, in particular with the agricultural societies that are all around the country? They host open days at their shows to which schoolchildren, particularly those of primary school age, are encouraged to go. One difficulty is the cost of getting a bus to transport the children, but it is a very good scheme. There is a lot going on apart from on the day that my noble friend Lady Miller mentioned.

**Lord Agnew of Oulton:** My Lords, I agree with my noble friend. Open Farm Sunday is a very good example of this. Last year, 270,000 visitors visited more than 350 farmers on one day and it is happening again this year. Indeed, it happened with my own farm manager on his farm. He had 4,000 visitors, mostly children. Such initiatives are educating children about life in the countryside.

**Baroness Massey of Darwen (Lab):** My Lords, should outdoor education not form part of personal, social and health education in schools, which has recently

become mandatory, developing, for example, self-esteem and self-confidence, as well as knowledge about fire and so on? Should this not be considered by the Government as part of their scheme?

**Lord Agnew of Oulton:** My Lords, we have recently initiated a consultation on personal, social and health education. The call for evidence closed on 12 February and we expect to consult on draft guidance by the summer of this year. I will certainly take on board the comments of the noble Baroness to ensure that we are including such useful things as she suggested.

**The Countess of Mar (CB):** My Lords, the Minister briefly mentioned care farms. Does he agree that they are an ideal way of encouraging children who have become disaffected with school and, indeed, disaffected with society, bringing them back into society when they are not suited to desk learning? They can learn through such things as looking after animals, growing plants and working in forestry. This is an ideal way of bringing them back from the desert they have found themselves in.

**Lord Agnew of Oulton:** The noble Countess is correct. Preparing for these Questions is always a somewhat anxiety-inducing exercise, but it is a way to learn about how Britain works. I admit that a week ago I had never heard of care farms and now I discover that there are 230 in England and that some 300,000 children are visiting them. We have committed to trebling that number of children. There is strong evidence to show that they can help children with mental issues; they can help to improve mood, and reductions in depression and anxiety can flow from these farms, so I was hugely encouraged to discover them.

**Lord Storey (LD):** My Lords, has the Minister heard of forest schools? There is a strong movement of forest schools in the UK: given the Minister's own formative experience of outdoor education, how can we encourage the development of more forest schools? Maybe there is an opportunity, with the Government's announcement of the northern forest, to ensure that its development includes outdoor education opportunities for young people.

**Lord Agnew of Oulton:** My Lords, again, forest schools were a new discovery for me this week. I gather that we have some 400 of them in the country and that they play a very useful role in education about the outdoors for children. I can refer the noble Lord to one organisation that I used to be a trustee of 10 years ago. It is called the Country Trust and its purpose is to organise visits, particularly from inner-city schools, to farms and indeed to forests. So I support the sentiments of the noble Lord and anything we can do to encourage this is good.

## Online Hate Speech Question

11.29 am

Asked by *The Lord Bishop of Gloucester*

To ask Her Majesty's Government what action they are taking to combat hate speech online.

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, this Government abhor all forms of hate speech. It is clear that what is illegal offline is also illegal online. That is why we are taking a cross-government approach through the hate crime action plan, which will be refreshed this year. We are funding an online hate crime hub, building digital resilience and have successfully worked with industry and partners internationally to agree the removal of illegal content within 24 hours.

**The Lord Bishop of Gloucester:** My Lords, we know that websites and apps have brought many benefits, but at a cost. From my own visits to schools, I am particularly concerned about the hate speech that young people are exposed to online, including through anonymous apps like Sarahah. What are the Government doing to ensure that the age verification checks on apps are effective? How are the Government working with smaller developers to ensure that their platforms are not used to propagate threats and hate speech?

**Baroness Williams of Trafford:** The right reverend Prelate raises a very important issue in the online space for children and young people, because we know that they spend a significant amount of time online. The Government are working extensively with platforms on matters such as age verification, and on things like bullying and trolling online that young people are exposed to that can blight their lives.

**Lord Pearson of Rannoch (UKIP):** My Lords—

**Lord Paddick (LD):** My Lords, on the basis that the House cannot get enough of the European Union at the moment, I ask whether the Minister has seen the Reuters article dated 19 January entitled “Social media companies Facebook, Twitter, Google’s YouTube have accelerated removals of online hate speech in the face of a potential European Union crackdown”. Does she agree that pressure brought to bear on social media companies by the 28 countries of the European Union is likely to be far more effective than the UK dealing with these companies alone?

**Baroness Williams of Trafford:** I hope I can assure the noble Lord that in fact the UK does not come from a position of thinking that it can deal with these things alone. It is not just a European problem; it is a global problem. On the European point, one of the key aims of the EU code of conduct on countering illegal hate speech online is to increase the proportion of illegal hate speech online that is reported within 24 hours. We fully support that.

**Lord Kennedy of Southwark (Lab Co-op):** When did the noble Baroness last speak to the internet providers and other companies on these matters, to have this disgusting material removed from their sites? As the right reverend Prelate said, small developers are a particular concern. Does she believe that all companies do everything possible to get this material down?

**Baroness Williams of Trafford:** I had the opportunity to speak to internet providers at the G6 when we were discussing this very issue. Both the UK and France

were strong on pushing for illegal content to be taken down within 24 hours. I have had other opportunities to speak to internet platforms on the same thing. I agree with the noble Lord that some of the smaller companies maybe do not have the technologies, but they should partner with some of the large companies. Yes, I have spoken on several occasions to them.

**Lord Pearson of Rannoch:** I—

**Baroness Warsi (Con):** Does my noble friend agree with me that all Members of this House should be working to eradicate all forms of hate speech? I note that the noble Lord, Lord Pearson, is desperate to get into this question. Maybe if he has the opportunity to do so, he would explain whether he thinks it appropriate for Members to host the likes of Tommy Robinson within the precincts of this House at a time when there is an increased risk in relation to hate crime and Members of the other House have been receiving hate letters.

**Baroness Williams of Trafford:** I could not agree more with my noble friend that this is not just a governmental or societal issue. As legislators for this country, we have a strong leadership role to take, and it dismays me when I see certain quite extreme people invited into the Palace of Westminster to propagate their hate.

**Lord Harris of Haringey (Lab):** My Lords—

**Lord Pearson of Rannoch:** My Lords, I have been mentioned. I shall stick to the Question. Does hate speech include criticising Islam or any of the world’s great religions as opposed to insulting their adherents? Does our legislation make that distinction and, if not, should it not do so?

**Baroness Williams of Trafford:** There is a clear distinction. Expressing one’s own opinion can offend people; there is a right to offend. However, there is no right to propagate speech that goes to a particular characteristic, whether that be race, religion, disability or sexuality, and promotes hatred against that person.

**Lord Watts (Lab):** My Lords, will the Government consider introducing an education programme for this House so that we can address some of the bigotry that we regularly hear here?

**Baroness Williams of Trafford:** I am rather depressed to say to the noble Lord that it is not just here that we hear what I would call religious illiteracy, sometimes going into the area of downright misleading comments; it is within our legislature, the media and online. Through all strands of society, we need to tackle this.

**Lord Reid of Cardowan (Lab):** My Lords, following on from the question on education, will the Minister accept that this will not be resolved merely by technical control of platforms? That may be necessary, but it is not sufficient. Can she assure the House that among the things taught at primary schools and upwards is the stark fact that, in the chequered history of this country, the most glorious hours were spent and the greatest sacrifices made in defeating an ideology that

[LORD REID OF CARDOWAN]

at its core had racial, homophobic and political hatred, and that you abandon the history of this country in its greatest hours by indulging in any of those? Our young people should know that.

**Baroness Williams of Trafford:** The noble Lord makes an extremely good point. We need to be clear about opinions and the right to free speech. This country fought long and lost many lives in that very battle against religious and racial hatred.

## Arrangement of Business

11.37 am

**Lord McAvoy (Lab):** My Lords, the Official Opposition have concerns about the level and quality of scrutiny of the European Union (Withdrawal) Bill. It cannot help scrutiny to have late-night finishes such as 2.37 am on Monday and 11.33 pm last night. There are practical alternatives involving nights when the House is clearly going to finish early, as has already been suggested. Could the Government Chief Whip agree to meet the usual channels to discuss these practical alternatives? Does Brexit always have to mean breakfast?

**Lord Taylor of Holbeach (Con):** My Lords, I am grateful for the opportunity to thank the House and the usual channels for their co-operation in trying to get this legislation through the House. I am of course very happy to meet the usual channels in general, including the noble Lord and the Convenor of the Cross Benches. We have regular meetings where we try to agree on a deadline that we are going to meet, but unfortunately sometimes we do not quite get there. We did not get there last night but we all agreed to a revised deadline that suited everyone.

**Noble Lords:** Oh!

**Lord Taylor of Holbeach:** We agreed that we would get to discuss Amendment 208 last night, which we satisfactorily achieved. On the question of individual days, obviously I am quite prepared to talk to noble Lords about how we deal with the situation, but we are a self-governing House and we have no guillotine or selection of amendments, so if we take a long time to discuss matters then I regret that we have to sit until we have done the business.

## Procedure Committee

*Motion to Agree*

11.39 am

*Moved by The Senior Deputy Speaker*

That the 3rd Report from the Select Committee: *Private Notice Questions timing; Noting overdue Government responses to select committee reports in House of Lords Business* (HL Paper 97) be agreed to.

**The Senior Deputy Speaker (Lord McFall of Alcluth):** My Lords, the report proposes a small but important change to the timing for submission of Private Notice Questions to correct an unintended consequence of

the current rules. The change would mean that on days such as yesterday, when the House sits before 1 pm but Oral Questions remain at the usual time in the afternoon, the deadline for submitting a Private Notice Question in writing to the Lord Speaker remains at 12 noon rather than being brought forward to 10 am.

The report also sets out for information a proposal agreed by the Procedure Committee to list in House of Lords Business the names of government departments that have failed to respond to reports of Lords Select Committees, and Joint Committees, within two months. This change will take effect when the House returns from the Easter Recess. I hope that noble Lords will support these proposed changes.

*Motion agreed.*

## Integrated Communities

*Statement*

11.41 am

**The Parliamentary Under-Secretary of State, Ministry of Housing, Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, with the permission of the House I would like to repeat a Statement made in the other place by my right honourable friend the Secretary of State for Housing, Communities and Local Government yesterday. The Statement is as follows:

“With permission, Mr Speaker, I would like to make a Statement on the Government’s ambitious proposal to build strong, integrated communities, where people—whatever their background—live, work, learn and socialise together, based on shared rights, responsibilities and opportunities.

The *Integrated Communities Strategy* Green Paper, published today, sets out a bold programme to deliver this vision. Britain is a great place to live. We are one of the world’s most successful multi-ethnic, multi-faith societies and should take huge pride in this diversity. But, as we have seen this week with the abhorrent “punish a Muslim” letters, there is a determination among some to drive people apart. I should like to express my support for all those who have received these hateful letters, including the honourable Members for Bethnal Green and Bow, for Ealing Central and Acton, for Manchester, Gorton, and for Bedford.

While there is a lot to be proud of, there is also more to do to ensure that a diverse society does not mean a divided society. The truth is that in too many parts of our country, the norm is mistrust, anxiety and prejudice—things that prevent people taking full advantage of the opportunities that living in Britain offers. We can no longer duck this issue if we are to ensure that this is a country that works for everyone.

To that end, we have identified five factors that drive segregation in our communities. First, too many schools are segregated, even where the local population is very diverse, and unregulated settings outside school can also, on occasion, expose children to harmful views. Secondly, there is residential segregation. In 2011, 41% of ethnic minorities lived in wards where white British people were a minority—an increase

from 25% just 10 years ago. This reduces opportunities for people to mix and form meaningful relationships with those from different backgrounds.

Thirdly, disproportionately high levels of unemployment and economic inactivity reduce social mobility and can increase isolation—59% of women of Bangladeshi and Pakistani ethnicity are inactive in the labour market, compared with a quarter of their white peers.

Fourthly, according to the last census, as many as 770,000 adults in England could not speak English well or at all. Without a good understanding of our language, it is difficult for anyone to take full advantage of the opportunities available to them. I know from personal experience just how much of a difference it made for my mother when she learned to speak English more than a decade after moving here from Pakistan.

Fifthly, there is a lack of meaningful mixing between people from different backgrounds. Evidence suggests that black, white and Asian Britons take up only around half the opportunities open to them to mix socially with people of a different ethnicity from themselves, all of which adds up to a conflict between religious, personal and cultural attitudes and British values and causes increased tensions within and between communities, with women and girls often at the greatest disadvantage.

The Green Paper sets out a framework of national priority actions to address these drivers of poor integration and a localised approach to delivering them. In doing so, it sets out how we will facilitate recent migrants' integration into their communities and improve communities' ability to adapt to migration. Success will depend on strong leadership at a national and local level. To ensure that the Government lead by example, I am asking all Whitehall departments to review their policies and to identify areas where they could do more to support integration. My right honourable friend the Home Secretary, for example, will review the "Life in the UK" test to see whether it could be amended to strengthen its focus on the values and principles of the United Kingdom by which we expect all people to live.

On education, the Green Paper includes proposals to ensure that every child receives an education that prepares them for life in modern Britain. This means giving them the opportunity to mix and form lasting relationships with those from different backgrounds, and making sure that they receive a rounded education that promotes British values across the curriculum. To protect children and young people from being exposed to views that undermine our shared values, my right honourable friend the Secretary of State for Education will be publishing proposals to strengthen the enforcement policy for independent schools that are failing to meet the required standard. He will also review whether Ofsted's powers can be strengthened in relation to unregistered schools. We will stand up against any undue pressure on or harassment of school leaders who, having consulted, set reasonable policies that promote integration.

On employment, the Green Paper outlines how Jobcentre Plus will trial new approaches to breaking down the barriers to employment and supporting people from isolated communities into work. However, the truth is that you must be able to speak English not

only to find a job and prosper, but to play a full role in society. This is why we propose developing a new strategy for English language in England and launching a new community-based English language programme.

The Green Paper also takes a robust approach to hate crime—a vile attack not just on individuals but on the tolerant and generous values that underpin British society. It proposes strengthening local partnerships so that they can identify and adopt the most effective approaches to tackling hate crime and encourage more people to report it. But it is clearly not enough to stamp out hate; we need to build hope and stronger communities, which the Green Paper aims to do through initiatives such as the integration innovation fund. This fund will allow organisations to bid to test out approaches to bring people together around shared activities and community spaces.

None of these measures dilutes the Government's commitment to protecting people's legitimate rights to free speech and to practise their religion within the law. Indeed, the Green Paper reaffirms the commitment. But we cannot and will not shy away from challenging cultural practices that are harmful, particularly for women and girls. The recent news about the abuses in Telford highlights just how important this is. We will also expand our Strengthening Faith Institutions programme to help a wider range of faith institutions to tighten up their governance structures, including through promoting the participation of women and young people. We will also support the training of faith leaders to practise in the British context by ensuring that they understand the British legal system, British culture and our shared values. The recent independent review of sharia law also recommended amending marriage legislation to ensure that civil marriages are conducted before or at the same time as the religious marriage ceremony. The Government share the concerns raised in the review and are supportive in principle of this recommendation. My right honourable friend the Secretary of State for Justice will therefore explore the legal and practical challenges of limited reform to the law to reflect this.

We recognise that issues play out differently in different places and for different people, so we are going to work with five very different parts of the country—Blackburn with Darwen, Bradford, Peterborough, Walsall and Waltham Forest—to develop local integration strategies and learn how we can best address the challenges on the ground. The overall aim is to develop a set of integration measures at local and national level so that we can assess what really works. It is a sign of a mature, confident society that it can discuss these issues without lazy stereotyping or over-sensitivity. I look forward to a constructive debate with all those in this House and beyond who want to focus on what unites rather than divides us, guided by the evidence and an acknowledgement that we all have a role to play—both new arrivals in making a new life here, and existing communities in supporting them.

As the proud son of immigrants whose parents worked hard to get on and give something back, I want everyone in Britain to enjoy the same opportunities—to celebrate where they come from while playing a full and proper role in British society; to see people from all backgrounds mixing freely and without fear; and to

[LORD BOURNE OF ABERYSTWYTH]  
 ensure that everyone, regardless of whether they are a new arrival or can trace their ancestry back to the Norman conquest, feels proud to call this country their home. The Green Paper proposes an ambitious programme of action across government to help us achieve just that. I commend this Statement to the House”.

11.51 am

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, I thank the noble Lord, Lord Bourne of Aberystwyth, for repeating the Statement delivered yesterday in the other place by his right honourable friend the Secretary of State. I draw the attention of the House to my relevant interests as a councillor and a vice-president of the Local Government Association.

I endorse the Minister’s comments on the disgusting “punish a Muslim” letters. I hope that the perpetrators of this evil hate crime are caught and punished. Such an act has no place in our society. The success of our communities has been their diversity. I am the son of immigrants who came here in the 1950s from Ireland to make a life for themselves. Immigrants from all over the world have contributed to our communities and make our country a much better place.

I am pleased to hear that the Government are committing money to the English for Speakers of Other Languages programme, though perhaps the Minister can comment on the figures from the House of Commons Library, which show that between 2009-10 and 2015-16, funding for such programmes fell from £220 million to £90 million. So although the new funding mentioned in the Statement is welcome, it will not replace the money that the Government previously took away.

In her report, Dame Louise Casey stated:

“The problem has not been a lack of knowledge but a failure of collective, consistent and persistent will to do something about it or give it the priority it deserves at both a national and local level”.

That is why it is disappointing that the Government have not announced a new policy but another consultation on a potential policy following a report they received in 2016. It is now March 2018.

On education, mixing with children from other backgrounds and religions throughout life is one of the best ways of preventing barriers being erected. I agree that children should not only be learning about British values, but living them as well. I very much hope that the Government’s Statement signals a new commitment; if so, I welcome what I have heard today, but they need to ensure rigorous assessment and evaluation of the pilots as other aspects of the Statement progress.

I have a few questions for the Minister, which I hope he can answer. If not, I am sure he will write to me and other Members of the House. Can he tell us what equality impact assessments on the funding have been made for the five pilot areas he outlined in the Statement? We heard about an aspiration to work with local authorities, which is very good. What role does the Minister believe they can play in this strategy? Perhaps he can outline that for the House. What discussions has he had with his ministerial colleagues in the Department for Education about the role of education and making sure that ethnic minorities can

benefit here, particularly on issues such as childcare and so on, and how they can make sure that those minorities fully benefit from the programme?

I am also aware that the Minister’s right honourable friend the Communities Secretary wrote in an article in the *Guardian* that,

“there are too many communities that are still very segregated and therefore divided”.

I am conscious that he has been in post for two years now. Perhaps the Minister can outline what he thinks those divisions are and what has happened in the last two years to deal with some of those barriers.

As I said, I welcome the Statement and I hope that it goes the right way to solve the variety of problems here. I hope the noble Lord can answer those points, but if he cannot, I am sure he will come back to me in the normal way.

**Baroness Pincock (LD):** My Lords, I draw attention to my interests in the register as a councillor in West Yorkshire and a vice-president of the Local Government Association. I start by endorsing the condemnation of the abhorrent letters received by many people—among them, one of my friends.

There is much to be welcomed in this Statement on the integration strategy Green Paper. The Government are at last thinking about the issues and the remedies. Before I comment on some of the main headlines in the Statement, I will draw attention to the thinking at the heart of this policy proposal. The Statement defines integrated communities as ones where,

“people—whatever their background—live, work, learn and socialise together”.

That is a sweeping statement. Within the majority white community, this is patently not the case and never has been, which is why I question that broad assertion. Perhaps what the Green Paper needs to focus on is those elements of our common life in this country that enable each individual to play a full part rather than to attempt a forced integration, which seems by its very nature to frown on differences. I support the Statement when it says that,

“a diverse society does not mean a divided society”,

but the language used to describe the current position and the changes desired is very important, and something is lacking in some parts of the Statement and the Green Paper. Will the Minister reflect on that word “integration” and on whether “cohesive communities” may better describe the aim of the proposals?

The Government have listed five relevant areas for action if our diverse communities are to be more cohesive. Some of us in leadership roles in local government took action when funding was more available. Noble Lords—just south of Bradford, which was mentioned in the Statement—which has had its share of difficult situations emanating from communities that were not in touch with each other. We tried a number of schemes, many of which showed successful outcomes. I hope the Government may seek to introduce some of them in the listed areas. They included: school twinning, where children met together to share activities such as art and sport; cookery classes for women from different ethnic backgrounds, where they could share recipes, which was very successful; a programme of sporting

activities organised by a community group, with a community cup at the end of it, which was hugely popular and successful in bringing children and young people together, mainly to play football; and an interfaith programme, which was mainly focused on schools but also open to adults, and involved visits to mosques, gurdwaras and churches.

Of course, all these additional activities need funding, and as funding disappeared, so, sadly, did the activities. But a few remain. There is an annual cricket match between Christian church leaders and Muslim imams, and interfaith activity continues, led by a Church of England bishop and a Muslim leader. These activities did much to bring people together. Can the Minister say whether the Government are seeking to promote these sorts of activities and, crucially, whether funding will be provided at adequate levels?

I will draw attention to two areas in the Statement, the first of which is language. People who are unable to be fluent in English are at a disadvantage, and their lives are more isolated and restricted. The Government of course made the decision that support for the teaching of English as a second language was no longer needed, and slashed the funding. How schools manage to be effective in the classroom when the children are not able to speak, let alone read or write, English is a marvel to me. ESOL spending must be increased, and be sufficient to meet needs. Perhaps the Minister may be able to commit to that extent of new funding.

The other area I want to focus on is low skills—a critical factor both for white boys and young men and for those from minority ethnic backgrounds. In Bradford, this is the source of much of the inter-community distrust. FE colleges have a key role to play in enabling young people to acquire relevant skills so they can join in and have employment, which gives them some hope for their future.

There is much that must be done if the aim of the Green Paper is to be achieved. I welcome the integration and innovation fund, as long as it is adequate to meet the need. Unless it is, integrated communities will remain a distant prospect, with all the risks that that leaves behind.

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Lord, Lord Kennedy, and the noble Baroness, Lady Pinnock, for their contributions and questions, and I shall try to deal with the points they have raised. First, I thank them for their support in condemning the dreadful and abhorrent “punish a Muslim” letter that we have seen. There are, understandably, a lot of people who feel vulnerable and frightened, and I hope we can send out messages to all our faiths, and to people of no faith, to be protective of Muslims, particularly on 3 April. The signs are that many will, quite rightly, defy that dreadful threat and not stay indoors. We particularly need to give reassurance about how awful and gut-wrenching the vast majority of the people of this country find those letters.

I shall pick up some points made by the noble Lord and the noble Baroness and try to deal with them generically, so far as I can. First, I extend thanks on behalf of everybody for the work of Dame Louise Casey in this area. Of course, we have built on her work, and she has made a massive contribution to thinking on this subject.

English language provision is very important. I have seen that it has been transformational; I have seen and visited English language classes in the East End of London, in Whitechapel, and have seen the difference they are making, particularly for Bangladeshi women who have had their lives transformed. That does not just mean the possibility of getting a job, though it is partly that, but the ability to go out of the home and mix with other people. I totally accept the importance of this up and down the country. Of course, this is partly an issue of funding, but not totally. When I looked at the funding for Near Neighbours, I saw that some programmes were able to do far more than others. We will need to look into that, too.

The consultation has been mentioned, and it is important that we get communities to talk about these things and contribute to the consultation, which will range widely over many areas. For example, we are looking at education and issues relating to marriage. The consultation is open until 5 June.

The noble Lord, Lord Kennedy, raised particular points about education and what will happen in the five trailblazer areas. Obviously, although they have some similar challenges the areas are all very different. We will want to speak to and work constructively and intimately with those five authorities, but the work is not limited to those five: we want the work to go wider, to all local authorities, which will be contacted about the Government’s proposals and the consultation. Again, we would encourage people to participate in that consultation. I hope the noble Lord will forgive me if I write on any points that I have not covered.

The noble Baroness, Lady Pinnock, talked about forced integration but I have to say that I do not recognise that. Perhaps I may give an example of something which in no sense involves force but just provides opportunities for integration and mixing. When I visited Bradford, I met up with the Bangla Bantams from the Bangladeshi community. They now support the football team and are an intimate part of it. That had not been the case until the dreadful fire—and what an awful fire it was. However, because they lived close to the ground, people who were then without mobile phones—this was the pre-mobile age—went to their homes and said, “Can we use your phone?”, because it had been such a dreadful fire. Friendships and relationships were formed and now, a generation on, it is very natural for people from that community to be a part of the network that supports the football team. That is one example of something that happens, in a sense, by accident—an awful accident—but those are the sorts of opportunities that need to be fostered and encouraged.

The innovation fund to which the noble Baroness referred will very much be open to individual bids for the sorts of opportunities that she was talking about. Often when going round the country, we find that the things that bring people together are food, sport and music. She referred to a cricket match. In Chelmsford there is an annual cricket match between the local mosque and the cathedral, and again that has built up a relationship in the town between different people. These things are very important and need to be fostered. It is not just about that but those sorts of opportunities help to encourage integration.

[LORD BOURNE OF ABERYSTWYTH]

I hope noble Lords will forgive me if I have missed any points. If I have, I will pick them up in a write-round letter to all those who participate in the Statement and I will ensure that a copy is placed in the Library.

12.06 pm

**Baroness Deech (CB):** My Lords, may I ask the Minister what more the Government can do to further integration in higher education? The Government have abolished maintenance grants, and that means, for example, that if you are a child growing up in a rather segregated secondary school in some of the trailblazer areas, you cannot afford to leave that area and go to another university where you will be able to mix with people from different backgrounds; you are stuck in that one area for ever. And I am sorry to say that hate speech is still flourishing on our campuses. The CPS and the Equality and Human Rights Commission are doing next to nothing to stop it and prosecute, as the case may be. Segregation, to some extent, and extremist and hate speech are going on in our universities. We have to make sure that our future leaders are fully integrated.

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Baroness very much indeed. She raised two separate points and I will bring them up in the order in which she made them. On her first point about mixing at tertiary level in universities, I think she said that ideally a university would be away from the home city, as integration would be more likely. It is a point well made. I am sure that my right honourable friend the Secretary of State for Education, who is taking a central part in this integration strategy, will want to contribute and will have thoughts on that. In relation to hate speech, the noble Baroness will know that my honourable friend Sam Gyimah in the Department for Education is taking this matter forward. It is a serious concern that some campuses—although by no means all—impose totally unreasonable, unrealistic and unhelpful restrictions on free speech. That is not what universities should be about, and it is very much in the Government's eyeline to do something about that.

**The Lord Bishop of Portsmouth:** My Lords, there is a great deal in this Statement and in the strategy that I welcome. It promises a big and positive difference in what the Government are doing to improve integration. It is good to see in the Green Paper initiatives such as the Near Neighbours Catalyst leadership programme, to which the Minister has recently referred. It is good to see that singled out for praise. However, there is some anxiety that Catalyst and other valuable Near Neighbours activity might have to come to an end as a result of a reduction in overall funding for Near Neighbours and the for the small grants fund. I am sure that that is far from the Government's intention, and I wonder whether the Minister can give an assurance that he will look at the impact of any funding changes as part of the assessment of this new strategy.

**Lord Bourne of Aberystwyth:** My Lords, I can certainly assure the right reverend Prelate that we will be very mindful about any changes to funding. The Near Neighbours projects that I have seen—and I have

seen a lot of them—have been doing excellent work and providing excellent value, so when we look at funding, as government departments do from time to time, we will bear that very much in mind.

**Lord Hodgson of Astley Abbots (Con):** My Lords, I thank my noble friend for repeating the Statement. I draw the attention of the House to the fact that I am chairing a Select Committee of your Lordships' House looking into citizenship and civic engagement, and we are due to report next month. Quite a lot of our work washes over into the areas that my noble friend has mentioned. One of the challenges that we have identified is that, unsurprisingly, there is no quick fix; what is needed is sustained, consistent application of government policies. Too often, initiatives in the past do not appear to have outlived the Minister who initiated them. Can the Minister, as he explained this wide-ranging programme, tell the House which department and which Minister are going to be responsible for making sure that this whole ambitious programme is driven through?

**Lord Bourne of Aberystwyth:** My Lords, I thank my noble friend very much indeed for his comments and for the work that he does in chairing that excellent Select Committee. Without hesitation, I can say that the person who is driving this forward is, of course, my right honourable friend the Secretary of State, Sajid Javid. He is not doing it alone, as he indicated in the Statement, because it involves many other government departments. It is cross-government and involves education in particular. We also mentioned the Ministry of Justice in relation to the situation regarding marriage. But I assure the House that the person who is driving it—and he is driving it very hard and is committed to it—is my right honourable friend Sajid Javid.

**Lord Blunkett (Lab):** My Lords, I pay tribute to the noble Lord, Lord Hodgson, on whose committee I am pleased to serve under his excellent chairmanship. I also draw attention to a non-pecuniary interest on the register. If I may bowl the Minister a bit of a googly—I suspect that he might agree with me, but he certainly will not want to say so—there is a bit of a paradox in the very welcome updating of the Life in the UK Test and the extraordinarily out-of-date booklet that goes with it, which actually ensures that those who seek naturalisation have learnt something about British citizenship while their children and, to pick up the words of the Statement, those whose heritage goes back to Norman times, do not have a mention at all in terms of education for citizenship in this document. Will the Minister inquire whether a cleaner in Downing Street could find the two or three pages that obviously got ripped out inadvertently before the document was published?

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Lord, Lord Blunkett, very much indeed. I know that he plays a vital part on that Select Committee and I join in his praise of the chairman, the noble Lord, Lord Hodgson. On his question, I have great sympathy with the point he is making. I was asked by a friend to provide some testing of model questions—which did not come with model answers, rather curiously—one

of which was, “Was Richard III left-handed or right-handed?”. I had absolutely no idea at all and still have no idea. I do not know whether noble Lords can help me, but it struck me as a rather strange question relating to British life. It obviously needs a little attention.

**Baroness Warsi (Con):** My Lords, I apologise to my noble friend for coming in as he was already on his feet at the start of the Statement. He may recall that an issue arose during Questions, and I was speaking to the House authorities about that.

I welcome the Statement, and I particularly welcome the divide in the Green Paper between integration and counterterrorism, something that many of us have been calling for for some time. I also welcome the reinstatement of a commitment to the teaching of English as a second language and, it is hoped, funding for the same. Will the Minister assure the House that the policy responses post the Green Paper will be evidence based, will take place after broad engagement and will be applied consistently across all communities? Will he also be mindful of the fact that, when we talk about separated communities, we draw a distinction between those communities, very small in number, which may seek to live separate lives and those which have no choice about where they live? Will he also deal with the issue of resources?

Finally, I congratulate the Green Paper on finally dealing with an issue that has been on the books since at least 2011, certainly from my time in government: the need for religious marriages to be part and parcel of legal marriages. The proposal is for a person to conduct a legal marriage in a civil ceremony before a religious ceremony is conducted. Rather than having this two-tier system, will the Minister look at proposals where both marriages could be conducted at the same time so that more places of worship where such marriages take place are formally authorised to conduct civil marriages, too?

**Lord Bourne of Aberystwyth:** My Lords, I thank my noble friend both for her questions and for her undying contribution to this area of national life, which is significant—everywhere I go I find that to be the case. I thank her heartily for the work that she does. Yes, the Government will ensure that the policy response is evidence based and that the approach is broad—hence the broad nature of the consultation—and consistently applied. Yes, we are making integration available to people; at the end of the day, we cannot force it. The vast majority of people in this country, of whatever background, race or religion, want that opportunity of mixing, which I think will be readily taken up when it is available.

I thank my noble friend for what she said about religious marriages and moving the discussion on. I am grateful to her for exaggerating my powers in this regard. The Ministry of Justice will look at this area, but, just like other areas, it is open for consultation, and I feel sure that my noble friend will make her views known on that and other areas.

**Lord Ouseley (CB):** My Lords, I welcome the opportunity to comment on this proposal and the specifics contained in the consultative document. However,

integration is a two-way process. We have to accept that we have been around the houses for many years—2001 being the most recent occasion, when many reports came out to point the way to how we might deal with some of these problems in places such as Bradford and Oldham. It is important for it to be recognised that responsible leadership has not been consistent nationally and locally on these matters, particularly in challenging bias, xenophobia and hatred. Levels of hatred are now rising considerably in all aspects of our society—we have talked extensively about that already today. Do the five areas that have been identified for action represent the ambition that the Minister talked about, because the issue of integration and cohesion applies right across the country in all areas? I hope that the Government will look again at that and see it as very important.

My second question goes to an example given by the Minister about the Bangla Bantams. He indicated how that initiative came about through an accident and due to the fire. But it was more than that—this is where I draw Members’ attention to my own record in the register and my association with an organisation called Kick It Out, which was set up back up in 1993 to try to use football to tackle some of the problems of racism and all forms of discrimination. The Bradford Bantams was one of many organisations that came about as a result not only of a fire but of hard work, with communities around their football club seeking to draw in people from all backgrounds to participate and mix with and learn about one other. Will sport play an important part, as I already see happening? Investment from football into communities is one of the few sources of investment taking place without public funds that tries to bring together young people of all backgrounds, faiths, ages and sexes to play, participate, learn and be involved as the future generation in taking forward this agenda in an integrated way.

**Lord Bourne of Aberystwyth:** I thank the noble Lord very much indeed and recognise the great role that he has played in this area over many years, just as he has referred to integration policies over many years. Of course, it is fair to make the point that the position in the country has also changed in that time, and the challenges are somewhat different, but I accept the great importance of ensuring that we have a consistent approach over time. There is broad—almost total—agreement across political parties, different communities, different religions and people of no religion as to how we should move forward. Once we have that agreement and framework from the consultation, we should be able to move forward.

I also echo what the noble Lord said about hate crime. There is something of a paradox, in that hate crime has no doubt increased in an awful way in some cases, but there is also more readiness to report it, which we all welcome. At the same time as the statistics are going up because there is an increase, they are also going up because there is better reporting. We continue to encourage that: people are more ready to report hate crime, and so they should be.

The five trailblazer areas are not the sum total of the Government’s ambition by any means, and I apologise if the Statement or my replies made it seem so. That is

[LORD BOURNE OF ABERYSTWYTH]

not the case. They are five areas where we especially want to see how policies work out because they have particular challenges in their different parts of the country, but this is a national policy for a national challenge: let that message go out.

The noble Lord rightly referred to the role of sport, the excellent Kick It Out campaign and the role of many football clubs, including my club, Leicester City. I only referred to the Bangla Bantams because the fire was perhaps a catalyst, but I accept that an awful lot of hard work went on to make the club happen. It happens in football and in other sports—athletics and so on—and that is also something that the Government are looking to encourage.

**Lord Cormack (Con):** My Lords, I shall ask my noble friend one simple question and then make a point. First, could he give us an idea of the timescale for the five pilot areas, accepting that they are pilot areas, and how he will report back to the House?

Just as it is very important indeed that people should know the English language well, will my noble friend also accept—the noble Lord, Lord Blunkett, referred to Norman ancestry and all the rest of it—that people who are to become fully integrated into British society should have a reasonable knowledge of British history? Will he talk to bodies such as the Royal Historical Society, of which I happen to be a fellow, the Historical Association and others about devising for those who are being integrated into our community a history syllabus that enables them to have a reasonable chronological knowledge of the history of this country? Without that, they cannot feel fully part of it.

**Lord Bourne of Aberystwyth:** I thank my noble friend Lord Cormack very much indeed. The five areas that I mentioned—Blackburn with Darwen, Bradford, Peterborough, Walsall and Waltham Forest—are where we will be developing local integration strategies to address the particular problems of those areas. As the money that we have announced, the £50 million, is for the end of the CSR period, I think it will be a two-year programme. I will write to my noble friend if I am wrong on that.

On my noble friend's point about British history, no one is better qualified to ensure that this happens than him. As someone who goes distinctly wobbly before the Tudors, I will ensure that the Home Secretary is aware of his interest, and he may want to contribute to the consultation, because this is something that the Home Office will be picking up.

**Baroness Manzoor (Con):** My Lords, I support the Statement and the Green Paper, which are very welcome. I have two questions. One thing that my father used to say was, “Education, education, education”, and it is of paramount importance that we ensure that everyone has a decent education in the schools in those five areas but also more widely. I am delighted that more money, £50 million, is going to be spent, but particularly that it identifies women and girls. While we are looking at this agenda, we are also looking at issues of poverty generally in these areas, because it contributes to disadvantage. Perhaps the Minister could say a few words around these issues.

**Lord Bourne of Aberystwyth:** I thank my noble friend very much. I seem to remember somebody other than her parent said “Education, education, education”. I assume it was somebody else. I am sure it was. My Lords, it is central to the strategy, as is the role of women and girls, and particular issues faced by some communities in relation to the English language, so she is right to give emphasis to that point.

My noble friend's points on poverty and disadvantage were again well made. We know from the *Race Disparity Audit*, which is going on in parallel to this, that there are disadvantaged communities that are not ethnic minority communities, so that has to be picked up as well. There certainly are disadvantaged communities among ethnic minorities, but some disadvantaged communities are not. Those two strands are going forward together.

**Lord Brooke of Alverthorpe (Lab):** My Lords, I welcome the report. I would like to refer particularly to chapter 6, where I sense a weakness. “Education, education, education” is very good indeed but, if there is no employment at the end of it, it can lead to disillusionment and further problems, so I am very much in favour of “Investment, investment, investment”. Could the noble Lord give some indication of the kind of investment incentives they may be offering to try to make business go into places such as Blackburn, Bradford and Walsall, where we have high levels of unemployment in all aspects of the community there? That is one way we can find our way out of it. God only knows how Brexit is going to provide investment in those areas in the future. As we are focusing on these areas, could he say what additional incentive he may have been considering to get extra investment in those areas?

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Lord very much. I should first say that I hope to go to all of these different areas during the consultation, in so far as Brexit debates here and purdah allow, to see exactly what is happening in those different parts of the country. I have been to most of them over the last few months anyway. In Blackburn with Darwen, there is a considerable amount of very effective work going on renewing the town. There is excellent work being done around the cathedral and that area, and a business hotel recently opened in the centre of the town. There is work that we do, but he is right that we have to ensure that it is not just about providing education. Perhaps it is education in the wider sense here; we need to be aware of the importance of apprenticeships as well. We will be in discussions with those five areas, looking at their integration strategies and how we can develop job opportunities. The innovation fund, outside of those five areas, may also make a big contribution.

## Building Safety Update

### Statement

12.28 pm

**The Parliamentary Under-Secretary of State, Ministry of Housing, Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, with the permission of the House, I will repeat

a Statement made by my right honourable friend the Secretary of State for Housing, Communities and Local Government, in the other place earlier today, on building safety. The Statement is as follows:

“Mr Speaker, with permission, I wish to make a Statement on issues arising from the Metropolitan Police investigation into the Grenfell tragedy. This investigation has involved a thorough examination of every aspect of the tower, including front doors to flats within the property. These doors include a glazed fire door manufactured around five years ago. Initial inspections indicate the door is believed to have been designed to resist fire for up to 30 minutes, as required by building regulations guidance, but when tested by the Metropolitan Police it failed after approximately 15 minutes. The Metropolitan Police considered that this test result might have wider implications for public safety and alerted my department.

The Government immediately sought advice from the independent expert panel on the test findings and to see whether any action was required as a result. This expert panel is made up of a range of building and fire safety experts, and chaired by Sir Ken Knight, former London Fire Commissioner and former government Chief Fire and Rescue Adviser. The panel consulted with representatives from the Metropolitan Police, the Government’s Chief Scientific Advisers and the National Fire Chiefs Council. Following this, the expert panel has advised that the risks to public safety remain low. There is no change to the fire safety advice that the public should follow.

I nevertheless fully appreciate that this news will be troubling for many people, not least all those affected by the Grenfell tragedy. That is why, based on expert advice, we have begun the process of conducting further tests and will continue to consult the expert panel to identify the implications of those tests. I have made it clear that the necessary tests and assessments must be carried out thoroughly but at pace. There is no evidence that this is a systemic issue. Data between 2009 and 2017 shows fire does not generally spread beyond the room of origin. I am also clear that my department and the Metropolitan Police will ensure that the bereaved and survivors are kept informed of progress. I commit to updating the House when further information is available, and no later than the end of April.

I should stress that, in carrying out these tests, conclusions should not be drawn about the nature or cause of the Grenfell tragedy. That is a matter for the separate police investigation. It must be allowed to run its course.

Honourable Members will be aware that Dame Judith Hackitt is undertaking an independent review of building regulations and fire safety to ensure that the regulatory system is sufficiently robust. Dame Judith has been made aware of these latest findings, and, having accepted the initial recommendations set out in her interim report in December, we look forward to her final report, which is expected in the spring.

Nine months ago, we faced a loss of life and suffering on an unimaginable scale at Grenfell. Since then, significant efforts have been made by the Government and others to support survivors, find them new homes and keep people safe. However, I know that the matters

I have raised today will raise questions. I want to reiterate that on the basis of expert advice my department has received, there is no evidence that risks to the public have changed. I want to reassure honourable Members that all possible steps are being taken to properly investigate the issues and to take action where needed. Public safety is paramount. Our position is clear: the events of 14 June 2017 must never be allowed to happen again”.

My Lords, that concludes the Statement.

12.32 pm

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, I thank the noble Lord for repeating the Statement delivered earlier in the other place. I refer the House to my relevant interests as a local councillor and a vice-president of the Local Government Association.

I appreciate the Government updating the House, but it is important that when we have these Statements on Grenfell we always recognise not only the terrible suffering that took place but the wonderful efforts of all the emergency services, both on the night itself and afterwards, and the support from the local community, faith groups and charities, which have carried on working since that night to help rebuild that community. We should pay tribute to them all every time we have these Statements—we owe them so much for the work that they have done.

The noble Lord is right: we are nine months on from that dreadful tragedy and it must never be allowed to happen again. We must make sure that we do everything we can to ensure that that is a reality. It is very worrying, therefore, to find out that a door which it was suggested would survive for 30 minutes failed in less than half that time. These doors are supposed to give people time while they wait for the authorities to come and rescue them. To find out that it failed in half the time is very worrying indeed. It exposes serious problems with the door itself and raises questions, which I know Dame Judith is looking at in her review, on the health and safety regulations that are designed to keep people safe, but which have failed here.

It is good that we no longer hear the “red tape” nonsense that we did in the past. Clearly, this is not about red tape: it is about keeping people alive and saving lives. It is important that we do not hear such comments ever again. It is troubling for many people that these doors failed. The Government need to ensure that we move at a quicker pace to get all these matters dealt with and resolved quickly. People are concerned about this and it is always in their minds.

The Metropolitan Police investigation is a separate matter. As the Minister said, they need time and space to investigate and deal with the matters properly and to bring them to a conclusion.

I have a number of questions for the Minister which I hope he will be able to answer today. If he cannot I know that he will write to me and other Members of the House and cover both the points he made and wider points. Can he explain why, nine months on from the fire, we still do not know how many private tower blocks are covered in cladding similar to that used in Grenfell Tower? I do not know whether the

[LORD KENNEDY OF SOUTHWARK]

House is aware of the figure, but I am not. I believe up to 41 local authorities have contacted the department in regard to fire safety works. How many have funding from the department for this work? I think it may be none or very few.

I am conscious that soon after the fire the Prime Minister fixed a deadline of three weeks for everyone who was affected to be found a home nearby. We are now nine months on and I would be grateful if the Minister could tell the House how many families have been found a permanent place. The last time we debated this he told us that it was 60 out of the 208 households but it would help if he can give updated figures on how many have been found a permanent place and the numbers in temporary accommodation. Again, we need to get these matters resolved as soon as possible.

I am pleased that the noble Lord said that we will be updated as testing goes on—it is important that, as other issues come to light, we update people—but, in relation to these doors and other matters, what is the process for alerting local authorities and the manufacturers? I know the name of the door, but how many of them are there elsewhere? People need to know this and that they have failed. I know the Minister said that there is a low risk—but there is still a risk—and that most fires are contained within the place where they start. However, the fire was not contained where it started in Grenfell Tower and people are worried. Can the Minister tell the House what the Government do to alert manufacturers and other private companies in order to protect people in the future? I will leave it there and I look forward to the Minister's responses.

**Lord Shipley (LD):** My Lords, I remind the House that I am vice-president of the Local Government Association. I share the concerns of the noble Lord, Lord Kennedy, and the tribute he paid to all those affected by the Grenfell tragedy.

I refer the Minister to paragraph 10 of the Statement in which it is said that there is no change to the fire safety advice that the public should follow. Does that mean that the stay-put policy for tenants in high-rise blocks is seen to be the right policy? I suspect that many people who live in high-rise blocks doubt that that should be the case.

Secondly, should the Government insist that fire regulation assessments for every high-rise building are published and made available in an accessible form for the public to read? At present, fire regulation assessments may not necessarily be public documents. If the Government are now going to say that a stay-put policy is appropriate, it follows that fire regulation assessments should be publicly available for the tenants and residents of such blocks.

I was struck by paragraph 14 of the Statement, which states that there is no evidence that this is a systemic issue. In one sense all the evidence suggests that that may be true. It probably is true that the data between 2009 and 2017 shows that fire does not generally spread beyond the room of origin. That may be generally true but, of course, sometimes it is not true and in the case of Grenfell it was not true. There is a huge amount of evidence being collected by all those working

to prevent Grenfell happening again and it is pretty clear to me from what I have read in documents published by the Minister's own department, the latest update being about a fortnight ago, that we need to move much more quickly than the Government seem to be working: there is an issue of public confidence in fire safety regulations and I fear that the Government are too slow in their resolution of some of these problems.

The public want to know whether the Government will enforce compulsory, regular electrical safety checks in high-rise blocks as a matter of policy. My final point is that there is a huge issue arising now about who is going to pay the bill for all the remedial works that are required. There is a huge amount of publicity around private leaseholders, some of whom are likely to have a fee to pay for the fire wardens who are currently in their blocks. More generally, because cladding has been put on to a large number of blocks and is having to be taken off, there is an issue as to who is paying the bill for the private leaseholders. I am not sure that it is sufficient for the Government to say simply that the solution is for private leaseholders to sue the council, the local housing authority or some other party; I fear that it is not.

Finally, the Government have consistently said that they will fund essential and necessary works to high-rise blocks. Will the Minister confirm that that remains their policy?

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Lords, Lord Kennedy and Lord Shipley, for the points they have raised and for the way in which they raised them. I share their true, undying respect and admiration for all those who, on the night of Grenfell and ever since, have made such a massive contribution in relation to that dreadful disaster. It has been truly awesome and we owe an undying debt to people who have helped in that way. I shall try to deal with some of the points and, in so far as I cannot, I will certainly write to noble Lords and make sure that a copy is placed in the Library.

First, I am not sure about the number of private tower blocks; I will need to write to the noble Lord about the outstanding position there. On funding for local authorities, which was raised by both noble Lords, I can confirm that the Government's aim—it will be our number one aim and we will ensure it happens—is that nothing will not be done by reason of lack of finance. Safety is the priority. Discussions are ongoing with a number of authorities about the possibility of meeting some costs. I will provide a more detailed update, if I may.

Of the 209 families that we are undertaking to rehouse from Grenfell Tower and Grenfell Walk—noble Lords may remember that it is more than the initial number of households because some are splitting—184 have found accommodation, some temporary and some permanent. I am not sure of the precise numbers of those who have moved in and those who have not. Another important point to make is that some of those who initially opt for temporary accommodation subsequently decide to go permanent. There is an element of flux between the different categories, and that is perhaps the most significant one. Again, I will provide an update there, if I may.

On the more specific issue in the Statement about fire safety and fire safety advice, the advice that remains unchanged—I say to the noble Lord, Lord Shipley—is to keep fire doors shut to help prevent the spread of fire and smoke. That is central, as is understanding the fire safety advice for your building and, if in doubt, discussing this with your landlord or building owner; it should be advertised. I very much take his point about ensuring that this local assessment is known by people. That is no doubt something that the Dame Judith Hackitt review will be looking at, and of course we will look at that with a degree of urgency as soon as the review reports—the final stage of which is in the spring—because these matters are urgent. I accept what the two noble Lords have said about the importance of that.

Regarding this particular exercise on what happened in the block, I should say first that this was discovered as a result of the Metropolitan Police investigation—because of course there is no access to the site at the moment because it is a crime scene. As soon as we became aware of it, we took the appropriate action to consult the relevant committees, fire chiefs and so on. In consequence of that, my right honourable friend the Secretary of State has said that we need to move this on apace and look at it more widely in the context of fire doors elsewhere. It is a particular batch that is being looked at. There is no indication at the moment that it is wider than that, but we are now moving forward apace to ensure that, in consequence of what the Secretary of State has said, we look at other fire doors to see if it is any wider than that. I think that that is the appropriate thing to do. In the meantime, it is worth stating that this is somewhat different from the cladding. Whereas there was every prospect, at least in some cases, that the cladding could be an accelerant to a fire, here we are talking about something that impedes the fire. The issue in relation to this single door was that it was about half what it should have been; it did not impede it enough. In consequence of that, we are doing the other testing. As this is something that will now move on apace, I would like to write to noble Lords ahead of Easter with an update on this, and of course there is the undertaking from the Secretary of State that he will report back in the other place before the end of Easter. I would expect to repeat that exercise here.

12.46 pm

**Baroness Brinton (LD):** My Lords, I echo the comments that the Minister and other colleagues have made about the sympathy that goes to those who have survived the Grenfell Tower fire, and also the resilience they have shown in trying to move on with their lives afterwards. I declare an interest as a member of the All-Party Parliamentary Fire Safety and Rescue Group. Anybody who has an interest in fire safety realises that compartmentalisation is absolutely vital to the safety of a building. This is now the third breach of compartmentalisation that has become apparent: first it was the cladding, then the block in Camden where we know there was a breach of compartmentalisation from putting in new gas central heating arrangements, and now there are concerns about this fire door. Compartmentalisation is absolutely at the heart of the stay-put policy. I think we need reassurance that the

slight complacency in the Statement that this is not a general issue, is absolutely not the case. It is easy to talk about a “batch” of fire doors, but how big is the batch? Have there been tests on other fire doors of different makes to check that they still meet the 30-minute compartmentalisation fire resistance?

Dame Judith Hackitt, in her interim report, talked about two key findings: improving the process, competence and enforcement of regulations, and improving testing, marketing and the quality assurance of products. I know that the Government have been saying that they will wait until Dame Judith Hackitt reports with her full report, but this particular incident means that we have to move forward now to look at compartmentalisation. This affects not just high-rise blocks but every rented block of flats in the country as well. Can the Minister assure us that there will be a Statement as soon as possible on whether it is just this one type of fire door or a more general problem, and also if it is possible to track where those doors have been placed, or whether there has to be a general request to go out and identify them.

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Baroness for the very important role that she fulfils in the All-Party Parliamentary Fire Safety and Rescue Group, which is absolutely vital. There is certainly no intention of complacency on the part of the Government. There is, however, a need to balance this with what we know at the moment. I quite appreciate that the avenues of investigation that the noble Baroness referred to are totally appropriate. We will ensure—I know this will be happening anyway; Dame Judith Hackitt will be watching very closely what is said in both Houses of Parliament regarding her review—that she has all the content of this Statement in front of her, and she will be looking at that.

I appreciate what the noble Baroness is saying, but it will not be long before we get that final report and I feel it would be premature to look just at the interim report when some of this will be picked up in the final one. By the nature of it, I am sure this will also be looked at in the context of Grenfell by the Moore-Bick inquiry that is going on.

The noble Baroness asked for an assurance that there would be a Statement. I can give her that assurance; my right honourable friend in the other place has indicated that he would do so at the latest by the end of April. I echo that because these are important areas. There is no intention of complacency, and I appreciate the point being made that we need to look at this holistically.

**Lord Naseby (Con):** My Lords—

**Lord Porter of Spalding (Con):** My Lords—

**Viscount Younger of Leckie (Con):** Order, my Lords. There is time for a number of noble Lords to get in, but on this side we need to decide which noble Lord would like to speak first.

**Lord Naseby:** My Lords, I declare an interest as the founder of the all-party parliamentary group on building and other housing groups. First, are Her Majesty's

[LORD NASEBY]

Government going to issue a directive to every manufacturer of fire doors that they lodge within seven days certificates for those doors that they come up to standard? Secondly, are these particular fire doors to be withdrawn from sale across the whole of the UK? Thirdly, will the Minister confirm that the procedures for testing fire doors across Scotland, Northern Ireland, Wales and England are identical? If they are not, what action is being taken to consult with the other parts of the UK to ensure that we have an identical standard across this nation?

**Lord Bourne of Aberystwyth:** My Lords, I am very grateful to my noble friend for those questions. First, I am very grateful for his suggestion of getting up to standard; that is a question that Dame Judith Hackitt will want to look at, and something of that nature appears to be very sensible. In relation to the question of withdrawing from sale, I can confirm that these doors are no longer on sale anywhere in the country, or indeed anywhere in the world as would be the case. In relation to the testing of fire doors in other parts of the UK, I believe the procedures are identical. If I am wrong or indeed right on that, I will confirm it in my write-round letter.

**Baroness Donaghy (Lab):** My Lords, why did the consultation have such a narrow base? There is no mention of the Fire Brigades Union, the Health and Safety Executive or even the Local Government Association. Might it not have given a different view if those bodies had been consulted?

I am troubled by the Statement. Paragraph 25 says there is no evidence that risks to the public have changed but paragraph 28 says it must never be allowed to happen again. I wonder what steps are going to be taken to fill the gap between those two. What must never be allowed to happen again? How are the Government going to go about it if in this case there is no evidence of risk to the public?

I am also a bit concerned about something that I mentioned very much earlier. I know it is not connected with this report but the issue of white goods in multi-storey buildings seems to have gone very quiet. There seem to have been some hints that white goods, and the standard of them, may have had something to do with this. Maybe whether they are allowed into multi-storey buildings has to be looked at.

Lastly, I am concerned that so many different inquiries will be coming out at different times from different people. I want some assurance that there is a checklist of all the points raised, to ensure that all the things that are necessary to do are fulfilled by someone.

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Baroness for the relevant and very fair questions she raises. I think she was asking about what we do now but, first, in relation to the consultation, clearly at that stage there was an understandable intention to keep the information fairly tight in order to realise whether we had a problem on our hands. That was the reason for that. There were many people who would have had appropriate knowledge and interest to whom we could have gone. Certainly we will speak to these people now.

In relation to the broader point about Grenfell, of course it is a very complex situation with many different circumstances. However, there is a broad universal view that we must not let it happen again, which informs everything we are doing. It has many different facets to it. The noble Baroness referred to one of them: the white goods identified by many as a cause of the fire. There is an ongoing criminal investigation, so we have to be very careful about what we say in that regard, but she makes a very valid point. If I may, I will update her on what is happening in my letter.

A point I often make is that there seem to be an awful lot of inquiries, but that is because the issue is so complex. There is a quite separate criminal investigation which the Government and political parties have no input in framing. But it is very important, as is the inquiry into the fire itself and the broader circumstances, led by the judge, and we have this one here—the Dame Judith Hackitt review on building regulations and fire safety. Again that is important and, of course, we have the independent expert panel, which has been very important. Although there are many different bodies, which I shall outline in my letter so that people are aware of exactly where we are in relation to each of them, they each have a part to play, although there may be some overlapping here and there.

**Baroness Harris of Richmond (LD):** My Lords, is the noble Lord aware of the real problem in the private blocks of flats that the cost being quoted for residents to have the cladding taken off and replaced is around £30,000 per person? That is absolutely unconscionable. What are the Government doing about making sure that there is some help for these people?

**Lord Bourne of Aberystwyth:** My Lords, the noble Baroness speaks for many people when she makes that point, which is a fair one. We have all seen this week the particular block in Croydon. There is some concern about this and my right honourable friend has said that, morally, it should be picked up by the landlords. If I may and as it has concerned many of us, I should like to update noble Lords on where we are on this issue in my letter, which I appreciate will be very wide-ranging.

**Lord Porter of Spalding:** My Lords, I declare my interests in the register as chairman of the Local Government Association and leader of South Holland District Council. I will contain my remarks purely to the issue of the doors today. If I spread into the wider Grenfell issues and my opinion of the expert panel, I will probably stray into unparliamentary language.

The manufacturer claimed it had the ability to produce 50,000 units a year, that the doors complied with Part M of the building regulations and that they had been approved by the BRE. Given all that, what can my noble friend the Minister say to assure the House that we can have faith in the advice from the expert panel that this is not such a major issue?

**Lord Bourne of Aberystwyth:** My Lords, I am grateful to my noble friend who, understandably, has taken great interest in issues relating to Grenfell and the role

of local government. In relation to the particular manufacturer he refers to, as I have said, these doors are no longer being manufactured. I can state that categorically. We are obviously looking at the issue of compliance.

Other doors have been tested and found to be deficient, but not nearly as deficient as this one, so that is another issue. There are difficulties in relation to Grenfell, because most of the fire doors were of course destroyed, which has presented a problem for testing. It is also a restricted site because of it being a crime scene. Nevertheless, we are obviously checking very closely to see exactly where these doors have been tested, as they are required to be, to ensure compliance. This will satisfy what the Secretary of State has rightly said about the need to look at this at pace and to test other doors beyond Grenfell to see whether they are compliant or not. At the moment, from the evidence that we have, it appears to be a single batch.

**Lord Bassam of Brighton (Lab):** My Lords, I suppose I ought to draw attention to my register of interests, which no longer contains a reference to my local government experience, but I was the chair of a housing committee for a couple of years and ran our city council for 13 years. If I had heard the noble Lord's Statement about these doors and I lived in a high-rise block, I would feel decidedly uneasy. I am rather worried about these doors. My recollection is that, at Grenfell, there was a major refurbishment that led to the cladding being put on the outside of the building. Is it the noble Lord's understanding that these doors were part of the general refurbishment of the block at that time? If it is the case that these doors have been widely used elsewhere, why are the Government not simply putting all local authorities on alert and asking them to investigate and to test the fire safety doors in high-rise blocks? That would be a very practical and sensible step to take.

When I worked for the old Association of Metropolitan Authorities back in the 1980s and 1990s, we used to send letters weekly to our constituent member local councils, which contained guidance on the appropriate action to be taken by local authorities following central government announcements. Would it not be wise for the Government to work with the Local Government Association and local authorities and alert them to some of the findings from the fire tests on this particular batch of doors? If it is the case that they have been widely distributed—the noble Lord has a lot of knowledge about these particular doors—then residents living in high-rise blocks need assurance that proper fire tests will be carried out locally as well.

**Lord Bourne of Aberystwyth:** My Lords, in relation to the fire doors within Grenfell Tower itself, it appears that they were installed in 2013, as far as we can determine. On the point that the noble Lord made about testing more widely, this is exactly what we are doing but, until we have done those tests, which are going on at pace, we need to be careful about issuing anything that will cause more concern than is necessarily appropriate. What we need to determine is whether this is just a single batch from that period, and it is through conducting these tests very quickly that we

will be able to do that. We are doing this on expert advice, working with fire chiefs and the expert panel. I will take back the point that the noble Lord made about working with local government; that sounds eminently sensible to me and I am sure it is something that we will want to do. As noble Lords would expect, we want to be an evidence-based Government; we are doing this at pace, but making sure that we are doing it thoroughly and appropriately.

**Lord Marlesford (Con):** My Lords, is the Minister satisfied that Dame Judith Hackitt, in her inquiry, is taking on the full experience and best practice in the United States in these matters. They have much wider and longer experience of high-rise buildings. Has she specifically commissioned any inquiry into the best practice in the USA?

**Lord Bourne of Aberystwyth:** My Lords, I thank my noble friend. I am not sure about whether Dame Judith Hackitt has commissioned any work to look at what is happening overseas or indeed in the USA. She has massive experience in this area and I would be very surprised if she is not looking at what happens in other countries—the USA and elsewhere. I will make sure that she has the benefit of my noble friend's comments, but I would be surprised if she were not doing so.

**The Earl of Lytton (CB):** My Lords, I welcome this announcement from the Minister and, in doing so, I declare my interests as a vice-president of the LGA and, more particularly, my practice as a chartered surveyor in the building and construction sector. I join other noble Lords in expressing concern that there are components—whether they be doors or something else—in buildings that are not meeting the standards that are claimed for them. That is a very serious matter that needs to be followed up with great rigour.

On the doors in particular, there are of course questions about the fireproofing of the door panel itself and its frame, but there are also more discrete fireproofing systems, such as smoke seals, intumescent paint and, of course, self-closers. I remember teasing a fire officer years ago, perhaps rather unfairly, by saying that the chief use in a particular building of the two-gallon water extinguishers seemed to be propping open the one-hour self-closing fire doors. There is this issue about the “desire line”—if I can use that term. How people use buildings is a very important factor in all this; we do not want to have fire doors propped open with bicycles, suitcases or anything else that might itself cause an obstruction but, more particularly—as the noble Baroness, Lady Brinton, said—might imperil the very basis of the compartmentalisation. If we allow that to happen, because self-closers are inconvenient or because there are too many doors, we need to look into that. I hope that the Minister can reassure us that that is being looked into at the same time.

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Earl and recognise his vast and detailed experience as a chartered surveyor. In drawing this debate to a close, I say first that I share the concern that he has expressed, but I think that we need to keep a sense of balance regarding what we know at the moment,

[LORD BOURNE OF ABERYSTWYTH]

which is that it could well be just this batch. But the Government are of course concerned and we are moving this forward at pace.

To echo the point made by the noble Baroness, Lady Brinton, I also think that we have to look at all aspects of this in the round—that is absolutely appropriate. The Dame Judith Hackitt review gives us the context for doing that; she really does know what she is talking about and understands this country. Those points are very valid, and so is restating some common-sense advice, as the noble Earl has just done, on ensuring that fire doors are closed. Too often, one enters residential buildings where the fire doors are propped open, particularly in the summer months. We need to bear down on that and ensure that it does not happen. I take on board all the points that have been made and the concern expressed. I will write to noble Lords on all the points that have arisen and ensure that, in addition, we have a statement before the end of April so that all those points are dealt with.

Meanwhile, importantly—this will have particular resonance on Grenfell—officials have been out very early to speak people in Grenfell. The Minister for Grenfell survivors, Nick Hurd, has also been in touch and a letter is going out. This is very much at the forefront of our minds. This was happening ahead of the Statement being given in the Commons to make sure that the process was being carried forward, because it will raise particularly horrid memories and connotations for the people at Grenfell.

## Revised Draft Airports National Policy Statement

### *Motion to Take Note*

1.08 pm

*Moved by Baroness Chisholm of Owlpen*

That this House takes note of the *Revised Draft Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England*.

**Baroness Chisholm of Owlpen (Con):** My Lords, I start by sharing the apologies of my noble friend Lady Sugg, who is under a three-line Whip today by her mother. She is at the Palace receiving an honour, so obviously there was no way that my noble friend was going to be able to miss that today.

My noble friend and I welcome this debate on the Government's revised draft airports National Policy Statement, or NPS. It might be helpful if I put today's debate into context in terms of the process the Government have followed to date. The Airports Commission reported in July 2015 and, following detailed consideration of its findings and further work, the Government announced their preference for the Heathrow north-west runway scheme in October 2016. Since then, we have published a draft airports NPS and conducted two periods of public consultation, receiving over 80,000 responses in total. We are now carefully considering those responses. It is worth emphasising

that we are still in a period of consideration following public consultation and no final decisions on the airports NPS have been taken. Should the Government decide to proceed, any proposed airports NPS would be laid before Parliament and an opportunity provided for debate in both Houses.

What is the purpose of the NPS? The concept of an NPS was introduced by the Planning Act 2008, which was enacted following the Heathrow terminal 5 inquiry, which lasted nearly four years. The draft airports NPS has a specific purpose. If adopted, it would provide planning guidance for the promoter of the additional runway. It sets out at a strategic level the need for development and establishes clear, high-level policies by which an application for development consent for the additional runway would be decided.

It might be helpful if I say what the draft NPS does not do. It does not give permission for a new runway. Development consent would be sought following the preparation of a more detailed design by the scheme promoter and would require public examination of the proposals in the light of the policies set out in the NPS. It is then the role of the Secretary of State, taking into account the advice of the planning inspectorate, to determine whether to grant development consent.

Clearly, there is a need for expansion. The UK currently has the third-largest aviation sector in the world—second only to the United States and China—contributing more than £22 billion to UK GDP. In 2016, UK airports handled 268 million passengers—up 7% on 2015—and 2.4 million tonnes of freight. Our airports continue to grow their business, with more passengers passing through their doors each year. Heathrow is the busiest two-runway airport in the world. Evidence shows that unless we take action, all five of London's main airports will be completely full by the mid-2030s.

Let me set out why a new north-west runway at Heathrow is the Government's preference for additional capacity in the south-east. Our analysis shows that a new north-west runway would deliver benefits of up to £74 billion to passengers and the wider economy over 60 years. Of the shortlisted schemes assessed by the Airports Commission, the north-west runway scheme at Heathrow delivers the greatest benefits soonest. An expanded Heathrow would offer the greatest choice and frequency of vital long-haul routes. It would secure the UK's status as a global aviation hub, enhancing our ability to compete with other European and Middle Eastern airports. It would provide new domestic connections—moving from eight to 14 domestic routes—and greater frequency, enabling the nations and regions to benefit from onward connections to long-haul destinations.

I mentioned freight earlier. Heathrow handles more freight by value than all other UK airports combined. Heathrow has superior connections to the rest of the UK through road, rail and domestic flights. Expansion is also expected to generate up to 114,000 additional jobs in the local area by 2030, and Heathrow Airport has pledged 5,000 additional apprenticeships.

I want to emphasise that the draft NPS makes it clear that expansion at Heathrow would be allowed to proceed only if accompanied by a world-class package of compensation along with mitigation measures to reduce impacts. Without going through all the measures, let me give noble Lords a flavour of the proposals.

On community compensation, the proposed package includes above-statutory levels of compensation for property owners. Heathrow Airport Limited has pledged that home owners in compulsory and voluntary purchase zones would receive 125% of unblighted market value, plus stamp duty and costs. The airport has also pledged in excess of £700 million to noise-insulate residential properties, fully insulating homes most affected and providing a contribution of £3,000 towards noise insulation for qualifying homes further from the airport. They have also promised to set aside an additional £40 million to noise-insulate schools and community buildings. The draft NPS also requires the creation of a community compensation fund worth up to £50 million per year to benefit local communities.

Moving on to environmental mitigation, as we all know, noise is a major concern for communities around Heathrow. Under the Government's draft proposals, the scheme promoter would be expected to deliver a number of mitigating measures to reduce the impact of aircraft noise. In addition to the comprehensive noise insulation package, these are expected to include a new six and a half-hour ban on scheduled night flights. This ban would help address noise from early morning arrivals at the airport—one of the most frequently expressed concerns of local communities. Expansion would also result in more reliable periods of respite. The draft NPS makes it clear that the Government expect noise mitigation measures to limit, and where possible reduce, the impact of aircraft noise compared to the 2013 baseline assessed by the Airports Commission.

The Government have consistently made it clear that expansion at Heathrow would be allowed to go ahead only if it could be delivered in compliance with legal obligations on air quality. It is the Government's view, based on expert analysis, that the Heathrow north-west runway scheme can be delivered in compliance with those legal obligations, with a suitable package of policy and mitigation measures. Importantly, that analysis does not take account of any of the additional measures the scheme promoter would take to address emissions. For example, the NPS proposes a public transport mode share for passengers of at least 50% by 2030, and Heathrow plans to consider a low-emission zone.

Finally, the Government have also considered the impact of the updated aviation demand forecasts on carbon emissions. Our analysis provides further support for the Airports Commission's assessment that any of the three schemes, including the Heathrow north-west runway, could be delivered within the UK's obligations under the Climate Change Act.

I appreciate that there are many views on airport expansion and my noble friend and I look forward to hearing them in the debate. I beg to move.

1.17 pm

**Lord McKenzie of Luton (Lab):** My Lords, I thank the noble Baroness for introducing the debate and for her explanation of the NPS. I welcome the debate to range over the revised draft airports National Policy Statement and the issues it raises.

I agree with the analysis of the importance of aviation to the UK economy and the need for new airport capacity. Heathrow is the busiest two-runway

airport in the world. While declaring my support for Heathrow expansion, subject to safeguards, I am mindful of the perspective of London Luton Airport—a major contributor to aviation provision in the south-east—which is also reaching capacity as currently configured. I hope noble Lords will forgive me if I divert to another airport from time to time. I draw attention to my interest in the register as an advisory member of the board of London Luton Airport, a council company that owns the airport assets.

By way of history, Luton Airport was originally run as a committee of Luton Borough Council but was required to transfer its undertaking into a separate company by the Airports Act 1986—the handiwork, I believe, of the noble Lord, Lord Spicer. This was at the same time as the British Airports Authority was required to restructure into a main holding company with seven separate operating companies: Heathrow, Gatwick, Stansted, Edinburgh, Glasgow, Aberdeen and Southampton. Along the way, the Scottish airports were privatised and the BAA, which subsequently had to divest itself of Gatwick, Stansted and Edinburgh, was sold to Ferrovial.

London Luton—progressively known as Luton International and then London Luton Airport—travelled a different path to ownership and development from most airports when Luton Council entered into a public-private partnership through its wholly owned company with a third-party consortium. The airport has, perhaps unusually, enjoyed considerable support from its local community. Indeed, a local election was lost by the party which sought to privatise the airport, for a derisory sum, and which has never since—at least so far—regained control of the council.

In common with much else we debate at present, we should be mindful of the impact of Brexit on aviation and therefore airports policy. The liberalisation of air transport, with the ability of carriers to fly wholly within and wholly between other EU states and between a base and any other EU airports, has had a significant beneficial effect, added to by the advent of low-cost, short-haul flights across Europe and the growth of such airlines as easyJet and Ryanair.

There is clearly an imperative for the Government to negotiate continuing access to this liberalised regime on one basis or another, ranging from staying in the European common aviation area, a UK open skies deal with Europe or a single bilateral agreement with the EU. The issues of access to airspace and the implications for airfares, as well as safety regulation, also need to be resolved. Assuming that Brexit becomes a reality, we would argue strongly for our staying in the European common aviation area and remaining in the European Aviation Safety Agency. My initial questions to the Minister are: what progress is being made on all of this and what are the expected outcomes; and to what extent have these issues—or any of them—been taken into account in passenger number predictions, especially for Heathrow?

We should recognise that Conservative policy on the expansion of Heathrow has flip-flopped in recent times. Before the 2010 general election the party was opposed to a third runway and a sixth terminal at Heathrow. Its 2010 manifesto referred to stopping the third runway and linking Heathrow directly to the high-speed rail network. The coalition Government

[LORD MCKENZIE OF LUTON]  
talked of cancelling the third runway at Heathrow, and the owners of Heathrow announced that they would abandon plans for a third runway. However, concerned lobbying persuaded the Government to look again, thankfully, hence the long-grass device of the Airports Commission.

Initially, the Government announced that they accepted the case put by the commission for more capacity in the south-east but had not decided where. Eventually, on 25 October 2016, after being pressed by constant questioning in Parliament—noble Lords will remember those exchanges in this House—the Secretary of State announced that the Government would support a third runway at Heathrow and bring forward a draft NPS. All in all, this is a disgraceful example of how the vital infrastructure needs of our country should not be handled. Political considerations were to the fore, as capacity at our most important airport was squeezed. The commission eventually unanimously recommended a new north-west runway at Heathrow combined with a significant package of measures to address environmental concerns. In making this decision, it gave weight to economic and employment benefits, as we heard: long-haul flights and connections; domestic connectivity; lower fares; surface access links; and support for freight. I support the strength of the position it has taken.

The consultation process at various stages has become a bit convoluted. In February 2017 the Government produced a draft airport National Policy Statement for a 16-week consultation. However, following their commitment to update their evidence base on airport capacity and their air quality plan, they then produced a revised draft airports National Policy Statement for yet further consultation. This sits along a range of other documents, including the *Aviation Policy Framework* and UK airspace policy. The Government have also announced the setting up of an Independent Commission on Civil Aviation Noise.

Can the Minister tell us where these further consultations leave the timetable for expansion at Heathrow and whether they expect any further adjustments to the NPS because of data changes? When might we expect the final airports National Policy Statement to be laid before Parliament, and will it be subject to a vote in both Houses? I think the answer already given to that is yes. Can the Minister summarise for us the key differences in those two consultation outcomes?

So far as the airports policy framework is concerned, it is important that we recognise that there is no one-size-fits-all and that the unique position of each airport is considered on its merits. Indeed, that is what the NPS does fairly. It is also important that the DfT understands the need to support the growth plans of other airports in the period before a new runway at Heathrow is delivered and that it recognises the contribution that these can make to capacity requirements—I speak particularly of London Luton Airport. I believe we can be reassured that Luton's plans—which I will outline—are consistent with the development of Heathrow, but is this the view of the DfT and the Government?

London Luton Airport plays a vital role in the local and sub-regional economies, as well as contributing to the national aviation strategy. It is the fifth-busiest and

one of the fastest-growing airports in the UK, and estimated to provide 22,000 jobs and £1.4 billion to local GDP by 2030. It plays a different role and serves different markets from Heathrow in the aviation sector. Its expansion can develop runway capacity and meet the specific needs of its catchment area—which of course includes London—for short-haul, point-to-point journeys. It supports the government aviation strategy in agreeing that more intensive use can be made of existing airport capacity, alongside the provision of a new runway at Heathrow. It looks to the Government to support its ambition.

At present, its passenger capacity planning permission is set at 18 million passengers per year from 2014, which was expected to be sufficient to meet demand through to 2026-27. There is a £160-million redevelopment programme to create this capacity. However, that capacity is expected to be fully utilised by 2020-21, so the focus is now on looking to maximise use of the existing runway and to maximise the benefit for the local and sub-regional economy, consistent always with managing the environmental impacts in a responsible and sustainable way. The assessment is a possible capacity of 36 to 38 MPPA, or 240,000 aircraft movements per year, with no new runway.

In their call for evidence on its aviation strategy the Government acknowledged the importance of surface access to airports and the need to link road, rail and air. A new £220-million fixed-rail link between Luton Airport Parkway—funded by Luton Borough Council—and the airport terminal will be a significant improvement on the current bus link. But transport links could be improved if the DfT were to stipulate that four fast trains per hour should call at Luton Airport Parkway as part of the base specification for the new east midlands rail franchise. Consultants have analysed that this would add minimal time to the semi-fast Nottingham services each hour, take some 70,000 car journeys off the road and save some 500 tonnes of CO<sub>2</sub>. It would create an integrated transport hub as conceived in the NPS and the aviation strategy. I am aware that this matter has been raised before, and perhaps the Minister can tell us whether any progress has been made.

We readily recognise the importance of the aviation sector in our economy, which directly supports some 230,000 jobs and contributes £20 billion per year. We further recognise that the opportunity to deliver the potential for the sector is being affected by capacity constraints at some airports, and Heathrow is the premier example. The Minister will be aware of the controversy engendered by the Government's upping of the expected contribution of an expanded Heathrow to £74 billion over the 60-year period, and that the NPS shows this below the contribution which could come from Gatwick expansion over the longer term. Perhaps the Minister will comment on that point.

Decisions to expand airports properly involve delicate assessments of the environmental and community impacts of new build, especially runways. That is why my party has rightly laid out the four tests to be met for Heathrow, covering: how the increased capacity will be met; the need to reduce CO<sub>2</sub> emissions from aircraft to help us meet our legal climate change obligations; the effective management of noise and environmental impacts; and the need for the benefits of expansion to be shared.

As part of the appraisal of sustainability for the north-west runway scheme, it is noted that there are a range of mitigating or supporting measures, which the Minister mentioned, to enhance the positives and mitigate the negative impacts of a proposal. There is reference to the growth of greenhouse gas emissions, but there is little detail other than that the promoter has put forward a number of commitments, which the Government expect to be honoured. This is a bit thin. Perhaps the Minister can say more in his reply. He dealt with the issue of a package to address the problems of noise.

There is a need to make progress at Heathrow as it heads for full capacity. There is also the need to press ahead with expansion at Luton as it approaches the current 18 mppa planning constraint.

1.31 pm

**Lord Spicer (Con):** My Lords, the noble Lord has been a great champion of Luton Airport—and good luck to him. He has admitted that Luton is pretty well full up itself now, so there is a bit of a problem there. I agreed with him when he said that the whole of airport policy was a perfect example of how not to run a government policy. The only qualification I would make is that all three parties have had their hands in this policy, so there is no party-political benefit involved; it is just that the way in which it has been handled in general is a great shame.

The report before us is in many ways rather good. It contains the best euphemism that I have so far seen to describe the present state of affairs: it says that the UK faces a “capacity challenge”. But there is one snag with the report: it is 20 years too late. It should have been done 20 years ago, when the first signs of pressure on London’s airports were already beginning to emerge. We already faced a doubling of passenger throughput every 10 years.

If we go back 30 years—which happens to be the point at which I was Minister for Aviation—we must recognise that Heathrow and the other London airports were the envy of the world. This was where all the airlines wanted to have slots. I remember that we restored grandfather rights to Michael Bishop, as he then was—he is now the noble Lord, Lord Glendonbrook—with British Midland, and how pleased he was. His whole company was pretty well set up on the basis of those grandfather rights at Heathrow; they were like gold dust.

The question arises: why have we come to where we are? In the halcyon days of London’s airport system a lot was done to support it. I seem to remember that I cut the first sod—I think that was what it was called—at Stansted Airport, Heathrow got permission to build another two terminals and Gatwick got one. We doubled the ATMS limits, we had an open skies policy, which brought great benefit to the airports, and we privatised them, which gave them access to capital. We did everything at that time to back them up.

Since then, despite the pleas of several noble Lords—such as the noble Lord, Lord Naseby, and the noble Lord, Lord Soley, who told me last night he had a very important engagement; he desperately wanted to be here today but he has not been able to make it—for the airports, including Luton, nothing much has happened. We have had commissions and inquiries, we have had

government statements, and we have even had jokes. One of those was about Ministers who kept on saying “shortly”, because they thought that was the Cornish for “now or never”. In fact the correct Cornish word should have been “dreckly”; it is a great joke in Cornwall that they used the wrong word.

We have had all that, but we have not had any action, and Heathrow, for example, has moved down from being by far the world’s number one international airport to the second league. If we wanted to give a runway batting order, we would say Heathrow 2, Beijing 3 and Schiphol 6. Because Schiphol now has six runways, it is not terribly surprising that Heathrow is fading in the airport league, to the great detriment of this country.

May I take up your Lordships’ time by giving you one anecdote that sums the whole thing up for me? When I did not know that I was coming to this House, my wife and I decided to rent out our house in Westminster, which we had had when I was a Member of the House of Commons. The tenant was a Chinese gentleman whose title was chief executive of China Oil (Africa) Ltd. I got quite friendly with this man, and one day I asked him, “Why do you run your Rhodes-type operation—your empire, which you have taken over from us—from my humble house in the middle of London?” He said, “There’s one reason for that. It’s because I can get more quickly between Kenya and Zambia and the other various parts of my ‘empire’, as you call it”—he did not accept that term, and called me an imperialist—“by coming back to Heathrow and flying back from there, flying backwards and forwards between my various responsibilities. That is, until we do something in Beijing. Then I shall move out straightaway. And by the way, I may be using your humble house, but I’ve got very big offices round the corner; we have a big operation here. I shall move out the moment I discover that Beijing has better opportunities than Heathrow”.

Sure enough, two or three years ago he started to pile up Chinese goods. When the Chinese are going home they buy up Chinese goods to take home; apparently that is a clever thing to do. He piled up all those white goods in my house; then he was on his way, and that was that. That was a salutary experience for me, and a clear example of the effect of the rundown of Heathrow compared with other airports around the world, which generates business elsewhere and not with us.

The question is: what do we do about it? I think we have effectively run out of time now to do anything simple. Schiphol is such an attraction for many new routes and new businesses that it is quite difficult for us. We have gone past the point at which we can compete properly with Schiphol. The only thing to do is to be quite radical. This is not just a question of an extra runway here or there, for Heathrow or wherever. We now have to think of London as a total system, which will mean a tremendous regurgitating of the space control systems.

We need an airport with two runways to the north of London; that would have to be Stansted. We need one to the south, which would have to be Gatwick. By the way, Luton would have to be included in this too. We need one to the west, which would be Heathrow, and then perhaps, just to please Mr Johnson, we would have one runway down the Thames, which would serve the eastern side. We have to think radically, because we

[LORD SPICER]

are now thinking about 2030. We cannot possibly be thinking about a date much closer than that: it is just not going to happen.

The Minister today gave the least cheerful government response to this issue that I have heard in recent times. She was, probably accurately, reflecting the fact that it will take ages to get through all the planning process, especially as the Government have not even decided to do anything properly yet. We have to think realistically and to have an adequate time horizon, which will be getting towards 2030, and then have a really radical scheme to meet the needs of the 2030s.

1.39 pm

**Baroness Jones of Moulsecoomb (GP):** My Lords, I listened with horror as the noble Baroness the Minister laid out the Government's rather quaint and old-fashioned plan for Heathrow expansion, with its overoptimistic, fantastical mitigation factors, and felt that the Government have not learned any lessons from all the court cases they have been taken through on issues such as climate change. The fact is that the so-called benefits of Heathrow expansion cannot possibly measure up to the disbenefits for the bulk of society—not just for the people around the airport but for the bulk of us, who will end up paying for a lot of the measures that Heathrow would like to see implemented.

For starters, Heathrow expansion will contribute to air pollution. It will negate all the measures that the current Mayor of London is putting in place in and around London. It will be impossible to keep within his plans if the expansion goes ahead. Heathrow is already a pollution hotspot that breaches legal limits. The plans include schemes that have yet to be identified and laid out clearly, and they make all sorts of optimistic claims about public transport use. I am not sure whether the Minister laid this out but I would like to hear by how much Heathrow Airport is planning to subsidise public transport. Quite honestly, you cannot expect Transport for London and London taxpayers, as well as taxpayers all over the UK, to pay for this extension of public transport.

What is definitely planned is expanded car parking, with at least 40,000 to 60,000 extra vehicles a day on the roads. Air pollution from Heathrow with this expanded road capacity will shorten people's lives—there is absolutely no way round it.

Noise from Heathrow currently impacts on 1.5 million people—a figure based on World Health Organization standard levels. It does not just impact on those around the airport. It is marvellous that a lot of insulation will be installed in houses around the airport, but, quite honestly, everybody in London is impacted at some point by the noise levels from flights overhead. We were told that £40 million will be available to insulate some local schools, but it is an absolutely paltry sum which will be nowhere near enough. Added to that is the fact that children obviously have to go outside to play, and they will be playing in dirtier air and noisier playgrounds. I do not see how Heathrow Airport can justify any expansion.

A fully operational, three-runway airport, open from 5.30 am, could mean that night flights jump by a third. The safeguards that should be in the NPS are

simply not there, and the final decision about flight paths will not be taken until after the NPS has been signed off. Therefore, how can the Government be sure that any of those mitigating factors will be valid? Currently, 102,000 people live around Heathrow and are exposed to very high levels of noise. They are up to 20% more likely to suffer a stroke or have heart disease. Again, the noise reduction from insulation might be very effective when they are in their houses, but what about when they want to go to the shops or travel locally? Insulation will not help them then. I guess that headphones might help if Heathrow Airport would like to supply a pair to every single resident.

The NPS forecast is that there will be five domestic routes, down from the current eight, which means that regional airport capacity will shrink. That is an optimistic forecast that ignores what will happen if a future Government enforce a cap on climate change gases and aviation is hit by increased charges. If unmanaged, Heathrow expansion will increase climate change gases by a third. How can the Government feel that that is justified?

Will the UK economy benefit from Heathrow expansion? In fact, it probably will not, but the owners of Heathrow will. Over half the new passengers will never leave the Heathrow shopping mall, as they will be on international connecting flights. The benefit might go to a few shops but the general population will not benefit from more jobs and more sales.

The NPS also includes tunnelling the M25 and diverting some major roads. I would like to know just how much Heathrow Airport is putting into that expense. I would like some clear figures, because it has been very difficult to get them. The upgrading of trains on South Western Railway and Southern rail are mere aspirations, yet there are meant to be an extra 200,000 trips per day by public transport, a lot of them relying on the Metropolitan line and the Elizabeth line, which are already being expanded to cope with other overcrowding problems.

I would like to quote from a BBC article by Roger Harrabin which has been published today. It concerns a report produced by four Commons Select Committees—the Environment, Food and Rural Affairs Committee, the Health Committee, the Transport Committee and the Environmental Audit Committee—which have been rather critical of some of the Government's actions. They want a new clean air Act and a clean air fund financed by the motor industry. These will impact on Heathrow expansion because, even before that happens, Heathrow will again be in breach of all sorts of legal limits. I would love to read out the whole article because it is fascinating. Roger Harrabin says:

“The report—the first time that four committees are thought to have collaborated—urges the Treasury to take greater account of the costs of air pollution when setting tax and spend policy”.

But of course, allowing Heathrow expansion to go ahead is something that the Government will also have to take into account, given that air pollution will almost certainly increase. It already has a huge impact on the NHS, which is having to deal with people's heart and breathing problems, and it will have an impact in the future because of the thousands of children whose lungs have already been stunted by air pollution and who will need care from the NHS far into the future.

The Government's long-term target of abolishing cars driven only by petrol and diesel by 2040 is also rather feeble. The article points out that India has made the same pledge but for 2030. There is also the fact that replacing cars with more cars is not necessarily the answer. Electric cars can also be polluting if their source of electricity is not renewable.

Finally, the article states that,

"recent reports have drawn a possible link between attention deficit disorder, dementia and air pollution".

Therefore, again, not only is air pollution having an impact now but it will do so far into the future.

I end by pointing out that there is no guarantee that air pollution will not get worse. In fact, we can probably guarantee that it will. There is no guarantee that regional airports and jobs will not go into decline as Heathrow favours international routes—perhaps the Minister could comment on that in his reply. There is no guarantee that taxpayers will not be landed with a multibillion pound bill for new transport infrastructure to support Heathrow Airport. There is no guarantee that several hundred thousand residents in the south-east—not just around the airport—will not find that their sleep is even more disturbed than it is now. And there is no guarantee that climate change will not get worse as a result of Heathrow expansion. Quite honestly, this national policy statement on Heathrow is a joke. It displays an old-fashioned way of thinking about the problems that we face, and it really is time that the Government started to think in a very much greener way.

1.48 pm

**Lord Naseby (Con):** My Lords, I declare an interest as a former pilot who has taken a detailed interest in aviation matters, in the UK in particular.

Fifty-one years ago, my noble friend Lord Vinson and I produced a pamphlet entitled *Helping the Exporter*. I looked at it again last night and it re-emphasised the need, even then, for Heathrow Airport to expand, with, in particular, the building of a special exhibition centre adjacent to it to help our exporters. That was a long time ago and a lot has happened since. The people who really suffer from a lack of expansion are the whole of our nation which is, is by and large, a manufacturing and trading nation. I represented the largest industrial town in Europe—Northampton. The manufacturers there need to export, and we need them to export to provide livelihoods for the people of our nation. However, they are desperately constrained in that regard.

I welcome what has been done at Luton Airport. Indeed, I live on the flightpath of that airport and have done so for close on 50 years. I have no objections to the expansion of Luton Airport. As I take a wider interest in this issue, I am consistently asked by my former constituents, "Why is it that we in this country seem totally incapable of ever making a decision on almost any major infrastructure project, but particularly on London airports?" My noble friend Lord Spicer tried hard to make a major contribution on aviation, but we have fallen behind Schiphol, Frankfurt, Amsterdam, Dubai, Doha, Istanbul, and a couple of others. Why can we not get a grip on these things? We are losing out.

I thank my noble friend on the Front Bench for the fact that the report has arrived today. It has taken 18 months to produce but it is here. On behalf of my former constituents and all those who have an interest in exporting, I say to my noble friend and his colleague, who understandably is not present, "Please get on with this". Of course, we understand that there has to be consultation and noise is one of the key determinants of the problem. However, nobody ever mentions that by the time the third runway is built, the average commercial aircraft that will fly in and out using the third runway will be 50% less noisy on take-off and 20% less noisy on landing.

The other afternoon I went to Twickenham to see England, for once, beat the Welsh. Aircraft came over and you could hardly hear them, so if that noise is reduced by 20% for landings you will hardly hear them. Of course, those who live directly underneath the flightpath will be affected. That is why it is vital to pay compensation to the close on 800 homes that will be affected. At last, the pleas a number of us have made that when anybody's home is compulsorily purchased to benefit the rest of society, they should get not the market price for their property but the market price plus 25%, have been heeded. That is the way the French have done it for decades, and it works. Of course, those people should be helped and, of course, help should be given in the other areas referred to in the report.

This has gone on for far too long. I recognise the skills of certain local MPs, who have built up a plethora of reasons why this should not happen and that should not happen. One of them resigned and did not succeed very well after that. Certainly, he was not successful in becoming the London mayor. Others are vociferous too. My noble friend said that there had been 80,000 responses to the consultation, and that the relevant staff are still looking through some of these responses. Of course, I have no objection to consultations but I ask the Government to please remember that the people of this country took a decision on Brexit. That means that we have to export, which requires us to have the ability to export. Given the financial and manufacturing dimensions of that decision, it is vital that our means of exporting abroad are lined up and ready to go.

I wish to cite four of the conclusions reached by Her Majesty's Government in this very good, if rather long, report. There are four short but absolutely key conclusions. The report states:

"Expansion via the Heathrow Northwest Runway scheme would provide the biggest boost to connectivity, particularly in terms of long haul flights".

It continues:

"Expansion via the Heathrow Northwest Runway ... would provide benefits to passengers and to the wider economy sooner", than any other scheme, and that:

"Heathrow Airport is better connected to the rest of the UK by road and rail. Heathrow ... already has good road links via the M25, M4, M40 and M3, and rail links via the London Underground ... and Heathrow Express",

and, in future, Crossrail and HS2. The report also concludes:

"The Heathrow Northwest Runway scheme delivers the greatest support for freight",

in other words, manufactured goods.

[LORD NASEBY]

Therefore, my plea to my noble friend on the Front Bench is that within 12 months both he and my noble friend who is unable to be with us today come back to this House and tell us that they have consulted fully, have come to a decision and are putting a proposal before both Houses. That would bring joy to all our manufacturers up and down the country, wherever they may be located.

1.56 pm

**Lord Berkeley (Lab):** My Lords, I am grateful to the House for allowing me to make a short contribution in the gap. I could express a lot of views on airports but today I shall concentrate on the NPS and airport costs. I support everything that my noble friend Lady Jones has said. I too believe that the NPS is out of date because it comes with baggage which dates from when just one company owned all the major airports around London. We still have this anomaly whereby one company seeks to control and regulate Heathrow's development but none of the others. All five of these airports are now in separate ownership. One could question why they need this type of regulation at all in terms of the detail that the NPS goes into. My understanding has always been that the Government's policy is that the five airports should compete with one another. Perhaps the Minister will comment on whether there should be a bigger review of the NPS soon to ensure that it sticks to airport policy and does not get into the minutiae of what happens at Heathrow.

My problem, which I want to share with the House, is that, in terms of costs, Heathrow is being regulated as a monopoly in a very similar way to how Network Rail is regulated. The regulator's role is to make sure that a company stays within its costs and that these are passed on to customers in an equitable way. That is fine but it does not address whether the costs are necessary to produce the outcome that the promoter, or Network Rail, or Heathrow Airport wants. Mr Walsh obviously has a vested interest in the actions of the CAA. He says that the fault lies with the CAA, which, "rewards the inefficient use of capital : the more it spends on capital projects, the cost of which can be passed on to airlines, the more it makes for its shareholders".

My solution is to bring competition to Heathrow. Perhaps the Minister would like to consult the CAA and consider whether the five or six terminals that may be built at Heathrow should not be sold off into separate competing operations, and leave the BAA in charge of infrastructure, which should involve not only the runways, the services and the air traffic control, but the access, which many noble Lords have spoken about. The question then becomes: who pays for the access? Can the Minister say who is going to pay for all these lovely new rail accesses that are planned for Heathrow? It now has the worst proportion of passengers coming by rail of all the airports around London, I think, and it would be wonderful if the new accesses happened. But who is going to pay for them? On the same basis, can we have Heathrow Express removed from that structure so that customers do not have to pay £27 for a single journey, as I think it says in the briefing? I am sure that contributes some way to the number of people driving to Heathrow.

There is a long way to go on this, but I would be very interested to hear the Minister's response.

2 pm

**Baroness Kramer (LD):** My Lords, obviously the draft airports NPS will be the basis for the Government's decision on the development consent application for a north-west runway at Heathrow Airport. I confess that I live under the flight path, so I suffer daily—I was woken this morning at 5.30, which has been very frustrating after the late hours that we have been here. I have long opposed expansion at Heathrow, well before ever becoming engaged in politics, on national as well as local issues.

It is often taken as given that there is a strong economic case for expansion at Heathrow, but that is exceedingly questionable. I am sure the Minister will be aware that the Davies commission agreed that it was clearly stated that the case for a third runway at Heathrow depended on a hub model of aviation prevailing over point-to-point. However, the shift in the industry is clearly towards point-to-point because, frankly, passengers hate changing planes. I say to the noble Lord, Lord Spicer, that his Chinese tenant is the exact example. People put up with this problematic hubbing, having to change planes and wait for hours in terminals for a second flight, until there is the opportunity to fly direct.

We are in an era where flying direct is becoming dominant. That is one reason for the rise of airports all across the various continents, and for a very fundamental change in the pattern of aviation that passengers themselves are demanding. What we have is a hub airport at Heathrow that is primarily and almost solely functioning on an outdated concept. The passenger forecast for the third runway is that there will be 41 million additional passengers a year, but that 22 million of them will simply be changing planes at Heathrow. I pick up the point made by the noble Baroness, Lady Jones: those 22 million contribute absolutely nothing to our national economy. A large part of the investment and the cost that we are carrying is to support literally half the passengers, who bring no specific benefit.

The economic case is also based on an assumption of a direct correlation between GDP growth and an increase in passenger numbers, particularly at Heathrow. That is very simplistic. We got a glimpse into how simplistic it was during the work of the Davies commission when it released the technical documents. I give credit to Justine Greening MP, who, at that time, through a number of FOIs, was able to get more information on the cost-benefit analysis, and it was clear that there really was nothing. Many people think that somehow there had been work with businesses in London to work out what the future demand would be; there was none. They thought that there had been a look at historical correlations; there were none. It is simply meant to be a given that as GDP goes up, there is a corresponding increase in demand for flights out of Heathrow. I say this with a warning, because the rail industry has had to cope with the fact that what it assumed was an unbreakable link between GDP growth and passenger demand for rail has now been clearly broken. For example, in London, the Tube has seen its

passenger numbers this year down by almost 4 million. So the economic case is extremely simplistic and very unreliable.

None of the analyses ever included the negative impact on businesses from noise, poor air quality and, above all, traffic congestion, so the work has been inadequate. But, interestingly, even in that inadequate work, the latest piece of work done by the Government shows that a second runway at Gatwick is a better generator of long-term economic benefit than a third runway at Heathrow—a point made by the noble Lord, Lord McKenzie of Luton.

A number of key airlines, including BA—Willie Walsh's name was quoted just now by the noble Lord, Lord Berkeley—have turned against the project because of the charges which they know they will have to pay and then have to pass on in ticket prices. No-one I talk to believes the cost of £17 million, which is often thrown around as the right number for this project. That number completely fails to include any realistic costing of the plans to move and then reinstate the M25 or, alternatively, to tunnel it. Until we get some reasonable costings, it is going to be very difficult to assess this, but £17 million is way too low, and any contractor will tell you that. To break even—even on that understated price—Heathrow will need to require the new runway to operate at 38% capacity from day one. The only way to achieve that kind of increase in flights at Heathrow is to lure flights—especially high-value flights by US airlines—away from Gatwick, Stansted and Birmingham, and possibly even farther afield, which would seriously compromise the viability of those other airports. This issue has never been properly examined and it bodes very ill for regional development.

Heathrow will incur a huge debt load as a result of building the third runway, and the pressure to service that debt means that Heathrow will inevitably focus its new capacity on long-haul popular destinations, where planes can be filled very quickly. That means New York and other near-US destinations, not flights to new developing markets in Africa and Asia. Even the NPS forecasts that the airport will reduce its network of domestic flights to serve, at best, only five domestic airports, compared with the eight that it serves today.

The noble Baroness, Lady Jones, talked extensively and so well on climate change. To meet the carbon targets in the Climate Change Act 2008, the third runway would require off-setting cuts across our regional airports. Passenger numbers would need to be cut by 36% in the south-west, by 11% in Scotland, by 14% in the north-west and by 55% in the West Midlands. Without that, carbon emissions from aviation would constitute 25% of our carbon emissions allowance by 2050. Again, the noble Baroness, Lady Jones, described that far more effectively than I can.

Of course, there are local issues. Getting passengers to and from the airport is a nightmare, both because of the impact on air quality and because of road and rail congestion. NO<sub>x</sub> emissions and particulates are severe around Heathrow even today, and legal limits are regularly breached. All the local access roads are heavily congested, so dispersal is not even possible. Even the London mayor's plans for ultra-low emission zones does not solve the problem. In fact, this basically destroys the effectiveness of any of those plans, as the

noble Baroness, Lady Jones, described. She talked about the health impacts of poor air quality, something we are becoming more and more aware of. So there are serious consequences to the air quality impact of a third runway.

The Government have promised that a third runway will lead to no more cars on the road—they do not say that about freight; we will have freight on the road but no more cars. Frankly, that is impossible. Every scheme to provide more rail access from London to Heathrow falls to pieces either because it requires tunnelling on a major scale at a huge cost or because it triggers the level-crossing problem. I will explain the level-crossing problem. In my former constituency of Richmond Park, the position of the River Thames, Richmond Park and the railway lines means that several thousand people can get in or out of the area only by using one of four roads that have level crossings. The rail lines are so busy that the level crossings are often down for 50 minutes out of the hour. A train service to Heathrow, which all agree—if passengers were willing to use it—would have to be a fast train running every 15 minutes with no more than one stop, would in effect close those level crossings completely, trapping the local population.

Transport for London has estimated that providing surface transport to support a third runway would cost £18 million, of which Heathrow has said it would pay £1 million, with the rest to fall on the taxpayer. That includes not a penny for resolving the level crossing problem. No engineer has found any solution to that, so we are talking about the impossible.

Last but not least, noise is a fundamental issue. I was astonished to hear praise for a six-and-a-half hour night flight ban. That ends at 5.30 am, and the traffic between 6 am and 7 am is what drives the community most insane. Also, the airlines constantly fly exceptions, created by some circumstance of weather or another, that always breach their current limits, and that will undoubtedly continue. It is an ongoing problem.

The noble Lord, Lord Naseby, talked about much quieter planes, but the problem is flights coming over in a constant stream so that there is never any relief from the level of noise, so even making planes quieter does not necessarily deal with that problem. There is an additional problem: Heathrow with a third runway will be running planes on two parallel runways. As the noble Lord knows, noise fans, so in the area between those two runways, the fan effect of two planes flying at the same time will be extraordinary. The operation of those two runways at the same time means that areas once affected only by take-off will now have take-off and landing.

**Lord Naseby:** I am not sure where the noble Baroness gets her information from. If one got the information for, let us say, two fighter jets taking off together, one would see that the increase in incremental noise is very small. Surely, since those are fair noisier than the aircraft that I was talking about, her facts are totally wrong.

**Baroness Kramer:** I will ask the Richmond Society to forward to the noble Lord the detailed modelling that has been done to show the impact of double noise on a significant section of the population. He may find that rather interesting.

[BARONESS KRAMER]

Opposition to Heathrow comes from the overwhelming majority of residents in south-west London living under the flight path, four local councils and MPs of all political colours that represent that area. My party, the Liberal Democrats, and the Greens have consistently opposed expansion. When any of us hear of the mitigations, we apply that against our own experience. I lived in the area when Heathrow applied for the fourth terminal and we were assured there would be nothing more. Then came the fifth terminal, and we were assured again that anyone was foolish to suggest there would be a third runway. Then came a third runway and we were told, of course, there would be no sixth terminal. Now we hear of a sixth terminal to go with the third runway. This pattern continues regularly. In the same way, the mitigations—noise is a good example—never live up to their billing. Sitting outside—most people have the right to sit in their garden—is not helped by noise insulation inside a house; that works only provided all the windows and doors are closed, with the consequence that quality of life is severely affected.

**Lord Berkeley:** I am grateful to the noble Baroness. She quite rightly talked about more and more terminals. Does she have a view on the view expressed by the noble Lords, Lord Spicer and Lord Naseby, that we should be talking about probably four runways, if not five, to keep up with Dubai and Amsterdam?

**Baroness Kramer:** I think the noble Lord, Lord Spicer, was perhaps more honest than most. A lot of the PR that comes from Heathrow and much of the aviation industry suggests that every new increment will always be the last and it never is, because there is always a rationale and always money to be made from continually trying to expand capacity, particularly when the underlying strategy is to strip flights out of other airports in the UK. That ownership is no longer held in common has added great fire to that underpinning strategy.

I hope that the Government will reconsider again the whole notion of a third runway at Heathrow; there are other and better options. I understand that it is in some ways a sop to business because business tends just to assume that a third runway would be good without looking into the detail. This seemed a way to pacify businesses infuriated by Brexit.

**Lord Spicer:** The noble Baroness is making a very interesting speech, but how will we get in and out of the country—we are an island—as the population becomes larger and we do not expand our airports?

**Baroness Kramer:** My Lords, there are many regional airports—I personally look at Birmingham as the most obvious way to expand and it is part of our regional strategy. There are many alternatives to the third runway at Heathrow that were not considered by the Davies commission. There are mechanisms. Rail will be taking a different part of the strain domestically in future, so we are part of a changing pattern.

I do not want to keep the House longer.

**Lord Spicer:** You are passing the problem to Birmingham.

**Baroness Kramer:** Birmingham is eager to have a third runway, and there is a logic for it being there.

Heathrow has reached its limit. Frankly, it is time that the Government recognised that and looked for a better strategy.

2.16 pm

**Lord Tunncliffe (Lab):** My Lords, it is with some trepidation that I rise to participate in this debate, partly because of the passions that have been expressed and partly because I have a bit of a ragged speech having had some trouble working out what this document does. I thank the noble Baroness the Minister for her explanation, but can the Minister who is responding further clarify the legal structure that we are debating a part of here? There must be some primary legislation somewhere that allows the Secretary of State to consent to the demolition of 783 houses; he cannot be doing it on his executive privilege. I assume that this document, along with the Planning Act 2008 and some other Act fit together in a way that gives him that power. It is important to understand how that power is exercised because I think that Minister said, albeit not in so many words, that in the final analysis it was at the Secretary of State's discretion, because he receives a report and then makes a decision. I think I heard her say that we would get a second bite of this cherry in the autumn. By then, I would like to be fully up to speed—I have to say that chasing it up through Google has consumed many hours of my time to no great effect.

The Labour Party's position on Heathrow needs to be stated without too much comment. My noble friend Lord McKenzie has already done it, but it has to come from the party spokesman from the Front Bench so I will read it out. The Labour Party supports the expansion of airport capacity in the south-east subject to our four tests being met. Is there robust and convincing evidence that the required increased aviation capacity will be delivered with Sir Howard Davies' recommendation? Can the recommended expansion in capacity go hand-in-hand with efforts to reduce CO<sub>2</sub> emissions from aviation and allow us to meet our legal climate change obligations? Have local noise and environmental impacts been adequately considered and will they be managed and minimised? Will the benefits of expansion be felt in every corner of the country, not just the South East of England, and will regional airports be supported too? It is against those tests that we will comment in greater depth when we get our second bite. I must apologise to my noble friend Lord McKenzie that, as far as I know, the Labour Party does not have four similar tests for the expansion of London Luton.

I should like to make two or three small points about the document. I start with paragraph 1.15:

“The policies in the Airports NPS will have effect in relation to the Government's preferred scheme, having a runway length of at least 3,500m and enabling at least 260,000 additional air transport movements per annum”.

There is a certain nostalgia for me in this part of the document, because for eight years I flew as a co-pilot operating jet aeroplanes off the two runways at Heathrow. I looked up how long they were, and they were surprisingly long: 3,900 metres for one and 3,655 metres for the other.

They always seemed a great deal too long, because I spent so much time taxiing down the parallel taxiways to get to the end.

Heathrow is now consulting on a scheme with the third runway being 3,200 metres long. That is all over the web. If it presents a scheme for 3,200 metres, does paragraph 1.15 mean that the document is invalid? It seems to say that the only scheme that the Government will consider is one for 3,500 metres. My personal experience is that 3,000 metres is more than enough for virtually all modern jet aeroplanes. Have the Government got themselves in a trap where their provisions and the newly preferred scheme by Heathrow are incompatible?

My next detailed point, which has been referred to by several noble Lords, especially my noble friend Lord Berkeley and the noble Baroness, Lady Kramer, concerns paragraph 5.18:

“Where a surface transport scheme is not solely required to deliver airport capacity and has a wider range of beneficiaries, the Government, along with relevant stakeholders, will consider the need for a public funding contribution alongside an appropriate contribution from the airport on a case by case basis”.

That would seem to me to be a promise of public money. Because the Government have examined the Davies report and said that they broadly support it, they must at some point have evaluated how much public money that paragraph commits them to spending. It is a surprisingly light amount of text for what I should have thought could be a substantial amount of money. I never got that sort of money out of the Government with so little text.

The general tone of the document seems to be, “Obey all these different laws about all these different things but, if it is all too difficult, ask the Secretary of State for discretion”. In a lot of places, it is not very tight. One paragraph that is pretty tight—I should like to know if the Minister agrees—is paragraph 5.41:

“The Secretary of State will consider air quality impacts over the wider area likely to be affected, as well as in the vicinity of the scheme. In order to grant development consent, the Secretary of State will need to be satisfied that, with mitigation, the scheme would be compliant with legal obligations”.

That would seem to me to say that, if it does not meet the air quality requirements, the scheme is dead. Can the Minister confirm that? He will know that, in many parts of the capital, we do not meet air quality requirements, and many people are sceptical that this can be achieved at Heathrow. The key question is: is this an area where the Secretary of State would not have discretion? Would it in fact kill the scheme dead?

My final point is on the important area of community engagement. It is referred to in the document on page 84. I have nothing against page numbers, but it feels as though it is a bit of an afterthought. It states:

“The applicant must engage constructively with the community engagement board throughout the planning process, with its membership (including an independent chair), and with any programme(s) of work the community engagement board agrees to take forward”.

This seems very narrow and very soft. Can the Minister say anything to firm up this commitment and make it broader, because the key stakeholders who must be drawn into the scheme as much as is reasonably practical are the local communities, and particular emphasis should be placed on community engagement?

2.25 pm

**Lord Young of Cookham (Con):** My Lords, it falls to me as co-pilot to land this debate, which had a smooth take-off with my noble friend Lady Chisholm at the controls. I hope to land on schedule. During the flight, we had in the cockpit two qualified pilots, two former Transport Ministers and a number of aviation experts. All said that they had been on this flight before several times and were used to being stacked for long periods. The journey was smooth, but with some turbulence as we flew over Richmond and Moulsecoomb, and there was a request to divert to Luton.

This has been an excellent debate, and I welcome the informed scrutiny that this House has, as usual, provided. I will try to answer the many questions raised; if I cannot, I will write. As I said, the speakers have been well qualified. For my part, I was Secretary of State for Transport for two years, with responsibility for airport policy, but my recollection is that I was constrained from articulating it for fear of prejudicing the inquiry into Terminal 5, which was under way at the time. At the time, I was Member of Parliament for Ealing Acton, so the future of Heathrow has always been an interest that has generated concern: concern about noise from some constituents but, I must say, counterbalanced by the employment generated for others, either those directly working at Heathrow or those working for businesses whose success depended on proximity to Heathrow. I suspect that there is that same tension in many other parts of west and south-west London.

There is a wide range of views on this subject. That is why we have undertaken one of the largest consultations ever and were keen to ensure that all the consultations were full and fair, giving everyone an opportunity to have their say. In response to the final point made by the noble Lord, Lord Tunnicliffe, I hope that that engagement with the community will continue as we move to the next stage in the planning process.

I was asked about consultation by the noble Lord, Lord McKenzie. I should like to write to him about the timings, but we are carefully considering the responses to the consultations—both the one under way and the separate one undertaken by Heathrow. We do not expect any further contributions to the Government’s consultation, but that is dependent on our analysis of consultation responses. We anticipate a debate in both Houses ahead of the Summer Recess, and the Government are committed to a vote in the other place.

The noble Lord, Lord McKenzie, asked me about the EU safety agencies, which is an important issue. We want to explore with the EU the terms on which the UK could remain part of the EU agencies that he mentions, such as the European Aviation Safety Agency.

The process of parliamentary review that we are participating in is a vast improvement on the years of public inquiry into the need for schemes that bogged down infrastructure before the Planning Act was introduced, and I shall say a word about that in a moment. My noble friends Lord Spicer and Lord Naseby made it clear at the outset that we have delayed far too long in resolving the calls for additional runway capacity in the south-east. The Government are anxious to bring this decades-long debate to a satisfactory

[LORD YOUNG OF COOKHAM]

conclusion. The revised aviation passenger demand forecasts show the need for additional capacity in the south-east is even greater than previously thought.

The opportunities and challenges that Brexit brings only strengthen the need for investment to improve links with the rest of the world. Across the economy our national infrastructure needs modernisation. That is why we are pressing ahead with the delivery of HS2, rail investment, broadband, road schemes, energy infrastructure and this proposal for a 3.5 kilometre additional runway. The noble Lord, Lord Tunnicliffe, asked me whether anything less than that would invalidate the NPS, and the answer is, yes, it would.

The noble Lord also asked under what powers the Secretary of State could acquire the properties he referred to. The answer is that the Planning Act 2008 enables compulsory purchase, but the draft NPS rightly holds Heathrow to its public commitment to provide 125% of unblighted market value for the homes of those subject to compulsory purchase.

The Government are clear that they expect the number of domestic airports with connections to Heathrow to increase. Heathrow Airport Limited has set out a number of pledges to help strengthen existing routes and deliver new routes to the regions and nations of the UK. These include discounted charges for domestic passengers. Air routes in the first instance are a commercial decision for airlines and are not in the gift of an airport operator. The aviation strategy—I will say a word about that in a moment—will consider the level of connectivity our nations and regions require to support economic growth, whether the market is able to provide this and what the role is for Government support.

There was a lot of interest in surface access and who pays for what. Heathrow is already well connected, with links to the M4 and M25, access to the Tube via the Piccadilly Line, and rail services from Paddington. In addition, later in 2018 Crossrail services will start to the airport, replacing the existing two-train-per-hour Heathrow Connect service. From December 2019, six Crossrail trains per hour will run from the airport directly to central London. TfL plans to upgrade the Piccadilly Line with new trains, more capacity and a faster, more frequent service. From 2026, HS2 will connect to the airport via an interchange at Old Oak Common, providing an express route to the Midlands and the north. A western rail link is planned to allow passengers to travel directly to the airport from Reading and Slough. The scheme is currently being designed in detail before seeking its own planning powers. Building is underway to upgrade the M4 to a smart motorway between junctions 3 and 12 to provide additional capacity.

As my right honourable friend the Secretary of State for Transport has said, we can see great potential in a southern rail connection to the airport, which would enable journeys via Woking, Waterloo and Clapham Junction. That would be of great benefit to those coming up from the south-west. We have already had initial approaches from a number of would-be private sector promoters that are interested in developing this.

On the question of Transport for London, we do not agree that airport expansion would require £15 billion to £20 billion of new infrastructure improvements on top of the billions we are already investing in

improved transport. TfL's number includes a range of other projects in London, which may or may not be needed in the future to deal with general population growth unrelated to airport expansion. The revised draft airports NPS sets out targets for the public transport modal share of journeys made to and from the airport by both passengers and staff.

HAL has pledged to meet the costs of any surface access proposals that are essential to deliver airport expansion. This would include works on the M25, A4 and A3044, as well as a contribution to the cost of the rail schemes. The plans for the runway to cross the M25 would be subject to the proper planning process and would be designed to minimise disruption to other users during construction.

On the question of the Government's contribution, which was raised by a number of noble Lords, the Government would only consider contributing to surface access costs where they were not needed purely for airport expansion and they benefited non-airport users, as may be the case for the proposed western and southern rail access schemes, for example. The CAA will decide how the costs of any capacity-related surface access schemes will be treated as part of the regulatory settlement, including which of these costs would be recoverable from airport users.

Moving on to some of the other issues, the noble Baroness, Lady Jones, asked about car parking. Heathrow is currently consulting on its proposed plans. Any application for development consent must include details of how the applicant will increase the proportion of journeys made to the airport by public transport, walking and cycling to achieve a public transport modal share of at least 50% by 2030 and at least 55% by 2040.

The noble Baroness also raised an issue regarding the Environmental Audit Committee. By ending the sale of conventional new diesel and petrol cars and vans from 2040, the UK is going further than almost every other European nation. Air pollution has improved significantly since 2010, but we recognise that there is more to do, which is why we have a £3.5 billion plan to reduce harmful emissions. We will carefully consider the Joint Committee's report and respond in due course.

Environmental and health impacts were again mentioned by a number of noble Lords. The Government take account of the WHO guidelines in developing policy. It is important to note that they refer to noise from all sources, not just aviation. The draft airports NPS makes clear that the Government would expect noise mitigation measures to limit, and where possible reduce, the impact of aircraft noise compared to the 2013 baseline assessed by the Airports Commission. The details around the operation of any scheduled night flight ban, including the exact timings, would be determined at a later stage in consultation with local communities and relevant stakeholders, in line with the requirements of the International Civil Aviation Organization's balanced approach to noise management. I will ensure that they take on board the point made by the noble Baroness, Lady Kramer, on behalf of those who live in and around Richmond.

It is the Government's view, based on expert analysis, that the Heathrow north-west runway scheme can be delivered in compliance with legal air quality obligations,

with a suitable package of policy and mitigation measures. To answer the question of the noble Lord, Lord Tunnicliffe, and to be absolutely clear, expansion will be allowed to go ahead at Heathrow only if it can be delivered within air quality obligations.

I turn to the impact of noise for those living underneath the flight paths. Airspace modernisation will give the opportunity to make the most of quieter modern aircraft, referred to by my noble friend Lord Naseby, and will also provide more predictable periods of relief from noise, as well as reducing the need for stacking. The CAA has introduced a new and more rigorous process from 2 January this year. Looking ahead, the design of new flight paths is technical and can take some time. Again, I will ensure that the comments made in this debate are taken on board.

On the question of benefits and economics raised by the noble Baroness, Lady Kramer, the Heathrow north-west runway is expected to deliver the greatest benefits to the UK economy, because it will deliver the largest increase in connectivity, particularly long-haul flights. This gives UK firms the opportunity to access markets around the world. International transfer passengers make this connectivity increase possible by supplementing local demand to make more flights viable. More flights means more capacity to carry goods to markets around the world. Details around the operation of the night flights ban will, as I said a moment ago, be determined at a later stage in close consultation with local communities. Once a ban is in place, compliance with the rules will be mandatory and not discretionary.

On the question of costs raised by the noble Baroness, Lady Kramer, and the noble Lord, Lord Berkeley, the revised draft airports NPS requires the promoter to demonstrate that the scheme is cost efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime. The Government have set out a clear expectation for HAL to work with airlines and the CAA to drive down the costs for the benefit of passengers, with the aim of keeping landing charges as close as possible to current levels. Beyond landing charges, the increased competition between airlines operating at the airport is expected to result in lower ticket prices for passengers.

HAL has already identified options for expansion, which it says have the potential to reduce the overall cost of expansion by £2.5 billion. On deliverability—or whether or not this can be done—Heathrow Airport is privately owned and any expansion will be privately financed and must be delivered without hitting passengers in the pocket. The Airports Commission concluded that the north-west runway scheme at Heathrow was commercially viable and financeable without government support, including where an additional 10% capital expenditure was required. The Government have considered this analysis and are content that the scheme is viable.

On the other points made by the noble Lord, Lord Berkeley, we are aware of the alternative proposals for expansion at Heathrow which he mentioned. We would encourage any third parties to engage with the economic regulator, the CAA and HAL with a view to reaching a possible commercial agreement. He also touched on

the broader issue of the aviation strategy, looking beyond Heathrow. Our new aviation strategy will indeed look beyond the current debate on a new runway at Heathrow. It will set out an ambitious long-term vision for the sector which will support economic growth across the whole of the UK. It will consider how we can make best use of existing capacity at all airports around the country, including Luton, looking at any future need for new capacity away from Heathrow while tackling environmental impacts.

Going through the hundreds of pages of briefing that I was generously given, I was struck by one reply from Caroline Low, who gave evidence to the Transport Select Committee on 4 December last year. It concisely explains the reasons for the Government's preference: "In terms of maintaining a global hub, regional connectivity, the number of flights and destinations, and passenger benefits, where Heathrow sits in the country it comes out every time on top".

The Government are still considering the responses they have received and parliamentary scrutiny is ongoing. We will take on board all the comments made during this debate, and I will write to any noble Lord whose queries I have not answered.

**Lord Tunnicliffe:** Will the noble Lord be kind enough to send me a letter telling me which section of that very long Act relates to the compulsory purchase?

**Lord Young of Cookham:** It is an Act that his Government generously put on the statute book, but I will of course write to him with details of the section that gives the Secretary of State those powers.

**Lord Berkeley:** Will the Minister very quickly tell us who Caroline Low is? From thousands of responses, why did he choose hers?

**Lord Young of Cookham:** Because it summarised in one sentence the case for Heathrow. Caroline Low works for the Department for Transport and is obviously a very able civil servant who can summarise an argument concisely, which is exactly what a Minister looks for.

Subject to any revisions to the Government's proposals in the light of this process, we plan to bring forward a final airports NPS by the end of June. I hope on the basis of what my noble friend and I have said today, your Lordships will feel able to support the airports National Policy Statement.

*Motion agreed.*

## Economy: Spring Statement

*Motion to Take Note*

2.43 pm

*Moved by Lord Bates*

That this House takes note of the economy in the light of the Chancellor of the Exchequer's Spring Statement.

**The Minister of State, Department for International Development (Lord Bates) (Con):** My Lords, this debate, which I have the privilege of leading, represents two firsts. First, it is the first in a new format of Spring Statements, which represent a single fiscal event. This was announced by the Chancellor in 2016 and aims to restrict tax and spending announcements to a single event in the autumn, which will allow more time for consultation and for planning by businesses and families. Secondly, today we have the privilege of listening to the maiden speech of the right reverend Prelate the Bishop of Lincoln. I am looking forward to that contribution almost as much as my noble friend Lord Cormack, who is of course a champion in this place for all matters to do with the great city of Lincoln.

The Spring Statement reports on a Britain that continues to grow, to create jobs and to outperform expectations. It is the next step in the plan set out in the Autumn Budget to build a Britain that is fit for the future and an economy that works for everyone. Our economy has been resilient, beating expectations and growing for five years straight—this is a fundamental strength which can help build the economy to meet the challenges that lie ahead. The Office for Budget Responsibility forecast reflects continued robust performance and has revised up the outlook for the economy this year, with growth slightly higher in 2018 than previously expected. Employment continues to rise, and has now risen by 3 million since 2010, the equivalent of 1,000 people finding work every day. This progress has been shared across the UK: since 2010, all nations and regions have seen higher employment and lower unemployment. The lowest paid have seen their wages grow by almost 7% above inflation since April 2015, and the OBR expects inflation to fall over the next 12 months, meaning that real-wage growth is expected to increase over the course of the year.

This Statement points to our mission to repair the public finances, with debt set to fall from next year onwards. Thanks to the hard work of the British people, today's forecast shows that our plan to get back to living within our means is working. The deficit has been cut by three-quarters: from a post-war high of 9.9% of GDP in 2009-10 to 2.3% in 2016-17, its lowest level since before the financial crisis. The OBR forecasts that, next year, debt will begin to fall and will continue to fall in every year of the forecast, the first sustained fall in debt for 17 years.

While this is good news, borrowing and debt remain too high. We need to keep debt falling: it leaves us vulnerable to future economic shocks; we spend about £50 billion a year on debt interest payments, which is more than the amount we spend on the police and the Armed Forces combined; and it is not fair on the next generation to foot the bill for our current spending. We continue to take a balanced approach to public spending by reducing the debt, investing in Britain's future, reducing taxes for hard-working families and putting money into public services.

If the public finances continue to reflect the improvements seen in the Spring Statement and the economy continues to be on a strong footing, at Budget 2018 the Government would have the capacity to enable further increases in spending on our vital public services and the long-term investment in Britain's future.

At the Autumn Budget the Government announced £25 billion of spending, including £6.3 billion for our NHS, and supporting households and businesses by investing in the UK's potential in the long and medium term. Next month, working families will see another increase in their personal tax allowance, inflation-busting increases in the national minimum wage and the national living wage, and a freeze on fuel duty.

I turn now to the specific OBR forecasts. The OBR delivered its second report of the fiscal year 2017-18 on Tuesday. It points to the fact that the economy grew by 1.7% in 2017, compared to the 1.5% forecast at the Budget. Forecast growth is unchanged in 2019-20 at 1.3%, before picking up to 1.4% in 2021 and 1.5% in 2022. The OBR also expects inflation—currently above target at 3%—to fall back to target over the next 12 months. Borrowing is now forecast to be £45.2 billion this year, £4.7 billion lower than was forecast in November last year, and £108 billion lower than in 2010.

The Spring Statement reflects and supports the Government's balanced approach to public finances by getting our debt levels down to secure our economy against future shocks, and freeing up taxpayers' money for our vital public services rather than servicing ever-greater debt interest.

Since the Autumn Statement 2016, £60 billion of new public spending has been committed to support our public services. These measures take public investment in schools, hospitals and infrastructure in this Parliament to its highest sustained level in 40 years. Our fiscal strategy is driven by a balanced approach which will ensure that this country has robust and enduring economic growth to prepare us for the future.

Our economy reflects the potential of markets to develop talent and create opportunity because free markets provide jobs for millions, create wealth and form the bedrock of our tax revenues that underpin our vital public services. We will continue to support British businesses and champion free enterprise and free trade around the world. In this respect the Chancellor announced in the Spring Statement that the Autumn Budget 2017 moved to triennial revaluations of business rates from 2022, and it was confirmed that we will be bringing forward the next revaluation to 2021, with triennial reviews starting from then onwards.

The persistent challenge of productivity was also addressed in the Spring Statement. Notwithstanding the strong productivity numbers in the past two quarters, the Chancellor launched a call for evidence to understand how we can boost the productivity of the UK's least productive businesses, among other pressing issues. As part of the Government's modern industrial strategy, announcements were made to ensure that Britain remains at the forefront of new technology such as high-speed broadband. The Chancellor announced the first allocations of a £190 million local full-fibre challenge fund announced in the autumn Budget and confirmed £25 million for the first 5G testbeds.

A central part of a thriving economy and business environment is, of course, the people who work within it. The Spring Statement also told us that the Government are prioritising skills and training so that people can access and capitalise on available opportunities. The Chancellor reiterated the commitment of over £500 million

a year to T-levels, the most ambitious post-16 reforms in 70 years, and £50 million of support is available to employers to prepare for its rollout.

We are also undertaking the largest road-building programme since the 1970s and embarking on the largest investment in our railways since Victorian times. We are making solid progress on plans to deliver the Cambridge-Milton Keynes-Oxford corridor and we are devolving powers and budgets to elected mayors across the northern powerhouse and midlands engine. We are in negotiations for city deals with Stirling and Clackmannanshire, Tay Cities, Borderlands, north Wales, mid Wales and Belfast, and we have invited proposals from cities across England for the £814 million fund that was announced in the Budget to deliver on their local transport priorities as part of our plan to spread growth and opportunity across all parts of the United Kingdom, because we know that investment in critical economic infrastructure and skills feeds through into the productivity bottom line.

The Spring Statement echoed a commitment to tackle the challenges in the housing market, and the Chancellor has set out measures this week to help it happen—an investment programme of £44 billion to raise housing supply to 300,000 a year by the mid-2020s. The Chancellor announced new updates to the Government's housing strategy. The Government will work with 44 authorities which have bid into the £4.1 billion housing infrastructure fund to unlock homes in areas of high demand. It was announced that the West Midlands has committed to deliver 215,000 homes by 2030-31, and London will receive an additional £1.7 billion to deliver a further 26,000 affordable homes, including homes for social rent. It is estimated that 60,000 first-time buyers have already benefited from the stamp duty relief introduced in last year's Autumn Budget.

The Chancellor also reported progress on aspects of tax policy, including multiple tax consultations, both published and impending. We have published the consultation on improving the way in which the tax system supports self-funded training by employees and the self-employed, and the Chancellor has asked the ONS to look at developing a more sophisticated measure of human capital so that future investment can be better targeted. In the autumn the Government published a paper on taxing large digital businesses in the global economy, and the Spring Statement follows this up with a publication that explores potential solutions.

The Government published a consultation on the new VAT collection mechanism and a call for evidence on how to encourage digital payments while ensuring that cash remains available for those who need it. The call for evidence will also seek views on how the tax system or charges can reduce the amount of single-use plastic waste in our society. Further consultations have also been announced, including a call for evidence on whether the red diesel tax relief on non-road mobile machinery discourages the purchase of cleaner alternatives.

The Spring Statement sets out how, through targeted measures, we are restoring the UK's public finances for the benefit of our economy, for our public services, for our taxpayers and to ensure that we have an economy which is fit for the future. I commend the Spring Statement to the House.

**Lord Young of Norwood Green (Lab):** Why did the Minister omit the paragraph on page 8 of my report dealing with the commitment to delivering 3 million apprenticeship starts?

**Lord Bates:** I think the noble Lord may be confused. This is not a repeat of the Statement given in the other place earlier in the week. It is a new speech addressed to a specific debate. It is not a repetition of a Statement but is part of a debate on the state of the economy and the OBR. I hope that helps clarify the position. However, I will be happy to deal with that point when I wind up the debate.

2.56 pm

**Lord Haskel (Lab):** My Lords, I feel sorry for the Minister. It must be embarrassing having to speak to a Statement the words of which are largely irrelevant to most people's concerns. The Chancellor speaks of light at the end of the tunnel. Stagnant wages have eroded the public belief that this light can lead to broad-based prosperity. People believe that all it now does is add to inequality.

The Treasury said that the Spring Statement is not a Budget but a response that it is obliged to make to updated OBR forecasts, so what is the point of this Statement? We need a Statement that speaks to public anxieties and insecurities. That is why we are here. We are not here to have a selective debate about many economic forecasts. For instance, the Chancellor spoke of improved productivity. He must have been referring to output per hour because output per worker is virtually unchanged.

What are all these anxieties and insecurities that we ought to be dealing with? First and foremost must be the crisis in public services, services delivered by Whitehall and, perhaps more importantly, those delivered by local authorities. We all know that austerity has left these services much reduced, with most local authorities—of all parties—in severe financial difficulties. This means that local government is facing an even bigger funding gap by 2020. Already it is unable to fulfil its statutory duty on nearly half the children's services it has to provide. More than 1 million elderly people are living with their care needs unmet, and local authorities are finding it difficult to recruit staff because pay does not meet rising costs.

The public want to hear what the Government are going to do to end this crisis. Yes, local government can put up car parking charges and can keep more of business rates, but this is minor. It needs to be allowed to do things such as charge more on expensive properties or second homes, or be able to borrow more to build more council houses. Perhaps we will have to pay social insurance to help fund the care of the elderly. We may even have to have road pricing. We are a relatively low-taxed country and some forms of higher taxation may indeed be inevitable. We need solutions not debates.

Meanwhile, in April spending and social security cuts will affect 11 million families. Three-quarters of the scheduled welfare cuts have yet to take place. Small improvements reported in the Statement are not going to compensate. What we need in the Spring

[LORD HASKEL]

Statement are some ideas of how we are going to deal with this. For instance, do we really need a cut in the banking levy? The Chancellor wants to consult about VAT on internet sales and on tax paid by the big technology companies. We have been consulting on this, to my knowledge, for five years. What we want to know is what is to be done. The Chancellor wants to consult on terms of payment. To my knowledge, we have been consulting on this for 25 years. I ask the Minister: who else is there left to consult? We now have a Small Business Commissioner. It is his job to deal with this and stop companies delaying payments as a matter of policy to conserve their cash flow—companies such as Carillion which use this policy to conserve their cash and pay in 120 days. Again, it is action we need, not consultation.

The other major anxiety is about jobs. Real wages are falling because wage growth is lower than inflation. Yes, the GDP was higher than the 1.5% predicted but it still leaves wage earners worse off. Yes, there is growing employment but much of it is insecure. Good jobs demand new skills, new attitudes and new investment. Instead of just updating OBR figures, why cannot all these anxieties and all these consultations be given a lot more meaning and effect by putting them in the context of our industrial strategy? That strategy was designed to deal with these issues, to improve our productivity, our investment, our infrastructure and our skills.

Hundreds—perhaps thousands—of people responded to the Government's Green Paper and helped contribute towards the industrial strategy that is intended to promote our economic growth and improve our standard of living and our quality of life. Yet the Statement is virtually silent on this. Instead of reporting on the OBR forecast, why do the Government not use the Spring Statement to give us a progress report on the industrial strategy? That would have a lot more meaning for people. This is what is relevant to people's concerns, particularly at this time when it is becoming ever more apparent that, whatever the outcome of the negotiations, Brexit is going to make us worse off by knocking a couple of per cent off our GDP.

We have been told several times that the Chancellor needs to keep a reserve in case Brexit goes wrong. Of course, we all know the answer to that. The real problem is that the economy is not doing as well as it should. So can we please have more concentration on the industrial strategy and less on austerity, because one seems to be cancelling out the other? In this Statement there are no big ideas as to how we are going to deal with these problems. We need a Spring Statement that explains how we can maintain the fair society and the strong economy that we all seek.

3.04 pm

**Lord Taverne (LD):** My Lords, what I find extraordinary about this Government is their complacency. I do not accuse the noble Lord, Lord Bates, of complacency, but I am surprised because I would not have expected it from Philip Hammond. He told us in his Spring Statement that we have now turned the corner and there is light at the end of the tunnel. However, as those two respected think tanks, the IFS

and the Resolution Foundation, reveal, his plans reek of complacency. In the words of Paul Johnson, director of the IFS:

“The reality of the ... fiscal challenges facing us ought to be at the very top of the news agenda”.

I suppose I should declare an interest, because in 1971 I was the first director of the IFS when it was launched. Indeed, I am proud to have acted as midwife to this infant, which has grown into such a formidable institution. I should also mention that in 1961 I was Member of Parliament for Lincoln and therefore I look forward with particular pleasure to the maiden speech of the right reverend Prelate the Bishop of Lincoln.

Let me refer to the findings of the Resolution Foundation, which was, after all founded by a very distinguished Conservative ex-Minister, the noble Lord, Lord Willetts, generally known as David “Two Brains” Willetts. It says that the plans of the Government depend profoundly on further deep cuts in public spending. There will be a further £2.5 billion of cuts to benefits for those of working age in the next financial year and even bigger cuts the year after. The poorest fifth of households will be the hardest hit. Will the Government be able to enforce such extreme hardships?

Indeed, I believe that there is more bad news in the pipeline—more bad Brexit news—than is generally expected. The Government still rely on proposals for a new trade deal that they hope to negotiate. These may bring temporary unity to the Conservative Party, but such proposals are almost certain to be rejected by the 27. For instance, in her Mansion House speech Mrs May suggested that in its new trade deal the UK should act on the EU's behalf when goods are imported into the UK from the rest of the world and collect the EU tariffs and pass them on to Brussels. It would be a system that exists in no trade agreement anywhere else. When this was reasonably described as “magical thinking” by officials in Brussels, the alternative held out was the Government's notorious plan for invisible, frictionless borders. Anyone who listened to or read the speeches in yesterday's debate on Ireland, particularly the excellent speeches by the noble Lords, Lord Hain and Lord Patten, the noble Baroness, Lady Kennedy, and, especially, the noble and right reverend Lord, Lord Eames, must realise quite how hare-brained and damaging these proposals are. No one outside Britain regards them as credible.

In fact, without a dramatic U-turn by the Government, can they propose any trade deal that is realistic and has a chance of being acceptable to our EU partners? For that matter, how can there be a deal with Ireland if we stay outside the customs union, as the Government intend? If we stay outside, there is no way to avoid a hard border in Ireland and it is clear that the 26 will give their full support to Dublin. If it becomes more generally regarded as possible or likely that there may be no deal, the reactions in the market, the effect on the pound and on investment, will make our economic prospects infinitely worse. And this may come sooner rather than later: particularly in the case of financial services, the moment of truth may be nearer than we think. I recommend that people look at the speech of my noble friend Lady Kramer in the middle of the night in last Monday's debate.

Lastly, I have another fundamental criticism of government policy. The burden of austerity has been borne by the public sector. Many speeches, including the speech of the noble Lord, Lord Haskel, have pointed out the extraordinary damage which austerity has caused, including the suffering by local authorities—in some cases spending has been cut by 50%. These cuts have materially reduced the quality of life in many sections of Britain, especially among the poorest. Yet the Government rule out any tax increases and persist in further devastating cuts in public spending. Already the taxes we pay as a percentage of GDP are 13% lower than in Germany, 17% lower than in the Netherlands and 21% lower than in France. All three have a higher standard of living than us and very much higher productivity. Lower taxes are not the path to more prosperity; they are more likely to be the way to a dysfunctional society. We spend a significantly lower percentage of GDP on health and social care than the Netherlands, France and Germany. Meanwhile, the NHS is heading for a crash, and will be further hit by EU nurses and doctors going home or no longer wanting to work in Britain, because of Brexit.

I am glad it is the policy of the Lib Dems to put 1p extra on income tax instead of further cuts in services. No one spoke a truer word—completely contrary to the philosophy of the Government—than the famous American lawyer Oliver Wendell Holmes, who said:

“Taxes are the price we pay for a civilised society.”

3.11 pm

**Lord Mawson (CB):** My Lords, I welcome the Chancellor of the Exchequer's Spring Statement. It is certainly good news to hear that the UK economy has grown every year since 2010 and that the manufacturing sector is enjoying its longest unbroken run of growth for 50 years, adding 3 million jobs. This is all good news and rather a challenge to those who argue that this country does not have a future outside the European Union. The forecast by the OBR of more jobs, rising real wages, declining inflation, a falling deficit and a shrinking debt is all very good news and one wants to congratulate the Government on this achievement in this challenging time of change. The commitment of this Government to continue to deliver a balanced approach is right, and few of us who have run real businesses and organisations in the real world believe that throwing money at the problems of Britain in some of our poorest and most challenging communities will solve anything; it will make them poorer.

I welcome the Chancellor's plan set out in August 2016 to back enterprise and unleash our creators and innovators, our inventors and discoverers—to embrace new technologies of the future and to tackle our long-standing productivity challenges. The Chancellor is surely right when he chooses to champion those who create the jobs and wealth on which our prosperity and our public services depend. The market is the only way to go if we want to provide jobs for millions of people and the tax revenues that underpin public services.

This is all fine, I agree, but in this digital age, the very nature of our economy is changing and, as an entrepreneur operating in local economies and real

towns and cities in this country, I see every day that much of the machinery of government is not fit for purpose. Looking down into that machinery from No. 11 Downing Street, you see one thing. The OBR can quote whatever numbers it wants, but standing in the middle of that machinery, trying to make it work in practice and trying to run a SME in the middle of it, you see something altogether different. I suggest that the cellars of the Palace of Westminster, for those of us who have visited, are a helpful visual clue as to the machinery of the state I am talking about—machinery that SMEs are meant to make work. This machinery is in a terrible mess. It is full of short-term fixes carried out over many years and not fit for purpose in a modern digital economy.

In a modern digitised economy, in which small and dynamic SMEs will increasingly define our future economy, it is essential that the Civil Service and the organs of the state have a greater practical understanding of the day-to-day workings of small dynamic organisations and businesses, so that we do not undermine the life that is in them. We have a serious problem and we need to address it. The SME sector is a key part of our future economy and many SMEs are pulling their hair out at the bureaucratic demands that are landing every day on their desks.

There needs to be a far clearer grasp within government and the Civil Service of the cumulative effect on the practical day-to-day operations of SMEs of all this burgeoning bureaucracy we are generating. There was no mention of it in the Chancellor's speech, I notice. Each piece of this bureaucracy on its own can seem very reasonable, but when you put it together the cumulative effect on a small organisation can feel debilitating and sap the life out of very good and committed people. Is anyone in government noticing and taking personal responsibility for these unintended practical consequences? Who is spending time in the cellar worrying about the machinery? Who is even interested because everything looks well above ground?

The Civil Service, in my experience, is made up of good, caring, clever and often impractical people whose culture is overly impressed by large organisations and reports; they often seem uninterested in practice. Large bureaucracies talk to bureaucracies. They speak the same language, but often seem to have little grasp of the realities of the day-to-day operations of small organisations. Having run a secondment programme for the Civil Service over a number of years, my colleagues and I have had an inside view of what this can look like. I thought it might be helpful to illustrate the issue in one very small SME that my family and I have a close involvement with. We thus see and feel the practical effects and impact of a wide range of government regulations arriving on the desk of a very small staff of people on a daily basis—people who are conscientious and want to follow the letter of the law, but increasingly find it challenging to do so. Stanton Guildhouse in Worcestershire is a small SME serving its local rural community through its offer of arts and educational classes. Here I must declare an interest. Its work has direct linkages with the work I founded at the Bromley by Bow Centre 35 years ago, where we now run 70 SMEs. This particular small rural SME also offers accommodation, meeting and conference facilities to

[LORD MAWSON]

families, charities, the public and business sectors from across the country in its Grade II-listed Manor House. It is a busy project with only one full-time member of staff and two part-time staff, and a small team of tutors. The turnover of the business last year was £139,000.

We count that today there are over 40 different regulations that directly demand attention from this small team of staff, many of them accompanied by complicated documents setting out terms and conditions and so on. To comply, we should ideally employ a lawyer, a health and safety consultant and an HR manager, which is completely unaffordable. Even things which hitherto were straightforward like opening a bank account, or working out whether a cleaner or art tutor working a few hours a week is self-employed or not, become major undertakings in themselves.

The part-time finance officer has alerted me to the impact of recycling rules and regulations on the day-to-day operation of the organisation, as well as the new regulations coming up the line, Making Tax Digital, which I understand is coming out in April 2019, after which all entities—initially those above the VAT limit—will have to file online. I am told the accounting community expects to do very well out of assisting clients with this change—clients who have never before had to register for online accounts other than via HMRC or the Charity Commission website. This is seen, I am led to understand, as a huge cloud hanging over SMEs and indeed the charitable sector.

A colleague of mine, a digital entrepreneur with a successful growing business working increasingly in new markets overseas, tells me that new data regulations will cost his business at least £15,000 per annum. He tells me that we might like to think the UK is the best environment to set up and grow a business and that we have less bureaucracy than our overseas competitors, but we are in real danger of this becoming an illusion—his words, not mine.

I make it clear that my colleagues and I are not against the regulation and modernisation of services. We have built very successful entrepreneurial businesses, and social and business innovation is our core business. However, we have a real concern about the cumulative effect and scale of all this regulatory activity emanating from the many different silos of government, and whether it is sustainable in the real world. The logic that seems to underpin all this activity concerns us. Government cannot control every aspect of human life, and experience suggests that the more it tries to do so, the less personal responsibility for all our actions there will be. There is a balance to be found here and we worry that the Chancellor and his colleagues are coming out on the wrong side of this equation. Grand words and large numbers are fine but ultimately it is about the detail, and for the SME sector this matters for hundreds of thousands of jobs and millions of pounds of productivity. All this regulatory activity in turn produces many extra practical tasks for a very small team on a daily basis, which both is impossible to service and in practice undermines the involvement and work of good people who want to run a successful business.

In an increasingly joined-up and integrated world, I wonder whether the Government need to invest more in innovation in this space. We need to explore how to reduce all the unnecessary duplication produced by what seem like increasingly out-of-date silos and explore more cross-cutting solutions. I know we all talk about this endlessly, but the time has now arrived, in this digital age, when we must increase the practical activity in this space. Withdrawing from the EU may provide us with an excellent opportunity to grasp this nettle. As I say, it is not so much the individual measures that are the issue but their cumulative effect on SMEs across the country. People are becoming fed up to the teeth of an impersonal machine over which no one seems to have any control.

I have a practical measure to propose and a question to put to the Minister. Why not send civil servants drafting legislation, and perhaps all members of the Better Regulation Task Force, to spend some time in small organisations and businesses, to get the view “up the telescope”. They could spend some time working out whether that art class is or is not VAT-exempt; whether the tutor is self-employed or not; if the insurance cover is correct; if all health and safety requirements have been met; if the class is accessible to all forms of disability, likewise the online advert; if the records on the computer are compliant with data regulations; whether we have everyone’s permission for the photos; whether the risk assessment is up to date, and so on, times 40—all for something potentially involving just 10 people and lasting two hours. This is ridiculous and no way to run an economy, micro or otherwise.

In recent months I have listened to numerous speeches from all sides of this Chamber, worrying away at this issue. As the country prepares to leave the EU, now is the time to grasp this nettle. I suggest that our economy will depend on it. If we want a new generation of entrepreneurs to rebuild our economy and give us and their children a future, I for one hope the next speech by the Chancellor will have something to say about this matter, about the unwieldy machinery of government in an internet age, a digital age that I thought was meant to make our lives much easier but is in danger of doing precisely the reverse as we continue to apply old out-of-date siloed mindsets to a digital environment that is all about the integration of services.

3.23 pm

**Lord Bishop of Lincoln (Maiden Speech):** My Lords, I thank those who have made me so welcome to your Lordships’ House, not least those who hail from Lincolnshire, including several proud doorkeepers who either live in the county or have served there in the armed services. We share a love for our historic county, the beauty of landscape and building, not least Lincoln Cathedral, about which noble Lords may have heard from the noble Lord, Lord Cormack; the pleasure of its food—I am a bigger man now than I was when I went there—and, most importantly, the rugged, independent-mindedness of its people. I also thank those who have said warm words of encouragement in this debate.

I have been Bishop of Lincoln for over six years. My predecessor, Dr John Saxbee, is an expert in the work of the Danish theologian and philosopher

Kierkegaard, one of whose most famous sayings is, “Life can only be understood backwards but it must be lived forwards”. Trying to understand my life backwards now, I can see that providentially much of who I was and what I did before coming to Lincoln in 2011 prepared me for the role that I now inhabit, and will inform and guide the contributions that I hope to make in your Lordships’ House.

I come from working-class roots in the former steel town of Consett in north-west Durham, a town that was only there because of the steelworks, the place where all the men in my family worked. I found faith and a vocation to the priesthood at the age of 13. It was a surprise to me—a surprise that has not exactly left me yet—that God was calling someone like me to be a priest. This vocation took me to south London, Hampshire and Portsmouth, where the journey back to my roots began. Portsmouth, although 350 miles south of Consett and a little warmer, has been described as a northern city on the south coast—a reminder that the north/south divide is as much a conceptual division as a crude geographical line. There I was able to begin to engage with issues of poverty, inequality and low educational attainment that reappear now where I currently serve.

My journey back to my roots—or, as we members of the north-eastern diaspora call it, “home”—continued with a national job in Church House, Westminster, overseeing the provision of ordained and lay ministry across the Church of England. That sensitised me to the challenges facing the communities and churches in areas on the edge such as the north-east itself, Cumbria, Cornwall, Herefordshire and of course Lincolnshire.

That brings me to where I am today and the role that I now play, and to the Chancellor’s Spring Statement. There are some things to welcome in what was announced—what has been called the light at the end of the tunnel: the modest improvement in economic forecasts and the prospect of an increase in spending on and investment in public services, which will be good news to the people of Lincolnshire, especially if what is devoted to Lincolnshire addresses the challenges that we actually face.

Lincolnshire is formed by its history and its geography. In the words of one recent book, we are “prisoners of geography”. The impact on Lincolnshire of 50% of its population living in sparse, rural settlements is huge. Size matters, and in Lincolnshire this is expressed in challenges faced by the health and education services, not to mention the threat that climate change poses to Lincolnshire, which the most reverend Primate the Archbishop of Canterbury sees in a recent book as having,

“significant bite not only for our generation but also for those as yet unborn”.

However, Lincolnshire is not all rural or flat fens. There are communities like Grimsby, Scunthorpe, Lincoln itself and Boston. In those areas that voted heavily in favour of Brexit, there are the usual challenges of urban life, and there are more to come when the full impact of welfare reform is experienced. Unless economic policy as articulated in the Statement is directed as much towards the interests of these communities as it is to the more prosperous corners of our country,

we shall be failing in our duty to create a fairer and more integrated society. Already I see in those communities a sense of alienation from the metropolitan elite. In the typology of David Goodhart’s helpful book, the “somewheres” resent the “anywheres”, while the “anywheres” do not understand the values of the “somewheres”.

This is not new. The Lincolnshire rising of 1537 and the Pilgrimage of Grace that followed, were obviously about first of all a commitment to the old religion, but perhaps also driven by the resentment that King Henry VIII and his commissioners were the rich elite from the south who had come to plunder their assets. The King made his views on Lincolnshire clear. The shire was, he said,

“the most brute and beastly of the whole realm”,

and he saw that the perpetrators of the rising were cruelly executed. In hoping to avoid a similar fate, it is none the less my sincere wish to be a small but proud voice for the successors of those good people of greater Lincolnshire in this place.

3.30 pm

**Lord Hodgson of Astley Abbots (Con):** My Lords, the Members of the Bishops’ Bench in your Lordships’ House have a long record of making distinguished and distinctive contributions to our debates, and I think the speech we have just heard continues that tradition—not that I would have expected anything else from the right reverend Prelate, given his far-reaching personal, academic and pastoral background. This includes not just the wide-ranging work in the United Kingdom which he described; I am told on the highest authority that he is an exceptionally accurate sprinkler of holy water. He has a son and family living in Australia, which gives him a world dimension, and he himself studied in California, where he received a master’s degree in sacred theology. I hope I am not being irreverent, but I am surprised there are degrees in theology that are not sacred. Whatever the rights and wrongs of that, he has made a powerful contribution to our debate this afternoon, and I am sure that I speak for the whole House when I say that we look forward to hearing from him again soon.

As I turn to my own remarks, I need to draw the House’s attention to my entry in the register—my chairmanship of several companies. I also ought to remind the House that I am currently chairman of a Select Committee of your Lordships’ House looking into citizenship and civic engagement. It is not directly relevant to our debate today but some of the evidence we have received has informed the background to my remarks.

My noble friend on the Front Bench has taken a certain amount of incoming fire so I begin by offering congratulations to the Government on their overall economic performance. I do so, first, as regards the continuing reduction in the Government’s borrowing requirement, which at £37.7 billion in the 10 months to the end of January is the lowest since 2008. Secondly, they have created economic conditions where tax receipts continue to outperform expectations so that the next financial year looks as though we will run, excluding capital investment, an overall surplus.

[LORD HODGSON OF ASTLEY ABBOTTS]

However, we live in uncertain times for reasons that we have been debating long into the night and will continue to debate long into the night, so there is still work to be done with borrowings at over £40 billion and the net debt at £1.73 trillion—84.1% of our GDP. I support the Chancellor in his determination to continue a responsible fiscal policy. I have to say to the party opposite that I fear for our future if Mr Corbyn has a chance to plant his magic money tree, as I think that would undo all the hard work done in the past few years.

In my remaining remarks, I want to look to the future and for my noble friend to comment on progress in three particular areas. The first is what the Government call emerging tech, and particularly the area of artificial intelligence and robotics. Over the next 10 to 15 years AI and robotics will transform the way we live and the way we work. In 2015, 5.5 million consumer robots were sold and next year 40 million are expected. They will free us, as that tide comes along, from doing many tasks that are dull, dangerous and dirty. It will be a huge important worldwide wave of change and it is important that this country is in the vanguard of it. Perhaps my noble friend could update the House on the Treasury's perspective on progress in that regard.

However, as is always the case, there is a downside. To date, robotics have tended to affect employment in manufacturing—the manufacture of things. The next wave will deal with services, and this country is very service-oriented. Financial services, insurance, auditors and paralegals will find that a large number of their jobs no longer exist in the new world. At a further lower level, humdrum jobs will disappear. Commentators say, “Yes, yes, yes”, but in agriculture, for example, where there is expected to be quite considerable employment, albeit lowly paid, we can see from YouTube that a machine in California is now starting to pick strawberries mechanically, and in Lincolnshire a machine can pick cabbages and lettuces. They are not commercial yet but they will become so. Therefore, the idea that there is a large level of unemployment in these areas in the future is mistaken.

The implications for our society are for many fewer jobs overall. This will be the first industrial revolution that destroys more jobs than it creates, and it will be a society that looks like an unbalanced hourglass in terms of work prospects: a small blob at the top for those who are successful, a long thin middle and another blob at the bottom for those able to do the humdrum jobs that cannot be mechanised. All this will cause stresses and strains on our social cohesion. It will be emphasised because, over the next 25 years, we will see an ineluctable drift in wealth from the West to the East. The rising economic powers of the next 25 years will be India, China, and south-east Asia. Whether we like it or not, we will be in a relatively slower part of the stream. That, too, will emphasise problems that we might have in this country. That is my first point.

My second point is how to do more to make sure that our existing resources—our people here—are better equipped to deal with these very challenging conditions. Of course, productivity has been our Achilles heel for as long as I can remember. There are things we can do to improve productivity. The first is training, and I

welcome my noble friend's emphasis in his opening remarks on the Government's commitment to training—the apprenticeships programme and the T-training. It has always seemed to me that a well-trained technician is likely to have a more satisfactory, well-paid and fulfilling job than someone with a 2.2 in media studies.

There is a second challenge, which is about trying to get people to work, and it is a question of infrastructure. One of the companies I chair is in central Manchester. It is a small company, employing about 40 or 50 people. We take on about four or five every year. We can recruit people from Manchester but we find it extremely hard to recruit from Bolton, Blackburn and—dare I say it in the presence of the noble Lord, Lord Davies?—Oldham, because the travel-to-work times from those towns to Manchester are very high. People are not prepared to commit to a job that requires them to spend too much time travelling to work every day. For another company in Runcorn which I chair, the situation is even worse.

If my noble friend asks his officials to get out the social mobility report of November 2017 and turn to page 75, they will see that planned spending per head on transport in London is £1,943, but in the north-west it is £680—one-third—and it is even less in Yorkshire and Humberside. The Treasury needs to think about the generality and the particularity if we want to make serious inroads on the imbalance between London and the south-east and the rest of the country.

The third element of this is getting UK employers to understand the importance of recruiting members of the settled population. When I say “settled population”, I mean settled—it is not another word for white. I do not mind about racial background, religion or anything, just the settled population. Noble Lords will have read, as I have, hundreds of articles saying that we are crying out for engineers, but I meet young engineers— young men and women who have a 2.1 in engineering—who find it hard to get a job. When you ask why, they say it is because employers say that they have no experience. Of course, you cannot get experience without a job and you cannot get a job without experience, so they are hooked into this very difficult situation. It can be easier to hire someone from overseas—it is probably no more expensive; it is perhaps cheaper—who will have two or three years of practical experience thrown in. This issue of crowding out needs to be addressed. If overseas recruitment is the default option—for employers it is economic and rational to do that because they get better-quality employees for a lower price—it will have implications for our society.

This takes me to my last point. Against this challenging background, we need to consider the fact that our population continues to increase very fast. Some people have said, “With Brexit, that's all over”. Well, it is down but it is still very high. Every single day in the year to 31 December 2017, on average, the population of this country went up by 1,196 people. That is a large village or a small town every week. Approximately 500 was natural increase—that is to say, the excess of births over deaths—with 500 from outside the EU and 250 from inside the EU, balanced by about 150 people from Britain going to live overseas. The ONS projection is that we will have another 7 million people here over

the next 25 years. To house them, we will need three cities the size of Manchester—with all the ancillary services that go with that.

We have these three trends: a move to the East, resulting in our living standards growing, at best, more slowly; an AI robotics revolution, which will reduce—potentially dramatically—employment opportunities; and a rapidly increasing population. In my view, though I hope I am wrong, this all suggests challenges to our social cohesion and our community life. I say to my noble friend that only the Treasury is in the position to assess the impact of these trends. Every other department is bound by its silo mentality, its own bit of turf. When he comes to wind up, can he say whether these sorts of long-term strategic issues even register in the Treasury? What sort of intellectual horsepower is being deployed to them? If he is not able to say that this afternoon, perhaps he could write to all of us who have participated in the debate to explain how the Treasury sees these trends working out or, if it is the case, why it disagrees with them.

3.42 pm

**Lord Livermore (Lab):** My Lords, I add my congratulations to the right reverend Prelate the Bishop of Lincoln on his maiden speech. In his Spring Statement on Tuesday, the Chancellor devoted just 75 words to the UK's departure from the European Union. Yet, concealed in his numbers, the consequences of Brexit now cast a dark cloud over the entire British economy. The Chancellor sought to present himself as the great optimist, dressing up the OBR's latest growth forecasts in a positive light. Of course, the 0.1% increase for 2018 is indeed welcome, but what he did not mention was how much lower those growth forecasts now are because of Brexit. To quote the OBR:

"The vote to leave the European Union appears to have slowed the economy".

The real picture is that, in each and every one of the next three years, economic growth will be significantly lower than the Government's pre-referendum forecasts.

The Chancellor said that growth is now forecast to be 1.5% in 2018, 1.3% in 2019 and 1.3% in 2020. What he did not mention was that, before the referendum, the forecast for each of those years was 2.1%. In his Statement, the Chancellor described growth in the subsequent years, 2021 and 2022, as "picking up". Yet, compared to his Autumn Statement, the growth forecasts for those two years have in fact been revised down to 1.4% and 1.5% respectively. The Chancellor also failed to mention that at no point since the Second World War have there ever been five consecutive years of GDP growth below 2%—until now. Neither did he mention that the UK economy is forecast to grow 24% slower than the economy of the euro area over the next five years. Nor did he say that, having been at the top of the G7 growth league before the referendum, Britain is now not just at the bottom of the G7 but bottom of the entire G20.

The director of the Resolution Foundation said:

"Because it feels like old news the danger is we come to ignore quite how awful these economic forecasts are".

The director of the IFS observed that these growth forecasts are,

"dreadful compared with what we thought in March 2016, dreadful by historical standards and dreadful compared with ... the rest of the world".

The Chancellor might describe himself as "particularly Tigger-like", but it is doubtful that the British people will be enjoying themselves quite so much.

There were some other notable omissions from the Chancellor's speech—on investment, trade, productivity and earnings. Investment is down in comparison with pre-referendum forecasts. The OBR noted that, by the end of 2017, business investment was almost 6% lower than the March 2016 forecast. The Bank of England has estimated that Brexit uncertainty has already lowered investment by between 3% and 4% and the OBR now expects investment growth to,

"remain subdued in the face of Brexit-related uncertainty".

On trade, the OBR now believes that the negotiation of a new trading relationship with the EU will slow the pace of import and export growth over a 10-year period and it expects export growth to flatline by 2022. Productivity growth has also been downgraded yet again in every year from 2019 and is now even lower than the extraordinarily bad projections made at the time of the Autumn Statement. Earnings will now not return to their pre-financial crisis peak until 2025, leaving Britain barely halfway through a 17-year pay downturn. Lower growth, a weaker economy, poorer people—all direct consequences of Brexit, yet none of them mentioned by the Chancellor.

One set of figures that the Chancellor did focus on were the OBR's updated fiscal forecasts, where he sought to talk up the Government's performance on both borrowing and debt. In his Statement, he made reference to debt being revised down, although debt will still continue to rise from £1.74 trillion this year to £1.83 trillion next year and £1.88 trillion by 2020. Of course, when the previous Labour Government left office, the debt-to-GDP ratio stood at 57.1%, whereas this year it will be 85.6%.

On borrowing, the £4 billion improvement in this year's deficit since the autumn is of course welcome. However, the improved forecasts only reverse one-third of last November's enormous Brexit-induced borrowing downgrade and the structural deficit in 2019-20 is almost completely unchanged. As a result, the Chancellor remains a decade off meeting his target of eliminating the overall deficit and any hopes of an end to austerity are sadly misplaced. While the former Prime Minister and Chancellor congratulated each other on Twitter on the elimination of the current deficit, they were seemingly unaware of the misery that their policies had caused, with homelessness doubling and child poverty rising by over 1 million to the highest level since records began. Now, under this Chancellor, cuts to day-to-day spending are set to continue well into the next decade. Funding to local government will fall by a further 20% over the next two years and, as my noble friend Lord Haskel said, nearly 80% of the benefit cuts announced in 2015 are still to take effect.

In his speech, the Chancellor claimed to be building, "a country that works for everyone".—[*Official Report, Commons, 13/03/18; col. 722.*]

Yet as a result of the tax and benefit changes that this Government have made, the entire bottom half of the income distribution will now see their incomes fall.

[LORD LIVERMORE]

The second-poorest decile will lose £1,500 a year—a 10% fall—while the second-richest decile will gain £600, a 2% rise. The poorest working-age families with children will see an extraordinary 20% fall in their incomes, losing over £3,500 a year. Again, none of this was mentioned by the Chancellor. Throughout his Spring Statement, he seemed intent on concealing the damage done to our economy and the working families of this country.

We saw the exact same desire to conceal when the Government sought to avoid publishing their impact studies into the longer-term economic consequences of Brexit. These impact studies, finally published last week, show an even more significant cost of Brexit than we have seen so far. They show a 5% reduction in GDP from leaving the single market. They show new trade deals making up only 0.2% to 0.7% of that reduction. They show a devastating economic hit to every nation and region of the UK, with an 11% reduction in GDP in the north-east and an 8% reduction in both the north-west and the West Midlands. They show that leaving the single market would further increase borrowing by some £55 billion.

In his speech, the Chancellor speculated that the Labour Party could put at risk the recovery, threaten British jobs and burden the next generation, yet that is precisely what his own figures prove conclusively that his policies will do. Having seen the cost of Brexit so far and having commissioned their own Brexit impact studies, where the consequences are laid out in black and white, the Government have still chosen to pursue a policy that will demonstrably damage Britain's economy. This is surely the first time that a Government have ever deliberately put aside the national economic interest and embarked instead on an economic policy that they know will make the country poorer. Why? Because this Government are now taking decisions not for the economic needs of the nation but for the ideological needs of the Conservative Party. As the economic costs of Brexit become clear and as we see the further devastating impact that the Government's policy will have for decades to come, we must surely now ask: is this really the right path for our economy? Is this really the future that we want for our country?

3.51 pm

**Lord O'Neill of Gatley (CB):** My Lords, I, too, congratulate the right reverend Prelate the Bishop of Lincoln on his excellent maiden speech. By complete coincidence, I attended a wedding last Friday at which at least half of those present came from that proud county, so I can vouch that they appear to be a rather robust bunch.

With respect to the Spring Statement, I will make six—hopefully brief—points, two of which are questions. First, I congratulate the Chancellor on sticking to his commitment to only one annual fiscal event, not least to avoid the never-ending temptation of saying or doing something purely for the sake of it. I join other noble Lords in congratulating the Government more broadly on the ongoing positive fiscal progress. Far too frequently, the importance of eventually returning to some kind of fiscal health is underestimated in this place.

Secondly, I point out—others have touched on this but, to my slight surprise, it has not been specifically mentioned—that the OBR was surprisingly gloomy, contrary to general expectations in advance because of recent evidence. Although I suspect that, as I have just implied, things might not be as grim as it suggested, its justification does not lack credibility. In this regard, it would not be the worst of all outcomes if, yet again, it—and some of the rest of us—is pleasantly surprised in the autumn.

Thirdly, the OBR might easily be wrong. As David Smith highlighted in yesterday's *Times*, if going forward the GDP growth that it suggests is as weak for the rest of the period, it will turn out to be worst extended period for 70 years. Is this realistic? Perhaps it is. But, beyond Brexit, it seems that there are some creeping better signs, not least the recent evidence of a pick-up in productivity. There are some credible reasons, some of which I have outlined in this place before, why this recent two-quarter improvement in productivity is not to be dismissed, as the OBR has done, and might persist. I do not have the time to highlight what they are, but I will no doubt return to them at some future date. If the OBR is wrong, the boost to public finances as well as the scope for material debt reduction, and for government investment spending, could be significant.

However, my fourth point is that the OBR might be right. If it is, the Government will have no choice but to take a bolder path on investment spending, both directly and indirectly.

Fifthly, in this regard, can the Minister respond to a question on the following? Recently, I participated in a conference on investment in the UK. At that event, the Chief Secretary to the Treasury said—this was very recently—that the Government would soon publish a paper on a new methodology for approval of investments, implicitly suggesting the possibility of allowing for broader productivity-enhancing analysis rather than the all-too-familiar rigid value-for-money approach that has long since dominated the thinking of many departments. That could be hugely important. When will that report be published?

Sixthly and lastly, in this vein, why are the Government so quiet and why have they become so apparently timid about their northern powerhouse and Midlands engine strategies, especially when, oddly, there is some evidence—albeit modest—that parts of this past strategy are working? The last time I spoke here, I highlighted the apparent strength of the north-west, notwithstanding some points touched on earlier, and, since then, the most recent data suggests that this is continuing. I would have thought that the Government would be rather proud of that and would want to pursue it more. Succeeding with both the broader, wider northern region, as well as the so-called Midlands engine, and sustaining the strength of the north-west would, among other things, help to deliver on some of the implicit core things that the OBR is so gloomy about and, most importantly, would result in a better future for the whole of the United Kingdom.

As it relates to the northern powerhouse, there are clear implementable policies, especially on transport infrastructure and education and skills, which the Government should embrace. While the transport asks require significant new central government fiscal action,

the skills and education initiatives do not challenge the fiscal framework that much. As demonstrated by the recent proposals from the Northern Powerhouse Partnership, of which I am the vice-chair, these would be highly important to the education and skills challenges of the whole of the north and, for that matter, the Midlands, but would have very little impact on the Government's overall fiscal framework, irrespective of whether the OBR is right or wrong. The Government need to rediscover their lust for these policies, some of which may have contributed to the tentative signs of some highly necessary and important regional rebalancing of the economy.

3.58 pm

**Lord Higgins (Con):** My Lords, I have long since forgotten how many Budget debates I have spoken in, but I have certainly spoken in every one since 1964, which is quite a long while. I have therefore got used to the annual Budget ritual, with the box outside No. 10, and so on. While I fully understand and accept the reasons which the Chancellor has put forward for changing our annual Budget arrangements, none the less I feel a little sentimental about the proposed changes.

We cannot go on calling it a "single fiscal event"; we should go on calling it a Budget in the autumn. I gather, from reading rather more closely what the Chancellor said, that it will continue to be known as a Budget. I also regret the fact that he will no longer publish the Red Book, which I always found a singularly convenient form of presentation, and I hope that he will reconsider that by the time we come to the autumn.

The Chancellor's speech the other day sets out the record since 2010, which is good: the manufacturing sector is,

"enjoying its longest unbroken run of growth for 50 years", with 3 million extra jobs; every single region has, "higher employment and lower unemployment than in 2010"; and the wages of the lowest-paid workers are, "up by almost 7% above inflation".—[*Official Report, Commons, 13/3/18; col. 717.*]

All that is good, and the Chancellor is right to have stressed it. Similarly, the OBR forecasts predict more jobs, rising real wages, declining inflation and a falling deficit—and, the Chancellor says, a shrinking debt. It is not actually true that there will be a shrinking debt. My understanding is that clearly the national debt will continue to go up; that must be a slip by the draftsman who produced the Chancellor's speech. It is essential to stress that we must continue to cut the deficit, for all the reasons that are well known—the effect on future generations, the strength of the economy, the fact that we have to pay large amounts of interest on the debt, and so on. I hope that we can take that point into account.

The OBR forecast in general is optimistic, although we shall have a number of particular problems. We hear talk of austerity all the time, but what that really means is that we are living within our means, and having to take the necessary measures to stay within our means—unlike Mr Gordon Brown, who managed to make everyone happy for a number of years simply by running up debts at a higher and higher level. We certainly do not want to see Mr Corbyn doing the same thing again.

**Lord Skidelsky (CB):** I am sorry to interrupt the noble Lord, but does he not remember that the debt-to-GDP ratio came down for all the years of Brown's chancellorship until 2008?

**Lord Higgins:** Conveniently or not, I happen to have forgotten that. At all events, let me consider what the noble Lord has just said.

I am glad to see that the noble Lord, Lord Livermore, who had disappeared for a moment, is now back in his place, because what I really wanted to say is that although I did not agree with every single word he said, I very much agree with what he said in general. The Chancellor missed an opportunity to spell out how much more difficult his task had been made by implementing the results of the referendum.

In my view the referendum has produced a disastrous situation. Someone said at the time that people did not vote for a lower standard of living—but that is precisely what they voted for, and it is precisely what they are going to get. That is very deplorable indeed. I agree with the noble Lord who said that it would be helpful if the Chancellor had spelled out the fact that, because of the effect of that vote, we are facing even bigger problems than we otherwise would have done.

It is important that we should not go for a very hard Brexit. We had a debate yesterday about what was going to happen, and we had to reappraise the position. We were saying that we needed a meaningful vote on the result of the negotiations, and there was a long debate about that. Unfortunately, we did not have an opportunity to vote on the place we should start from. The trouble is that the Government started by saying that we are going to withdraw from the customs union and the single market. That will be dangerous and damaging. Parliament really must take a strong position and say that we cannot go along with the implications of Brexit if it means that the living standards of our people will be lower. I think that we have a duty to say that we will not go along with this.

Therefore, as it stands, it is a good Budget but it is a far less good Budget than it would have been if we had not been dealing with the initial implications of Brexit. The situation will certainly be better if we do not continue along that route but instead take a revised view on where the Government should stand on the single market and the customs union.

I add only one point, which was made yesterday, about the Irish border. If we do not leave the customs union, we do not have a problem, and if we do leave the customs union, we do not have a solution. That is the reality. However, overall I welcome the proposed changes to our financial proceedings and debates, and I believe that this is as good a Budget as one can produce in circumstances which are much worse than they would have been if we had not had the result that we did in the referendum.

4.06 pm

**Viscount Chandos (Lab):** My Lords, I too congratulate the right reverend Prelate on his excellent maiden speech. I also thank the Minister for moonlighting

[VISCOUNT CHANDOS]  
from his DfID duties to introduce the debate. I should draw the attention of your Lordships' House to my entries in the register.

A year ago I spoke in the debate on the Budget—possibly the last Spring Budget—and there were 39 speakers. This afternoon there are 14 or 15. Although projections and forecasting are difficult, as illustrated by the OBR, my calculation is that there has been a saving of a maximum of £7,500 as a result of the reduced number of speakers.

We have been invited to take note of the economy in the light of the Chancellor's Spring Statement. The question is, which portrayal of the economy—the Chancellor's sunlit uplands or the Office for Budget Responsibility's darker valleys? And how does the Chancellor's upbeat assessment relate to the other evidence that all your Lordships are exposed to: crises in local government, the NHS and the provision of care for the elderly?

The United Kingdom has the greatest regional inequality of any country in the EU, yet, as I watched the Chancellor make the Spring Statement, he gave the impression that the only question was whether the outlook was better on St George's Hill or in Virginia Water. Just as the American President calls any inconvenient facts "fake news", anyone who does not embrace the optimistic view of the Government has been dubbed Eeyore-ish, and the Chancellor—himself regarded as an Eeyore by his Brexit-enthusiast colleagues—has now proclaimed himself to be a veritable Tigger.

Even if this gentle banter feels rather less threatening than the President's terminology, it strikes me as fundamentally trivialising important and, for millions of people, harrowing issues—squabbling over which costume in the nursery dressing box is whose, while rough sleeping, the use of food banks, child poverty and the cancellation of hospital procedures inexorably rise.

Seventy-five per cent of the welfare cuts introduced by the previous Conservative Chancellor in 2015 and not reversed by the current one are still to take effect, and the projections for public expenditure and borrowing in the period to 2020-21 are based on the assumption that these cuts are fully implemented.

I will leave it to future economic historians with longer perspective and greater objectivity to pass judgment on the Conservative and Conservative-led Governments' measures over the past eight years to reduce the deficit arising from the consequences of the global financial crisis, but I will be surprised if a consensus conclusion does not suggest that the national finances could have been better strengthened through a significantly more equitable sharing of the burden. We cannot, however, rewrite history or easily reverse past actions, so the priority has to be to ensure that future policy does not continue to place such an unfair and intolerable burden on the least well-off. Whether or not the IFS's projection of the need for a £30 billion to £40 billion increase in annual tax revenues by the mid-2020s proves to be in the right range, there is little doubt that, with all the changes, among other things, to the workforce and employment structures, radical changes to how taxation is raised fairly and effectively are essential.

Although the Chancellor announced 30 different consultations in the Spring Statement, many of these are pretty technical and of limited potential in terms of revenue raising, and some, even if welcome, such as fair payment of commercial suppliers and prompt payment by government, have no direct relevance to the Government's requirement for funding.

There appear to be no signs of any deeper thinking by the Government about key areas of taxation, however difficult they may be, as the noble Lord, Lord Macpherson, as a former Permanent Secretary to the Treasury, has previously argued in your Lordships' House, such as the reform of residential property taxation. Even if our departure from the EU has as benign an outcome as possible, we will not have prosperity and fairness without grasping such nettles.

I would like to conclude, therefore, by reverting to an issue that I raised a year ago in the debate on last year's Budget Statement: the need to reform inheritance tax. Inheritance tax is not currently a substantial contributor to public funding—around £5 billion per annum, compared to, say, 10 times that for corporation tax, even at its currently discounted level—and the most ambitious realistic reform is unlikely on its own to substantially close a £30 billion funding gap. But it could, I believe, make a useful contribution to such a target, and, as importantly, reform could create a system widely seen as much fairer. In the context of the case for inheritance tax reform, Janan Ganesh wrote in the *Financial Times*:

"A country's tax code is not just a mesh of rules and rates—it is a secular bible of moral signals".

Although not included in the list of consultations, the Government have recently commissioned the Office of Tax Simplification to produce a review of aspects of inheritance tax. The scoping document, dated 15 February 2018, refers to,

"a review of a range of aspects of IHT and how it functions today, including its economic incidence, to identify simplification opportunities ... The overall aim of the review will be to identify opportunities and develop recommendations for simplifying IHT from both a tax technical and an administrative standpoint".

These Benches have asked for a fundamental review of inheritance tax for many years. My noble friend Lord Eatwell argued powerfully six years ago for a review which considered the taxation base shifting to the recipient of gifts and legacies rather than the donor or the estate. Inheritance tax was introduced by the noble Lord, Lord Lawson, who is not in his place, in substitution for the capital transfer tax regime, which embraced lifetime gifts, introduced in the 1970s by the late Lord Healey.

I therefore find the limited remit of the review, perhaps admittedly reflecting the narrow focus of the Office of Tax Simplification, very disappointing. That disappointment turns to acute concern once I have looked at the position of the chair of the OTS, the former Conservative Minister, Angela Knight. For 10 years, and for 15 months while serving as chair of the OTS, Ms Knight was a non-executive director of Brewin Dolphin, the private wealth manager. Indeed, before she was chief executive of the British Bankers' Association, she was chief executive of the Association of Private Client Investment Managers and Stockbrokers. As I did last year when I spoke on this subject, I spent

a few minutes on the internet, this time to look at Brewin Dolphin's site. Their guide, *How to reduce an inheritance tax bill*, includes topics such as how pensions can be used as an estate planning tool, and the benefits of using trusts. It states:

"Many people think it is deeply unfair that the estate they have worked so hard to build up can potentially be subject to a 40% tax charge. Fortunately, there are lots of exemptions that can help mitigate the tax paid".

The House of Commons Treasury Select Committee, in scrutinising Ms Knight's appointment in January 2016, expressed concern about her potential conflicts of interest and recommended that she recuse herself from the consideration of any matters in which she had a conflict of interest. I ask the Minister, first, whether Ms Knight has recused herself and will continue to recuse herself in relation to the review of aspects of inheritance tax. Secondly, can the Minister say whether, in parallel with this limited review, the Government will conduct a wider-ranging review, as these Benches have argued?

Whether your Lordships rely on the OBR's projections, the more pessimistic OECD ones or the more optimistic Bank of England ones, it is clear that the challenge of re-establishing a sustainable economy is huge. This is no time for tinkering; radical thinking is needed.

4.17 pm

**Lord Skidelsky:** My Lords, in his Spring Statement, the Chancellor saw,

"light at the end of the tunnel".—[*Official Report, Commons, 13/3/18; col. 718.*]

The light is pretty dim, and the tunnel has been much too long. The two are connected, the dimness of the light being largely the result of the length of the tunnel, as I shall try to demonstrate.

First, I have a question about the light. Real GDP is expected to grow by an average of 1.4% a year for the next five years. This is just over half of the trend rate of growth before the crash. GDP per head is expected to grow by under 1% a year in that period. This is a picture of a stagnant, becalmed economy. In the 1950s and 1960s, Britain was often called the sick man of Europe because its annual growth rate was a miserable 2.8% a year. Now we are promised half of that as the new normal. Note that it is by no means the new normal for other countries. The United States is expected to grow by 2.2% over the next three years, the eurozone by 2% and the rest of the world by 3.7%. So our new normal is actually quite a lot worse than the expected new normal of most of our trading partners. The noble Lord, Lord O'Neill, asked whether this pessimistic estimate is credible; possibly not. I am not a great fan of five-year growth forecasts. But what I would say is that it has nothing to do with Brexit. As the OBR made very clear, these poor economic prospects that it sees are rooted in structural problems in the British economy, which have been there for quite a long time.

The OBR characterises the British problem as one of lack of supply, stating that the main indicator of this is,

"stagnation in productivity ... since the financial crisis".

I do not disagree with that, but what is lacking from the analysis is how a demand-side shock produced by the financial crash morphed into a supply-side problem.

That is an interesting point of analysis which is underresearched. The explanation lies in the Government's reliance on a market-led recovery. We now have a labour market that works pretty much as the classical theory tells us it should; that is, very flexibly and with a trade-off between wage growth and employment growth. With this kind of labour market, the economy rapidly returns to full employment, but it is a low-productivity level of full employment that leads inexorably to a low-productivity trap.

Output per hour worked grew by 2.3% between 1998 and 2008. Since the crash, it has grown by 0.3%. The fall in productivity growth would have been even greater had not hours worked fallen somewhat. The OBR has therefore said, rightly, that,

"a revival in productivity growth is essential",

to sustain even the 1.4% annual growth of GDP.

This requires a return to the pre-crash level of investment. Public investment as a share of GDP has fallen from 5% in the 1960s and 1970s to roughly 3.5% today. Instead of compensating for the fall in private investment after 2008, George Osborne cut the state's investment programme as part of his austerity Budgets. Low productivity is a direct consequence of the austerity policy.

We have now entered the Chancellor's long tunnel and need to ask why it has been so long. This is the Chancellor on "responsible budgeting":

"First you work out what you can afford. Then you decide what your priorities are. And then you allocate between them".

This is absolutely fine, except that what you can afford is not independent of what you can do. If you can do nothing, there is an absolute limit to what you can afford, but that is not true of government. Government can raise taxes and increase its borrowing. The Treasury view, echoed by the Chancellor, is that such measures cannot bring about a net increase in government revenue because they reduce private sector activity by an equivalent amount. That is the real meaning of that little moral tale that the Chancellor has advanced.

This is exactly the same as the old Treasury view of the 1920s. For example, Winston Churchill when he was Chancellor of the Exchequer said in 1929 that,

"very little additional employment and no permanent employment can in fact and as a general rule be created by State borrowing and State expenditure".

We thought that Keynes had demolished that doctrine, but it has returned with a vengeance. Since 2010, the Treasury and the OBR have been united in the view that there has been little or no spare capacity in the economy and therefore no scope for fiscal expansion. Rather, the only contribution fiscal policy could make to recovery was to cut the deficit. This would restore confidence and bring about a rapid bounce-back in private spending and investment. That was the doctrine; as far as I know, it still is. In fact, as the Minister says, the deficit has been coming down, but at a much slower rate than expected or forecast. And because austerity has lengthened the tunnel, it has postponed the solution of the budgetary problem.

Every competent authority agrees that the austerity policy lengthened the tunnel by two to three years and made the average household at least £5,000 poorer than it would have been. In doing this, it reduced the capacity of the economy to produce output.

[LORD SKIDELSKY]

Is there nothing fiscal policy can now do to raise the growth rate? Is it true that there is no spare supply in the economy? I should like to make two observations on that. The OBR estimates that unemployment, which is expected to stay at just over 4% over the next five years, is at an equilibrium rate. That is, that any expansion of fiscal policy now will simply lead to inflation, not produce any extra employment.

Is that true? I doubt it. I do not believe that headline unemployment figures are a true measure of spare capacity in the economy. I would question the idea that 4.4% unemployment represents the equilibrium rate of unemployment in this country, for two reasons. First, 4.4% is an average. It disguises the fact that there is overheating in some parts of the economy and underheating in others. In the south-east, unemployment is down to 3%; in the north-east, it is nearly 6%.

Secondly, and more importantly in my view, the 4.4% disguises the extent of underemployment—people working less than they want to. In 2016, the International Labour Office estimated that 6% of those in employment wanted to work longer hours than they were allowed to. In the United Kingdom, there are 32 million in employment, and 6% of that is 2 million. If we add this number to the headline unemployment figures, we get 3.4 million. That is an underemployment rate of 10.4%, not 4.4%. That seems to me a more accurate measure of the extent of spare capacity.

To conclude, I think there is more spare capacity in the economy than the OBR believes to be the case. If I were in charge of the Treasury—many noble Lords might say, thank goodness you are not—I would loosen fiscal policy, expecting to create a demand draught, and I would want monetary policy tightened to any extent needed to repress inflation. We have the spare capacity. What we lack is spare imagination.

**Lord Judd (Lab):** Before the noble Lord sits down—I am certainly not one of those who turns white at the thought of him as Chancellor of the Exchequer—does he agree that it is not just a matter of people being underemployed? It is much more complex than that because some are very highly employed but their working conditions in this country are atrocious.

**Lord Skidelsky:** I completely agree. If you want to get a comprehensive view of what underemployment consists of, that would be a very important factor. I was just citing the most convenient measure we have, which is the measure of the International Labour Office: people who want to work more hours than they are allowed

4.28 pm

**The Lord Bishop of Portsmouth:** My Lords, my first duty today is one of great joy: to welcome on behalf of this Bench, and I am sure the whole House, the right reverend Prelate the Bishop of Lincoln, and to congratulate him on a fine maiden contribution. Its quality was no surprise to me. He is remembered with great respect in the Diocese of Portsmouth, which I now serve and where my colleague and friend was parish priest and archdeacon. I know that his erstwhile congregation in Petersfield was delighted that he was able to visit them last year.

I know, too, that serving in Lincoln is a particular delight for him, not just because the diocese is full of wonderful people, but because his grandfather played football for Lincoln City. As a Black Country boy and lifelong supporter of Wolverhampton Wanderers, I understand the ups, which I am presently enjoying, and the more frequent downs of being a football fan, but I strongly suspect that playing and indeed supporting Lincoln City demands a very special kind of fortitude, resilience and above all hope. That, I also know, is the state of mind with which 18,000 ever-hopeful souls travel to Fratton Park, Portsmouth, of a Saturday. I applaud that, because hope is of course central to Christianity, anchored as it is in our sure and present hope in Christ.

The Chancellor's Spring Statement was certainly characterised by hopefulness. In his own words, he is "positively Tigger-like" about our prospects, yet I cannot help but recall that Tigger's boundless optimism does not match the facts before him. Tigger might even be accused of wishful thinking. As we have heard repeatedly, the Chancellor spoke about seeing light at the end of the tunnel. That, I think, was in relation to managing the deficit. If we achieve that then he held out the possibility that more money might become available for hard-pressed public services. That is an "if" of some considerable magnitude, and it is before we consider what sort of impact relatively modest increases would actually have, let alone the impact of the vast unknown unknowns of Brexit. Moreover, it relies on assumptions about the short term; the medium-term figures for the economy are less hopeful by a country mile, with the OBR expecting UK growth between 2017 and 2022 to be a full quarter, 24%, slower than growth in the euro area.

Furthermore, it is hard to see where the light at the end of the tunnel is for many people already struggling to make ends meet. The Chancellor said that wages were going up for those on the lowest incomes, but forecasts for pay and living standards are terrible. The OBR now expects pay to grow next year, albeit by only 0.4%. It does not expect any real pay growth ever above 1% a year during the forecast period, nor does it anticipate it reaching pre-crisis levels until 2025. Household incomes are little better—forecast to grow below 1% a year right through to 2023, leaving average incomes in 2021 £1,400 lower than forecast just two years ago, in March 2016. That is against a backdrop of significant cuts to working-age benefits yet to be implemented.

This is grim stuff. The facts and figures are stark, but it is on the impact for people, their well-being and dignity that we should properly concentrate. Some 1 million food parcels are given out by food banks every week. In my see city of Portsmouth, a quarter of children live in poverty. On the Isle of Wight, the figure nudges towards 30%. In some areas of the nation the numbers are worse.

I fear I risk sounding like one of the doom-laden prophets of the Old Testament, but I am, in fact, ever hopeful. Some of the consultations announced on Tuesday promised much, if they can be delivered, in terms of securing our tax base, not least by making companies that for all intents and purposes earn here pay tax here; that is a matter of simple justice. So too with the call for evidence on how we can achieve very

necessary increases in productivity: the fact that we are only now calling for evidence does not suggest that we should expect to see anything concrete any time soon on what is a very pressing matter.

I am, however, as hopeful as any Lincoln City supporter. I hope that the commendable decision to return to a single Budget each year will result in properly worked out policies to ensure that work does not just pay but pays well enough to ensure a decent standard of living, as it should. That is truly a hope we can all embrace. I hope that business will be enabled to create secure jobs, that public services will have the resources they need to provide the services we want and, perhaps especially, that those who are vulnerable will be treated with decency and compassion. I hope that there is indeed light at the end of the tunnel, but we continue to travel this very long tunnel towards a light spotted at some unspecified distance ahead. I hope the end is close, but, with regret, I question whether the possibility of small increases in public expenditure, alongside depressed growth and flat-lining pay, offers much hope to the millions already struggling to make ends meet.

4.36 pm

**Lord Freeman (Con):** My Lords, I add my congratulations to those expressed earlier to the right reverend Prelate the Bishop of Lincoln on his most excellent speech. I speak for the Back Benches and for many of my colleagues when I say that he is most welcome.

I want to devote my brief remarks to one issue that I feel very strongly about, and of which I know the Chancellor is well aware: the need to improve productivity in our economy. Improvements there will, in turn, improve the living standards of our population. That is why, for the first time in my memory, a Chancellor has devoted a significant part of an important speech to dealing with the issue of productivity.

The Chancellor rightly referred to our UK companies being in the vanguard of the technological revolution. That is the key to improving productivity. He also emphasised that our industrial and commercial productivity could be and should be improved. My noble friend Lord Hodgson referred to the importance of productivity improvements for generating more wealth for our community and, most importantly, for the efficiency of our businesses. The Chancellor outlined certain initiatives that have already been introduced and new additional initiatives which I believe will be most welcome. For example, there has been a big increase in research and development expenditure over the past four decades, under both parties. That has contributed to some improvement in productivity, particularly industrial productivity.

Expenditure alone, however, will not be sufficient. People must have the skills to capitalise on new technologies. How can we improve those skills across the board? Technical education is one of the key means by which we can improve productivity, and I am pleased that the Government have committed more than £500 million per year to improving technology levels for schoolchildren over the age of 16 and those going on to higher education. I am led to believe that, next month, £50 million will be available to help employers prepare for the rollout of T-levels—for

those who do not realise what that means, it means technical-level—and to help them prepare those who are working for a placement for training. Also to be fully introduced, at a cost of some £25 million, is a construction skills fund for 30 construction skills training centres around the country. I look forward to their being named, and I am extremely pleased about the announcement.

The Department for Education has lead responsibility for the skills revolution, especially technical education, and T-level training in digital and construction skills has already been introduced. However, I hope that this initiative—perhaps the Minister will have an opportunity to comment briefly on this—will be expanded much more widely and as soon as possible. It has been supported by companies, including Rolls-Royce and Fujitsu in particular. These skills will be taught from 2020 across the country.

This week the Chancellor stated that the Government will launch a call for evidence to understand how best they can help the UK's least productive businesses learn from and catch up with the most productive. He also said that £31 billion was going to fund infrastructure, R&D and housing through the national productivity investment fund. That is warmly to be welcomed.

I strongly support these initiatives and congratulate the Chancellor—which I hope my noble friend on the Front Bench will communicate to him—on his strong support and guidance. When these programmes are implemented, productivity certainly should, and will, improve.

4.42 pm

**Lord Young of Norwood Green:** My Lords, I apologise to the Minister if I did not understand the nuance and nature of this debate, especially as he seemed to quote 90% of the Statement. Nevertheless, I recognise its nature now and I am grateful for his willingness to respond on the issue of apprenticeships.

I too congratulate the right reverend Prelate the Bishop of Lincoln on giving us one of the lesser inscrutable quotations from Kierkegaard about whether you are living your life forward or backward; I understood that one. On looking at the Bill team, it reminded me that the challenge for young people today is to feel confident about their future, and the challenge for the older generation is to make it clear that we understand their concerns, whether they are about jobs, housing or even—if they are thinking that far ahead—their pensions.

I congratulate the noble Lord, Lord Higgins—who has contributed to every such debate since 1964—on his enthusiasm. However, he said that people precisely voted for a reduction in their standard of living but, with respect, I do not think that they did. There was a confused range of views about what people voted for, but when they saw an advertisement on a bus saying that there would be an extra £350 million going into the health service every week, perhaps they can be forgiven for being confused about what they were voting for.

As to the Chancellor's Tigger-like enthusiasm at the moment and his remark that there is light at the end of the tunnel: we all know what people say about light at the end of the tunnel—it often signals that there is a

[LORD YOUNG OF NORWOOD GREEN]  
train coming. Whatever our thoughts on Brexit, we know that train is coming and that it will have an impact.

I congratulate the right reverend Prelate the Bishop of Portsmouth on reminding the House about taxation, productivity, food parcels and so on. What stuck with me when he reached the end of his speech was that we wanted an economy where people felt that work paid and that their jobs were secure. That is another huge challenge.

To be positive—I like to try to be positive—I recognise and welcome the Government's understanding of the importance of skills. Of course, the noble Lord, Lord Freeman, reminded us of the £500 million for T-levels. My concern about T-levels is that when I talk to employers and educationalists, they are concerned about the way they are being introduced and about the future of existing qualifications, whether they are City & Guilds, BTEC, HND or HNC. Getting it right, not just in introducing it, will be crucial but I welcome the focus on vocational skills.

I think it was the noble Lord, Lord Hodgson, who told us that even if you got a 2.1 degree in engineering you still might find it difficult to get a job. That ought to make us reflect on the huge amount of money we are spending on higher education. Given that they have three or even four years, surely there should be an obligation on universities to ensure that work experience and the ability to find a job at the end of a degree course is a key component. People are paying £9,000 plus a year for that experience. We have got it wrong in weighting everything towards higher education. I think the pendulum should swing back towards technical and vocational education, because as we know, that is where so many of the skills are required. It is not an either/or choice, as I have said on many occasions.

I welcome the commitment to 3 million apprenticeships by 2020, but as many of us in this Chamber have said, it is about not just the number but getting the quality of apprenticeships right. The recent announcement that a major training provider, learndirect, went belly-up is not good. We have some challenges. Of course, I welcome what is being done for SMEs but my experience of talking to a range of SMEs is that they still feel that the apprenticeship levy is too complicated. If we do not get past that concern we will not achieve what we all want to achieve: to create good-quality apprenticeships that are perceived by potential apprentices and their parents and teachers as a worthwhile career route. I also welcome the fact that we are going to have a more sophisticated measure of human capital; that is absolutely required.

There was a dire prediction by the noble Lord, Lord Hodgson, regarding the effect of artificial intelligence. I have enough trouble with my own intelligence in knowing whether he is right or wrong; I suspect that the answer lies somewhere in the middle. The plea I make relates to my declared interest as the chairman of the board of governors of my local primary school. We spent quite a few hours recently looking at our three-year budget. The task for us is to try to manage a deficit. We are getting to the point now where, although we are trying to protect teaching, we have cut everything else to the bone. That is a really

serious problem not just for my school but for a range of schools. I see it as a special problem for primary schools, because the cost of remedying the situation for them if we do not get it right is much greater, as we know. The school of which I am chairman of the board of governors is a very diverse school in what is not the wealthiest of neighbourhoods; nevertheless, we are still achieving good results. My concern is that if the Chancellor does not recognise in his forthcoming Budget the need to do something about the education budget, the outlook for our next generation of young people will be very serious.

I hope that the Minister can reassure me regarding the concerns I have expressed about T-levels, SMEs and apprenticeships.

4.50 pm

**Baroness Kramer (LD):** My Lords, I join in the welcome to the right reverend Prelate the Bishop of Lincoln. He is obviously supported by the noble Lord, Lord Cormack, and my noble friend Lord Taverne, but when he mentioned that the doorkeepers largely hail from Lincoln, that is when I knew we had a real power to be reckoned with in this House. We know where genuine authority lies. We very much appreciate his speech. He focused very much on a divided society, and that issue was picked up by others in this debate—the noble Lord, Lord O'Neill, was talking about the north/south divide, although the right reverend Prelate the Bishop of Lincoln reminded us that it is not just geographic, as those who struggle can very well be located in the south as well. This is timely in the context of this particular Statement.

I join with others—the noble Lord, Lord O'Neill, seemed to have had the same reaction to the trailers that came ahead of the Spring Statement—in saying that I had thought we were going to get some really super growth figures. Frankly, that should not have been so unexpected, because if we look at the markets that we export to, they were on steroids in 2017: the euro area grew at 2.5% and the US at 2.3%. I was genuinely quite shocked when the Chancellor announced that growth in 2017 had slowed from 1.9% in 2016 down to 1.7%—not quite as bad as expected in the autumn, but in light of this great global growth pretty difficult to explain. A falling performance when the going is good is really pretty extraordinary, quite frankly. But the forecasts for the future are worse. The noble Lord, Lord Skidelsky, described a stagnant and becalmed economy. The OBR is forecasting growth for the UK in 2018 at 1.5% and it drops after that, while in contrast the OECD, which released its numbers on the same day as the Spring Statement, forecast growth in 2018 as 2.9% for the US and 2.3% for the euro area.

I recognise that we have a productivity problem and an investment problem, but I disagree with the noble Lord, Lord Skidelsky, in one area. He basically suggested that the fundamental problems we have are not in any way related to Brexit. But I join with others—we heard from the noble Lords, Lord Livermore and Lord Higgins—in saying that, if it were not for Brexit, the capacity to draw investment into the UK would enable us certainly to improve growth and productivity. Brexit has now become that kind of barrier. We have

seen it in the numbers—particularly foreign investment numbers in the course of this year. To me that is very significant. If I may pick up the point that the noble Lords, Lord Hodgson and Lord Freeman, and others made, we are at a point where we are entering a fourth industrial revolution, where everything will change, thanks to AI and robotics. That makes it the most crucial time to draw in that kind of investment. If you do not ride the change, you are left behind. The last thing we should be doing for our young people—in the Box or otherwise—is to let ourselves get left behind at this absolutely critical point in time. So I am exceedingly concerned.

If we turn more broadly and look at our population at large—you would not have known it from the Chancellor's words—people are feeling pain. The day before the Spring Statement, we got the February numbers for UK consumer spending. Consumer spending fell in February by 1.1% year on year, declining for the ninth time in 10 months. Wages are stagnant—we are all aware of that—and inflation is running at over 3%, and it is making life for ordinary people exceedingly difficult. Frankly, a lot of that sits at the door of Brexit. Yes, it is part of a longer-term pattern of modest economic growth, but the inflation rates that we have seen really are Brexit in origin. The impact on people's lives is very significant.

The right reverend Prelate the Bishop of Portsmouth, the noble Viscount, Lord Chandos, and others talked about the general suffering of the population at large, but the Chancellor did not really address public spending pressures very much in his Statement. There was a bit of a sense of light at the end of the tunnel and maybe we would be able to lift our foot off the austerity pedal a little at some point in future, but it seems to me that is completely out of kilter with the reality that we are facing. I argue that the pressures to increase funding in the public sector have simply become unavoidable. Just last week, the NAO, in its report *Financial Sustainability of Local Authorities 2018*, warned that 66.2% of local councils with social care responsibilities have now eaten heavily into their reserves. Social care is struggling in many parts of the country. The NHS is not coping; indeed, routine operations were cancelled for a whole month this winter. Schools are asking parents for money; the noble Lord, Lord Young, talked about the struggles that his local primary has, and they are repeated nationwide. My noble friend Lord Taverne, the noble Viscount, Lord Chandos, and others talked about the welfare cuts that are still to bite. We simply cannot continue in this vein.

Even though the Chancellor now anticipates that day-to-day spending will come into balance in 2019, which is of course good news, it is very far from salvation. As the IFS said following the Chancellor's speech, borrowing is only down to pre-crisis levels, at 2% of national income, but debt is twice its 2008 levels. Realistically, this is the time when we absolutely have to look at raising taxes. At the very least, we need to reverse the cuts since 2015 in corporation tax—which surely could have been left at 20%; I do not believe a penny below that has encouraged any company to put more money into any investment—and reverse the cuts in capital gains and inheritance tax, which would give us a bit of breathing space.

However, I argue that the NHS and social care are now such a funding challenge that they require a more radical solution. I very much regret that none of the many studies that the Chancellor announced this week included an assessment of a dedicated NHS and social care tax, which, frankly, looks like the only way to put these key services on a sound footing long term. Since a new structure takes time, my party is calling, as my noble friend Lord Taverne said, for a penny-in-the-pound increase on income tax to provide £6 billion this year to prevent another near-term crisis in the NHS and social care.

I also very much regret that the Government failed to consider giving local authorities the powers to become major builders of affordable and social homes. The Government are making some movement on housing but not at the scale required, certainly to deliver social and affordable housing, and again those pressures are becoming completely unsustainable. I believe it was the noble Viscount, Lord Chandos, who talked about the homeless problem that we have; we have all seen it develop. However, that is only a minor symptom of a much broader and deeper problem that has to be tackled. We know that, given those kinds of powers and the ability to go out and borrow, local authorities can deliver the kind of housing that we need because they have done so in the past. This is the time to take off the ideological cap, recognise that the housing market is fundamentally broken and empower local authorities to deliver the kinds of houses that we definitely need.

I join others in being glad that the Chancellor is looking once again at the apprenticeship levy. That is a really messed-up piece of policy, and I hope very much that we can read in the Chancellor's words that he is going to sort out the nonsense. For small companies, and I talk to many of them, it has simply turned into a tax, not a mechanism to deliver either training or apprenticeships. In the same way, I join others in being glad that we are getting another look at late payments, but this time could we have a solution rather than another report?

I support the Government's decision to find a more effective way to tax digital companies, perhaps on their revenues rather than their profits. It is an outrage to see large, successful companies essentially paying very little tax. However, I think the Chancellor's proposal is too narrow. It really should be almost just a first step. Big brand companies such as Starbucks can outwit the tax system just as well as Google. A fundamental part of the problem is that we do not know how to deal with the value of things like brands and intellectual property, but that is the shape of so many companies of the future. We have to crack that problem now, or we will find ourselves without any effective tax base. I hope that the accounting profession will get wrapped into this, frankly. In the scandal of the collapse of Carillion, a big part was the completely inadequate pricing of the value of contracts and good will by the accounting firms, so that the company looked artificially healthy when it was crumbling. Others should investigate who should have known what and when, but it is all part of the same issue.

I also regret that the Chancellor did not take this, as he was doing so many studies, as an opportunity to look at intergenerational fairness. We really have a

[BARONESS KRAMER]

very unbalanced tax system. Each working person is now supporting 1.7 people and the number is rapidly headed to 1.9 people. That is unsustainable. The noble Lord, Lord Hodgson, talked as if we have too many people, but the problem is the shape of our demographics. We are desperately short of working-age people. That is one of the reasons why cutting back on immigration is particularly ironic at this time.

**Lord Hodgson of Astley Abbotts:** The issue is also that we are not prepared to employ older people. Once you are past 55, you are on the scrap-heap. A great deal more could be done. We have done a lot of work in other areas of prejudice, but ageism is a prejudice we have yet to tackle.

**Baroness Kramer:** My Lords, around this House we can see many people who might mistakenly be classed as older but who can demonstrate that they have a great deal to contribute. We may want to do it in a different way, with part-time work and different opportunities. I agree that employers are unimaginative. But it does not get us away from the problem; if we hit a dependency ratio of 1.9, we are not functional as an economy. I cannot see any way, without rational immigration, of doing it.

We have a sluggish economy with fundamental problems of productivity and investment. We have public services that are often on the brink of break-down. We lack key pieces of infrastructure, especially affordable and social housing. Our national debt remains high. Ordinary people are feeling the pinch of stagnant wages and high inflation, and our young people are carrying an unwarranted burden. Frankly, there could not be a worse time for Brexit, with all the additional costs that it places on businesses and a future in which the economy and our businesses have less access to both markets and talent.

I join those around the House who take the view that, until we make up our minds that we need to be in the single market and the customs union, we frankly do not have much of a hope of seeing a substantial reversal in the kind of economic patterns that were embedded in the OBR report. I was as astonished as others that the Chancellor felt that he must be “Tiggerish”. It made me think that life in Cabinet must be pretty dreadful if, when you present a report like this on an OBR statement, you find yourself happy.

5.03 pm

**Lord Davies of Oldham (Lab):** My Lords, this has been an interesting debate, distinguished by the contribution of the right reverend Prelate the Bishop of Lincoln, in his maiden speech, and we look forward to him continuing to contribute to our deliberations often in the future. My only link with Lincoln was when I was concerned 20-odd years ago with my party’s higher education policy. I must say that you cannot go to Lincoln without seeing the majestic cathedral and think that it is the only structure worth concentrating on. What was being proposed in Lincoln then was the university, in what seemed to be a green and muddy flatland down by the river. Lincoln University developed with extraordinary rapidity. It is an enormous

tribute to the people of Lincoln that they developed their university to real status in a very short time. I, for one, visit the cathedral when I am there, but I always go to have a look at the university as well.

The Minister introduced the debate in his usual equable and optimistic manner. He treated the House in his opening speech to a description of the economy, but I am afraid that it reinforced the theme of several speeches in this debate: the Government seem to be guilty of the most extraordinary complacency. He suggested that the recovery is in fact at hand. Let me say that, if it is, it will still be the longest recovery from recession since the 1920s—so not a great deal to boast about there. Also, as several noble Lords who contributed to the debate indicated, we are by no means sure that the problem is over. After all, we all remember that the previous Chancellor expected to create a surplus by 2020. We do not get too much talk now from the Government about surpluses, as far as the financial position is concerned. Further, as has been emphasised by so many speakers, growth last year still kept us firmly in the relegation zone, at the bottom of the G7. Last year was the lowest since 2012, and the OBR has of course forecast that, in 2020 and 2022, the situation will deteriorate. So that is some recovery for the economy.

The Government have missed every target that they have set themselves in the last decade for the rate of reduction of the deficit and we are all aware of the consequences of that. Behind it all, of course, this gave the justification for austerity. The consequences of austerity have been disastrous for our people and also for our economy. The austerity programme, forged over these last seven or eight years, has only begun the question of clearing the deficit, but it has created so many problems in our public services. In a real sense, our society has seen the transfer of the problems of indebtedness from the Exchequer to our public services. The difference between the two is that the impact of public services upon ordinary people is so much greater.

The National Health Service will end this year £16 billion in deficit. There are 100,000 jobs in the National Health Service that are not being filled because there are not the resources to do so. The crime rate increases, yet the number of police officers is cut by 21,500. The number of firefighters has been cut by 850. Our Prison and Probation Service is on the brink of crisis. I should think that there is not a single Member of this House who does not shudder when we learn of what is going wrong in our prisons. The mark of a civilised society is surely that it ensures that prisons are a place for the rehabilitation of people, rather than a deterioration in their perspective on society.

In education, we have had the first cut of the per capita payment to schools ever. That is a very drastic thing. It makes the position almost unmanageable for the heads and other figures in schools. In addition to that, of course, we understand that, under social welfare, there are now proposals to end free dinners for tens of thousands of children from poor families. Surely at times the Government must wonder whether they look vindictive towards poor families who are dependent on society. These poor families are often wage earners who, in the jobs they do, do not earn enough—or earn regularly enough—to sustain the family budget.

Of course, local government is in crisis. Most of us know our own local authorities quite well, but I have to say, my ears were pinned back when the television announced that the local authority causing the greatest upset to the Government is Northamptonshire, followed not long afterwards by Surrey—authorities we automatically assume have a massive Conservative influence and a great commitment to loyalty to the Government. Yet Northamptonshire is saying, “We cannot continue with the resources made available to us by the Government”.

It is quite clear that this crisis is due to spread. We have not had the full range of social security cuts yet. Universal credit has already cut social security provision significantly but we all know that there is a great deal more to come in terms of the impoverishment of certain sections of our community. As far as adult social care is concerned, can anybody be unaware of the problems facing the elderly as they near the time when they cannot look after themselves? People have no obvious recourse to any support that will ensure that their last days are passed in some degree of comfort.

I want to say something about housing. I know the Minister has said, “We don’t have to look at the Spring Statement on housing because the Government will move smoothly into action shortly afterwards”. My heavens, the Government have a lot of movement to make. We have rising homelessness in our society. We are one of the richest countries in Europe. One of the richest cities in Europe—London—has seen significant increases in people sleeping rough. Of course, what has been brought out in this debate so strongly is that living standards have fallen over this period. Real wages have fallen by 0.5% since the end of 2017 and are lower now than in 2010.

Can anyone conceive of a Government being buoyant about their position when the broad mass of the wage-earning public are seeing their standards of living fall? Surely the Government have to respond to these very acute problems. I appreciated the speech of the noble Lord, Lord Mawson, when he talked about the digital economy and the problems facing small entrepreneurs. There is no doubt that we need to see small entrepreneurs flourish. They are an extremely important part of the economy. However, if the challenges being presented to them are not just those of developing their business but challenges posed by the Exchequer and Her Majesty’s Revenue and Customs, we have worries ahead of us.

I am grateful to my noble friend Lord Young for his comments on training and apprentices. He did not bring in the broader issue that an important part of training—and of the relationship between the education system and the training provided by employers—is the role of further education. But this Government have slashed the provision of further education in this country and are now apparently reliant on employers to provide the necessary breadth and skills to the apprenticeships they develop.

I have no doubt that the Minister will meet many of the challenges presented by this debate and that he will do his very best to give a response to all the issues raised. I have left out Brexit; I am not at all sure that we can at this stage address to the Government the challenge on the position of Brexit in circumstances

where so much is so totally uncertain. We all know the hesitations of the OBR in producing forecasts on Brexit. However, the Minister has to face the facts: no one in this debate today who expressed a position on Brexit has said, “Let’s go and make this situation more difficult”.

5.15 pm

**The Minister of State, Department for International Development (Lord Bates) (Con):** My Lords, I sense that the opening part of the speech of the noble Lord, Lord Davies, might be the one area in which we find common agreement, on the majestic qualities and aesthetic beauty of Lincoln Cathedral, which is a great place to start. Again, in responding to this extraordinarily high-quality debate, I congratulate the right reverend Prelate the Bishop of Lincoln on his excellent contribution to it. As someone who hails from the same part of the world as he does, having been born in County Durham, I used to think that Durham Cathedral was the greatest cathedral on the planet, but even I was turned when I saw Lincoln Cathedral in all its splendour, particularly the facade. It was wonderful to hear his remarks, and I look forward to hearing many more.

This debate covered a number of areas, and I will try to summarise the key themes. There was a focus on the debt and the progress made in reducing the deficit; we are beginning to see a reduction in the debt. My noble friend Lord Higgins, whom I congratulate on his 54th contribution to a Budget debate, pointed to the fact that in absolute terms debt continues to rise. We referenced the percentage of GDP, which the OBR forecast shows is beginning to fall. My noble friends Lord Hodgson, Lord Higgins and Lord Freeman, and the noble Lords, Lord Mawson and Lord O’Neill, all made reference to the important element of continuing that effort to control spending, and said that rather than pitching it in terms of austerity, we should do so in terms of living within our means. The noble Baroness, Lady Kramer, also mentioned intergenerational fairness, which means ensuring that we hand on a legacy to our children which does not saddle them with the debt of the previous generation.

Public services featured significantly in the debate, and rightly so. The noble Lord, Lord Haskel, began by highlighting the importance of public services, as did the noble Lords, Lord Taverne and Lord Davies, the noble Viscount, Lord Chandos, and the noble Baroness, Lady Kramer. There was a strong focus on productivity, investment and technology, which the noble Lord, Lord Mawson, focused on, as did my noble friends Lord Hodgson and Lord Freeman. There was particular reference to skills, which was commented on by the noble Lord, Lord Young, and my noble friends Lord Freeman and Lord Hodgson; I will come back to that in a moment.

A variety of views were expressed on the OBR forecasts themselves. It was a bit of a teaching masterclass with the noble Lords, Lord Skidelsky and Lord O’Neill, as we listened to their explanations, and the noble Lord, Lord Livermore, gave his own interpretation of those statistics. However, everybody focused on them. The Chancellor said in his Statement that GDP growth statistics are not a target to be met. They were forecast

[LORD BATES]

to be beaten. We are very much in that mindset—just as when the forecast for last year, given as recently as November at 1.5%, was beaten, at 1.7%. We would like to believe that a lot of the changes announced will produce a better outcome.

Brexit featured large in the contributions of the noble Lords, Lord Taverne and Lord Higgins, and the noble Baroness, Lady Kramer. In a spirit of fairness, as Brexit has had so much airplay in your Lordships' House, particularly this week, I am tempted to say that I may not dwell on it to the extent that they may wish—but I will certainly refer to it. There were some significant contributions both by the right reverend Prelates the Bishop of Lincoln and the Bishop of Portsmouth, and by the noble Viscount, Lord Chandos, about what I would term societal fairness, particularly with regard to young people and people living on welfare. I shall seek to cover some of those points.

Some of the points that I will not be able to address at this moment—I give notice that I shall write on these subjects—concern the review by the Office of Tax Simplification, which was raised by the noble Viscount, and the change in methodology and a paper announced by the Chief Secretary to the Treasury that might be forthcoming, which were mentioned by the noble Lord, Lord O'Neill. I will look into that matter and write to him, if I may.

Now I shall address some of the specific points raised. The noble Lords, Lord Young of Norwood Green and Lord Davies, spoke about the importance of schools. Even while repairing the public finances, the Government continue to protect the schools budget. The core schools budget is at a record high of around £41 billion, and in July the Government announced £1.3 billion in additional schools funding over the next two years.

The noble Baroness, Lady Kramer, spoke about the issues and challenges facing social care. The Government have given councils access to £9.4 billion more of dedicated funding for social care over the next three years, as a result of measures since 2015. The OBR says that the current forecast would leave local authorities in England with £20.2 billion of reserves at the end of 2020-21, which is £3.8 billion—25.3%—more than they had at the end of 2010-11.

The noble Viscount, Lord Chandos, spoke about inheritance tax. Moving to a recipient-based system for inheritance would not only, in our view, increase the complexity of tax but add to the administrative and compliance burdens. The OTS will review the tax to ensure that it is fit for purpose; the review will consider a range of simplification options.

Several noble Lords, including the noble Lord, Lord Davies, and the noble Baroness, Lady Kramer, referred to housing. The Autumn Budget of 2017 said that more than £15 billion of new financial support would be available for housing over the next five years, taking total financial support over the period to £44 billion. In February we announced £866 million-worth of successful housing infrastructure bids, which will deliver up to 200,000 homes in high-demand areas. We have doubled the size of the Housing Growth Partnership to £220 million, providing much-needed investment in small to medium-sized housebuilders, and the Government

launched a consultation, under a revised National Planning Policy Framework, to ensure that more homes are built.

My noble friends Lord Freeman and Lord Hodgson, and the noble Lord, Lord Young, spoke about the importance of developing human capital in the context of the advance of technology and the fourth industrial revolution, in AI, that is coming down the track. These are very real challenges that we face. In the new economy we expect increased levels of automation, with some jobs changing. For example, tomorrow's employers might start to pay more of a premium for general or technical competence rather than for traditional forms of educational attainment. We therefore need to ensure that we make the right investment in our people now so that everyone has the best start at school and continues to receive support and training throughout their working lives. With the support of the ONS, our analytical work will examine the nature of the skills that are valued by the labour market and look at labour market outcomes resulting from education so that we can take a more sophisticated approach going forward.

The right reverend Prelate the Bishop of Portsmouth made a profound point about the poorest in society. He will have heard me comment in my opening remarks about how the combination of the changes to the national living wage and tax thresholds is leading to some welcome and real wage increases for some of the lowest paid in our society. The Government are committed to taking action to help the most disadvantaged, with a focus on tackling the root causes of poverty, including workless households. The fact that there are 3 million more people in work and 950,000 fewer workless households and that 608,000 fewer children are living in workless households has to be, as the right reverend Prelate put it, a reason for hope for the future.

The noble Lord, Lord Skidelsky, focused on productivity and analysed it in some detail. Following the good practice of a student, I will read the *Official Report* and review what he said. We are very much of the view that productivity is, and has been for many years, one of the greatest challenges that our economy faces. There have been many debates and arguments about why that is so. Some have pointed to its reliance on services rather than manufacturing. As automation has increased, we have not seen the same growth in productivity as, say, the German economy. However, we are not in any sense complacent about this. That is why we set up the National Productivity Investment Fund. Some £31 billion has been made available for research and development—an area which my noble friend Lord Hodgson spoke about and which my noble friend Lord Freeman also mentioned. In digital, we have announced over £95 million for 13 locations as part of the £190 million Local Full Fibre Network Challenge Fund. Transport is another element that feeds into productivity.

I think we need to look at employment and take on board the performance of many other countries in the European Union in relation to GDP. For example, the unemployment rate in France is currently 9.5% and its youth unemployment rate is 22.4%. According to the OECD, in the third quarter of 2017 in the UK it was 4.2%.

The noble Lord, Lord O'Neill, who did so much during his time as a Treasury Minister to advance the northern powerhouse, was right to challenge us not to be timid about the advances that have been made there—due, in not insignificant part, to his efforts in and leadership of that initiative. In the past year we have seen an extra £8 billion added to the north's economy, with growth and productivity rising at a faster rate there than in London and faster than the UK average. The north's economy is now worth £316 billion—bigger than that of Norway, Sweden, Austria or Belgium. Last year, as an average, we saw employment in the northern powerhouse area rise at a faster rate than in England. There are now over 400,000 more people in work in the north than in 2010, and the number of claimants of unemployment benefit in the north has decreased by 40% over the same period. Most crucially, as regards transport, where he urged us to do more—several noble Lords referred to this—by 2020 we will have invested over £13 billion to improve transport in the northern powerhouse area. That is more than any other Government in history. I hope that will go some way to address some of the concerns referred to by my noble friend Lord Hodgson.

The noble Lord, Lord Mawson, gave an inspirational address, viewing the economy from the perspective of the entrepreneur. I pay tribute to the work that he has done in Bromley-by-Bow, and certainly in the Lee Valley. He has turned that area of London into one of the most exciting areas, particularly as regards technology around Shoreditch, which holds huge potential for the future of this country. It is instructive that business investment remains strong. It increased by 2.2% in 2016 and forecasts show that it will grow by 1.7% in 2018. I believe that technology investment, certainly in London, is at its highest level ever, which is to be welcomed, with companies such as Apple, Facebook and Bloomberg locating their offices here.

My noble friend Lord Hodgson asked about artificial intelligence and technology. New technologies have the potential to drive economic growth in the UK. We believe they are not something we should be fearful of but that we should ensure that we have the skills and the investment to take advantage of them when they arrive.

The noble Lord, Lord Haskel, asked for an update on the industrial strategy. There will be regular updates on our progress towards the grand challenges set out in the industrial strategy, though this was, of course, not the primary purpose of the Spring Statement. The noble Lord also questioned the quality of jobs. Over three-quarters of the growth in employment since 2010 and nearly all the net increase in employment in the last year has been full-time work, and the proportion of full-time jobs that are low paid is at its lowest level in at least 20 years.

The noble Lord, Lord Young, and the noble Baroness, Lady Kramer, spoke about the apprenticeship levy. There have been over 1.2 million apprenticeship starts since May 2015. We remain committed to delivering 3 million apprenticeship starts in England by 2020. We recognise, however, that this is a significant period of change for employers. As they have two years to spend their levy funds, businesses are taking their time to plan ahead and grow in a controlled way. On the overview, next month, working families will see another increase in their personal allowance, above inflation increases in the national minimum wage and the national living wage and a freeze on fuel duty, which we believe will feed through into some of the poorest areas of the country. The right reverend Prelate the Bishop of Lincoln referenced the north-east of England. Since 2010, there have been 78,000 more people in work in the north-east and 18,800 more businesses, and the north-east has seen the second-fastest growth in median gross weekly earnings since 2010, which is plus 13.8%.

As the Chancellor told us in the Spring Statement this week, this Government are delivering on their plan, which is firmly grounded in a balanced approach. It is not all about controlling finances and not all about investment but is a combination of both. We are seeing large investments, particularly in critical economic infrastructure. That has to be the right thing to do, while combining fiscal discipline with strategic investment in our economy and public services. The OBR forecasts more jobs, rising wages, declining inflation and a falling deficit. That has to be welcomed.

When we look for reasons for hope—I refer back to the speech by the noble Lord, Lord Mawson, who talked about giving people hope for life after Brexit—one area of hope could come in the shape of *Forbes* magazine, which undertook its annual survey of the best places in the world to do business. Out of 153 economies in the world, of the best places to do business in 2018—not historically, but in 2018—the UK was ranked number one. That is what real business is thinking. That is what Boeing is thinking when it sets up operations in Sheffield, that is what Toyota is thinking when it invests in its plants, and that is what other investors are thinking when they come to this country. We share their confidence in the prospects for this economy. While this review and these forecasts present a challenge, we believe that there is real cause for hope and that we can see a better future for the people of this country as we make a success of Brexit going forward.

*Motion agreed.*

*House adjourned at 5.36 pm.*



# Grand Committee

*Thursday 15 March 2018*

## **National Minimum Wage (Amendment) Regulations 2018**

*Considered in Grand Committee*

2.04 pm

*Moved by Lord Henley*

That the Grand Committee do consider the National Minimum Wage (Amendment) Regulations 2018.

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con):** My Lords, I beg to move that the National Minimum Wage (Amendment) Regulations 2018, which were laid before the House on 5 February 2018, be approved. The purpose of the regulations is to increase the national living wage and all of the national minimum wage rates from April 2018. The regulations also include an increase in the accommodation offset rate, which is the only benefit in kind that counts towards minimum wage pay.

The national living wage has had a real, positive impact on the earnings of the lowest paid: between April 2015 and April 2017 those at the fifth percentile of the earnings distribution saw their wages grow by almost 7% above inflation. This is faster than at any other point in the earnings distribution and, according to the Resolution Foundation, wage inequality, as measured by the ratio between the top decile and the bottom decile of the earnings distribution, fell in all regions of the United Kingdom between 2015 and 2017 thanks to the national living wage. Increasing the minimum wage is one more way in which the Government's industrial strategy is boosting people's earning power and seeking to raise productivity throughout the United Kingdom.

From next month the national living wage for those aged 25 and over will increase by 33p to £7.83, which is a 4.4% increase. The 33p increase in April will mean that a full-time worker on the national living wage will see their pay increase by over £600 over the year. The national living wage is on course to reach the Government's target of 60% of median earnings by 2020.

The 21 to 24 year-old rate will increase by 33p, meaning those in that age group will be entitled to a minimum of £7.38—an annual increase of 4.7%. Those aged between 18 and 20 will be entitled to a minimum of £5.90—an annual increase of 5.4%—and those aged 16 and 17 will be entitled to a minimum of £4.20, an annual increase of 3.7%. Finally, apprentices aged under 19, or those aged 19 and over in the first year of their apprenticeship, will be entitled to £3.70, which is the largest annual increase of all the rates at 5.7%.

All of these above-inflation increases represent real pay rises for the lowest-paid workers in the United Kingdom. For younger workers on the national minimum wage, it is the largest and fastest increase in more than 10 years. The Government's green-rated impact assessment estimates that more than 2 million people will directly benefit from these regulations.

All of the rates in the regulations have been recommended by the independent and expert Low Pay Commission. The LPC brings together employer and worker representatives to reach a consensus when making its recommendations. The Government asked the Low Pay Commission to recommend the rate of the national living wage so that it reaches 60% of median earnings in 2020, subject to sustained economic growth.

For the national minimum wage, the LPC has recommended rates that increase the earnings of the lowest-paid young workers without damaging their employment prospects by setting it too high. I thank the LPC for the extensive research and consultation that has informed these rate recommendations, all of which was set out in its 2017 report, published in November.

The Government recognise that, as the minimum wage rises, there is a higher risk of non-compliance as a larger share of the workforce is covered by the minimum wage. The Government are committed to cracking down on employers who fail to pay the national minimum wage. We are clear that anyone entitled to be paid the minimum wage should receive it. Consequently, the Department for Business, Energy and Industrial Strategy has increased funding for HMRC national minimum wage enforcement to £25.3 million this year—up from £13 million in 2015. HMRC follows up on every complaint it receives, even those which are anonymous. These include those made to the ACAS helpline, via the online complaint form or from other sources.

In 2016 HMRC recovered pay arrears in excess of £10.9 million for more than 98,000 workers. Those employers who underpay their workers the minimum wage face public naming by the Government. Indeed, last Friday BEIS named 179 employers who had underpaid a total of £1.1 million to 9,200 workers.

Sustainable increases in minimum wage rates depend on strong employment growth. Over the past year the UK labour market has reached a record high employment rate, and the lowest unemployment rate since the 1970s. Evidence has long told us that investing in human capital is crucial for the long-term productivity of the workforce. The industrial strategy sets out our long-term vision for increasing productivity, including through raising the minimum wage and so boosting the earning power of the lowest-paid workers. Through these regulations the Government are building an economy that works for everyone. I commend the regulations to the Committee.

**Lord Stevenson of Balmacara (Lab):** My Lords, I thank the Minister very much for his introduction. I will not go back over the recent history of the introduction of the national minimum wage, because I think it is now a settled agreement between all the parties that it is a good thing. It works for all sections of society, but particularly for the lower paid, and we have evidence before us that shows that.

While we are in congratulatory mode, I thank the LPC, as the Minister did, for its work. It is often unsung and not very visible, but it is well rooted in the interest it has in this area and I know that Ministers value the work that it does. I also congratulate the

[LORD STEVENSON OF BALMACARA]

team responsible for the paper before us. It is a bit of a shock to have to read back through some of the stuff one thought one had forgotten a long time ago about microeconomics and the impact of some of the very narrow points raised in the 51 pages or so of the supplementary work, which I am sure the Minister has in his mind and can quote extensively from memory. It is a very good read and very interesting. It agonises a lot about issues that we do not need to detain the Committee with, but it is important that that work is done. I appreciate the fact that it is there and we should publicly recognise the contribution made by it.

Having said that, while I give an alpha plus for the work that has been done, I give it a beta minus for presentation. I came to this slightly late, otherwise I would have raised it earlier, but it is unfortunate that some of the pagination has been lost in the form that the document comes to us. The pagination matters because, for instance, on page 15 of the copy we have from the Printed Paper Office there is a box that should be on one page but which has gone on to several pages. It makes it very difficult to pick up where we are on that. On page 17 there is a rather complicated and important wage distribution graph that is only really readable in colour, although it is printed in black and white. It therefore does not make sense. You have to spend quite a lot of time working out which of the confidence limits percentages are being referred to in the text. If they had been colour coded one would have been able to do so. I am not complaining about this; I am just pointing out that intelligibility would be improved if we could think more about a reader who is not directly involved.

I will make three points—but before I do, I will say that this is the third time that I have responded to this particular instrument, so I am quite familiar with the process, and in particular the rather neat shuffle that took place this time last year, or maybe six months ago, when we moved from October to April. Last time the instrument came partly under the national minimum wage and partly under the living wage. It did the work of assessment and thinking in terms of the minimum wage but prefigured how we would move to the living wage. This is a simpler and more straightforward document than we had the last time we went through this.

Having said that, we have lost a little bit of the context for the decisions that are quite important in this area, which is that the move from the minimum wage to the national living wage is one of significant increases over a relatively short period of time to jump-start an increase in funds at the lower end of the pay spectrum. We absolutely welcome that, but I have lost the thinking of why we are doing it over three years. Also, the Minister used the phrase “subject to satisfactory economic growth”. Well, economic growth is not very satisfactory. For reassurance’s sake, may I have a confirmation that there are no red lights about the future of this and that, as far as we are able to say at this stage, we are still on track to do this oddly phrased equal bite, or single bite, or whatever it is called—it is called the “straight line bite path”—movement from the current position to hit 60% of the median earnings in October 2020, and that there is nothing I

have missed in this that would suggest there is any doubt about whether we will do that, subject obviously to the overriding concern about economic growth? It is important to give reassurance if we are at that stage.

Another minor point is that the percentage increases in individual hourly rates are good. One could perhaps make a little too much of 5.7% arising from a 20p per hour rate increase for apprentices, but nevertheless it is valuable in itself. However, the rates are significantly higher than they would have been otherwise and indeed contrast with the reduction in real wages which we are seeing elsewhere in the economy—so to that extent it is doubly welcome.

Having said that, the LPC has recommended, and as far as I can see the Government have accepted without comment, a much bigger increase in the disregard for accommodation rates. I wonder if the Minister could give me some thoughts on that. This is a sensible way of treating those who have accommodation benefits. I do not dispute the principle, but the particularity of squeezing cash in the pocket or the purse, as it were, by raising the disregard for accommodation at a higher rate than the increase in pay seems a little unfair. Is there any context around that in documentation that we have not seen? I would be grateful if the Minister could tell me that today. If not, I will be happy to receive a letter.

2.15 pm

My final point concerns compliance issues. When we discussed this on the last occasion we were concerned because we were aware of reports in the press that quite a number of people were complaining that they had not been given the statutory entitlement of the national minimum wage at that stage and were concerned that as the national living wage came in they might again be differentiated. It is therefore good to hear about the activity that is going on in terms of the statutory powers that the Treasury can take to name and shame, which the Minister referred to, and the penalties that could apply to persistent offenders. I make no comment on that, but there is nothing much in the memorandum as presented on that. I hope that the next time around we could be given a little more detail rather than relying on the Minister’s response.

Finally, on the 20 or so pages around the counterfactual, this is a matter for deep economic consideration and analysis. Perhaps I may put it to the Minister that if it is clear—and I think that it is clear now—that the vast majority, if not the entirety, of employers are now moving to wage increases on an annual basis, which the evidence suggests they are, and they are broadly taking as given that the national minimum wage is the wage that is offered at the low end of the wage spectrum, the wish to have a counterfactual against which one measures the impact this is having on employment, efficiency and to some extent productivity seems, as the paper concludes, rather a lost cause. Might it be more effective to think about wider issues rather than simply concentrating on what would be the best way of measuring a totally hypothetical wage that cannot be paid and will not be paid either now or in the future so that we can measure whether the national living wage has any effect at all, other than accidentally, on the overall economy?

**Lord Stoneham of Droxford (LD):** My Lords, I have two or three points to make on these regulations. We welcome the move to increase the rates and we support that policy. Obviously, evidence over the past few months has shown that the economy is slowing. We have some quite serious problems in the retail sector and cutbacks in catering, with a lot of chains in financial difficulty. The other sector I would like to mention—here I must declare an interest as the chair of Housing & Care 21, a housing association with considerable care interests—is the whole care sector, which is under huge pressure. Obviously, this is a further burden in terms of costs—and not just for the operators because, given that the health service does not protect a lot of people in this sector, those costs are coming straight out of the pockets of consumers. I hope that the Government are paying some attention to these sectors and I should like to ask the Minister what they are doing.

A key issue is the degree to which productivity will increase in order to absorb some of the significant costs that are being imposed on these low-wage sectors. What are the Government doing? We have various estimates of productivity, but what initiatives are the Government taking to encourage productivity growth in these sectors? What case studies are they implementing to judge the impact of labour costs in these sectors? What policy initiatives are being speeded up—particularly, I hope, in the care sector—to address the fact that the sector is very labour-intensive and that inevitably the costs will impact directly on some very needy people who are not catered for by the National Health Service? The Government's delay in producing their social care policies is a major consideration as this policy of increasing the living wage continues towards the Government's targets.

Finally, as we seek to improve to improve rates of low pay, the best scenario in which to do it is one in which the economy is growing well, living standards are increasing and we have no undue pressures. We know, however, that we are now facing a period of low growth and that, because of the movement in the exchange rate and the rise in costs—particularly those imposed by these measures—living standards will be squeezed. On top of that, the Government will impose on the economy the huge costs of Brexit. The Prime Minister has admitted that Brexit will affect jobs and standards of living, regardless. I would therefore like to know what specific measures and initiatives the Government are taking to deal with these problems, which could undermine their low-pay strategy.

**Lord Henley:** My Lords, I thank both noble Lords for their helpful contributions to this debate and their broad welcome for these regulations. I will deal with the regulations and their attached documentation, and the concerns of the noble Lord, Lord Stevenson, that they were not set out exactly as they should be. I will ask the officials to send him a more readable version. More importantly, we take note of what he said. I will make sure that we do somewhat better at setting these documents out and making them clear to the noble Lord and other noble Lords taking part.

The noble Lord was also rather worried about why I used the expression “subject to economic growth”. The important point here is that the Low Pay Commission

makes its recommendations in the light of an array of matters, and—as the noble Lord will know—it includes representatives of employers, employees and others. Ultimately, it makes recommendations and it is for the Government to make the decision. Those who are somewhat higher up in the Government—the Chancellor and others—have to take into account the effect on the economy of the Low Pay Commission's recommendations, though we hope that it will also have considered the effect its recommendations might have on increasing unemployment by making it less affordable to employ people. The matter is, therefore, considered by the Low Pay Commission but, more importantly, my right honourable friend the Chancellor and others consider what lies ahead.

I join the noble Lord, Lord Stoneham, in wishing to see greater growth, but—as my right honourable friend the Chancellor set out recently—we are seeing steady growth over the coming years and I see no particular red lights in this area. We are still on track to achieve the target that we wanted to achieve—I think the noble Lord asked about this—which is 60% of median earnings by 2020. The Low Pay Commission will take all evidence into account in trying to get there.

The noble Lord also asked about the bigger change in the disregard for accommodation. Again, the Low Pay Commission took evidence to determine that off-set and its report summarises its view that the rate is a fair balance of the employer's and the worker's interests. Obviously I am happy to write to the noble Lord in greater detail on that if he so wishes.

I move on to the comment of the noble Lord, Lord Stoneham, that this imposes particular pressure on certain sectors. He singled out one that he knows particularly well, the care sector, for which we accept it can be difficult, and similarly for retail and other areas where wages tend to be on the lower side. That is why we are very grateful that there are representatives of employers on the Low Pay Commission to make sure that that point is made. There is no point raising rates too far if it will increase unemployment or create difficulties for certain businesses. Obviously it means that there will be extra costs for businesses but, as I think the noble Lord will accept, we want to make sure that workers are fairly rewarded.

There are certain things that Governments can do to recognise the increased costs for businesses. We give employers up to £3,000 off their employer NICs bill through the employment allowance. Last year more than 1 million employers benefited from that, saving some £2 billion. That will apply in all sectors. We cut corporation tax, as the noble Lord will be aware, from 28% to 19%, and that again benefits a large number of firms. As the noble Lord will remember, my right honourable friend announced reductions to business rates in the Budget.

I appreciate that things can still be difficult. The point behind having the Low Pay Commission, with representatives from both sides and others, is to make sure that we try to take all factors into account and, I hope, achieve greater balance. The noble Lord would like me to discuss the Government's care policies more generally, but I do not think I am the right person or that this is the right place for me to do that at this

[LORD HENLEY]

stage, so I shall restrain myself from being tempted to take up his offer. No doubt he will find other opportunities to raise this matter with others in due course.

With what I take to be the support of both noble Lords, I commend these regulations to the Committee.

*Motion agreed.*

## **Works Detrimental to Navigation (Powers and Duties of Inspectors) Regulations 2018** *Considered in Grand Committee*

2.28 pm

*Moved by Lord Henley*

That the Grand Committee do consider the Works Detrimental to Navigation (Powers and Duties of Inspectors) Regulations 2018.

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con):** My Lords, I beg to move that the draft Works Detrimental to Navigation (Powers and Duties of Inspectors) Regulations 2018, which were laid before Parliament in January 2018, be approved.

We are moving on to a somewhat different and more technical subject, and I am very pleased to see the noble Lord, Lord Bradshaw, in his place. He will presumably bring a great deal of technical expertise to this debate. The regulations will provide inspectors in BEIS's Offshore Petroleum Regulator for Environment and Decommissioning, which I will refer to as OPRED, with powers to conduct inspections to assess compliance by operators of offshore hydrocarbon installations with the conditions of consents to locate as granted under Part 4A of the Energy Act 2008.

OPRED inspectors travel to offshore installations to monitor compliance with our offshore environmental regulatory framework. However, they do not have powers to conduct inspections to assess operator compliance with consents to locate conditions. The regulations will close that gap in enforcement capabilities by enabling inspectors to board offshore installations to assess operator compliance with the consents to locate regime, inspect and investigate any legislative breaches, and take enforcement action where required.

Consents to locate are required before offshore activities likely to cause danger to navigation are carried out. A condition of consents to locate is the need for operators to maintain navigational aids, such as lighting, foghorns and other signage, to warn shipping of the presence of offshore installations. Part 4A of the 2008 Act gives the Secretary of State powers to make inspection regulations for enforcing the consents to locate regime and create criminal offences. Regulation 3 of the regulations contains powers to allow inspectors to undertake examinations and investigations and Regulation 6 sets out the offences and penalties that would apply to a failure to co-operate with inspectors. Inspectors would normally conduct checks on the consents to locate regime when undertaking routine visits to offshore installations to determine operator compliance with other environmental legislation.

The regulations are needed due to an increasing trend from 2015 onwards whereby non-compliances by some operators with the consents to locate conditions, primarily the obligation to maintain functioning navigational aids, have not been remedied timeously despite OPRED's efforts. Although most operators initially responded to incidents of malfunctioning navigational aids by deploying temporary collision-avoidance measures, notably the use of guard vessels around installations, and eventually resolved breaches after protracted negotiations, this is not an ideal situation. Notwithstanding the instigation by operators of temporary solutions, the risk to shipping of a collision with an offshore installation at night, or during times of poor visibility, remains until functioning navigational systems are reinstated.

Without powers to access offshore installations and conduct inspections, we are reliant upon operator good will or evidence from third parties, namely the general lighthouse authorities and the Maritime and Coastguard Agency, in order to gather evidence to establish whether consents to locate requirements have been breached and to encourage operators to revert to compliance. The regulations would provide inspectors with powers to investigate and enforce an expedient return to compliance by operators, thus reducing the risk of offshore collisions occurring.

While the risk of a collision with shipping remains low and to date there have been no incidents of shipping colliding with UK offshore installations as a consequence of failed navigational aids, the human, environmental and economic impacts of a collision would be significant. There are invariably lengthy time lags before the resolution of non-compliances—in one instance it took four months before compliance was restored—which increases the risk of collisions at night or in adverse weather conditions.

The regulations will contribute to our aim of ensuring that offshore hydrocarbon activities are carried out in a safe, clean and environmentally sound manner. In 2017, OPRED conducted a consultation with the offshore sector on the regulations. Two responses were received seeking simple clarification. We replied to both consultees addressing their comments and agreeing to publish updated regulatory guidance once the regulations entered into force.

One substantive issue arose from the consultation regarding the provisions that would allow inspectors to take original documents as evidence in an investigation. To enforce the consents to locate regime effectively, it was our opinion that obtaining original documents would fulfil the legal obligation to gather the best evidence available should we need to pursue criminal proceedings against non-compliant operators. We decided to retain the power to seize original documents in the regulations, but took account of industry concerns by caveating it with limitations on the use of the power.

The objective of the regulations will be to achieve a high level of operator compliance with the consents to locate regime through inspections and the investigation of breaches, the use of enforcement notices instructing operators to take timely actions and the imposition of penalties. Given the need for the regulations, it would be useful if they entered into force on the day after they are made. I commend these regulations to the Committee.

**Lord Bradshaw (LD):** My Lords, I would like to inquire into some of the background. I do not know whether the Minister has these details but, first, may we know how many real incidents there have been? Secondly, how many inspectors are there and what is the chance that a person who is not complying will actually be caught?

The system which the Government have in mind will obviously cost some money. I do not know whether they intend to expand the inspectorate or whether this is another duty to be laid upon the existing inspectors. Is there going to be any extra cost or extra inspectors? Can we also be clear whether this applies only to any obstruction which has an association with the hydrocarbon industry, or are other places such as old windfarm foundations covered in these regulations?

The Minister mentioned non-compliance. There is also some mention in the documentation of non-compliance, so is he able to tell us how much of it there was, or is, and why it is necessary to produce this further legislation? Can I please get some idea of the penalties which fall upon people who do not comply? For example, apart from fining them, is there any way in which they will be denied a licence in future to punish them, as it were, for not having cleared up any obstructions which they left behind them in the sea? I fully support what the Minister has said about the need to take precautions because the consequences of a ship spilling the oil which it might be carrying or injuring people are quite significant.

There is one other thing. Are these obstacles, if I may call them that, added continuously to the charts used by people who use the sea, and can ships therefore be forewarned that such obstructions are there? I would be grateful if the Minister can fill me in a bit on the background to this.

**Lord Stevenson of Balmacara (Lab):** My Lords, like the noble Lord, Lord Bradshaw, I am supportive of the intention behind these regulations and have no wish to delay them in any sense. Before I start, I should like to say how nice it is to have had three Lords Chairman officiating over our modest debate. I am sure it must be a very interesting chance for the Lord Speaker to shine a spotlight into the activities of your Lordships' House in a way that is not often possible.

**Lord Henley:** He can see real life.

**Lord Stevenson of Balmacara:** Real life and marine life as well, as we are going to discover.

I have three main points but they are not at all major. First, as I think the Minister said, these regulations have been in force since 2009 as part of the implementation of the 2008 Act. Yet there seems to have been a sudden rush of activity since 2015, according to the Explanatory Memorandum. Can he give a little more detail about what is going on here? Is there some new interest in the area, arising from some activity which we were not aware of and, if so, why is all this litter being left around and causing difficulty to ships? I would be interested in the background if that is possible.

Secondly, I do not think the Explanatory Memorandum makes the case very well for OPRED's lack of ability to force operators to return expeditiously to compliance. The powers now in these regulations would allow them

to get more information in the form of paper and other documents. That would somehow seem to inform them better but I do not quite see how it will make anybody do anything they are not currently doing. I would be grateful if my puzzlement on that could be met with a bit more information.

In that respect, there was a four-week targeted consultation. I am not saying it is true of this occasion, but whenever I see the words "targeted consultation", I wonder whether very many people have been involved. Given that there were only two responses from what seems to be a very large sector of our economy with many companies—indeed the Explanatory Memorandum states later on that there is a large number of small companies involved—maybe there could be a few words about whether, in the department's view, the consultation was as effective as it could have been. There were only two responses, neither of which was significant in terms of what we are told here, but they did manage to persuade OPRED that there should be a change in relation to the power to seize original documents. Paragraph 8.3 says that OPRED decided to take,

"account of industry concerns by caveating it with sensible limitations on the use of the power",

but does not say what those limitations are. Again, perhaps the Minister could just explain them.

However, my main concern is timing. Members of the department will be aware that every time BEIS comes in with a regulation, I think I have made a point of pointing out that the Government have accepted, as have previous Governments, that there should be adherence where possible to the common commencement dates of 6 April and 1 October. These common commencement dates are there for the benefit of businesses and to make sure that regulations do not sprinkle upon them like rain from the heavens but are brought up at two points in the year when they can anticipate that there will be regulations, plan for them and expect them to be implemented in an appropriate way. There may be some reason for the commencement date, but these regulations seem to be coming into force in a rather ad hoc way. They come into force the day after they are made. The Explanatory Memorandum comments that,

"the critical need for, and core objective of, the instrument", means that the regulations,

"will enter into force on the day after they are made and, if feasible, either prior to, or (if apposite) beyond, the next Common Commencement Date of 6 April 2018".

It happens that 6 April 2018 is not very far away, so it would not have been very difficult, and certainly given the pressures on all concerned not impossible, for these regulations to come in on 6 April. There may be good reasons for bringing them in a few days before then, and I would be interested to hear what they are, but I worry more generally that the department does not, much as I would wish it to, try to work to the common commencement dates. I am sure the Minister will accept that they are important. They have been advertised and adhered to now for, I think, 15 years. It is something we should respect if we can. I would be grateful for his comments.

**Lord Henley:** My Lords, we will try to stick to common commencement dates where appropriate, but as I think the noble Lord suggested, there has already

[LORD HENLEY]

been some concern that a degree of time has been taken getting these regulations ready. We therefore felt that this is one of those occasions when not sticking to the common commencement dates would be appropriate. Bearing in mind that there is always the risk of an accident, we thought it appropriate to move as quickly as possible. For that reason again, we thought that a relatively short, targeted consultation—going to what we thought would be the appropriate people—was appropriate. As a result, we obviously missed out the noble Lord.

**Lord Stevenson of Balmacara:** I just wanted to be sure that “targeted” did not mean two people on this occasion.

**Lord Henley:** I will take advice, but I am fairly sure it was a number greater than two. I do not know what it was, but on this occasion we did not need a general consultation including the noble Lord and others. We are talking about a fairly specific field that many of us do not know a great deal about. I will come to some of his other points later on, but will deal with points raised by the noble Lord, Lord Bradshaw, first and give him a little more background and detail about the amount of non-compliance there has been.

On average there are at least 49 incidents a year on offshore installations, a proportion of which seem to be in the southern North Sea, which is obviously a fairly busy shipping route. Nine offshore installations had components of their main or subsidiary lighting systems repeatedly fail completely, meaning that parts of the installations were not visible at night or at times of poor visibility due to intense fog. Thirty-two offshore installations had other types of repeated malfunctions relating to other navigational aids, including lights not flashing in unison and dim lighting systems causing reduced visibility from a distance. Five installations had fog signals that were repeatedly inaudible or not functioning, while the radar communications systems on three offshore installations repeatedly failed. Those are the numbers involved and reflect the scale of the issue. I hope that is useful to the noble Lord.

I will have to write to him about the number of inspectors and whether we think that that number needs to be increased. The important point is that the inspectors are already doing their job, but we are giving them extra powers to make sure that there is proper enforcement. He also asked about the appropriate penalties if operators are prosecuted under these regulations. An operator guilty of an offence as set out in Regulation 6 would be liable on summary conviction in England and Wales to an unlimited fine and on summary conviction in Scotland and Northern Ireland to a fine not exceeding the statutory maximum, which is £10,000 in Scotland and £5,000 in Northern Ireland. I hope that the noble Lord does not ask me why the fines are different among the nations, but if he has any concerns I will write to him about it. Conviction on indictment leads to an unlimited fine, which would usually be for an amount greater than the fine on summary conviction. I might be wrong, but that is probably the explanation for the difference between England and Wales and Scotland and Northern Ireland.

In Scotland and Northern Ireland there is summary conviction or on indictment whereas in England and Wales there seems to be only summary conviction.

The noble Lord, Lord Stevenson, asked why after 2015 it became more difficult for operators to rectify promptly breaches of consents to locate obligations. Some have asked whether it coincided with the drop in the price of oil at the time. The reason it has become more difficult to get smaller operators to rectify breaches is not entirely clear. Contributing factors may have been the low oil price which has put pressure on operators, but whatever happens the situation is clearly unsatisfactory, given the critical nature of navigation aids, hence the need to put these regulations on to the statute book as quickly as possible. I appreciate that some will argue that we have taken our time to do this, but it is important to get on with them now.

I again thank both noble Lords for their contributions. I think that I have largely dealt with the points, but if I have missed any, I will write. I commend these regulations to the Committee.

*Motion agreed.*

## **Criminal Justice and Police Act 2001 (Powers of Seizure) Order 2018**

*Considered in Grand Committee*

2.47 pm

*Moved by Lord Henley*

That the Grand Committee do consider the Criminal Justice and Police Act 2001 (Powers of Seizure) Order 2018.

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con):** My Lords, I congratulate the noble Lord, Lord Stevenson, who is still with us for the third item of business. I am grateful for the feedback from the Secondary Legislation Scrutiny Committee regarding the explanatory material accompanying this draft order. We always strive to provide sufficient information for noble Lords to gain a clear understanding of an instrument’s policy objective and intended implementation. Furthermore, my department will take account of the comments of noble Lords made in this Committee when preparing explanatory memoranda for future instruments.

Insider trading and price manipulation in the wholesale energy markets is a crime and ultimately consumers and businesses pay the price for such behaviour in the form of higher bills. It is therefore important that the energy regulator in Great Britain, Ofgem, has sufficient powers to investigate and punish those behaving in such a way and that that acts as a deterrent. Insider trading and market manipulation in the wholesale energy markets are prohibited by the wholesale energy market integrity and transparency regulation—REMIT—which has been in force since December 2011.

In June 2013, the Government made civil enforcement regulations for REMIT—the Electricity and Gas (Market Integrity and Transparency) (Enforcement etc.) Regulations 2013—which give Ofgem powers to impose

unlimited financial penalties, access to information and the power to enter the premises of a regulated person under a warrant. In March 2015 the Government strengthened that regime by making further regulations to create criminal offences of intentionally or recklessly breaching the prohibitions on insider trading and market manipulation.

The 2013 regulations give the regulator the power, under warrant, to enter premises to search for, and seize, information and documents that appear to be relevant. However, there are cases where Ofgem may have difficulty exercising this power of seizure. Investigating officers may be presented with a large volume of documents. Identifying documents relating to suspicious transactions among many documents of a similar nature can be akin to finding a needle in a haystack. Ofgem currently has no power to take away an entire body of documents to sift them for relevance off premises. In some cases, this may mean that vital evidence is missed.

Section 50 of the Criminal Justice and Police Act 2001 addresses this problem. It enables a person exercising a power of seizure to remove material from the premises being searched to determine whether it is something which the person is entitled to seize if it would not be reasonably practicable to determine that on the premises. The power in Section 50 applies where a person is exercising a power of seizure listed in Schedule 1 to the Criminal Justice and Police Act. More than 60 such powers are already listed in the schedule. The effect of this order is to extend this power to Ofgem when it is searching premises to investigate breaches of REMIT. The Government believe this would be a measured and sensible extension of Ofgem's powers, which will help to ensure it can take effective enforcement action.

The Government sought views in December 2015 through consultation on whether Ofgem's powers should be strengthened to bring them into line with this provision. Industry stakeholders, perhaps not surprisingly, believed that the additional powers offered to Ofgem were disproportionate. Others, including consumer groups, were neutral or in favour of the provision. The Government believe that effective regulation in this area is essential and that sufficient safeguards will be in place to meet stakeholder concerns. The Government do not believe that costs will be unreasonable.

The power will apply only where a court has granted Ofgem a warrant to search premises. When Ofgem exercises this power it will be under a statutory duty to sift information as soon as reasonably practicable after seizing it and return anything which it was not entitled by the warrant to seize. Additionally, a person who is the owner of a document can apply to the court for the return of such material.

We believe that this additional power will aid Ofgem in its investigation of market abuse and that the safeguards should ensure that it is not used unnecessarily. I commend the order to the Committee. I beg to move.

**Lord Stevenson of Balmacara (Lab):** My Lords, I thank the Minister for his full introduction to this order. Again, we have no significant concerns about the order itself because it is an appropriate way forward. Indeed, it seems to be needed, based on the description we have had.

As the Minister has said, the Secondary Legislation Scrutiny Committee reported on the order in order to draw it to the attention of the House on the grounds of a policy likely to be of interest. The committee's main concern seems to be about the rather extended time taken to go from the initial idea bootied around in the consultation paper in December 2015 to the final decision to move forward on a part of what was consulted on—only a part—as late as earlier this year. The Minister said that the issues raised will be taken back with everything else, but he did not give us an explanation about that issue. The letter from the department that covered it is also rather vague. It is mainly to do with the fact that internal government processes got in the way of the smooth running of the overall proposal and that the decision was taken quite late simply to go ahead with these REMIT proposals. More information about that would be of interest.

My concern is slightly different. The consultation that was carried out was broader than the REMIT, but the Explanatory Memorandum focuses on those issues. I take it that the references in Article 8 of the Explanatory Memorandum are around that. It says in paragraph (8.2):

“Some energy companies expressed support for the initially proposed “seize and sift” powers, but the majority of companies and representative groups”—

so it is not quite as the noble Lord mentioned—

“argued that these were disproportionate, unnecessary or gave Ofgem too much leeway on which information to remove”.

In other words, they were about the powers. It seems to me that the majority of companies did not agree with the proposal. They felt that the existing powers would be sufficient and that seeing papers on sight, sifting through them there and taking information away in that form would be sufficient for their processes. In paragraph (8.3) however, the department's response states:

“Having taken account of the consultation responses, BEIS considers that the aim of the policy ... justifies the additional burdens identified by industry”.

They were complaining not about the burdens, but the powers. The Explanatory Memorandum is completely silent on whether these powers are appropriate. It seems that the Government have decided to ignore the consultation and go ahead. Will the Minister comment on that? He is not wrong in the sense that the ends may justify the means, but the process would have left a number of companies a bit bruised, given the very short time available and the lack of any individual consultation. They would be entitled to feel that they have not been taken account of properly.

Finally, I have to come back to the matter of the implementation date. This is a new group of civil servants and I can expand on my worries. Other noble Lords will realise that I have raised this matter before. This order may be cited from, and comes into force on, the “twenty-first day after the day on which it is made”. It will have a considerable impact on a small number of companies operating in the electricity and gas field. It is therefore not inappropriate to think that the order should start from the common commencement date: 6 April. If you do the maths, 21 days takes you just beyond 6 April. It would be not inappropriate if the Minister decided to suggest, even with the regulation

[LORD STEVENSON OF BALMACARA] in this form, that 6 April would have been a better date, and I appeal to his better judgment to make the necessary changes if he can.

**Lord Bradshaw:** In considering this order we should consider the enormous public dissatisfaction with some of the regulated industries that we have seen for a long time. I think I am correct that the regulators have often been caught out saying that prices should be allowed to rise by a certain amount, and immediately after the announcement, companies' share prices have risen. To me, this means that the regulator has misjudged the situation. Bodies such as Ofgem are extremely powerful, and from the point of view of the consumer and the general public it is important that a very close watch is kept on their activities. I am happy to support what is in this paper because the balance of advantage between consumer and supplier is tilted very much one way, and this will tilt it back the other way.

**Lord Henley:** My Lords, I think that I am grateful to the noble Lord, Lord Bradshaw, for his comments. It is always difficult to get the balance right in these matters, which is what we are trying to do in a number of other pieces of legislation—as the noble Lord will be aware—that are before another place at the moment.

It is important that we ensure that Ofgem has the appropriate powers to look after the consumer interest. Obviously, we take very seriously the idea of any extension of powers that we might grant to Ofgem or any other body, and that is why, under the Police-and-whatever-it-is Act 2001, we have to make an order if we want to do that. They are affirmative orders and we have to come to the House to argue the case for them. That is what I am doing.

The noble Lord, Lord Stevenson, was slightly worried about the consultation and whether we listened to the consultees. What I said in my opening remarks was that the industry and stakeholders, perhaps not surprisingly, believed the additional powers were disproportionate, but I added that others, including consumer groups—this is the point that the noble Lord, Lord Bradshaw, picked up—were neutral or in favour of the provision. The Government have to consider these matters very carefully.

**Lord Stevenson of Balmacara:** Just to be clear, paragraph 8.2 of the Explanatory Memorandum does not say what the Minister just said. It may just be that the expression needs to be changed, but it states, “the majority of companies and representative groups”. I think “representative groups” includes consumer groups. The Minister said there were others, but we do not have the detail. They, “argued that these were disproportionate, unnecessary or gave Ofgem too much leeway”.

**Lord Henley:** It does not just include consumer groups. The point I was making was that consumer groups in particular were neutral or in favour. Having listened to the consultation, the Government came to their conclusions and decided what was necessary. We considered that the powers were very important and we considered bringing them in with appropriate safeguards. I think that is what we have done.

The noble Lord was concerned about the timing of the order. I am glad that it was not just me listening to him. As he said, there is a collection of officials listening behind me, and I hope this will suffuse through the department so that all of us—Ministers as well as officials—can be aware of his concern that as far as possible we stick to the appropriate dates. Obviously, there will be other occasions when we cannot. I have no power to make amendments now. The noble Lord probably guessed that, since he made the suggestion. Since I have general agreement that this order should go through, I repeat that the department could possibly do better in future. I will keep my beady eye on these matters and see to it that we do as well as possible. As I said at the beginning, we will continue to take the Committee's views into account in future.

**Lord Stevenson of Balmacara:** I go back to my original point and ask the Minister, for my comfort and satisfaction, to write with a bit more explanation about the make-up of the responses that were received. May I also welcome the Minister to the small band of people who believe in common commencement dates?

**Lord Henley:** The noble Lord will get a reputation for having a bee in his bonnet about common commencement dates and will, no doubt, be teased by his colleagues as “Lord Common Commencement Dates” for ever. I will certainly write to him in greater detail on the other matter. I am grateful for the support from both noble Lords.

*Motion agreed.*

## **Passport (Fees) Regulations 2018** *Considered in Grand Committee*

3.04 pm

*Moved by Baroness Williams of Trafford*

That the Grand Committee do consider the Passport (Fees) Regulations 2018.

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the purpose of this statutory instrument is to set passport fees for the first time under the primary charging powers provided by the Immigration Act 2016, which allow the Home Office to reflect not only the costs of considering an application and issuing a passport but any other function of the Secretary of State in connection with UK passports. This includes the costs associated with British citizens leaving and entering the UK.

Over the last year the average turnaround time for the vast majority of the estimated 7 million passport applications that HM Passport Office handled was in the region of seven days. This excellent performance has resulted in high levels of customer satisfaction. The Institute of Customer Service has once again ranked HMPO as the top performing public services organisation in its recent customer satisfaction index survey. The service has improved its customer satisfaction index scores over each of the last five years and, for the first time, also appears in the top-50 list of high-scoring organisations on the customer satisfaction index survey, along with Amazon and John Lewis.

The full costs associated with processing applications and issuing passports are funded by income from fees charged for passport services, but the number of passengers arriving at the UK border continues to rise, with about 130 million passengers currently arriving each year, of whom about 70 million are UK passport holders. This leads to a significant cost for the Home Office, which is currently largely funded by the Exchequer.

Reflecting the costs to the Home Office associated with passengers leaving and entering the UK in passport fees means that we can reduce the burden on the Exchequer and move towards operating on a “user pays” basis for the overall service provided by the Government to UK passport holders. It is obviously important that we recover any additional costs in a balanced way that incentivises the use of a more efficient online application process, which we intend to become the standard passport application channel. So, while we propose to increase most passport fees, people who submit their application online will, for the first time, be charged a lower fee than if they submit their application via post. This reflects the fact that it currently costs more to process a postal application. It also supports the wider commitment to improve online services to meet the needs and expectations of customers who increasingly use digital channels to access government services.

We intend to increase the fees for an online adult passport by only £3, which is broadly in line with inflation. This will mean that the current adult fee will be £75.50, which is still below the £77.50 fee charged for an adult passport between 2009 and 2012. An online child passport fee will increase by the same amount and will be set at £49. Fees for adult and child passports applied for via post will each increase by £12.50 to £85 and £58.50 respectively, to reflect the additional cost of processing postal applications.

With more than 90% of adults in the UK having access to the internet and third parties being permitted to apply on a person’s behalf, the vast majority of people should face no obstacle to applying for their passport online. However, Her Majesty’s Passport Office is developing further help for those who wish to apply online but need some additional advice or support to do so. It is working to deliver an assisted digital leaflet for relevant support groups to enable them to help their clientele to apply online. This will also ensure that their online application route is built in such a way as to be extremely simple to use and to be compatible with various aids, such as screen readers, that people might use to make their interactions with the passport service easier. An advice line is available for those who wish to discuss their requirements with representatives of the organisation.

The Committee will be aware that HMPO provides excellent priority services for applicants who wish their applications to be processed faster, or who prefer to apply in person. It is right that applicants should pay more for a priority service and we intend to move the fees for those services towards full-cost recovery sooner than for online or postal services, given their optional nature and the additional benefits that a customer receives by using them.

Finally, within these regulations we are holding a new and specific power that allows the Home Office to consider waiving fees for replacement passports where they have been lost or destroyed during an incident considered a national emergency or crisis, or where the UK Government have activated exceptional assistance measures overseas. This will allow the Government to ensure that they can provide the appropriate level of support to vulnerable people in emergency situations and crises.

We are committed to ensuring that this Government continue to move towards a position where the border, immigration and citizenship system is funded by those who directly use it. Moving to a position where passport application fees include the costs of UK passengers leaving and entering the UK is part of this. The additional income raised from the proposed increase in fees will help to protect vital front-line services and ensure that we continue to operate a world-class border system. I commend the regulations to the Committee.

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, I thank the noble Baroness, Lady Williams of Trafford, for explaining to the Grand Committee the purpose behind these regulations this afternoon.

First, I have absolutely no problem with full-cost recovery. Generally speaking, it is not a bad thing to aim for in a variety of services. I have been calling for it for planning applications for a very long time, but the Government have stubbornly refused it. Perhaps the Minister would be kind enough to mention to her noble friend Lord Bourne of Aberystwyth and the Ministry of Housing, Communities and Local Government that this is a good thing to do, because I cannot get that government department to consider doing even one council pilot on full-cost recovery. They just will not have it—so if the Home Office is doing it, perhaps they will look at a pilot.

Having said that, the rise of £12.50 in one go is a little steep. It may have been better to phase it in over time. Inflationary rises in the cost of services are what we have come to expect and I generally accept them. I do not have a problem with there being two levels of fees, taking account of the costs of processing applications. I get that point. But while I know the Minister referred to the “vast majority”, we are still talking about millions of people who are not in that vast majority. They are not e-enabled for a variety of reasons. They might not have access to a computer or have the skills to use the facilities; equally, they may have a computer and the skills but be in an area where the broadband coverage is so poor that they cannot do it anyway. The Minister might suggest in a moment that they should go to a library, but she will know that the number of libraries in Britain is much reduced from what it was 30, 20 or even 10 years ago. So that will not always be the solution to the problem—again, there is an issue there.

The power to have the fee waiver is sensible and I am very supportive of it. But one thing that the Government should guard against is an issue that exists in a variety of local government services. It is that if you are an ordinary, decent and law-abiding citizen, why do you have to pay more for services just because you are poor? I noticed that that was not addressed in the impact assessment. There is lots

[LORD KENNEDY OF SOUTHWARK]

about what the Government are going to do, but I cannot find any reference to why somebody poor has to pay more. That issue needs to be looked at across government. It goes across business, too, and other areas, and it irritates me.

I know this is nothing to do with the noble Baroness, but if you go to an area that is not as wealthy as somewhere else, you find that the less wealthy area has no cash machines and that you have to pay £3 or £4 to get your £10 note out. If you are a genuine, ordinary, decent, law-abiding person, why is it that, just because you have less money than someone else or live in a poorer area, you have to pay more? The Government should always be mindful of that as a policy issue across a range of things. Having said that, I have no particular issue with the regulations and I am happy to agree to them.

3.15 pm

**Lord Stoneham of Droxford (LD):** My Lords, I thank the Minister for her explanation of these regulations and we are broadly supportive of the idea, in particular the move to online and the proposal for a price incentive to encourage people to apply in that way. I am sensitive to the concern about people who do not have online access, but I expect that the Government will take appropriate action to make sure that they are supported.

I wish to make three points. First, if this was the private sector, one would have peak and trough pricing. I should like to know what the peaks and troughs for passport applications are. In the summer there are always problems when people want to renew their passports, and presumably there is a lull in the winter when fewer people are travelling. One of the costs to the public sector, that of retaining peak staffing, could be assuaged if more people are encouraged to apply for their passports when the demand is lower. Have the Government considered that and are there great peaks in the workflow?

Secondly, while I understand that people must pay the cost of issuing a passport, what proportion of the costs of maintaining our borders and our consular activities overseas are we aiming to meet through passport renewal? We all know that there is a national interest in our borders and in having consular services overseas because they perform other functions besides looking after British passport holders, so obviously a key proportion of the costs of those services should come out of general taxation rather than simply being met by people who apply for passports. What proportion of the costs of these services will this measure contribute and what is the Government's ultimate aim here?

Finally, one thing that Brexit will do is to increase the cost of our borders because it will require extra people to man them. Are those renewing their passports going to have to pay for the cost of Brexit or will it come out of general taxation? My view is that it is the Government who are creating this extra cost; they should therefore pay for it out of taxation. They should not be trying to put the extra costs of Brexit on to those who apply for passports. We should not forget that the economy benefits hugely from tourism so it is in our interest to improve the current border controls, which many people regard as slow and inefficient.

What are the Government doing to make improvements in, for example, the flow of people through our border controls, which I am sure they have an interest in since they are now seeking an additional source of revenue to pay for them?

**Baroness Williams of Trafford:** I thank both noble Lords for their questions. I turn first to the contribution of the noble Lord, Lord Stoneham. He asked about peak and trough pricing, but then suggested that the extra costs of maintaining the border should be met through general taxation. We have considerably improved the technology and intelligence around our border and we think that we will be able to meet any additional burdens created through Brexit. The fees application regulations before us are not about Brexit; they are about putting in train something that was decided in the Immigration Act 2016, and thus I think before Brexit was even a twinkle in the general public's eye.

As to what proportion of money will go to the border, we expect that about 40% of the current full cost to the Home Office of UK passengers leaving and entering the UK will be funded by passport fees after these increases. We did consider peak and trough schemes, and looked at variable pricing, but the cost of that would outweigh the benefits.

**Lord Stoneham of Droxford:** Why?

**Baroness Williams of Trafford:** That was the analysis—the costs would outweigh the benefits of doing it.

The noble Lord, Lord Kennedy, asked about the £12.50 increase. That of course is for the paper application. The analysis shows that a premium service is more expensive, paper being not the cheapest way to deliver passports or indeed other items. That is reflected in that fee increase. As for full-cost recovery, the noble Lord and I have had many an exchange on such local government matters. He asked me to take it to MHCLG. I will, but I suspect the reason for not having full-cost recovery, as with all local government things, is so that things do not become overpriced. MHCLG always sets them under full-cost recovery, but I shall certainly take that back.

The noble Lord, Lord Kennedy, also asked about digital inclusion, particularly for poorer people and people without access to libraries. The Government totally recognise this point. The digital strategy uses 3,000 libraries across England to provide a trusted network of accessible locations with trained staff and volunteers, free wi-fi, computers and other technology. In addition, people can use a friend's or colleague's computer to do this. Just because you have not got a computer in your home, that does not disfranchise you from applying online.

I reiterate my support for the noble Lord, Lord Kennedy, about being charged at cash machines. It is something that really irritates me. I accept that sometimes the only cash machine in a location is a paid-for one and that some of the fees really are quite outrageous. I think that is about it. Have I answered everything or does the noble Lord, Lord Kennedy, want to come in?

**Lord Kennedy of Southwark:** I know this is slightly straying off the regulations before us today, but that irritates me. Like the noble Baroness, I can obviously

go somewhere else and not use the machine, but sometimes people do not have that ability or that benefit. It is the same of course with people who have to go to the newsagents to get electricity for their meters. There is an issue here. Why do we accept that if you are poor but law abiding, hard-working and doing your best, you have to pay more for things when other people have them more cheaply? That is a general issue and a general point.

**Baroness Williams of Trafford:** I concur with the noble Lord.

**Lord Stoneham of Droxford:** Before the Minister sits down, can I go back to the two points I raised? I would like to see the peaks and troughs, and presumably monthly figures are available. I would be quite interested to see them. Secondly, I do not think that the Government should easily be able to get away with the assumption that there is no cost from Brexit when it comes to border controls. That is almost fantastical and I do not think anybody would believe it. It would be useful to know how many of the 130 million people going through our borders actually have EU passports as opposed to UK ones. We know the quantity of people

who are doing that. I go back to my original question. If you assume that passport renewals will pay for 40% of the border costs and if the costs go up because of Brexit, does that mean we will have higher proportionate passport renewal costs over time in order to keep to that percentage?

**Baroness Williams of Trafford:** I cannot answer some of those questions but I know that HMPO will have done an analysis of the figures. I was trying to say, but I do not think I was doing it very articulately, that we have a variety of technological, intelligence and other methods of predicting people crossing the border and of looking for the needle in the haystack, which is the person who is crossing the border illegally or someone who might be on our watch list. Our technology and intelligence have improved significantly. We have e-gates and other methods such as heartbeat monitors at the border. I do not disagree with the noble Lord that volumes might go up, but we have better methods of predicting and detecting illegal crossings of the border. On the other point about numbers, I will write to the noble Lord.

*Motion agreed.*

*Committee adjourned at 3.26 pm.*

