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House of Lords

Monday 17 July 2017

2.30 pm

Prayers—read by the Lord Bishop of Newcastle.

Oaths and Affirmations

2.34 pm

Lord Radice took the oath, and signed an undertaking to abide by the Code of Conduct.

Message from the Queen

2.34 pm

The Lord Chamberlain (Earl Peel): My Lords, I have the honour to present to your Lordships a message from Her Majesty the Queen, signed by her own fair hand. The message is as follows:

“I have received with great satisfaction the dutiful and loyal expression of your thanks for the Speech with which I opened the present Session of Parliament”.

Children in Need

2.37 pm

Asked by Lord Farmer

To ask Her Majesty’s Government what steps they are taking to ensure that local authorities put an action plan in place for all children in need that will improve their family relationships and resolve other difficulties sufficiently for them to be stepped down from that status.

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, our statutory guidance, Working together to safeguard children, is clear that, where a child is found to be in need, support should be provided to address those needs in order to improve their outcomes. Where the outcome of the assessment is the continued involvement of local authority children’s social care, the social worker and their manager should agree a plan of action with other professionals and discuss this with the child and their family.

Lord Farmer (Con): I thank my noble friend the Minister for his reply. At his suggestion, I visited Feltham’s Reach Academy, where staff are working with the local authority to develop a family hub. Parents with children aged nought to 19 will get any early help they need so that they can partner with the school to help deliver outstanding pupil outcomes. This could be transformational for children in need. What are the Government doing to encourage the development of family hubs?

Lord Nash: I am delighted that my noble friend visited Reach Academy in Feltham. It is an outstanding example of the success of the free schools programme, and I am pleased that it has also been approved to open a second free school. I know that my noble friend has done a great deal of excellent work with the Centre for Social Justice on the concept of family hubs. Obviously, the earlier we can help children the better, and this is why we are encouraging so many primary schools to open nursery schools, through the free schools programme and otherwise. A number of local authorities have introduced family hub-type models, and I hope we will see more of them. However, ultimately it is up to local authorities to decide the best local solution.

The Earl of Listowel (CB): Does the Minister agree that school exclusion can exacerbate the difficult situation of children in need and may put them into care? Will he look at whether the system of continuing professional development for teachers can be strengthened and streamlined so that teachers are better able to manage such children and do not need to exclude them?

Lord Nash: I entirely agree with the noble Earl that school exclusions are to be avoided at all costs, if possible. Certainly, permanent exclusions are counterproductive and even temporary exclusions are often so, because they effectively amount to the child bunking off for a day. They would be much better off segregated in the school, doing something which encouraged them to behave better in future. Most teachers are very keen to avoid school exclusions. I have just taken over responsibility for attendance and exclusions and will certainly look at this in more detail.

Baroness Benjamin (LD): My Lords, children with parents in prison are particularly vulnerable and need much consideration. However, under the incentives and privileges scheme, prisoners have to earn the right to see their kids. Barnardo’s has been calling for this to change and for a review of the scheme. It should not be a privilege for parents to see their children, but the right of a child to see their parents. When will a review take place to change this unjust situation? I declare an interest as a vice-president of Barnardo’s.

Lord Nash: I will have to go away and look at this. I am certainly a great believer in earned release schemes, where prisoners earn the right to be released early on the basis that they attend courses in prison. I was not aware of this and it is rather off my brief, but I will go away and come back to the noble Baroness on it.

Lord Watson of Invergowrie (Lab): My Lords, the Local Government Association recently highlighted a serious shortfall in local authority budgets to appropriately fund services for children in need and their families. Between 2010 and 2015, high-deprivation local authorities had to endure cuts of 21%, while the figure for low-deprivation authorities was 7%. Perhaps the Minister can help noble Lords make sense of that. I hope that he has been made aware of the research published last year by Professor Paul Bywaters and colleagues at Coventry University, which showed an association between the numbers needing child protection and looked-after children’s services and children living in local authorities with the highest rates of child poverty. Will he now commit to taking steps to ensure that the local authorities with the greatest proportion of children in need receive the funding necessary to ensure that children are not unnecessarily drawn into the child protection and looked-after systems?
Lord Nash: I do not recognise what the noble Lord is saying. Child protection and safeguarding spending by local authorities increased by 13% between 2011-12 and 2015-16. It is clear that local authorities are rightly prioritising this area.

Lord Flight (Con): My Lords, is the Minister aware of the charity Malachi, which has had great success in the West Midlands and Birmingham working with schools where broken families are involved and children are in trouble as a result? It is now in the process of some degree of franchising to other parts of the country.

Lord Nash: I am not aware of this charity. I am very grateful to my noble friend for drawing it to my attention and look forward to hearing more about it from him.

Lord Roberts of Llandudno (LD): My Lords, as regards the Government’s promise to accept 3,000 unaccompanied children within the next couple of years, how does this link in with the care that our children are getting?

Lord Nash: We intend that all children in this country are treated equally. I hope that the children to whom the noble Lord refers will be able to access all the services that would apply to any other children.

Lord Elton (Con): My Lords, both the Question and my noble friend’s Answer refer to the “need” of children. Could he kindly define the Government’s definition of “need” for these purposes?

Lord Nash: I had better write to my noble friend on the definition of “children in need” as it is quite long and I do not want to take up noble Lords’ time. However, it should apply to all children equally.

Baroness McIntosh of Hudnall (Lab): My Lords, may I ask the noble Lord to go back to the answer that he gave on local authority funding? He made the assertion that it was clear that local authorities were making this issue a priority as they were spending more money on it. That may or may not be true, but what is important is how many children they are having to spend the money on. Can he tell the House what the increase was in numbers of children in care or needing local authority support over that period?

Lord Nash: The noble Baroness raises a very good point. The number of children in need during that period remained fairly constant. We are doing a great deal of work reforming social care to try to ensure that the money is better spent.

Baroness Lister of Burtersett (Lab): My Lords, in her recent report on vulnerable children the Children’s Commissioner drew attention to the role of child poverty in that vulnerability. What are the Government doing to reduce child poverty—and will the Minister please not simply say “moving families into paid work”, because we know that that is not necessarily a route out of poverty for low-income families?

Lord Nash: We are certainly very focused on social mobility; I always find the definition of child poverty or of poverty in general quite difficult, because if you define it as being below a certain barrier, there will always be people below it. However, we are determined to improve social mobility—it is what drives all our educational reforms.

Fox Hunting

Question

2.45 pm

Asked by Baroness Jones of Whitchurch

To ask Her Majesty’s Government what plans they have to legislate to lift the ban on fox hunting as set out in their 2017 manifesto.

Baroness Vere of Norbiton (Con): My Lords, as my honourable friend Thérèse Coffey already said by way of a Written Answer on 3 July:

“The government’s manifesto includes a free vote on the Hunting Act 2004, but we are not planning to bring forward a free vote in this session”.

Baroness Jones of Whitchurch (Lab): I thank the Minister for that Reply. Obviously, the message is beginning to seep through that Theresa May’s support for hunting with hounds was massively unpopular on the doorstep in the election. The manifesto pledge to reopen the debate illustrated once again a party that is out of touch with the British people. The latest poll showed that an overwhelming 84% oppose fox hunting, which is widely regarded as cruel, inhumane and ineffective. Can the noble Baroness confirm that the ban on fox hunting is now here to stay for the long term and give a guarantee that any approach from the Council of Hunting Associations to reverse the legislation will indeed be rebuffed?

Baroness Vere of Norbiton: My Lords, I commend the noble Baroness for her continued probing, but I can say little more. Any decision or announcement on future legislative programmes will be made before the start of the second Session of Parliament in 2019. However, the Government acknowledge the high level of public interest in this debate and the strength of feeling on this matter on both sides of the debate.

Lord Mancroft (Con): My Lords, does my noble friend share my confusion that the noble Baroness and her friends are so interested in the law, its application and the political debate, but apparently show absolutely no interest in the welfare of the quarry species that was supposedly the object of this Act? Does she share my concern that since the ban, the latest research by both the British Trust for Ornithology and “Springwatch” has shown a significant decline in the numbers of both hares and foxes? In asking this question, I am happy to declare my interest as chairman of both the Council of Hunting Associations and the Masters of Foxhounds Association.

Noble Lords: Oh!

Lord Mancroft: I am pleased that that gives noble Lords opposite so much amusement, but they are clearly the only two organisations that have any interest in the welfare of the animals concerned.
Baroness Vere of Norbiton: My Lords, I thank my noble friend for his detailed question. Of course, animal welfare is particularly important; it is the welfare of livestock and game, the hounds and the other dogs used, and of wildlife, including foxes. Maintaining a balance between biodiversity and the numbers of each species is important. It is in no one’s interest to see overhunting in our countryside, and Defra monitors populations of a number of species where overhunting is suspected, and appropriate action is taken. However, it should be remembered that in the Burns report of 2000, it was concluded that just 6% of foxes died due to hunting with dogs at that time.

Baroness Parminter (LD): Given the latest successful prosecution by the police of three members of the Grove and Rufford hunt, does the Minister agree with me that the Hunting Act is both enforceable and effective?

Baroness Vere of Norbiton: I agree with the noble Baroness in that the police are under a duty to enforce the Hunting Act, and enforcement is ultimately a decision for local police chiefs. However, as with any suspected criminal activity, we also rely on the general public. Anyone who believes that an offence is taking place or has taken place should report the matter to local police.

Baroness Mallalieu (Lab): My Lords, I declare my interest as the president of the Countryside Alliance and a passionate hunter. Perhaps I may take up briefly the noble Lord, Lord Mancroft. Is she aware that those laws.

Baroness Vere of Norbiton: My Lords, I think we all agree that we must continually look at alternative ways of culling different forms of wildlife humanely. It is the responsibility of those involved in pest control to ensure that it is carried out properly, effectively and humanely. Snaring, when practised to a high standard, can provide managers with a humane and effective way of reducing the harmful impact of foxes, as can lamping. However, I go back to the Burns report of 2000, which notes that none of the methods of fox control is without difficulty from an animal welfare perspective. Of all the available methods, lamping, if done correctly, is the most satisfactory. However, I reassure the noble Baroness that the entire framework of wildlife legislation will be looked at once we have left the EU and are able, once again, to take control of those laws.

Lord Lexden (Con): Will my noble friend join me in commending as holiday reading one of Anthony Trollope’s novels, The American Senator? It describes the visit to the English countryside in the mid-19th century of Mr Senator Gotobed, who is at first shocked by what he sees there, and by fox hunting in particular, but after weeks of experience comes round to the merits of what he sees and indeed applauds it?

Baroness Vere of Norbiton: My Lords, I have not read that particular book, but I shall commend it to your Lordships anyway because they have weeks off. I watched my first hunt earlier this year and was amazed to see the diversity of people involved from all walks of life—on horseback and on foot. I also got a taste for mini-sausages and port for breakfast.

**Health: Obstetrics and Gynaecology**

**Question**

2.52 pm

**Asked by Baroness Kennedy of Cradley**

To ask Her Majesty’s Government what action they are taking to address the issues raised by the Royal College of Obstetricians and Gynaecologists programme Each Baby Counts.

**The Parliamentary Under-Secretary of State, Department of Health (Lord O’Shaughnessy) (Con):** My Lords, the Government and NHS England are supporting NHS maternity and neonatal services to address the Each Baby Counts recommendations on clinical care, human factors and reviewing cases with poor outcomes. Key initiatives include the Saving Babies’ Lives care bundle, an £8 million maternity safety training fund, which includes multidisciplinary training on team working and communication, a maternal and neonatal health safety collaborative programme, and a national standardised perinatal mortality review tool.

**Baroness Kennedy of Cradley (Lab):** I thank the noble Lord. This report by the royal college, which I believe is the first of its kind, creates a national measurement and a national picture, and shows that over 500 babies who died or suffered brain injuries during birth could have had different health outcomes if they had received different care—the human cost of a maternity service which is thousands of midwives short, underresourced and under increasing pressure and demand. How are the Government addressing the chronic shortage of midwives in the NHS, when new figures out last week, I believe, showed that more midwives are leaving the service and fewer midwives are joining it? Will he meet me and representatives of the royal college to discuss how training can match the implementation of the recommendations in the report and how best those recommendations can be continued in the work of midwives?

**Lord O’Shaughnessy:** The noble Baroness is quite right to highlight the appalling tragedies involved. As she said, over 500 families could have had different outcomes if the care they had received had been different. That is worth dwelling on because every one of these incidents is a human tragedy. She highlights midwives. There are over 2,000 more midwives in the National Health Service and 6,500 in training. There has been a big increase in the number of births in recent years, so the number has had to rise. Of course,
Baroness Walmsley (LD): My Lords, does the Minister agree that it is good practice to involve parents in the reviews of what went wrong during their baby’s birth? Why were only 28% of parents involved in the reviews of what went wrong? Surely it is totally unacceptable that 25% of parents were not even told that a review was taking place.

Lord O'Shaughnessy: I agree that parents should be involved in such reviews—as those who are ultimately most affected by these tragedies, they absolutely should be involved. It is fair to reflect that issues around maternity deaths, brain injuries and so on have been going on for a very long time, and in certain trusts there have been acute instances of tragedy. That is why, as I said, the Secretary of State is determined to halve the number of deaths and incidents. We have had a number of reports, not only the one we are discussing today but also that of my noble friend Lady Cumberlege, Better Births, in an attempt to improve the way that services are delivered.

Lord Hunt of Kings Heath (Lab): My Lords, I want to follow on from the question about reviews. The royal college that looked at the way in which the local reviews were undertaken found wide inconsistencies between different hospitals. Not only did a majority of reviews not involve parents at all, but my understanding is that, in its initial report, it found that only 9% of the reviews involved external experts. I know that the Government are very reluctant to intervene, but surely it would be possible to issue very straight guidance to the NHS to say how reviews should be undertaken and that in all circumstances both parents and external reviewers should be involved. Will the Minister give that some consideration?

Lord O'Shaughnessy: I shall certainly give that consideration. There may be specific reasons why, in particular instances, that might not be possible or even desirable, but I shall certainly look into it. Take one of the instances: the tragedies at Morecambe Bay. It was found that there was a lack of objectivity in investigations and that that—along with other problems such as a lack of good data—led to the kinds of tragedies we saw, not happening once but over and over again. I completely take the noble Lord’s point, and I will look into it.

The Earl of Listowel (CB): Is the Minister aware of the excellent work of the charity Best Beginnings, of which I am a patron, which provides perinatal support to families? The charity has, for instance, created videos to support families with very premature children, helping them to bond with their children. With the Royal College of Gynaecologists and Obstetricians, it has developed the Baby Buddy app, which gives parents exactly the information they need during and after pregnancy, so that they can have the safest pregnancy possible.

Lord O'Shaughnessy: I thank the noble Lord for his question. I was not aware of that and will certainly look at it. I know that foetal monitoring is one of the key recommendations of the Saving Babies’ Lives care bundle that I mentioned, making sure that movement of the baby in the womb is continuing and monitoring the heart rate. That is critical to avoiding some of these tragedies.

Mental Health Services: Children and Adolescents

Question

2.57 pm

 Asked by Baroness Lawrence of Clarendon

To ask Her Majesty’s Government when they intend to bring forward proposals to reform Child and Adolescent Mental Health Services as outlined in their 2017 manifesto.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, the Government are committed to delivering their manifesto pledge to reform child and adolescent mental health services so that children and young people with serious conditions are seen in a timely manner and no child has to leave their local area and family to receive normal treatment. We will set out proposals in the Green Paper for children and young people’s mental health later this year.

Baroness Lawrence of Clarendon (Lab): My Lords, I thank the Minister for his Answer. In a report published on 5 November 2014, the Health Select Committee came up with a series of deep-rooted complications in the provision of child and adolescent mental health services. With 75% of mental health problems starting before the age of 18 but only 8% of mental health funding currently spent on children and adolescents, questions must again be raised. Will the Minister consider ring-fencing funding for young people with mental health problems and ensure that it reaches front-line services, so they do not have to wait for another report to be published?

Lord O'Shaughnessy: I thank the noble Baroness for highlighting this very important issue. She will know that ring-fencing funding for mental health comes up a lot. There has been increased funding for mental health, but there is more than one reason why ring-fencing is not used for clinical commissioning groups, including honouring the principle of clinical autonomy, and we do not ring-fence around particular disease areas. I should point out that CCGs are being monitored now to ensure that they are increasing spending on mental health, year on year, in line with the increases in funding they are receiving, which is £1.4 billion over the coming years. The noble Baroness is of course quite right in what she said about the specific issue of children under the age of 18. That is why, among other things, we have committed to introducing mental health first aid in all secondary schools.

Baroness Meacher (CB): The Minister will be aware that the threshold for children and adolescents who have severe mental health problems is extraordinarily
high and that they may have to wait months before getting any treatment, whereas children with similar levels of physical ill health will be treated within perhaps a day or days. Does he accept that we are still an incredibly long way from equality between mental and physical healthcare, and what does he plan to do about it?

Lord O’Shaughnessy: I accept the point that the noble Baroness makes. Unfortunately, we are starting from a low base, over many years, in mental health provision, and that is what we are trying to rectify. She will know that the Prime Minister is deeply committed to this agenda. Let me point to a couple of issues. First, there is the introduction of the first waiting time standards—and indeed there are positive early data on meeting those stretching standards—as well as an increase in the number of beds available for those suffering from the most severe episodes of mental illness.

Lord Deben (Con): My Lords, this is an area which has been not only underfunded but not cared about for a long time, and we have got to get it right. Someone has to stand up for these people because in their own home circumstances they do not have the kinds of opportunities and support that many others do. Will the Minister commit himself personally to make this worth fighting for? This issue is perhaps in the front-line of human rights in Britain.

Lord O’Shaughnessy: I completely agree with my noble friend and I commit myself personally to this issue. He may know that I have opened up primary free schools which focus on improving mental health and well-being, so I feel this personally. He mentioned children coming from chaotic homes, which is true in some instances. However, it is not always true. Mental illness can strike anyone, and all families and schools need to be prepared for it. Another commitment in the manifesto, about which there will be more detail in the Green Paper, is the introduction of a single point of contact in schools so that there is a champion, if you like, for any child who needs to access mental health services that go beyond the school gate.

The Lord Bishop of Newcastle: My Lords, I declare an interest as the chairman of the Children’s Commissioner’s advisory board for Growing up North. Recently, the Church in Newcastle and Durham brought together delegates from more than 100 schools in the north-east to share their serious concerns for the mental health of children in our schools. Will the Minister say what is being done to support schools in dealing with this increasingly difficult problem and what plans there are for in-school counselling?

Lord O’Shaughnessy: I thank the right reverend Prelate for raising this issue. I have mentioned mental health training and single point of contact. There are also curriculum changes. There will certainly be a number of policies within the Green Paper that will address the points she has raised.

Lord Rennard (LD): The Government in Scotland are considering providing mental health counsellors in every secondary school. Does the Minister accept that all schools should have dedicated members of staff able to do more than just provide mental health first aid, and that there should be a trained mental health and well-being lead in every school, college and university?

Lord O’Shaughnessy: That is what we are moving towards with the mental health first aid training for teachers in all schools. The noble Lord will recognise that schools come in all different shapes and sizes and that it is easier to do that initially in secondary schools, which are bigger than, for example, rural primary schools which might only have a staff of 10. It is critical to make sure that there is at least one member of staff who is highly trained in spotting and dealing with the initial signs of mental health problems and signposting them to the relevant authority—local health authority or whatever it is—for further care.

Baroness Wheeler (Lab): My Lords, the recent survey by the Children and Young People’s Mental Health Coalition has shown that the problems young people are now presenting with have become even more severe. Can the Minister reassure the House that funding earmarked for local CAMHS transformation plans will reach local services this year? How are the Government making sure that this happens and preventing funds from being diverted to other desperately stretched services?

Lord O’Shaughnessy: The transition from CAMHS is now one of the mandatory national indicators in what is called the Commissioning for Quality and Innovation scheme which provides incentives for performance, so I can reassure the noble Baroness on that. She is also quite right to highlight the issue of severity. That is why, under the plans that we have set out for CAMHS, by 2021 the service will be able to see 70,000 additional children per year for evidence-based treatment.

The Countess of Mar (CB): My Lords, I declare my interest as the chairman of Forward-ME and a patron of the Young ME Sufferers Trust. Many young people with ME are believed to have a mental illness, and despite what the noble Lord said two weeks ago and what other Ministers have said—that ME is not a mental condition—how do we persuade professionals that these children would probably be much better off if they were left to allow their bodies to heal themselves rather than having cognitive behaviour therapy and graded exercise imposed upon them?

Lord O’Shaughnessy: I know that the noble Countess feels passionately about this issue, but she will know that it is only right for me to say that we need to be guided by evidence that is collected in clinical reviews. A review is being carried out by NICE at the moment and we shall wait to see the results of that before deciding what needs to happen as a consequence in terms of the kinds of treatments that are appropriate for those suffering from ME.

Lord Foulkes of Cumnock (Lab): My Lords, the Minister has answered both this Question and indeed the previous one in his usual effective manner. However, I wonder if he could tell us on behalf of which half of the Cabinet he is speaking.
Lord O'Shaughnessy: Both halves.

Lord Ramsbotham (CB): My Lords, can I press the Minister on the Green Paper? It is apparent that something must be produced as a matter of urgency. The much-respected Centre for Mental Health has for a long time been reporting on the inconsistency of the delivery of children's services across the country. What is more, too many CAMHS are offputtingly clinical, formal and remote and do not relate well to children. This is something that we really must get on with, so the Green Paper is required as soon as possible.

Lord O'Shaughnessy: I agree completely with the noble Lord. As I have said, the Green Paper will be ready later this year. I am afraid that I cannot give him any more detail than that at this point.

High Speed 2: Electronic Document Deposits
Motion to Approve

3.07 pm

Moved by Lord Callanan

That, in respect of any bill relating to High Speed 2 that is read for the first time in Session 2017-19, whether before or after the passing of this motion, and to which the standing orders relating to private business are found by the Examiners of Petitions for Private Bills to apply, it shall be sufficient compliance with:

(a) any requirement under those standing orders for a document to be deposited or delivered at, or sent to, an office of a government department, body or person if it is deposited or delivered at, sent to or otherwise made accessible at that office in electronic form;

(b) any requirement under those standing orders for a document to be deposited with an officer if it is deposited with or delivered, sent or otherwise made accessible to that officer in electronic form;

(c) any requirement under those standing orders for a document to be made available for inspection at a prescribed office, or to permit a document to be inspected, if it is made available for inspection at that office, or is permitted to be inspected, in electronic form;

(d) the requirement under Standing Order 27(7) or 36(3) relating to private business to permit a person to make copies of a document or extracts from it, if there is provided to that person, on request and within a reasonable time, copies of so much of it as the person may reasonably require and such copies may, if the person so agrees, be provided in electronic form;

(e) the requirement under Standing Order 27(7) relating to private business for a memorial to be made on every document deposited under that Standing Order, if the memorial is made on a separate document;

(f) any requirement under Standing Order 4A(1), 27A(5) or 83A(8) relating to private business to make a document available for sale at prescribed offices, if it is made available for sale at an office in London;

that this Order shall not affect any requirement under those standing orders to deposit any document at, or deliver any document to, the Office of the Clerk of the Parliaments;

that any reference in those standing orders to a document which is deposited, lodged, delivered or sent under those standing orders includes a reference to a document which is so deposited, delivered or sent in electronic form;

that any reference to a document in this order includes a reference to any bill, plan, section, book of reference, ordinance map, environmental or other statement or estimate.

Motion agreed.

Brexit: UK-EU Movement of People
(EUC Report)
Motion to Take Note

3.07 pm

Moved by Baroness Prashar

To move that this House takes note of the Report from the European Union Committee Brexit: UK-EU movement of people (14th Report, Session 2016-17, HL Paper 121).

Baroness Prashar (CB): My Lords, this report was published in March of this year when I was the chair of the European Union Sub-Committee on Home Affairs. I begin by thanking the members of the sub-committee and the former clerk, Julia Labeta, for their assistance in the preparation of this report. I am also pleased to see that a number of noble Lords have signed up to speak in the debate and I look forward to their contributions. However, I regret that we have yet to receive a response from the Government.

Much was said during the EU referendum campaign about immigration. In her Lancaster House speech in January, the Prime Minister underlined the fact that Brexit must mean control over the number of people coming into Britain from Europe. The Conservative manifesto for last month's election repeated the commitment to reduce net migration to the tens of thousands, and the Queen's Speech stated that the immigration Bill will end the free movement of EU nationals to the UK. However, the Government have yet to declare the restrictions that they will put in place. We are told that the Bill will allow the Government to control the number of people coming to the UK from Europe while still allowing the UK to attract the best and the brightest.

The Government's primary objective in putting an end to freedom of movement is to restore sovereignty and control immigration; that is, to ensure that immigration rules for EU nationals are devised and adopted in the UK. However, controlling EU migration may or may not mean reducing immigration. The outcome will depend on the effect that any new controls
may have on the number of EU nationals coming to the UK. For instance, until 2016 net migration to the UK from outside the EU was consistently higher than EU migration, despite the fact that relevant policy levers are already under national control.

In our report we examined what the Government's pledge to deliver control might mean in practice and the policy options open to them. As the House is aware, the free movement of people—which has two dimensions: the right to entry and residence, and right to equal treatment—has its legal basis in single market provisions, not in immigration policy. It is set to end automatically when the UK ceases to be a member of the EU.

If negotiations under Article 50 were to conclude without an agreement, the default outcome is that UK nationals would become third-country nationals for the purposes of EU law and the domestic immigration rules of EU member states. For its part, the UK could place EU migrants on the same footing as non-EU immigrants. At the other end of the spectrum, if there is a degree of access to the single market that the UK can secure in a future free trade agreement and the precise arrangements for future migration between the UK and the EU.

It is therefore important to emphasise that it is vital that the Government should not close off options ahead of the negotiations. However, the committee recommends that there are of course, benefits to the UK in offering preferential treatment to EU nationals compared to non-EU in the UK's future immigration regime. This could increase the likelihood of securing preferential treatment for UK nationals in the EU and improve the UK's objectives on access to the single market. The options examined by the sub-committee were free movement with an emergency brake and free movement with a work permit or a job offer.

A time-limited emergency brake has been one of the options under consideration in European capitals and within government. Not least because the temporary nature of an emergency brake would in principle be compatible with a high degree of access to the single market. While we heard that a time-limited emergency brake on free movement would be compatible with a high degree of access to the single market, there were concerns about what this would mean in practice: how many immigrants would trigger the brake? How long would it last? How much notice would employers get once a brake was applied? Crucially, would the EU even agree to an emergency brake?

We also heard evidence regarding free movement with work permits and free movement with a job offer. We were told that if the UK were to extend the work permit system it uses for non-EU nationals to EU nationals, this would disproportionately affect employers' ability to sponsor EU workers and could result in labour shortages. To avoid this, if the Government are tempted to consider a work permit system hedged with exemptions for particular sectors and schemes, this could produce the worst of all worlds: failing to deliver a meaningful reduction in immigration while also proving more onerous and costly for employers, prospective applicants and those charged with enforcement.

The UK already operates a points-based work system for non-EU nationals, so there might be a couple of options. We could either bring EU nationals under the same system or give preferential treatment to EU citizens as against non-EU nationals. Bringing EU nationals under the existing points-based system was not well received by employers' organisations. They said the procedures for hiring non-EU staff were already time-consuming and burdensome, particularly for SMEs. They argued that to do so would affect employers' ability to sponsor EU workers and could result in labour shortages in some areas, including publicly funded sectors such as the National Health Service and social care, and in horticulture, where the closure of the seasonal agricultural workers scheme at the end of 2013 was premised on growers having unrestricted access to workers from the EU.

We also heard concerns from employers about not being able to attract enough migrant workers. Less immigration from the EU could add significantly to existing pressures. Nursing, for example, was included in the shortage occupation list for non-EU nationals in 2016, meaning that it suffers from a shortage of nurses from outside the EU. Now, on top of this, the National Health Service has had to contend with a drop of 96% since last July in the number of nurses coming here from the EU. This is disturbing news for a profession that is already being severely tested.

The Government's direction of travel seems to consist of three elements: high-skilled migrants remain welcome, low-skilled immigration is of concern, and there is a desire to reduce dependency on low-cost migrant labour. Closer scrutiny of these three elements showed that it is not self-evident that migration for high-skilled work should be treated preferentially relative to migration for low-skilled work, not least because the increase in the number of graduates in the UK has not been matched by an increase in high-skilled jobs.

The Government are making a link between the availability of migrant labour from the EU and the incentive to train or upgrade the skills of resident workers in the UK. The evidence we took suggests that there is not a sufficiently strong evidence base to judge whether that link is robust. Nor is it clear why any such link should exist for low-skilled work but not for high-skilled work.

Successive Governments have not led the way in investing in the skills of the resident workforce; doctors, nurses and teachers feature prominently among migrant workers recruited through the shortage occupation list. This reflects a failure to invest in training. In the public sector there may be a trade-off between spending levels and immigration; reducing immigration in the future may require more public investment. These are hard choices.
During the referendum campaign we heard a lot about how cutting EU immigration would benefit those on low wages. The evidence is less clear-cut. The evidence we took suggests that the effect of migration on wages at the bottom of wage distribution has been modest. Witnesses told us that reducing EU immigration was unlikely to provide a quick fix. Other factors, such as the national minimum wage, the national living wage and inflation, are more significant in driving, or impeding, real-wage growth.

During the campaign we also heard how UK workers would be able to fill the jobs vacated by EU migrant workers. We found no evidence to prove or disprove that assumption. In fact, the situation may vary by sector, and hinge on factors such as labour mobility within the UK and the potential effects of incentives such as higher wages.

If the Government’s ultimate objective is to reduce dependency on low-cost migrant labour, the considerations in play would reach well beyond immigration policy. It would mean looking at a reassessment of industrial strategy, education and skills policy and public spending plans—issues well beyond the remit of the sub-committee.

What is clear is that the crucial sectors of our economy are highly dependent on migrant labour, and therefore that it is essential that any changes do not endanger the vibrancy of the UK economy and that any transition is phased in gradually over time.

The evidence base to support or refute the Government’s assumptions that resident UK workers will fill the jobs is simply not there. There is a need to focus on improving the evidence base before further entrenching the skills-based immigration policy that the UK operates in respect of non-EU nationals. Furthermore, the evidence base available to policymakers is incomplete and in some cases insufficiently reliable. This is an unsatisfactory basis on which to start developing a policy, and it will complicate scrutiny of the policies that may result.

Different ways of measuring who counts as a migrant sow confusion in the public debate about immigration, facilitating both overstatement and understatement of particular trends in political rhetoric and contributing to a gap between perception and reality. The International Passenger Survey, the main source of data on migration flows, is limited in what it tells us about migrants coming to the UK. While it is an important tool in shedding light on immigration statistics at national level, it is not the right tool to answer all our questions on immigration. But then, using other tools can be problematic, too, because of differences in how definitions are used, meaning that comparing data can result in misleading findings.

Just as worrying is that these different measures and definitions can render migration statistics misleading when used in public debate. Who is counted in the Government’s net migration statistics is not always well understood by the public. For example, short-term migrants, defined as those staying in the UK for less than 12 months—that is, agricultural workers—are not included in net migration statistics. By contrast, both EU and non-EU students are counted in those statistics if they enrol for courses which last for more than 12 months.

The precise manner in which the Government will end free movement is a pivotal aspect of the UK’s approach to negotiations with the EU and could have far-reaching consequences for the UK’s future trading relationship with the EU and the UK economy. I therefore look forward to the Minister’s response, and some indication of the Government’s thinking and the progress they have made in deciding what our immigration policy will look like post-Brexit. I beg to move.

3.21 pm

Lord Kirkhope of Harrogate (Con): My Lords, I am very pleased to be able to contribute, just for a short time, to a very important discussion of a report that I commend strongly. I want in that context to congratulate the noble Baroness, Lady Prashar, and all the clerks and researchers involved in the preparation of the report, and the high-quality witnesses who gave evidence for the report to be prepared.

I come from a background of having served as Immigration Minister in this country for a period in the 1990s, and I was also responsible on behalf of my party for such discussions in the European Parliament for a considerable number of years. I have to say that I am always concerned when the subject of immigration comes up in any political discourse. If we are not careful, it can lead to outbursts of emotion and concerns which sometimes are justified but sometimes are not. What saddens me greatly is that “immigration” is used to cover so many aspects of the movement of people.

We are in a world anyway where people are moving for loads of reasons: sometimes for economic reasons, sometimes for cultural reasons and sometimes because they have to move under the pressure or repression that they are experiencing. We have to be able to tackle that if we are a society that believes in humanity and an economically strong society that believes in progressing our own economies.

We should always have had a separation between the different aspects of the movement of people. Certainly, the Immigration Rules, which I applied in 1990s and others have applied since, were quite clear in dealing with pressures and with opportunities for people to come to this country for various reasons. Most often, those pressures and challenges related to people who came to this country from non-EU parts of the world. That caused frictions and great difficulties. Whole aspects of community relations had to be developed in this country and we can be proud of the way in which we managed to deal with the arrival of lots of people of very different cultures and backgrounds from all kinds of places in the world. We can look at that with some pride.

There is also our relationship with the United Nations and asylum. Figures relating to asylum should always be separate. We are obliged under the 1951 United Nations convention to give sanctuary to people who comply with some very tight rules. But we do it, we have always done it and I hope that we always will do it. Again, that category should be separated. Then we come to the issue that the report is about: the freedom of movement of EU citizens. Of course, that is based largely on our economic interests and on agreements reached for the benefit of this country and other countries. I find it a little worrying when all these
figures of people arriving here are lumped together into some kind of total and it appears that they have to be dealt with in a similar manner.

We are not very sure of our statistics when we come to the number of people coming here. When I was a Minister, we had internal and external checks on people arriving in this country. I have never been quite sure what actual effect knowing that information had on the plans we made for them or on the immigration legislation that followed. Those external checks were removed by the Labour Government in 1998 and were not restored until 2015. Restoring them was helpful to us, but, again—as suggested by evidence given to the committee by the Minister, my honourable friend Robert Goodwill—it was quite clear that the information obtained from 2015 was not sufficiently utilised or of much use to us in determining either numbers or types of people arriving. The International Passenger Survey has been the basis of a lot of the statistics on how many people have come to this country, yet of all the people coming here who could be identified in a recent survey, 12% were already British citizens. Allowing them to be included in the figures seems rather nonsensical and unhelpful.

I will add two other things. First, I mentioned definitions, which are very important. In relation to trade arrangements and any form of tariff-free areas, it would be right to suggest that, when you have freedoms in the movement of services, goods and capital, almost invariably the requirement would be for people to be able to move as well. There have been one or two instances, such as some recent trade negotiations—all of which, I might add, take many years to conclude—where there has not been an agreement on the movement of people. In nearly all those cases, they have been deficient, for example by having no freedom in relation to services or the service industries. It seems that less is always less and more is more. If we want a free trade agreement that is agreed as the one we have now, we will probably have to accept terms and conditions that relate to people moving as well.

Secondly, over the years we have had the power to change things and we have done so where there have been pressures upon us. My right honourable friend the former Prime Minister David Cameron took part in a somewhat derided negotiation, in which he tried to get some reforms out of the European Union prior to the referendum in this country. The derision was unfair, certainly in relation to the discussions he had on migration and benefits. Where there is a clear demonstration of pressures on any country, there was a willingness then—and I suspect that now there is probably an even greater willingness among other European countries—to adapt to change and reflect on those difficulties in the case of a member state. He was certainly offered in relation to the limitation on in-work benefits something that I thought at the time was very positive—although of course subsequently in the referendum campaign I am afraid that those things got somewhat lost.

Lord Forsyth of Drumlean (Con): My Lords, I was struck by what my noble friend said about the absence of proper information and statistics. With his great experience, perhaps he could guide the House as to how it came about that we rely on the International Passenger Survey, which is a tiny sample and has a margin of error running to tens of thousands, for the data on net immigration figures; how it is possible to construct a net immigration policy based on information that is highly inaccurate; and why the Home Office, over the years—when he was involved and since—has not done something about that.

Lord Kirkhope of Harrogate: I thank my noble friend for that point. I suppose that in a way this is an acceptance on my part of a failing when I was Minister: I actually did not realise until the statistics were gleaned recently that the main statistics were being obtained in that way. I am surprised by it. I say to my noble friend that, as somebody who believes very strongly that our borders are important and that we should control them properly, I was somewhat surprised. But that inaccuracy did show up statistics such as the ones I mentioned: the 12% British citizens who are included in immigration figures who come back to this country. That was of concern and, whatever else we do based on the report, we ought to ask the Government to look carefully at the way in which information is obtained to make sure that it is more accurate in future.

I will add just one more thing and then wind up. It is a very complex report—it has to be complex because the circumstances now are very complex indeed. But I urge that in the discussions we have from now on about this country and its economic relationship with the European Union, we do not forget that the actual physical presence of citizens of the European Union here and of UK citizens in Europe must continue to have massive priority.

3.32 pm

Baroness Massey of Darwen (Lab): My Lords, I was a member of the committee which drew up the report, and I thank the noble Baroness, Lady Prashar, for chairing the committee with such skill and determination. It was not an easy task. Inevitably, the situation has moved on since we published our report in March this year. I shall draw attention today to the movement of people as it applies to children, with implications, of course, for their families. I thank the noble Baroness, Lady Anelay, for agreeing to meet me later this week to discuss this issue.

Children are not mentioned specifically in the report, or any other report for that matter, but it opens the door for the consideration of children’s rights; for example, in paragraph 12 on treaty change, secondary legislation and the evolving case law of the Court of Justice of the European Union, and in paragraph 13 on the regulation of the rights codified in the citizens’ rights directive of 2004. It is also relevant to quote the conclusions and recommendations, which affirm:

“The evidence base currently available to policy-makers responsible for devising a future framework for UK-EU migration is incomplete, in some cases insufficiently reliable, and dispersed across a range of sources that are not always directly comparable.”

I will provide some evidence-based examples of this with regard to children.

Concerns about the impact of Brexit on children are being discussed in detail now by the children’s rights sector across the UK and Europe, including
practitioners, civil society organisations and academics. I hope that their views will be taken into account. Up to now, there has been little consideration of the impact of Brexit on children, little engagement with the views of children and young people, and little discussion of the implications for children in the devolved nations of the UK. Yet children, whoever and wherever they are, are our future, and provision must be made for their rights and welfare in any new order. Brexit may leave significant gaps in the provision and protections currently provided by EU law, unless careful negotiation is carried out.

I would ask the Government to consider five areas. I cannot expand in detail today but I will ensure that the noble Baroness, Lady Anelay, receives a full record of concerns and examples. First, how will the residence and related social and welfare entitlement of the children of EU migrants currently living in the UK, and of UK migrants living in other parts of the EU, be affected? One area of particular concern is that of the children of EU nationals with the new status of “temporary” permission to remain. Even children born and raised in the UK, who have never lived anywhere else, are at risk from the gaps in social protection that already exist for EU nationals. There are particular concerns about children in Northern Ireland here.

My second issue is that of securing the citizenship, residence and related social and welfare entitlement of children born in the UK to third-country nationals. Since 2006, a child is British only if a parent had permanent residence at the time of birth. Children who wish to gain British citizenship have to register—a complex and costly experience. Again, Northern Ireland is a particular case. The conditions of citizenship in the Good Friday agreement state that people born in the north have the right to identify themselves as British or Irish, or both. What will their rights as EU citizens be after Brexit?

Next, I touch on child protection measures. EU law protects children in a range of contexts including child trafficking, immigration and asylum, sexual exploitation and labour. Some of this law is embedded in domestic regulatory frameworks. It is assumed that such protection will continue after Brexit but some protective measures have been implemented only partially or not at all. Will Brexit leave gaps in child-related provision?

I move on to social exclusion and community cohesion. What will happen to the European Commission’s €3.8 billion fund for 2014-2020, which supports aid to deprived children with the condition that member states commit 15% in co-funding? The Welsh Government have identified £192 million of EU funds to tackle poverty. The EU has supported the peace process and projects to support vulnerable children and young people in Northern Ireland. Children’s agencies are deeply concerned about possible cuts to these funds.

Lastly, I want to mention child-related research, capacity building and clinical testing. The European Commission’s EU Rights, Equality and Citizenship Programme 2014-2020 has a budget of €439 million to fund research, training and capacity building in areas affecting children. The UK Government have said that they will support committed agreements up to 2018 but much of this work requires long-term application. I personally know many researchers and academic practitioners who are deeply worried about the implications for the future. Paediatric medicine and research may also suffer. Since 2006, children have benefited from a single regulatory system at EU level, regarding paediatric medicines. Trials across countries are essential to guarantee the large samples which ensure that the majority of medicines used by children are tested and authorised for use. What will happen to that regulatory system?

I have been able simply to touch the surface of concerns about the future of children’s rights post Brexit. These rights, of course, have implications for the adult population. I look forward to meeting the Minister shortly and to the rest of the debate.

3.39 pm

Baroness Janke (LD): My Lords, I very much welcome this report. I, too, thank the noble Baroness, Lady Prashar, for her chairmanship of the committee, of which I was a member, and for her leadership in conducting us through a long and complex inquiry. The report is extremely important at this moment. It casts light on certain claims and counterclaims, and it examines possible ways forward while challenging some assumptions.

For example, on the control of borders and regaining of sovereignty, I for one was interested to hear the Minister, Mr Goodwill, say that the idea that we do not control our borders is an incorrect perception. We do, according to Mr Goodwill. We check our borders 100%. The report quotes him on the number of people that have already been sent back and on the processes that are already being practised.

The Institute of Directors pointed out that we in Britain do not necessarily use all the constraints open to us to restrict incomers. As has already been said, there are many more non-EU nationals among long-term immigrants than EU nationals, despite policies devised by the UK Parliament and exercised by it. I am keen that we should have some questions answered on this. How are reductions to the tens of thousands that the Government talk about to be achieved in the light of past performance?

The noble Baroness, Lady Prashar, raised a point about how the issue of EC citizens in this country is to be passed into British law when it requires reciprocity for UK citizens in the EU. The cost of not coming to an agreement is that those UK citizens will be treated as third-country nationals for all purposes of law within the EU.

Equally, the report looks at three specific ways to dismantle freedom of movement. There is the emergency brake, which few of our witnesses supported to any great degree due to the practical difficulty of deciding at what stage it should be applied, how it should be applied and to what sectors. There is freedom of movement with jobs. Again, witnesses felt that this should be looked at, but they did not agree with the hierarchy of jobs that the Government talked about—that is, the very high skilled being very necessary and the low-skilled being not necessary, not valued and to be replaced by British citizens. Work permits was the least preferred option by just about all witnesses, particularly businesses. We heard a great deal about...
the very lengthy and bureaucratic processes and the time needed to satisfy the requirements. In addition, they disagreed with the shortlists. They felt they were very often out of date and did not really apply to their needs. I would like to know which options the Government are looking at and whether there are other options.

What comes over to us all the time is that people do not know what is going on or how their livelihoods are going to be affected. They feel great uncertainty about their family. If they are EU citizens, they are living in a great state of insecurity. Equally, UK citizens abroad feel totally deprived of any information about their future under Brexit.

The report deals partly with economic impacts, particularly with low-skilled workers. It makes the point that low salaries do not necessarily indicate low skills, but they tend to be treated in the same way. If that is the case, what about nurses and care workers? There was a great deal of evidence from farmers and the agricultural unions that agriculture and certain production in this country simply cannot continue if they do not have the flexibility of EU migrants. It was pointed out that they are often told that there are unemployed people in this country but there is a significant mismatch of the unemployed to the need for workers in some parts of the country.

The report raises very many issues on which we are entitled to have some response. I am sorry that the noble Baroness, Lady Prashar, has had no response from the Government. What is at stake is a lack of confidence. There is a real feeling among many people, particularly businesses in the UK, that we are isolating ourselves, that people are losing confidence in the UK and that we are going to become isolated and much less influential in the world.

In addition to answers to these questions, I would like to see some form of leadership from the Government over how they are positively going to proceed to take us out of the EU; what people who live in the rest of Europe and EU citizens in this country can expect and how they can be reassured; and for business, and indeed for the whole conduct of our economy, some assurance that this is going to be shared with them, that they are going to be able to give their views and that they are going to be part of this process, not treated as a separate entity. I very much welcome the report and look forward to the Minister’s answers to my questions.

3.45 pm

Lord Green of Deddington (CB): My Lords, I declare an entirely non-financial interest as chairman of Migration Watch, a position that I have held for the last 16 years. Your Lordships will not be surprised to hear that I have arrived from eastern Europe. Secondly, the evidence base for policy.

Having said that, it seems to neglect some key and important points. I will briefly mention just three. Just under 80% of the 1.25 million EU workers who have arrived in the UK since 2006 are working in lower-skilled, lower-paid jobs. That is particularly true for those who have arrived from eastern Europe. Secondly, the independent Migration Advisory Committee, well-known to Members of this House, has concluded that:

"Low skilled migrants have a neutral impact on UK-born employment rates"—this is broadly agreed—"fiscal contribution, GDP per head and productivity".

So it would be very hard to argue that they are indispensable from a macroeconomic point of view. We will come to particular companies, but the evidence is that the macroeconomic arguments for low-skilled migration from Europe are very weak.

HMRC data released last year showed that eastern Europeans paid on average only half as much income tax as the average UK taxpayer. Further work showed that payment to such workers is roughly £13 million a day. If you were looking for a way to reduce overall immigration, surely you would look at this. It is obvious, and I hope that in future work the committee will do so. Indeed, if the committee had looked at that, it might have asked why the UK taxpayer should subsidise what has been increasing dependence by employers on cheap labour from abroad.

Thirdly, and lastly, this is the background to the proposal that we have made for a work permit regime similar to that for non-EU workers. In our calculation, that would reduce net migration by about 100,000 a year, a major step towards the Government’s objective. Would it result in unacceptable damage to certain sectors of our economy? That depends in part on whether there would be a sudden exodus of the east European workers who now are very important in a number of sectors in Britain.
Here, the committee claimed that there is no data on the turnover of EU migrants. This is a critical point: the committee is wrong. It can be deduced from the Labour Force Survey. We have done that work. We have shown that east European workers have proved to be a remarkably stable population. The number who came in 2006 is now the same, or indeed slightly higher, and so on through that period. This shows that there is very unlikely to be a sudden exodus, although I entirely accept that over time the number will reduce and the firms concerned will need to adjust their employment practices, conditions and so on.

Such a work permit scheme would preserve for British industry access to the high skills that it really needs. That is not in dispute, as far as I know; it is pretty obvious that that should be the priority. There could of course be seasonal schemes—and I mean seasonal, so that they are within one year and therefore do not count as migrants—for specified agricultural or horticultural sectors. If it turns out that there needs to be an implementation period, which is now very much under discussion, new arrangements for immigration could be spread over a similar period.

I will not go into further detail. I simply reiterate that there is a clear and feasible way forward that could usefully have been explored. I conclude on a slight note of regret that the committee was so cautious in its approach to the central policy issue that we now face.

Lord Framlingham (Con): Before the noble Lord sits down, perhaps he would care to comment on an interesting fact. Between 1971 and 1981, the population in this country went down—not a lot, but a little—and was stable. Look at where we are now.

Lord Green of Deddington: I would indeed care to comment. Our population has taken off because of immigration, which accounts in the medium and longer term for two-thirds of our population increase. I am glad that the noble Lord asked the question, because it is really important. The likelihood is that if we do not take action on EU migration, net migration from the EU will be about 125,000 a year. That is our forecast, and we are rather good at forecasting. If you do the rest of the arithmetic, adding non-EU immigration and taking away British departures, you land up with net migration of the order of a quarter of a million a year.

That is very close to the high migration scenario of the ONS, and it means that the population of the UK is likely to increase by 10 million in the next 20 years. In other words, to put it in more understandable language, we will have to build the equivalent of the city of Birmingham every two years. That is astronomical. Its impact on infrastructure is self-evident; its impact on the scale and nature of the population is quite infinite. We have to understand this. I know that it is not popular in this House. People would much prefer that they did not have to address it, but this is what is coming down the pike, and we had better wake up and face it.

3.55 pm

Lord Trees (CB): My Lords, this is an extremely important debate, and I thank the noble Baroness, Lady Prashar, for introducing it so ably. I should make it clear from the very start that I voted in the referendum to remain but, like countless others, I have accepted the will of the people and, in my humble opinion, we now need to pull together and make Brexit a success. There are indeed opportunities but there are also challenges, and it is on those latter that I wish to concentrate because we need to plan for them and mitigate their effects. The issue I wish to focus on is that of workforce. As a veterinary surgeon, I want to concentrate on the potential serious shortage of vets, which we now face, and will increasingly face if there is a reduction in the import of the professionals we need.

I am acutely aware that the veterinary profession is relatively small but it has a crucial role in our society, and the problems that it faces are a metaphor for those in many other areas, especially in science, technology, engineering and human healthcare. While in the UK workforce as a whole, some 7% are non-UK EU nationals, of the 20,000 or so vets registered to practise in the UK, some 25% are non-UK EU nationals. In certain sectors of work, that percentage is much higher. For example, in the larger clinical practices it is 30%, in government veterinary services it is 45%, and in the critical area of the food chain—abattoirs and so on—it is in excess of 90%. Even in our vet schools, over one-fifth of the staff who teach the vets of the future and contribute to the advancement of our subject via research are non-UK EU nationals.

This dependence on imported professionals has been slowly developing for some years—Brexit has not created it—but the ability to import the highly trained professionals we need has concealed the inadequacy of our indigenous supply. We have papered over the cracks of our undersupply by importation. The inadequacy of our native supply is a product of a number of things—partly underproduction of graduates in our veterinary schools, which is partly because a substantial minority of our undergraduates are overseas students, destined not to contribute to the UK workforce. There has also been a recent worrying downwards trend in the number of applications by UK students. The problem is exacerbated by an increasing drop-out rate of graduates, which is disturbing and ill understood, but which the profession is now examining. Those factors I call “disemployment”, by which I mean there are a lot of job vacancies that we need filled in the UK which British nationals, for one reason or another, do not want to do. That means that 40% of clinical veterinary practices took over three months to fill a vacancy—over three times the national average of 29 days. This phenomenon is widespread across a plethora of science, engineering, technical and medical jobs, but Brexit now exposes and exacerbates the problem. We face a perfect storm of underproduction, increasing postgraduate attrition and the probability of a reduction in imported personnel. This is certainly a crisis for the veterinary profession but I suggest that it is a major challenge to many other science-based professions.

I am sure I do not need to inform this House what vets do for society. Most obviously, they provide healthcare and good welfare for all our animals. Those noble Lords who own pets or horses, or farm livestock, will appreciate the fantastic service provided by the profession, which has no direct public subsidy. Crucially,
beyond that, vets are critical in guarding against and dealing with catastrophic outbreaks of disease, such as bird flu and foot and mouth—the 2001 outbreak of which, I remind the House, cost the country an estimated £8 billion. They also have a crucial role in assuring and supporting public health, largely through oversight of the food chain but in other respects as well. Lastly, they facilitate trade which requires veterinary certification. All exports of live animals and animal products to third countries currently require veterinary certification and/or inspection. That requirement is likely to increase after Brexit, as we try to expand trade with third countries including, depending on the nature of the Brexit agreement, the EU, which is our biggest export destination for livestock products. Veterinary certification is the pinch point of all our livestock product trade.

We are already seeing non-UK EU nationals either leaving the UK or not taking up posts they have hitherto been eager to do. The Government’s assurances so far are welcome, but do not assuage the doubts of our EU colleagues. A recent survey conducted by the Royal College of Veterinary Surgeons, has shown that following the Brexit vote, 64% of non-UK EU vets currently working in the UK feel less welcome, 40% are more likely to leave the UK, and 18% are actually actively seeking employment overseas. There are other, personal issues; for example, I have heard of a Spanish vet who could not get a mortgage. That is a serious disincentive for people who want to come and work here and contribute to our important industries.

What are the solutions? Some of the issues to which I have referred, such as expanding indigenous veterinary graduate numbers and reducing postgraduate attrition, can be solved only in the long term. They are being addressed, particularly by the British Veterinary Association and the Royal College of Veterinary Surgeons. Some solutions may be achieved by the profession working alone, but some may require government intervention and facilitation. However, far and away the most pressing need is to retain the non-UK EU nationals currently working here. I ask the Government, and the Minister, to give assurances that non-UK EU nationals currently working in vital sectors such as veterinary science will be given the same rights in the future, mirroring those that would have applied if we remained in the EU.

We also need to continue to attract vets from the EU and elsewhere, subject to professional accreditation requirements. What are the Government doing to inform EU nationals in their own countries that they are welcome here and under what conditions? It has been reported that some elements of the press in continental Europe have been offering very negative views of the prospects for EU nationals coming to the UK in the future.

Finally, and most urgently, will the Home Office restore vets to the shortage occupation list, from which they were removed in 2011? This is an essential first step in addressing the shortage of vets that we face and which threatens animal health and welfare, food security, public health and our international trade in animals and animal products. I look forward to and welcome the Minister’s response.

4.04 pm

Lord Cormack (Con): My Lords, it is a privilege to follow the noble Lord, Lord Trees, because his speech illustrates one of the cardinal virtues of this House: he speaks from a background of a lifetime’s experience in, and knowledge of, his subject. I think I am right in saying that he is the only veterinary surgeon who is currently a Member of your Lordships’ House, and how fortunate we are to have him.

What a contrast between the noble Lord’s speech and the tawdry debate that preceded the referendum on 23 June, where there was a deliberate mixing up of the words “immigrant” and “migration”. That was best summed up in the most disgraceful poster that I have ever seen—the Farage poster featuring Syrian refugees, suggesting that by voting to come out of the EU, people would save themselves from being “swamped”, to use that horrible word. It was a deliberate perversion and distortion and those responsible for it, or who gained indirect benefit from it, should be thoroughly ashamed of themselves.

It was a privilege to serve on the Home Affairs Sub-Committee under the skilful and very adroit chairmanship of the noble Baroness, Lady Prashar, who introduced this debate so very well. She is no longer on the committee as she has been rotated off according to the rules of the House, which can sometimes be inconvenient but which are entirely understandable. I am no longer on the committee because I had the temerity to support what the committee had said. We pointed out that the scope of the inquiry, “has been limited to future flows of EU citizens”, and said in specific terms:

“We remain of the view that the Government should give a unilateral guarantee now”—

this was published in March—

“That is to say, before negotiations begin—that it will safeguard the EU citizenship rights of all EU nationals in the UK when the UK withdraws from the EU”.

I voted in accordance with that principle, which I have advanced since 24 June last year, when we had the Article 50 Bill and the amendments. As some of your Lordships know, I was summarily dismissed from the committee as a result of that. I shall not cease to remind the Government that I think that is not the way that any responsible Government should treat a responsible Select Committee of your Lordships’ House.

In her excellent speech, the noble Baroness, Lady Prashar, said that in evaluating evidence, we were very anxious not to recommend anything that would endanger the economy. We have just heard in the splendid speech of the noble Lord, Lord Trees, how a very small but vital sector of our economy could indeed be damaged in a most dangerous way if we do not behave with suitable sensitivity. We heard evidence from a whole variety of people that made it plain that the National Health Service and our hospitality interests were in danger if we cut off the flow of people as there are not people available here, any more than there are native trained vets, to step into the breach.
Lord Cormack

We also had some very compelling evidence from Minette Batters, the deputy president of the NFU, in which she talked about the danger to certain sectors of the agriculture and horticulture industries. One of the subjects that cropped up during our discussions was the definition of the term “low skilled”. If you tell the fruit growers in Kent or Herefordshire or the vegetable growers in Lincolnshire, where I now live, that the people who are harvesting and picking their crops are unskilled, they will give you a funny look. They may not be skilled from the point of view of a list of academic qualifications, but to garner a crop of strawberries is not a clumsy exercise, and if it becomes one, the strawberries perish. We have to have regard to simple facts like that.

Another thing that came across as we were taking evidence was the absolute fatuity of treating students as if they are immigrants. We voted on that in your Lordships’ House and showed what we think about it, and I hope that we will do so again. I hope that in this new Parliament, with some slightly adjusted figures, the Prime Minister can be persuaded that her obduracy on that particular subject is not helpful to the economy or to our nation’s reputation as a centre of educational excellence with some of the finest institutions in the world, welcoming, as we always should, students from all over the world, from inside and outside the EU.

This was a difficult report to produce in a rather short space of time. It was published early in March. Of course, we did not suspect at that stage that within weeks we would be plunged into an election, which would of course lead to “strong and stable government for the foreseeable future”—we were not told about that. However, we are now in a situation, which the Prime Minister has acknowledged, where the good sense and knowledge throughout your Lordships’ House and in the other place should be brought into play. I make no apology for suggesting in your Lordships’ House for a third time that unique problems demand unique solutions. And this is a unique problem. In my nearly 50 years in this building, I have never experienced anything like it. To have a joint grand committee of both Houses, where Members of your Lordships’ House such as the noble Lord, Lord Trees, could contribute, as he did a few moments ago, can only help those who seek to negotiate an outcome which we must all devoutly hope does not endanger our economy.

It has been said many times in debates in your Lordships’ House and elsewhere that whatever else people voted for on 23 June last year, they did not vote to become poorer, to put their jobs in jeopardy or to become poorer, to put their jobs in jeopardy or to reduce the degree of friendship and the common bonds that have united and should continue to unite the nations of Europe. Therefore, as I said last week, as we come out a transition period will be very necessary indeed. It is important that we move towards a new situation where the United Kingdom can continue to exercise great influence but can also benefit from the talents and skills of those in other nations who have done so much to enrich our economy over the last 40 years.

I greatly welcome this report. I am sorry that we do not have a government response in writing but we will have one from the Front Bench, and I much look forward to it.

4.14 pm

The Earl of Kinnoull (CB): My Lords, it is, as ever, a pleasure to follow the noble Lord, Lord Cormack, who spoke with his customary passion and whose speech was filled with interesting thought.

I declare my interests as set out in the register of the House, and in particular those relating to farming in Scotland, where seasonal EU labour is a key component of success in what is, I regret, a very thinly profitable environment. I also remind the House that I am a member of the EU Select Committee and the Justice Sub-Committee.

This is a very important report and is one of 17 unanimous Brexit-related reports written in the 2016-17 Session. This work rate, involving as it does, 73 Members of your Lordships’ House and the 24 professional staff of the EU Select Committee, has been very intensive, and I, too, record the immense gratitude that I and all committee members have towards those staff. I hope the Minister will agree that the product has been of a consistently high standard and helpful to all sides involved in the process. Finally, I think the whole House would like to send our chairman, the noble Lord, Lord Boswell, our special messages and wish him a speedy return following his recent illness.

The importance of this report can be gauged in many ways, one of which is that in this first phase of the Brexit negotiations only three subjects are being discussed between the EU and the UK, and the movement of citizens and the rights acquired is one of them. As we know, this first phase is intended to conclude in October. In many cases, every day is carefully timetabled by the EU, with a purpose between now and then.

Last Wednesday the EU Select Committee was in Brussels and we had formal sessions with Mr Verhofstadt and, separately, M Barnier. The transcripts, which are interesting, will be available shortly. Naturally, the bulk of the discussions concerned the three subjects, as the EU’s position is that it will not proceed to phase 2 of the negotiations without there being “sufficient progress” in each of those three initial subject areas.

It was my impression that both the European Parliament team and the EU Commission team had read the EU Select Committee output generally, and in particular this report. They were able to quote from the report in meetings without referring to it. However, we were left with the impression that this was in part due to the paucity of the output from the Government and other parliamentary channels that they had been able to get hold of and read.

Quite a lot of feedback was given to us about this report and its sister report on acquired rights, which had been prepared by the Justice Sub-Committee—on which I sit—and which was debated recently, and about chapter 5 of the Government’s paper The United Kingdom’s Exit From and New Partnership with the European Union and the June government paper Safeguarding the Position of EU Citizens Living in the UK and UK Nationals Living in the EU. This feedback was generally consistent with the EU’s public position, but I felt that the body language indicated that the EU is happy to show some flexibility.
However, clear blue water currently exists between us on the matter, so I would make just two points this afternoon.

First, it seems that substantial progress towards “sufficient progress” on this matter has been made, but there is more to be done, including on the part of the United Kingdom. In other words, both sides will need to develop their positions. It would be helpful to hear from the Minister on this point—in particular, that there is some flexibility in the United Kingdom’s position.

The second and, for me, much more important point concerns simplicity. The point was made to us very strongly in Brussels that future arrangements for travel and work between the EU 27 and the UK must be administratively easy—I suppose the word of the moment is “frictionless”. As I sat and listened to this, I felt that I could not agree more—70-plus-page forms for the farmers of Perthshire wanting to employ those very same people who have been so helpful for many years came to mind. I refer to the position set out by the noble Lord, Lord Cormack. I am in the vegetable business. It is not a high-skill business but, for safety reasons, you need people who are enormously experienced. That is very important, and there is not a cadre of people in the UK that we can get—in many instances people have been working with us for 20 years or so. I feel that it would be a terrific own goal of a large, unnecessary and damaging nature if we cannot solve this.

As the report states in paragraph 130:

“The employers’ organisations from whom we took evidence were uniformly opposed to the prospect of applying the UK’s current Points Based System to EU nationals”.

Later, that same paragraph states that the Institute of Directors gave evidence that:

“Visa applications typically take between three and eight months to process. The forms that an employer must fill out typically comprise about 100 questions and 85 pages for a visa”.

The NFU estimates that there are around 80,000 EU seasonal workers in the agricultural sector. There is currently only one concession that would allow an agricultural business to escape the points-based system for a potential employee: the concession for sheep-shearers. I feel, therefore, that the points-based system would be a disaster, and I cannot believe that it would be ready for a post-Brexit deluge.

According to the report’s figure 7, on page 39, 135,000 points-based visas were awarded in the year ending September 2016. So pumping 80,000 agricultural people in, to say nothing of the other industry sectors that would be involved—for example, in Scotland, we have a lot of seasonal people working in the hospitality industry—would, I am sure, produce an absolute horror. Making the process simple, attractive and easy for those concerned is something within our sole control and is, I submit, vital to the future prosperity of our nation. I would be very grateful if the Minister could give the House some reassurance on these points.

In closing, I salute my noble friend Lady Prashar and her committee on this excellent report, and praise the work and the thinking behind it.

4.22 pm

Lord Judd (Lab): My Lords, it is a great pleasure to serve on the EU Justice Sub-Committee with the noble Earl, Lord Kinnoull. His thoughts are always wise and add considerably to the quality of what we are aiming to produce.

I join those who have expressed their appreciation to the noble Baroness, Lady Prashar, her colleagues and the clerks, for a very interesting report. It is a bit reflective in style, but I do not think it is any the worse for that. I cannot be alone—I know I am not—in thinking that one worry about our present predicament is that we seem to be rushing into situations before we have reflected and analysed, which her report certainly helps us to do. This is not the view of parliamentarians, the public or journalists alone; it is clearly the view of a wide cross-section of life in Britain, in industry, commerce, finance, agriculture and more. Many people who are at the heart of the functioning of the United Kingdom want to know where the evidence is for the positions that are being taken. Where is the evidence that is informing the decisions that increasingly urgently have to be taken? This lack of evidence-based process is very disturbing indeed. It is quite unimaginable that, on an issue of such huge importance for the British people, we are proceeding on a basis of amateur intuition or protectionism, without seeing what the implications are or what the consequences will be. The ultimate paragraph in the report sums this up well:

“We must recognise that crucial sectors of the economy are highly dependent on migrant labour. It is essential that any changes do not endanger the vibrancy of the UK economy, and that any transition to a new equilibrium is phased in gradually over time, as the evidence base available to policy-makers becomes more robust”.

If for nothing else, I thank those responsible for this report for that.

The noble Lord, Lord Cormack, in a typically humane, sensitive and courageous speech, made a point about the universities. We have not heard any rationale whatever as to why students are being counted as migrants. However, we know that what has been said and what has already been done has had an adverse effect on the prospects for students coming to this country. We used to be one of the key places for students to come. That is no longer true. It is also no longer true of academic staff as well. I am involved in the governance of three universities and already there are indications that people thinking of their careers, their future and their families are wondering whether it is sensible or rational to make a decision to stay in this country.

Several noble Lords have referred to the emotion that has unfortunately surrounded this debate and whether this is a nice place to live, bring up children and so on. I unashamedly say that I belong to a world-involved family. In my extended family there are people living in Europe and people from Europe who are very much part of our family. They have all been affected by what is going on. We in this House need to ask ourselves what kind of characterful leadership is being given in the midst of all this.

The noble Lord, Lord Kirkhope of Harrogate, in a thoughtful and wise speech, referred to citizenship. Again, I do not apologise for saying, as I have said in
previous debates, that citizenship has always been, in my book, a profoundly significant issue—it goes back to Roman and Greek times. We, the British people, in one vote removed European citizenship from many people living in this country. Following the Maastricht treaty, people had their national citizenship but they also had European citizenship, and the rights of citizenship were removed unilaterally by our decision. I do not think that that is a very good moment in our history. From that standpoint, because of the importance we have always said we attach to citizenship, we should restore some priority to these considerations in what is happening.

On my final point, the noble Lord, Lord Kirkhope, referred to—and I was glad that he did—the global dimension. We are almost neurotically preoccupied with the European dimension in all this—and, indeed, in fair play, so are our European partners. I believe that all of us in Europe have to wake up. A statistic that simply cannot be escaped from is the fact that there are 65.3 million refugees and displaced people in the world and that 21.3 million of them are refugees. If any of us, either in Britain or in the rest of Europe, think that we can find a neat little solution which will enable us to handle this situation on a European basis, we are living in cloud-cuckoo-land. Of course we must have in place arrangements in Europe, and the sooner the better—the responsibilities should be shared fairly between us—but if ever there was an example of why effective international co-operation is crucial, it is when we have to face this global reality.

With climate change, instability, warfare, famine and all the rest, this is a problem that is going to accelerate. The movement of people will not go away, and the implications for us are there to see. That is why we should be working in close collaboration with our European friends so that we can contribute to finding global solutions to the realities facing humanity. That is also why it is so sad that, just at this juncture, to the world Britain is apparently preoccupied with, “What’s in it for us and how are we going to save what we want for ourselves?”. By trying to save what we can for ourselves, we will be defeating our future well-being by ceasing to be the people we should be seen to be in the world as a whole.

Schools Update

Statement

4.32 pm

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, My Lords, with the leave of the House I will now repeat a Statement being made in the other place by my right honourable friend Justine Greening, the Secretary of State for Education. The Statement is as follows:

“This Government believe that all children should have an education that unlocks their potential and allows them to go as far as their talent and hard work will take them. That is key to improving social mobility. We have made significant progress: nine out of 10 schools are now good or outstanding and the attainment gap is beginning to close. We have launched 12 opportunity areas to drive improvement in parts of the country which we know can do better. But all this has been against a backdrop of unfair funding. We know that the current funding system is unfair, opaque and out of date. This means that, while we hold schools to the same accountability structure, we fund them at very different levels. In addition, resources are not reaching the schools that need them most.

School funding is at a record high because of the choices we made to protect and increase school funding even as we faced difficult decisions elsewhere to restore our country’s finances, but we recognise that, at the election, people were concerned about the overall level of funding as well as its distribution. As the Prime Minister has said, we are determined to listen, so that is why today I am confirming our plans to get on with introducing a national funding formula in 2018-19. I can announce that this will now additionally be supported by significant extra investment into the core schools budget over the next two years.

The additional funding I am setting out today, together with the introduction of a national funding formula, will provide schools with the investment they need to offer a world-class education to every child. There will therefore be an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, in addition to the schools budget set at the 2015 spending review. This funding is across the next two years as we transition to the national funding formula. Spending plans for the years beyond 2019-20 will be set out in a future spending review.

As a result of this investment, core funding for schools and high needs will rise from almost £41 billion in 2017-18 to £42.4 billion in 2018-19. In 2019-20 this will rise again to £43.5 billion. This represents £1.3 billion in additional investment: £416 million more than was set aside at the last spending review for the core schools budget in 2018-19 and £884 million more in 2019-20. It will mean that the total schools budget will increase by £2.6 billion between this year and 2019-20, and funding per pupil will now be maintained in real terms for the remaining two years of the spending review period to 2019-20.

For this Government, social mobility and education are a priority. Introducing the national funding formula—something shied away from by previous Governments—backed by the additional investment in schools we are confirming today will be the biggest improvement to the school funding system for well over a decade. I said when I launched the consultation last December that I was keen to hear as many views as possible on this vital reform. I am grateful for the engagement on the issue of fairer funding and the national funding formula. We received more than 25,000 responses to our consultation, including from Members from across the House. We have listened carefully to the feedback we have received.

We will respond to the consultation in full in September, but I can tell the House today that the additional investment we are able to make in our schools will allow us to: increase the basic amount that every pupil will attract in 2018-19 and 2019-20; for the next two years provide for up to 3% gains a year per pupil for underfunded schools and a 0.5% a year per pupil cash increase for every school; and continue to protect
The national funding formula will therefore deliver higher per-pupil funding in respect of every school and in every local area. I believe that these changes, building on the proposals we set out in December, will provide a firm foundation as we make historic reforms to the funding system, balancing fairness and stability for schools. It remains our intention that a school’s budget should be set on the basis of a single, national formula, but a longer transition makes sense to provide stability for schools. In 2018-19 and 2019-20, the national funding formula will set indicative budgets for each school and the total schools funding received by each local authority will be allocated according to our national fair funding formula, and transparently for the first time.

Local authorities will continue to set a local formula, as they do now, for determining individual schools’ budgets in 2018-19 and 2019-20, in consultation with schools in the area. I will shortly publish the operational guide to allow them to begin that process. To support their planning, I am also confirming now that in 2018-19, all local authorities will receive some increase over the amount they plan to spend on schools and high needs in 2017-18. We will confirm gains for local authorities, based on the final formula, in September.

The guide will set out some important areas that are fundamental to supporting a fairer distribution through the national funding formula. For example, we will ring-fence the vast majority of funding provided for primary and secondary schools, although local authorities, in agreement with their local schools forum, will be able to move limited amounts of funding to other areas, such as special schools, where this better matches local need.

As well as this additional investment through the national funding formula, I am today also confirming our commitment to double the PE and sports premium for primary schools. All primary schools will receive an increase in their PE and sports premium funding in the next academic year.

The £1.3 billion additional investment in core schools funding that I am announcing today will be funded in full from efficiencies and savings I have identified from within my department’s existing budget, rather than through higher taxes or more debt. This has required some difficult decisions, but I believe that it is right to prioritise core schools funding, even as we continue the vital task of repairing the public finances.

By making savings and efficiencies, I am maximising the proportion of my department’s budget which is allocated directly to front-line head teachers, who can use their professional expertise to ensure that it is spent where it will have the greatest possible impact. I have challenged my civil servants to find efficiencies, as schools are.

I want to set out briefly the savings and efficiencies that I will secure. Efficiencies and savings across our main capital budget can release £420 million. The majority of this will be from healthy pupils capital funding, from which we will make savings of £315 million. This reflects reductions in forecast revenue from the soft drinks industry levy. Every £1 of England’s share of spending from the levy will continue to be invested in improving child health, including £100 million in 2018-19 for healthy pupils capital.

We remain committed to an ambitious free schools programme that delivers choice, innovation and higher standards for parents. In delivering the programme, and the plans for a further 140 free schools announced at the last Budget, we will work more efficiently to release savings of £280 million up to 2019-20. This will include delivering 30 of the 140 schools through the local authority route rather than the central free schools route.

Across the rest of the DfE resource budget—more than £60 billion per year—I will also reprioritise £250 million in 2018-19 and £350 million in 2019-20 to fund the increase in spending that I am announcing today. I plan to redirect £200 million from the department’s central programmes towards front-line funding for schools. While these projects are useful, I believe strongly that this funding is most valuable in the hands of head teachers.

Finally, alongside this extra investment in our core schools budget, it is vital that school leaders strive to maximise the efficient use of their resources to achieve the best outcomes for all their pupils and best promote social mobility. We already provide schools with support to do this, but we will now go further to ensure that support is effectively used by schools.

We will continue our commitment to securing substantial efficiency gains over the coming years. Good-value national deals that procure better-value goods and services on areas all schools purchase are available: for example, under the deals, based on our existing work, schools can save on average 10% on their energy bills. We will expect schools to be clear if they do not make use of these deals and have higher costs. Across school spending as a whole, we will improve the transparency and usability of data so that parents and governors can more easily see the way in which funding is spent and understand not just educational standards but financial effectiveness, too. We have just launched a new online efficiency benchmarking service which will enable schools to analyse their own performance much more effectively.

We recognise that many schools have worked hard up to this point to manage cost-base pressures on their budgets, and we will take action this year to provide targeted support to those schools where financial health is at risk, deploying efficiency experts to give direct support to them.

The significant investment that we are making in schools and the reforms we are introducing underpin our ambition for a world-class education system. Together, they will give schools a firm foundation that will enable them to continue to raise standards, promote social mobility and give every child the best possible education and the best opportunities for the future.”

My Lords, that concludes the Statement.
Lord Watson of Invergowrie (Lab): My Lords, what a disappointment the Statement is. Filled with contradictions, it is, I regret to say, little more than smoke and mirrors. Given the current state of the Government, it is probably akin to a sticking plaster on a broken leg.

We had been led to believe through leaks—the Government have them as common currency these days—that the national funding formula was to be scrapped. It may still be scrapped, but we do not know because we will not hear the result of the consultation until September. So why have we had the Statement today? It leads me to the conclusion that the cliff edge on which the Government are balanced means that the Prime Minister has had to offer a sweetener to her MPs who were in a ferment about the potential cuts faced by schools in their constituencies, which had cost some of their colleagues their seats as recently as June. Something had to be done and it seems that it could not wait until September—I suspect that that is because September is two months away and there can be an awful lot of plotting in two months these days, even with Parliament in recess—not a scenario that the Prime Minister could afford to have unfold.

The Statement does not provide a solution to anything. In fact, it is quite dishonest—I use the term advisedly—because the implication is that this is new money. It is not. It is refocusing of resources. The Statement quite clearly uses the term “additional investment” which would appear to be new money but it is not. If repeating the Statement, the Minister said what I think is the most important phrase in all five pages of it:

“The £1.3 billion additional investment in core schools funding which I am announcing today will be funded in full from efficiencies and savings”.

What do the Government think schools have been doing for the last seven years if not finding efficiencies and savings? We are at the stage where you cannot get blood out of a stone, yet the Government seem to think they can turn the wheel just a little tighter and out will pop some more savings that can be refocused.

What the Government say they intend to do with the money we are of course pleased about. There is no question over more money for primary schools, particularly in the sports premium, or funding being ring-fenced for the vast majority of primary and secondary schools. Yet there is more to it than that because the savings the Government seek will in many cases be impossible to make. They talk in the Statement about having advisers they can send into schools to tell them how to make yet more savings. That is an insult to head teachers, many of whom are leaving the profession because they cannot face making teachers redundant or not replacing those who leave. That is an extremely serious problem which the DfE and its Ministers do not seem to grasp. Frankly, I do not know who they speak to on a daily basis, because that is the impression I and many noble Lords and Members in another place get regularly through our postbags and from meeting people.

The Minister seems to think that schools which have had to resort to asking parents for donations for books and other materials will welcome what the Government are saying today. I cannot see why on earth that would be, particularly in respect of new free schools. Last year, the Government promised that they would introduce 600 new free schools. The National Audit Office predicted that, because of the money made available, only 20% of that number could be funded. As if by magic, we learn today that the figure has been reduced to 140 for one of the Government’s pet projects. The trouble with free schools is that all too often they pop up in places where there is no pressure on school places, i.e. where they are not particularly needed, when there are all sorts of pressures in other places.

The Minister says that the investment will be, “funded in full from efficiencies and savings”. In the general election, it was proposed to end free school lunches for children at key stage 1. We know that has been rolled back and we know why. However, if that saving is no longer available where do the Government think they will find the resources to increase spending in schools? I am worried about the fact that this is only a transitional arrangement. We are told it is for 2018-19 and 2019-20. I wonder whether more sticking plaster will be required then. The refocusing of resources, which is what this is, can happen for only so long. Many people will read this Statement and think on the face of it that it looks good. I see that some of the media coverage already is that there will be £1.3 billion of new money for schools. As I said, that is simply the not case.

I also wonder whether, with the additional resources that the Government are looking for, other budgets will be raided. Can we have an assurance that the further education budget, already severely hit, will not be to any extent tapped for additional resources, and that the apprenticeship programme will be protected? It is not clear to me how the Government can meet their aims in this document. For years, schools have made those savings. To quote the bottom of page 4 of the Statement, “it is vital that school leaders strive to maximise the efficient use of their resources”.

That will be met by head-shaking in schools. That is what school leaders have been doing for as long as many of them can now remember.

I am at a loss when it comes to finding anything good to say about this Statement. The Government have the obligation to come clean and highlight that the so-called additional investment is not additional at all. There may be extra money going to schools but only if extra money can be taken out of schools in the first place—a Peter and Paul situation, which I do not think will fool many people for long.

This is a major disappointment. It does not meet the needs of schools or provide the resources requested by local authorities and many school leaders and head teachers. We are led to believe that there is a new spirit in government of seeking ideas from other parties. I suggest that the Government look at Labour’s proposals to reverse the existing cuts and give schools a real-terms increase—something there is a very good chance we will be in a position to do in the very near future.
Baroness Kramer (LD): My Lords, I agree that this is a sleight of hand. Perhaps the Minister will confirm that there is not one single new penny coming into education for our young people in the Statement. I agree that it is robbing Peter to pay Paul and I hope he will tell us a lot more about Peter and the losses to programmes that schools have been relying on. More importantly, will he confirm that in the Statement there is actually a cut in funding for education—£315 million—which will be cut from the healthy pupils capital funding.

"to reflect reductions in forecast revenues from the soft drinks industry levy"?

So in fact this is an announcement of a £315 million cut in the budget for education and schools.

The Statement refers to 30 schools that will be removed from the free schools programme and delivered through the local authority route. Is the Minister expecting local authorities to provide substantial funding to support these 30 schools and, if so, can he tell us which local authorities are now so flush with money that they are in a position to provide significant numbers of additional schools if there is not a single penny coming from the central budget to support them?

As the Minister talks about efficiency for schools, I join many others in saying that, looking at schools today, you can see remarkable efficiencies introduced by one head teacher after another, but it looks as though a significant amount of the savings is meant to come from new energy efficiencies: a 10% cut in energy bills overall. The Minister will be well aware that the largest component of an energy bill is the cost of energy. Will he tell us how he will prevent volatility and price rises in the energy bills that are presumed within the Statement?

I actually think it is beneath the Government to come up with this announcement when after a moment’s reading it becomes apparent that there is sleight of hand and a difference between the announcement and its implications and the reality that is contained within the Statement. I suggest that if we are to encourage the British people to recognise the importance of politics and to respect any party in this House, it is time for that to stop.

Lord Nash: My Lords, the noble Lord, Lord Watson, asked why the Statement was being made today. It is so that schools can go away for their summer break knowing that we will be introducing a national funding formula. No doubt that will be welcome to them.

All schools have to run themselves more efficiently and we as a Government have to make efficiency savings. We have already predicted that our scheme to self-insure academies will save £600 million by 2020. We have introduced LocatED, an organisation set up specifically to find free school sites. It is already showing remarkable efficiencies introduced by one head teacher after another, but it looks as though a significant amount of the savings is meant to come from new energy efficiencies: a 10% cut in energy bills overall. The Minister will be well aware that the largest component of an energy bill is the cost of energy. Will he tell us how he will prevent volatility and price rises in the energy bills that are presumed within the Statement?

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Baroness Kramer (LD): My Lords, I agree that this is a sleight of hand. Perhaps the Minister will confirm that there is not one single new penny coming into education for our young people in the Statement. I agree that it is robbing Peter to pay Paul and I hope he will tell us a lot more about Peter and the losses to programmes that schools have been relying on. More importantly, will he confirm that in the Statement there is actually a cut in funding for education—£315 million—which will be cut from the healthy pupils capital funding.

"to reflect reductions in forecast revenues from the soft drinks industry levy"?

So in fact this is an announcement of a £315 million cut in the budget for education and schools.

The Statement refers to 30 schools that will be removed from the free schools programme and delivered through the local authority route. Is the Minister expecting local authorities to provide substantial funding to support these 30 schools and, if so, can he tell us which local authorities are now so flush with money that they are in a position to provide significant numbers of additional schools if there is not a single penny coming from the central budget to support them?

As the Minister talks about efficiency for schools, I join many others in saying that, looking at schools today, you can see remarkable efficiencies introduced by one head teacher after another, but it looks as though a significant amount of the savings is meant to come from new energy efficiencies: a 10% cut in energy bills overall. The Minister will be well aware that the largest component of an energy bill is the cost of energy. Will he tell us how he will prevent volatility and price rises in the energy bills that are presumed within the Statement?

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Lord Knight of Weymouth (Lab): Further to the question asked by the noble Baroness, Lady Kramer, I too was drawn to the announcement of the further 140 free schools, which said that 30 would go through the local authority route. I am interested to know exactly how that works, given that this is the Minister’s responsibility, and how much more efficient that is than going through the department. Will he answer her question as to whether the local authorities concerned will get any money to pursue that route?

Lord Nash: Yes. As I said, we have been working very collaboratively with local authorities to plan much more accurately with them precisely where they want free schools. Local authorities obviously often produce free school sites on a peppercorn for no money. It is also clear to us that some local authorities have perhaps not been spending their basic need money, as they should have been, but relying on the central programme. I believe that this can be done efficiently. The local authorities that we work with certainly seem keen to provide many more of these schools. We go through a process whereby they decide where they want the schools to be and, effectively, an open process is then gone through whereby school providers can approach them and be approved, initially by the local authority and then by the department.

Baroness Farrington of Ribbleton (Lab): My Lords, the answer from the Minister to the question about whether local authorities will get more money for embarking on this project was, in short, no. They will not get more money but will have to find the money though doing things more efficiently, according to the Minister. Will he please accept that his repeated assertions about the Government’s commitment to social mobility can be answered by all the research which shows that good, early childhood education involving parents is the best way to help children who underachieve, and that Ministers repeatedly referring to childcare are ignoring the educational issues? Will the Minister please answer the questions that he is being asked and not the ones he prefers?

Lord Nash: The answer to the question on where the money will come from is that local authorities are funded substantially to provide their basic need budgets. We will look to them to use those budgets to fund some of these places through new schools and the free
schools programme. I agree entirely with the noble Baroness that the early years are a vital part and that the younger we can support all our children, the better.

Lord Elystan-Morgan (CB): My Lords, the Statement makes it clear, does it not, that the award is entirely conditional upon savings? So that there be no shred of ambiguity left, can the Minister confirm that if in fact there is no saving, there will be no award and that if there is but a percentage of saving, there will be a percentage of that award? Furthermore, if it be the case that there would appear to be an achievement of saving which does not fit neatly into the timetable, will there be credit for a notional saving and what will happen if it turns out to be a smaller sum than that which was first anticipated?

Lord Nash: No—it is not conditional on savings. We have a firm intention to bring in a national funding formula. We are the first Government for many years to tackle this point. We consulted on it. Schools want a fair funding formula, and I am disappointed that noble Lords are not pleased that we are going ahead with these plans. I am sure schools will be. They are all asking for it. It is not a condition. This is our plan. This will happen. The department has a budget of £60 billion per annum. We have shown over the past few years that the Government can run things efficiently, and we are determined to do so in the future.

Lord Addington (LD): My Lords, the Statement talks about those with additional needs. Will there be good, in-service improvement of skills for those dealing with those with special educational needs in the mainstream classroom? There have already been some changes made for new people training, and I thank the Minister for that, but there will be considerable savings if people are better trained to handle the pupils in their classrooms and to recognise the most commonly occurring conditions such as dyslexia and dyspraxia and to tell the difference between the two. Are we going to do this? If we do, we will take some of the pressure off expensive things such as special schools.

Lord Nash: The noble Lord makes an extremely good point. We all acknowledge the importance of continuous professional development. We must remember that teachers are initially trained for only nine months, most of which is in the classroom. We are looking at reforming initial teacher training. In multi-academy trusts, we are increasingly seeing much greater emphasis on continuous professional development throughout a teacher’s entire life, particularly in the first three to five years of their engagement in the profession.

Baroness Massey of Darwen (Lab): The Minister talks about a world-class education. I am glad that at last the word “teacher” has been mentioned because teachers create world-class education. I go into schools and find head teachers desperate about losing teachers. Can the Minister say how this can be prevented?

Lord Nash: I think I have a Question tomorrow on teacher retention. Teacher retention is looking a lot better this year. I was referring to multi-academy trusts. We have seen a transformation in the past few years in career development opportunities for young teachers. Historically, a young teacher coming into the teaching profession in their early 20s could look forward to perhaps being a head teacher in 20 years. I can just about remember what it feels like to be in one’s early 20s, and 20 years is light years away. Now we are seeing young teachers becoming a head of subject in their mid 20s, a head of school responsible for teaching and learning, behaviour and safeguarding and parent relationships in their late 20s with all the rest of the administration, accounting and HR done by the MAT centrally, and becoming a head in their 30s, so the career development opportunities for teachers are much greater than they were. I am hearing consistently from people who work in multi-academy trusts that this is having a very good impact on teacher retention. We have an economy in which we are experiencing full employment in many areas in the country. The issue in relation to teacher recruitment and retention is not unique to this country, and it is not unique to the teaching profession. It is one of the consequences of having such a strong economy. The early signs are that teacher retention is improving.

Lord Evans of Weardale (CB): My Lords, I draw attention to my declared interest as a governor of a multi-academy trust. I broadly welcome the thrust of the Minister’s Statement, although as a former public servant I am always slightly suspicious of spending commitments that are going to be funded through efficiencies because sometimes what you take with one hand disappears in another. Nevertheless, it would be helpful if the Minister could let us know what efficiencies there are from running schools within a multi-academy trust system because a number of common services which otherwise have to be run separately in each school can be shared between schools, and that is an area where potential efficiencies have not yet wholly been captured.

Lord Nash: I am grateful to the noble Lord for his comments. What we are seeing through the multi-academy trust system is that a group of schools working together can employ one much more highly qualified accountant rather than each individual school having someone who often really struggles with the accounts, takes a very long time and would rather not do it. We are seeing a huge number of MATs achieving substantial savings in purchasing. One study said that primary schools working together in MATs was resulting in a saving of £146 per annum per pupil. I think it is self-evident that this is working, and we have plenty of examples. I would be happy for any noble Lord who is interested in this to attend a teach-in to hear about it in much greater detail.

Lord Lexden (Con): I would like to ask my noble friend about the more than 25,000 responses that have come in to the consultation exercise. Have they come from all parts of the country to provide an indication of how people feel in different areas? Have comments come from all those most closely involved in and concerned about education—namely head teachers, teachers, governors and parents themselves? Is the Minister able to give any indication at this stage whether...
there is clear evidence that, overall, a positive view was being taken in the country of the principle of the basic idea of a national funding formula?

**Lord Nash:** My noble friend makes a very good point. We have had a very wide response from all areas of the country. It is clear, particularly in those areas of the country that historically feel that they have been underfunded—we have discussed here before the vast differences in funding per pupil that can occur between two schools not that far apart—that this news will be welcomed by schools, despite what some Peers have said. It will be very welcome to move to a system that is not a postcode lottery and not based on very out-of-date information. I am certain that this will be welcomed by schools.

**Lord Paddick (LD):** My Lords, will the Minister kindly answer the question asked by my noble friend Lady Kramer regarding the efficiencies and savings mentioned in the Statement? Some £315 million is going to be saved from the healthy pupils capital fund. Will the Minister confirm that that is actually a £315 million cut, as suggested in the Statement, which says:

“This reflects reductions in forecast revenue from the soft drinks industry levy”?

**Lord Nash:** Well, that has only recently been announced and I have to say that our plans on it were not very far advanced, so I think describing it as a cut is rather unfair. As I have said, we are making sure that resources are focused more on core school funding and in the hands of head teachers.

**Lord Young of Norwood Green (Lab):** My Lords, I am assuming that £50 million of this saving is because we have not mentioned the expansion of grammar schools. I hope that is the case and I would welcome confirmation of that because, if we are focusing on areas of real need, if ever there was a waste of money it was that. I would also welcome some indication that we are going to continue with the expansion of the university technical college programme.

**Lord Nash:** The noble Lord is quite right that as a result of the fact that, as I have already said, we will not be removing the ban on new selective schools, there will undoubtedly be some saving there. We intend to continue with the UTC programme, selectively and carefully. There are a lot of lessons to be learned from the early years of the programme but we are confident that it can become very successful, and we have some very good examples of that. I see that my noble friend Lord Baker is not in his place; I am sure that if he were here he would be on his feet very quickly to mention some of them. We certainly intend to continue with the programme.

**Baroness Tonge (Non-Afl):** My Lords, have the Government considered ending the charitable status of private schools, which some people see as of rather dubious benefit to the community and state schools? If so, how much money would be released, which could then go to state schools for their direct benefit?

**Lord Nash:** We have not considered that because we do not plan to do it. Were we to lean heavily on the independent sector, it would probably result in a much greater burden on the state sector, because there is no doubt that the country saves a huge amount of money on state education by the number of people who go to private schools. We have, however, made it absolutely clear that although the independent sector does a great deal to support state schools in terms of both bursaryships and school partnerships up and down the country—I was recently in York, where there is a strong school partnership—we think that some independent schools can do more. We are in active discussions with the Independent Schools Council and the other independent school organisations. They are very willing to help and we will be working with them so that they can help the state sector much more. There is a lot that they can do to help the state sector—particularly in teaching, the use of sports facilities and sports personnel and preparing pupils for applications to university.

**Baroness Morris of Yardley (Lab):** My Lords, part of the problem is that it is such an unclear Statement. There are so many questions, but we are not getting particularly clear answers in response, so I return to two issues that have already been raised to seek further clarification. The wording of the Statement, “deploying efficiency experts to give direct support to” schools, reads to me like real people going to schools to give advice. In his response to my noble friend on the Front Bench, the Minister implied that it is an online tool. Can he clarify exactly what is meant by those words? If they are real people, how much will that initiative cost? I also return to the part of the Statement which talked about 30 of the 140 new schools coming through the local authority route. It would help me to know whether local authorities will be able to say that they do not want to spend their money in that way.

**Lord Nash:** We have done a great deal of work in the department on efficiency in schools. There is no doubt, despite what people say, that some schools have grown their budget a bit like Topsy. I see that the noble Baroness is nodding. Interestingly, our most successful education providers are also our most efficient financially, because, as any organisation has to when it faces financial pressures, they go back to a bottom-up approach to budgeting. Schools that do that spend their resources where they are needed and think about where they want to spend them rather than, as has happened in a number of schools, through consistent increases in funding over many years, where their budgets have grown like Topsy. There are significant efficiency savings. Many schools have grasped that, but there is no doubt that some have not, and we now have a number of experts—we currently work with about 20—who are well versed in this. We will be making them available to schools that need them.

We have no intention of forcing free schools down the throats of local authorities. It is a collaborative approach. We have been working collaboratively with local authorities on free schools and see much greater scope to do so in future.
Baroness Farrington of Ribbleton: My Lords, will the Minister take advice from somebody who has chaired an education authority and knows the sorts of questions that arise? He is talking about a national funding formula. Parents, teachers and governors will ask how the calculation has been made as to what is appropriate. They will make comparisons—I am not doing so—between Scotland, Wales, Northern Ireland and English regions. We will have to refer them to him. Can he assure me that in calculating the amounts per pupil, all pupils in all countries and in all areas have been treated fairly, equally and on the same assumptions about need?

Lord Nash: Well, the whole purpose of the funding formula, which is for England only, is to treat everybody much more fairly. As for comparisons with Wales and Scotland, I hope that parents will make them, because they will be able to see that what has been happening in the Welsh education system is no lesson for the Scottish education system is no lesson for the future and that what has recently been happening in the Welsh education system is no lesson for the future and that what has recently been happening in the Scottish education system is deeply disturbing.

Baroness Watkins of Tavistock (CB): My Lords, will the Minister clarify that additional CPD—continuing professional development—required for teachers, school nurses and health visitors in relation to the manifesto commitment on child and adolescent mental health improvement will be funded separately and will not have to come out of the standard formula?

Lord Nash: I do not think that I can confirm that, but we are investing £1.4 billion in child and adolescent mental health. We will produce a Green Paper on mental health later this year, and we will have worked closely on a number of pilot projects between mental health and schools. I shall look at this and write to the noble Baroness.

Brexit: UK-EU Movement of People (EUC Report)

Motion to Take Note (Continued)

5.16 pm

Lord Eames (CB): My Lords, I join those who have paid tribute to the work of the noble Baroness, Lady Prashar, and her colleagues for an excellent report, which has dealt with some grey areas that troubled us all for a long time before its publication. While in my remarks I want to express a certain degree of disappointment, I congratulate the committee on the thoroughness of its efforts, and I believe that the report will withstand scrutiny in the days to come.

It is right when we discuss the movement of people that two words, immigration and emigration, dominate our thinking, and so it has turned out to be this afternoon. But there is another aspect to this problem, which we would be failing as a House if we did not take note of. Brexit will mean that the only land border between the United Kingdom and the European Union will be a line on the map of Ireland. As I have said in your Lordships’ House on frequent occasions, there is very much more involved in Brexit for the people of Northern Ireland than for any other part of the United Kingdom. That land border will assume immense significance, for economic, cultural and political reasons, for both the EU and the United Kingdom, but it will also become a significant issue in the movement of people.

I cannot overemphasise the importance of that land frontier for the citizens of the United Kingdom who live and work in Northern Ireland. I say again that it is they who will be on the front line when Brexit becomes reality. Nowhere else in the United Kingdom will the particular problems that we face and will face become as evident. Today, need I remind your Lordships, perception can become reality in an instant. There is a perception in Northern Ireland that, despite verbal reassurances, the particular needs of the border areas in Northern Ireland could take second place to the many international decisions to be reached in the current negotiations. Principal among those concerns is the movement of people, not only in terms of immigration or emigration but in terms of the lives that will be affected by the new significance of the land border between the United Kingdom and the EU. These are people who live in the border regions and whose families literally span the border—people whose work takes them across it every day of their lives, farmers whose work and land cross it, children whose journey to school makes the current border irrelevant.

In my conversations with the Irish Government on these issues, I have come across widespread sympathy for the concerns that I am expressing today. The understanding is that equal social and economic issues will arise on both sides of the land border. I know that that sympathy has been expressed to Her Majesty’s Government before the negotiations have begun. It remains to be seen how long that degree of co-operation and sympathy can be maintained, but it is vital because of the area that I am talking about.

In preparation for this debate, I went to the border town of Newry, which is the hub of activity for that region. In our own post-conflict society, it has become very significant because it has a higher proportion of immigrants living, working and bringing up their families than any other part of the border region. For them to be subjected to the sort of uncertainties that we are all conscious of—to be confronted by doubt and lack of clarity in their new home—is nothing short of a human tragedy.

On that visit to Newry, I met many people who, without exception, expressed concerns about freedom of movement. Of course, like all of us, they had worries about how trade will be with their EU neighbours in the Republic of Ireland. However, their principal worry by far centred on freedom of movement in everyday terms. That freedom is not being questioned by them on high-sounding, detailed constitutional grounds; they realise that those matters are beyond them. But they are asking about a way of life: ordinary people and their basic needs. If those needs and questions are ignored, Brexit becoming a reality might produce a host of problems that we have yet to prioritise.

I have studied this report very carefully, for obvious reasons. I appreciate the depths of its analysis, but I am disappointed to find that neither in the membership of the committee nor in its gathering of evidence is there recognition of the realities of the movement of
people in the Irish border areas. Noble Lords may tell me that they are so unique they are not worth prioritising. Should they take that view, I would remind them that the problems that have arisen in my homeland over the years can very quickly become major issues for the United Kingdom as a whole.

Perhaps the Minister, in responding to the debate, will be able to reassure me and the people of the United Kingdom to whom I refer—the people who live in border areas. I ask her to recognise, and convey to Her Majesty’s Government, that these are not make-believe issues that I raise. They are urgent issues of a human nature which she and her colleagues will find are being looked at sympathetically by the Government of the Irish Republic. I hope she will also reassure the House that, having recognised the special nature of the problem I am raising, it will not be forgotten as the agreements and the negotiations continue.

Finally, more than emigration or immigration are involved in the movement of people and Brexit. There are other aspects to the freedom of movement after Brexit.

5.26 pm

Lord Stunell (LD): I am delighted to contribute to this debate. I thank the committee for its diligent work in bringing forward this report, which brings into plain sight many of the issues and concerns which certainly ought to be important to Members of this House but even more so to those outside it, who wait very anxiously to see what the next 19 months of negotiation will produce.

I speak not only to the report but also draw attention to a report launched last week by the All-Party Parliamentary Group for Excellence in the Built Environment, entitled Building on Brexit, which looks particularly at the implications for the construction industry and those who depend on it. I very much commend that report to the Minister and the department. Indeed, I think that several departments would benefit from seeing the evidence that has been brought forward. I need to declare that, rather too generously, the authors of that report have credited me with participating in it. Be that as it may, I certainly commend what it says.

I focus particularly on chapter 4 of the EU Committee’s report, which relates to EU migration for low-skilled work. The noble Baroness, Lady Prashar, skilfully brought out the way in which the Government have discriminated in favour of what is determined high-skilled as opposed to low-skilled work. She made the point—as does the report—that that distinction seems to be unnecessary and is potentially confusing and damaging. The Government have a clear view that high-skilled migration may be desirable but low-skilled migration is undesirable. The problem, of course, is that there is a very poor correlation between skill and pay. The point is made in the report that nurses are low-skilled according to the criteria currently used. That is why they have needed to be considered as belonging to a shortage occupation rather than be dealt with as highly-skilled and highly desirable workers. Recognition of that is very important. I therefore hope that the Government will consider the fact that in many industrial sectors—the construction industry is certainly one—pay levels do not give a good guide to skill levels, therefore the skills versus unskilled argument is not appropriate.

The National Farmers’ Union gave evidence to the committee, which is reported, that the strawberry crop in the United Kingdom was at risk unless there was a freedom to permit EU 27 migrants to come and pick it. It made the point that 50% of strawberries in the UK are now homegrown—or rather, farmgrown—and that that could be at risk if that migration was not permitted. I do not know whether pressure from the All-England tennis club or from Buckingham Palace will mean that special arrangements will be made; I rather suspect that they will, because we have heard Ministers comment quite favourably about the need to accommodate the horticultural sector in the final agreement.

That brings me to the second report I referred to: Building on Brexit. The construction industry does not pick strawberries—it builds houses. It is responsible for flood prevention works, the schools expansion programme—we have just had a Statement saying that further schools are proposed—and there is a prison-building programme and HS2. In fact, £500 billion-worth of infrastructure work of one sort or another is in the pipeline. KPMG has estimated that to deliver this, the construction industry is required to expand by 35%. Who delivers it? It will be delivered by a 2.9 million-strong workforce in every part of the country, comprising 8% of GDP, which is bigger than aerospace and vehicle manufacturing put together. In other words, construction is a strategic industry, and it is being taken for granted. It does get a mention in the committee’s report, but, even so, somewhat marginally. It currently employs around 200,000 workers from the EU 27, and if those no longer come, that will lead to a 7% reduction in capacity. So, at a time when government projects and policies are looking for a 35% increase in construction’s capacity, the consequences of a hard Brexit would be a reduction in capacity of 7%. The Federation of Master Builders, in Building on Brexit, is recorded as saying that at the moment, 58% of its members—small builders, building houses around the country—are already having difficulty recruiting bricklayers, 57% are having difficulty recruiting carpenters, and 32% are having difficulty recruiting electricians; and that is pre-Brexit. Barratts, the major housing developer, which employs 4,500 people in London on a housing programme which is desperately needed, says that 57% of its workforce in London is from the EU 27.

There are course opportunities—I was interested to hear what the noble Lord, Lord Trees, had to say about vets—for recruiting, retraining, mentoring and developing a UK workforce. However, some of the work there is far from advanced. One of the figures that was recorded in the second report is that 90% of trainee bricklayers never get round to working in the building industry laying bricks. So there are some fundamental problems, which have to be dealt with on quite a lengthy timescale and which cannot be dealt with in the next 19 months. The RIBA reports that 25% of architects registered in this country are from the EU 27. It is not a solely a question of those working on the sites.
[LORD STUNELL]

The gender balance in the construction industry is very poor—about 9% are female. However, probably not too many of your Lordships would recommend your 16 year-old granddaughter to take up a life in the construction industry, although you might recommend them to be a vet, judging by what we have heard so far. At a time of practically full employment—here I wonder where the noble Lord, Lord Green, thinks things will be going—it is extremely difficult to see how the construction industry in the short term will have either the appeal or the capacity to grow using UK manpower and personpower.

There are deep problems with regard to skills and development, which are for another day. But I will press the Minister on one or two key points with regard to how the migration system might be developed over the next couple of years. First, if you need an evidence base, some things have to happen if you want 1 million homes and all those other projects. Does the Minister accept that construction is a strategic industry? This will be about how key government policy objectives are delivered, and without it flourishing, those objectives cannot be delivered. If we do not have enough strawberry pickers, we can import the balance, and if there is not enough investment in the car industry, we can import them from elsewhere. But if you want more houses, you have to have bricklayers and carpenters in this country, building the homes that are needed. Of course, we all know that Brexit will lead, to an “export-led economic boom”. I do not know whether that is in the same category as the £350 million. But let us take that at face value and say that that means more laboratories, factories, warehouses, ports, roads and rail investment. Where will all that come from? It will come from the construction industry, which looks like it will be shrunk by 7%, when there are already objectives which require it to increase by 35%.

Does the Minister agree that construction cannot be left in the third tier of industrial sectors of minor importance when it comes to getting Brexit deals and policies? If she accepts that it is a strategic industry and that it must be pushed up the priority level, does she also recognise that special action will be needed to safeguard and deliver it? That includes safeguards for the workforce that is already in this country, allowing construction firms to rotate people in and out—you do not necessarily work for two years on one project, as there are all sorts of different ones—making sure that the shortage occupation list properly reflects the needs of the construction industry, probably changing the income threshold at least, and certainly not moving towards a tier 2 visa system where an extra £1,000 or £2,000 per year premium will be placed on every person employed in the industry, and where, as the evidence in the EU report says, three to eight months is a normal delay to expect when an application is put in. Will the Minister encourage her Government to work with industry on a massive training package of recruitment, training, mentoring and retention to make sure that in the longer term the construction industry can go on delivering what is needed?

Finally, can the Minister say when she expects the Government to respond to the Farmer review, which looked at many of these structural issues in the construction industry, and when she intends to see the Morrell report on the construction industry training board published? Both of those are part of the longer-term solution which is so urgently needed as well. I do not say that Brexit is the cause of the construction industry’s woes at all, but it has brought into sharp relief the need to do something very quickly to stop government policies simply running aground as the construction industry shrinks.

5.39 pm

Baroness Jones of Moulsecoomb (GP): My Lords, I join in the appreciation of—even acclamation for—this report from the noble Baroness, Lady Prashar, and her colleagues. It is a very difficult subject and I congratulate them on producing it.

An earlier contributor to the debate said that it is obvious that the scale of immigration must be reduced. That is complete nonsense: nothing is obvious about the whole process of Brexit. I voted for Brexit but I did not vote to stop the free movement of EU nationals or to stop migration to Britain. That was not my aim. I probably voted for the £350 million to go back to the NHS, although that is not looking likely at the moment with this Government. I say that to demonstrate that, although millions of people voted to exit the EU, you cannot make assumptions about the things that they believed at the time. There simply was not a proper debate and everybody probably had their own view of what it meant to exit the EU.

I think that EU migration and wider immigration has been fantastic for Britain. It has brought us new ideas, new energy, dynamism and perhaps even a bit of cultural understanding of other nations. Whether migration is to or from this country, it is a very healthy thing for us as a nation to have. To me, Britain is an outward-facing, warm, welcoming and kind country to people. Some come here to work, some come as tourists, some are fleeing famine and wars—wars that we might have been instrumental in waging—and perhaps some are fleeing climate change disasters to which we have contributed. As a nation which consumes a huge amount of resources, we have a duty to people who flee here when their resources are reduced because of our greed.

YouGov polling today has shown that 69% of people support free movement within the EU. That is mainly because they want reciprocal relations, but 69% of people think that free movement within the EU is a good thing, and we have to keep that in mind when we think of the movement of people generally.

We have to recognise that immigration can change our communities. It can be very frightening and have quite a strong impact on some communities. It is the Government’s job to keep us secure and safe, to explain the situation to communities, and to help immigrants or migrants to assimilate, to join in and to have a secure lifestyle here. However, the Government are doing the opposite. They have suggested that the lack of GPs or school places can be blamed on immigration. That is scandalous and irresponsible, as well as bluntly untrue. If you meet a migrant in the NHS, they are much more likely to be treating you than to be ahead of you in the queue. The head of NHS England said today that he will recruit more than 2,000 GPs from
abroad to meet the NHS’s staffing targets. Therefore, clearly the NHS sees the value of migration and immigration.

The lies about immigration mean that the real problems facing our communities are not solved. The grinding poverty that many communities face is simply swept aside because this other issue predominates. Instead, we have scapegoating and tough-sounding rhetoric. We have to make our immigration system fairer and more humane. We have to end immigration detention, scrap the minimum income rules for visas and make family reunion easier.

I and, I know, a lot of other people were extremely embarrassed that the Government did not immediately give EU nationals the right to remain. It made us look very mean. It is something that we will have to agree to in any case, so why not do it out of generosity of spirit rather than be forced into it? These people have made their lives here in good faith, and allowing those lives to be turned upside down, with many people leaving, is irresponsible of our Government. They have used these people as bargaining chips, which is a very unpleasant thing for them to have done.

I am not sure where we are on the Tory aim of introducing a cap of 100,000 on the number of immigrants. I know that the Tories have tried to achieve this quite often. I try to stay up with the news but politics is fast moving at the moment and I do not know where we are on that. However, such a cap would be arbitrary and very damaging to our society. We need movement of people—that is healthy. The cap is based on the premise that migrants are damaging to our economy but that simply is not true. They are damaging neither to our economy nor to our society.

The noble Lord, Lord Judd, gave us some cautionary words about evidence. I am now going to cite some facts, which many people do very selectively; I am going to do the same. A third of doctors are foreign born. There are 55,000 EU nationals in the English NHS alone. On international students, stricter rules could cost our economy £2 billion, and counting them as immigrants is absolutely wrong. These people pay a lot of money for their education and one hopes that they will always have a kind view of our country. We do not hear enough about the benefits that migrants and immigrants on our society and economy.

I find it hard to believe that the Government of the country that I live in and work so hard for have been so inept at handling this whole issue. They have not just handled it badly but lied about the impact of migrants and immigrants on our society and economy. We do not hear enough about the benefits that migrants bring. It seems to me that that is the Government’s job and they are not doing it at the moment. The whole anti-immigrant narrative has been very nasty and difficult to challenge. Many in this House have challenged it but, sadly, the Government have not picked up on that. I think that the UK will be much worse off without the free movement of people.

Finally, clearly this House will have an opportunity in the future to take the European Union (Withdrawal) Bill and amend it for the better. We have it in our power—we have enough experts in this House—to make sure that it is a better Bill than the one the Government have produced. I think that we should join together across parties and vote down the worst aspects of the Bill. I very much hope that this House will demonstrate to the Government that they simply cannot pass legislation that is so cruel and inappropriate.

5.48 pm

The Earl of Clancarty (CB): My Lords, I congratulate the noble Baroness, Lady Prashar, and the Home Affairs Sub-Committee on their informative report. I want to talk about an area that is touched on in the report but that has not had the discussion in Parliament or in the media that it deserves. I refer to how the loss of free movement in the future would be likely to affect UK citizens based in this country, especially young people, as how we treat EU nationals who are already in this country will mirror how we expect UK nationals going into Europe in the future to be treated.

The report discusses short-term travel to the UK with reference to agriculture, for instance, but what is missing is any picture of how UK citizens move round Europe, particularly for periods of less than a year, and, more generally, attitudes towards free movement as an aspect of EU citizenship—issues which I believe are central to the Brexit debate.

In both those respects it is worth quoting the observation on page 18 of the report made by Jonathan Portes, professor of economics and public policy at King’s College London. He is concerned about the problem of the definition of an immigrant as someone who arrived in the UK intending to stay for more than one year. He said:

“That was probably quite meaningful … in the 1950s, 1960s and 1970s, when people who planned to come and live here came from the Caribbean or India with a work visa … If you are coming from Poland, Latvia or France, there is no legal, moral or practical obligation on you. When you come here and flash your passport with no visa in it, you may very well not know whether you intend to stay for a month, six months, or the rest of your life. Even if you did have some vague intention, it could well change and you are perfectly entitled to do that”.

There are two things here. One is the ad hoc, spontaneous manner in which free movement can now occur—part of it being “free”—and the other is that of entitlement. A problem is the scarcity of data on how British people utilise free movement, apart from the 1.2 million UK nationals who we know are settled in Europe.

One industry that might best reflect how young people in particular utilise free movement is the arts and creative industries. For instance, 48% of those in the creative media industries are under the age of 35, which is 13% more than the average for the national workforce. Results of a study released last week at the launch of the campaign #FreeMoveCreate—a joint venture between the Incorporated Society of Musicians
[The Earl of Clancarty] and the Artists Information Company, representing over 30,000 musicians and artists, gives a detailed view of how important free movement is to our creative industries. These are now worth £87 billion to the UK economy, more than either the car manufacturing or aerospace industries.

The creative industries have a strong service industries aspect to them; it is rarely as simple as just the movement of goods. What emerges is a sophisticated picture of movement, with frequent travel and stays varying from long to short. In the past 12 months, 40% of visual artists travelled regularly to the EU for work or professional development, and 53% who had travelled to the EU had an average stay of between four and seven days. Seventy per cent of musicians travel overseas for work. The average stay is eight days, but can range up to 60, and musicians are 25% more likely to travel to the EU than the rest of the world. Some musicians travel to the EU more than 40 times a year. Deborah Annett, chief executive of ISM, says that, “60% of musicians placed maintaining freedom of movement as their number one priority ... Our research shows that visas are not the solution and can cause even more problems”.

That conclusion is in line with the concerns expressed to the sub-committee on EU nationals seeking short-term work in the UK.

Work permits and required job offers are entirely unrealistic. The informality and spontaneity of decision-making in the creative industries cannot be overemphasised. Many artists visit other countries in Europe on a look-see basis, with opportunities for work decided at a moment’s notice. A good example of this is the fashion industry, where it might be decided in London in the morning that a fashion shoot will happen in the afternoon in Paris, Rome or wherever, with participants arriving from different countries.

The mantra that we hear from the Government when problems are raised about EU nationals coming to the UK—and of course any final deal would need to be reciprocal—is that “we will attract the brightest and the best”, as was referred to earlier by my noble friend Lady Prashar. This outlook seems to bear no relationship whatever to the nature of the reality of an industry where short-term and long-term opportunities often segue one into the other. This is true for movement in both directions. The individual citizenship right of free movement is pivotal to the operation of the creative industries, let alone their success.

The other concern that Portes’ observation raises is the issue of entitlement. For young people in particular there is the question of the extent to which free movement in this way is understood, not just for the purposes of travel to work and study in another country but as a democratic right in itself, as enshrined in the 2004 citizens directive. There is a strong argument—supported by Floris de Witte, assistant professor at the London School of Economics—that free movement is the core value of EU citizenship. I submit that for most Europeans it is inconceivable that the ability to move at will between countries in Europe and in an expanding EEA, notwithstanding the referendum, could be a right that is lost. It is part of the democratic foundation upon which modern Europe is being built. In the UK, we know from YouGov that 71% of 18 to 24 year-olds voted remain in the referendum. A poll last month for the Observer held that 85% of 18 to 24 year-olds wished to retain EU citizenship. It is free movement that the young in the UK do not want to lose.

The Government need to recognise urgently that a distinction must be made between the individual’s right to free movement, and an overarching immigration policy that might be introduced for example to protect industry in the UK in regions where it is felt necessary to do so, while we retain access to the single market. The right of UK citizens to move freely within Europe should not become collateral damage.

5.55 pm

Lord Oates (LD): My Lords, I read the excellent and informative report of the committee and the noble Baroness, Lady Prashar, with both interest and despondency but very little surprise. What is clear from the report, and is becoming increasingly clear in every aspect of Brexit, is how little clarity the Government have about what they are trying to achieve or how they will achieve it.

Ministers have been keen to tell the public that this issue is all about sovereignty. The Prime Minister tells us that, after Brexit, we will have control of our borders—although, as my noble friend Lady Janke noted, the then Immigration Minister, Robert Goodwill, told the sub-committee that we have always had control of our borders. Likewise, the Government state that immigration control will be solely a matter for the UK Government post Brexit. Yet the then Minister of State at the Department for Exiting the European Union, David Jones, told the sub-committee that, “the issue of migration will figure strongly in the negotiations and the ultimate treaty”.

The clear implication is reciprocal agreements and treaty obligations, which will necessarily constrain the hand of the British Government and the ability of Parliament to determine policy. Nowhere is sovereignty absolute, and this will become increasingly evident as we proceed with negotiations.

If we want reciprocal agreements and treaty guarantees for our citizens, we will inevitably have to make trade-offs. As the noble Lord, Lord Kirkhope of Harrogate, made clear, our ability to access markets, particularly for services, will depend on our willingness to accept elements of freedom of movement. The Government need to recognise that fact and start telling the public the truth. If they do not, the public will be in for a rude awakening when the realities become clear, and the disillusion and anger will only grow.

There is a massive deceit at the heart of Brexit, and nowhere more so than over free movement. The Conservative Party has repeatedly promised the British public that it will reduce net immigration to “tens of thousands”. It promised that in its 2010 manifesto; it promised that in its 2015 manifesto; and it promised that just a few months ago in its 2017 manifesto. It was a promise that the Conservative Party failed to deliver in 2010, 2011, 2012, 2013, 2014 and 2015. It failed again to deliver it in 2016 and it will fail once more in 2017. Yet, like an addict unable to kick the habit, it keeps repeating the mantra. As a member of a party...
that has paid a heavy price for failing to deliver on one of its pledges, I gently suggest to the Conservative Party that this is not a good strategy to pursue. Either it will continue to fail to deliver that pledge and cause a world of pain for itself, or, in the extraordinarily unlikely event that it achieves that pledge, it will cause a world of pain for the country and the economy.

The truth is that the Conservative Party made this pledge to the British people even though it knew that it was not achievable. In the first instance, that is because free movement meant that no such guarantee could be upheld, and in the second, because the area of immigration that the Government did have control of—non-EU migration—continued to run at hundreds of thousands throughout the period the Conservatives were in government and the current Prime Minister was in charge of the Home Office. This reckless approach fuelled disillusion and public dissatisfaction, and not once did the Conservative Party make any meaningful attempt to explain the huge contribution that EU workers were making to our economy and society.

More than that, it was clear from within the coalition Government that the figure on which the Conservatives based their pledge had been plucked out of the air and had a statistical base that made absolutely no sense. As the sub-committee report notes, the statistics include overseas students on courses of over 12 months who are bringing money into our economy and who almost everyone thinks should be welcome. It excludes seasonal workers, who, in the argument of opponents of free movement, are either taking the jobs or driving down the wages of British workers.

The noble Lord, Lord Forsyth, rightly made the point that even these figures are highly questionable. They are based on a small sample and are subject to a margin of error of tens of thousands. Indeed, the point is made throughout the report that the data on migration and the evidence of its impact on the labour market that is available to the Government are extremely patchy. Yet, on this basis, the Government will have to make critical decisions about migration that will have a major impact on our economy and our country for many years ahead.

There is an assumption in some quarters that EU migration displaces British workers from jobs they would otherwise have, reduces the incentive on companies to train workers and suppresses the wages of unskilled workers. However, as noble Lords have noted, the report found that the evidence for this is scant. One only needs to look at figure 2 on page 13 of the report on long-term international migration to the UK from 1970 to 2015 to see that the periods of lowest immigration to the UK were those of highest unemployment and greatest relative economic decline. All the evidence points to immigration boosting our economy and improving the chances of British people being in employment.

It is clear from the report that there are areas of economic activity that British workers are highly unlikely to fill and constraints on migration will simply lead to such activity moving abroad—a fact particularly true in the agricultural sector. As my noble friend Lord Stunell set out so clearly, the impact on sectors such as the construction industry of major constraints on labour could be absolutely dire—and not only for that industry but for our economy as a whole.

As for the impact on wages and training, witnesses to the committee made the telling point that the biggest factor in the suppression of wages was the public sector pay policy of the UK Government, not least in the health and other public services. As to training, Professor Manning of the Migration Advisory Committee highlighted the fact that the Government have made cuts in training places for nurses even though courses were oversubscribed by residents, helping to push the demand for migration from the EU to fill the gap in our health services.

We need to be honest about these facts. If we want decent public services, we have to pay decent wages and fund sufficient training places for British people. We have to invest in our education sector, particularly in the FE sector. Even then, we will still need skills from the EU and elsewhere. We always have and we always will.

I have a few questions for the Minister. A range of questions are raised in the report but, in particular, I want to ask what the Government intend to do to tackle the absence of data, as highlighted in the report; and whether they will not look again at the crazy way in which overseas students are included in the statistics, an issue that has been raised in your Lordships’ House on a number of occasions? Secondly, on the point raised by the noble and right reverend Lord, Lord Eames, can the Government give a more adequate explanation of how they believe they can maintain a common travel area across our only land border when Ireland is within the EU and we are without it? Thirdly, do the Government intend to introduce a preferential system for EU migrants post-Brexit, or do they intend to embroil them in the existing bureaucratic system for non-EU residents, to which other noble Lords have referred?

I note the statement in paragraph 6 of the report supporting a unilateral guarantee to safeguard the rights of all EU nationals in the UK, which has already been quoted by the noble Lord, Lord Cormack. I salute the noble Lord for his steadfast support of this cause. The Government’s vindictive response to the fact that he chose to put the rights of millions of people above petty partisan considerations symbolises everything that is wrong with their approach to this issue and to Brexit as a whole. Given such an approach, it is no wonder that they cannot unite their Government let alone this country.

6.05 pm

Lord Brown of Eaton-under-Heywood (CB): My Lords, I, too, congratulate the committee members, their staff and advisers who contributed to this excellent report, and I congratulate the noble Baroness, Lady Prashar, on her lucid opening of the debate. I confess to seeing this report as an opportunity seized rather than, unlike my noble friend Lord Green, as an opportunity lost.

A fortnight ago, I spoke in the debate on the committee report on the acquired rights of EU citizens introduced by the noble Baroness, Lady Kennedy. The report we are dealing with today is, to a degree,
related. Both reports, for example, helpfully summarise the effect of the 2004 citizens directive, spelling out the directly enforceable rights conferred on all EU citizens, as subsequently developed by the ECJ and extended to all EEA nationals. However, whereas the earlier debate concerned the sufficiency of the offer that we are now making to the other 27 states about the rights already acquired by EU citizens, today’s report concerns rather the question of how far post Brexit we should restrict the rights of EU citizens to come here. In short, it deals with proposed immigration control, not with those who already have the right to be here.

In the earlier debate I concentrated on the question of the enforcement of whatever substantive rights that ultimately come to be recognised in the withdrawal agreement, my essential point being that we should put aside our absurd red-line objection to the ECJ—perhaps in future with a co-opted British judge—having jurisdiction to resolve any disputes that may subsequently arise on the proper construction and application of the withdrawal agreement. “Enforcement” is the heading of a section of the present report, too, but here in a quite different context. Here it relates to the inevitable problems that will arise—creating, of course, reciprocal problems for our own citizens in other EU states—if we start enforcing strict immigration controls over EU citizens and, for that matter, over EEA nationals too, that are similar to those that we impose on third-country nationals. There will be problems for the Home Office, the Border Force, employers, possibly for landlords and so on. The stricter the controls, the more expensive and problematic enforcement becomes.

Even more significant than the cost and difficulty of enforcement is the price we shall have to pay for any such extensive restrictions on the free movement of workers in terms of our being allowed access to the single market, a topic upon which many of your Lordships have already spoken. I found the committee’s conclusions on this point, in paragraphs 77 to 80, of critical importance. Basically, we should be aiming to reach agreement for controls—creating, of course, reciprocal problems for our own citizens in other EU states—if we start enforcing strict immigration controls over EU citizens and, for that matter, over EEA nationals too, that are similar to those that we impose on third-country nationals. There will be problems for the Home Office, the Border Force, employers, possibly for landlords and so on. The stricter the controls, the more expensive and problematic enforcement becomes.

Once again, as with the question of the future of ECJ jurisdiction, I implore the Government to set aside their red-line approach to free movement, at least to the extent of recognising the merits, certainly in the short to medium term, of exiting the single market—or, rather, the EU—by way of the EEA, a possibility that I dealt with at some length in the Brexit debate on the Queen’s Speech, when I made certain brief points in favour of taking EEA membership at least for a transition period.

For my part, I regard the total abolition of the rights of free movement of EU citizens, just as the total rejection of any future role for the ECI, as an absurdly doctrinaire objective. Both seem to me to be misconceived as red-line issues and each is profoundly damaging to the prospects of successful Brexit negotiations. Just as the ECJ could play a useful role in resolving future supranational disputes, so too we shall continue to need a great many EU citizens who will wish to come here in the future. We should be trying to attract and encourage them rather than impose restrictions.

Obviously, the continued inclusion of students in the immigration statistics remains a puzzling and profoundly damaging mistake. The noble Lord, Lord Cormack, focused on the issue, and I suspect that the noble Lord, Lord Bilimoria, may do so as well. But in addition to students, at any rate until some future date when we have trained up and persuaded our own citizens to do these jobs, we need health and care workers, plumbers and builders, workers in the hospitality industry, for crop harvesting and food processing, and so on and so forth.

I recognise and accept the need to place some limited restrictions on the present absolute right to freedom of movement of all EU citizens, not least to reflect the apparent wishes of many—although not all, as the noble Baroness, Lady Jones, has made plain—who voted for Brexit in the referendum. Indeed, the goal of some limited restrictions on free movement now seems to be shared by a number of other EU states and before too long may well come to be accepted within the Union as a whole. By all means let us negotiate towards such a conclusion, but I urge the Government to abandon any absolutist, ideological, confrontational stance on this difficult issue. A high degree of freedom of movement for all EU workers will continue even after Brexit; it will remain an article of faith and a cardinal principle of the Union as a whole, and we shall not achieve a satisfactory future trading deal without recognising and respecting it. It is in that fundamental context that we should now consider this most valuable report.

6.12 pm

Lord Bilimoria (CB): My Lords, as recorded in this excellent report, on 17 January, the Prime Minister said in her Lancaster House speech:

“The message from the public before and during the referendum campaign was clear: Brexit must mean control of the number of people who come to Britain from Europe”.

In order to achieve this, the Government have undertaken to put an end to the free movement of persons, one of the four freedoms underpinning the single market. I congratulate the noble Baroness, Lady Prashar, and her committee on producing a report on this crucial area. It examines the Government’s pledge and what it means in practice. It states clearly and right up front that if Article 50 were to conclude with a hard Brexit, it would be a real problem. For its part, the UK could place EU immigrants on the same footing as non-EU immigrants; that is one option. At the other end of the spectrum, there could be new reciprocal and preferential arrangements for UK-EU migration falling short of free movement as it exists today, but coming close to it in some way.

The Government seem to want to put an end to free movement based on the Brexit mantra of, “Take back control and vote leave”. This is a big element of taking back control—the restoration of national control. However, we can see from the report that the reality is that three-quarters of EU migrants come to the UK either to work or to look for work. The unanimous
view, whether it be that of the private sector or the public sector, is that these migrants are valued and want to work. We are talking about a work permit system. Employers have warned that this would disproportionately affect the ability of some employers to sponsor EU workers and could result in labour shortages. Moreover, the composition of UK migration to the EU is completely different from that of EU migration to this country. People who go to Europe from here are either retired or nearing retirement. They are over the age of 50. A reciprocal deal would not really be reciprocal because we are not comparing apples with apples, which is another challenge.

The Government have set out their direction of travel and they keep talking about “skilled” and “non-skilled” workers. This is a key aspect: where is the evidence for all this? The report highlights a major problem. What are we basing these statistics on? I challenge the Minister on this. I feel like a lone voice in the wilderness because time after time I have been asking like a stuck record both in Parliament and outside why the Government do not reintroduce physical, visible exit checks at our borders. I travel extensively around the world, including to European countries. Everywhere I go, whether it be South Africa, India, the United States or Switzerland—I have just come back from the Netherlands—my passport is checked when I go in and it is checked when I leave. If we scan passports both in and out of the country, we know who has come in, we know who has left, and therefore we know who is here and who should not be here. It is very simple, so why do the Government not do it? I tell them that it is negligent on their part. From the security point of view, given the dangerous world we live in, it is negligent. The Government’s primary responsibility is the security of their citizens, but they are letting those citizens down by not doing this, let alone not being on top of immigration. I am sorry, but e-borders are a nonsense because they are not visible or physical. Passports need to be physically scanned. That is my challenge to the Government. I have said it time and again and I will keep saying it until something happens.

EU immigration as a proportion of all immigration into the UK in 2016 was estimated at 44%. The Government want to reduce net migration to the tens of thousands. We know that the figure has been around 300,000 and that it is now about 275,000. In the year ending June 2016, some 49% of all EU immigration was made up of people from the old EU 15 member states, and by that month 72% of the EU nationals moving to the UK reported doing so in order to work. I am sorry, but e-borders are a nonsense because they are not visible or physical. Passports need to be physically scanned. That is my challenge to the Government. I have said it time and again and I will keep saying it until something happens.

When we talk about weaknesses in the migration statistics, let us look at the International Passenger Survey. It is a joke. I have seen it. I have seen Jo Johnson, the Universities Minister, who I accompanied on a visit to India when the Prime Minister was there in November, being stopped and asked the International Passenger Survey. We started laughing.

The net migration figures exclude short-term migration flows, such as seasonal agricultural workers. I stumbled across a programme on Radio 4 in which the interviewer interviewed Romanian workers in east England, where there are lots of seasonal agricultural workers. They were very happy. The interviewer asked, “Have you ever had any British workers work alongside you?” They replied, “Oh yeah, I think I remember one”. Then they interviewed the owner of the farm. They asked, “Are you happy with these workers?”, to which the owner replied, “They are excellent. They work really hard”. One of the Romanians said, “I am saving up money for my house in Romania”. The interviewer asked the owner of the farm, “Have you ever had any local, British workers working here?”, to which the owner replied, “Oh yes, we did hire one. He lasted one day”. The interviewer asked, “Which way did you vote in the European union referendum?”. The owner replied, “I voted to leave”. The interviewer asked, “Why?”—you could hear him muffling his laughter. The owner replied, “For sovereignty. Take back control and vote leave”. It is brilliant.

On Article 50, we will be negotiating with 27 countries to conclude this agreement. As predicted, the other 27 countries have said that when we are negotiating we cannot say, “We will have this movement of people with Spain and this movement of people with Romania”. We will have to have the same movement of people...
[Lord Bilimoria] rule with the whole of the European Union. The emergency brake that the report has spoken about is a practical method that can be used. A work permit model would put it on the same footing as we have for non-EU citizens at the moment.

This point was brought up in the speech on construction: what would we do without these people? We keep talking about low-skilled and high-skilled people. Whatever skill you look at, we have 4.5% unemployment. That is the lowest level of unemployment in living memory. We have the highest level of employment in living memory. We will have a labour shortage without access to this free movement of labour from the EU.

The CBI has concurred that the impact on wages would not be dramatic. The TUC has said that immigration was not the reason for low pay in specific sectors. The NFU does not expect, “increased wages to result from a fall in EU immigration.”

On the low levels of unemployment, we have concluded that we will just hire British workers. What is stopping our employers from doing that right now? The Institute of Directors has said:

“The best way to control immigration and reduce employers’ reliance on recruitment from overseas is to increase the supply of British workers with the skills that those employers need”.

I ask the Minister: why is that not happening? We have had the option. We have the apprenticeship schemes. We are trying to skill up our local workers, but we still need these 3 million people from abroad. That is the reality. The British Chambers of Commerce has said that we, “need to make sure that we can access the labour required … it is going to be very difficult to do that purely through UK workers”.

There is another point: if an EU person comes here and has not found work after three months we already have the ability under the rules to ask them to leave. Other European countries do that. We have an in-built system. Will the Minister confirm that that is the case?

This is the irony of what I call the wretched referendum: the report says that the UK and the EU, “find themselves negotiating a Free Trade Agreement in reverse—starting from … full integration”;

and moving backwards. Normally with a free trade agreement you try to do it the other way round. We have skill shortages. In my business, Cobra Beer, we supply 98.6% of curry restaurants in this country. They cannot get the chefs they need. Why? It is because of our Immigration Rules. I have mentioned international students. Then there is the public sector. The argument made during the referendum was that EU nationals here are a burden on the state. The noble Lord, Lord Green, actually conceded that their impact is neutral. They are not a burden; the EU workers over here contribute six times more, in the statistics I have seen, than they take out. Their young do not use the NHS and they work in the public sector, whether it is in the care sector or the health service—in every area they work in the public sector. Quite frankly, areas of the public sector would collapse without their contribution. Will the Minister confirm that we have already seen a 96% drop in applications for nurses from the EU? How will we make up this shortage?

I shall conclude by talking about the reality of the backdrop. Her Excellency, Madame Sylvie Bermann, estimates that there are 300,000 French people living in the UK. This figure could be higher. Approximately half of those people are highly qualified. Again, this is completely contradictory of the noble Lord, Lord Green, who said that these are primarily unskilled workers: these are highly skilled workers. Her Excellency said that the French community in the UK was “worried” and had lots of questions about the consequences and the great uncertainty. She reported a rise in xenophobic behaviour, which is really worrying.

The EU population represents 6% of the UK population, but 7% of the labour force. They are more likely to work than the native population, according to the Recruitment & Employment Confederation—81% compared with 75%. Relative to their share of the UK workforce, EU nationals are overrepresented in a number of sectors: 11% of manufacturing; wholesale and retail trade, hotels and restaurants 9%; transport 9%—I could go on. They are making a huge contribution. The creative industries respect and appreciate their collaboration.

I now come to the crux of it: public support for continued EU freedom of movement in exchange for access to the single market. A survey from just now—14 July—finds that Britons favour a deal that resembles Norway’s relationship with the EU. That very clearly involves the free movement of people. Cambridge University was a part of that survey. Here is the news: on free trade deals, the high commissioner of India has very clearly said that India has welcomed and wants to do a free trade deal, but it has to include talking about movement of people and students. India has nine bilateral free trade agreements in the whole world. The United States—the biggest economy in the world—has 20 bilateral free trade agreements around the world. Guy Verhofstadt has said:

“Improve the Brexit offer to EU citizens, or we’ll veto the deal”.

The EU has said very clearly that it is very disappointed with the proposition put by the British Prime Minister. Guy Verhofstadt and Michel Barnier are not going to accept the deal that is put forward and Guy Verhofstadt has said that it, “seems that Britain wants to become the new champion of red tape”.

British public opinion has moved now. This is no longer a question of a soft or a hard Brexit. The country does not want a hard Brexit. When it comes to a soft Brexit, the reality is the public have seen very clearly that the Brexit emperor has no clothes. Quite frankly, there will be no Brexit.

Lord Green of Deddington: Before the noble Lord sits down, could he tell the House whether he agrees that we can continue with net migration of a quarter of a million indefinitely? If not, what would he do about it?

Lord Bilimoria: For a start, I challenge the net migration figures. We do not know what the accurate figures are. That is a challenge for the Government. The reality is that we have 4.5% unemployment. We need people from the EU and outside of the EU,
whether they are academics or any sector, private and public, otherwise this economy would not be where it is today—the sixth largest economy in the world.

6.28 pm

Lord Spicer (Con): My Lords, this is now the gap, so I have four minutes through my own incompetence in not putting my name down on Friday. My only worry is I will not be able to get across quite how much I disagree with, I think, every single speech— it is a very arrogant position to be in but I am afraid it is the truth. I will take up 30 seconds of my speech to say to the noble Lord, Lord Stunell, that I quite agree that the construction industry is important, but why do we need to be a member of the single market to build houses in Britain? I did not quite follow his logic.

We are talking about economics, basically. One of the basic arguments used about this country is that the economic benefits of being a member of the single market, the customs union and so on outweigh the political cost of loss of sovereignty. That is the reverse, for instance, of Germany. Germany has economic costs that it suffers by not having the Bundestag, the deutschmark and so on, and it thinks it makes it up on political matters. This swap of politics and economics goes on.

I want to look at whether Britain gains enormous economic benefit by being in the single market. Let us think about what the economists are saying. The brightest economist I know is in this Chamber at the moment: the noble Lord, Lord Burns, whom I have known for many years and from well before he was a famous civil servant. Economists are saying two things at the moment: one is that we will have modest growth with full employment and the other is that we will have abysmal productivity figures. Why in those circumstances do we give priority to belonging to a club that restricts growth and builds walls to protect itself? Why do we need to be protectionist, when what we really want is the urge of competition to give us the spur to do what we need to be protectionist, when what we really want is the urge of competition to give us the spur to build our goods around Europe will be key to what we do. That is what we keep missing when we think about staying in the single market.

The noble and learned Lord, Lord Brown, talked about the price that we will have to pay in freedom of movement of people and so on. I do not think the price is very high at all; it is very low. The WTO will do, frankly. It is not second-best; it will do, although that is the reverse, I realise, of what many people in this Chamber think.

6.32 pm

Lord Campbell-Savours (Lab): My Lords, I shall speak only very briefly in the gap. I had no intention of speaking in this debate until, during Question Time today, my noble friend Lord Hain passed me a question he had asked the Minister and included with it the response that he had received. I shall come back to that in a moment.

I do not want to repeat my own contribution of 20 February to the debate on the withdrawal Bill apart from to say one thing: I believe that in Labour areas of the United Kingdom the vote in the referendum was based entirely on attitudes to immigration. I am convinced that, in the event that immigration was not surrounding this whole debate on the future of our position in Europe, there would have been an overwhelming vote in favour of remain. We have to isolate the issue of immigration if we are to understand the way forward. The debate taking place today contributes to that, but we have to go far further and in more detail. That brings me to my noble friend Lord Hain’s question.

He asked, “how many EU nationals in the UK have the Home Office removed under article 14.4(b) of directive 2004/38 because they did not satisfy its work requirements? Does not this provision enable EU nationals not in work to be returned home while the UK still remains in the single market and the customs union?”—[Official Report, 4/7/17; col. 787.]

You would expect an answer to that question. The Answer he received to a Written Question of the same date and requesting the same information was, “only … obtained at disproportionate cost”.

That is the problem with this whole debate. Insufficient information is feeding public prejudice. If you want to deal with public prejudice on the issue of immigration, you have to provide hard statistics. Such Answers are nothing but rubbish. They are meaningless and they discredit the institution of Parliament.

I was talking to a colleague in the House of Commons only an hour or so ago who said that you would not get away with an Answer like that there. It might well be that we should start table Questions at both ends, because we cannot carry on on this basis. There are many questions. Earlier in the debate, we heard about the inaccuracy in information provided, with it being based on general assumptions and statistical nonsense. That is not good enough. If we are to deal with the issue of immigration and satisfy the British public and the views that many of them hold, we must have the facts. I ask the Minister to go back to the department and tell it that we want statistically accurate information if we are to proceed properly.

6.35 pm

Lord Wallace of Saltaire (LD): My Lords, for me, the high point of this debate was when the noble Lord, Lord Cormack, remarked that picking strawberries is skilled work. I have spent most of the past three Sundays picking soft fruit, including gooseberries. I have scars all over my lower forearms to demonstrate this. To be told that this is skilled work was very pleasing. I shall go back and tell my wife, who merely did the jam, ice cream-making and other such things, that my work was at least as skilled as hers.

This excellent report emphasises that, fundamentally, movement of people is seen as an issue of sovereignty, on which the whole debate around the EU referendum was extremely confused. As the noble Lord, Lord Spicer, reminds us, the leave campaign was in favour of free trade for companies, for investment and in goods
but in no circumstances for people. We are one of the most open economies in the world for foreign investment, so we welcome foreign companies but not foreigners—unless they are really rich, at which point, under the tier 1 investor visas, permanent residence can be bought. Under such visas, a rising number of Chinese and Russians whose wealth came from not entirely clear places were allowed in. Several of us have been involved in trying to change the rules on that and I am happy that the Government have now tightened them.

Given that we are a country which is remarkably open to foreign investment and is therefore dominated by multinational companies, talented young British people who want to rise to the top of those companies need to be able to work abroad and to be able to travel without the complications of getting visas to work in foreign markets. If multinational companies based in Britain, be they European, Japanese, Chinese or whatever, say to themselves: “Well, actually, promoting a Brit and making them work in Frankfurt for this year and Athens the next would be an awful nuisance because of the time it will take them to get visas”, they will promote French people, Germans and others instead. Another part of what has been wrong with our entire debate about leaving the European Union as far as immigration is concerned is that we have not thought about it as a properly two-way relationship.

Robert Goodwill has been quoted as saying to the committee that the UK Government do control their borders, at least in principle, but we have heard in this debate that, in practice, they do not manage that very well. I was struck some months ago when we had a question in this House about how many offshore patrol boats we had around the extensive maritime borders of the United Kingdom, to which the answer was a quarter of those that the Dutch have for their short coastline. I asked the Library to check this morning. I gather that we have fewer offshore patrol boats for our borders than any other EU member state except Belgium. That suggests that we are not really thinking about enforcing the rules. Many of your Lordships will have seen the NAO comment that there are more than 60 small ports within Britain which a member of any public authority, coastguard or police force does not visit for more than 12 months. Again, our borders are entirely open because we have had Governments so concerned with shrinking the state that they have given up on the idea that one must enforce control of our borders and existing immigration controls.

A lot of other noble Lords talked about the problems of statistics. The noble and right reverend Lord, Lord Eames, remarked that when you do not have the facts, perception becomes reality. I am very concerned by what I see as misperception in the white working-class estates of west Yorkshire and elsewhere which voted heavily for leave. There they believe that foreigners from Romania or elsewhere are taking their social housing and their jobs. There is very little evidence of this. An excellent article in the Financial Times on Portsmouth some months ago pointed out the widespread perception that most social housing there was now occupied by immigrants from the EU. Actually, the total number of people from the EU living in social housing in Portsmouth was three. That level of misinformation and lack of information is a tremendous problem for us all.

I will spend a little more time on the question raised in chapter 4: the pull factor of immigration from the European Union and the extent to which British employers prefer to recruit directly from eastern Europe rather than to train their own or recruit directly from here. I spent some time travelling around Yorkshire over the last four of five years asking small and large employers why they recruited directly from eastern Europe rather than look for people here. The answers are, first, that you cannot get trained people and, secondly, that the sort of people you get from Bradford, Wakefield or wherever it may be are often much less motivated, they tend not to turn up on time and go sick more often. Therefore the employers prefer Slovaks, Poles and the like.

That raises some large questions—whether or not we leave the European Union, or whatever we do about freedom of movement—about the structural weaknesses of our education and training system, in particular how it affects what one must call our underclass. That is, those whose grandparents worked in the mills, factories and mines and whose parents often managed to get only occasional work. These people go to underfunded schools—we had an interesting discussion earlier this afternoon about school funding—without decent careers services and they do not find a way into jobs. It is not that they do not want to find places. I work occasionally with a social housing association in Bradford which now runs its own apprenticeship scheme for training and retaining its own plumbers, electricians, bricklayers, plasterers and the like. It took in 10 people last year. It had 400 applications. A lot of young people in Bradford want training and cannot get it. Around Yorkshire I ask what is happening. They say, “Well, the big building employers do not want to take on apprentices because they are not sure they will want to take them through and retain them for four or five years. It is easier for them to recruit people from Latvia, Lithuania or Poland”. That is a huge problem, one that we must address. It is not part of what the leave campaign told us about.

What about the Government? Nurses and teachers have been mentioned already, with the Government reducing the level of training for nurses when we need rather more of them. I have seen rather too much of the inside of some hospitals in the last year for various reasons. The Portuguese nurses who looked after me in St Thomas’s were superb. When I went into St George’s outpatient for some post-cardiac physio, the first thing that the Polish physio in charge of our course said to me was, “Do you still want us here or do you want us to go home?”. Of course, that was just after the referendum. The answer is that we need them here. They provide a very good service to our economy. We are not training enough nurses of our own, so they are even more important.

Clare Fuges in today’s Times talks about the unfortunate bias of the current debate on immigration: the suggestion that somehow voting leave could solve our immigration problems and that European immigration is the key to that. The spectre of 80 million Turks swarming into Britain successfully blurred the issue
between immigration from Europe and from the rest of the world. I must say to the noble Lord, Lord Green, that Migration Watch nurtured that popular perception, in alliance with the Daily Mail and others. Yet the Migration Watch website, which I looked at this morning, says: “In the last decade only around one third of net migration came from the European Union—the rest originated from countries outside the EU”.

The overall population of the EU is falling. The surge of Polish, Romanian, Lithuanian and Latvian migration, which accounts for about half our current stock of EU residents, is finite. There are not that many more to come. Young Poles and Latvians are not having many children. The prospect of Brexit and the falling pound are already leading to a beginning of a return. The long-term immigration challenge we face, alongside other European countries, is from the rest of the world, where population is rising, climate change is making life more difficult and nasty regimes or violent conflict combine to push people north to struggle, if they can, across Turkey or the Mediterranean. For example, the population of Africa doubled in the last 25 years and will double again in the next 25 years. Where are those extra billion people likely to try to go? They will try to get out of their countries into a safer world. That is the immigration issue we should talk about.

So we are struggling with a distorted image. There is also a distorted image popular in the Daily Mail and elsewhere that all our European immigrants are Poles and Romanians living on benefits or taking low-paid jobs from the unskilled British. The Migration Watch figures show that 400,000 of the 3.3 million EU citizens from other countries living in the UK are Irish nationals. They will not go, even if we leave the European Union. It also shows that the third largest group in the UK are 300,000 German citizens, with 200,000 each from Italy and France. Overall, half of the EU arrivals in 2015-16 came from the 14 wealthy states of western Europe, not from Romania, Bulgaria and elsewhere.

The noble Lord, Lord Green, tells me that the reason Migration Watch statistics for Germans in Britain are 150,000 higher than the ONS statistics is that Migration Watch counts children as immigrants where one parent is born outside Britain. That puts me in mind that I am about to become the grandfather of an immigrant because my son’s American wife, currently living with him in Edinburgh where he teaches at the university—

Lord Green of Deddington: I think the noble Lord misunderstood what I said outside. I will correct that later with him—it is not of interest to the House generally.

Lord Wallace of Saltaire: I was merely about to say that if that were the case, our current Queen would be the first non-immigrant monarch since Queen Anne. Under that criterion, Prince Charles would also be an immigrant since his father was born in Greece. Again, one must be careful how we handle immigration statistics on one thing or another.

To conclude, we need a broader debate about the whole question of immigration. We live in a world in which we hope that our young people will travel, and study and work abroad. Some of them will marry people from other countries and, we hope, bring them back to live here. That is the nature of the world in which we live and we do not want to make that too much more difficult. We recognise that we also live in a world in which the global population is rising and there are many insecure countries from which people want to flee. That poses huge questions for us which are nothing to do with whether or not we stay in the European Union.

6.50 pm

Lord Kennedy of Southwark (Lab): My Lords, like others, I start by thanking the noble Baroness, Lady Prashar, and her committee for their excellent report, which was published on 17 March this year and debated in your Lordships’ House today. It is disappointing that, again, we have had no response to the report from the Government. This has become something of a regular occurrence and is most regrettable. No doubt the Minister will apologise for this failing on behalf of the Government when she replies to the debate shortly. I know that her apology will be sincere. I have great respect for her, but she really must impress upon her colleagues in government that not responding to these reports is disrespectful—in this case, to the noble Baroness, Lady Prashar, to the committee and to the whole House. The Government really must sharpen up their act here.

The noble Lord, Lord Green of Deddington, thinks that the report is a missed opportunity. I do not agree with him in that respect. I think the report highlights key concerns and poses key questions for the Government, although, again, the lack of government response is remiss and would have helped our debate here today.

No one can doubt that we are in a tricky situation at the moment. The general approach taken by the Government to Brexit is at best puzzling. It could also be described as mean-spirited and it certainly does not put jobs and the economy first. We seem to be approaching the negotiation with a kind of scorched-earth policy: everything concerning the EU must be thrown out. My noble friend Lord Judd was right to say that we are moving forward on the basis of an amateur intuition, and that is just not good enough.

The Government seem more concerned with the internal troubles of the Conservative Party, with various Cabinet Ministers briefing against each other. You have only to look at today’s newspapers to see the shambles the Government are in: Philip Hammond complaining about being briefed against and being outraged for his ridiculous comments; Boris Johnson and David Davis fighting over who will succeed the Prime Minister, who has been fatally wounded by the appalling general election she ran—it is a matter of when she steps down in this Parliament, not if; and I am sure Michael Gove is in there somewhere, rummaging around. This is not a great advert for the country or the best way for us to prepare. In Brussels, the European Commission and every capital city and country in the European Union, there will be no doubt in anyone’s mind—or in any briefing written for the Ministers of other nations—about the mess we are in.

This excellent report looks at one of the key pledges of the Government—to control the number of people who come to Britain from the European Union—and
what that can mean in practice. The noble and right reverend Lord, Lord Eames, spoke about the particular issues faced by people living in Northern Ireland, which will share the only land border with the European Union. Making sure that people’s basic needs are protected is important, and it is essential that reassurance is given to people who live in the border areas. I have many friends who live on both sides of the border, and my parents and many members of my family live in the Republic. I understand the issues the noble and right reverend Lord raises.

The noble and learned Lord, Lord Brown of Eaton-under-Heywood, referred to the ECJ and the Government’s current take on it, which in the end I am sure will prove to be unsustainable in seeking agreement. He is right that this is an absurd red-line issue.

The free movement of people is one of the four freedoms that underpin the single market; the others being, of course, the free movement of goods, services and capital. As we have heard previously in your Lordships’ House, the Maastricht treaty introduced the concept of EU citizenship and the 2004 citizens’ rights directive codified various rights for citizens, which have been transposed into UK law. The Government have made it clear that they are going to put an end to the free movement of people and will not be seeking membership of the single market; instead, they will seek access through a free trade agreement. Membership of the EEA, or the arrangement Switzerland has, involves accepting the free movement of people in return for broad-based preferential access to the single market. The more recent EU-Canada agreement does not include the free movement of people but provides for much more limited tariff-free access to the single market.

Immigration to the UK comes from the EU and from non-EU countries, and immigration from non-EU countries has generally been higher than from EU countries. Those arriving from EU countries have generally come to work, with 72% of people arriving in the UK stating that as their reason. The exact opposite is the case in respect of UK citizens leaving the UK, with a much larger proportion nearing retirement or having retired already. The noble Lord, Lord Kirkhope of Harrogate, made an important point about why people immigrate and what a wide term “immigration” is. He is right that lots of work has taken place to integrate people and that this country has a proud record as a safe haven. I agree with his comments about the International Passenger Survey, which the noble Lord, Lord Bilimoria, among others, also referred to.

The noble Baroness, Lady Jones of Moulsecoomb, was right to say that we live in a kind and considerate country. I could not agree with her more when she said that if you go into hospital you are more likely to be treated by an immigrant than be in the queue with one. I am the eldest son of immigrants: my parents came from Ireland to make a life for themselves, and contribute to our economy. My mum and dad had been very damaging and it had never sought to champion the positives that immigrants can bring to the UK.

The noble Earl, Lord Clancarty, looked at the spontaneity of free movement and rightly highlighted the issues that Brexit will bring to the creative industries. I fully support the campaign by the Musicians’ Union to highlight the problems faced by musicians working for short periods needing quickly to find work moving round the European Union. The industry is worth billions and billions of pounds to the UK economy and cannot operate effectively if their right to move freely is lost. We have some of the most talented people in the world working in the creative industries, and they need the support of the Government to protect their ability to move and work to make a living for themselves, and contribute to our economy.

The noble Lord, Lord Bilimoria, referred to the desire of the Government to reduce net migration and the disconnect between immigrants coming here to work and people leaving the UK to retire. He also made valid points about the International Passenger Survey. The report highlighted the problems there are with data, and this is not a good place to be. Policy must be evidenced based and, if the evidence is under question or not available, that does not provide Ministers and other policymakers the solid evidence base they need to make decisions.

My noble friend Lady Massey of Darwen highlighted how little consideration has been given to children when Brexit has been discussed. Her contribution was a timely reminder of how much work needs to be done in this area.

The report also highlighted the problems with different measures. We have discussed the problem with UN-recommended definitions, and I recall debates in this House where it has been suggested that other measures should be used alongside the UN definition in respect of counting students. Whatever decisions are made in respect of immigration from the EU, jobs and the needs of business, industry and the economy must be at the forefront of government policy. The Government have said that they want to protect the entitlements that UK nationals currently enjoy as a result of EU free movement rules. That is a welcome aim, which I support, but, as the committee highlighted, how realistic it is will depend on what the UK proposes, and we are all well aware that the proposals made by the UK Government have not received a warm welcome. It could have been so different, as many of us have said. A generous statement right at the start could have got the negotiations off to a much better start, but the Government took a different view and we are living with that decision.

The report highlights that the UK and EU may find themselves negotiating which elements of full integration they want to get out of the single market, which the noble Lord, Lord Bilimoria, referred to. Again, that seems to be an absurd position. It is possible that the UK could find itself in the same position in respect of free movement of people. The worst situation would be to end up with UK nationals being treated as third-country nationals in EU countries, and vice versa. The noble Baroness, Lady Janke, referred to those
points in her contribution. I hope that, as the report highlights, we get new reciprocal and preferential arrangements for EU-UK migration, although, as the report also says, this will not be easy. There is some question as to whether it would be in scope. There could be a real risk of UK citizens becoming third-country nationals for the purposes of EU law and the domestic immigration rules of EU member states, once the UK leaves the EU. This is a matter of huge concern, in particular to UK nationals living elsewhere in the EU. I hope that the Minister will be able to respond to that specific point and address those concerns when she speaks shortly.

The report also focuses on the fact that, with the link between free movement of people and the single market, arrangements for future migration and a free trade agreement could require much longer than the two years provided for as part of the Article 50 negotiations, so transitional arrangements may be needed while these negotiations continue. Can the Minister comment on the attitude of the British Government to transitional arrangements?

The free movement of persons will of course end when we leave the European Union and any agreement will set out the arrangements for people from the EU wanting to come to the UK and for those UK citizens wanting to move to a country in the European Union. As I highlighted earlier, immigration to the UK from the EU is primarily for work. Employer organisations are understandably worried as to the effect this will have on business and their ability to bring the workers who are needed. The noble Lord, Lord Trees, highlighted the problems regarding the challenges Brexit poses to the veterinary profession, and to other science and healthcare professions. He made the point well in respect of Brexit further exposing the risk and the crisis that is looming large. The noble Earl, Lord Kinnoull, made an important point about the need for frictionless movement. He referred to how the employer organisations were fundamentally against any sort of system that would increase the paperwork—the pages and forms to be filled in—and how unattractive that could be for everyone involved.

Like other noble Lords, the noble Lord, Lord Stunell, referred to high and low-skilled employment and the fact that pay levels are no indicator of skill levels. I agree with him that the nursing profession is a highly skilled profession, which we all have need of from time to time. However, it perhaps does not command the highest salaries.

The report highlights that the Government may be tempted to introduce a work permit scheme, with numerous exemptions for seasonal workers and other categories. This would fail to deliver a meaningful reduction in immigration while proving to be onerous and costly for employers, the workers and the enforcement agencies, as we have heard from other noble Lords. I agree very much with the committee: the Government must not close off options for themselves as negotiations proceed, while there could be many benefits to the UK in offering preferential treatment to EU nationals.

The report also presents some challenges to the Government and their thinking in respect of migrant labour from the EU. Perhaps the Minister could address the specific question of preferential treatment for high-skilled migration in relation to low-skilled migration, as there does not appear to have been an increase in highly-skilled jobs in the UK.

The committee also questions the link between the availability of migrant labour from the EU and the incentive to train or upgrade the skills of resident workers in the UK. If there is an issue here, should not government have been dealing with this anyway—and by that I mean previous Governments as well as this one—over many decades, through vocational education and training plans and policies? Investing in the skills of the workforce should be a priority for the Government across a range of industries and specialisms. The fact that there are problems here could be one of the issues that led people to vote to leave the European Union last year.

I agree with the committee that reducing EU immigration is unlikely to deal with the problem of low wages. Other factors at play here go beyond any effect of EU nationals coming to work here in the UK; the committee rightly points to that fact. We should look at the self-employed EU migrant worker but also at the deregulation and flexibility of working life generally, and whether we have struck the right balance. The report questions assumptions about UK workers filling jobs vacated by EU migrant workers and challenges the evidence for that assumption.

As I said earlier, these are difficult times for our country, and decisions made by the Government should be on evidence-based policy. Changes to the availability of migrant workers will vary from sector to sector. I see huge concerns in the agriculture industry, for example. I agree very much with the committee’s point that it is important not to endanger the UK economy and that any transition should be phased in over time.

I again thank the noble Baroness, Lady Prashar, for the excellent report she has brought to the attention of the House today. I wish the Government every success in negotiating an exit from the European Union. I fully respect the decision taken, although some of the claims made by the leave campaign were outrageous. Equally, key members of the Cabinet conducting their leadership campaigns and making ridiculous statements do not help us, as we saw with the Foreign Secretary only last week.

In conclusion, I have enormous respect for the noble Lord, Lord Cormack, and always listen carefully to his contributions. I did not know until this debate that he had been chucked off the committee and I was sorry to learn that. It is a shame. He was right to speak about people needing appropriate skills when picking certain crops. I know Lincolnshire very well and lived in the East Midlands for many years, so I agree with him very much on that. I thank the noble Baroness again for her report and look forward to the Minister’s response.

7.06 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, along with others I thank the noble Baroness, Lady Prashar, for the committee’s report. Several noble Lords have rightly commented that the Government have not yet responded. I am sorry that the Government have not yet been able
[BARONESS WILLIAMS OF TRAFFORD] to provide their response to the report. The process of preparing our response was delayed by the general election, but we will provide it as soon as possible after this debate. I hope that in the interim your Lordships’ House will accept my oral response to the report, which deals with one of the most important consequences of the British people’s decision to leave the EU. As the report makes clear, the right of free movement of EU citizens is an integral part of membership of the EU, and this will end when the UK ceases to be a member. The Prime Minister invoked Article 50 of the Treaty on European Union on 29 March this year. Negotiations with the EU began in June and we are due to leave the EU by March 2019.

As part of this process, we are considering the options for how our immigration system could work in future, and the committee’s report and this debate will be valuable contributions to that. Indeed, Parliament has a very important role in the whole process of leaving the EU. We have made it clear that there will be a Motion on a final agreement with the EU, to be approved by both Houses of Parliament before it is concluded. Parliament will continue to have its say throughout the process of negotiation with extensive scrutiny and debate, including on the repeal Bill. Our engagement with people, communities and businesses across the whole of the UK is also an essential part of this process. Ministers have led widespread engagement with their sectors, and the Department for Exiting the EU has held a large number of stakeholder engagement events, mainly taking place outside London and right across the UK. This has helped to inform our understanding of the key issues for negotiation. The engagement will continue throughout the period before we leave.

The Government published their White Paper, The United Kingdom’s Exit From and New Partnership with the European Union, on 2 February. It provides a comprehensive articulation of the objectives and rationale for the Government’s approach to the forthcoming negotiations. The Government are approaching these talks constructively, respectfully and in a spirit of sincere co-operation. There should be no reason why we should not agree a new deep and special partnership between the UK and the EU that works for us all.

An early priority in these negotiations is to seek to guarantee the rights of EU citizens who already live in the UK, and the rights of UK nationals in the EU, as soon as we can. On 26 June, the Government published their fair and serious offer to protect the rights and entitlements of EU residents in the UK. This set out that qualifying EU citizens arriving before a specified date would be able to apply for settled status in UK law, meaning that they would be free to reside in any capacity, exercise any lawful activity and access public funds and services. The noble Baroness, Lady Jones, asked whether we should guarantee the rights of the 3 million EU citizens unilaterally. The Government have made clear that safeguarding the rights of EU citizens in the UK is a top priority. Indeed, the Secretary of State for Exiting the EU and officials are in Brussels today negotiating on this. However, it is not just the 3 million EU citizens we need to be concerned about; there are also 1.2 million UK nationals living in the EU. We owe a duty of care to them too, which is why we made clear that rights must be reciprocated by the EU, which is the point the noble Lord, Lord Kennedy, made.

However, the main focus of the report that we are debating today is not EU citizens already living here but those who come to the UK after our exit from the EU. The report contains an interesting discussion of various different ideas for our future immigration system, which the noble Baroness outlined in her speech, ranging from modified versions of free movement to the introduction of work permits and other elements of the rules currently applied to non-EU nationals.

The Government are very much aware of the strong interest in this question, not only in this House but on the part of employers, businesses, universities and the wider public across the whole of this country, as noble Lords have pointed out. Here again I emphasise that the Government are not trying to make up their mind in isolation or without engagement. Nor are we trying to go ahead on the basis of incomplete evidence. Evidence has been mentioned a lot this evening. We are looking very carefully at the options for our future immigration system. We are clear that we will need a fuller picture of the potential impacts of any proposed changes, including those affecting the economy and the labour market. We will build a comprehensive picture of the needs and interests of all parts of the UK and develop a system that works for us all. We will not take decisions until we have gathered this evidence and engaged systematically with stakeholders. The independent Migration Advisory Committee will have a role in this, as the Home Secretary has made absolutely clear.

This means that it is not possible for me to take a definite position today on most of the specific ideas and options examined in the report; nor, indeed, on the ideas suggested in the debate today. We are in listening mode. The precise way in which the Government will control the movement of EU nationals to the UK following exit from the EU is yet to be determined, but we are clear that the free movement directive will no longer apply and the migration of EU nationals will be subject to UK law.

Moving away from free movement does not mean becoming a closed or inward-looking society. The UK will remain a tolerant country that is open for business. We recognise the valuable contribution migrants make to our society—I am one—but in future we will control immigration in the national interest rather than accepting it as an unavoidable consequence of EU membership.

The Committee’s report made a number of points about the robustness of migration statistics. Migration statistics are published by the Office for National Statistics—the ONS—and it has confirmed that the International Passenger Survey continues to be the best source of information to measure long-term international migration. The noble Baroness, Lady Prashar, mentioned the inclusion of students in migration figures. The internationally accepted definition of migration includes all those who move for more than 12 months, including students. My noble friend Lord Cormack referred to this.
**Lord Campbell-Savours:** Are statistics on the removal of EU citizens from the United Kingdom kept anywhere at all?

**Baroness Williams of Trafford:** In answer to the noble Lord’s noble friend on behalf of his noble friend, to unpick it was quite an expensive undertaking. That it is the response that I gave his noble friend, but I am quite happy to take that point up with his noble friend if he would like to speak to me about it.

**Lord Forsyth of Drumlean:** On the point on the International Passenger Survey, can the Minister tell the House the size of the sample and what the Government estimate the margin of error to be?

**Baroness Williams of Trafford:** I will come back to my noble friend with accurate figures, but I shall finish my point on the International Passenger Survey because there are other methods of measurement. My noble friends Lord Forsyth and Lord Kirkhope and the noble Lords, Lord Oates and Lord Kennedy, all talked about the accuracy of the migration statistics. We think it is the best method, but exit checks were mentioned. The noble Lord, Lord Bilimoria, made a very impassioned plea for exit checks. The Government reintroduced exit checks in 2015. They are based on advanced passenger records and passport swipes as people go through airports. Last August we published a report on the methodology issues which they raised. I commend the report to the noble Lord, Lord Bilimoria, and to any other noble Lords who have not yet read it and are interested in it. In due course, the exit checks will add to the statistical picture on migration, so between the two methods we will get a better picture of where we are on migration.

**Lord Cormack:** I do not want to put my noble friend, for whom I have very real regard, on the spot tonight, but will she please try to ensure that a document is produced for when we come back in September that gives the real figures and details, because it is just not acceptable for any Member of your Lordships’ House to be told that the cost is disproportionate? That is just not on.

**Baroness Williams of Trafford:** I think I have already offered to meet the noble Lord, Lord Hain. I have the figures for the International Passenger Survey, which show that 800,000 people were interviewed per year.

My noble friend Lord Kirkhope of Harrogate asked me why British citizens are included in net migration statistics. The statistics cover all those who come to the UK for more than 12 months and all those who leave the UK for more than 12 months. This enables those with responsibility for the provision of services to know the likely demand for those services, and therefore it is right that the ONS includes those statistics.

The committee is right to highlight the need to consider the impact of leaving the EU on our economy and the labour market. Officials across government and the ONS continue to draw together evidence and are undertaking a wide range of data analysis covering the full range of impacts of EU migration. We also intend to commission advice from the Migration Advisory Committee. There have been numerous studies looking into the impact of increased migration in the labour market on wages. The Migration Advisory Committee, to which the noble Lord, Lord Green of Deddington, referred, summarised that:

“Studies estimating the impact of migrants on UK wages have generally found little or no impact on average wages. However, in some studies migrants were found to increase wages at the top of the UK wage distribution and to lower wages at the bottom”.

More recent evidence from the Bank of England also suggests that,

“while immigration appears to have a negative impact on occupational pay, the overall average effect is relatively small”.

One of the co-authors of the research has recently emphasised the small nature of impacts, with,

“the biggest impact of immigration on wages”,

seen,

“within the semi/unskilled services occupational group”.

The Bank’s research also suggests there was no additional impact on aggregate UK wages as a result of migrants arriving specifically from EU countries. However, it is worth noting that average wage effects and the impact on individuals can be, and can seem, very different. Even small adverse effects on average wages can be significant for the individuals and families concerned.

We are looking at the need for all types of workers, and we would not wish to rule out any options at this stage. It is right that we consider low-skilled migration as part of the wider picture. It is likely that migrants working in lower-skilled occupations may make lower income tax and national insurance contributions to the UK Exchequer, as they may be receiving lower salaries than more highly-skilled migrants. So clearly this is one issue of many that we will need to consider, as well as understanding how impacts vary across a range of factors and indicators including businesses, sectors, and regions.

The noble Lord, Lord Kennedy of Southwark, talked about the implementation period. The February White Paper was clear that we will avoid a cliff edge for business and migrants and ensure a smooth transition. That is our clear aim, but it is far too early to say exactly what that might look like. The noble Lord asked about the issue of high-skilled versus low-skilled. Future decisions will be based on advice and evidence, as he says, and no final decisions have yet been taken.

The noble Baroness, Lady Massey of Darwen, asked about the position of children. I share her concern for the welfare of children. I know she will shortly be meeting my noble friend Lady Anelay, as she said. The paper on safeguarding citizens’ rights that was published on 26 June made clear that the fair and serious offer we have made also covers dependants, including children.

The noble Lord, Lord Trees, talked about the shortage of vets following the UK exit. We have made it clear that both the best and brightest will continue to be welcome to come to the UK, and future policy will be based on the future consideration of the evidence. I am sure the veterinary profession will want to contribute to that evidence picture. The noble Lord gave a number of significant statistics, and they will certainly form part of the consideration. The noble Lord also suggested that vets should be on the shortage occupation list.
applications to Russell Group universities are 48% higher than in 2010. Around 99% of student entry clearance visas are decided within 15 days, and the number of tier 4 students from China has risen year on year.

I have run out of time. I think this has been an incredibly valuable debate. As I have said, we are in listening mode and we have not made up our minds on many of the issues covered. I am grateful to have heard noble Lords’ views, and I hope I have been able to provide some reassurance about the Government’s approach on this issue.

7.27 pm

Baroness Prashar: My Lords, I thank the Minister for her oral response and look forward to receiving her detailed written response. I hope it provides some indication of the direction of travel from the Government, because I think on the whole we are none the wiser. Still, I am glad to hear that she has found our report a constructive contribution to the Government’s deliberations.

I thank all Members of this House who have taken part in this debate. They have certainly seized this opportunity to add some very rich material to our deliberations. I assure the noble and right reverend Lord, Lord Eames, that the question of the common travel area between the UK and the Republic of Ireland is one we have given thought to and we will come back to the noble and right reverend Lord on that point at an appropriate stage.

I thank all Members of the House—Members on both sides—for their contributions.

Motion agreed.

Electricity Market (EAC Report)

Motion to Take Note

7.28 pm

Moved by Lord Hollick

That this House takes note of the Report from the Economic Affairs Committee The Price of Power: Reforming the Electricity Market (2nd Report, Session 2016-17, HL Paper 113).

Lord Hollick (Lab): My Lords, it is a pleasure to introduce the Economic Affairs Committee’s report on the electricity market, entitled The Price of Power: Reforming the Electricity Market. I thank all members of the committee for their sterling contribution to this far-ranging inquiry, our excellent committee staff Ayeesha Waller, Ben McNamee and Oswin Taylor, and our excellent specialist adviser, Professor Nick Butler.

Security and affordability have been the long-standing objectives of energy policy. From the 1950s to the 1980s, the provision of electricity was the domain of the state-owned Central Electricity Generating Board. Then in the 1990s, at the instigation of Energy Minister Nigel Lawson—now the noble Lord, Lord Lawson—the energy market was opened up to competition, liberalised and subsequently privatised. Tony Blair’s Government strongly supported those measures and the open market, and were able to announce that between 1991 and 2003, annual domestic bills declined by £150 in real terms while supply remained secure.
The Climate Change Act added decarbonisation as a third objective and, in the 2000s, the liberalised market of the previous 20 years gave way to one where the Government introduced a succession of policies to subsidise renewable electrical generation. Oxford economist Dieter Helm describes the degree of state intervention now as,"more akin to a nationalised model than it is to an open and transparent market process".

A succession of Ministers has recognised this, lamented the state of affairs and resolved to reverse it, bring back some element of competition and reduce the role of government, particularly in choosing new technologies. The capacity market to provide back-up baseload to intermittent renewable generation is indeed a step in the right direction, but it is essentially a short-term mechanism biased towards short-term fixes. It is not and cannot be a substitute for long-term policy.

The disappearance of the competitive and open market model has led to marked increases in the price of electricity. For much of the first decade of the 2000s, domestic energy bills in Britain were 25% below the EU median. Today, they are only 4% below. As the Government themselves admit—while acknowledging that their data are frustrating opaque—electricity prices for high energy-intensive industry in the UK are now among the highest in Europe. This places UK industry at a significant competitive disadvantage.

The Government are committed to an industrial policy, which is welcome. But industry, in common with individual households, needs energy supplied at a competitive cost. Costs seem to have been an afterthought in the making of policy in recent years. The previous Government stressed the importance of cost but did little to change policy. There was talk before the election of a freeze on certain consumer prices, but that has been watered down to a review by Ofgem. The committee did not advocate a freeze, but we advocate a coherent policy, and that should include the proper regulation of prices by a strong and effective regulator. That is the only way in which trust can be re-established between suppliers and consumers. Will the Minister spell out the remit of Ofgem’s review: does it cover both domestic consumers and industry and will its overall powers be beefed up to allow it to intervene, to ensure that affordability has a consistent champion in the inevitable trade-offs with security and decarbonisation?

The Government’s industrial strategy announced their intention to commission an independent review looking at the cost of energy for households and business and, in particular, the opportunity to reduce the cost of achieving the decarbonisation goals. It was reported last week that Dieter Helm will be appointed to lead that review. We welcome the review and the report that Professor Helm is to head it up. Can the Minister confirm the appointment of Professor Helm and tell us the remit of the review and how it chimes with the Ofgem review?

We recommend that if the Government are to get a better grip on energy policy, an energy commission be established to act as an independent advisory body tasked with advising on the best way for all objectives of energy policy to be delivered, taking into account changing technologies. It would work with existing institutions such as the climate change committee and would be responsible for managing the open, transparent auctions to generate electricity that we propose in some detail in our report. It would also provide welcome continuity of policy in a department which has had five different Ministers in charge in the past five years. The Government’s decision to have an independent review acknowledges the need for an independent advisory body—a recommendation of the committee—and it could and should be seen as a precursor to an energy commission, as we recommend.

I turn to the security of supply. As unplanned maintenance increases, there are all the signs that our 40-year-old nuclear reactors are reaching the end of their lives. The Government’s plan to replace them through its new nuclear programme is in trouble. Our report was strongly critical of the high cost of Hinkley Point C and the risks and delays in its delivery, and we called for a robust plan B to cope with delays and inevitable gaps in supply. The Government’s complacent response to our concerns border on the negligent. Our concerns were then echoed in the NAO’s devastating critique of Hinkley Point C, which noted that the Government had,”locked consumers into a risky and expensive project with uncertain strategic and economic benefits. They did not consider sufficiently the risks and costs to customers”.

The NAO also criticised the absence of contingency planning.

Since the publication of our report, the prospects for the new nuclear programme have further deteriorated. Shortly after the surprise departure of EDF’s CEO, Vincent de Rivaz, who appeared before the committee and who is a man who has few doubts, EDF announced that Hinkley Point C would be delayed by a further 15 months and costs would increase by £1.5 billion. The delay over the original timetable is now 10 years; the cost of the project has doubled; and the technology is not yet proven.

EDF is 84%-owned by the French state, and President Macron is likely to take a dim view of French government funds being poured in ever-increasing amounts into an unproven technology to benefit another country. At best, the project will arrive in 2027, just 10 years late. The other main new nuclear supplier, Toshiba, is in grave financial difficulties and is hell-bent on exiting nuclear generation. In these circumstances, it is unclear how the plant at Moorside can be financed.

The Government’s new nuclear programme was planned to deliver 16 gigawatts, or approximately 20% of total electricity usage, by the 2030s. Meanwhile, demand for electricity is now expected to rise above predicted level because of the rapid changeover to electric vehicles. Can the Minister update the House on the problems at Hinkley Point and at Moorside and explain the contingency plans to address the looming gap in the security of supply? Can he also tell us about the negotiations with the Chinese in respect of financing at Bradwell? Are discussions going on with the Chinese with a view to deploying their smaller, modular reactors, dubbed “the nimble dragon”, which use proven technology and can be installed relatively quickly at a fraction of the cost of Hinkley Point C?
LORD HOLLICK

Over the past decade, the Government have mandated that billions of pounds be used to subsidise the installation of renewable generation. Much of this funding has been targeted at inefficient, high-cost, first-generation solar panels and wind turbines, to the great benefit of overseas manufacturers, landowners and householders, who then benefit from the very generous feed-in tariffs, for which a large bill will have to be picked up by consumers over the next two or three decades. The committee preferred an approach which prioritised investment in research and development of new technologies to help to promote a UK-based renewables manufacturing sector utilising our considerable research strengths. The committee believes that science and engineering holds the key to developing energy sources which are both clean and competitive.

The Government made a good step forward by announcing the Faraday initiative on the development of research into energy storage, a key technology, in which the UK research community is one of the global leaders. Improved energy storage technologies will make renewables much cheaper and more reliable by reducing or possibly eliminating intermittency of supply and by spreading the demand for electricity generation more efficiently across the day and night. But what has happened to that initiative since the election? There has been no announcement on how the funds will be allocated, or when. This could and should be a source of competitive advantage for the UK. Our universities have some great academic research skills, and we could acquire more as President Trump runs down US research. What are the Government doing to push this forward? Can the Minister tell us what has happened to the Faraday initiative?

The energy market is a hybrid, a combination of public policy and private money that needs careful, thoughtful and consistent management. If there is uncertainty, and if investors are confused by current policy and do not know if today’s approach will last beyond the next Minister, they will turn away. That would leave us with an ageing and sub-optimal system that is vulnerable, insecure and increasingly expensive to maintain, which in turn will do great damage to the whole economy.

I look forward to a lively and well-informed debate and to the Minister’s response to my questions and, I am sure, the questions of others.

7.41 pm

Lord Forsyth of Drumlean (Con): My Lords, it is a pleasure to follow the noble Lord, Lord Hollick, who sadly, under our rules, has had to vacate the chairmanship of our Economic Affairs Committee and who has led us with great distinction. Only this week, yet another report appeared to become government policy, on making tax digital—and, of course, the housing and various other reports have made a fundamental change to government policy. The noble Lord’s leadership and the support of a very strong committee have been something that I have been proud to take part in. On taking over as chairman, I said to the committee that I felt that I had just passed my driving test and been given a Ferrari—and, at the first committee meeting, it became pretty clear to me that I was not going to be allowed out of the car park.

It is a strong committee, and this is a vital issue of great importance to the country, which is why the Press Gallery is full to overflowing, and why it will form an important part of our national debate, I am sure, in next Sunday’s newspapers, rather than the tittle tattle that seems to be the stuff of daily politics. The hour is late; my Whip told me that the House would be getting up round about now, but there are quite a number of contributions to be made. The noble Lord has covered the report pretty fully, but you need read only one page of it—the conclusions—to realise the seriousness of this matter.

I am sorry that my noble friend Lord Lawson, is not in his place. The reforms that he carried out resulted in a revolution in the electricity industry and in a better service and lower costs for consumers. Sadly, that good work is being undone, because of the overemphasis on carbon capture and reduction at the expense of security of supply, competitiveness and costs to the consumer. As the noble Lord, Lord Hollick, hinted, we are seeing the virtual nationalisation of electricity production in this country. It is almost impossible, as the report points out, for anyone now to build a power station without getting some kind of subsidy or guarantee from the Government.

We have reached a moment of high farce when we are closing down coal-fired power stations so rapidly that we have to pay consumers and industries not to take the product—the electricity—and, even worse, to turn on diesel generators to supplement the national supply. That is a parody that not even “Yes Minister” would have thought credible. Prices have soared nearly two-thirds in 13 years, in contrast to the fall of £150 which followed the 13 years of my noble friend’s reforms.

The Committee on Climate Change is by no means an objective source, but I take it that it will provide a reasonable estimate; it reckons that one-quarter of electricity bills will be needed to provide funding for a low-carbon policy by 2020. That is a triumph for Sir Humphrey—the idea that you should pass the bill on to the householder and businesses in a hidden form and then mass up against the electricity companies, demand to know why prices are rising and say that they need to cap them.

The committee heard evidence of jobs being exported around the world to lower energy cost countries—the most dramatic example being China. There is absolutely no point, and no methodology that is going to save the planet that consists of importing carbon from your competitors and driving your own industries out of business. As the noble Lord, Lord Hollick, pointed out, we have long since lost our place as the lowest cost electricity producer in Europe, and therefore our competitiveness.

A classic case that illustrates the difficulties of the current energy policy is that of Hinkley C, which shows how the taxpayer and consumer are being shortchanged. As the noble Lord, Lord Hollick, pointed out, the NAO report simply echoes, in perhaps more vigorous language, the findings of our own report on value for money and costs to the taxpayer. But the
concern surely must be with the risks of the supply. When the chief executive of EDF, which is to build this nuclear plant, came before the committee, the noble Lord, Lord Turnbull, questioned him about whether the technology worked, and I asked him why his finance director, who had resigned in March, told a parliamentary committee in France:

“Who would bet 60 to 70 percent of his equity on a technology that has not yet proven that it can work and which takes 10 years to build?”

That seemed to me a remarkable thing for the finance director to say. Mr Vincent de Rivaz said:

“The CFO of EDF is fully supportive of this project”.

We were a little puzzled, because he seemed to have resigned, but it turned out that this was the new CFO. He said:

“The individual whom you mentioned has left the company. It is his choice to talk down the company that he has just left. I will not comment further. He was replaced the day after his resignation by a CFO of high quality, who is highly respected and fully supportive of the project”.

I just wonder how safe the Government’s idea is that the risk will be borne by EDF. This is a nationalised business which has an unproven product that is not working in France or Finland. Who actually believes, if the project runs awry or if new batteries or other kinds of technology are available in future, they might take a view which will lessen the pressure on consumers.

The deal that has been struck on Hinkley C is quite extraordinary. My latest grandson was born in October last year; he will be 44 by the time he finishes paying the price that has not yet proven that it can work and which takes 10 years to build. The deal that has been struck on Hinkley C is quite extraordinary.

The 2008 Act provided a very important recommendation—the Secretary of State gave the impression that he would look at it when we interviewed him—which enables the Government to alter the pace at which they implement emissions restrictions. This could provide the Government with a lifeline to help customers and take account of new technology. We understand the need to meet the climate change targets, but there is a period of time to do this. It is not necessary to do it in a linear way. It is surely possible to take account of the fact that if the economy has turned down or if new batteries or other kinds of technology are available in future, they might take a view which will lessen the pressure on consumers.

Consumers are finding things getting pretty tight. If there are pay restraint in the public sector and the end of the business cycle, it could only help if Government were to look at the cost of electricity in the context of their other objectives.

This is another outstanding report from the committee and I hope the Government will consider it carefully. Their response showed that more work was, perhaps, needed on that matter. It is a big, red warning light. If the Government ignore that, they may find that all the lights have gone out and they might even face being asked by Her Majesty the Queen why no one saw this coming. This report does.

7.52 pm

Lord Darling of Roulanish (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Forsyth: I agree with just about everything he said. I look forward to him chairing the Economic Affairs Committee and embarking on his new career as a bipartisan politician. I also pay tribute to my noble friend Lord Hollick, who chaired the committee for some time, long before I was appointed to it. This is the latest in a succession of excellent reports produced under his leadership. I am sorry that he has to stand down because of the rules of this House. He has given a comprehensive view of the report’s recommendations: I do not need to go into them all but will refer to one or two.

I refer the House to my entry in the Register of Lords’ Interests. I also remind the House that 10 years ago I was Secretary of State for Trade and Industry—the last one I think—and had responsibility for energy policy for all of 13 months before the banking crisis and other matters diverted my attention. At that time, I produced a White Paper which identified the need for a mix in electricity generation, including nuclear. There is now a big question mark over the future of nuclear power, partly for the reasons stated in our report. My preliminary observation is that there may have been a rationale for a functioning electricity market from 1982 when the noble Lord, Lord Lawson, was Secretary of State for Energy. It worked for many years: as noble Lords have said, electricity prices fell. However, the electricity market today is not a market in any normal sense of the word. Because the Government have, quite rightly, intervened, most notably in the demand to decarbonise the generation of electricity, this is not a market that one would expect to see functioning and where the state has pretty much stood aside. The state is rightly concerned about green energy and the security of supply, to which the committee referred. It is not nationalisation, but it is part of the way there. The policy is nationalised, for understandable reasons, but the operation and the day-to-day sale of electricity is still in a sort of market, but one where there is increasing concern about its costs and regulation.

The committee came to the conclusion that you cannot have a joint priority of affordability, decarbonisation and security: you have to rank them. Security has, quite rightly, to be the number one priority and the White Paper I published came to a similar conclusion. That is one of the reasons why I want to talk about Hinkley. I expect the House will gather that Hinkley C had very few fans on the committee—quite the opposite. It seems a classic case of the Government being desperate to get a joint public-private sector initiative, with the result that the public have been short changed. It is not just that the grandson of the noble Lord, Lord Forsyth, will be paying for this until he is 44 or 45. The British Government have potentially underwritten an awful lot of this power station and British consumers will do so very directly for years to come.
[LORD DARLING OF ROULANISH]

That is one of the reasons why we were concerned but when we look at where this power station actually is—or is not—alarm bells ought to be ringing. I know that the Minister will reply and say that it is all under control and that they are looking at it closely, but this power station is 10 years late; the costs are going up, even since the committee heard evidence; and EDF itself is now embarking on a review of the project’s viability. Mr de Rivaz, who has been referred to, is standing down as the CEO. His successor is bound to look at this project and, if he has any sense, he will do what you do when you get a new job: make sure that if there is any trouble you can pin it on your predecessor and get rid of it. We are told that President Macron is looking at this and no wonder; EDF is the French state. What is it doing building a power station in Somerset, in a country that is soon to become very foreign indeed to France, when we leave the European Union? Is it not beyond the bounds of possibility—indeed, it is now highly likely—that EDF and/or the French Government will come back to the British Government and say, “Sorry, we can’t do it”, or, “We can do it only if you step up and contribute more to it”. For those who say that we can stand by the contract, what happens if EDF goes into liquidation, as it could quite easily do, depending on how the decommissioning costs are accounted for? No British Government can simply stand by with a half-built power station in Somerset. The British public would not stand for it. This is not something where you can just say, “It is all up to the private sector and nothing to do with us”. This is always going to be on the British Government’s balance sheet, both politically and economically.

So I hope the Government will tell us what plan B is, but that begs the second question. If Hinkley C is not to be built, even on the very generous terms to the industry and to the disadvantage of British consumers, what about the nuclear programme in the future? The White Paper I published said that nuclear was very much part of the mix. We said that deliberately because we said that the capacity will fix this. The majority of us—certainly on this committee—came to the view that it is not fixed and that there is an increasing need for it to be fixed as quickly as possible.

Allied to the question of security is something the committee touched on rather than emphasised. As a back-up for our electricity supplies, we have, quite sensibly, four interconnectors connecting us with parts of Europe, as often as not through France. There are about seven more under review. These interconnectors provide us with energy as part of the European Union’s internal energy market. Now, we are about to leave the European Union. I am sure Mr Davis has had a very successful day in Brussels negotiating our departure, but he will have to add to his list what we do about these interconnectors. Another committee of this House looked at the agreements and concluded that they were rather unsatisfactory because they were opaque. I remember that, when I had responsibility for this area, the winter of 2006 was colder than expected. There was meant to be electricity coming through these interconnectors but, surprisingly, it did not; it got siphoned off somewhere along the line. That is not a satisfactory position to be in. If we are not getting the nuclear capacity, if the capacity margins are as close as we are told, and if there is a bad winter—these bad winters have an awful habit of spreading across the Channel, so other countries will be affected as well—the interconnector safeguard falls away.

This report is clearly about electricity but I mention in passing that I read the other day that it has now been decided that it is too expensive and difficult to maintain the Rough field in the North Sea, the only place where we store gas in large quantities. Therefore, we are pushing things right to the margin. In a country that depends so much on electricity and other energy to look after its citizens and build the goods and services that we need, that is very important indeed.

That brings me to my last point, which concerns costs. As my noble friend Lord Hollick and the noble Lord, Lord Forsyth, have said, electricity prices fell in the 20 years after the introduction of the market in the 1980s but are now rising again. At the last general election, and, indeed, in the general election before that in 2015, this was a political hot topic and we were promised all sorts of things by this Government. However, I assume this promise is like every other manifesto promise that was made and, following the election result, is dead in the water. We are entitled to know what the Government’s policy is on this. It is a matter of concern that our prices are going up and it affects our manufacturers and consumers. It is not at all clear to me what the Government’s policy is. We have a situation where we do not have the sort of market that was envisaged 30 years ago for perfectly understandable reasons. We are now in a situation where the Government, who ultimately have a responsibility to make sure that we have secure and green supplies and electricity and energy that we can afford, cannot hide behind the idea that somehow the market will fix this. The majority of us—certainly on this committee—came to the view that it is not fixed and that there is an increasing need for it to be fixed as quickly as possible.

8.01 pm

Baroness Bowles of Berkhamsted (LD): My Lords, I too am a member of the committee. I thank the noble Lord, Lord Hollick, for his chairmanship during this inquiry.

We have many committee members rich in UK energy policy and experience. I can only claim an upbringing at Harwell, surrounded by energy research, doing my own small bit on solar energy materials in the mid-1970s, and my former career as a patent attorney covering some of the technology, so I am more technology than policy on this.

My more recent experience with financial markets means that looking at thin capacity margins, spoken about with confidence, gives me a sense of déjà vu in
relation to thin bank capital. It works until something big happens. It is not clear that we are out of the shadow of something big with an ageing nuclear fleet and uncertainty over timely delivery of its replacements.

The electricity market is changed from when it was set up. It is easy to point to subsidies, targets and mechanisms used to incentivise low-carbon energy production and say that it has distorted the market, but there were always constraints on what was achievable at the time, and it had to be done.

We have also done better than predicted with some renewable technologies: solar generation boomed, now with 11 rather than the projected 3 gigawatts of generation. Offshore wind has developed, in the words of Hugh McNeal of RenewableUK, in a way that you associate more with TVs and computers than major infrastructure, with turbines doubling in size and costs coming down 40%. Now the future does not necessarily look like it belongs to large inflexible generation such as big nuclear, although the realisation of that is perhaps only just dawnning. That takes me to Hinkley Point C. I agree with the noble Lords who have already spoken on that issue. Perhaps it behoves us ill to criticise commissioning delays in the operation of the capacity market mean that we may not be out of the mess. Therefore, it is not surprising that the committee put security of supply as the foremost requirement. However, in security of supply I include self-sufficiency. Wind and sun may be intermittent but they remain available without importation or interconnectors.

I too welcome the Faraday initiative for research on energy storage to complement renewables. This should press ahead with vigour, so an update would be welcome to my Lords who have already spoken on that issue. Perhaps it behoves us ill to criticise commissioning major generating capacity when the report itself elevates security of supply to the primary consideration. There are many lessons of the Hinkley process, including lack of transparency, the need for independent scrutiny and exaggerated claims about delivery, but foremost has to be, “Do not get into a capacity mess, it does not lead to value”, and delays in the operation of the capacity market mean that we may not be out of the mess. Therefore, it is not surprising that the committee put security of supply as the foremost requirement. However, in security of supply I include self-sufficiency. Wind and sun may be intermittent but they remain available without importation or interconnectors.

The electricity market is changed from when it was set up. It is easy to point to subsidies, targets and mechanisms used to incentivise low-carbon energy production and say that it has distorted the market, but there were always constraints on what was achievable at the time, and it had to be done.

The capacity market means that a plan B for delayed nuclear is not needed, according to the Government’s response, so how and when would need for new investment be recognised and brought forward through the capacity market or otherwise? Are the Government confident that their current criteria are not supressing investment? These are all issues where having an energy commission and greater transparency would help.

We heard evidence from various sources that renewables should bear the cost of their intermittency, mainly heard from rival generators, but it is just as reasonable to recognise a cost that is imposed by the inflexibility of nuclear, and, indeed, getting it on the grid if it is turned off. It was pointed out in evidence from Bloomberg Energy Finance that every form of generation has times when it does not generate. We should not introduce disincentives for renewable energy that are not fairly based, not least when the whole understanding of energy delivery is changing away from centralisation and fixed modes of delivery, a point explained in the evidence of Professor Peter Littlewood. He also said that those countries that invest in energy sustainability will harvest the benefits of technology adoption. That is where we should be.

The report explains that the development of cheap electricity through privatisation and a market was seen as a triumph that other subsequent criteria have since disturbed, but it was also a period that saw the demise of research and development, as elaborated in the evidence of Professor Sir Richard Friend of the University of Cambridge and Professor Richard Jones of the University of Sheffield. We may have got cheap electricity but we also sowed the seeds of what we reap today, including a lack of skills and engineering base. We do not have, as the professors pointed out, national laboratories of scale that fill the gap between work that universities do and the point at which industry can take over and engineer at scale. The Energy Technologies Institute and catapult centres are small measured against international comparators, and nearer-term focused too, so there is work to do to invest in the UK’s own R&D. This is an issue that needs to be widely addressed through the promised industrial strategy, but in terms of picking sectors one thing that is never going out of fashion is energy, with electricity becoming an increasing part of that through electric vehicles and, quite likely, some heating. The report suggests using flexibility to allow for new technology. Here I disagree slightly with the noble Lord, Lord Forsyth. It should not be to do with economic downturn, as that puts you on the never-never. The new technologies would need to be genuine, not overoptimistic, and, I hope that they would use some of our own developments.

Finally, the report touches upon the Competition and Markets Authority investigation and the totally disappointing recommendation that customers should be urged to switch. The constant refrain that switching is the answer to everything is overrated. Is it realistic for hard-pressed people, especially families and the elderly, to repeatedly spend time surfing the net and switching electricity, gas, telecoms, data providers, bank accounts and just about everything else? It condones the idea that you have to keep on doing it if you do not want to be funnelled off into a bad deal. Time absorbed in switching does nothing for productivity and would be better spent helping children with their education, homework or on other ways of building the economy. Making people the regulators of decency and aggressive marketing policies is a shameful failure of good governance. There might be opportunity for technology to create gig switching, but is that really making us more productive, improving quality of life or teaching trust and decency? No—it is saying to business, “Grab what you can until you’re rumbled”. It is all in the same boat with the other things that have bred lack of
[Baroness Bowles of Berkhamsted]

trust in business, and I hope that the Secretary of State can see the pattern and will back the recommendation for a strong and effective regulator.

8.11 pm

Lord Turnbull (CB): My Lords, energy and climate policy displays a great deal of groupthink and a reluctance to challenge long-held assumptions, even when the evidence changes. So it was refreshing to work on this report, which questions many of those assumptions.

As has been pointed out, the report identified two main failings in current energy policy. First, we have moved rapidly from a framework which allowed market forces to shape the energy market to one where virtually every major investment decision is taken bureaucratically. In the process, we have lost almost completely the idea of a merit order in which different technologies can compete.

Secondly, successive Governments have paid lip service to the trilemma of three objectives: security, affordability and carbon reduction. But in the Miliband/ Huhne/Davies— and even Clark—era, one of those objectives consistently trumped the other two. Whenever there was a conflict, carbon reduction, in particular through the promotion of renewables, has prevailed. Other objectives, such as security and affordability, but also air quality and land use, have taken a back seat. The promotion of renewables has been accorded not one but two major privileges: not just subsidies of many billions of pounds but the first right of dispatch, so that, if at any time there is surplus supply of electricity, other fuel sources must yield. As a result, the economics of gas-fired capacity has been shot to pieces, and very little such capacity has been created, at a time when coal and nuclear output will be declining. While some premium can be justified for renewables on account of their low carbon intensity, inadequate account has been taken of the cost to the system of providing back-up capacity to cover intermittency.

As a result, the margin of spare capacity has been severely eroded. I do not, however, believe that the lights will actually go out. The risk will manifest itself in a different way. In response to this situation, the Government have cobbled together a range of measures, including the capacity mechanism. The criticism is that they will prove costly; have unwanted consequences, such as the promotion of diesel generation; and will encourage old fossil-fuelled stations to remain on the grid rather than encourage investment in new, efficient gas-fired stations.

The report recommended that the top priority should always be security of supply, with the best achievable balance between affordability and carbon reduction being sought subject to that. It is clear, however, that affordability too has taken a back seat. The report demonstrates that in the past decade, compared with the rest of Europe, energy costs in the UK, for both households and businesses, have gone from being relatively competitive to relatively expensive. The environmental add-ons have played a significant part in this and are projected to increase. The precise figures, however, are unclear, with what are really environmental taxes being disguised by being routed through the accounts of the energy companies, thereby evading parliamentary accountability.

There is a further dimension in which decisions on energy are being distorted. Surrounding the whole debate is a synthetic urgency—“100 months to save the planet”, and all that. Under the Climate Change Act, the Committee on Climate Change sets a forward trajectory for CO2 emissions, currently extending into the 2030s, which the Government have invariably adopted. But given the small and declining size of UK emissions in the world, a less ambitious target or a slower path towards it is, quite frankly, immaterial. Instead, the Government have allowed themselves to be hustled into decisions rather than taking the time to invest in the search for new technologies. Peter Atherton of Cornwall Energy told the committee that, “a lot of our really poor policy decisions have been driven by the fact that we set very hard timetables in law—that we have to hit certain targets by 2020, 2030 and, subsequently, 2050”.

Nowhere has this unnecessary haste been more damaging than in the nuclear sector. It has been glaringly obvious that EDF has been struggling to build a reactor to a new and much more complex design, anywhere near the original cost and time estimates. In the light of the latest announcement from EDF on cost and time overruns, the response we received from the Secretary of State was utterly complacent. It is a mistake, as other noble Lords have pointed out, to take comfort in the fact that cost overruns fall to the constructor. If costs were to rise too far, the project could be abandoned, with the risk being handed back. Therefore, it is essential that a comprehensive plan B is acted on.

As the recent NAO report revealed, the emphasis on getting an early deal on Hinkley Point ruled out several options—for example, waiting until construction risk was reduced, establishing a competition with other bidders or the exploration of other financing models. In my view, at the heart of all this is a flaw in the design of policy-making. One objective—rapid decarbonisation—is well entrenched and has a whole apparatus of support and defence. It is the only objective to have statutory backing and the only objective with a dedicated watchdog, the Committee on Climate Change, which is guaranteed access to Parliament. Indeed, there has always been cross-membership between this House and the committee. The committee is not just a consultative body; it has the right of first proposal.

I also discovered that the four strategic objectives listed in the committee’s annual report make no mention of security of supply or affordability. By comparison, the objectives of security of supply and affordability have no equivalent protections or advocacy. Therefore, it is not surprising that decision-making has been unbalanced. Instead of optimising between three conflicting objectives, we have seen the maximum pursuit of one of them at the expense of the other two.

There is one other mantra in the Committee on Climate Change theology—sadly, repeated by the Secretary of State in his response to the EAC—and that is the claim that, as a result of the Government’s policies, energy costs will be reduced. This is achieved only by claiming that increased energy efficiency will offset the various environmental levies. However, that
is a fallacy because the pursuit of energy efficiency could be undertaken independently from decisions on energy costs.

However, there are one or two hopeful signs in this rather depressing story. The Conservative manifesto was a curious document—not a curate’s egg but a curate’s daughter’s egg. One of the better passages in it was that on energy, where the language was more balanced. For example, it said:

“Our ambition is that the UK should have the lowest energy costs in Europe, both for households and businesses”, and that,

“after we have left the European Union, we will form our energy policy based not on the way energy is generated but on the ends we desire—reliable and affordable energy, seizing the industrial opportunity that new technology presents and meeting our global commitments on climate change”.

That appears to acknowledge the trilemma and an end to the automatic primacy of the renewables objective.

The other ray of hope is the promise of an independent review into the cost of energy. Better still is the appointment of Professor Dieter Helm as the review’s chairman. He has been a severe and clear-sighted critic of current energy policy. This review is important and it should be wide ranging. Since the gestation of the Climate Change Act a decade ago, much has changed, although the thinking behind it has not. Global temperatures have risen but on a track well below the range of most climate change models. Incidentally, can anyone tell me where I can find the scientific basis for regarding an extra 1.5 degrees centigrade as a tipping point, or is it just a nice line in a communiqué? Many of the predictions about the harmful effects of climate change have been exaggerated.

Fossil fuel prices, which were assumed to continue rising in real terms from the $100 a barrel mark to the point where renewables reached “grid parity”, have instead fallen. With extensive use being made of contracts for difference, the effect has been to raise the cost of the subsidies required. Only last week, Bob Dudley, the CEO of BP, said:

“I think we’ll all look back in history and think the period of three years at $100 per barrel or above was an aberration”.

There are other reasons for looking again. No other country has followed us down such an extreme unilateralist and legislated path. Severe damage has been done to our energy-intensive industries, and money has been transferred from the pockets of poor families to those lucky enough to be able to install solar panels or wind turbines. For two of the technologies which were thought essential to achieve the CO2 target at reasonable cost, one—nuclear power—is struggling and, in the case of carbon capture and storage, research has been abandoned.

Therefore, there is a lot to revisit, but if the EAC’s report and this debate contribute to this rethink of policy, they may well have proved worth while.

8.21 pm

The Lord Bishop of Chester: My Lords, as one of the few non-members of the committee speaking in the debate, I gladly pay tribute to its report, although it is not for our comfort. I think it makes it clear that the supply of electricity has become a very complex matter. For me, the central question is whether this complexity provides a richer range of policy options in relation to our electricity supply or whether it points to a rising level of confusion and risk.

Why is a bishop—I say to the noble Lord, Lord Turnbull, that bishops are always curates at heart—interested in this area? I have a scientific background and have always been drawn to issues where science and public policy interact. Thirty years ago, I was concerned that the then “dash for gas”, as it was called, in electricity generation on the back of new supplies from the North Sea was a poor and profligate use of a flexible fuel and chemical feedstock that would be available for only a limited duration. All sorts of estimates were being made about when “peak oil” would be reached and about the ever-escalating price of oil and gas. But how wrong I was, and indeed how wrong most—I might almost suggest all—forecasts were. The world is now awash with cheap oil and gas for the foreseeable future. The unimaginable has come to pass.

Subsequently, and especially in my years as a bishop, I have become concerned about the rising cost of electricity and its differential impact upon those who, by a socioeconomic judgment, are among the poorest in our society. Levels of fuel poverty have been stubbornly high, underpinned by rises in the cost of electricity. The report describes how the cost of electricity in the UK has risen over the past decade, from being among the cheapest in Europe to much higher comparative levels for everybody. The figures given in the report are stark. In the first half of 2016, for the most energy-intensive industries in Britain, electricity costs were no less than 86% higher than the median in the EU. This has stimulated various government measures to compensate the energy-intensive industries and stem their movement abroad. These are set out in paragraph 102. Will the Minister please tell us what the overall costs are of these schemes and confirm that these costs are met from general taxation and not by distribution to other consumers?

The report is right to call for greater transparency in bills for domestic consumers, especially as the various carbon and climate-related costs will rise sharply in the coming years. In their response, the Government state:

“Adding further information to consumer bills would run counter to Ofgem’s ambition to simplify bills”.

But is there not a confusion between the proper desire to simplify the range of tariffs that are available and the need for transparency around the costs that are being incurred by consumers?

Scottish Power has supplied me with electricity for a number of years, and the transparency has decreased. I compared my four-page bill from 2010 with a bill received in 2017. In 2010, I was told that 62% of my bill comprised wholesale costs, which is rather more than is the case today: 18% transmission, 9% administration and profit, and 11% VAT and government obligations, including 6% green levies. My latest bill runs to six pages and includes various advice and information about saving energy. It tells me, for example, that it will cost me 1p to run my laptop for two hours. But it contains no information
whatever on the breakdown of the bill and what proportions are attributable to the different components, including green taxes, which are rising year by year. Does the Minister seriously defend this lack of transparency?

The cost of the new contracts for difference will add to the green levies, and here Hinkel Point takes star billing. I will not repeat all that has been said but the headline figure from the NAO is £30 billion—from one power plant, in a time of austerity and cuts in public expenditure. Think what £30 billion could do. It is a huge amount of money. If we are to have further nuclear plants, will we have the same strike price of £92 a megawatt? We need some assurances, because £30 billion—even spread over the lifetime of the heir and successor to the noble Lord, Lord Forsyth—is a huge amount of money.

These costs, and others that come with current climate change policies, are recouped through the electricity bills of consumers. That is weighted towards domestic consumers because of the subsidies for big industrial consumers. This is a very regressive form of taxation and attributing the costs; that point has not been made clearly enough. At the very least, all this surely demands the maximum transparency rather than the obfuscation that the report reveals.

I would like to make some comments about the capacity market, which the Government have stated is at the heart of their plans to maintain security of supply, at least in the immediate future. What assumptions are being made about the interconnector capacity, to which the noble Lord, Lord Darling, and others have referred? By 2022, the interconnector capacity will have almost tripled, from the present 4 gigawatts to almost 11 gigawatts. Is supply delivered through the interconnectors to be permitted to enter the capacity market? If so, the important question is: what legal and contractual guarantee of supply will exist? I underline the words “legal” and “contractual. My understanding is that, at the moment, the supply comes and goes according to who is willing to pay most—it is purely economics. If that 11 gigawatts is to be brought into play for security of supply, what security is really there? We need some answers.

If Hinkel Point falls further behind schedule—which seems an odds-on certainty, although we hope not—the capacity market auctions will be very important. That is true not least if an additional pressure on the capacity market arises due to the switch to electric cars, as the national grid warned only last week in the Financial Times, which I happened to pick up.

Finally, I will refer briefly to what I call the two elephants in the report. The simpler one, to which the noble Lord, Lord Turnbull, alluded in passing, is carbon capture and storage. It seems to have almost disappeared from current climate policies and the Climate Change Act. It was outside the scope of the report—I understand why—but its influence runs through the report and we should acknowledge that.

Along with the noble Lord, Lord Turnbull, I must declare my interest as a founder trustee of the Global Warming Policy Foundation, which is committed to open debate on these matters. I share the view that it is unfortunate that the noble Lord, Lord Lawson, who chairs the foundation and comes out well from the report, is not able to be here. Only time will provide the empirical evidence to justify or otherwise current climate theories and predictions, but the practical impact in the present is huge—and not only on electricity. Let me doff my cap in two other directions. I do not know whether any other noble Lords saw “Newsnight”, last Thursday, when Professor Richard Hull, professor of chemistry and fire science, summed up the cause of the Grenfell tower tragedy as follows: “The Government has prioritised insulation over fire safety”.

It will be interesting to see how the judicial inquiry looks at that.

One could also refer to the complete reversal of government policy on diesel cars as the serious impact on public health became apparent. All that was driven by the same decarbonisation agenda.

These matters are obviously beyond the current report but the common factor is the practical impact of current climate policies. Perhaps time will justify these policies. I cannot rule that out as a possibility, although my judgment is to doubt this. What is certain is that the price to be paid for current policies, in all sorts of ways, is very high and typically falls disproportionately on the poorest and most vulnerable in our society. Will it all have been worth it? My only hope is that I will live long enough to find out.

8.32 pm

Lord Burns (CB): My Lords, I also thank the noble Lord, Lord Hollick, for his outstanding period of service as chairman of the Economic Affairs Committee. He had a happy knack of being able to take on timely subjects for investigation and completing reports that are relevant and make an important contribution to policy debates. That is a great ability. This report certainly falls into the category of relevance.

I was pleased to be part of the inquiry. It is not a subject that I have had much to do with in recent years, but I learned a great deal in the process. For many years, I have been puzzled by a number of things. Why was it that industry, particularly the large users of electricity, was being so vocal about the prices it was being charged relative to competitor countries? I really wondered whether that could be true. Similarly, there were extraordinary concerns about rising prices to retail users that became an election issue. How could we suddenly find ourselves in an election where issues of price capping should become a significant
question? How is it that we came to be paying all this money for Hinkley Point when it is shrouded in so much uncertainty? Why has it become so difficult for any outsiders—I count myself as an outsider—remotely to understand the mechanisms of the present system for electricity supply, particularly with regard to competition? That was my starting point. As I read the report again over the weekend, I found that it went some way to help us understand these developments.

As the noble Lord, Lord Hollick, set out in his introduction, at the outset there are two important milestones. The first is the remarkable 1982 energy policy introduced by the noble Lord, Lord Lawson, when he was the Energy Secretary—during the very brief period in the 1980s when I was not working for him—and the second is the early 2000s when the policy evolved to include concerns about climate change and capacity margins as the older power stations came to the end of their life. It is important to note that the report does not question the need to reduce emissions and to ensure a sufficient level of excess capacity; rather what it does quite effectively is to question whether that needed to involve as much government intervention as has taken place and whether that intervention could have been done in a more effective way, with less distortion.

The fundamental question is whether the recent policy has delivered an answer to the trilemma, as it has come to be known, of security, affordability and emissions control. As the debate has developed today, we can see that the scorecard is pretty uneven. We have ended up in a situation where we still have a rather slim capacity margin. We are told that this has been handled well in the short term but that there are still questions about the longer term. There is some acceptance that capacity auctions mark a step forward, but the report makes clear the danger that it is biased towards solutions which can be brought forward quickly rather than solutions for the longer term.

As we have also heard, average domestic bills have risen sharply, mainly because of the international prices of fossil fuels but also because of the cost of low-carbon policies. In total, UK prices have risen faster than they have in other EU countries. The committee is worried that the costs of low-carbon policies are not transparent and difficult to scrutinise. The position is even more striking with regard to industrial energy prices when compared with other EU countries. We received a lot of evidence about the extent to which these were moving industrial activity from Britain to other countries, and again the issue of transparency was raised strongly by the right reverend Prelate, and rightly so. On compensation schemes, in terms of how the trilemma is working it is important that there should be complete transparency about costs and on giving priority to certain objectives.

In fact, the reality is that the present approach can be summarised as follows: ensuring that security of supply is a political necessity, that decarbonisation has been determined by legislation, and that affordability is the residual which is determined by the costs of the first two.

The committee spent a lot of time trying to understand how it might be possible to restore a greater degree of competition. As has been mentioned, we concluded that we had to move away from the idea of the trilemma and place security of supply firmly at the top of the priorities. Once that has been done, the next question to arise is that of the correct balance between decarbonisation and affordability. For myself, I am persuaded that having decarbonisation as a statutory target is a severe complication in the balancing process, in particular as it is tested by the five-year objectives of decarbonisation which are also prescribed. Even more important is the fact that these objectives do not take account of the targets reached in other competitor economies, and so it is by this route that we end up in a remarkable situation where we have higher electricity prices for high electricity-using industries than elsewhere and an incentive for them to move some of their output overseas. As the noble Lord, Lord Forsyth, mentioned earlier, the consequence is that we have been more successful in decarbonising production than in decarbonising consumption. By exporting some of our carbon, we flatter ourselves about the progress that we have made at the expense, of course, of the industries involved in the UK. Again, the committee argued that there should be much more transparency about what is happening in this area. The report acknowledges that some offsetting compensatory measures have been taken, but with them we see even greater complexity in understanding just what the costs involved are.

It is a similar position with retail consumer prices, which are no longer as low as they were compared with other countries. As a result, we have seen a lot of dissatisfaction and loss of trust between customers and suppliers. Some talk about excess profits and politicians are tempted to reach for price controls, which might reduce competition if some potential participants withdraw. The evidence for neither conclusion is robust and is no substitute for well-thought out regulation of prices by a strong and effective regulator.

Undue complexity is often the consequence of poorly chosen objectives and a reliance on short-term responses rather than a carefully designed long-term response. Complexity and uncertainty are not cost-free. As pointed out by our witnesses, the energy market is a delicate combination of public policy and private money; investors do not appreciate uncertainty and their presence in this market is essential.

Like the noble Lord, Lord Turnbull, I am persuaded that we must try harder to keep our ambitions for decarbonisation more closely in line with achievements in other countries. There is little to be said for being out of step. To achieve this, the committee was agreed that the Government should be prepared to use their powers to vary the pace of emission reductions in electricity supply and not be bound by a strict programme regardless of what is happening elsewhere.

Following the noble Baroness, Lady Bowles, I want to finish with a few words about competition and switching. Not surprisingly, in the search for more competition, attention has landed on encouraging switching by consumers as a way of increasing competition in electricity supply. I have no issue with this as far as it applies to consumer pressure on firms to offer better standard rate tariffs than other suppliers. However, there is a real trap if all that happens is that new and
In a way, it is symptomatic and emblematic of the policies of the last two decades that have caused so to successfully unravel the absolutely disastrous energy report of which, frankly, we need many more if we are noble Lords, particularly my noble friend Lord Forsyth, on his report and on his speech presenting it, and other noble Lords, particularly my noble friend Lord Forsyth and the noble Lord, Lord Darling. This is the kind of report of which, frankly, we need many more if we are to successfully unravel the absolutely disastrous energy policies of the last two decades that have caused so much suffering and difficulty, and set back this country decisively in international competition.

I will focus purely and simply on Hinkley Point C, which other noble Lords spoke about in detail as well. In a way, it is symptomatic and emblematic of the whole hideous mess into which our energy policy has fallen. The National Audit Office did a very telling and highly critical review which the noble Lord, Lord Hollick, mentioned. I gave evidence to that inquiry. Of course, much has been said about that this evening but I can bring a few more new items to the debate.

I was always worried about the Hinkley project, long before it had final approval here—indeed, I wrote a whole book about it a year or two ago—for the reasons we have heard this evening. I am even more worried now that it has been approved and is under way. I was worried before, as we have heard repeated again and again, because the design does not work and is unproven, the delays have been colossal, Flamanville is full of difficulties, there are vast cost overruns, Areva—the supplier of equipment to EDF—went bankrupt and had to be taken over, and much of the equipment is questioned. As we have heard, even since this report appeared and since the main concrete has begun to be poured, the budget estimates have started rising again by enormous sums. The delay projections have continued and of course will continue. Above all that, there is the eye-watering cost to consumers for decades ahead. We heard all about the grandchild of my noble friend Lord Forsyth. My grandchildren are in the same position. Of course, in 10, 15 or 20 years’ time, this cost will be well above what is likely to be the cost from renewables, even offshore renewables and without storage. If storage technologies develop at the pace they are now, the cost of renewables offshore and onshore for wind and solar will come down vastly. This £92.50 or maybe £89.50 strike price for Hinkley Point will be miles above that of electricity from renewables, let alone from conventional sources.

Why am I even more worried now than I was when it was being discussed and proposed, after the decision last summer that it should go ahead? There are two primary reasons. First, any failure, setback or major filtering would now threaten thousands of jobs and careers which have all been committed to this. There are enormous developments in West Somerset, with hundreds of new schools and houses being built. A vast new social project has come up and thousands of people have committed their lives to this going forward. That is the danger when you get into a project like this. It becomes almost impossible to see how you will escape from it if it goes wrong.

Secondly, we have heard this evening all sorts of reasons why there might be a failure at Hinkley Point C. The Government in their reply even have a section on a contingency—it is in an annexe—so they are presumably aware of the dangers as well. Any failure would do huge damage to UK-China relations. Our relationship for trade, business and security with China over the next 20 or 30 years is absolutely vital and has been built up very successfully. That would be damaged if this goes wrong and there would be, rightly, feelings among both the 25,000 in West Somerset and our Chinese allies that they had been betrayed. Those are two worries that we cannot just brush aside. In particular, the Chinese have seen their one-third investment in Hinkley Point C as the way to further investment and development of their nuclear building capacities in
Europe. Of course, they have fixed their eyes on building, with the Hualong technology, a nuclear power station at Bradwell in Essex.

So what do we do? I think there are two options. One is to stand here and all shake our heads and wring our hands, but I am afraid the milk has been spilt; the thing is committed and we now have to think of how we can move out of the very dangerous and immensely damaging situation into which policy-makers have allowed us to drift. Of course, the answer is that there has to be a plan B at Hinkley Point: something else has to be built there. I suggested this some months ago, amid some cries of dismay, but that is what I believe is going to happen. That is better than just wringing our hands.

Fortunately, the plan B that I think is beginning to take shape is being led by the Chinese themselves, who appear to recognise the sorts of difficulties we have discussed this evening. I think they see shrewdly that this cannot continue on the present path because it will lead to disaster. Incidentally, they have not paid their contribution yet to the project. The cheque has not yet been written—probably quite cannily.

What is the way forward? I think it lies in the direction of what the Chinese authorities are now calling the “nimble dragon” technology. This is the very rapid development—much more rapid than over here or in America—of small, modular reactors, which the noble Lords, Lord Darling and Lord Hollick, mentioned. The Chinese have installed a working one. I think, on the island of Hainan, and are developing this whole concept very rapidly indeed. This is the Linglong technology, as opposed to the Hualong technology, which they were talking about for Bradwell. They are also developing, as are other countries, technologies for using the molten salt methods, which provide much more passive cooling and much less radioactive and much safer forms of nuclear energy generation. They are safer and quicker and they may be, although this is yet to be proven, cheaper.

What are we talking about are rows of smaller, 300 megawatt plants—so you would need six, seven, eight, nine or even 10 of those to match the gigantic 3.2 gigawatt plant that was planned for Hinkley. But I would not be surprised if the Chinese begin to see these smaller, modular reactors as an alternative to the whole EDF Hinkley project, in which obviously they have declining confidence. As I say, there would need to be a series of them. They can be built in the factory. A learning curve takes place but this is now well within reach, and certainly within reach in the timescale of between now and 2027.

That is the new point which I thought I would add to our discussion: we may yet be saved by the farsightedness and perception of the Chinese, whom we must not let down and we must work with to develop an alternative to the Hinkley dinosaur. Nuclear power, which I have always been very supportive of, offers two prizes: security of supply and low-carbon electricity, which is good; as well as, of course, the supply of non-intermittent electricity. The question is: how much should we pay for it? At Hinkley the question was never properly asked and has certainly never been answered. It should be, rather quickly.

Lord Layard (Lab): My Lords, like other members of the committee, I add my thanks to the noble Lord in front of me for the excellent way in which he has led our committee over the years. I thank him very much.

I will speak about only one recommendation in our report: the last recommendation, about research and development, which I think is one of the most important. It is important for one very simple reason: if we are to prevent disastrous climate change, we have to make clean energy cheaper to produce and to distribute than dirty energy, and the only way to make clean energy cheaper is through research and development.

That is why in 2015 Sir David King and six Members of this House, of whom I was one, proposed what we called the global Apollo programme. The idea was adopted by President Obama under the title Mission Innovation, and in December 2015 in Paris the 22 leading countries in the world other than Russia joined this Mission Innovation consortium. In doing so, they pledged to double their public expenditure on clean energy research and development by 2020. Over the 18 months since Paris, these countries have developed a structure of working parties in which different countries lead on the research areas, which include solar and wind generation, electricity storage, electric vehicles, smart grids, heating and cooling.

The issue for our committee was how the UK could best spend the extra £200 million a year which the Government, in their spending review, have pledged to energy reserves and development by 2020. Our committee recommended a specific approach: that much of the extra money should be devoted to a national energy research centre—a dedicated energy research laboratory. This idea was based on the evidence, which has been referred to, from Sir Richard Friend, the Cavendish professor of physics at Cambridge, and Professor Peter Littlewood, formerly of Cambridge and now head of the Argonne National Laboratory in the United States. The proposal was in fact heavily influenced by the American experience and the fact that they have 15 national energy laboratories, largely financed from public funds and promoting new, disruptive energy technologies.

There are five main arguments for having a new energy research lab, rather than spreading all the money around in many smaller packets. The first is the argument of critical mass, since progress is much more likely when many researchers are tackling the same problem in close contact with each other than when they are scattered abroad. The second argument is passion, since a whole organisation that is determined to solve a problem is more likely to do so than scattered individuals, most of whose colleagues work on other problems.

The third is leadership. The Government, as we have been told, have established an Energy Innovation Board, chaired by the Government Chief Scientific Adviser, to co-ordinate research in the field of clean energy—and spend the extra money. But the chief scientist has lots of concerns, while the additional element of a focused laboratory with a committed leader would add greatly to the chances of progress.
I had intended to make a number of extremely important and useful points, principally about Hinkley Point and capacity margins, but they have all been made already, so I will make a smaller number of probably less interesting points. Why did we get into this mess? When, in 2013, Mr Cameron agreed the strike price deal for Hinkley Point, the expected lifetime subsidy cost to the consumer was £6 billion. Since then, forecast wholesale power prices have come down and therefore the subsidy has risen to the number that astonished the right reverend Prelate and astonishes us all—£30 billion—and that is not the end. It will go on going up because the wholesale price of energy in the European market is set to go on going down. There is absolutely no doubt about that. The United States is now exporting shale gas LNG to Europe. There will be a Nord Stream pipeline across the Baltic bringing more Russian pipeline gas. There will be Yamal LNG from Siberia. There will probably be Iranian Pars LNG from the Gulf as well as Qatari LNG. The US is already the largest producer of natural gas in the world, and it will shortly be the second-largest exporter following only Qatar. That is bound to drive down the price of gas in Europe. Already we can see that the cheapest way of meeting the trilemma would be combined cycle gas turbine gas plus wind power. We can already see that the price of wind is coming down, as the noble Lord, Lord Howell, said. The next auction for offshore wind will probably settle at a price lower than the Hinkley Point price, and that price will go on going down.

I do not know why Whitehall has assumed throughout the last 50 years that the price of natural gas in the world will go up. It seems that Whitehall still does, judging by the response to the report. I do not understand that; perhaps the Minister can explain. I share the right reverend Prelate’s feeling, and indeed the feeling of a number of noble Lords, that it cannot be right that future consumers—my grandchildren and those of the noble Lord, Lord Forsyth—should be forced to take on the ever-escalating cost of this project. There must be something that we can do. If we are seriously concerned about intergenerational fairness, or the unfairness of regressively recovering costs from the consumer, we have to do something.

I take the points made by the noble Lord, Lord Howell, that thousands of people now have their lives tied up in this project and that the Chinese dimension is important. Actually, my reading of the Chinese dimension is slightly different: I believe that the Prime Minister’s instincts were correct and that she would have cancelled this project last September but for people persuading her that it would be very upsetting to the Chinese if we did so. I did not feel that at the time. I thought that if the Chinese had been told we were cancelling for political or security reasons—they would indeed have taken serious umbrage. However, if we had gone to the Chinese and said, “We are cancelling because the economics of this project make no sense at all”, I think the Chinese, who are hard-headed about these things, would have agreed. I ended up being very encouraged by what the noble Lord, Lord Howell, had to say: maybe the Chinese have recognised the point

[9.01 pm]

**Lord Kerr of Kinlochard (CB):** My Lords, I need to declare an interest as a director of a power company. I also need to join the declarations of respect for the noble Lord, Lord Hollick, for his admirable chairmanship of the committee and of loyalty to the Jacobite takeover by the noble Lord, Lord Forsyth.
and are already thinking of a possible answer. However, we cannot just do nothing; we cannot let the juggernaut run ahead.

It may be that the EDF dimension of the problem will solve itself for us. If we do nothing, the project may well implode anyway. Of the four current EPR projects that EDF is running, the two in China are a couple of years late, Flamanville is six years late and the Finnish one is now nine years late and three times over budget. This year, Piquemal of EDF has gone, as the noble Lord, Lord Forsyth, reminded us. EDF’s share price was €80 a decade ago; it is €9 today. President Macron’s Government have just told EDF that 17 of its fleet of 58 nuclear stations in France must be closed. The noble Lord, Lord Hollick, mentioned the most recent escalation, and it will not be the last. He mentioned the latest delay, which is another 15 months out to 2027, and only an incurable optimist would expect no further delay.

This brings us to the capacity margin. National Grid tells us that it is running at about 4%, which is very tight. National Grid also tells us that it expects to see 9 million electric vehicles on UK roads by 2030 and, by 2050, a peak demand of 18 gigawatts—that is, six times Hinkley Point. Yes, we can expect problems of peak demand to be evened out by then due to improvements in battery technology and storage, smart charging and smarter domestic use, but the margin of supply over demand is really tight and we are already resorting, as the noble Lord, Lord Forsyth, said, to some extremely suboptimal ways of dealing with it. Paying heavy industry to switch off at peak times really does not help with the national productivity problem. Encouraging the resort to small, mobile, diesel-fired generators in large numbers outside hospitals and factories is good for neither environmental nor economic policy.

We all know that Brexit—if it happens—will deter inward investment. Being unable to guarantee secure power supply 24/7 all year round is a further disincentive that we do not need. Yes, there is ongoing investment in interconnection but, as the noble Lord, Lord Darling, hinted, talking of 2006, interconnection can be a bit unreliable. My cynical answer to the right reverend Prelate’s question about how good a guarantee would be is that I cannot see EDF switching off the lights of Paris to keep those of London burning. That seems to me unlikely. Leaving the emerging EU energy market will mean that we lose reassurance that we might have got that way—although I do not think that we would have got much.

The noble Lord, Lord Hollick, has drawn attention to the increasing age of the nuclear fleet, which is important. Of the 15 stations that produce 20% of our power, all but one will have reached the end of its design life by 2023. Yes, life extensions have been agreed, and no doubt all the right checks were done, but there will inevitably be more temporary shutdowns of the kind that plagued EDF’s French operations last year.

Looking at the capacity margin and those uncertainties ahead, I find the Government’s response to our report’s arguments disconcertingly complacent. I was a civil servant myself, so I recognise tosh when I see it, but I find it astonishing that Mr Jesse Norman, who has a reputation as an intellectual, should have put his name to this stuff.

My last point is more genial. We need a plan B—not just a Hinkley Point plan B, where I very much agree with the noble Lord, Lord Howell—but for what we do if there is delay or cancellation by someone else. We need a national plan B. Last month’s NAO report provides ample reason, if our report did not, for the Treasury to look again.

What happens if there is a similar problem in Cumbria at Moorside? It looks to me very much as if there is—for totally different reasons. The problems of Toshiba and NuGen suggest that one must, at the minimum, expect major delay in that project. That is also 7% of our expected electricity production: 7% from Hinkley point and 7% from Moorside. We need to know what the Government intend to do if these risks arise. It is not good enough to say: as the response to the committee’s report does, that all we do now is nothing: “We wait until late 2021 and then, if any gap in capacity is emerging, we can have a quick auction and, in four years’ time, fill the gap—no problem”.

Short-term, piecemeal policy-making precludes batch orders, prevents sustained production runs and leads to grossly uneconomic procurement. It is a crazy way to approach these risks—to say, “Let’s do nothing and, if there’s a gap, okay, we can have an auction in four years’ time to fill the gap that would have arisen in 2025”. It usually makes better sense to have a plan, so the committee’s first recommendation—for a plan B for what we will do if there is a gap as a consequence of Hinkley Point—deserves a proper answer. It has not had a proper answer from the Government so far. The House and the country deserve an answer, and I look forward to hearing from the Minister.

9.15 pm

Lord Grantham (Lab): My Lords, this has been a very interesting debate on an important report from your Lordships’ Economic Affairs Committee, which makes powerful reports and has a very strong membership. I congratulate the chairman, my noble friend Lord Hollick, on his excellent stewardship of the committee. The report has taken the long perspective of Britain’s energy policy and examined it, posing some fundamental questions and approaches. This highlights two clear areas of focus where it has expressed key concerns. The first relates to security of supply and the second to cost of energy policies for consumers and businesses. The debate has benefited from so many committee members’ strong contributions, and it is wonderful that the report has brought forward other Members of the House to speak tonight.

In its rather more long-term view of the objectives of energy policy, the report could have drawn more attention to the fundamental shift in paradigms over recent decades: we now live and operate in a more global context, which signifies transnational interdependences. The report takes it as a given that the UK is committed to reducing carbon emissions, when it might have shown more support and recognised the global challenge of climate change. This has reframed the debate over the energy trilemma of security,
affordability and clean energy. Most speakers tonight have examined that trilemma, whose three objectives can perhaps be brought together into one outcome, or even market—strange as it may seem—as expressed by my noble friend Lord Darling.

The Government must ensure that the UK has secure energy supplies that are consistently reliable, affordable to the lowest cost and clean from global warming emissions. This inevitably means that there will be trade-offs on the balance, while the UK has to manage the fundamental transition to a low-carbon economy. The committee is right to examine that in detail.

The Government have to maintain a consistency of approach, a stability in policy framework and a compatibility of policy goals. The answers need to recognise the imperative need to tackle climate change, maintaining investor confidence to support the massive task ahead, phasing out old technologies as new, innovative, low-carbon industries emerge.

In sharing the two key challenges in the report—security of supply and the cost on consumers and businesses—I would like to raise some inconsistencies of approach, not in the report but in government policy, which could result in contradictions.

The report mentions development of interconnectors, and several noble Lords have asked questions on the security of interconnector supply. At the moment, there are five interconnectors able to supply up to 4% of capacity, and additional ones could double this over the foreseeable future. Interconnectors can obviously act as an insurance regarding supply. On EU insistence, they are included in the capacity market, but the energy exchanges of these interconnectors are not calculated or included in monitoring supply margins. What interpretations need to be given to the narrowing of supply margins if interconnectors are not included? If supply through interconnectors is not included in the critical margins, should we be less concerned at the tightening of supply? How secure can they be in the context of being available, not necessarily at times of peak demand but, more importantly, at critical capacity margins? What will be the position and costs regarding access to international supplies on Brexit, should the UK leave the internal energy market? What assurances can the Minister give that reliable access will be not only maintained but increased further?

The challenge of leaving the EU will impact on the energy market, as it will with others. To foreshadow the debate in your Lordships’ House later this week, Britain’s membership of Euratom is also crucial, with Britain’s wider civil nuclear strategy unclear. Putting aside the reasons, and their validity, for leaving Euratom, leaving will have three key consequences. First, it will be more difficult to ensure a long-term supply of nuclear fuel, of which the UK has no domestic sources. In concluding that Britain must leave Euratom, can the Minister be confident that this will not reduce access to nuclear fuel? Secondly, leaving Euratom risks the timely supply and supply chains of isotopes used in nuclear medicines. Thirdly, leaving Euratom risks access to nuclear research funds, scientific programmes and scientists. Are the Government being consistent in their reasoning regarding energy policy?

Regarding nuclear power and its supply to Hinkley Point C, the report has highlighted issues around the cost, value for money and when it is likely to be redundant. Can the Minister answer the critics who argue that a gap in supply could open up in the mid-2020s? My noble friend Lord Hollick underlined the growing difficulties with Hinkley Point C in his opening remarks and several noble Lords have spoken passionately on its finances. The noble Lords, Lord Howell and Lord Kerr, devoted their speeches to the risks of this undertaking.

Onshore wind also reveals an air of inconsistency in government policy. It is the cheapest form of renewable energy, yet it is not allowed to compete in the latest round of contracts for difference. The recent Policy Exchange report showed that repowering old wind farms could be eminently sensible as they would be relatively cheap to rebuild and have existing connections. Can the Minister justify why onshore wind, the cheapest form of energy to the consumer, is not allowed to compete, even at zero levels of support? In contradiction, capacity payments have been made available to diesel generators and to coal. Yet, at the same time, coal is being asked to pay the carbon price support, with a view to being phased out over time. In effect, we pay coal to stay open and then impose a charge on it so that it closes down. Both costs get passed on to the consumer. The noble Lord, Lord Forsyth, highlighted this nonsense.

The committee’s report highlights the present intermittency of supplies of renewables—solar and wind—both of which have been instrumental in powering the increase in renewable generation. This precariousness of supply would be transformed by battery storage development. As this technology develops, is the Minister confident that the regulatory framework is ready to implement this innovation? Does he agree that a new definition of storage is needed to reflect its roles in the three areas of generation, demand and network balance? A new licensing scheme could recognise the flexible use of battery storage. The long-term strategy must be to develop storage, not only to augment the security of supply from day to day but to provide interseasonal balance to the winter, when renewable power is often limited to wind generation.

The committee’s report also calls for the Government to be technology neutral and to allow an open auction. While the Government would agree that they will not pick winners and losers, they should perhaps be prepared to support what I shall call late developers rather than losers. I note in this regard that tidal lagoon technologies could be supported in this present round of CfDs. This highlights the cost of capital in the development of new technologies. If the Government were to take a stake in technology investments, the costs to the consumer would be greatly reduced. One of the criticisms in the NAO’s report on Hinkley Point was that the Government could have reduced costs to the consumer if they had taken a stake. In the light of tonight’s debate, others may argue that that would have posed even more risk to the UK. In the transformation of the UK’s power supplies, would the Government be willing to review this policy in the interests of future customer bills?
Although this was not mentioned by other speakers tonight, the report is also right to mention the Government’s introduction in 2013 of the levy control framework that sets the budget cap for expenditure on renewal, low-carbon generation which is added to consumer bills. This has resulted in several peculiarities and inconsistencies. Reducing fuel prices have pushed up the costs through the payment of CIDs. This rapid rise and exceeding of the cap has prompted widespread changes to framework schemes. The National Audit Office highlighted that the capacity market is not included in the LCF and that it produces a cost to the consumer. The Committee on Climate Change has also recommended that the Government should report regularly on the full costs and impact of all their levy-funded schemes, recognising that framework schemes can reduce energy costs as well as add to them. Furthermore, the rapid reversal of policy has severely impacted on investor confidence to participate. Can the Minister confirm that a full review of the LCF is ongoing and will assess all the concerns regarding this policy instrument?

The noble Baroness, Lady Bowles, made an important and powerful speech on the governance of energy policies. I hope that the Minister will reflect on her comments and those of the noble Lord, Lord Burns, on switching, especially in relation to the capping of the standard variable charge, on which there was a special ministerial Statement the week before last.

I would like to ask the Minister about the fifth carbon budget and the decarbonisation target for 2030. Under the last Energy Act, the Government have the power to set a decarbonisation target for the power sector for 2030. Will the Government now come forward and set such a target?

In conclusion, taking the report of the committee and the speeches of noble Lords tonight as my text, this report has raised challenges that need to be addressed if we are to have a successful outcome for the UK’s future energy policies.

9.28 pm

Viscount Younger of Leckie (Con): My Lords, I thank the noble Lord, Lord Hollick, for his work as chairman of the Economic Affairs Committee, a position he stepped down from at the end of the last Parliament. This report of the last inquiry of his tenure gives much food for thought. It also provides evidence, should it be needed, of the value that your Lordships bring by participating in the debate, particularly from the noble Lord, Lord Hollick, who has participated in the debate.

In January this year, the Government published the industrial strategy Green Paper, which identified three major challenges for energy policy. The first is to ensure that the shift to a low carbon economy is effected in a way that minimises the cost to UK businesses, taxpayers and consumers. The second is for the Government, working with the energy industries and regulators, to deliver the changes to energy infrastructure required in the transition to a low-carbon economy. The third challenge is to make sure that the UK capitalises on its strengths in the energy industries to win a substantial share of global markets.

The forthcoming emissions reduction plan, or clean growth plan, as it is also known, will set out how government will reduce emissions through the 2020s. We intend to publish that plan when Parliament sits again after the Summer Recess. The noble Lord, Lord Hollick, pushed me on who might lead the energy review, and Dieter Helm was mentioned. I understand that this was the result of a leak in the Guardian last week. The announcement is yet to be made, and it is with the Secretary of State at the moment.

On the debate at hand, we understand the concerns that the committee expresses, and the Government agree at least in part with a number of the solutions proposed. However, some important differences remain. To start, I will focus on some points where we agree. The committee agrees with the Government about the previous objectives of UK energy policy—namely, that we need secure energy supplies that are reliable, affordable and clean. The committee also recognises that these objectives are shared by many countries around the globe.

At this point I will say a word about Paris. I am sure many noble Lords will share the Prime Minister’s disappointment that the US Government have decided to pull out of the Paris agreement. Even so, following the G20 summit she reiterated that, “The UK’s ... commitment to the Paris agreement and tackling global climate change is as strong as ever.”

However, decarbonisation is only one consideration. The Government made clear in their Green Paper on industrial strategy the importance of security of supply. They also emphasised affordability for households and businesses and the need to secure the industrial opportunities of energy innovation. However, my right honourable friend Greg Clark, in the other place, in his oral evidence to the committee, said that getting the right balance between all the objectives can be like trying to solve simultaneous equations. The right reverend Prelate the Bishop of Chester conceded that the supply of electricity is a complex matter. How right he is. On the subject of complexity, I will comment on Hinkley Point C later on in my remarks, as that was a central theme that came out of this debate.

The committee thinks that successive Governments have not struck the right balance, and says this has led to two problems: insecurity of supply and high energy costs. First, I will give a short reflection on some history—I note that the noble Lord, Lord Hollick, eloquently set the scene in greater detail on this.

The committee's report looks back to the liberalisation of the energy market, driven forward by my noble friend Lord Lawson of Blaby. It is argued that this change, with other factors, led to significant reductions in energy prices in the UK. However, old generating capacity was wearing out and not being replaced, and the world became increasingly concerned about the emissions of greenhouse gases. This led Governments to intervene in the market in the early 21st century, to bring forward new low-carbon plant and to address
[Viscount Younger of Leckie]
capacity concerns. The committee accepts that intervention in the liberalised market was necessary to address these issues—indeed, I hope that my noble friend Lord Forsyth recognises this—though his strong criticisms in his speech which centred on too much intervention in the energy sector. However, the committee thinks that the way in which Governments intervened was unhelpful. To address this situation, the report proposes five reforms. I will briefly comment on each in turn.

First, the committee proposes that we should reconsider the relative priorities of the three objectives of energy policy. Its report is concerned that the legally binding decarbonisation target for 2050 trumped the other two objectives. In its opinion,

“Security of supply should be the first and most important consideration in energy policy”,

and it says that,

“affordability should not be neglected in the pursuit of decarbonisation”.

Keeping the lights on is an extremely important issue, and the committee is absolutely right to raise it. But the Government do not agree that security of supply has fallen down their list of priorities. When appearing in front of the committee, the Secretary of State for BEIS said that security of supply is the “sine qua non”.

The committee argues forcefully that the lack of a long-term energy strategy over previous decades saw the planned closure of energy-generating capacity without its adequate replacement being secured. However, the Government are addressing that through the successful launch and operation of capacity auctions, as well as contracts for difference, which have brought renewable capacity at a lower cost. Over the past decade, we have seen renewables grow to provide nearly a quarter of capacity at a lower cost. Over the past decade, we have seen renewables grow to provide nearly a quarter of capacity at a lower cost. We disagree with him. The capacity market auction in December 2016 saw around 3.4 gigawatts of new OCGT plant in Spalding help to emphasise that.

The committee argues forcefully that the lack of a long-term energy strategy over previous decades saw the planned closure of energy-generating capacity without its adequate replacement being secured. However, the Government are addressing that through the successful launch and operation of capacity auctions, as well as contracts for difference, which have brought renewable capacity at a lower cost. Over the past decade, we have seen renewables grow to provide nearly a quarter of the UK’s electricity generation, but the system has remained consistently reliable. National Grid has the tools it needs to manage the system and meet the highest reliability standard in Europe.

The capacity market is already securing the country’s electricity from 2017-18 through to 2020-21. Many noble Lords this evening have acknowledged the value of the capacity market. The noble Lord, Lord Burns, thought that it did not deliver long-term solutions, but we disagree with him. The capacity market auction in December 2016 saw around 3.4 gigawatts of new capacity, of which 1.5 gigawatts was new gas—for example, a new CCGT plant in King’s Lynn and a new OCGT plant in Spalding help to emphasise that.

National Grid’s winter outlook consultation, published on 15 June, gave an initial forecast that next winter’s derated electricity margin range would be an increase on previous years. The noble Lord, Lord Darling, raised a point about capacity margins being rather narrow, particularly on a cold winter’s day. However, National Grid’s latest winter outlook consultation, with next winter’s margin assessed at between 7.2% and 9.9%, is much higher than the low point of 5.1% for 2015-16. We believe that this shows the effectiveness of the capacity market mechanism.

The noble Baroness, Lady Bowles, asked how new capacity will come through the capacity market. She may know this, but I reassure her that new capacity is already coming forward through the capacity market in a variety of gas generators and other types of new capacity, including innovative new smart technologies, such as demand-side response and storage. This bears out our belief that the capacity market is the appropriate mechanism to ensure security of supply for this country.

If the Government are taking security of supply seriously, do we need to give affordability a higher priority? Like the committee, the Government believe strongly that energy should be affordable for both households and businesses. We have cut the cost of our green policies. For example, measures that we have taken to reduce the cost of the feed-in tariff will save between £380 million and £430 million a year by 2020. We are also helping industry to offset the costs of climate change and energy policies, with a substantial relief package in place for eligible energy-intensive industries.

Domestic and industrial efficiency is important as well, both to reduce costs and to decarbonise. A recent report from the independent Committee on Climate Change shows that energy-efficiency policies have offset the cost of energy policies and resulted in lower energy bills. The Government have a number of schemes to encourage energy efficiency in industry and business. For example, the climate change agreements scheme allows energy-intensive businesses to pay reduced rates of the climate change levy tax in exchange for signing up to energy efficiency or carbon reduction targets. We are working to implement regulations that will require all residential properties let from April 2018 to meet a minimum energy efficiency standard, helping keep energy costs lower for tenants.

The second proposed reform—recommendation 12 in the report—is that the Government should allow time for the development of innovative and more cost-effective technologies that will provide security and help us decarbonise by varying the required pace of emissions reductions. My noble friend Lord Forsyth asked whether the Government will alter the pace of decarbonisation targets. He may know that the Climate Change Act allows flexibilities to meet a carbon budget, including using international carbon credits or banking overachievement from one carbon budget to the next. The Government will set out in the forthcoming clean growth plan how they will decarbonise the UK economy in the 2020s.

Innovation will be a crucial part of bringing down the cost of clean technologies and maximising benefits for the UK. As well as the £500 million for low-carbon innovation announced at the spending review, last November the Prime Minister announced £4.7 billion of additional R&D funding, some of which will support our clean growth objectives.

The third proposed reform is that a neutral, fully competitive supply auction should be held for the supply of electricity. The noble Lords, Lord Darling and Lord Burns, and the right reverend Prelate the Bishop of Chester asked what the Government were doing about prices. I reassure the House that the Government are focused on reducing costs for consumers, and that is why we have announced a cost of energy review. We have reduced subsidies for renewables, and, for example, action has been taken to reduce the
feed-in tariff, representing a saving of £5 on the average household electricity bill. The Committee on Climate Change has said that energy efficiency measures have more than offset the cost of energy policies.

The right reverend Prelate the Bishop of Chester and the noble Lord, Lord Burns, asked whether I lamented the lack of transparency in bills—I think that was the gist of the question. The Government recognise the importance for consumers of having regular, reliable data on the impact of policies on bills. The department will publish its latest estimates of the impacts on domestic bills in the near future.

There was a discussion on switching, involving the noble Lord, Lord Burns, and others, but I do not entirely agree with the comments made by the noble Baroness, Lady Bowles. Switching is an important mechanism to allow consumers greater choice and prices to come down. I agree that some fine-tuning is needed, because I understand the concept of somebody switching and then—funnily enough—the prices seem to change a short time after the switch. There are some issues that need to be addressed. This House has taken through a number of consumer initiatives in recent years, but I hope that a review of that side will continue.

The principle of using competitive processes to cut energy costs is one the Government and the committee agree upon. I understand the attractions of a technology-neutral approach to auctions, if the judicious use of research and development funding could level the playing field for innovative technologies. But this proposal would represent a big upheaval for the industry and for investors. We would need a strong reason to take such action, since we often hear that change creates investor uncertainty.

We have already discussed security of supply. The Government believe we have the right tools available to address the issue. The current ‘contracts for difference’ system is driving down the costs of low-carbon generation. The 2015 allocation round saw cost reductions of around 20%, compared with the levels of support under the renewables obligation. The current and future rounds are expected to deliver even lower prices. The arguments that the committee made in relation to this proposed reform are thought-provoking. However, while we agree with the committee that the Government should facilitate the operation of a competitive market that cost-effectively delivers secure supplies of power and carbon reduction, we do not see that the case has yet been made to replace the current arrangements with something new and untried.

I recognise the passionate views that many noble Lords expressed about the Hinkley Point project, and I will do my best to answer their questions. However, I am sure the House will realise that that is a debate in itself, so I will not be able to answer them all. We are putting in place robust technical advice, monitoring, assurance and governance arrangements to track the progress of Hinkley, and are working closely with EDF to secure the benefit of such projects. The nuclear power sector has a most important role in decarbonising our society. The House will be aware that EDF is the lead investor in the Hinkley project and responsible for its funding and construction programme. We remain committed to providing secure, clean and affordable energy for the UK, and will consider advice and funding models for future nuclear projects, including Moorside.

The noble Lords, Lord Darling and Lord Kerr of Kinlochard, and my noble friend Lord Howell, among others, raised concerns about Hinkley and asked about a so-called plan B. If Hinkley is delayed the capacity market would be the primary mechanism to procure alternative capacity if it is required.

I have made some overarching comments about having robust arrangements in place for Hinkley but I would like to go further. My noble friend Lord Howell alluded to information being available to explain further secure arrangements for Hinkley. We believe there are good reasons to be confident about Hinkley’s delivery timescales but, as I said, the Government will ensure that the project is closely monitored and the capacity market provides a mechanism to make good any delays in Hinkley delivering its capacity, just as it does with other capacity risks.

The House will know that there are three other nuclear projects based on the same reactor technology as Hinkley Point C and currently subject to delays. However, there are good reasons to be more optimistic about the prospects for delivery of Hinkley Point C on schedule—that is, by 2025 and not 2027. Hinkley Point C is a different proposition. Lessons have been learned and many of the causes of delay to the earlier projects do not apply to Hinkley Point C. For example, much of the delay at Flamanville is due to changes in regulation and design during the construction phase, whereas Hinkley Point C has already gone through the UK regulator’s generic design assessment, which helps to minimise this risk.

There are also provisions within the contracts for difference that incentivise delivery. EDF will receive payment under the contract only once the plant begins generating. If commissioning takes longer than four years—that is, beyond 2029—the delay will start to eat into EDF’s 35-year contracts for difference. There is a long-stop date of 2033, after which the Government can choose to terminate contracts for difference. However, I say again that robust technical advice, monitoring and assurance in the governance arrangements are being put in place to give an early warning of any problems that may arise during the construction. I hope that helps. One could say more but we are short of time in this debate.

The fourth proposed reform is to establish a new independent body with a wide-ranging remit to monitor and advise on energy policy. The body would also have oversight of the technology-neutral auctions just mentioned. The committee’s rationale is in part based on the recommendation by the Competition and Markets Authority that Ofgem should have a formal route for commenting on government policy. The Government will be setting out our response to the CMA recommendations in due course. However, I know that the CMA does not recommend the establishment of a new body. The Government welcome advice from regulators and other bodies, including this committee, and always take their views into account. However, we are not convinced that a new energy commission is necessary to provide further advice.
The noble Lord, Lord Hollick, stated that we need a proper regulation of prices and a strong regulator in Ofgem. I can reassure him that Ofgem is already able, under its current powers, to comment on government policy, and Ofgem responded to the CMA that it will use those powers when appropriate. Given that we do not believe a new system of technology-neutral auctions is necessary, nor do we believe a new body is needed to provide oversight. There is no agreement there.

The fifth and final proposed reform is that there should be more and better co-ordinated funding for research and development. The committee proposed that funding should be directed to enable new technologies to deploy on a commercial scale and that a new national energy research centre should be established, and that proposal was raised this evening. We understand the committee’s argument in this regard. The UK’s research and innovation system is world-leading. The Government are funding a number of programmes in energy R&D. Organisations such as the catapults, including the energy systems and offshore renewable energy catapults, are working closely with industry to make a real difference to developing critical innovations in the energy sector.

However, we are in the process of making it even better. On 1 April 2018 we are establishing a single strategic research and innovation funding body called UKRI—UK Research and Innovation. As I said in winding up on the Second Reading of the Higher Education and Research Bill, we should be proud of the UK’s standing as a world leader in R&I. I believe R&I will provide the cohesive and cross-disciplinary leadership needed to maximise international collaboration through the research system.

Beyond the co-ordination of strategic oversight, the committee wanted more money spent on R&D. To remind your Lordships, in the 2016 Autumn Statement we announced the investment of an extra £4.7 billion a year in R&D by 2021. An example of a new initiative created through this uplift is the Industrial Strategy Challenge Fund, a new challenge-led fund to support collaborations between business and the UK’s science base. The first wave of this fund’s investment will be spent across six key challenge areas, including £246 million for clean energy in 2017-18. This will include a Faraday challenge to develop world-leading batteries that are designed and manufactured in the UK to exploit the industrial opportunity of vehicle electrification. I know Faraday was raised by a number of speakers and I hope that answers some questions.

I realise that time is running out. I conclude by paying tribute once again to the work undertaken by the committee and its advisers. We have read the report thoroughly and taken careful note of it. A number of areas, such as the importance of security of supply and the value of better co-ordinated research and development, show that there is much common ground between the committee and the Government. We are committed to tackling climate change, but I assure the House that we are taking steps to bring down costs, to capitalise on industrial opportunities and, as I said, the sine qua non of continuing to secure our energy supplies.

9.51 pm

Lord Hollick: As the Minister has said, the hour is late but before the lights go out, to coin a phrase, I thank all noble Lords for their interesting, passionate, well-informed and forensic contributions. As the Minister acknowledged, many questions have been asked, of which some have been answered and some will be answered in future publications. However, it would be helpful if the Minister could send a detailed response to all those questions.

I think it was the Prime Minister who said recently that she wanted to reach out to different parts of Parliament, different parties and different groups, to try to get the best ideas and analysis. I suggest that the work of the Economic Affairs Committee, which is in excellent hands, will meet that request both carefully and precisely. A lot of detailed work is done in the committee. It draws strength from right across the House and its reports set out not only detailed analyses but important recommendations. If she has time to read the report, the Prime Minister will see that it answers the questions very precisely.

Motion agreed.

House adjourned at 9.52 pm.