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PARLIAMENTARY DEBATES  
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# HOUSE OF LORDS

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

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# House of Lords

Tuesday 16 July 2019

2.30 pm

Prayers—read by the Lord Bishop of Newcastle.

## Buses: Rural Services Question

2.36 pm

Tabled by **Baroness Randerson**

To ask Her Majesty's Government what steps they are taking to improve rural bus services.

**Baroness Scott of Needham Market (LD):** My Lords, on behalf of my noble friend Lady Randerson, and with her permission, I beg leave to ask the Question standing in her name on the Order Paper.

**The Parliamentary Under-Secretary of State, Department for Transport (Baroness Vere of Norbiton) (Con):** My Lords, the Bus Services Act 2017 provides a number of tools, such as enhanced partnerships and franchising powers, to facilitate local authorities working together with operators and communities to provide improved bus services in rural areas. Furthermore, our Total Transport pilot projects encourage local authorities to innovate by joining up the commissioning of publicly funded transport services.

**Baroness Scott of Needham Market:** My Lords, the reality on the ground is that rural bus services have been in decline for some years now, to the extent that there are many quite large villages which no longer have any kind of bus service at all. Have the Government made any assessment of the impact this is having on residents' ability to access essential public services such as health and education?

**Baroness Vere of Norbiton:** We are aware that in certain areas it is a challenge to access certain services using public transport. The Government are doing what they can to support various innovative initiatives to make sure that we improve services. The rural round table in December 2018 focused on these issues and came up with a number of opportunities whereby we can improve services, and we will be working on those opportunities and reporting back soon.

**Lord Cameron of Dillington (CB):** My Lords, owing to the 25% cut in local authority funding for bus services over the last four years, literally hundreds of shire bus routes have disappeared. Given that most rural households have only one car, and that car usually goes to the job, will the Minister consider setting up a group to look at the transport needs of those left behind, how they might be provided for and how we might encourage solutions? For instance, there are Wheels to Work schemes for the young, sharing services with the Post Office or the National Health Service, and community car schemes. I hope the Minister will agree that we now desperately need some new thinking in this area, and we also need some action.

**Baroness Vere of Norbiton:** I quite agree with the noble Lord that we need new thinking in this area. It is not just about money; this Government are supporting

road passenger transport 12% more in real terms than the last Labour Government. It is about being innovative. The noble Lord was right to name a number of schemes, and I would be grateful to receive more information on them. Schemes that we are already looking at include demand-responsive transport, whereby people in isolated areas can, either on their smartphone or using their traditional phone, call up and get transport to services they need.

**Lord Rosser (Lab):** My Lords, across England as a whole the number of bus passenger journeys is falling, even though the population is increasing. Last year, the Campaign for Better Transport published a report drawing attention to the crisis in rural transport due to bus cuts and shrinking transport networks, which were leaving people unable to access jobs and creating increasingly congested roads. One of the Campaign for Better Transport's recommendations was that there should be long-term, ring-fenced, central government funding for rural local authorities to improve, and not just maintain, public transport. Do the Government agree with that recommendation? If so, how much new, additional money do they think local authorities in rural areas alone would need per year to deliver that recommendation?

**Baroness Vere of Norbiton:** The noble Lord is right that the number of trips on buses is declining, although they represent 55% of all journeys on public transport. But it is also the case that the total number of trips taken by individuals is declining, and therefore the share of trips on buses has remained around about the same. To go back to the noble Lord's point about funding, the Government are providing ring-fenced funding where it is needed. For example, we have provided £43 million of ring-fenced funding, which is paid to operators to support less viable services within their communities. We have also provided £65 million of rural services delivery grant, because we recognise that providing services in rural areas is more difficult.

**Baroness McIntosh of Pickering (Con):** My Lords, does my noble friend agree that, when the concessionary fares were rolled out under a Labour Government, the uptake in rural areas was greater but the funding to cover the costs was not there? Will my noble friend revisit schemes such as the post bus services that operated successfully between villages and market towns in areas like North Yorkshire, to see whether they can be rolled out again in full?

**Baroness Vere of Norbiton:** It is the case that local authorities have a statutory duty to provide some concessionary travel, but they also provide discretionary concessionary travel, which is important too. I am not aware of the scheme that my noble friend noted, but I will be happy if she can send me some details and we will certainly look at this. I reiterate that we are being innovative about making the best use of our assets to make sure that people in rural communities have transport.

**Lord Shutt of Greetland (LD):** My Lords, it says on the bus pass:

"Concessionary travel funded by HM Government with your local authority".

[LORD SHUTT OF GREETLAND]

Should not Her Majesty's Government therefore be absolutely certain that they are funding travel in rural areas for rural dwellers and for people in urban areas to get to rural places?

**Baroness Vere of Norbiton:** I reiterate to the noble Lord that we are providing funding—we are supporting £2.12 billion-worth of funding. It is not just about the money; it is also about being innovative with how we spend it. It is the case that local authorities know what is best for their local communities. It is not up to national government to micromanage hyperlocal bus schedules.

**Lord Foulkes of Cumnock (Lab Co-op):** My Lords, in Scotland, thanks principally to free travel for older people, who can travel anywhere throughout Scotland absolutely free, rural bus services are being maintained and indeed expanded—incidentally, this is with help from the English taxpayer. Why is such a scheme not possible also in England?

**Baroness Vere of Norbiton:** We operate things differently in England than they do in Scotland. But I stand by what I said earlier in that funding from central government is available. Local authorities can of course also access council tax, business rates and other local income. However, at the end of the day, it is about using money more effectively, not just throwing more money at it.

**Lord Berkeley (Lab):** My Lords, is the Minister aware that, in Switzerland, villagers in any village with more than 600 people have a statutory right to have a bus or train service at least once an hour? Should we not look at that example here?

**Baroness Vere of Norbiton:** My Lords, we operate things differently than they do in Switzerland. The Swiss may decide that that is best for their local communities, and it is up to any local authority in England to do the same if it thinks it is cost-effective for its local taxpayers.

## European Union Settlement Scheme

### Question

2.44 pm

*Asked by Lord Greaves*

To ask Her Majesty's Government what progress they have made on the implementation of the European Union Settlement Scheme.

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the EU settlement scheme opened fully on 31 March and makes it easier for resident EEA and Swiss citizens and their family members to get the status they need to remain here after we leave the EU. The system is performing well and, according to the most recent internal figures, nearly 1 million applications have been received.

**Lord Greaves (LD):** My Lords, that is good news, but there is still a very long way to go. As the Minister knows, if you have not been here for five years, you get pre-settled status. On 20 May, Caroline Nokes said in a Commons Written Answer:

“We are currently working hard on a number of enhancements to the EU Settlement Scheme including the functionality to support individuals who currently hold pre-settled status to apply for settled status once they become eligible”.

Is the Minister aware that there was publicity only over the weekend because people are finding it difficult to use the app that they must use to convert their pre-settled status into settled status. Caroline Nokes promised that it would all be sorted within six weeks; that was two months ago. What is happening about that and can the Minister tell us what happens to people who forget to apply for settled status once they have their pre-settled status and the time arrives?

**Baroness Williams of Trafford:** In answer to the noble Lord's first point—that we have a long way to go—given the number of citizens we are talking about, it sounds to me as though we are almost a third of the way there. In answer to his point about pre-settled status, interestingly enough, just before we came into the Chamber, I had a conversation with his noble friend, the noble Baroness, Lady Ludford, about a question she had raised with me previously on a reminder system for people coming to the end of their pre-settled status. That is certainly being worked on. He also asked me about the app. I am aware of the problem and we intend that from the end of July, it will be possible for people with pre-settled status to apply online to convert it to settled status as soon as they become eligible.

**Lord Clark of Windermere (Lab):** My Lords, I understand that there are 2.5 million people of European Union descent working in the UK who have still to apply for settled status. What happens to those people in just over two and a half months when we have Brexit?

**Baroness Williams of Trafford:** I hope the noble Lord will be comforted to hear that people will have at least until 31 December 2020 to apply, which is a significant way off. It is pleasing to note that, three months into the scheme, the number of people who have applied is significant—as I said, nearly a third of the total.

**The Earl of Clancarty (CB):** My Lords, does not the Minister believe that there should, equally, be a right of appeal following an unsuccessful application under a—God forbid—no-deal scenario, as there is currently in the event of a deal? There is no good reason why this should not be the case. Will the Government look into that?

**Baroness Williams of Trafford:** I understand that an administrative review is allowed and costs £80, but the noble Earl asked about something different, which was in the event of no deal. I will check when I go back that it is the same—that, deal or no deal, the cost and the process are the same.

**Lord Anderson of Swansea (Lab):** My Lords, the EU Sub-Committee covering this law met the Minister this morning. There seems to be a view that the technology is infallible. Is there not therefore a danger that the law of technology will trump the rule of law? The main complaint which the committee has found concerns the lack of physical proof that a person has been granted settled status. The Government have stubbornly refused to alter that, even if there were to be payment. What is the rationale behind that refusal?

**Baroness Williams of Trafford:** I think the noble Lord is referring to automated decision-making. If the report is the same one that I am thinking of, it is wrong: there is no automated decision-making in the settlement scheme. Each application is checked by a caseworker, which I hope will give the noble Lord comfort. We allow applicants to choose, during the application process, whether they would like the evidence requirement for their continuous residence in the UK to be supported by government data checks. Those checks are optional and triggered only when a person enters their national insurance number on the application. The applicant may supply evidence in other forms should they wish to do so.

**Baroness Hamwee (LD):** My Lords, I am sure that the Minister will agree that transparency is important and particularly difficult to achieve in a scheme that is largely, if not completely, automated and uses algorithms. What information will the Home Office publish about its evaluation of the workings of the scheme? I include in that the work being done by the organisations receiving funding to advise vulnerable applicants, especially as—the Minister will correct me if I am wrong about this but it is important—I believe that their contracts include a gagging clause.

**Baroness Williams of Trafford:** I cannot comment on the last point made by the noble Baroness and I will have to write to her on whether that is the case. She will of course remember the beta testing scheme that was in place before the whole thing went live; we will review how that process went. Part and parcel of that review will be the total number of successful applications made, as well as where things possibly went wrong.

**Lord Pearson of Rannoch (UKIP):** My Lords, why do the Government think that the EU Commission refused our original offer of continuing residence for the EU's 3.5 to 4 million people living here in return for its agreement that our 1.2 million people could go on living there?

**Baroness Williams of Trafford:** The noble Lord has raised an important point and there has been a lot of discussion in this House about it. At the time we did what we thought was right and, yes, it would have been nice had it been reciprocated.

## United States: Migrant Detention Camps *Question*

2.51 pm

*Asked by Lord Roberts of Llandudno*

To ask Her Majesty's Government what assessment they have made of reports that children have been separated from their parents in migrant detention

camp on the United States border with Mexico, and whether the human rights of migrants have been violated in those camps.

**The Earl of Courtown (Con):** My Lords, we share concerns over the recent reports on the conditions faced by children in US detention facilities. I welcome the fact that on 1 July the President passed a Bill providing emergency funding, including humanitarian support, which in part is to help to address those conditions. While countries are responsible for their own border policy, we all clearly have a responsibility to address migration issues in a fair, humane and effective way.

**Lord Roberts of Llandudno (LD):** Is the Minister aware that, in May 2018, the United States began forcibly separating children and parents as they arrived at the United States border and that an estimated 12,000 unaccompanied children are in detention camps? The conditions in those camps have been compared with those in concentration camps. What views and protests have HM Government expressed to the United States? What was the wording of any such correspondence?

**The Earl of Courtown:** My Lords, this subject was not raised at the recent G20 summit, but we will continue to monitor the situation. However, immigration policy in the US is of course a matter for the US Government.

**Lord Collins of Highbury (Lab):** My Lords, what is truly shocking is that, when democratically elected representatives have raised their concerns, they are treated to abuse by their President. I very much welcome the Prime Minister's condemnation of the words as "completely unacceptable", but in this country we would call them racist. Will the Minister do the same?

**The Earl of Courtown:** My Lords, I am glad that the noble Lord has raised this important issue, and that he referred to the views expressed by my right honourable friend the Prime Minister. As she said yesterday, the language used to refer to these women was completely unacceptable. I am also glad that the two contenders for the leadership of my party have spoken in similar terms. My right honourable friend will always stand up for the values of tolerance, decency and respect.

**Lord Singh of Wimbledon (CB):** My Lords, President Trump refers to immigrants from Mexico as caravans of rapists and criminals. As we have just heard, he separates infants and young children from their parents, causing them inconsolable distress in crowded concentration camps, where they are deprived of adequate food, water and basic hygiene. Does the Minister agree that such overtly racist behaviour demeans the highest office of a once-great country?

**The Earl of Courtown:** My Lords, the noble Lord draws attention to the appalling conditions of some of these refugees, who come from distant countries such as El Salvador, Haiti and Honduras. This matter has

[THE EARL OF COURTOWN] had much recent coverage in newspapers and other media. That is one reason why I am particularly glad to note, as I said in response to the Question, that the President has passed a Bill providing emergency funding, including humanitarian support, in part to help address these conditions.

**The Lord Bishop of Durham:** Last week the six Texan bishops of the Episcopal Church on the border with Mexico wrote a letter stating:

“We call on our state and national leaders to reject fear-based policy-making that targets people who are simply seeking safety, and a chance to live and work in peace”.

Does the Minister agree with their view, and that we too need to ensure that our policy-making towards asylum seekers and refugees must be based never on fear but on humane, compassionate grounds?

**The Earl of Courtown:** My Lords, the right reverend Prelate makes some good points. Our long-standing position on our own immigration system is that it should bring control, be fair to those who are here legally and contribute, and deal effectively with those who are here illegally.

**Lord Elton (Con):** My Lords, have my noble friend and his colleagues noted that whereas a reassuringly large and vocal number of the United States population are complaining about this, a worryingly large number of the population of the United States are acquiescently silent?

**The Earl of Courtown:** My Lords, as I said before, United States immigration policy is for the United States.

**Baroness Symons of Vernham Dean (Lab):** My Lords, what direct representations, if any, have Her Majesty's Government made to the Government of the United States over the forcible separation of children from parents? That is the point of this Question, and it would be helpful if the Minister could tell us what has been said by our Government to theirs on this important humanitarian issue.

**The Earl of Courtown:** My Lords, as I understand it, we have not been in discussion with the US Administration on this issue. I understand noble Lords' feelings on this matter, but the fact is that US immigration policy is for the US Government.

**Baroness Deech (CB):** My Lords, does the Minister condemn the use of the phrase “concentration camps”? The children in America, no matter how badly treated, are not being gassed, buried alive or smashed against walls. To use that phrase diminishes the memory of those who were treated like that and undermines the argument.

**The Earl of Courtown:** I could not agree more with the noble Baroness; she is quite right. The use of that sort of wording is quite improper in this instance.

## National Health Service: Healthcare Advice Question

2.59 pm

Asked by **Lord Patel**

To ask Her Majesty's Government what analysis they have conducted of the impact of the National Health Service introducing the use of devices such as Amazon's Alexa for health care advice.

**The Parliamentary Under-Secretary of State, Department of Health and Social Care (Baroness Blackwood of North Oxford) (Con):** My Lords, digital technology will play a key role in making the NHS sustainable. The Secretary of State's technology vision sets the foundation for a new generation of digital services focused on user need, privacy and security, interoperability and inclusion. The collaboration with Amazon simply connects people to medical information and is already freely available through the NHS website. This service does not provide advice or any form of diagnosis. More modes to access medically verified NHS information can only give UK citizens a better understanding of different medical conditions. The agreement with Amazon is convenient for those who rely on voice-activated technology, in particular blind and visually impaired people.

**Lord Patel (CB):** My Lords, I thank the Minister for her response and might I say it was a good defence? While I have absolute confidence that Matthew Gould—our previous ambassador to Israel who leads on the project—will get it right, voice-recognition technology has its problems. It must recognise the correct phrase, word and accent. It might be interesting to hear the answers that the Opposition Chief Whip were to get if he asked a question with his accent. I asked five questions at the weekend; all health-related. One I repeated twice and got two different pieces of advice: one was to call 999 and the other was to go to bed and rest.

I know that it is not a diagnostic technology, but it runs the risk of a diagnosis being made, so the key questions are what trials are being carried out, what data protection do we have against Amazon collecting vast amounts of data, and what is the risk of misdiagnosis?

**Baroness Blackwood of North Oxford:** The noble Lord makes very important points. It is important to understand that this is not a technology to offer advice or diagnosis. NHS Digital and NHSX have built an interface to connect the NHS website so that other organisations can make NHS information available on their own sites. That is so that a greater number of people can access NHS information. It has already been made available through a number of other examples such as NHS Go, which is designed to inform young people, accuRx and eConsult. No health data is collected by Amazon. No money is exchanged via this route and all data protection laws, such as GDPR and the NHS data protection rules, still apply. Data protection is still required to protect data through this system.

**Baroness Thornton (Lab):** My Lords, it is exciting to contemplate the new world of communication technology and how it might help in all kinds of ways, but the noble Lord, Lord Patel, has raised some important points. The NHS-Alexa partnership has to be seen in the context of Amazon's ambitions for our wider healthcare industry. I seek assurance. I am sure that at the moment the data is being protected, but I want to know what will happen in the future. If Amazon collects yet more data on patients raising medical concerns, what use might be made of that in the future?

I do not know how other noble Lords are getting on with their Alexa in the corner of the sitting room, but ours regularly joins in with conversations and tells us very bad jokes. My granddaughter thinks it is wonderful because she knows what noise a unicorn makes, so I am not sure, as the noble Lord said, how that plays if one is trying to have a serious discussion about a medical condition.

**Baroness Blackwood of North Oxford:** I thank the noble Baroness for that. I would be interested to know what jokes she has heard from Alexa in her family conversations. However, patients look on well-known search engines for medical advice and at the moment they may receive advice from all sorts of untested sources. NHS.uk is clinically based advice which has been approved by NHS England. The purpose of making that advice more available through the Open API, which is available through the developer system, is to ensure that that clinically based advice is more widely available and more readily searchable for patients. A reasonable point has been raised which is to ensure that the right advice reaches patients and that patients go through the right triage system, whether it is 111 or another system, but that is the intention of the programme. It will be carefully monitored and managed by NHSX, NHS England and the department.

**Lord Fox (LD):** My Lords, there is a wider principle here. Even if effective, anonymised data is gathered and generated, where does the value lie in that data? Can the Minister tell us whether the Government have discussed and agreed with Amazon where the value lies and who gathers that value? On the overall principle, can the Minister tell us that when this data generates value, it is the NHS that benefits and not the private sector?

**Baroness Blackwood of North Oxford:** Amazon is not sharing any of the information that it gathers from third parties. It is not selling products or making product recommendations based on health information, nor is it building a health profile on patients. It has strict technical and operational safeguards in place so that Amazon employees will not have direct access to information that can identify any person or account. As I have already said, it does not have access to any health data based on this contract. No health data is being shared between the NHS and Amazon. Just yesterday we launched some new data-sharing principles which are designed to improved clarity around health data-sharing between the NHS and private companies so that we can improve public and clinician confidence on this issue.

**Baroness McIntosh of Hudnall (Lab):** The Minister has just given a very eloquent explanation of her view of the relationship with Amazon, but does she agree that it is a bit counterintuitive to assume that a company as big and commercially successful as Amazon is not getting some value from the relationship with the NHS? Can she explain what that value is?

**Baroness Blackwood of North Oxford:** Amazon is seeking to ensure that it provides a service to its customers. In this instance, we have ensured that we have provided an open API: any company that chooses to develop a service linking to the information on the NHS website is able to do so. This is not an exclusive contract with Amazon. As I have already said, other companies are able to do so and some already have done. It is not a specific benefit for Amazon. It is something that other companies have already availed themselves of and is of benefit to the NHS and NHS patients.

## Ebola in the Democratic Republic of Congo

### *Private Notice Question*

3.06 pm

*Asked by The Lord Bishop of St Albans*

To ask Her Majesty's Government what action they are taking to assist local communities in the Democratic Republic of Congo to deliver health advice on the Ebola epidemic, which has now spread to the city of Goma.

**The Lord Bishop of St Albans:** My Lords, I beg leave to ask a Question of which I have given private notice.

**Baroness Stedman-Scott (Con):** The UK has supported the response to the outbreak of Ebola in the Democratic Republic of Congo since it began in August 2018. UK aid has supported the full range of response and preparedness activities, including vaccination, surveillance, treatment and community engagement, including in Goma. The response is led by the Government of the DRC. On the ground, this must be a locally owned response with strong support from the international community.

**The Lord Bishop of St Albans:** I thank the Minister for her response and for all that DfID and others are doing. If we are to prevent further spread of the disease, we need more grass-roots health education and disease prevention. My colleague, the Bishop of Hertford, is currently using his sabbatical to do just that, working through churches, local community leaders and faith groups, and his health educational material, translated into Swahili, is being delivered through the Anglican dioceses and by 800 Baptist pastors in every part of the DRC. Will the Minister explore how we can support this grass-roots work with indigenous leaders and communities, including the churches, and will she meet me to see how we can build on this initiative?

**Baroness Stedman-Scott:** I would be delighted to meet the right reverend Prelate the Bishop of St Albans to discuss this further. Of course, NGOs at the grass roots have a real role to play in helping to deal with this devastating situation. We value them and want to ensure that their contribution is maximised. It is excellent that the right reverend Prelate's colleague is spending some time trying to do just that.

**Lord Collins of Highbury (Lab):** My Lords, I too congratulate DfID and the Government on their work in combating this awful disease. On the radio this morning we heard about the success of vaccination, including the vaccination of 3,000 health workers. However, as the right reverend Prelate alluded to, there is huge resistance to extending that vaccination programme, which would halt the disease. It needs support. I know that the Government are giving financial support but what other support will they give to ensure that we widen the programme?

**Baroness Stedman-Scott:** One thing that the Government are doing—and must do more—is to break down the mistrust that prevents people going for treatment and vaccination in this area. The pastor who contracted Ebola in the Goma area has, regrettably, passed away. It would have been helpful if he could have sought medical treatment sooner. Therefore, my answer to the noble Lord's question is that we must try to break down mistrust and to communicate and promote the sense in being vaccinated.

**Lord Chidgey (LD):** My Lords, the Ebola outbreak in west Africa in 2016 resulted in the deaths of more than 11,000 people. The current trajectory of the growth of the disease in the DRC is massive compared with that outbreak in west Africa. It is truly frightening and is putting both Uganda and Rwanda at risk. There is almost no functioning state in eastern DRC—I know; I have been there—with corrupt, predatory and violent police, malicious stealing, and raping and killing at will. What is the Government's response to the WHO's plea to help fill the massive funding gap in the region? I know that the Minister said that we are helping, but how much are we helping to tackle the outbreak? Will the Government support the call for a ceasefire brokered by the UN to get at least six months' respite to help stop the spread of Ebola?

**Baroness Stedman-Scott:** The noble Lord makes a very valid point—a ceasefire would be great. I cannot give him an accurate response but I will go away and find out what is being done to promote that—I am sure that people are trying to work towards it. The Secretary of State has announced more funding of up to £50 million because we should be committed and we should, and will, put that money in, but he wants it to act as a catalyst to others to act in the same way. My understanding is that when the Secretary of State made his speech, lots of reasons were given as to why the situation and the politics are difficult, but no reason was given for why people could not contribute more. I can give the whole House an assurance that the Secretary of State will not give up in his quest to get more people to put more money forward.

**Baroness Chalker of Wallasey (Con):** Will my noble friend consult her colleagues in the Foreign Office? I think that excellent work is being done with vaccinations but there is a need for a political dialogue in eastern Congo to persuade people, through the local communities, that vaccination is not dangerous. There is a terrible fear of the needle—that it is bringing in the disease—so we need not just medical treatment but some psychological warfare, as I might call it, to persuade local leaders to encourage the take-up of vaccination.

**Baroness Stedman-Scott:** I can only agree with my noble friend about how important vaccination is. We know about its benefits and how safe it is. It is common for people to be afraid of needles, so it is not an easy matter. Perhaps I may take noble Lords back to the point that the right reverend Prelate made about the 800 pastors whom the Bill and Melinda Gates Foundation trained. They are working at grass-roots level to ensure that prevention is on the agenda—vaccination is a great contributor to that—and that the culture is changed. But I will take back my noble friend's point regarding the Foreign Office and will see what I can do.

**Baroness Coussins (CB):** My Lords, can the Minister assure the House that all the prevention and treatment programmes funded directly or indirectly by DfID are being delivered not in English and French, which have proved ineffective in the past, but in Swahili and the other three official community languages of the DRC?

**Baroness Stedman-Scott:** In preparation for the Question, I had to ask my officials what “francophone” meant, which reflects the point made by the noble Baroness. These things are indeed being done in other languages so that we can get the messages to people in the most effective way.

**Lord Patel (CB):** My Lords, we are running the risk of being complacent. This disease, when we discussed it in the Chamber a few months ago, was confined to rural parts of the DRC, and we were hoping it would remain confined. It has now spread to Goma, a large city on the border with Rwanda and, as has been said, there are already cases in Uganda. I know that the WHO is responsible for surveillance but we are running the risk, as we did with Sierra Leone, that we will wait for the big outbreak to occur. We have in this country two of the greatest experts in the control of Ebola: Jeremy Farrar, director of the Wellcome Trust, and Professor Peter Piot. It is time this Government took the lead in trying to control the spread of the disease by using our own experts to advise.

**Baroness Stedman-Scott:** I must apologise to the noble Lord if he feels there is any complacency from the Government, or indeed that my answers have given him any reason to believe that. We are not, and will not be, complacent. We must use all the medical expertise at our disposal to get the message through to people; but we must also get to the grass roots to ensure that people are not frightened to take the message up. The noble Lord's point is well made.

**Baroness Watkins of Tavistock (CB):** The WHO has made it absolutely plain that one of the biggest health security risks across the world is a lack of qualified healthcare workers. As we see the potential for this disease to become no longer isolated to specific African countries, how is DfID working with our own Department of Health to ensure that we train more healthcare workers here and reduce our reliance on those from abroad when they are so desperately needed in other parts of the world? Perhaps the Minister can answer this question.

**Baroness Stedman-Scott:** Obviously, health security is critical. I can assure the noble Baroness that the Secretary of State, when he was in Geneva last week, made this a key part of his contribution to the wider audience. I can only agree, as can DfID and the whole Government, that the point she makes about training healthcare workers locally is the one we must follow.

### High Speed Rail (West Midlands-Crewe) Bill *First Reading*

3.17 pm

*The Bill was brought from the Commons, read a first time and ordered to be printed.*

### Supply and Appropriation (Main Estimates) (No. 3) Bill

*Second Reading (and remaining stages)*

3.18 pm

*Moved by Lord Young of Cookham*

That the Bill be now read a second time.

*Bill read a second time. Committee negatived. Standing Order 46 having been dispensed with, the Bill was read a third time, and passed.*

### Detainee Mistreatment and Rendition

*Statement*

3.19 pm

**Lord Young of Cookham (Con):** My Lords, with the leave of the House, I shall now repeat in the form of a Statement the Answer given by my right honourable friend the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office in another place yesterday. The Statement is as follows:

“As my right honourable and learned friend indicates, this issue has a lengthy history. It was in July 2010 that Prime Minister Cameron announced Sir Peter Gibson’s inquiry into allegations that the United Kingdom had been implicated in the improper treatment of detainees held by other countries in the aftermath of 9/11.

In December 2013, the Government published Sir Peter’s preparatory work and asked the Intelligence and Security Committee of Parliament to follow up on the themes and issues which that work had identified, to take further evidence and to make a report. At the same time, the Government said that they would,

‘take a final view as to whether a further judicial inquiry still remains necessary to add any further information of value to future policy making and the national interest’.—[*Official Report*, Commons, 19/12/13; col. 916.]

In June last year, the Intelligence and Security Committee, its work having been interrupted by two general elections and the task of reconstituting the committee after those elections, published two reports: *Detainee Mistreatment and Rendition: 2001-2010* and *Detainee Mistreatment and Rendition: Current Issues*.

In response to an Urgent Question from my right honourable and learned friend on 2 July last year, the Minister for Europe and the Americas, my right honourable friend the Member for Rutland and Melton, said that, in responding to the ISC reports, the Government would,

‘give careful consideration to the calls for another judge-led inquiry and will update the House’.—[*Official Report*, Commons, 2/7/18; col. 26.]

The Government responded formally to the ISC on 22 November last year, and my right honourable friend the Prime Minister, in a Written Statement, said:

‘The Government continues to give serious consideration to the examination of detainee issues and whether any more lessons can be learned and, if so, how’.

That serious consideration has included the question of a further judge-led inquiry.

As the House will understand, this has been complex work which has involved some of the most sensitive security issues. I confirm to the House today that the Government will make a definitive statement setting out their decision about a judge-led inquiry later this week and, at the same time, we will announce to the House our response to Sir Adrian Fulford’s recommendations on the consolidated guidance”.

3.21 pm

**Baroness Chakrabarti (Lab):** My Lords, I am so grateful to the Minister for repeating that Answer. I declare my interest as the former director of Liberty, which was formerly the National Council for Civil Liberties. Will the Minister join me in paying tribute to the right honourable Father of the House of Commons for a wholly principled and non-partisan position on that most absolute of human rights, the rule against torture? He spoke quite poignantly yesterday of the solemn promises for a judge-led inquiry that he gave in 2010 and 2012 as Justice Secretary in the former coalition Government. What greater tribute or gift could the outgoing Prime Minister, who was Home Secretary in that Government, give to the Father of the House of Commons on her way out than to grant his wish of the judge-led inquiry that so many have waited so long for?

**Lord Young of Cookham:** I join the noble Baroness in paying tribute to my right honourable friend Ken Clarke, who has pursued this issue with commitment for many years, not least because of undertakings he gave when he was Lord Chancellor in the coalition Government. I note her very strong wish that his campaign should be rewarded with the announcement of a judge-led inquiry later this week. The noble Baroness will understand

[LORD YOUNG OF COOKHAM]  
that I cannot anticipate my right honourable friend's Statement, but I know she will take into account the views that noble Lords express in this exchange.

**Baroness Ludford (LD):** My Lords, can the Minister confirm that the Statement on a judge-led inquiry and the updating of the consolidated guidance promised yesterday by the Deputy Prime Minister will be an Oral Statement, as requested by the Speaker? Can he confirm on which day it will take place?

The sudden spurt of speed is welcome, but very belated. It is 17 years since the US rendition and torture in which the UK colluded began, and nine years since the Gibson inquiry was first set up. Is this because Prime Minister May fears that a Prime Minister Johnson would succumb to pressure from President Trump not to revive the inquiry? We have already heard only this afternoon that the Government have made no representations to the Trump Administration about that Administration's child migrant detention.

Last year, the ISC was concerned to note that HMG,

"has failed to introduce any policy or process that will ensure that allies will not use UK territory for rendition purposes without prior permission".

It appeared to be quite concerned that the, "shift in focus signalled by the ... US administration", meant that,

"reliance on retrospective assurances and the voluntary provision of passenger information",

was not "satisfactory". Are these kinds of concerns now driving this welcome but slightly mystifying sudden promise of a Statement?

**Lord Young of Cookham:** I am not quite sure that the noble Baroness can complain about a sudden Statement when at the beginning of her question she complained about the length of time it has taken to reach a decision. In answer to her first question about whether the Statement will be oral or written, I cannot add to what my right honourable friend the Chancellor of the Duchy said yesterday in response to a request from the Speaker that it would be an Oral Statement:

"I will make sure that your comment to that effect is faithfully reported to my colleagues in Cabinet, Mr Speaker".—[*Official Report, Commons, 15/7/19; col. 589.*]

I am afraid I cannot add to that.

I understand what the noble Baroness said about the length of time. This is an important and sensitive decision, as are any decisions involving intelligence and security, and requires careful analysis. In the exchange yesterday, my right honourable friend made it clear that,

"the Prime Minister has been very clear that she regards it as her responsibility to ensure that the decision is taken and announced to Parliament before she leaves office".—[*Official Report, Commons, 15/7/19; cols. 590-91.*]

I might need to write to the noble Baroness on the other issues she raised, but Ministers must be involved in any case where an intelligence officer believes a detainee is at risk of mistreatment by a foreign state. The Ministerial Code obliges us to abide by international obligations such as the UN convention on torture and the ECHR.

**Viscount Hailsham (Con):** My Lords, given that this matter has been considered since at least July last year, and that we are to have a definitive Statement later this week, that must mean the Government know their position already. What is the procedural or substantive reason for not making a proper response to the Question before the House?

**Lord Young of Cookham:** Because I do not have it. My noble friend will know that there is a process to be gone through. The announcement yesterday was in response to an Urgent Question; it was not planned by the Government. The announcement planned by the Government will take place later this week, as announced by the Chancellor of the Duchy of Lancaster yesterday.

**Baroness D'Souza (CB):** My Lords, at a time when the UK needs to do all it can to boost its reputation for upholding the rule of law, and when it is possible that next week we will have a Prime Minister who has publicly condoned waterboarding, could the Minister reassure the House that any forthcoming Statement will be the result of examination of and statements from all witnesses to these practices?

**Lord Young of Cookham:** The Government will take all the relevant evidence into account when they announce their decision later this week. As I said, we are clear in opposing torture. The issue in debate is the extent to which it is alleged that there was knowledge of, or complicity in, the treatment of detainees in other countries. It is worth making the point that there is now a robust independent oversight regime that we have introduced over recent years. The changes in the Justice and Security Act 2013 and the Investigatory Powers Act 2016, the changes in the powers of the ISC and the statutory basis for the Investigatory Powers Commissioner have all ensured we have a robust, independent oversight regime, which I think is more transparent than nearly every other country.

**Lord West of Spithead (Lab):** My Lords, does the Minister not agree that it is important that we remember that none of our men and women in any of the agencies was directly involved in torture? They might have been inadvertently one or two steps removed and we took a lot of actions to try to make it clear how they should behave in those difficult circumstances, because it had not been clear before. In all this discussion we must not assume, because it did not happen; our men and women were not involved directly in torture.

**Lord Young of Cookham:** The noble Lord is quite right. Our officials were not involved in torture. I take this opportunity of saying that our intelligence and security personnel try to keep us safe, in very difficult and challenging circumstances. None the less, it is right that we hold them to the highest possible standards.

**Lord Campbell of Pittenweem (LD):** My Lords, I declare an interest as a member of the Intelligence and Security Committee between 2008 and 2015. With the benefit of hindsight, does the noble Lord consider that it was appropriate to prevent that committee from continuing with its investigations, and that it would have been entirely proper for it to continue an investigation which it had already begun?

**Lord Young of Cookham:** The noble Lord will know better than I do the reasons why that inquiry could not proceed. There were extensive discussions and negotiations between the ISC and the Prime Minister to see if it could find a way through and interview witnesses. I am only sorry those discussions did not end in agreement and the inquiry came to an end.

**Lord Hodgson of Astley Abbotts (Con):** My Lords, I declare an interest as treasurer of the All-Party Parliamentary Group on Extraordinary Rendition. Can I probe my noble friend a little further on the answer that he has just given? The ISC said its report, which he referred to, was incomplete, because access to key witnesses had been blocked. Therefore, the inquiry could not and must not be taken as a definitive account. We surely cannot leave this hanging over our country's reputation. Will the announcement to be made later this week or next week answer those questions and definitively lay out the relationship between the ISC and the Government in the future?

**Lord Young of Cookham:** It will be this week rather than next week. The announcement later this week will give an answer to whether there should be a judge-led inquiry, and it will publish the conclusions and recommendations of Sir Adrian Fulford's report, which was completed last week, together with the Government's response. I do not have in front of me the answer to whether it will address all the issues raised by my noble friend.

## Relationship Education Lessons in Schools

### Statement

3.31 pm

**The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con):** My Lords, with the leave of the House, I will repeat a Statement made in the other place by my right honourable friend, the Minister of State for School Standards. The Statement is as follows:

"This spring, Parliament passed the relationships, sex and health education regulations, with overwhelming support. We know that many parents agree that these subjects should be taught by schools. We also know that for some parents, this raises concerns. Parents have a right to understand what we are requiring schools to teach and how their child's school is intending to go about it. That is why we will be requiring schools to consult parents on their relationships education, or RSE policy. But open and constructive dialogue can work only if the facts of the situation are known to all. We are aware that misinformation is circulating about what schools currently teach on relationships and what they will teach when the new subjects are introduced.

The Department for Education has undertaken a number of activities in response. In April this year, we published frequently asked questions, designed to bust myths on the subjects, and these have been translated into three languages. In June we published the final version of the guidance, *Relationships Education, Relationships and Sex Education (RSE) and Health Education*, as well as guides for parents on the subjects. Alongside this, we produced infographics that can be easily shared on social media, including WhatsApp—where we know

much of the misinformation is shared—setting out the facts. We also sent an email to almost 40,000 teachers, providing them with factual information and links to the various documents.

The Department for Education has also been working on the ground with Birmingham City Council, Parkfield School, parents and other interested parties, to convey the facts of the policy and dispel myths, and to support a resolution to the protests in that school and nearby Anderton Park. Nationally, we have worked with the National Association of Head Teachers, to understand where there might be parent concerns in other parts of the country, and have offered support. We will continue these efforts to support the introduction of the new subjects, which we strongly believe are hugely important for children growing up in modern Britain.

3.34 pm

**Lord Watson of Invergowrie (Lab):** My Lords, I thank the Minister for repeating the Statement.

On 25 February, the Government announced the new regulations and guidance on relationships education, relationships and sex education, and health education. As the Minister said, they were warmly welcomed by all sides of both your Lordships' House and the other place, but words of caution were part of that welcome.

It was clear that in some schools, the guidelines could be controversial. I asked the Minister for an indication of how many teachers were to be trained in the new subjects, and how many schools he expected to be teaching them by September 2019. I am afraid I did not receive answers to that, nor to my question on what he expected schools to do with the £6 million we made available for training and resources in the new subjects, averaging out at around £250 per school.

Events since have shown that these were key questions because, with the best will in the world, head teachers and classroom teachers simply were not prepared for the onslaught of protests, abuse and trolling that some have since received. In part at least, those disgraceful reactions to the teaching of the "No Outsiders" part of the new guidelines are the result of the Government leaving schools, teachers, head teachers and parents ill prepared for the introduction of the new subjects. Even worse was the Secretary of State being much too slow to speak out in support of those head teachers under duress. He did so, but belatedly. Why did he not demonstrate that support by appearing at those schools worst affected by parental protests, which are often fuelled by people whose interests are not focused on education at all?

Some of those opposed to the new curriculum have argued mendaciously that young children in primary schools are learning about sex or being encouraged to adopt LGBT lifestyles. Will the Minister take this opportunity to state categorically that this is not the case and that anyone suggesting otherwise is wilfully misrepresenting the curriculum? Will he join me in signifying his full support for the brave teachers at those schools in Birmingham who face repeated protests and intimidation, simply for following the law and teaching the curriculum? Finally—I hope it will not be "finally", although we have a new Prime Minister and new Front Bench in the offing—will the Minister confirm

[LORD WATSON OF INVERGOWRIE]

that while schools have flexibility in how they teach the curriculum, complying with the Equality Act is not optional or something that parents can have a veto over, but the law of the land and the will of both Houses of Parliament?

**Lord Agnew of Oulton:** The noble Lord asks a number of questions. The first was on how many schools we envisage will start teaching this voluntarily this autumn. We are up to about 1,500 schools having registered as early adopters; when I took the regulations through in April we had about 1,000, so the number has gone up quite dramatically even in a couple of months. It has spread among primary schools as well.

On the teaching of sex education, the noble Lord is entirely right. At primary level, parents are able to withdraw their children from specific sex education. That is not relationship education and it is important to discern the difference, but they have that right. As I mentioned when we debated the regulations in April, they have the right to withdraw their child up to the age of 16 minus three terms, for the reasons we discussed at that time.

The Government give their unequivocal support to teachers and absolutely condemn the aggressive behaviour. It is worth pointing out that a lot of this behaviour is nothing less than misogyny on the part of some of these protesters, and that they are protesting against the teaching going on at the moment, not the teaching that will come in under the new regulations in September 2020.

The noble Lord's last question was about whether teaching under the Equality Act is voluntary. I can confirm that that is absolutely not the case. The original provisions of that Act insisted that teaching advances equality of opportunity and fosters,

“good relations between persons who share a relevant protected characteristic”.

Those relevant characteristics include sex, race, disability, religion or belief, sexual orientation, gender reassignment, or pregnancy and maternity.

**Lord Storey (LD):** My Lords, we welcome the Statement. I also welcome the Minister's robust response. It is important that teachers and head teachers are supported. We have agreed the way forward on relationships and sex education; that must not be diluted in any way at all.

I have been concerned on two levels. First, seeing that particular head teacher face a very difficult situation, I am not sure whether at that moment there was the proper support for that person. I also hear of a number of cases where governing bodies have not been supportive of head teachers, particularly the chairs of governing bodies. What advice might the Minister give those schools where the governing body or its chair is not supporting the head teacher? Finally, children must be taught the skills that will allow them to navigate the modern world as adults. Will he ensure that in addition to SRE lessons, skills such as first aid and financial literacy are included in the curriculum?

**Lord Agnew of Oulton:** The noble Lord made several points. If the school he referred to, where he feels the Government's response has been too slow, is Parkfield

School, I can reassure him that we have been actively involved behind the scenes and in the school. The regional schools commissioner in Birmingham has been to that school weekly, and often daily. I think I am correct in saying that a mediator was hired to try to bring about consensus between parents and the school. A lot has gone on. Our view has been that publicity for these disputes is simply oxygen for the bigots who want to promote their own position. While we may not have been seen to be publicly active, we have been active behind the scenes.

On the important question on governing body support, it is a requirement under the new regulations that a school publishes its policy on RSE on its website. To get to that position, the governing body will need to have supported it.

On the broader question of navigating the modern world, that is why these RSE regulations are so important. It is nearly 20 years since they were last properly updated—before social media or smartphones existed. All the issues they bring to children are being addressed. I will write to the noble Lord to confirm whether the two subjects he raised are included.

**Baroness Morris of Yardley (Lab):** My Lords, I offer support to the schools and teachers concerned in this difficult situation. I hear what the Minister says and welcome the efforts that have been made. I chair Birmingham Education Partnership, so I am aware of the distress and difficulties this is causing in the city. For all those efforts, five or six months into this dispute, schools and communities are still fragmented. The educational environment in which we want young children to learn is not available to them. How optimistic is the Minister that things will be resolved by the time the children come back to school at the start of the autumn term and that they will be able to go to school freely and learn as we would wish? What else will his department do over the coming six weeks to achieve that?

**Lord Agnew of Oulton:** I share the concerns of the noble Baroness about these disputes. I am sure she will know, from human experience, that the longer they drag on the more entrenched people become. We remain optimistic that there will be agreement at Parkfield before the end of term, but I will not make myself a hostage to fortune by guaranteeing it. We are doing everything we can to bring the parties together. In the past few days we have made public statements supporting teachers, particularly in Birmingham, where these issues seem most sensitive. We will become more vocal if we need to and ensure that we give them the support they deserve.

**Lord Cormack (Con):** Following the last point, how many attempts have been made to meet the parents? I accept that there are those who are rabble-rousing, but some parents are—maybe mistakenly—genuinely concerned. What attempt has been made to reach out to them?

**Lord Agnew of Oulton:** I mentioned, in my answer to the noble Lord, Lord Storey, that we have been in to Parkfield School almost weekly for two or three months. That has involved a number of meetings bringing teachers and parents together. As I said, I believe that

a professional mediator was retained to bring the different sides together. There has been intensive work in that school over the past three or four months.

## Domestic Abuse *Statement*

3.43 pm

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, with the leave of the House I will repeat a Statement given in the other place by my honourable friend the crime and safeguarding Minister. The Statement is as follows:

“The home should be a place of safety and love. For 2 million people, it is not. Domestic abuse takes place behind closed doors, turning people’s homes into places of fear, abuse and violence. We recognise the importance of building trust with victims to tackle this hidden crime; for too long they have felt scared or unable to come forward.

So, Mr Speaker, I am very pleased to be able to announce today that the Home Office and the Ministry of Justice are introducing the Domestic Abuse Bill to the House. Led jointly by my honourable friend the Member for Charnwood and myself, we are also publishing our response to the pre-legislative scrutiny report of the Joint Committee on the Draft Domestic Abuse Bill.

Domestic abuse is complex and multifaceted. In addition to physical violence, it can include emotional, psychological, sexual and economic abuse, and at its heart is often controlling or coercive behaviour. We were the first Parliament in the world to recognise this when we brought in the controlling or coercive behaviour offence in 2015. But our understanding of domestic abuse continues to grow and evolve, and this Bill gives us an opportunity to ensure that our legislation keeps pace.

Each year in this country, scores of people—mainly women—are murdered by their partners. Domestic abuse of all kinds destroys the lives of thousands more, including male and LGBT+ victims. Each and every day, those working on the front line of our public services see the extent of the damage it causes and the demands it places on those who are there to help. So, I would like to take a moment to thank those who work tirelessly to prevent abuse, protect its victims and bring perpetrators to justice, in particular for their support in the consultation process on this legislation.

But there is more to be done. In January this year, we issued a Written Ministerial Statement setting out our commitment to transforming the response to domestic abuse. In that Statement we announced the publication of the draft Domestic Abuse Bill, as well as the publication of the response to the Government’s domestic abuse consultation undertaken last year. We also published a set of non-legislative measures because we recognise that although the Bill is vital, so too is our practical day-to-day response.

Together, the Bill, the consultation response and the non-legislative measures set out an ambitious programme of cross-government action that puts victims at the heart of our response in a co-ordinated effort to tackle domestic abuse. That includes setting out our

intentions to address perpetrators’ behaviour and to break the cycle of abuse through perpetrator programmes, domestic abuse prevention orders, and even piloting polygraph testing to ensure compliance with programmes.

The Bill was published in draft to allow for pre-legislative scrutiny by a Joint Committee of MPs and Peers, chaired by my right honourable friend the Member for Basingstoke. The committee published its report on 14 June. The Government are grateful to all parliamentarians on the committee for their detailed scrutiny of the draft Bill and to all those who provided evidence to the committee. They have my own personal thanks and the thanks of all Ministers involved as well.

We have considered the committee’s report carefully and have accepted many of the recommendations, either in part or in full. We have committed to giving other recommendations full consideration over the next few months, with the aim of publishing a further response to the report later in the year. Where appropriate, we will bring forward amendments to the Bill to address these recommendations. This includes our work on refuge services. Subject to the outcome of the consultation under way at the moment, we will bring forward amendments to implement the Government’s proposals to improve support to victims and their children in accommodation-based domestic abuse services in England. I ask all honourable Members to respond, and to encourage their network of people to respond, to that consultation by 2 August.

During the development of the Bill, honourable Members have raised the issue of migrant women who are victims of domestic abuse. My right honourable friend the Minister for Immigration will today publish an updated asylum support policy on domestic abuse. The Home Office is using the asylum support budget to close a gap which, until now, has prevented asylum seekers and their dependants accessing specialist domestic abuse help and refuge places because they are not entitled to housing benefit.

Further, we have listened to charities and victims who say that people feel trapped in abusive relationships by their immigration status. This is not acceptable and that is why we are committing to reviewing the response to all migrant victims of abuse as recommended by the Joint Committee.

We have also listened to victims about their journeys through the legal system. The Bill prohibits perpetrators from continuing their reign of abuse through cross-examining their victims in person in the family courts and it gives victims automatic eligibility for special measures in the criminal courts. We want to recognise the devastating impact that domestic abuse can have on children and young people. Among the measures that achieve this is the requirement that the statutory guidance must recognise that adverse effect.

We also want to meet our international obligations. The Bill includes the necessary provisions for all parts of the United Kingdom to meet the requirements of the Istanbul convention in respect of the extraterritorial jurisdiction of the criminal courts. The Government wholeheartedly agree with the Joint Committee that the victims of domestic abuse in all parts of the United Kingdom deserve effective protection and support.

[BARONESS WILLIAMS OF TRAFFORD]

There has been a controlling or coercive behaviour offence in England and Wales since 2015, and the Scottish Government legislated for such an offence last year. Northern Ireland, however, has no such legislation in place. We are therefore pleased to inform the House that, following a consultation undertaken in 2016, before the collapse of the Assembly, the Bill as introduced will include a bespoke domestic abuse offence for Northern Ireland. I pay tribute to all honourable Members who represent Northern Ireland and take their seats in this place for their support on this measure.

Before I sit down, I pay tribute to my right honourable friend the Prime Minister. She has worked tirelessly over many years, as a Member of this House, as Home Secretary and as Prime Minister, to ensure that the vulnerable are heard and protected and perpetrators are brought to justice. Her determination and dedication to helping the 2 million victims of domestic abuse shine through this Bill. We remain determined to do all we can to eradicate domestic abuse. Through this landmark Bill and our wider non-legislative programme we will transform our response to this appalling crime and end the suffering that abuse causes. I commend this Statement to the House”.

My Lords, that concludes the Statement.

3.52 pm

**Baroness Gale (Lab):** My Lords, I thank the Minister for repeating the Statement made in another place earlier today, and for our meeting yesterday when she gave notice of the Statement. I take this opportunity to thank all those who sat on the scrutiny committee of the draft Bill for their time and commitment and for the comprehensive report and recommendations they produced. As the Minister said, the Bill has not yet been finalised, but we welcome some of those areas we know will be included. We hope that it will begin to transform the way we deal with domestic abuse in the future.

While we agree that the establishment of a domestic abuse commissioner is key, we will seek assurances around the authority and the funding they will be given. Can the Minister give an indication of the role and the independence of the commissioner? We very much welcome improvements in proceedings in family courts, which include prohibiting cross-examination of victims, but we want assurances that in the case of custody and access to children, all victims will be treated equally and courts will look at cases individually. I am pleased to see that controlling and coercive behaviour will be included in the definition of domestic abuse in Northern Ireland. This change across the rest of the UK has been instrumental in changing the outcomes for many victims, and we are very pleased to see that this will be extended to Northern Ireland.

We are aware that the Government are committed to helping migrant victims of domestic abuse, and we welcome their intention to review this. We must ensure that such women are eligible to apply for indefinite leave to remain, irrespective of the type of visa they are residing under, and that they will have access to public funds. It is my understanding that although the Bill will not be gender-specific, as has been called for by some in the sector, commissioning services will be,

which is welcome and a step towards ensuring that all victims of domestic abuse receive parity in the provision of support services.

We also believe that the Bill will need to be strengthened in terms of the impact of domestic abuse on children, both as victims and as witnesses. Not focusing enough on the impact this will have will also have a knock-on effect on the specialist support made available to them. Can the Minister say what plans there are to strengthen this area of the Bill to ensure that services for child victims are widely available, robust and adequately funded?

We all know that there have been cuts to the funding of women’s refuges in recent years, meaning that they have had to close; women are being forced to stay in abusive relationships because they have nowhere else to go. I am pleased to know about the ongoing consultation on the funding stream, as the Minister mentioned, which ends on 2 August.

It is good to see that the Government are committed to bringing forward amendments to implement their proposals to improve support for victims and their children in women’s refuges in England. I am aware that the women who run these refuges are looking forward to these proposals and welcome them very much.

Assurance from the Government is needed so that this Bill will ensure that funding is available to enable women to leave their family home and have a safe alternative for themselves and their children. The Minister mentioned that the Bill included the necessary provisions for all parts of the United Kingdom to meet the requirement of the Istanbul convention. I am very pleased to hear that commitment. Will the Minister confirm that the ratification will take place as soon as possible after the Bill completes all its stages and becomes an Act of Parliament?

This Bill was a commitment made by the outgoing Prime Minister in her final Queen’s Speech just over two years ago. While this has arrived very late in her leadership and without time for her to see it through, I am pleased that she has finally set things in motion for this long overdue and much-needed legislation. Can the Minister give an assurance that whoever becomes Prime Minister next week will have the same commitment to this Bill and will guarantee that it will be robust and that funding will be available to fulfil everything it promises?

Can the Minister give an indication of when the Bill will arrive in your Lordships’ House? It is our intention to work with the Government and the sector to take this Bill into legislation. No doubt there will be challenges, but hopefully we can have a sensible debate, negotiation and compromise. We will help to form a lasting piece of legislation that will benefit all victims of domestic abuse. This Bill is a great opportunity for the Government and for all parliamentarians to transform the domestic abuse agenda. It is our duty to ensure that we all get this right. Between us, I am sure that that is possible.

**Baroness Burt of Solihull (LD):** My Lords, on behalf of these Benches I welcome this Statement and thank the Government for early sight of it. I have had the privilege of sitting on the pre-legislative scrutiny committee

on the draft Bill and fervently hope that we will eventually find all its recommendations—with the possible exception of polygraph testing—on the face of the Bill.

Domestic abuse is indeed a scourge on our society. I wish that speedier progress had been made since this Bill was first announced in 2017. I understand that our Prime Minister, who I know is passionate about these issues, now wants to speed things up to ensure that this Bill forms one of the key achievements of her legacy—and rightly so. In the Statement, the Minister talks of “further response” to other proposals later in the year. So, like the noble Baroness, Lady Gale, I would like to know the timescale for this Bill. When can we hope to see it on the statute book?

I particularly welcome the Minister’s comments on migrant victims and look forward to reading the Government’s updated asylum support policy. Might this find its way into the Bill? It is hugely important that asylum-seeking women and those whose immigration status is uncertain are not scared away from reporting abuse, and that not having recourse to public funds will not make them stay in a violent, abusive situation. I hope that the Government will accept the recommendation that there should be a firewall between reporting the crime, accessing report services and immigration control. Everyone deserves justice, no matter what their immigration status.

British citizens living in Northern Ireland are entitled to justice and protection too, so I am delighted at the Minister’s announcement that there will be a bespoke domestic abuse offence for Northern Ireland. On the committee, we recommended a sunset clause, so the full Bill should apply in Northern Ireland until the Assembly brings in one of its own. So it will be interesting to see what the bespoke offence will contain. If the Minister can enlighten the House further this afternoon, that would be very helpful.

I also welcome measures to tackle perpetrators’ behaviour, but measures also need investment in a wider range of perpetrator programmes, backed by the resources to carry them out. I am glad that the Government have acknowledged that children and young people who witness abuse are victims, too, and I hope that they will be afforded the same priority for accommodation, health and education services as our looked-after children. There is no word, however, on the recommendation on a gendered definition of abuse and the inclusion of other categories of victim, including disabled people, people abused by their so-called carers, and victims of FGM, forced marriage, modern slavery and so on.

We also recommended that the domestic abuse commissioner should have stronger powers and report to the Cabinet, not the Home Office. These and many other issues will become apparent as we progress through the stages of the Bill.

I end by welcoming wholeheartedly the great progress that has been made so far. The Statement asserts that the measures now allow for the Istanbul convention to be ratified. That will be a great day for human rights in Britain.

**Baroness Williams of Trafford:** I thank both noble Baronesses for their comments and their broad support for what we are about to embark on. I particularly

commend the noble Baroness, Lady Burt, for the part she played in the whole pre-legislative scrutiny process, which was collaborative and helpful for all involved.

The noble Baroness, Lady Gale, asked me first about the domestic abuse commissioner and their independence. I confirm that the whole point of the domestic abuse commissioner is that she or he holds to account not only government but local government and other stakeholders who are involved in the protection of women. We expect that person to be in post in the autumn, and an announcement will be made very soon. We absolutely agree that their role will be crucial, and we have amended the Bill to create a new statutory framework document that will set out how the Home Secretary will work with the commissioner and will cover their accountability to Parliament. However, their independence is absolutely crucial in this.

The noble Baroness, Lady Gale, also asked me about the courts system. The Bill will include the fact that perpetrators cannot cross-question their victim in court. However, there is another point that the noble Baroness alluded to. It is about practice direction 12J, where child contact cases are involved and domestic abuse is a factor. The panel will soon call for evidence on this. So the noble Baroness made an important point.

Both noble Baronesses, Lady Gale and Lady Burt, talked about migrant women and the gendered nature of domestic abuse. On migrant women, it is important that we make very clear that all victims of domestic abuse should be treated, first and foremost, as victims of domestic abuse. That is why all the measures in the Bill apply equally to all victims of domestic abuse in England and Wales, irrespective of their immigration status. We recognise that there are migrant victims who are not covered by the existing destitute domestic violence concession, so we will undertake a review of the overall response to migrant victims of domestic abuse. The review will specifically consider the committee’s recommendation to extend the period for which support is offered and how it relates to a victim’s ability to access refuge accommodation and will take into account any obligations we may have under the Istanbul convention.

The third point made by the noble Baroness, Lady Burt, was about victims being worried about their immigration status and the firewall. Victims should be treated first and foremost as victims and not be concerned about this being abused as a route to test their immigration status, but we do not want to introduce a firewall that might prove detrimental to other vulnerable victims. That is an important consideration.

4.07 pm

*Sitting suspended.*

4.50 pm

**Baroness Williams of Trafford:** My Lords, before I begin, on behalf of the whole House I wish the lovely noble Lord, Lord Judd, a speedy recovery. I was glad to see him sitting up and giving us a thumbs up on his way, hopefully, to St Thomas’.

The noble Baroness, Lady Gale, asked about the gendered nature of domestic abuse. Of course, we want to ensure that all victims and all types of domestic

[BARONESS WILLIAMS OF TRAFFORD]

abuse are sufficiently captured and that no victim is inadvertently excluded from protection or access to services. As the committee report recommends, we fully recognise that domestic abuse is a gendered crime that disproportionately affects women and girls and which, of course, has a devastating impact on children. That is why we have amended the Bill to expressly provide that the statutory guidance on the definition must include and address these issues. In the statutory guidance we also intend to recognise the additional complex factors that may occur in domestic abuse situations—for example, mental health or substance misuse issues—and their interplay with abuse.

Both noble Baronesses asked about our support for children. One of the key functions of the domestic abuse commissioner will be to encourage good practice in the identification of children affected by domestic abuse and the provision of protection and support to people, including children, affected by domestic abuse. Under the terms of their appointment, the commissioner will be required to have in their office a thematic lead to represent the interests of children. That is why the Government launched an £8 million fund up to March 2020 for new services designed to support children affected by domestic abuse. The proposed new statutory duty on local authorities in respect of the delivery of support in accommodation-based services is designed to meet the needs of all victims, including their children.

The noble Baroness, Lady Burt, asked about education places for children. We want to make the process of securing a school place outside the normal admissions round as straightforward as possible for parents and to reduce any delays, so that children—especially the most vulnerable—can secure a place as soon as possible and do not have any gaps in their education. We will give further consideration to the best way we can achieve that aim, taking into account feedback from the sector.

The noble Baroness, Lady Burt, also asked about disabled people and people abused by their carers. The Bill will recognise abuse of people with disabilities by their carer as domestic abuse if the victim and perpetrator are personally connected. A personal connection between the perpetrator and the victim is central to that form of abuse.

Both noble Baronesses asked about the Prime Ministerial candidates' commitment to this Bill. After the Statement in the other place, my honourable friend confirmed that both candidates had firmly committed their support for this Bill going forward.

Both noble Baronesses asked when the Bill would arrive in this House. When it will pass through both Houses is a more difficult question to answer, but when it will arrive in this House is a good and understandable question. I understand that it will arrive here by the end of the year.

4.54 pm

**Lord Purvis of Tweed (LD):** My Lords, I concur with the Minister's views about the noble Lord, Lord Judd. He will be greatly missed from the debate later today in the House. I served as a Member of the Scottish Parliament for the Borders and can recall casework

where there were administrative problems with individuals who had to tackle cross-border issues with regard to the legal framework and relationships between local authorities in Scotland and England. That was prior to the welcome changes in legislation that the Minister referred to both for England and last year for Scotland, and prior to the changes in welfare legislation in relation to housing benefit in particular. What administrative relationships are in place to ensure that these changes do not exacerbate the potential difficulties that women, primarily, find themselves in on cross-border issues?

**Baroness Williams of Trafford:** The noble Lord makes a good point about having legislative alignment and making sure that legislation in one part of the UK does not contradict legislation in the devolved Administrations. Of course, those conversations and that work are ongoing to ensure that precisely that does not happen.

**The Lord Bishop of Newcastle:** My Lords, I crave the forbearance of the House. I have two questions; one of my own and one from the right reverend Prelate the Bishop of Durham, who, due to the adjournment, has had to leave. My question relates to the needs of very vulnerable people, mainly women, on release from prison. During my visits to our local women's prison, I have learned that a higher proportion of women in prison than is the case in the general population come from violent and abusive relationships. It is critical that such women and other vulnerable people who have been abused are released into a safe, secure place with secure accommodation. Is the Minister aware that on occasion, due to things such as poor communication between the probation service in prison and the probation service outside prison, things go wrong and, tragically, a woman is released into danger. What action might the Government take and can the issue be looked at in this Bill, along with the needs of migrants and asylum seekers, so that women and vulnerable people are never left vulnerable and in danger on release from prison? That is particularly critical when a prisoner is released on a Friday and the weekend is coming up.

My second question is on the All Kids Count report on the two-child limit. My friend the right reverend Prelate the Bishop of Durham highlighted to me that serious questions arise from the rape clause and domestic abuse in relation to that policy. Will the Minister agree to meet him to explore that?

**Baroness Williams of Trafford:** I thank the right reverend Prelate for her question on behalf of the other right reverend Prelate. She talked about women on release. I fully concur with the points she makes, because I have visited women near to where I live in the local women's prisons, and the percentage of those women who are in an abusive relationship and perhaps have children from that relationship is extraordinarily high. I observed that this is often coupled with substance abuse that may or may not be related to that abuse, and poor levels of education. So I think the right reverend Prelate refers to a multiplicity of vulnerabilities, which of course those women need support to overcome. I fully concur with that point and perhaps we will talk about it again.

On the other point she made on behalf of the right reverend Prelate the Bishop of Durham, I think he may have raised it before—I am not sure—but certainly I would be happy to meet him about it.

## Lotteries Regulation

### Statement

5 pm

**The Parliamentary Under-Secretary of State, Department for Digital, Culture, Media and Sport (Lord Ashton of Hyde) (Con):** My Lords, with the leave of the House I shall repeat a Statement made in another place earlier today by Mims Davies, my honourable friend the Minister for Sport and—oh, I cannot remember what her title is. I am going to be in trouble now. The Statement is as follows:

“Mr Speaker, with permission, I would like to make a Statement in relation to lotteries. The National Lottery and society lotteries contribute around £2 billion a year to good causes in this country, forming the backbone of giving across the UK. As preparations start on the competition for the next licence to run the National Lottery, it is important that we ensure that the wider lotteries landscape is fit for the future and allows as much money as possible to be raised for good causes within a suitable framework. To ensure clarity ahead of the upcoming fourth licence competition, I am today announcing next steps on society lotteries, and launching a consultation on increasing the age limit for playing the National Lottery.

Turning to society lotteries, first, in June last year, the Government launched a consultation seeking views on proposals to reform the existing limits on society lotteries, which have not been raised for more than a decade. I am aware that there has been strong support from across this House for the Government to increase the sales and prize limits for society lotteries and that changes have taken a long time to come. Society lotteries are a vital source of funds for charities and other non-commercial organisations, and in 2018 alone raised more than £300 million. As not just the Minister for Lotteries but the Charities Minister, I want to support the third sector and grow the overall pie for everybody's benefit. I am aware that society lotteries are a vital funding mechanism for hundreds of charities in many of our local communities, including air ambulances and local hospices.

The consultation aims to ensure that both society lotteries and the National Lottery are able to thrive and that society lotteries can continue to grow, while maintaining the unique position of the National Lottery and its ability to raise funds across the country by offering the largest jackpots. We heard strong arguments from both sectors, and I am grateful to everyone who shared their views. In coming to a final decision I have balanced needs across the sector to ensure that returns to good causes can grow overall.

I am pleased to announce that I will raise the per-draw sales limit from £4 million to £5 million and the maximum prize limit from £400,000 to £500,000 for large society lotteries. These increases will allow for significant headroom for most of the sector to continue to grow, and I am pleased that the Gambling

Commission has agreed carefully to monitor these changes for any potential wider impact. This will enable us to analyse the impact of the changes over time.

In addition, I will raise the annual sales limit from £10 million to £50 million. In recent years we have seen charities forced to slow their fundraising from lotteries as a result of the current limits or to adopt costly alternative structures to avoid breaching them, increasing admin costs and diverting money away from good causes. Indeed, one charity told us that introducing such arrangements could cost £345,000, with further additional running costs of more than £100,000 per year. A £50 million annual limit will reduce or prevent administrative burdens for society lotteries, and I fully expect to see an equivalent increase when it comes to the amount of money directed to good causes as a result of the lower admin costs and this increase. I will be watching this closely.

I am aware that many Members support an even higher annual limit of £100 million. I too share this ambition. However, this is a significant increase and I want to be certain that moving to this much higher limit will in reality increase returns to good causes across the sector. I want to be assured that there is an appropriate regulatory regime in place. It is therefore my aim to launch a further consultation, looking at an additional tier of licence, with suitable additional requirements for those very largest lotteries.

It is also important that society lotteries demonstrate the highest levels of transparency. I am therefore pleased that the Gambling Commission is also planning to consult on measures to tighten the existing licensing framework for all large society lotteries, looking in particular at the information provided to players on how the proceeds of society lotteries are used and the good causes which benefit. We will also be looking to consider further how best to increase transparency in relation to executive pay and will seek further advice from the Gambling Commission. I will look to legislate, if necessary, if these measures do not go far enough.

Turning to small society lotteries, there was less support for changing the limits. Having considered the evidence carefully, I do not plan to increase these limits at this time.

I have previously committed to laying Camelot's response to the society lotteries consultation in the Library and will also lay the other key responses that my department received.

Today, I am also announcing a 12-week consultation on the minimum age for playing National Lottery games. The current licence period has seen a range of technological developments which have changed how we play the National Lottery, and changes in people's gambling behaviours. Therefore, as we fully consider what the fourth licence might look like, I believe it is right to consider whether it remains appropriate to sell all National Lottery games to those under 18 as part of future-proofing it for the duration of the next licence.

Eighteen is widely recognised as the age at which one becomes an adult, gaining full citizenship rights and responsibilities. At present, all lotteries can be played from 16, one of the few exceptions to the age limit of 18 for gambling products. In addition to the

[LORD ASHTON OF HYDE]

option to raise the minimum age to 18 for all National Lottery games and retain the current limit of 16, I am seeking views on a differentiated approach that would increase the minimum age for instant-win games only. This includes scratchcards and online instant-win games.

My initial view, based on the evidence reviewed so far, is that such a split could be the best approach. This takes into account that the risks of harm associated with playing the National Lottery are the lowest of any form of gambling, but we know that the risk of harm is slightly higher for instant-win games than for draw-based games such as lotto. Given that the National Lottery matters so much to so many people, I am keen to see further evidence in this area and to hear what others think, including hearing from operators, distributors and retailers about any potential impacts and benefits of any change.

This year the National Lottery celebrates its 25th birthday and Mystic Meg herself could not have predicted how successful it has been in that time, raising over £40 billion to support our local communities, protect heritage, enhance the arts and transform funding across sport. The National Lottery has been at the very heart of creating, protecting and driving much of what we love. Each week it raises around £30 million for good causes. Since 1992, it has funded over 4,000 world-class UK Paralympians and Olympians. Each year it invests around £325 million in protecting some of our most prized national heritage, and it has funded the development of our artistic talent and access to art. It has ensured access to sporting opportunities for people in all communities and, alongside all this, it supports over 10,000 charitable causes each year with over £500 million of funding. I thank National Lottery players, the 12 distributors, the Gambling Commission and my department for making this possible.

Importantly, the announcements that I have made today both give clarity to those interested in running our National Lottery when the current licence expires in four years' time, and provide society lotteries with the greater capacity to continue and increase their work across many colleagues' constituencies. I look forward to seeing the real benefits that these changes will have for the charities and good causes supported by our lotteries across the UK. I commend this Statement to the House".

5.09 pm

**Lord Collins of Highbury (Lab):** My Lords, before I begin, I would like to mention my noble friend Lord Judd. I am sure the whole House will join me in wishing him all the best for a speedy recovery.

**Noble Lords:** Hear, hear.

**Lord Collins of Highbury:** I thank the Minister for repeating the Statement made in the other place. On this side, we welcome the Statement but somewhat regret that the Government have taken seven years to make up their mind about to deal with the society lottery sector. Although society lotteries were in existence at the time that the National Lottery was established, I

do not believe anyone expected then that they would continue to thrive without having some effect on the National Lottery.

The Statement makes mention of the extraordinary sums that have been made available to good causes through lotteries—something we should all celebrate. This country embraced both the National Lottery and the society lotteries. It is right that the Government review regulations from time to time to make sure, as the Minister said, that they achieve a balance between enabling the sustainable growth of society lotteries and protecting the unique position of our UK-wide National Lottery.

I have three questions for the Minister. First, the Statement made it clear that there is concern about the proportion of funding going to good causes, the level of executive pay and other transparency issues. It suggested that the Gambling Commission may need to look closely at this, to the point where legislation may be required. Does this mean that the Government are concerned about the efficacy of the present regulations, does it apply to all society lotteries, and can a bit more be said about the timescale for this process? I am concerned that, if something is going wrong, we should act relatively quickly.

Secondly, can the Minister say a bit more about the timescale for the regulations bringing in the new annual sales limits and prize funds? When there was a change to the lottery limits in 2009, the implementation was immediate, but we are hearing that these changes might not happen until 2020. It is not clear what evidence is being sought on the ambition to move to £100 million per annum. Can he say more about that and about what sorts of timescales will be involved?

Thirdly and finally, on the age limit for National Lottery products, is there any need for consultation? Surely we all accept that to gamble you need to be 18; you cannot walk into a casino below that age. I do not think further consultation on this is necessary. There should be one rule: if you want to gamble, you need to be an adult and the minimum age for gambling products should be 18. It is as simple as that.

**Lord Addington (LD):** My Lords, on these Benches we welcome the Statement and much of the direction of travel on this. It may not be the way that we would do it, but it is certainly not something on which we would want to make a huge stand. What I particularly like about the Statement is that it emphasises again and again the fact that we have a National Lottery that does certain things and has underpinned certain types of activity in our society which simply would not have happened without it.

John Major has said on several occasions how important he thinks it is; he brought it in because the dread hand of the Treasury would not otherwise have allowed us the types of sporting heritage, assistance for the arts, et cetera, that we have had. It was a realpolitik response to what was going on, and it should be preserved. I like the definition that these are two separate things: the National Lottery and the society lotteries.

When it comes to the details of, for instance, the age limitation, I am afraid much of my gut reaction is with the noble Lord, Lord Collins. I cannot see any real

argument against raising the limit in relation to the instant scratchcard. There is that instant little buzz—although it is a long time since I have done it—that anyone who has bought one will recognise: “I just missed that; maybe I will have a second go”. That is not something we should be giving to a 16-year-old. If we keep the age limit at 16 for the National Lottery, the wait for a draw is sometimes several hours; by raising the age limit to 18, we would be removing that. I hope the change comes in.

The framework for the society lotteries could probably be described as “steady as they go”. Will the Minister give an assurance that things will be speeded up after the long wait we have had? Will there be greater clarification on when we can expect everything to come again, just to emphasise the development and the structure of what is going to happen in the future? I know he has mentioned it before, but a little more clarification would help. Will he also give a little more reassurance about the fact that we will make sure that the National Lottery and the society lotteries are kept apart, doing different things for different functions?

**Lord Ashton of Hyde:** I thank both noble Lords for their comments. Certainly, I completely agree from this side of the House with the noble Lord’s remarks about the noble Lord, Lord Judd. I hope he is back here soon.

The noble Lord, Lord Collins, asked three questions. As far as transparency is concerned, it is not that there is worry about the regulatory regime at the moment. Society lotteries have been regulated by the Gambling Commission for more than 50 years and we think they have been a success. There are not many larger society lotteries, but we need to keep an eye on them. If we increase their limits, we need to make sure that there is transparency. It is only right that we should review that and look at some of these problems. That does not imply that we are worried that there is a problem at the moment. The Gambling Commission will review the evidence on this.

The noble Lord also asked when these limits will be implemented. The plan is that there will be secondary legislation in the autumn, subject to parliamentary time—I always have to say that. The plan is to have the statutory instrument in the autumn, and then the implementation will take place when the Gambling Commission has to change the licence requirements in April, so we expect this to be in 2020. We want to get on with this, so we aim to do the legislative part when we come back in the autumn.

On the minimum age for the lottery, on the one hand, we are celebrating the fact that for 25 years the National Lottery has been a tremendous success—it has raised £40 billion for good causes; on the other hand, if we want to change it, or prepare for changes in the new licence competition, we need to get evidence on this. That is why we are asking for a consultation to change what has been a successful lottery. We recognise that there are different dangers associated with instant gratification games, such as scratchcards, and the lotto, which is the least harmful form of gambling, according to the evidence. It is reasonable to ask for consultation on that. Both noble Lords mentioned under-16s.

The noble Lord, Lord Addington, was very clear and asked me to emphasise that we will keep the National Lottery and the society lotteries separate. We do not want to do anything to harm the National Lottery. Just over 90% of the money that goes to good causes is from the National Lottery, and just over £300 million, or 9.2%, is from society lotteries, so they are very different beasts. One reason we did not raise the limit to the level that some people wanted was because we wanted to make sure that the National Lottery, which is a monopoly lottery—that is the most efficient method for getting money to good causes—continued to be the mechanism that gives the large, life-changing payouts, and that society lotteries, which most people play to support good causes, continue in that vein.

5.19 pm

**Lord Cormack (Con):** My Lords, I thank my noble friend for doing all he can to protect the exclusive position of the National Lottery. John Major’s legacy is in fact one of the most positive legacies of any Prime Minister in peacetime. He deserves the thanks of all parts of the House for that. But I enter one note of caution. Is my noble friend aware that the munificent grants from the National Lottery have recently begun to decline in the heritage sector? The assisted places of worship scheme has been abandoned, which does not mean that money is not being given to places of worship but there is no longer one exclusive earmarked pot. I am glad to see the noble Baroness, Lady Harris, with her interest in Ripon Cathedral—mine, of course, is in Lincoln—nodding vigorously. Will my noble friend keep his eye on this? Anything that significantly reduced the impact of the National Lottery in the field of heritage, sport and the arts would be a blow to all parts of the nation.

**Lord Ashton of Hyde:** I completely agree with my noble friend. Heritage causes, among others, are very important and have benefited hugely from the National Lottery, which gives about £1.6 billion a year to good causes. I cannot remember the exact figure for national heritage, but I think it is £300 million to £400 million of that. It is a reasonably significant amount. I certainly will keep an eye on it. The Minister, whose name I have forgotten—I did not forget her name, I forgot her title; I know what her name is—is keen to make sure we continue to provide as much as we can for good causes, which certainly include heritage. In many ways the structure we have prevents Governments directly getting into exactly what is provided for through the National Lottery, which is good, but I certainly take my noble friend’s point about heritage, which continues to be a very important part of what the National Lottery supports.

**Baroness Harris of Richmond (LD):** My Lords, to take on the comments of the noble Lord, Lord Cormack, about cathedrals and places of worship, I declare my interest as high steward of Ripon Cathedral, where we have just lost an essential part of a planning development because we have no money from the National Lottery Heritage Fund, in spite of producing a very good plan. Will the Minister look at how the lottery heritage fund gives out money and the criteria it uses for these very special places of worship around the country?

**Lord Ashton of Hyde:** I am sorry to hear that the noble Baroness's cathedral has not received what she hoped it would get. That is, of course, the problem with the lottery: it gives out an awful lot of money, but sometimes it also has to say no. I say only that it is worth trying again. I have heard of cases where requests have been denied but when they try again they are successful. It is not up to Ministers to take up special cases and treat them unlike others, but I encourage her to try again, because Ripon Cathedral is obviously a good cause. I hope she succeeds next time.

**Baroness Andrews (Lab):** My Lords, I hope your Lordships will allow me: unfortunately, I was detained and did not hear the Minister's Statement. I welcome what he has said about the principle that, while the society lotteries are very worthy and excellent in their way, the Government still have a care to protect the National Lottery, for all the reasons he said.

I declare an interest as a member of the board of the National Lottery Heritage Fund. I will talk to the noble Baroness afterwards about how we have had to make decisions, but I emphasise the point made by the noble Lord, Lord Cormack. We have had an extremely hard few years planning our commitments in the face of declining incomes, and the competition has been extraordinarily tough. We still make every effort to fund places of worship. We are incredibly lucky in this country—we have so much heritage and so much ecclesiastical heritage—and we try our very best to be fair in all that we do. There are so many excellent and equal claims on our resources that we have to be scrupulous and transparent in our decisions. I hope the noble Baroness will forgive me if I leave discussing it for a later occasion.

**Lord Ashton of Hyde:** I am grateful to the noble Baroness for her question—or perhaps her statement—and for her efforts in the very difficult job that she does.

The consultation which preceded this found that views were very polarised. Supporters of the National Lottery were fearful that an increase in limits to society lotteries could affect it. We were very careful to strike a balance between the interests of the National Lottery—and all its good causes—and society lotteries, which are very important for individual charities, and have a place. By doing what we have done, we think we have struck the right balance. The Gambling Commission has confirmed that there is no evidence so far that society lotteries have affected the National Lottery. Indeed, over the years, both sectors have increased. The noble Baroness talked about National Lottery funds, and sales going down. That position has now stabilised, following the actions that the National Lottery has taken. It is about £1.6 billion on a stable basis every year.

**Lord Scriven (LD):** My Lords, in answer to the noble Lord, Lord Collins, the Minister said that consultation on raising the age from 16 to 18 had to take place to ensure that it did not damage the success of the lottery and the revenue that was coming in. Can I ask the Minister two questions? First, what percentage of revenue comes into the National Lottery from

those aged 16 to 18? Secondly, what positive arguments can the Government put forward for young people aged 16 to 18 gambling on the National Lottery?

**Lord Ashton of Hyde:** I think I said that we need an evidence base to change legislation for the National Lottery, as it has been such a conspicuous success. The noble Lord implies that it is not the right thing to do. Technological changes to the way that people can play the lottery now are a concern, but in going out to consultation we are not presupposing the rights and wrongs. We are saying that if we are going to change what has been a very successful institution, we need evidence, and we want to ask people what they think about it.

**Lord West of Spithead (Lab):** Talking of evidence, do we have any evidence about what strata of society, in terms of income, tend to buy most lottery tickets? Is it the less affluent or the more affluent, and is there any evidence as to how that is split?

**Lord Ashton of Hyde:** I should have said to the previous noble Lord that I do not have the figures for the percentage of lottery sales made to 16 to 18-year olds, but I will write to him. Speaking very generally, there is evidence that the less affluent sections of society spend disproportionately more on the National Lottery.

## **Nuclear Weapons (International Relations Committee Report)** *Motion to Take Note*

5.29 pm

*Moved by Lord Howell of Guildford*

That this House takes note of the Report from the International Relations Committee *Rising nuclear risk, disarmament and the Nuclear Non-Proliferation Treaty* (7th Report, HL Paper 338)

**Lord Howell of Guildford (Con):** My Lords, I am glad that we have been able to reach the time for this debate but, like others, I am obviously sorry about the circumstances. I join them in wishing a speedy recovery to my very good friend the noble Lord, Lord Judd.

This report is presented to your Lordships for debate against a background of a fast deteriorating world arms control environment and rising nuclear risk. Some have now suggested that the risk of nuclear weapons being used is at its highest since the Second World War. I thank my colleagues on the committee, the excellent committee staff who worked on this report and our superb specialist adviser Dr Heather Williams. She was an immense support as well.

There used to be a time when it was assumed that the international containment of nuclear weapons was in good hands, so that we could all confidently leave these matters to experts and diplomats, while getting on with more exciting and seemingly urgent matters such as Brexit, climate change or whatever Donald Trump is going to do next—but not any longer. The safe world, if one can call it that, of balanced nuclear

deterrence where two sides are in mutual understanding about the catastrophic outcome of nuclear deployment has crumbled away, almost unnoticed by the world or by media busy on other issues. What seemed balanced has now become highly precarious; where there seemed progress, there is now stalemate. Some of the reasons for this are obvious and some much more obscure and complex: they lie in the deepest reaches of very advanced technology, with which Governments have barely caught up.

In this report, we have tried to throw light on some of the main influences changing the situation, including in particular the exponential growth of digital technological power. Meanwhile at the forefront, anyone who wishes to can see that at the international level rising tensions, ill will in place of goodwill and distrust in place of trust have grown, duly souring and paralysing the arms control dialogue. US-Russian contacts on these matters are now said to be less than they were even at the height of the Cold War; those two countries are still by far the biggest holders of nuclear warheads, by a factor of at least 10. The Intermediate-Range Nuclear Forces Treaty has been dropped by both sides, starting with outright Russian violation and, incidentally, ensuring that all Europe is now moving back into the missiles' line of fire. The START I treaty is about to run out and there is no sign at all of renewal. Other treaties concerning fissile materials and the comprehensive test ban are stuck and still await entry into force. Both Russia and America are developing new missile vehicles and inflammatory rhetoric is flying around on all sides. The scene is complicated compared with the past, in that a third nuclear great-power force is now on the scene, namely China—officially and, to my mind, foolishly declared by America to be its enemy. Wisely, we do not see it that way ourselves.

Outside the big players, Iran is, predictably, ignoring the 2015 nuclear deal or Joint Comprehensive Plan of Action, as it is called, and speeding up uranium enrichment thanks to American rejection, while tensions now rise daily in the Arabian Gulf. We wait to see whether the European powers, including the UK, can rescue the Iran nuclear deal at this stage and whether the offered release of the Iranian oil tanker at Gibraltar will in any way ease the situation. Meanwhile Kim Jong-un carries on with his missile and nuclear programme, despite Mr Trump's wooing efforts. Then there are the unofficial nuclear states, notably India and Pakistan, which carry on their bitter 70 year-old hostility.

However, the enormous technological impact on the nuclear scene is perhaps the newest and most unnerving danger. The committee was warned clearly about the vulnerabilities to nuclear command and control systems from cyberattacks. If cyberattacks can now knock out early warnings, simulate fake attacks or compromise delivery systems, the entire doctrine of nuclear deterrence is undermined. The Government's response to our concerns on this was:

"We will work with Allies to review the implications",

of "these new technologies". Is that really enough? I am told that microchip processing speeds are now more than 240 million times—I repeat: 240 million—faster than they were in the Apollo 11 moon shot computer 50 years ago, which I think your Lordships will discuss later.

We are now living in a completely different world from the one in which thinking on arms control was first developed.

At the core of the existing nuclear regime is the nuclear non-proliferation treaty, which is coming up to 50 years old and due for review next year. It has certainly done its work in containing the number of nuclear states, but it is not in good shape today. Some even fear that it is becoming obsolete. Trust is the key in keeping this treaty alive and effective: trust between the five nuclear powers it legitimises—the so-called P5—and trust between these five and all the non-nuclear signatories, in whose strong interest it is to stop further proliferation or, worse still, nuclear weapons getting to non-state and terrorist actors. The deal at the heart of the NPT is that the non-nuclear signatories will accept the disparity, provided that the five nuclear powers show a sustained path towards having fewer warheads, dismantling systems and having better verification methods to show that promises are being kept. Is this happening?

The non-nuclears think not, or not fast enough, and are getting impatient. As we report, many have banded together to agree to a straightforward ban or prohibition on all nuclear weapons—just like that. This so-called ban treaty has been endorsed by 122 countries but has not yet entered into force. It sounds splendid, of course, but the reasons why it will not work are equally obvious. Just wishing will not make it so. The tensions that keep nuclear weapons in place need to be wound down first; this can be done only step by patient step, and with the most advanced verification methods possible. The ban treaty will not help and may even hinder. On this latter point, our witnesses strongly disagreed with each other. The United Kingdom, along with the rest of the P5, definitely does not support a ban. We do not believe it is helpful.

In the meantime, we can do our best here in the UK by going for minimal critical deterrence, minimising warheads, keeping systems safe and, with the most modern controls, improving verification systems all the time and grinding away at the underlying antagonisms. This is broadly what the United Kingdom, for one, is doing. Our operational number of warheads is, I understand, now no more than 120.

This step-by-step approach necessitates unending attempts at engagement in dialogue, including with Russia despite its other hostile and unhelpful attitudes and actions. This also means having a lot of patience rather than just passing hopeful treaties that get us nowhere. Nevertheless, the ban treaty's supporters have a point, or so the committee heard in evidence. We believe that exchange and discussion between the P5 and the non-nuclear signatories to the NPT should be intense, continuous and understanding. Meanwhile, the dangers remain and grow. In this report we have urged the Government, as they currently chair the nuclear powers' P5, to put all possible energies into making a success of the NPT and consolidating the trust essential to hold it together.

**Lord King of Bridgwater (Con):** If my noble friend will allow me, there is an important recommendation in view of the recent tension between India and Pakistan. The committee made a sensible recommendation to

[LORD KING OF BRIDGWATER]  
invite India and Pakistan to attend the next P5 meeting; they have been included in past discussions. I see that the Government's response merely says:

"Such an invitation would require the explicit agreement of all members of the P5".

Does my noble friend know whether the Government will propose that to the other members?

**Lord Howell of Guildford:** Like my noble friend, I am not enlightened by the Government's reply. It would be a very good idea, but the P5 would have to do it. As the UK is its chair, it may have some additional influence in persuading that step to be taken. I very much hope so.

In conclusion, without the general determination between nations to co-operate closely, even with those who oppose and frustrate in other areas, the slide away from international rules towards international anarchy is certain, with nations putting their own narrow and short-term interests first, often driven by populist political appeal and force. From there, the step to nuclear deployment, accidental or intentional, unforeseen or sudden, at tactical or strategic level, is now perilously close. We can and must, at all costs, avoid and forestall. I beg to move.

**Baroness Barran (Con):** My Lords, I want all noble Lords to be aware that an advisory Back-Bench speaking time of eight minutes is shown on the annunciator.

5.41 pm

**Lord Browne of Ladyton (Lab):** My Lords, I draw the attention of the House to my entry in the register of interests, particularly my vice-chairmanship of the Nuclear Threat Initiative. I shall do my best to conclude my remarks within the newly imposed time limit. I congratulate the noble Lord, Lord Howell of Guildford, on his excellent introductory speech and an excellent report. I extend my congratulations to his committee, its excellent staff and special adviser. On my recent, varied travels many international colleagues who work in this space have been—deservedly—complimentary about this report.

I will use my time to highlight key priorities for the UK, looking ahead to the 2020 review conference on the nuclear non-proliferation treaty, which will also mark the 50th anniversary of the treaty itself. As the report highlights, the NPT regime is coming under increasing threat. There are several reasons for this, including: lack of progress on disarmament; increasing risk of nuclear weapons use, proliferation, and terrorism; and deepening divisions among the international community on the role of nuclear deterrence, the vision of nuclear disarmament, and the steps required to prevent nuclear weapons use. Two of the most significant drivers contributing to this negative political context are: the growing divide between the recognised nuclear weapon states under the NPT and the non-nuclear weapon states—as the noble Lord and the evidence heard by the committee made clear, the ban treaty is a direct result of these divisions—and the mounting frustration felt by many countries; and the deteriorated political relationship among the nuclear weapon states.

The fast-approaching 2020 RevCon is an important milestone and an opportunity to sustain, reaffirm and demonstrate the vital contribution of the NPT to reducing global dangers and advancing the goal of a world free of nuclear weapons. If there is a continuing perceived lack of progress to reach the disarmament goal set out in Article VI of the NPT, we may—not at this RevCon, perhaps—reach the point where that failure damages the future of the treaty itself. With 2020 just over a year away, the UK should be alert to that possibility and should do more—and encourage others to do more—to demonstrate concrete progress in meeting the NPT disarmament commitment and pledges, including, for a start, those set out in the 2010 NPT action plan.

The following are the priorities I would recommend in the short time I have. First, looking to 2020, we should all be aware that if the INF treaty collapses and the US and Russia allow the current political tension to undermine the possibility of extending the new START—which must be agreed before February 2021—and the negotiation of its successor, the US and Russia will return to an unregulated nuclear arms competition that has not been seen since the early days of the Cold War. This will have a serious impact on the NPT. Leaders should recall that, in the past, each time a new US-Soviet or US-Russia nuclear arms control agreement was signed, the parties immediately started negotiations for the next one. Today, nine years after the approval of the new START, there is no agreed process or agenda for next steps on nuclear disarmament and risk reduction between Russia and the United States, which, between them, still possess over 90% of the world's nuclear weapons.

At the same time, we are witnessing a collapse of the arms control architecture that we have relied on for the past several decades. The INF treaty is under threat, the CFE is not being implemented, the CTBT has not entered into force, and there is no consensus to even commence negotiations on a fissile material cut-off treaty. The Joint Comprehensive Plan of Action is also in danger of collapse. I understand that, during the preparation of an EU statement at the NPT PrepCom, the UK unsuccessfully attempted to block a reference to the importance of agreement on the extension of the new START. I am sure that noble Lords would be horrified if the motivation for this was driven by a desire not to damage a post-Brexit UK-US relationship. Can the Minister reassure the House that that was not the case? If not, can she explain the Government's reasoning for this resistance and confirm that the Government are encouraging the extension of a new START in all possible diplomatic forums? Without it, we have no strategic arms control at all.

Secondly, and related to the above, is the importance of risk reduction as an issue for discussion and action among the P5. While nuclear arms control is dormant, US-Russian relations are severely strained, raising concerns about nuclear risk. Dangerous military incidents have occurred and official statements emphasising nuclear capabilities have implied the possibility that nuclear weapons might be used, reviving fears of possible military conflict that could potentially lead to nuclear escalation between Russia and the US. Such a collapse would occur in the context of the recent US nuclear posture review, which expands, not restricts, the role of

nuclear weapons in US national security policy; concerns about Russia's nuclear doctrine and the new weapons it is developing, as well as its hybrid warfare activity; and worsening tensions between the West and Russia. Risk reduction has, therefore, gained traction among countries in the past year as an important means of demonstrating the responsibilities of nuclear armed states.

The P5, including the UK, should use the remaining time before the RevCon to agree upon actions that will be taken to reduce the risk of nuclear weapons use. These could include leaders of the nuclear armed states making a new declaration reconfirming their common view:

“A nuclear war cannot be won and must never be fought”.

Ideally, this should be led by the US and Russia and done in conjunction with other nuclear weapon states, but in the absence of such leadership the UK could act alone. Is it willing to do so? The UK should lead an effort to develop a Europe-wide—including Russia—understanding of the risks to stability inherent in the emergence of new technology. Pending improved US-Russia relations, European countries need to prepare and advocate practical proposals about how to include these new technologies and weapons systems into the existing arms control, confidence-building instruments or to develop new ones dedicated to these technologies and systems; they are terrifying. I note that the UK response to this report, which I welcome, admits for the first time that the Government recognise the possibility of cybersecurity threats to nuclear deterrence.

**Lord West of Spithead (Lab):** I have very real concerns on the cyber issue. As we construct the Dreadnought class, one needs to look down to the SMEs providing equipment. Proper attention is not being paid at the moment to the possibility of trojans and other things being placed within systems that are fitted in the submarine. More work needs to be done on this. Just as the noble Lord, Lord Judd, went out waving, he asked me to stress that he is worried that more nations than ever are thinking that nuclear weapons can be used for war fighting. This is a terrible thing to be occurring.

**Lord Browne of Ladyton:** I thank my noble friend for those points. The last time this issue was raised in a debate, he asked the Minister to consider red teaming the Dreadnought programme. The US regularly red teams its resilient military systems and is candid about its vulnerability to this threat. We are investing a significant amount of money—and, most importantly, the security of the next 50 years—in a programme that has vulnerabilities. It needs to be red teamed and we need to admit that protecting that system from this threat will cost significantly more than the Government are currently investing in cybersecurity for the whole country for the next five years.

5.49 pm

**Lord Purvis of Tweed (LD):** My Lords, I have only a fraction of the experience and knowledge of the noble Lord, whose contribution to this debate I agree with. He gave very clear evidence as part of our committee's inquiry and should be commended for the work that he is doing.

The noble Lord concluded by referring to the combination of political and rhetorical instability and uncertainty. The noble Lord, Lord Howell, indicated that that was one of the report's key conclusions, as was the fact that new technologies that have emerged in the past five to 10 years. It was striking that the Government's response seemed to recognise that cyber and hybrid threats create greater uncertainty, but they have not indicated that that, combined with the political and rhetorical instability, is a greater threat to world peace—and the two are combined, as the noble Lord has indicated.

The Government said in their evidence to us:

“the UK's strategic nuclear deterrent is a political, not a warfighting, tool”.

Reading that bold statement, I was struck by the question of when that became the case. As the noble Lord, Lord Howell, said, our excellent specialist adviser and Joseph Dobbs, our committee's policy analyst, did excellent work in providing us with background material. In his interesting analysis, John Baylis showed that British nuclear strategy in the early Cold War period was based upon the concept of “counter-force deterrence”, meaning an ability to strike forces that were targeting directly the United Kingdom, given our own particular vulnerabilities. During the thermonuclear period, “deterrence in concert” with the United States involved targeting a mix of military and urban centres. “Unilateral deterrence” then targeted Soviet cities. With the Polaris force, deployed in the late 1960s, it was believed that we had the ability to target Moscow. The “Moscow criterion” in British nuclear doctrine was perceived by successive Governments as the central requirement of our deterrence.

Today, in our increasingly uncertain and unstable post-Cold War environment, our possession of these weapons is solely political, according to the Government. Our submarines on patrol are at several days' notice to fire, and since 1994 we have not targeted our missiles on any state. The Government imply that we secure political leverage to our advantage with this £50 billion expenditure on renewal—equivalent to the entire Foreign and Commonwealth Office budget for 50 years, and representing less than 1% of all global nuclear capability. The Government state that they are still committed to a nuclear weapon-free world, and that the retention of those weapons gives us a political capability, but they do not state what political conditions they are seeking to achieve to bring this about, nor how they intend to secure them. The argument also follows that we secure a voice with this political tool by retaining our independent nuclear capability, but this has not always been the case either.

It was interesting to read the Cabinet papers from the period between the early 1960s and the signing of the NPT. Both the Macmillan and Wilson Governments argued for a NATO nuclear force. In 1963, Macmillan and Kennedy agreed in principle,

“to use their best endeavours to develop a NATO Nuclear Force ... and a new component may be introduced in the shape of internationally-owned and internationally-manned surface ships or submarines armed with Polaris missiles”.

The Wilson Government continued with this and formally proposed the establishing of an “Atlantic Nuclear Force”, including a “mixed-manned element” which, “would allow the non-nuclear countries to take part in a meaningful way”.

[LORD PURVIS OF TWEED]

The Cabinet conclusion of 26 March 1965 went further, proposing a single European vote on doctrine and deployment,

“if the major nations of Europe achieve full political unity, in such a way as to enable the European vote to be cast as one. The European unit exercising a single European vote would have the same veto rights as individual Governments taking part in the Force”.

Therefore, pre-NPT, there was a vibrant debate in government and in Parliament, including in this House, about the Government’s ability to have both a combined deterrent approach and a combined doctrine with our European partners.

Therefore, if the Government’s position today is markedly different from that, which it clearly is—that our ownership of nuclear weapons is purely political, that it is imperative that it is independent, and that it is not concerned with warfighting—we are justified in asking how active their commitment is to disarmament. We will discover this in the periodic review, but there was little optimism among our witnesses that it will contain radical proposals. As the noble Lord, Lord Browne, indicated, the impetus proposed by the 2010 review will need to be restored. Even that seems unlikely.

Given the committee’s assessment that the security environment is now more uncertain and unstable, it is imperative that the Government put their full weight behind pillar 1 of the three pillars of the 2010 NPT review conference action plan on disarmament. Action 3 refers to,

“implementing the unequivocal undertaking by the nuclear-weapon States to accomplish the total elimination of their nuclear arsenals ... through unilateral, bilateral, regional and multilateral measures”.

Dr Christopher Ford, assistant secretary of the Bureau of International Security and Nonproliferation, told the committee in a pre-released text that the United States does not agree that that pillar is a co-equal partner with other aspects of the NPT. He said that it was an “artefact” and denied that disarmament was co-equal with other elements of the NPT. This is particularly disturbing, especially as he then sought to outline what he termed the “conditions” for disarmament. Interestingly, he told us that the “conditions” for disarmament are now termed the “environment” for disarmament. He said at Wilton Park that it,

“might be possible to ameliorate conditions in the global security environment so as to make that environment more conducive to further progress toward—and indeed, ultimately to achieve—nuclear disarmament”.

However, France, Russia and the US, among others, argue that competition among the great powers has to be overcome first, and that seems unlikely.

The United States Government also fail to recognise that they are reneging on the JCPOA and to recognise concerns about the pause of the new START, and that moving away from the INF treaty is itself creating more instability. When the US national security adviser John Bolton was asked on 18 June about the extension of START, he said that there is,

“no decision, but I think it’s unlikely”.

It is no surprise, therefore, that Russia is seeking an opportunity to make America seem as if it is reneging on its commitments and thereby not moving towards a Russian approach.

What does this mean for the UK Government? In a debate last year, the noble Baroness, Lady Goldie, used very strong words about the ban treaty. If there is a vacuum of inactivity, it is no surprise that countries are frustrated. That frustration means that they are looking for alternatives through the ban treaty and other processes. Although the committee does not endorse them, it understands them, and that is why the UK needs to be proactive in this period.

5.58 pm

**Lord Hannay of Chiswick (CB):** My Lords, the report we are debating today is complex and often a bit on the technical side. All the more credit, therefore, goes to the committee’s chair, the noble Lord, Lord Howell of Guildford, for guiding us towards a range of clear recommendations and for having introduced the report today in such persuasive terms. Credit also goes to our clerks and to Heather Williams, our specialist adviser, for their invaluable assistance.

Complex this report is, perhaps, but I suggest that three clear political conclusions do stand out. First, that state of grace—that golden era from roughly the end of the Cold War in the late 1980s until roughly 2015, when the threat and risk of a nuclear war virtually disappeared and the nuclear arsenals of the possessor states were sharply reduced—has come to an end. The concomitant, that we need now to give a much higher priority to nuclear diplomacy, strategic stability and arms control than we have done for the last 30 years, is surely perfectly obvious. It is, however, far from clear that the Governments of the two main possessor states, the US and Russia—or indeed our own Government—have reached that conclusion, and, more importantly still, that they are prepared to act upon it.

If I may be allowed a brief digression, it is not even clear that the basic facts on nuclear diplomacy are appreciated at the higher levels of our own Government. Yesterday in Brussels, the Foreign Secretary told the press:

“We are totally committed to keeping the Middle East denuclearised”.

However, even if Israel does not admit to its undoubted possession of nuclear weapons, the hard fact is that the Middle East has not been “denuclearised” for many decades. Finding some way of moving towards a Middle East zone free of weapons of mass destruction is going to be a key issue at next year’s NPT review conference, at which the UK, as one of the three NPT depositary states, needs to use as imaginative and constructive an approach as possible. I wonder whether either of the two aspirants to be Prime Minister know any better than the right honourable Jeremy Hunt revealed yesterday: I rather doubt it.

The second conclusion is that it is arguably clear that the nuclear non-proliferation treaty, for all its imperfections and incompleteness, has made a massive contribution to international peace and security, by limiting the spread of these weapons, with the number of possessor states still in single figures, and with the avoidance of regional nuclear arms races in several unstable regions which would inevitably have followed proliferation. But that NPT regime is under great stress from the breakout of North Korea and from the US decision to renege, unilaterally, from the JCPOA agreement with Iran.

A third very clear and very political conclusion we reached was that discussing strategic stability and arms control with Russia could not properly be described as “business as usual”, since it continued throughout the Cold War and still now needs to be a part of NATO’s and a part of our bilateral diplomacy. It is welcome that the Government share that view. Perhaps the Minister could tell the House whether those issues of strategic stability and arms control were raised during the Prime Minister’s recent bilateral meeting with President Putin in Osaka.

To other conclusions of our report the Government’s response seems less satisfactory. The insistence—several times repeated, I may say—that the UK has gone as far as it could on nuclear disarmament is rather odd, because the report at no point suggested that we should do so. Defensive reactions like that will not be a very useful guide to policy in the newly risky period we are living through. If we really are a responsible possessor state, as the Government proclaim us to be, and I recognise that that is a reasonable aspiration, then we will have to have some imaginative diplomacy. Both parts of the Government’s response—simply dismissing out of hand any consideration of no first use or of clearer negative security assurances to non-nuclear weapon states—seem to me to be distinctly unimaginative. The Government’s attachment to what they call “constructive ambiguity” over the circumstances in which we might use nuclear weapons is deeply unconvincing, in my view.

It was good to hear that the Government have heeded our advice about treating the supporters of the ban treaty, in the margins of the recent NPT2 preparatory committee meeting, less aggressively and less dismissively than they have done. It is one thing to regard the ban treaty as something of a blind alley, unlikely to lead anywhere—which was, in fact, broadly the view of your Lordships’ committee—and quite another to ignore the legitimate frustrations of the non-nuclear weapon states at the lack of progress towards nuclear disarmament. If an incremental approach to further arms control measures, which is the one your Lordships’ committee recommends and which the Government say they are following, is to win out over the great leap forward suggested in the ban treaty, then there have to be some increments that people can actually see. At the moment, those increments are invisible.

It would be foolish to assert that the auguries for next year’s review conference are particularly promising. They are not, and there are going to be limits to what one country, such as the UK, can do to improve those prospects, but the case for attendance by the Foreign Secretary at that conference seems compelling. I would like to hear what the Minister thinks. It seems to me that there is a case for using our current chairmanship of the P5 to good effect. I would like to hear a response to the question asked by the noble Lord, Lord King of Bridgwater, who said, “Okay, it needs the P5 to agree to invite India and Pakistan for dialogue, but are we going to try?” We should surely do everything we can to ensure that the review conference reaches some useful agreed conclusions, however difficult that may prove. Another failure to agree any conclusions at all, which would follow the failure at the last review conference in 2015, would send precisely the wrong signals around

the world at a time when the risks from nuclear weapons are increasing and have become a serious warning to us all.

6.06 pm

**Baroness Anelay of St Johns (Con):** My Lords, I add my congratulations to my noble friend Lord Howell for his excellent introduction to this debate. I thank the clerks and our researcher for this technical, detailed report.

Our committee’s report makes it very clear that we are living through a time of worldwide disruption and change. The global balance of power is shifting and fragmenting. The nuclear non-proliferation regime is under pressure, and the evidence we took showed that the risk of the use of nuclear weapons is a factor in international relations in a way not seen since the end of the Cold War. Arms control agreements are collapsing. Clear proof of that is given by the highly regrettable announcement by the US of its unilateral withdrawal from the JCPOA, which after all was multilaterally negotiated with Iran and unanimously adopted through United Nations Security Council Resolution 2231. Consequent developments in the Straits of Hormuz should be enough to make all of us deeply concerned about security, not only in the region but more widely.

I welcome the E3 statement on the JCPOA, published on Sunday and updated today, which reaffirms the commitments of the UK, France and Germany to the agreement. What is the Government’s current assessment of, and response to, the escalating tensions between the US and Iran? What efforts has the UK made to discourage Iran from continuing to exceed the JCPOA agreed limit on its stockpile of enriched uranium and from restarting its nuclear programme? The landmark nuclear deal between Iran and world powers is facing one of its toughest tests since it came into effect in 2015.

My generation grew up during the Cold War. We were keenly aware of the risk of the use of nuclear weapons. I still remember clearly the development of the Cuban missile crisis in October 1962 and its impact on the view of civil society, and on our view, as schoolchildren, about the risk of nuclear war. The confrontation between the US and Soviet Russia followed the US discovery of Soviet deployment of nuclear-capable ballistic missiles in Cuba with a range that could hit most of continental USA.

The minimal attention paid by the media and civil society to the risk of nuclear conflagration over the past few decades could be considered proof of the success of the negotiation of the Treaty on the Non-Proliferation of Nuclear Weapons, which entered into force in 1970. That treaty approaches its 50th anniversary next year. More countries have adhered to the NPT than to any other arms limitation or disarmament agreement—a testament to the treaty’s significance. It has its successes: it has near-universal membership; it has established an international norm against new states acquiring nuclear weapons; and there has been a considerable reduction in nuclear stockpiles since the 1980s.

Significantly, however, we were given evidence that the programmes of many nuclear possessor states go well beyond what can properly be described as

[BARONESS ANELAY OF ST JOHNS]  
 modernisation to introducing new capabilities and potentially increasing nuclear risk. We were particularly concerned about new developments in the field of tactical nuclear weapons. We note, at paragraph 197 of our report, that the UK's nuclear modernisation programme, though not without its critics, focuses on the renewal of its existing capabilities for a minimum credible deterrent. We recommend that the Government encourage other nuclear-armed states to exercise restraint in their modernisation programmes and avoid expanding their nuclear capabilities. How do the Government propose to respond to our recommendation in practical terms in their dealings with nuclear possessor states?

Despite our concerns about the misuse of modernisation programmes, the treaty remains a critical part of international security. As has been mentioned, it is often seen to be based on a central bargain of three pillars: that non-nuclear weapon states agree never to acquire nuclear weapons but that, in exchange, the NPT nuclear weapon states agree to share the benefits of peaceful nuclear technology and to pursue nuclear disarmament aimed at the ultimate elimination of their nuclear arsenals. I therefore welcome the Government's response to paragraph 96 of our report, where they now clarify that they remain,

"committed to implementing all three pillars".

We conclude in our report that there is a danger that misunderstanding, miscalculation or mistakes could lead to the use of nuclear weapons, and that steps to manage and reduce this risk should be of the highest priority for the Government. Dr Rebecca Johnson, one of our inquiry's witnesses, has subsequently written that the 2019 PrepCom for the 2020 RevCon seemed to proceed better than expected. She said:

"By comparison with 2018, British positions were more open and constructive, probably influenced by the report from the House of Lords International Relations Committee".

The PrepCom seemed to show some slow forward movement in its discussions on nuclear risk, de-alerting, and the gendered underpinnings of nuclear weapons policies and practices. It adopted the necessary procedural requirements, including the nomination of Argentina's Rafael Grossi as president of next year's RevCon. It was a privilege to hear him give evidence to our committee.

However, the PrepCom still failed to agree substantive recommendations on the major issues of heightened nuclear risks and proliferation it had been discussing for two weeks. What is the Minister's assessment of the reasons for that failure? How do the Government plan to resolve those issues before next year's RevCon? Will they use their chairing of the P5 process to that end? What will be their priorities for seeking an agreement? The noble Lord, Lord Browne, should be congratulated not only on his speech tonight but on being the progenitor of the P5 process.

Preparations for a successful 2020 RevCon are vital for our future security. It is not just our diplomatic reputation that is at stake but our global security. It is important that there should be greater public awareness of the significance of those issues. I hope that our committee's report has made some contribution to that. Complacency about nuclear risk is the greatest

risk to our global safety. There is an old saying: "a watched pot never boils". It is time for everyone internationally, parliaments, Governments, media and civil society to watch the nuclear pot with increased care. It cannot be allowed to boil.

6.14 pm

**Baroness Jones of Moulsecoomb (GP):** My Lords, I declare an interest as a vice-president of the London Campaign for Nuclear Disarmament. I too congratulate the International Relations Committee and its chair the noble Lord, Lord Howell, on its excellent report.

When I am given a report like this, I turn immediately to the summary in the hope that it means I do not have to read the rest of the document. Quite honestly, the first paragraph was so distressing—I had such an emotional response to it—that I read other parts of the report. The first paragraph says:

"The level of nuclear risk has increased ... There is a danger that misunderstanding, miscalculation or mistakes could lead to the use of nuclear weapons".

How utterly depressing. It seems that, as others have said, the world is now almost out of control. We are not taking into account just how powerful these weapons are; they are weapons of terror, and their use is the greatest crime against humanity.

The supposed justification for nuclear weapons is the doctrine of mutually assured destruction. One day, I hope, foreign policy based on mass murder and the inevitable extinction of humanity will be viewed as the most barbaric and depraved idea ever conceived. It would be wonderful today to hear from the Minister the unequivocal statement, which can be found on page 27 of this report, that

"a nuclear war cannot be won and must never be fought".

Anything less than that is dangerous and delusional.

As others have said, we live in dangerous times globally. We have a President in the White House on Twitter, engaged in toilet diplomacy of a kind which can escalate tensions and move global markets in an instant. All the while, his military attaché is just a few metres away with nuclear codes that could be used by mistake or by miscalculation. We have also heard candidates for elections start to brag about how they would be the first to push the nuclear button and start a nuclear war by launching a first strike.

There is also the unequal way in which the West treats emerging nuclear powers, casting a blind eye to the nuclear weapons of Israel, India and Pakistan while taking a hard-line stance against Iran and North Korea. All the while, the non-nuclear countries which signed up to the nuclear non-proliferation treaty must feel cheated that the nuclear countries are not holding up their end of the bargain to progressively disband their nuclear arsenals. Instead, we are renewing Trident and expanding nuclear arsenals.

The UK Government must deploy their full diplomatic force in this area, treating nuclear disarmament as one of our top priorities on the international stage. The Select Committee's report sets out a credible road map by which the Government could take forward this idea. They should adopt it in full. In particular, the Foreign Secretary should take a leadership role in this area and represent the UK in international negotiations on nuclear disarmament.

As a nuclear power, we should be clearer about our doctrine, ending the strategic ambiguity in favour of a no-first-strike policy and encouraging that as the global norm. No serious contender for public office, let alone the Prime Minister, should try to make a political point out of their willingness to initiate a nuclear war and murder millions of innocent civilians. We must strive towards a nuclear-free world where the capability to kill every human being on earth in a matter of moments is consigned to the dystopian nightmares where it belongs.

6.18 pm

**Lord Harries of Pentregarth (CB):** I thank the committee for its truly excellent report, which rightly draws attention to the serious dangers faced by the world today with its rising nuclear risk but does so in a sober and balanced way.

I am going to focus only on the rising risk of nuclear conflict in Europe and the consequent need, despite present tensions with Russia, to keep all channels of communication open. In Georgia, for example, Russia has been in effective control of the regions of Abkhazia and South Ossetia since they declared independence in 1992. As a result of the ill-fated war of August 2008, Russian troops remain on Georgian soil only 20 miles from Tbilisi, the capital—hardly the distance of Windsor from London. Little or no progress has been made in getting Russian troops to withdraw from the line of control. Not surprisingly, Georgia, with its European aspirations, experiences Russia as a continuing influence in its internal affairs. Only last Thursday, President Putin made a long speech totally distorting Georgian history and its relationship with Russia, with a view to reinforcing its claims over Georgian territory.

Then of course we should not forget the annexation of Crimea in 2014, which, whatever the historic ties of Crimea with Russia, was a flagrant breach of international law, as was the incursion into eastern Ukraine, with thousands killed and the civil strife which this stirred up still continuing. More than 80,000 Russian troops are stationed in and around its borders. In the light of this, it is not surprising that the Baltic states, with their Russian-speaking minorities, have felt uneasy. About 28% of Estonians and about 25% of Latvians are ethnic Russians. They may indeed be loyal citizens of their state, but the presence of ethnic Russians in other states has given Russia a pretext for interference elsewhere. In the light of clear evidence of a Russian determination to spread their sphere of influence, by force if necessary, it was only sensible for NATO to establish an enhanced forward presence in the Baltic states. This is not large—just four multinational battalion-size battle groups—but their presence acts as a clear signal of NATO's solidarity with the Baltic states. This in turn highlights the continuing need for the existence of NATO—a NATO with clear policies and firm resolve. Anything which weakens this, such as a breach with the United States over NATO, is to be deeply regretted.

That small EFP is of course not strong enough to resist a major military advance, but it takes its place within an overall system of deterrence. According to estimates, the Russians possess some 2,000 tactical nuclear weapons—and we need to remind ourselves

that each one of these would create devastation on the scale of Hiroshima or Nagasaki. In 1994, the UK got rid of its last tactical nuclear weapons but it is reliably reported that the United States has 150 non-strategic gravity warheads stationed in Europe, with six nuclear weapons facilities in five NATO countries. I was slightly surprised to read in paragraph 44 of the report:

“Tactical nuclear weapons differ from strategic nuclear weapons in that they are envisaged to be used in fighting and winning a war, as opposed to strategic nuclear weapons, which are used to deter conflict”.

Contrary to this, and following the late, highly revered Sir Michael Quinlan, at whose feet I had the privilege to sit for many years, I have always understood that tactical nuclear weapons, although their use has to be credible, are not strictly speaking war-fighting weapons in the way that conventional weapons are, but are in place to make deterrence as a whole more credible. The calculation that their use would be more likely than that of a strategic weapon, plus the fear of escalation to strategic level, makes the system of deterrence stronger.

In relation to that, I note particularly what the report says about the danger of dual-capable systems in paragraphs 49, 50 and 65. Such systems open up the possibility in a conflict of a misreading and miscalculation, blurring the threshold between conventional and nuclear weapons, one which it is important to keep. An enemy might not be able to judge what kind of weapon was being used against them, conventional or nuclear, and therefore might misread the situation, miscalculate and make a disproportionate response.

I also very much agree with what the report says about developments in cyberwarfare at paragraphs 51 to 65. This has two aspects. I have long believed that we have been too sanguine about the invulnerability of our nuclear-armed nuclear submarines. That was indeed the case a decade ago but, although we keep on being reassured, not least in this House, that they operate on different systems, technological developments are so rapid these days that we should never be complacent. I agree with what the noble Lord, Lord Browne, is reported at paragraph 58 as saying, that,

“it was unwise to think that because the UK's nuclear weapons system is submarine-based it is ‘air gapped’ (the term for operating systems that are not connected to the public internet). He noted that there had been examples of ‘jumping the air-gap’, for example in Iran”.

Secondly, arising from this, what would be the use of our submarines if the whole NATO command-and-control system was brought down, or the whole country's power supply? This means, as the noble Lord, Lord Howell, has rightly emphasised, that the cyber threat must now be a major priority. We cannot rest content with thinking that because we possess a nuclear deterrent we are safe. New developments should make us always question past nostrums.

In the light of these very serious dangers in Europe, I believe we should seek special talks with Russia about increasing confidence, minimising risk and arms reduction in this area. I strongly agree with paragraphs 35 to 37 of the report that, despite present tensions with Russia, we should keep every channel open to discuss these security issues. Sadly, there is still a real threat of incursions and pressure from Russia in Europe, with the rising nuclear risk involved. The government response

[LORD HARRIES OF PENTREGARTH]

to the paper lists all the fora available where dialogue takes place—the NATO-Russia Council among others—and using those should be a continuing priority, in order that there is maximum understanding on all sides and the minimum possibility of a miscalculation or accident. I very much hope, with the noble Lord, Lord Hannay, that the Minister will be able to say more about this.

6.25 pm

**Lord Grocott (Lab):** My Lords, it is inevitable that debates of this sort will be pretty sombre in tone, because this is an extremely sombre—if not deadly serious—subject. But the timing of our report and indeed of this debate comes on the eve of the 50th anniversary of the establishment of the non-proliferation treaty, which in itself is some relief from the entirely sombre atmosphere that has inevitably characterised this debate. Even if it is not a cause for celebration, my word, in its 50 years this treaty has given us a great deal to be quietly satisfied about. It has been ratified, nearly universally, by 191 states. It has held in unlikely combination the nuclear and non-nuclear states. There have been successes in all its three so-called pillars: non-proliferation, disarmament, and the peaceful use of nuclear technology.

There has also been a growth in the number of nuclear-free zones. I commend to the House the map of the world on page 51—it was my idea, which makes it spring to mind—which shows the areas where non-proliferation treaties are in operation, covering the whole of the southern hemisphere, including Latin America and Africa. There are seven separate treaties, in many cases with unpronounceable names, establishing nuclear-free zones over large swathes of the planet. And, of course, there have been dramatic reductions in the number of nuclear warheads during this period—although I do not claim that that is all down to the NPT.

We should be quite proud also in a number of respects of Britain's role as a nuclear state that is a signatory to the NPT. We have been a nuclear state and have demonstrated our commitment to nuclear disarmament. In the late 1970s we had over 400 warheads, but by the mid-2020s we will be looking at 180. There are fewer warheads and fewer operational missiles on each submarine. We are the only nuclear state to have reduced our deterrent capability to a single system. At a technical level, the committee visited Aldermaston and saw the extremely important work that was being done on nuclear disarmament verification. With that work we have also demonstrated how nuclear and non-nuclear states—in this case, Norway—can work together, to their collective advantage. But that picture, which to a degree balances the argument and the 50th anniversary, should be set aside; I am certainly not pretending that there are not substantial difficulties, a couple of which I will mention.

First, to state the opposite, there has not been a complete absence of nuclear proliferation. The number of nuclear states has almost doubled, from five to nine, during the time of the treaty. The four nuclear states who are outside the NPT have a fraction of the number of warheads held by NPT nuclear states, but they are

significant none the less. We list them in our report. It is estimated that Pakistan has 140 to 150 nuclear warheads; India has 130 to 140; Israel has 80; and North Korea 10 to 20. Of course, North Korea is a special case for all sorts of reasons that I cannot possibly go into, but are the other nuclear states outside the ambit of the NPT now in the “impossible to resolve” category—“We can't do anything about it, so let's not even try”—or is there a medium or longer than medium-term strategy to try to bring all the states of the United Nations within the ambit of the treaty?

Then there is the question of the proposed Middle East nuclear-free zone. It was as long ago as 1995 that the review conference of that year stated that the development of nuclear-free zones, of which I have mentioned a number, should be encouraged as a matter of priority, and specifically mentioned the importance of establishing one in the Middle East. Since then, progress has been glacial. Last year, however, a UN resolution called for a conference on a weapons of mass destruction-free zone in the Middle East to be held in 2019. In our report, we state that the UK should continue to support work towards such a conference and should encourage Israel to participate. I am afraid that the Government in their reply say that the UK remains committed to the 1995 NPT resolution—of which, incidentally, we were co-sponsors—but they remain undecided about whether to participate in the forthcoming UN conference, giving a long list of difficulties.

Of course there are difficulties. This is the most dangerous region in the world, with current or recent wars in Iraq, Syria and Yemen, not to mention Iran and the JCPOA. But to say that we may well not attend a UN conference to try to reduce the risk of weapons of mass destruction being deployed in this most dangerous of regions seems inexplicable, and I would really like a response on that from the Minister.

Another challenge to the NPT mentioned by previous speakers that is always simmering is the relationship between the nuclear and the non-nuclear states. This is particularly relevant at the moment because the Treaty on the Prohibition of Nuclear Weapons—the so-called ban treaty—has been adopted by no fewer than 122 states. The signatory states range from Austria to Brazil, from South Africa to New Zealand—but, crucially, they include none of the nuclear weapon states who are signatories to the NPT.

The Government have been critical of the ban treaty, saying that it would compete with the NPT and would not deliver as good an outcome, and our committee agreed with that. But surely, as other speakers have said, the significance of the ban treaty is not so much its precise wording as what it represents, which is at least in part a concern by the non-nuclear signatories to the NPT that the nuclear states need to be more active in moving towards nuclear disarmament—a wake-up call, if you like. That is why I particularly welcome our committee's recommendation 263:

“We therefore recommend that the Government should adopt a less aggressive tone about this treaty and seek opportunities to work with its supporters towards the aims of ... the Nuclear Non-Proliferation Treaty, which concerns disarmament”.

The Government's response recognises the crucial importance of keeping the nuclear states and the non-nuclear states together. However, given the U.K.'s

role in nuclear weapons reduction, to which I referred earlier, we are surely well placed among the nuclear powers to continue our engagement with the non-nuclear states on how to make progress on multilateral disarmament. I would welcome any assurance from the Minister that, although we cannot sign the ban treaty, we are absolutely committed to the motivation behind the ban and will work closely with non-nuclear states to meet the concerns that the ban treaty reflects.

Fifty years old next year, the NPT remains essentially a good news story, with most of its essentials remaining intact. But for it to continue being a good news story, there can be no room for any complacency. It needs good housekeeping and constant vigilance.

6.34 pm

**Baroness Smith of Newnham (LD):** My Lords, like my fellow committee member, the noble Lord, Lord Grocott, I start by mentioning that the NPT is almost 50 years old, so we are looking at an anniversary. The committee's report made clear that we felt that in many ways the NPT has been successful. The report even said that we laud it for the three pillars and the success it has achieved on stopping proliferation, on peaceful use and on disarmament.

This report originated when the committee was looking for future business. We initially thought of doing a short report ahead of the PrepCom and then the RevCon of 2020. We did not necessarily intend to say, "Let's look at the 50 years of proliferation and non-proliferation"; it was initially to be a short report. However, it quickly became a much longer report—one that has a great deal in it and on which there is, surprisingly, a great deal of agreement, not only among members of the committee but across the Chamber this evening.

Who would have expected the noble Lord, Lord Browne of Ladyton, and the noble Baroness, Lady Jones, to sing from the same hymn sheet? Yet at one point, they did. That is very much in line with the committee's point about the importance of the principle that a nuclear war cannot be won and must never be fought. That has not diminished. That was our starting point and seems something on which we can all agree. Beyond that, there are of course areas of profound disagreement and areas where, if we were looking at a wider range of nuclear issues, there would be less agreement.

As the noble Lord, Lord Grocott, pointed out, this has been a sombre debate. Although we might feel that the NPT has been successful in many ways, there are now so many dangers, and the world since 2014-15 has so fundamentally changed, that it begins to feel, as the noble Baroness, Lady Anelay, said, more like the Cold War than the post-Cold War period. For many years, we began to assume that Russia was, if not an ally, at least a country we could do business with. Since Salisbury and Crimea, that no longer seems the case. As the noble and right reverend Lord, Lord Harries of Pentregarth, made very clear, Russia is a serious issue.

One area where the Government's timely response to the report perhaps does not go far enough is in explaining their view about working and talking with Russia on nuclear issues. The inference from the

Government's response so far appears to be that the only way that the United Kingdom is willing to talk to Russia is through the NATO-Russia Council. Are Her Majesty's Government willing to think about further talks with Russia on nuclear issues, because they clearly affect us all?

In many ways, Russia is the obvious country to look at and say that we no longer have a great deal of confidence in it, and perhaps no longer trust it, but, as the noble Lord, Lord Howell, mentioned, we are in a period where we may be moving from good will to ill will and from trust to distrust more generally. It is no longer just Russia about which we may have concerns, but also our closest ally, the United States.

As the noble Baroness, Lady Anelay, in particular, discussed, the situation with Iran is not solely of Iran's making. The move away from the JCPOA was led by the United States. If the international rules-based order is to have any validity, signatory states have to believe that what they have signed up to will be adhered to. They have to believe that fellow signatories will abide by what they have signed up to. If the United States walks away from the JCPOA, is it any surprise that a country such as North Korea says, "What's the point in signing any sort of treaty? Do we trust the signatories?" We have to be able to trust our fellow signatories. What are Her Majesty's Government doing to persuade the Government of the United States, in particular the President, of the need to come back to the table? It is extremely encouraging that the Foreign Secretary is working with the other E3 countries to carry on negotiating with Iran, but we need the US back at the table as well.

That is not the only area. The US and Russia have walked away from other treaties. In Europe, just as during the Cold War, the danger is that the United Kingdom, like other European states, is caught between nuclear powers. If the intermediate-range nuclear forces treaty is no longer relevant, where does that leave us? How much more vulnerable will we become? Where do we think we need to go in terms of our own deterrent and ensuring that we remain protected? After all, a nuclear deterrent was intended precisely to ensure that it would never be used, at least not by being fired. This is an area where perhaps some of those who call for unilateral disarmament say, "But we don't use nuclear weapons and we never must". However, their very existence and their deterrent effect are of course vital.

This is one area where perhaps some of us would disagree with the noble Baroness, Lady Jones, because during the Cold War mutually assured destruction was something that mattered. Yes, firing a nuclear weapon might be totally abhorrent, but its existence and its potential to create a deterrent effect worked incredibly well. Arguably, it works for India and Pakistan in the current period. What it cannot do, however, as our report makes clear, is deal with some of the new areas of risk and proliferation. This is one of the greatest changes in the post-Cold War era. We face the risk of terrorists potentially getting nuclear capability but, from our evidence, that risk appears relatively minor. What are much more serious, as we heard from the noble Lord, Lord Browne, and the noble and right

[BARONESS SMITH OF NEWNHAM]

reverend Lord, Lord Harries, are the dangers of hybridity and cyber, and the vulnerability of our own nuclear deterrent.

The Government's response begins to suggest that there may be a danger from cyber. Can the Minister go a little further in saying whether the Government are willing, as the US Government are, to acknowledge issues about cyber and the deterrent? We are in a dangerous situation, where the demise of the rules-based international order is a real threat. The NPT has been a success so far, but for it to continue to be successful full engagement by all state parties is required, in particular the P5 states, which in many ways have the greatest responsibility.

Perhaps the one advantage of the early general election in 2017 is that for the first time in many years we can assume that the 2020 RevCon will not coincide with one. Perhaps the Fixed-term Parliaments Act means that, unlike those of 2005, 2010 and 2015, the 2020 RevCon will not coincide with a British general election. We hope that means that Her Majesty's Government will be able to give the meeting their full attention. I hope that the Minister might confirm that whoever becomes Prime Minister next week will give the matter his full attention and ensure that whoever is the new Foreign Secretary—if indeed that position changes—will also be fully committed to the NPT and to the UK's responsibility in that regard.

6.44 pm

**Lord Collins of Highbury (Lab):** My Lords, I shall begin with a little bit of good news. My noble friend Lord Judd is sitting up, cheerful and eager to get back to the House as soon as possible. He will be sorely missed in this debate.

I too welcome this excellent report and certainly the introduction by the noble Lord, Lord Howell. The fact is that we are now living in a world dangerously close to an era without arms control. The report's key recommendation is to encourage greater dialogue between all the nuclear possessor states on the nuclear risk to reduce global tensions. I like the analogy of a watched pot boiling over, which I think is what this debate is fundamentally about.

What are the mechanisms to do this? As the report and the Government's response to it acknowledge, the non-proliferation treaty has been hugely successful over the past 50 years. Of the 189 countries that have signed up to it since 1970, only one non-nuclear signatory, North Korea, has developed a deliverable nuclear weapon. The treaty remains critical to UK security and to the rules-based international order as a whole. It was of course a Labour Government who signed it in 1968 and, since 1970, as we have heard, review conferences have been held every five years to pursue an incremental approach to nuclear disarmament through article 6 of the treaty. The latest preparatory committee for the 2020 review took place in April, and there we saw 191 parties to the treaty setting out their assessments of how it has been implemented and what we should do collectively to strengthen it further over the next five years. In the excellent briefing provided by the Library, I read the blog by Aidan Liddle, the ambassador and permanent representative to the Conference on

Disarmament. His clear message is that many countries want to see more progress on disarmament, and another thing he referred to was the establishment of a zone free of weapons of mass destruction in the Middle East, mandated by the 1995 conference.

The noble Lord, Lord Hannay, highlighted that the Government said in their response that they remain committed to the establishment in the Middle East of a zone free of nuclear and all other weapons of mass destruction and their delivery systems. What are the Government doing about that? What is their strategy? We need to know more about it. The committee argued that the UK should use its chairmanship of the P5 to encourage a more constructive tone and approach from nuclear weapon states as we move towards the 2020 review conference. It called on the Government to set out a clear vision for this. What are the Government working on in preparing for this? Will they hold consultations and will they publish a strategy ahead of the conference so that parliamentarians can engage in the dialogue and the debate? Who will attend the conference and what level of representation will there be? As we heard, new technologies are being developed that may not come within the scope of existing arms control treaties. The Government's response suggests that we will work with our allies to consider how they might be brought within the scope of existing and new arms control agreements, and that the review conference provides another opportunity to do so. Will the Government add, for example, lethal autonomous weapons to the agenda for the 2020 review conference? The report calls on the Government to review the resilience of the UK's nuclear deterrent against the threat of cyberattacks and new technologies, as highlighted by my noble friend. Will cybersecurity receive an increase in funding in this year's spending review? We must surely make it a priority when we have understood the threats.

In the past the UK has been seen as one of the more progressive nuclear states, leading the way in advocating diplomatic, technological and financial policies to pursue nuclear disarmament. The P5 process set up in 2008 under Labour was the first forum between the P5 to specifically discuss matters surrounding nuclear disarmament. But where are the initiatives by this Government to maintain the commitments and pathways set out in the nuclear non-proliferation treaty? The key to this process, as reflected in noble Lords' report, has to be a much stronger level of communication and dialogue.

I hope we will hear in the Minister's response tonight exactly how the Government will engage, particularly with the US President's reviews of new START and the European nuclear weapons treaties. How will we engage and communicate across the P5? How do we reinvigorate the process to avoid the threats we have heard identified in your Lordships' report? How do we reduce tensions and the threat that nuclear weapons pose?

The Government's response said that, "the best way to achieve our long-term goal of a world without nuclear weapons is through gradual multilateral disarmament, negotiated using a step-by-step approach within existing frameworks and taking into account current and future security risks".

Who can disagree? But do we not want a bit more evidence about how we are making progress and what steps we are taking to move things along? The evidence

in your Lordships' committee is the complete opposite: the situation is deteriorating. We are moving to a world in which we will not have agreements containing the growth of nuclear weapons.

Finally, on Iran, it is right that noble Lords have highlighted this as another threat to non-proliferation in a region where we hope we can remove all weapons of mass destruction. The government response says the Government,

“regrets the US decision to withdraw from the JCPoA and re-impose sanctions on Iran”,

despite no serious suggestion of non-compliance, as the noble Baroness highlighted. If we do this on one agreement, what impact will it have on the others? Of course, only last week Iran broke the limit on uranium enrichment in the nuclear deal, and there is a real threat of nuclear proliferation in the Middle East. What recent conversations have the Government had with our European partners and the Iranian Government on this recent breach and the maintenance of the agreement? Does the Minister believe that President Trump has killed the Iran deal, or will we take further steps to ensure that it is properly protected?

6.53 pm

**Baroness Goldie (Con):** My Lords, I first apologise for being slightly late into the Chamber; I was caught unawares by the preceding Statement ending a little early. I thank my noble friend Lord Howell for tabling this Motion and all noble Lords for their perceptive and helpful contributions. I particularly pay tribute to him and his committee colleagues for a thorough and comprehensive report. To me, it is a significant contribution to a subject of vital importance. I know my noble friend Lord Ahmad of Wimbledon is very sorry not to be responding to this Motion. He has important duties this week in Washington at the 2019 Ministerial to Advance Religious Freedom, hosted by the State Department. I also say to the noble Lord, Lord Collins, that we are all very glad to hear the positive news about his colleague, the noble Lord, Lord Judd.

This debate comes at a time when the international security environment is increasingly complex—at times fraught—and arms control frameworks are coming under increasing challenge. In this context, we should not underestimate the positive impact of the nuclear non-proliferation treaty, and its enduring value as a central pillar of the rules-based international system that the United Kingdom has done so much to build and uphold. I welcome the chance to reflect on the achievements of the treaty, outline some of the challenges we face and set out what we are doing to overcome them.

The NPT was built on consensus and has been at the heart of global efforts to prevent nuclear proliferation and encourage nuclear disarmament efforts for nearly 50 years. It has overwhelmingly delivered on its objectives and we should celebrate its success. To quote the noble Lord, Lord Hannay, it has made “a massive contribution”. I realise that this is a difficult debate for the noble Baroness, Lady Jones of Moulsecoomb; I may not support her view on unilateral disarmament, but I respect and see the passion with which she holds it. Let me try to reassure her by now turning to the NPT and considering it in a little more detail.

First, the NPT has limited the proliferation of nuclear weapons. At the time of its inception, the world feared a widespread arms race that could have resulted in dozens of nuclear-armed states within decades. The NPT helped to persuade some countries to abandon their pursuit of nuclear weapons and to ensure that many more did not seek to acquire them. Secondly, it has provided the framework and confidence for a significant reduction in nuclear weapons following the end of the Cold War. The UK has provided a good exemplar, significantly reducing its nuclear weapon stockpile since the Cold War peak. Finally, the treaty extended the benefits of the peaceful uses of nuclear energy around the globe. I am grateful to the noble Lord, Lord Grocott, for his recognition of these virtues. His map in the report is encouraging, and I commend him on his imagination in suggesting its inclusion.

The non-proliferation treaty continues to offer a framework that is central to our goal of achieving a world free from nuclear weapons. The value of this treaty is widely recognised by nuclear weapon states and non-nuclear weapon states alike, which is why it has received near-universal acceptance. As we approach the 50th anniversary of the treaty next year, noble Lords should be in no doubt that this Government remain committed to its step-by-step approach to multilateral disarmament. The noble Lord, Lord Purvis of Tweed, raised that point. This approach includes the universal application of the NPT, the prompt entry into force of the Comprehensive Nuclear Test-Ban Treaty and the start and successful conclusion of negotiations for a fissile material cut-off treaty in the Conference on Disarmament.

However, I must be candid: significant further disarmament is difficult to foresee in the current security environment. Some countries are expanding their nuclear arsenals and pursuing a reckless path of breaching arms control and disarmament treaties, as well as developing destabilising new delivery systems for nuclear weapons. We must remain resolute in working to deter such threats and in facing down those who seek to undermine decades of progress. Against this complex security backdrop, the UK's independent nuclear deterrent remains essential to both our security and that of our NATO allies, for as long as the global security situation demands.

But even in this challenging context and environment, we are making progress towards verifiable, treaty-based future disarmament. Part of this requires us to understand and overcome the challenges in verifying nuclear disarmament, so that all states can have confidence in the process. The UK continues to play a leading role in developing verification tools and techniques working alongside nuclear and non-nuclear weapon states. We hosted the first-ever verification exercise for nuclear disarmament in 2017, as part of our quad partnership with Norway, Sweden and the United States. We are active participants in the International Partnership for Nuclear Disarmament Verification. We also took part in the recent UN Group of Governmental Experts on verification.

Next year's NPT review conference falls 75 years after nuclear weapons were released on Hiroshima and Nagasaki, 50 years after the NPT entered into

[BARONESS GOLDIE]

force, and 25 years after it was indefinitely extended. It is clear to us that the NPT remains as relevant and important now as it has ever been. That is not just the United Kingdom's view: it is widely shared around the world. However, we also know that even a treaty as important as this requires constant nurturing to ensure that it remains effective.

My noble friend Lord Howell mentioned that trust—I think that is the word that he used—is key and he is absolutely correct. The UK is doing everything we can to encourage trust and confidence, which is also important. That is why we are working with international partners to ensure that the review conference reinforces our shared interests and seeks to advance its goals.

My noble friend Lady Anelay of St Johns asked how we were preparing for this review conference and whether we can resolve differences. The noble Lord, Lord Collins, also raised that point. We recognise that achieving consensus at the review conference will be challenging, but we will invest all our energies in striving for a positive outcome. As part of our preparation between now and the conference, we will chair the P5 dialogue, which was established a decade ago by the United Kingdom to build mutual trust and confidence between the nuclear weapon states.

The noble Lords, Lord Browne of Ladyton, Lord Hannay and Lord Collins, the noble and right reverend Lord, Lord Harries of Pentregarth, and my noble friend Lord King raised some apprehensions about the backdrop to this conference. The noble Lord, Lord Browne of Ladyton, particularly raised the issue of new START. That is a bilateral treaty between the US and Russia. It is a decision for the US and Russia to take forward discussions about extending the treaty and we of course support effective arms control. There is no doubt that new START contributes to international stability. All allies support continued implementation, early and active dialogue and ways to improve strategic stability, and we will use our best efforts to encourage an extension of it. But at the end of the day it is a decision for the United States and Russia.

In an intervention, my noble friend Lord King raised the position of India and Pakistan. Having made his intervention, he now seems to have disappeared, but I will share with the rest of the Chamber that he wondered if they would be parties to the next P5 dialogue. It is correct that that would require the agreement of all P5 members because the P5 process is primarily for NPT issues, but we encourage discussion among all these countries in a variety of fora, so we have noted those important concerns. In addition, we plan to engage in discussions on transparency and risk reduction with all state parties.

Noble Lords raised a number of points that I would like to try to deal with, if I may. The question of cyber capability and cyber risks arose, and that is no surprise. It was raised by my noble friend Lord Howell and the noble Lords, Lord Browne of Ladyton, Lord Purvis of Tweed, Lord West and Lord Collins, the noble and right reverend Lord, Lord Harries of Pentregarth, and the noble Baroness, Lady Smith of Newnham. It is an important issue to raise in the context of the report and of this debate. The Government

take their responsibilities for maintaining a credible independent nuclear deterrent extremely seriously. We have robust measures in place to keep that nuclear deterrent safe and secure. We invest significant resources in ensuring protection against cyber and other threats. However, as noble Lords will understand, it is not government policy to comment on specific security measures relating to the nuclear deterrent, for the purposes of safeguarding national security. I reassure noble Lords that, more broadly, the Government doubled investment in cybersecurity to £1.9 billion in the last strategic defence and security review in 2015. No one is indifferent to or casual about the immensity of that threat. It is the threat of the modern age and the Government are acutely aware of it.

**Lord Browne of Ladyton:** On the Government's commitment to cybersecurity, every single time this issue is raised in whatever context in this House the government spokesperson raises this point about £1.9 billion—without explanation. The £1.9 billion announced in 2015 and again in 2016 is to cover five years of all the work that the Government do on cybersecurity in every aspect of public policy. But the National Audit Office reported on that in March this year. My reading of that report suggests that the true figure is £1.3 billion and that, in the first two years, the Treasury transferred 37% of the funding to other matters that were priorities for the Government that were not originally intended to be included. Can we please in future have specific information on the issue that is before the House about how much is being spent by the MoD on the Dreadnought programme and on cybersecurity? That is the question, not what the Government may or may not be spending on cybersecurity writ large.

**Baroness Goldie:** I hear the noble Lord, but he will understand as well as anyone, with his distinguished experience in these matters, that we cannot comment on specific security measures and I do not think he would expect the Government to do that. But I hear his detailed questioning about the funding. I have no specific information available this evening, but I undertake to make further investigation and write to him.

The noble Lord, Lord Purvis of Tweed, raised a couple of issues about policy and strategy—essentially, why the UK maintains a nuclear deterrent and what our commitment to disarmament is. I suggest that actually the two are not mutually exclusive. It is clear from the evidence that the committee received that the Government have a strong record on nuclear disarmament. We have significantly reduced the size of our own nuclear forces since the Cold War peak and we have about 1% of the total global stockpile. But it is absolutely clear that the independent nuclear deterrent remains essential to our security today and will do for as long as the global security situation demands. It has existed for more than 60 years to deter the most extreme threats to our national security and way of life and I submit that it is helping to guarantee our security and that of our allies. But the commitment that we have to the NPT is manifest. Noble Lords will understand my suggestion that the two positions are far from mutually exclusive.

The noble Lord, Lord Hannay, raised the matter of Russia and the strategic approach. His specific question was about whether at the recent meeting between the Prime Minister and President Putin any discussion had taken place. Apparently, a wide range of issues was discussed, including global security issues, but I have no more specific information than that.

My noble friend Lady Anelay raised paragraph 197 of the report and how the Government proposed to respond in practical terms in their dealings with nuclear possessor states. We have regular and frank exchanges on such issues through the P5 and bilaterally and we encourage all possessor states to recognise their responsibilities and to refrain from destabilising rhetoric and destabilising technology.

A number of noble Lords raised Iran, including my noble friend Lady Anelay and the noble Baroness, Lady Smith of Newnham. The UK expressed deep concern that Iran is pursuing activities inconsistent with its commitments under the JCPOA. We did that in a statement with France and Germany earlier this month. The UK remains committed to the Joint Comprehensive Plan of Action. We think it is important for our security and for neutralising the threat of a nuclear-armed Iran. We and remaining parties are working hard to ensure that it is upheld for as long as Iran meets its commitments, including full IAEA access. I say to the noble Baronesses that the Government regret the United States' decision to withdraw from the JCPOA and reimpose sanctions, but we continue to work with our European partners and Iran to try to find solutions to support economic relations.

I think my noble friend Lady Anelay also raised the Gulf of Oman and the Straits of Hormuz. We are concerned at tensions in that area and we are doing everything we can to de-escalate them by diplomatic means. However, international maritime law must be respected and upheld. We shall protect British shipping in the region. The recent escort of a British tanker by HMS "Montrose" demonstrated our resolve to offer that protection.

The noble Lord, Lord Grocott, raised the issue of a zone free of weapons of mass destruction in the Middle East. We remain fully committed to the 1995 resolution on the Middle East and to the establishment of a zone free of all weapons of mass destruction and their delivery systems in the Middle East. We believe that realistically that is going to be possible only when political solutions are found to the tensions in the region. We believe that the convening of a conference has potential but we think it will be worth while, valid and achievable only if it is on the basis of arrangements freely arrived at by all states in the region, as set out in the 2010 NPT review conference plan.

It is clear that the NPT has made a substantial contribution to international security and prosperity. It succeeded in all three of its pillars and has earned its place as the central pillar of the arms control architecture. This Government remain committed to multilateral disarmament. We will continue to work tirelessly to uphold the NPT and to explore practical ways to achieve a world without nuclear weapons.

This has been an extremely helpful and interesting debate. I once again commend my noble friend Lord Howell and his committee for their hard work in

producing this report. It is a very useful report. I realise that this was difficult for the noble Baroness, Lady Jones of Moulsecoomb, but the report and what we have debated this evening indicate what is possible when people are bonded by the same objective and motivated by the same desire. Perhaps perversely, she and I have the same objective; we just have different ways of arriving at it.

I conclude with the words of my noble friend Lady Anelay still ringing in my mind: a watched pot never boils. I think we all agree that this is a situation and a subject where we do not want the pot ever to boil.

7.13 pm

**Lord Howell of Guildford:** My Lords, I thank all noble Lords who have spoken with enormous knowledge and understanding about this issue and who said kind things about the report. We know that in a world of reason and calm these revolting weapons should never be used. Unfortunately, we live in a world full of unreason and emotion, and the only answer is constant and continuous dialogue, engagement and involvement. I hope this report will have made some small contribution in that respect.

*Motion agreed.*

### **Brexit: European Investment Bank (European Union Committee Report)**

*Motion to Take Note*

7.14 pm

*Moved by Baroness Falkner of Margravine*

That this House takes note of the Report from the European Union Committee *Brexit: the European Investment Bank* (25th Report, HL Paper 269).

**Baroness Falkner of Margravine (LD):** My Lords, I am delighted to introduce this EU Committee report on Brexit and the European Investment Bank. In doing so, let me start by thanking all members of the sub-committee who participated in the inquiry, some of whom cannot be here today. As I have stood down as chairman of the sub-committee after four years, let me say a word or two about what a privilege it has been to lead this committee. Over four years, the sub-committee has had 28 Members of this House serve on it and assist it with the production of some five reports and other associated papers. Most related to issues arising for financial services due to Brexit. This has involved a considerable workload, and members have engaged with it with the wisdom and diligence that has made the EU committee and its sub-committees so well respected in the UK and beyond. I am grateful to each and every single member of them.

Let me turn to the sub-committee's secretariat. They are among the most knowledgeable in the House and have a thorough command of the complexities of both the EU and UK financial services dossiers. I am sure committee members will agree that we have been excellently served by Matthew Manning, the clerk, Erik Tate, our policy analyst, and Hadia Garwell, our committee assistant.

[BARONESS FALKNER OF MARGRAVINE]

Given the importance of the European Investment Bank's lending to the UK and the lack of any detail on the UK's future relationship with the EIB in the Government's Chequers White Paper, the EU Financial Affairs Sub-Committee undertook an inquiry on this topic from September to November last year. We heard evidence from a range of experts, recipients of EIB funds and existing lending institutions, including the EIB itself. We are grateful to all those who contributed. Although the focus was primarily on the European Investment Bank, we also considered the European Investment Fund, which channels funds to venture capital and private equity funds and in which the EIB is the majority shareholder.

Prior to the referendum, the UK was an outsized recipient of EIB funding, supporting a range of important projects, from £525 million to support the construction of the Beatrice windfarm off the Caithness coast, £825 million for ports and harbours across the UK, to £1.5 billion for the affordable housing finance programme—and add to this the £1 billion loan for the construction of Crossrail.

Since the UK's accession in 1973, it has borrowed more than €118 billion from the EIB. Seventy per cent of this has been in the past 20 years, 45% since the financial crisis. One significant advantage to borrowing from the EIB is that its loans are cheaper and longer term than commercial alternatives. While it may be that some sectors will find the EIB's financing easy to replace, we were told that some projects would not be viable without EIB funding—for example, some of the large-scale infrastructure investments made by UK universities—and although borrowers may be able to secure alternative funds, this will very likely be at a higher cost.

The EIB can also play a crowding-in role. Its expertise and high-quality due diligence serve as a stamp of approval for projects, encouraging private-sector investment. This is especially important when it comes to the higher-risk, innovative infrastructure projects with the associated new technology risks—and these are exactly the projects that will prove vital to addressing some of the UK's most pressing infrastructure needs in future.

Given these benefits to the EIB's lending, it is slightly disconcerting that there was a precipitous decline in its lending immediately after the referendum. In 2015, the EIB lent €7.8 billion to 47 projects. In 2016 it lent €7 billion to 54 projects. But in 2017 this dropped to €1.8 billion to 12 projects, and in 2018 it was €932 million to just 10 projects. A nearly 90% fall in such a short span of time is hard to attribute to anything other than the effect of the referendum—and many of our witnesses agreed.

The withdrawal agreement states that the UK will no longer be a member of the EIB and so will lose access to its lending facilities. One might therefore expect some clarity from the Government on what will replace the EIB, and whether that will take the form of a new relationship or alternative sources of funding. Our witnesses presented us with a range of options, from establishing a UK EIB subsidiary to creating a new multilateral development bank to co-operate with the EIB.

In the light of reports that the EIB's president, Werner Hoyer, would be “extremely sad” if the UK's continued participation in the EIB was no longer an option, we were disappointed at the seeming lack of ambition from the Government in thinking through options for such a future relationship. The Government said nothing about the EIB in their Chequers plan, and the outline political declaration said only that,

“the Parties note the United Kingdom's intention to explore options for a future relationship with the European Investment Bank (EIB) Group”.

I reiterate the committee's conclusion that, at least as an interim measure and certainly as a first step, reaching a third-country agreement with the EIB should be a priority.

The Government have an array of existing tools to support infrastructure projects, such as the UK Guarantees Scheme operated by the Infrastructure and Projects Authority, although witnesses told us that it is underutilised and insufficient. We also heard evidence of a range of examples of national promotional banks in other developed economies, from the Nordic Investment Bank to the Development Bank of Japan. Indeed, the UK had its own example of such an institution in the Green Investment Bank, set up in 2012 and privatised in 2017. Although focused on green infrastructure projects, this precedent could serve as a model and shows that such a lender can be created relatively quickly.

The Infrastructure Finance Review was announced in the 2018 Autumn Budget as our inquiry was ongoing. A consultation was launched in March this year, closing in June. In our report we called on the Government to consider the establishment of a UK infrastructure bank, and we welcome the inclusion of a question on this in the consultation. We hope that the Government take the committee's view on board, alongside responses to the consultation.

There was more positive evidence on the European Investment Fund and the Government's support of the SME sector. The Chancellor's commitment in the 2018 Autumn Budget to increase the funding of the British Business Bank in the event of no deal was welcome. We also heard that the British Business Bank was increasingly acting as a “cornerstone” investor, involving itself earlier in investors' activities, thereby replicating one of the advantages of the EIF. However, the BBB recognised that this fact might need to be broadcast more widely, as some witnesses did not seem to be aware of this change in their approach to financing.

Another issue that arose was the return of the UK's €3.5 billion of paid-in capital. This was the issue that captured the most media attention and remains unanswered. Although the withdrawal agreement sets out a schedule of payments to return the money, we asked why the UK would not receive any share of the retained earnings. Member states are liable for uncalled capital, and the EIB's retained earnings can be used by the EIB to avoid requesting such additional funding. There is a case to answer as to why the withdrawal agreement did not factor this in in its calculation of the financial settlement. Given the UK's 16.1% stake in the EIB, a corresponding share of the retained earnings—€47.3 billion at the end of 2017—would

amount to approximately €7.6 billion, which is more than twice the paid-in capital and almost a fifth of the £35 billion to £39 billion allocated to the financial settlement. Noble Lords will therefore appreciate the importance of establishing clarity on this matter.

We were unimpressed by the lack of any substantive response by the Government on this question. If there are good reasons for the UK not receiving a share of those earnings, whether legal or political, we would expect them to be set out explicitly so that their adequacy can be judged. The Minister failed to do so in evidence given to the committee and in the response to the report. I hope that tonight we will hear a response from this Minister as to the reasons, but I will go a little further and ask whether we can have an assurance that the return of the UK's paid-in capital will be used for spending on projects similar to the EIB's investments—in other words, to make up the shortfall, rather than being diverted into other areas of public spending.

The Government's response to our report amounts to not much more than an acknowledgement of its publication. It fails to engage in any meaningful sense with the conclusions and recommendations contained in it. This falls well short of the expectations we have of how the Government should address recommendations made by a Select Committee of this House. Post Brexit, the UK will no longer be able to borrow from the EIB. This is a substantial loss. Given our green energy commitments, our housing priorities and our universities' needs, venture and patient capital will be needed more than ever. Yet we find ourselves, with just over 100 days until the latest Brexit deadline, with no indication of how the UK will respond to the disappearance of a major lender to sectors that are central to meeting the UK's present and future infrastructure needs. Surely we need to do better than that. I beg to move.

7.25 pm

**Viscount Trenchard (Con):** My Lords, I congratulate the noble Baroness, Lady Falkner of Margravine, on securing this much-needed debate and on having been such an excellent chairman of the EU Financial Services Sub-Committee, which I joined too late to have any input into this report. It is a privilege for me to follow her and to serve on the sub-committee.

The EIB has been a major investor in the UK since our EU accession in 1973. As the noble Baroness has already noted, the cumulative amount of EIB funding for UK projects since then is €118 billion, and it accounted for about a third of UK infrastructure investment in 2015. The European Investment Fund, 62% owned by the EIB, has also been an important investor in UK venture capital, facilitating access to finance for SMEs. The European Commission is also a significant shareholder, and 11.8% of the shares are held by private financial institutions.

Since 2015, EIB lending to the UK has declined by 88%, from €7.8 billion to €932 million in 2018. Similarly, EIF investment in the UK fell by 91% between 2016 and 2017. Such dramatic declines are obviously not based on objective assessment of the economics and quality of available investment opportunities in the UK. That will not surprise readers of yesterday's *FT* article on

the EIB, written by Rochelle Toplensky and Alex Barker. They quote the president of the EIB, Werner Hoyer, as saying:

"I am sometimes surprised that political leaders are not aware what kind of instrument they have in their hands".

The EIB is,

"a political instrument. It serves a political purpose".

The EIB's balance sheet totals €556 billion—twice the size of the World Bank and more than 10 times the size of the EBRD. It makes a profit of about €2 billion a year and is very conservatively managed. Questions have recently been raised about the bank's role and governance, and a,

"high-level group of wise persons",

to use the typical nuanced EU-speak phrase, has begun to examine how it could operate independently of the EU. There is talk of splitting or relocating a part of its operations.

The shareholders, or members, of the EIB are the member states, and it is unclear whether a sensible future relationship post Brexit could be negotiated. Although the EIB can lend to third countries for development purposes—in 2017 approximately 10% of its lending was to around 150 partner countries—the political declaration stated merely that,

"the Parties note the United Kingdom's intention to explore options for a future relationship".

However, I tend to agree with the view expressed by Mr Tim Hames of the BVCA—that it is just not worth going through some convoluted arrangement to attempt to revise the EIB's statutes so as to remain some kind of member and then end up putting in more money than we will get out. To do so would also require EU treaty change and it seems most unlikely that that could be quickly and smoothly negotiated.

Chapter 4 of Part 5 of the draft withdrawal agreement sets out what the Government had agreed with the EU concerning the UK's relationship with the EIB after Brexit. Article 150 is mainly about the UK's continuing liability for financial operations and risks entered into by the EIB up to the date of leaving. Paragraph 4 states that the EIB will return the UK's paid-in subscribed capital, amounting to some €3.5 billion. This represents our shareholding of 16.1% of the paid-in subscribed capital, as the noble Baroness has already noted.

It seems extraordinary that we agreed to accept only the return of our paid-in capital. It is of course logical that we should also be entitled to receive our 16.1% share of the retained earnings. Adding in this amount, the net tangible assets attributable to our stake amount to €11.1 billion, more than three times what we have agreed to accept. Worse, the repayment of our paid-in capital is to take place over 12 years, until December 2030, without any payment of dividends or interest.

Furthermore, besides the marked decline in funding of UK projects since the referendum, from €7 billion in 2016 to less than €1 billion in 2018, Article 151 makes it clear that UK projects shall not be eligible for new investments from the EIB Group funding reserved for member states—which is of course the vast majority of it. To cap it all, the UK is to remain liable for its 16.1% share of the uncalled but committed capital in

[VISCOUNT TRENCHARD]

respect of the EIB's financial operations as at the time of withdrawal. That could amount to a call of up to a further €35.7 billion. Given the conservative, risk-averse investment policy of the EIB, it is relatively unlikely that calls on this will be made. Nevertheless, this huge liability seems likely to survive our departure from the EU by more than 11 years.

Does my noble friend the Minister not agree that the terms of the disposal of our interest in the EIB are staggeringly poor from the UK's point of view, and quite extraordinarily beneficial from the EU's point of view? Why did we agree such terrible terms? The EIB may be a strange animal, and the Minister may tell me that the UK is not a shareholder because the EIB has members and not shareholders. But I learned in my first week in the corporate finance department at Kleinwort Benson that the members of a company are the shareholders: members are basically synonymous with shareholders. Why did we agree such a very slow return of our capital anyway and why did we agree that our liability for uncalled capital survives our leaving the EU and does not decline *pari passu* with our remaining shareholding? Why did we agree to give away our €7.6 billion share of the retained earnings? It is disappointing that the Government have not responded to the report's request for a cogent explanation of the rationale for the position taken in the negotiations. I am hoping that the Minister will make good this omission when he winds up this debate.

It is very clear that we need to accelerate planning for a replacement for the EIB and I welcome the Government's agreement to consider that as part of their current Infrastructure Finance Review. The National Infrastructure Forum has recommended the creation of a British investment bank and the National Infrastructure Commission is among those calling for the establishment of a new UK infrastructure bank. Germany's KfW would perhaps be an appropriate model. Universities UK, which is also suffering from an abrupt decline in funding, also supports the report's call for the Government to extend the UK Guarantees scheme. The report also welcomed the Government's commitment to increase the resources of the British Business Bank when the UK loses access to the EIF. Of course, the UK in fact lost access to the EIF two years ago, *de facto* if not *de jure*. More needs to be done, and done quickly.

7.34 pm

**Lord Giddens (Lab):** My Lords, I also begin by congratulating the noble Baroness, Lady Falkner, on having chaired our committee so effectively and introduced this debate so tellingly. I also thank everyone else involved in the production of this excellent report.

I hope noble Lords will forgive me if I take a lateral approach to these issues. Today is a very notable day: the 50th anniversary of the launch of the Apollo mission to the moon. The moon landing was an evolutionary moment for the human species—more than just a giant step. After thousands of years, we were no longer earthbound. Much more recently, in January 2019, again for the first time ever, a robotic lander and rover touched down on the far side of the moon. Like Apollo, the mission was named after one of the gods,

or rather goddesses, Chang'e—I hope noble Lords will forgive my Mandarin pronunciation—the moon goddess. Its objectives were largely economic. The space economy is seen by states and entrepreneurs across the world as the next big thing—the next huge thing in the case of China, which has massive plans.

In case noble Lords are wondering, the EU has by no means been left behind. The European Space Agency has 22 member states, one of which is the United Kingdom. It is an intergovernmental organisation but deeply integrated with the EU. These connections include the Galileo and Copernicus programmes and much else besides. Crucial to the success of the ESA has been the role of the European Investment Bank. Since the year 2000 it has invested €5.4 billion in the space and aerospace sector. The returns in terms of commercial applications alone have been huge. The space economy has grown five times faster than the overall EU economies since 2000.

The UK Space Agency has been allocated a central role in the Government's industrial strategy and I would say quite rightly so. The country has in some ways been a pioneer. Yet as it leaves the EU, the UK is likely to lose access to EIB investment in this, as in all other areas. A no-deal situation, as everyone knows, is now a distinct possibility. Will the Minister confirm that, if the UK leaves the EU without a deal, British businesses will be unable to bid for any future work in the development of Galileo or other geostationary navigation systems? The Government have spoken of investing £92 million in a UK satellite navigation system, but that funding is trivial when compared to the sums the EIB is able to provide. Moreover, in July 2018 the EIB signed a new agreement—a formal arrangement—with the ESA for further large-scale funding of the space economy. In case this sounds oblique and marginal, it is in many people's eyes the most significant future area of economic development globally.

I do not want to get lost in space. Back on dry land, as the report makes clear, the EIB and the EIF have been of core importance to a whole range of projects in the UK, especially those concerned with infrastructure, including in this category huge levels of investment in my main area of concern, higher education—many billions, in fact. As is noted in the report, EIB funding in the UK has fallen by not far short of 90% since 2016. The Government seem to have said very little about their plans for a future relationship with the EIB. Maybe the Minister will elucidate the Government's position on this.

One main area of support where the role of the EIB has been particularly crucial is renewable energy. Green bonds have been deployed to help fund ecological development projects. Very substantial investment will be needed to radicalise some of these projects if the Government's stated goal of reducing greenhouse gas emissions by 2050 is to be realised. What plans are in place to progress towards this goal in the likely absence of EIB support? Without them, this is just an empty commitment.

The report makes quite a few important points in its concluding summary and I hope the Minister will respond to most or all of these. I draw attention to just one or two. First, one of the great strengths of the

EIB is its capacity to think long-term and provide stable funding to do so, so that, as I just said, there is no empty posturing. What mechanisms are the Government proposing to achieve such investment, which certainly cannot be funded from taxation alone but involves a massive influx of other forms of capital? Secondly, what could we learn from the example of KfW in Germany, testimony from which impressed some of us on the committee? It certainly impressed me. As the report observes, KfW has been called “the world’s safest bank”. Would the Government seek to set up some kind of analogue to this in the UK as a way forward?

Finally, will the Government acknowledge the crucial importance of an impartial Civil Service in working with financial institutions to think long-term? Bureaucracy gets itself a bad name, especially at a time when populist politicians peddle snake oil recipes for the future. Yet it is the condition of not only a stable democracy but effective forward-thinking and planning. I hope the Minister will agree.

7.42 pm

**Baroness Bowles of Berkhamsted (LD):** My Lords, I welcome this report, which explains how useful the EIB has been to the UK. It is a shame that, pre-referendum, this kind of information about the EU was not deemed interesting by most media—I know, because I tried.

In view of time, I will concentrate on chapters 4 and 5 of the report concerning the consequences of losing EIB access and how to replace it. For utilities, where there is a consumer on the hook, the private sector may well step in, at higher cost, and pass that on in the regular utility bills. Risk management and getting payment is easy and the Infrastructure Forum suggests—perhaps optimistically—that it will be an extra loan cost of 0.5% to 1%. However, there will be gaps that the private sector will not cover, such as technology, universities and regeneration, areas where there is also huge social and economic impact.

Action to plug those gaps is urgently needed, because the EIB money has already largely dried up in anticipation of Brexit. I was at international meetings where that consequence of the referendum was flagged by significant EU individuals. Steps to set up a UK investment bank should be taken as soon as possible, as well as meanwhile increasing and extending the guarantee scheme. It is no good hanging on to see if a future deal with the EIB transpires. That both loses time and fails to recognise that national investment banks are now an integrated part of delivering EIB group funding and would be an important component in any substantial EIB relationship and skill-sharing. We cannot just be supplicants.

Other member states have significant national investment banks that exist alongside the EIB. Those that have not had them are creating them. The communication from the Commission dated 22 July 2015 on the role of national promotional banks, as they are properly termed, explains quite clearly its rationale. Section 2.1 specifically lists ways that market failures happen, with R&D, infrastructure, education and environmental projects all flagged as areas of underinvestment. Section 2.2 of the Commission communication sets out the principles

for setting up national promotional banks, which of course the UK did more selectively with the Green Investment Bank and the British Business Bank.

Why is the UK seemingly so reluctant about a broad investment bank? It seems there are two policy blocks. The first is aversion to state aid. Never was a truer word spoken than by Philip Duffy of the Treasury, who is quoted in paragraph 123 of the committee’s report. He says,

“some of the desire to be bound by State aid may come from us as much as it comes from our interlocutors in the negotiations”.

This was said in the context of the British Business Bank, but it applies generally. The UK has been strongly against state aid and in favour of competition and has been a driving force behind strict competition rules, often much to the annoyance of other member states. However, that is a battle largely won, even if without the UK there might be EU slippage. It is time to set aside the mentality that it is a binary choice and the fear that if we give an inch all the other countries will take a mile. It is time to concentrate on looking after ourselves where we have market failures.

In a conference I chaired in 2016, the chief executive of Cambridge Enterprise said,

“we do have the world’s leading financial centre on our doorstep, yet we’re not able to support companies like ARM to grow bigger in the UK, because they couldn’t access the money that could be accessed by a much smaller company on Japanese markets”.

He also pointed out that,

“we can’t fund everything on a 10 year venture capital horizon, some things need 20 or 30 years”.

And we wonder why we do not grow super-large companies and why most of our universities have to sell spin-offs before they grow large, because they hit the so-called death valley of funding. My own experience leads me to agree with the witness quoted in paragraph 124 of the report that we have taken an overly cautious approach and massively underused what could be done.

Then we come to the second taboo: the statistical treatment of national investment banks in national accounts. The committee was categorically told that a UK institution similar to the EIB would feature in public sector debt on the national balance sheet. I am not convinced of the correctness of that treatment, and a witness quoted in paragraph 130 of the report also says that the UK’s calculation of public debt is “a complete outlier”. Therefore, can the Minister tell me whether the ONS is applying the European system of national and regional accounts, ESA 2010, correctly with regard to these matters?

The Minister may recall that there was a recent adjustment to the way student loans were accounted for in the national accounts. That story started when I spotted how it was being done during the Economic Affairs Committee inquiry on student loans, and we called in evidence from Eurostat. ESA 2010 makes it clear that national investment bank loans done at arm’s length, without needing government approval, are accounted for outside the general government statistics. They fall outside the EU stability and growth pact, and while that has no force on the UK, it is where the recommended debt and deficit maxima come from. This is conveniently explained in the July 2015

[BARONESS BOWLES OF BERKHAMSTED]

Commission document that I previously referenced, and it is also how I recall the ESA 2010 legislation. Does the UK wilfully depart from the international system of national accounts because that is what ESA 2010 is based on, or is the UK not prepared to set up an investment bank sufficiently independently from the Government that it is off the balance sheet? This is important in the debate between investment bank versus gilts and guarantees and squeezing the debt figures.

7.49 pm

**Lord Butler of Brockwell (CB):** My Lords, I start by saying how very much I have enjoyed serving on the EU finance sub-committee. I have now been rotated from it on to the Select Committee on the social effects of gambling. I hope one is not regarded as a qualification for the other. As has already been said, during the four years I have been a member of the sub-committee, it has been splendidly chaired by the noble Baroness, Lady Falkner, and very well served by a succession of clerks, particularly on this report.

When I was growing up, my mother used to say to me and my sister, “You will miss me when you haven’t got me”. I think the UK will say the same about the European Investment Bank. There are various statistics in our sub-committee’s report, but the most striking one has already been referred to: in the year before the referendum, the EIB financed no fewer than 40 different projects in the UK, amounting to one-third of our infrastructure investment in that year. Much of its funding has been in the energy sector, but it has also been very important in higher education. Since 2016, UK funding from the EIB has fallen precipitously by 87%.

It is important to understand that the EIB is not an aid agency; it is a bank. It examines rigorously the projects that it finances, together with the reliability of the prospect of repayment. It has substantially expanded its original capital over the years. That has been referred to and I will return to it later. Such is the reputation that it has built up over the 46 years of its existence for the quality of its scrutiny that it gives confidence to other investors. This brings in others to invest in the projects it supports.

On our departure from the EU, the UK will cease to be a member of the EIB and will become a third country. It will therefore cease to have access to EIB funding. Our committee received indications that the loss of the UK as a member will not be welcome to the EIB. For one thing, it will remove a substantial slab of the bank’s capital. But it can also be equated to a bank losing a good customer with whom it has had a long and successful relationship. The committee explored whether, following Brexit, the UK could retain its relationship with the EIB—something the Government have said they are interested in. Unfortunately, Article 308 of the Treaty on the Functioning of the European Union states that the members of the EIB, “shall be the member states”.

Continuing full membership would require a treaty change and we had to conclude that this was an unrealistic possibility. The EIB provides some loans to non-member countries, but on a tiny scale compared with its loan to members.

In addition to loans for infrastructure investment, the EIB’s subsidiary, the European Investment Fund, supports SMEs and mid-cap companies through European venture capital and private equity funds. Loss of access to this fund can be partly replaced by the British Business Bank, whose resources were increased by the Chancellor in the last Budget in the event of the UK leaving the EU without a deal. The British Business Bank, led by the noble Lord, Lord Smith of Kelvin, is impressive, but, as the bank itself pointed out to us, it is a relatively new boy on the block and will need time to build up its reputation and clientele.

However, it is in infrastructure funding that the loss of access to the EIB will be felt most acutely by the UK. It was here that our committee felt, as the noble Baroness, Lady Falkner, said, on the basis of the evidence we received, that the Government are not regarding this problem with sufficient urgency. We also felt that, in accepting that the UK should not recover our share of the reserves that the EIB has built up on the foundation of the capital we helped to provide, our negotiators have driven a less hard bargain than the EU would have done if our roles had been reversed.

We recommend in the report that the Government should consider seriously, and indeed urgently, the National Infrastructure Commission’s recommendation for a UK infrastructure bank. Perhaps the Government are considering this, but we were given no hint of it. If the Government were to adopt the suggestion it would be important, as the noble Baroness, Lady Bowles, said, that a national infrastructure bank should operate independently of government, so as to attract the confidence of other investors, which the EIB has been so successful in building up.

As a former Treasury official, I endorse what the noble Baroness, Lady Bowles, said: it would be absurd if the Government were deterred from establishing a national infrastructure bank by the accounting convention that its capital would form part of the Government’s measure of public sector debt—a convention that does not apply to the EIB or other European countries. We cannot allow our hands to be tied behind our backs by our own accounting conventions.

Above all, our departure from the EIB will leave a hole in financing the investment in the UK’s infrastructure that all parties agree is crucial. We did not get the impression that the Government—no doubt preoccupied with other issues arising from Brexit—have addressed this matter with the urgency that it requires. Let us hope that the next Prime Minister will put a firework under the Treasury and get things moving.

7.57 pm

**Viscount Waverley (CB):** My Lords, this report can be commended for enabling negotiations with the EU to be arrived at in advance—an approach absent from Brexit negotiations thus far. I hope that the new political guard will take note of the messaging this evening.

The report recognises the worrying position we seem to be in regarding our investment in the EIB and the proposed financial compensation contained in the draft withdrawal agreement. If that was not enough, the effect of today’s news that the pound is dropping

like a stone in reaction to a probable Brexit outcome makes the outlook on borrowing dismal, compounded by the generally parlous state of geopolitics and geo-trade issues, including financing. This debate is much about numbers. It would be helpful if the Government set out their proposals for their strategy on borrowing for UK infrastructure projects, given these additional challenges.

The mechanism to remove a member is not clearly defined in the constitutional documents of the EIB. The UK should not be accepting anything less than the fair value of its investment. This would equate to approximately €7 billion to €8 billion in value above the approximately €3.5 billion of paid-in capital on retained earnings alone. It appears that the UK will be liable for undrawn capital during the period in which it has been paying in capital until repaid. If this is called in, how will it be repaid? It is probable that such drawn funding is unlikely to be invested or lent back to UK organisations at all. Do the Government agree that the UK's share of undrawn capital could be as high as €36 billion?

The negotiation of our sovereign value warrants greater focus. It seems prudent to look at alternative arrangements, either by renegotiating the current proposed terms, or by being more creative. For example, could the UK's stake in the EIB be commuted into a direct shareholding in the EIF, given that owners of the EIF do not have to be members of the EU, as is the case currently with the EIB? Alternatively, could the UK exchange its stake for some of the UK investments or loans? This would ensure that the UK is able to remain a player in a non-obstructive and mutually beneficial way, post Brexit.

The UK has benefited from a number of key infrastructure loans from the EIB. Crossrail, for example, was a beneficiary of a £1 billion loan, with payments staggered annually. As the exit of a member state from the EU is unprecedented, will the Minister confirm whether outstanding loan payments confirmed would still be received by the UK in a no-deal scenario? Will the UK seek additional loans once we have exited, as Switzerland and Norway do? Given that the EIB's mission is to make a difference to the future of Europe and its partners, such an arrangement would inject some much-needed confidence and positivity into the future of UK-EU relations, post Brexit.

I agree that the funding decline caused by the retraction of EIB support, be it via EIF or infrastructure-related investment and lending, must be substituted. This will have a compounding effect and get progressively worse. The British Private Equity and Venture Capital Association has remarked:

“Pitchbook data from February 2018 shows that the total capital raised by Europe's venture groups fell by a quarter in 2017 to €7.4 billion, and the total number of new funds dropped to a 10-year low of 54 in 2017, compared with 75 in 2016”.

a point raised by many in this evening's debate. Tim Hames, the BVCA's director-general, said:

“There is no question but that the referendum, never mind the actual date of Brexit, has already had a pretty fundamental effect. EIF investment in the UK fell by 91% between 2016 and 2017, which is a large enough number to make you suspect that it was not an accident or a coincidence of timing”.

This is a stark reminder of what is at stake.

The British Business Bank has done a good job starting to cover the shortfall. However, British Patient Capital has £2.5 billion of funding over 10 years, while the EIF provided £2 billion over five years, so clearly more needs to be done. Additionally, BPC is yet to substitute the EIF's cornerstone function via its reputation drive, “crowding in”. It needs to transition to this role sooner and be ready to scale further, particularly if the EIF increases funding across other EU jurisdictions. The gaping hole in the numbers is the need to crowd-in UK private institutional funds, particularly pension funds, to replace the EIF. Neither the BBB nor the Government can do that in isolation.

Specifically on infrastructure investment, the EIB can provide funding for infrastructure projects and initiatives across numerous sectors—energy, education and transport are examples—at low interest rates, due to its own AAA rating and zero-profitability objectives. However, a legitimate question might be asked: what if no deal damages the EIB AAA rating and causes a downgrade? This unlocks the viability of large-scale and riskier projects, because the EIB will both cornerstone these projects and consequently unlock parallel private infrastructure funding, given the blended cost of capital of these projects as attractive. It is not clear whether the BBB would be able to replicate that. Can the Minister comment on this and previous questions, or write and place a copy in the Library?

The scope to create a new UK funding institution capable of tapping into the capital markets should be explored. It is critical that the UK develops an alternative to the EIB capital—one that not only ensures that projects can be funded, but also that we do not revert to projects that fit a prescribed risk-return profile.

The report refers to the renewable energy sector, with lower-risk return visibility of offshore, for instance. Would the substitute funding support such large and ambitious plans? The alternative must evolve in time, to ensure that it is an organisation with the capability to assess projects with the robustness of the EIB, whose reputation also drives the crowding in of private funders.

This is where a sovereign wealth fund, or one-stop shop, can contribute to creating a best-in-class organisation. There will certainly be benefits in a one-stop-shop delivering both SME ambitions and broad infrastructure programmes, which will need to be developed as the EIB scales back. There could be significant benefits to having a sovereign institution independent of government, particularly with respect to individual investment decisions, thereby generating greater confidence from investors, especially for long-term projects and crowding in investment from the private sector. Such an institution must be free from day-to-day political interests, though aligned with clearly defined strategic national priorities.

The report recognises that the skills to deliver EIF and infrastructure-type investment differ. However, any institution tasked with funding, deploying and governing these can be constructed with the flexibility to ensure that it tasks the most capable teams with delivering its overall investment objectives, working alongside appropriate stakeholders and leveraging central functions such as HR, accounting, investor relations and compliance.

[VISCOUNT WAVERLEY]

In conclusion, the UK requires a new and bold sovereign wealth fund, created to fit the nation's needs, one that can deploy its funding, no matter the source, in a commercially viable and responsible manner. There is no need to single out any specific technology innovation, given the ongoing and rapid rate of change, but it is critical that the right funding solutions are available for all sectors, now and in the future. That said, a new sovereign wealth fund, working alongside Innovate UK, will help to unlock opportunities such as blockchain technology and AI.

8.06 pm

**Baroness Liddell of Coatdyke (Lab):** My Lords, I draw attention to my entry in the register of Members' interest. I too thank the noble Baroness, Lady Falkner of Margravine, for her time as chair of the committee. With her energy, knowledge and commitment, she will be an extremely hard act to follow. I regret that we will no longer have the wisdom of the noble Lord, Lord Butler, and I hope that someone reports to the Treasury, fastish, the idea that a firework should be put under them, because I cannot think of a greater threat from the noble Lord. If I may say, it would not have happened in his day, because it would not have been needed.

Turning to the European Investment Bank, no-one is going to put, "Leaving the EU means leaving the European Investment Bank" on the side of a bus. It sounds like an issue for pointy heads in Government, in the banks and elsewhere, but in reality it is about jobs, our quality of life and the nature of the country that we aim to be, for ourselves and our children and grandchildren. An interesting thing about the work of this committee is that it has allowed us to go deeper into the work of the EIB. I have been interested in the EIB for a long time, but not to the extent that has been possible within this committee. It is the world's largest multi-lateral borrower and lender by volume, and it provides finance and expertise for sound and sustainable investment. Walking away from that, as we seem to have done without blinking, seems a dereliction of duty of monumental proportions.

We have heard much about this issue of retained earnings, and about the failure to engage with what is our proper return on the earnings that have been made by the European Investment Bank, and, frankly, the Minister seemed to just shrug, as if this was an aside that was not really bothering anyone. The EU Commission must be laughing all the way to the bank at the inability of Britain to engage on these issues.

We have in this country a real crisis of infrastructure. We see it with transport, but it can be seen in many other walks of life, not least housing. We jeopardise that by walking away from the EIB. We have heard distinguished academics talk this evening about the impact on the universities; that in itself is serious. My own area of interest, the mitigation of climate change, is critical in this area. If we are going to reach net zero, which is our aim, the scale of investment is going to be considerable. There is one very good example of where EIB funds changed part of the renewables industry. If your Lordships look at offshore wind, you will see that

the costs have come down dramatically. The initial investment was considerable, but a break-even point comes when the costs start to go down.

Another area where I have an interest is in carbon capture, use and storage—you can tell I am interested in all the glamorous things. Carbon capture is a way of us meeting our targets, but it needs investment and is not the most glamorous investment in the world. The route to the European Investment Bank would help get us to a critical stage where Britain would have the capability to be a world leader; we have walked away from that.

I am also interested to know what work has been done in the Treasury and elsewhere to identify the views of those critical industries on how they will replace that funding. There must be concern about where that kind of funding might come from. Does it mean that future projects in this country will no longer be commercially viable?

A number of noble Lords have talked about the extent to which the expertise and knowledge of the EIB is very important in encouraging crowding-in from other investors. How is that to be replaced? When looking at a risky investment, it is important to have the confidence that others who are conservative investors are prepared to take the risk of investing in that project. It is long-term and really patient finance; giving people that kind of confidence is important.

We have not said much about the European Investment Fund tonight, but the role that it plays in relation to SMEs, particularly in critical and magical sectors such as fintech and bioscience, is important. Where is the replication of investment and of that critical due diligence? Often with such investments, it is not so much the money but the rigour of examining the capabilities of the industry and getting security on your investment for the future, by knowing that it will have the kind of rate of return that you anticipate. I would love to know who is working out how we replicate the expertise and experience. You cannot buy that off the shelf; it has built up over time. Although our involvement in the EIB and the EIF has really been only since we joined the EEC, the bank has been around since 1958. It is a substantial and long-term entity.

I would also be quite interested to know what work is being done not just with industries that may lose investments in the future but on blue-sky thinking about where, for example, a national infrastructure bank will identify that kind of innovative projects for the future. In that area both the EIB and the EIF, because of the eligibility for their funding, had a particular expertise.

I make no bones about it: I am extremely concerned about the impact of no deal on many of our industries, not least some of those vulnerable industries. In April, the *Financial Times* talked about the British Government going AWOL about what will be the scale and nature of finance for SMEs—innovative SMEs—in the event of no deal. If you balance that with the loss of EIB and EIF funding, quite a critical time is developing in our more innovative sectors and it is highly important that action is taken on that.

I do not want to be too overtly political, but sometimes I wake up in the middle of the night and wonder about the extent of some of the risks that we are taking, particularly by playing games with the concept of a no-deal Brexit. Could it be that the reason the Government have not been prepared to take a more aggressive stand on maintaining our involvement with the European Investment Bank—I appreciate that is almost impossible, given the need for treaty change—is that there are those within government who are frightened to admit how much we have benefited from those years of access to EIB and EIF funding? There is little logic in the situation we find ourselves in now concerning that kind of investment, and I have to confess that I am worried.

8.14 pm

**Lord Vaux of Harrowden (CB):** My Lords, this is the first committee report that I have been involved in since I joined this House. I add my tribute to the noble Baroness, Lady Falkner, for her excellent chairmanship of the sub-committee during this inquiry and more generally. I do not think that our new chairman has officially been appointed yet, but they have big boots to fill. I also thank our excellent clerk and policy analyst, Matthew Manning and Erik Tate, for the extremely hard work they have done on this report. Perhaps I may also take the opportunity to wish the Minister a happy birthday; it is very good of the noble Lord, Lord Young, to choose to celebrate it with us tonight.

The European Investment Bank is not a subject that creates many headlines, and before we started this inquiry, probably like many noble Lords, I had not fully appreciated just how important it has been to the UK in financing critical infrastructure and, through its subsidiary the European Investment Fund, investing in SMEs. Since it began, more than €118 billion has been lent in the UK, with the amount peaking in 2015 when €7.8 billion went to 47 projects. This financing has covered a range of areas, including notably renewable energy, transport, higher education, social housing and water.

Just as important as directly providing finance, as we have heard, a key benefit of the EIB is its ability to de-risk projects and thereby encourage and enable private sector investment—crowding in. A good example of this is offshore wind, where witnesses told us that private sector investment would not have been there without the EIB taking on some of the project risk and technology risk. Many witnesses cited, as a particular advantage, the EIB's independent expertise and due diligence, and its team of 3,000 full-time staff, which underpin its ability to “crowd in” other private sector investments. If the EIB lends to a project, that gives a strong stamp of approval to other lenders who can then piggy-back on the EIB's work and expertise. Despite not being required to make a profit, the EIB has been consistently profitable, making a surplus in every year of its existence. This has enabled it to grow its capital base substantially, without further recourse to its owners.

This leads to the most headline-grabbing element of our report, which a number of noble Lords have already mentioned. On withdrawal, we will receive only the

€3.5 billion that we have paid in, with no share of the increase in capital that has accumulated during our membership. It is worth noting that this repayment is being paid out over 12 years, so it is effectively an interest-free loan for that 12-year period. When describing this outcome, the Government conveniently ignore the concept of the time value of money—the well-recognised idea that £1 today is worth more than £1 in a year's time. Doing a back-of-the-envelope calculation, it looks as though the present value of the repayment is actually only about €2.8 billion, so we are not even getting the value of our money back, let alone any share of the additional value that has been created during our membership.

What is the reason for such a poor deal? The explanations we were given during the inquiry were, frankly, weak and simply seemed to be that there were no statutes governing withdrawal, so this was the best we could do. While it is debatable that our share of the accumulated profits, approximately €7.6 billion, is the correct figure, it is extraordinary that we do not even seem to have tried to obtain some share of the increase in the capital that has accumulated during our membership, nor any compensation for the 12-year payback period. I note that the Government's response to our report completely ignores this point. It will be interesting to hear what the Minister has to say about this. Does he really believe this was a good deal?

Much more important than this one-off piece of apparently poor negotiation is the future for the financing of infrastructure investment. Since 2016, the level of financing by the EIB into the UK has fallen off a cliff, dropping by almost 90%, and this is while we are still a full member. One of the more depressing aspects of our inquiry was the apparent lack of ambition of the Government to seek any future relationship with the EIB. The EIB itself has stated that it would like such a relationship but, because of the separation of the withdrawal agreement from the future relationship, there seems to have been no meaningful discussion about how we might work with the EIB going forward. This is despite the EIB continuing to benefit from our paid-in capital for the next 12 years, and our leaving our share of increased value on the table. One might think that this could have given us some leverage to find a way to continue to benefit from EIB financing after Brexit. However, when pressed on the ambitions for a future relationship, David Lunn, the director for EU exit at the Treasury, said:

“We would go into it with an open mind and try to deliver a mutually beneficial relationship on the scale that made sense for it to be on”.

This lack of ambition is depressing. If you go into a negotiation with no clear goal for what you want to achieve, you are guaranteed to fail.

It seems likely that we will lose any meaningful access to the EIB, losing both the financing it provides and the crowding-in benefits from its expertise and credibility which has been referred to. Although the Government have taken action to replace the SME financing provided by the EIF by putting extra money into the British Business Bank, the position on wider infrastructure financing is much less clear, and the one-and-a-half page response to the report was, to be

[LORD VAUX OF HARROWDEN]  
 diplomatic, disappointing. It read a bit like the thank-you letters I used to write when I was 12, repeating the final paragraph and so on.

The Government have been running a consultation on the infrastructure finance review, which ended on 5 June. It would be interesting to hear if the Minister is able to give any initial feedback on this. However, it is not good enough for the Government simply to hide behind this consultation and twiddle their thumbs in the meantime. We effectively lost access to EIB infrastructure financing three years ago. Ensuring that the financing gap is filled is critical, as is replacing the expertise and credibility that the EIB brings. I hope that the Minister can tell the House what the Government's current thinking is, and what their views are on our recommendation that they should consider the establishment of a UK infrastructure bank to support the future financing of key infrastructure after Brexit.

8.21 pm

**Lord Bruce of Bennachie (LD):** My Lords, I join all the other members of the committee in thanking my noble friend Lady Falkner for introducing this debate and for her chairmanship of the committee over the last four years. She has done it with considerable application, skill and expertise, and will be sadly missed. The staff who supported the committee were a class act, supporting the committee expertly, promptly and without complaint, in spite of the extreme pressures put on them from time to time.

It is shocking, but not surprising, that this debate is taking place in an empty Chamber. This is a monumental scandal of mismanagement by the Government and a failure of communication to the wider public of one of the serious consequences of leaving the European Union. Members of the committee, and all noble Lords who have spoken, have highlighted the benefits that this institution has provided to the UK—the billions that have been invested across a range of sectors. These benefits are not just financial but nuanced in other ways. The reputation and the AAA credit rating of the bank have unlocked substantial private and public finance, some of which would simply not have happened without the existence of the bank, which is about to not exist for the United Kingdom in the very near future, unless things change very sharply. Of course, we continue to contribute while the investment has almost disappeared. I find it extraordinary that we have allowed a situation in which the UK is not financed, when we are a full member, despite our still providing the resources for that investment.

The Government's determination to deliver Brexit and, as a number of speakers have said, their ideological indifference—if not hostility—to the public-private partnership that the bank represents, mean that the impact of losing it has been very undervalued. This has been brought out in our report. All we asked for, and all we are getting, is our capital over a long period and without interest—indeed, as the noble Lord, Lord Vaux, said, not even the value of the capital. The retained earnings that our capital has helped generate will stay just that: retained.

I draw the House's attention to the fact that during the coalition, the Liberal Democrats introduced innovative measures in this area. It was the Liberal Democrats who called for the establishment of the Green Investment Bank. It was Vince Cable who, out of the wreckage of the financial crash, secured the establishment of the British Business Bank. If the Government had thought ahead about the implications of Brexit, I suspect that they might not have privatised the Green Investment Bank. My instincts are that they would have privatised the business bank, had Brexit not happened, but they realised that this was a vehicle they needed to strengthen, rather than let wither away or sell off.

We need to look at how we can replace the EIB. The noble Viscount, Lord Waverley, made some interesting suggestions, which I am not sure would be welcomed by the EU, about how we might find a way of effectively locking ourselves back in through a shareholding of the EIF. It is an interesting idea. Again, if we were in the right kind of negotiating framework and relationship, it might just be possible.

**Viscount Waverley:** Does the noble Lord agree that the UK does in fact have a lot of experience, through the Asian Infrastructure Investment Bank, which is funding the one belt, one road initiative from China all the way through central Asia and beyond? Maybe there is a lot we could learn from that process.

**Lord Bruce of Bennachie:** That is indeed true, and of course, Danny Alexander is one of the directors of that bank.

The point, which has been drawn out by all the speakers, is that infrastructure banks—promotional banks, as my noble friend Lady Bowles described them—are well established in many countries. You could argue that the EIB was, in effect, Britain's answer to that, but as we leave the EU, we do not have an answer to that. I think it fair to say that all the speakers have suggested that now is the time for the Government to think about a promotional bank of this kind, because it is very difficult to see how we are going to fund massive infrastructure projects and the kind of innovative financing for small and medium-sized enterprises that has been provided, and which we do not have any mechanisms in place to deliver.

The evidence we had from KfW, established in 1948 partly to deal with the Marshall plan, demonstrated how a bank of this kind can become a major national asset. Yet, somehow or other, the UK has tended to sniff at these ideas, and we do not have anything to compare to it. When I was chair of the International Development Committee, I argued the case for a British development bank—something that France, Japan and a number of other countries have an equivalent of. We have in the CDC perhaps the nucleus of an organisation that could become a development bank, but on reflection, on the evidence that this committee received, I am of the view that we should not set up a series of banks; we should consider having one national bank which has sectoral commitments. Infrastructure is absolutely necessary—small and medium-sized enterprise finance—but so are development and external activities. I ask the Minister to take away from this debate the fact that we would like the Government to give serious and

considered thought to setting up a bank of this kind—and if not, why not? In other words, I ask them to explain their thinking and what the alternative might be, because it is not at all clear from anything the committee has heard.

It is worth noting that, even within the United Kingdom, Scotland is setting up its own bank. I suggest that it will find that difficult in the consequences of a Brexit, and certainly a no-deal Brexit, but at least it is a recognition of something. It would be a bit ironic if Scotland could do something that the United Kingdom feels incapable of doing. What is abundantly clear is that, once we are left to our own resources outside the EIB, the UK's credit rating is unlikely to soar. It is already downgraded. It is likely to be further degraded. One of the consequences is that we will have difficulty borrowing money and it will be expensive to do so.

It is difficult to see how the UK can possibly replicate the advantages currently available through the EIB. As we have learned, the EIB has the advantage, first, of borrowing at the lowest possible rate and being able to pass that on, and secondly, because of its established expertise, of effectively crowdfunding other sources of investment. There is no institution in the UK that has the capacity to do that, and the UK's credit rating will be such that, in the short to medium term, we will be unable to do it. The consequence of that—especially if we have no deal, the economy and revenues are shrinking, yet the infrastructure needs and the other investment needs are growing—is that the Government are going to face a huge black hole of astronomical proportions.

We heard the noble Lord, Lord Butler. My mother's expression was, "You'll be sorry when I'm gone". It is the same thing. We are going to be very sorry when the EIB is gone because, as we have established, we can see no future relationship with the EIB; certainly not if we do not negotiate in a constructive way. Without that, we will be left with no viable alternative. We will effectively be in a situation where we do not have a fallback and we have a gap. The noble Viscount, Lord Trenchard, made the point that it was a terrible deal. I am a passionate remainer, but I cannot understand why, if we are going to leave the EU, we do not negotiate the best future relationship that recognises the contribution we have made. Whatever side of the argument you are on, simply to throw up our hands and hand it over was quite extraordinary. We were led to believe that when this was discussed with the board of the bank, the British representative did not even contribute to the discussion, which I find utterly appalling—an abdication of responsibility, if you like.

To conclude, I suggest that the Government have some very hard thinking to do and some very serious questions to answer. I hope the Minister will be able to answer some of these, but I respect him enough to know that those he cannot, he will take away and bring back: I ask him to do that if that is the case. If I may say so, in a very partisan way, this debate and this report tell me exactly why we should stop Brexit.

8.32 pm

**Lord Davies of Oldham (Lab):** My Lords, I too congratulate the noble Baroness, Lady Falkner, both on her conduct of an excellent committee and a splendid

report and on the speech in which she presented the issues. All other contributions really just reinforced the main points she made, which covered an excellent report that presents to the Government a series of very acute challenges. The Minister is of course adept at dealing with such things, but we expect some fairly clear answers to several of the issues that have been established on all sides this evening.

It is not often that I agree with the noble Viscount, Lord Trenchard, on economic issues, but I certainly agreed with him this evening when he indicated that we have to be careful about allowing the accountancy to dictate our whole strategy to meet the economic challenges we face. There have been many calls from all sides of the House that the Government really must not fall behind the old blocks of their defensive position on the problems of government debt, when significant levels of investment are obviously necessary. Of course, it is clear from the report that we have lost a very substantial part of our investment. For investment to drop by nearly 90% is a significant tragedy. This, after all, is one of the most significant investors in our infrastructure and it covers a wide range of areas. Noble Lords identified the environment, higher education and a range of other issues which will lose the investment that this bank provided. We all want to know what steps the Government are taking to repair the damage and provide the investment.

At the same time, the Minister has to address the fact that none of us in this House can understand how we reached an agreement in which we get the repayment of the capital that has not been utilised thus far but make no gains at all from our years of investing in the bank. Some government negotiation arrived at that judicious position. We all worry about the broader issues of negotiation with Europe, but this stands out as a pretty clear indication of how weak the Government's position was at times.

We also recognise that infrastructure is a crucial aspect of the development of any economy, particularly an advanced economy such as ours. We have not had a good record in the past; the Government have to face up to the fact that their record is pretty dismal. The two areas on which they are making some progress were inherited from the previous Labour Government—HS2 and Crossrail, the latter of which is of course subject to fairly significant delays at present. Most of the other rail initiatives—the cross-Pennine route and the opening up of the London to Sheffield route—have been put into cold storage for the time being. It is not as if we have a surfeit of funds for infrastructure, yet we are discussing this evening how we have cut ourselves off from a crucial supplier.

We must also recognise how noticeable it is that regional issues are coming more to the fore. We all know why London has been pre-eminent for so long. We all know the significance of the City of London, but that does not mean that you do not have proper respect for regional development. There is absolutely nothing in the Government's current position which gives us any encouragement on that, yet resources that we were getting from the investment fund from Europe offered some possibilities on that front. This is another crucial area which we lose.

[LORD DAVIES OF OLDHAM]

My noble friend Lord Giddens asked us to consider a rather wider agenda: a future which related to the space industries, on which we have a past record of investment and in which we are well placed to play a leadership role. However, he identified that here, again, was a necessity for government action. Can any noble Lord recall, apart from my noble friend's contribution today, the last time we had a debate on the space programme and the role that Britain might play in it? Of course, the anniversary of the moon landing was a pretty predictable date—there is bound to be colossal public interest at this time—yet I cannot recall the Government making any significant contribution on it.

Of course, the Government are not in a position to think about spending too much, because after a decade of running the economy they are still stuck with their hugely significant debt and the real problem of how they distribute it. It is true that a future Prime Minister can easily produce a massive tax cut for the very wealthy in our society, or certainly those earning over £80,000—but is that not the same individual whose bus suggested that enormous millions would accrue to the British economy from Brexit? Well, we are defining the reality of Brexit this evening, and we are not talking about hundreds of millions of pounds accruing to the British economy.

It is quite clear that the Minister must give some response to the gap which has opened up. After all, he knows that it is a product of the withdrawal agreement that we reached and the negotiation which took place at that time, and noble Lords have identified just what the cost is for us. Because the investment bank covers a wide range of British economic activities, the cost will be and is being borne across the board.

We on our side of the House enjoy a certain degree of criticism of the Government but we also have enormous respect for a disaffected electorate who want to see success from political leadership. That is why we are quite clear that, if we came to power, we would launch a national investment bank, address regional disparities, and set out to ensure that resources were directed towards improving our productivity as well as our wage levels, which have been so depressed over this last decade. We would also seek to ensure, through a rather more imaginative immigration policy than the Government pursue, that we have the necessary high-level skills to ensure that we get the levels that the financial services sector will demand. We should be wary of restrictive blocks on skilled people who are essential to our economy.

These are possible developments. They of course require a degree of commitment by the Government to a clear policy. But what the Government committed themselves to and are still largely saddled with is in fact clearing debt—not investment in the creative part of the economy at all, but seeking to ensure that their credit rating holds to a certain level. No one will decry that in its entirety, but one can overload that dimension of financial and economic life to the extent that the economy suffers constant low levels of growth and constant problems with our productivity.

There are solutions. I was grateful to the noble Viscount, Lord Trenchard, for mentioning the German bank and the role which it plays in the German economy.

It is not as if we do not have a model of the way in which we can create productive resources which can be independent of government yet act as a reaction to any downturn in the economy. He made that point clearly. As I said, it is not often that the House is in total agreement, but if he and I can agree on a strategy this evening, we hope the Government can too.

8.43 pm

**Lord Young of Cookham (Con):** My Lords, I begin by thanking the noble Baroness, Lady Falkner, for selecting this important topic for debate, for her speech in introducing it, and all noble Lords who have participated in our discussion this evening. I am grateful to the noble Lord, Lord Vaux, for his good wishes on my birthday. I am not sure I wanted to spend it taking a supply and appropriation Bill through the House of Lords, then answering an Urgent Question on rendition, then listening to 90 minutes of trenchant criticism from a Select Committee—but at my age, it is nice that anyone wants to employ me.

I join other noble Lords in thanking the noble Baroness for her work as chair of the EU Financial Affairs Sub-Committee, which is a particularly important role in recent years, providing detailed, expert scrutiny of key issues. She mentioned her five reports and an excellent example of her work is the report before us this evening. I enjoyed reading it, raising, as it does, a number of important issues regarding the EIB, SME finance and infrastructure. I have also read the Government's response to the consultation paper on infrastructure finance.

One theme running through our debate has been the uncertainty about the future, mentioned by the noble Baroness at the beginning. What is to replace the EIB? Others have been the disappointment at the outcome of negotiations on capital and concern about the drop-off of investment by the EIB, although we remain members of the European Union. There is concern about a shortfall in infrastructure investment. Finally, there are the Government's proposals for replacement, or the suggestion that the Government should replace the EIB with a national infrastructure bank. I shall try to cover as many of those issues as I can.

I begin by saying that we recognise the role that the EIB has played in providing access to finance in the UK. That is outlined in the committee's report. We joined the EIB in 1973. We have contributed to its capital and have maintained a callable guarantee of €36 billion. The EIB and its sister organisation—again mentioned by the noble Baroness—the EIF, have operated in two critical areas, with the EIB lending for infrastructure projects and the EIF providing finance for high-growth firms. As the noble Baroness said, the EIB has cumulatively lent approximately €118 billion to UK infrastructure projects. Noble Lords mentioned a range of those investments. Higher education was mentioned by the noble Lord, Lord Giddens, while High Speed 1 and Crossrail were mentioned by others, as was investment in hospitals and schools.

In recent years, preceding the triggering of Article 50, the EIB lent an average of €6 billion per annum to UK projects alongside private investors. Compared to those private investors, the EIB typically offers competitive

rates, as the noble Baroness mentioned, as well as support to projects through technical assistance. Another theme running through the debate has been the stamp of approval—the term used, I think, by the noble Baroness—or crowding in, mentioned by the noble Baroness, Lady Liddell, as the influence of the EIB in attracting other investments. I was impressed, as were other noble Lords, by the fact that it employs 3,000 full-time staff, many of them experts, providing the reassurance that other investors might need that these are worthwhile projects to support. Looking at SME finance, the EIB has been particularly important in funding regional SME funds, such as the Midlands engine and the northern powerhouse investment funds.

As we leave the EU, our relationship with the EIB will change. The EIB was established under the treaties, which state that only member states can be members of the EIB, so when we cease to be a member of the EU, we have to leave the EIB. Without being party political, I understand that the Labour Party's policy is to leave the EU. Therefore, it follows inevitably that we would have to leave the EIB.

Under the terms of the withdrawal agreement financial settlement, the UK has secured the return of its €3.5 billion paid-in capital in the EIB, with payments being made annually for 12 years following exit. That agreement has run into a heavy volley of criticism, led by my noble friend Lord Trenchard, but I say to all those who criticise it that the final agreement was an improvement on the original EU position, which was to return the capital at the end of the loan portfolio's amortisation. In the final deal, the UK's capital will now be fully returned by 2030—some 30 years earlier than originally proposed.

The Government's view is that this represents a good deal for the UK taxpayer, particularly by ensuring that there is no disruption to existing projects as a result of the UK's departure from the EIB. We will of course continue to be able to draw down funds agreed prior to our departure.

There has been much comment about the future relationship with the EIB once we have left. The Chancellor has made it clear that we are open to the prospect of a future relationship and that discussions on a mutually beneficial relationship with the EIB group will take place during the next phase of the negotiations. The noble Viscount, Lord Waverley, talked about some of the options. We will look at the existing precedents and more bespoke options will be considered and explored as part of the next phase of the negotiations, as the Government have made clear.

The €3.5 billion represents the return of our full paid-in capital. As was mentioned in the debate, the EIB is not a typical commercial bank in that it does not pay dividends from its reserves to EIB members, and nor does the statute provide a precedent or a clear path for anyone to leave. It is important to recognise that the statute does not give members an automatic right to recover either capital or reserves—and, as I have just explained, the negotiated position was a significant improvement on the EU's opening position. One cannot draw parallels with shareholders in conventional companies. Shareholders in a conventional company cannot expect the company to give their

money back when they exit their shareholdings. Rather, they sell their shareholding in the market. However, given the nature of the EIB, that option is not available.

The noble Viscount, Lord Waverley, mentioned the Commission's original investment, which was financed by member states through the EU budget contribution. The total value of the Commission investment based on the latest EU accounts is €581 million. The UK will receive a share of that proportionate to its budget contribution which, using an estimate of 12.4%, gives an estimated UK figure of €72 million—I think that that was the figure mentioned by the noble Baroness—or €14.4 million each year for five years. The repatriated amount will form part of the overall Article 141 process, so it is likely to be netted off UK contributions for that period.

The noble Viscount also asked whether we have a contingent liability of €36 billion. The answer is that we will maintain a declining financial commitment to the bank in order continually to financially back loans, including those given to projects in the UK granted by the bank during our period of membership—that seems to be fair. However, the commitment will decrease as the existing loans run down. This means that we could be called on to contribute further amounts to the bank, but this financial support will be called on only in very exceptional circumstances, and it is a matter of public record that the bank has never made a call on its callable capital.

Considerable concern was expressed that the EIB has reduced its funding for UK projects although we are still a member. We are aware that the EIB and the EIF are undertaking extra due diligence on UK projects in relation to the UK's exit from the EU. We have been clear that while we remain a member of the EU, we enjoy the same rights as other member states to access EIB funding. More recently, good progress has been made with several UK projects receiving broad approval over the past year. There has been a loan of €350 million for the UK windfarm project. Triton Knoll was approved in April, while a loan of €1.65 million was approved for the Trafford Park tramline extension in June. In addition, in December last year two loans of €126 million each were approved for the UK companies South West Water and Stonewater social housing. Most recently, the Luton mass transport project had €120 million approved in February.

As the Chancellor has stated, we need to be prepared for all scenarios. We have taken action already by providing additional funding to support SMEs and we have launched a comprehensive consultation process on infrastructure finance to ensure that good infrastructure projects can raise the finance they need. We are determined to make the UK one of the best places in the world to start and grow a business. This means keeping taxes low and ensuring that businesses can access the finance and support they need. We have a comprehensive programme of activity to support businesses. The British Business Bank, which was announced in 2012 and became fully operational in 2014, aims to make finance markets work better for smaller businesses in the UK. British Business Bank programmes are supporting more than £5.9 billion of finance to over 82,000 smaller businesses, as of September last year.

[LORD YOUNG OF COOKHAM]

In recent years, as I have just mentioned, the activity of the EIF has declined. We have taken action to address the gaps left by it. At Budget 2018 the Chancellor announced that, as the UK leaves the EU,

“the government will provide the British Business Bank with the resources to enable it to make up to £200 million of additional investment in UK venture capital and growth finance in 2019-20”.

That initiative was welcomed by many noble Lords who spoke in the debate, including the noble Baroness, Lady Falkner, and my noble friend Lord Trenchard. The Government made this funding available on 17 April to ensure that smaller businesses can access the funding they need.

Since the Autumn Budget that year, the bank has been a key partner in implementing the 10-year patient capital action plan announced by the Chancellor, which will unlock over £20 billion to finance growth in innovative firms. In addition, at the 2018 Autumn Budget the Chancellor announced new measures towards ensuring that defined contribution pension schemes can invest in patient capital.

The increased support through the Patient Capital Review means that UK government support for venture capital is now at a record high. Even before the announcement of the additional £200 million of funding for this year, the British Business Bank had the capacity this year to make commitments exceeding the combined average annual commitments from the EIF and the British Business Bank in the three years preceding the referendum.

Creating high-quality infrastructure—mentioned by many noble Lords—is critical. That is why we are increasing infrastructure investment, with the national roads fund reaching £28.8 billion and the biggest investment in the railway since Victorian times. Overall public investment is set to reach levels not sustained in 40 years.

The noble Lord, Lord Giddens, was concerned that the taxpayer would have to fund this investment in infrastructure, but it is not just the public sector that has this role. The private sector has a critical role to play, with around 50% of the £600 billion infrastructure pipeline due to be met by the private sector.

**Lord Bruce of Bennachie:** Will the Minister comment on the committee’s recommendation that the Government consider setting up a national infrastructure bank? That is exactly the mixture of private and public funds.

**Lord Young of Cookham:** Yes, I will come to that. That is one of the most important themes that has run through this debate.

Many noble Lords mentioned investment in decarbonisation and in green projects. We have a suite of tools to support private investment in infrastructure. The contracts for difference scheme has made the UK a world leader in offshore wind. The world’s largest offshore wind farm, the Walney extension, opened off the coast of Cumbria in September last year. Elsewhere, the offshore transmission owner regime has brought down the cost of connecting offshore wind farms to the grid, and we have reached 96% superfast broadband coverage.

Also relevant to the debate on infrastructure is the UK Guarantees Scheme, delivered by commercial experts in the Infrastructure and Projects Authority, which has £40 billion of capacity to ensure that good projects can raise the finance they need. We have given the UKGS additional flexibility to offer construction guarantees.

So while the EIB has been active in the UK market, it has worked within a successful and road-tested framework that supports investment. There is a strong appetite from the market to lend to UK infrastructure projects. Untypically injecting a note of party-political asperity, I mention that threats of renationalisation might constitute a threat to inward investment in UK infrastructure projects. We need to be absolutely clear that we do not frighten off the private sector from investing in infrastructure.

We recognise that there are still some challenges in financing infrastructure; for example, in how we respond to new technologies that carry higher risk and how we raise finance for very large projects. That is why at the Spring Statement earlier this year the Chancellor launched the Infrastructure Finance Review. This is looking at the strengths and weaknesses of the market, the role of the EIB, the Government’s existing tools and the institutional structures needed to deliver them. The review also explores a recommendation from the National Infrastructure Commission that if the Government do not maintain a relationship with the EIB, we should consult on establishing a new, operationally independent UK infrastructure finance institution. As the noble Lord, Lord Bruce, has just said, this links to the committee’s recommendation on consulting on a new UK infrastructure bank through the Government’s national infrastructure strategy.

This was one of the themes that I heard running through the debate: that this is something that the Government should consider very seriously. It was mentioned by the noble Baroness, Lady Bowles, the noble Lords, Lord Butler and Lord Bruce, the noble Viscount, Lord Waverley, and many others. The Government should reflect seriously on the points made not just by the committee in the report but during our debate about the need to try to replicate the characteristics of the EIB in generating crowding in of other investment, creating loans at a lower rate of interest and creating the stamp of approval, which was referred to earlier.

The formal consultation period closed in June, and while it is too early for me to share with noble Lords the formal results of the consultation, I can say that we have engaged widely and heard a range of views on the EIB, which we will consider when negotiating any future relationship. The Government have set out our intention to publish a national infrastructure strategy in the autumn. The results of the Infrastructure Finance Review will form part of that strategy, and there will also be a formal response to the consultation.

The noble Lord, Lord Giddens, asked whether UK business would be able to participate in Galileo post Brexit. In a no-deal scenario, future EU programme participation, including in Galileo, will need to be determined as part of any future relationship.

I am conscious that I may not have covered all the points raised in our debate and I will write to noble Lords on those that I have not dealt with. I cannot pre-empt the Government's spending review at this stage. Obviously, that will be important when it comes to investing in infrastructure, but the Infrastructure Finance Review consultation shows that the Government are taking this issue very seriously.

The noble Baroness, Lady Bowles, and the noble Lord, Lord Butler, asked about debt management, the ONS and definitions. That is venturing into almost theological territory as the noble Lord, Lord Butler, will remember the Ryrie rules and the unending debate about whether or not something scored as public expenditure. It says in my brief that we will leave questions on the interpretation of the guidance to the experts at the ONS, which is an independent body. It is highly likely that a UK bank would fall within the PSND measure. However, the Government will take the views that we have heard on board as we develop our policy following the Infrastructure Finance Review.

**Baroness Bowles of Berkhamsted:** The point that I was trying to make with regard to ESA 2010 is that it should be in our laws because it was from the EU and we have actually now transposed it into our Brexit preparation legislation. It is not a question of us running on our own version of what we think national accounts are: we should be running on the version that we are supposed to have in our law. That is why there was ultimately the change with regard to student loans. I feel the urge coming upon me now to suggest that this must be looked at formally, because it appears that we have been doing it wrong. The response that the Minister just gave appears to be wrong. I have the advantage of having been chair of the Economic and Monetary Affairs Committee at the time of ESA 2010 and, even more, I had to be the rapporteur because it was so complex that nobody else would do it. I have a reasonably good vision of this point because it was very important.

**Lord Young of Cookham:** I have in front of me the relevant paragraph in the Select Committee report, which states that:

“The EIB's liabilities do not feature on the national balance sheets of EU Member States”—

which was the point that the noble Baroness was just making—

“but we were told that a similar UK institution would almost certainly feature within the Government's measure of public sector net debt. While such an institution would also have assets and would probably be able to fund the interest on its paid-in capital, this could have significant implications for the Government's commitment to reduce public debt as a proportion of GDP”.

The report went on to say:

“The measure of Government debt does not fall within the scope of this inquiry”,

and that it,

“is for the Government to choose the best way to calculate public sector debt”.

The report then continued with the point made by the noble Lord, Lord Butler, that,

“such accounting decisions should not determine economic decisions about the optimal form of support for long-term infrastructure investment in the UK”.

That is a proposition with which I broadly agree. At the end of the day, we have an independent ONS that resolves these theological decisions as to what does and does not score as public expenditure.

**Baroness Bowles of Berkhamsted:** I must come back very briefly. I was not saying where the EIB should or should not be; the point is that national investment banks should also not be within the public sector accounts. It is clearly made in *The Role of National Promotional Banks (NPBs) in Supporting the Investment Plan for Europe*, which was issued by the Commission on 22 July 2015.

**Lord Young of Cookham:** I hope the eloquence of the noble Baroness will be heard by the ONS, which is at the moment the arbiter of what does and does not score. I have almost overrun my time. I thank once again all those who have participated in this debate. No doubt the committee will want to pursue this subject later this year when we have announced our conclusions on the consultation and have published our national infrastructure strategy and we have the result of the spending review. I hope that on that occasion the exchange may be more cordial.

9.06 pm

**Baroness Falkner of Margravine:** My Lords, it remains for me to thank all Members who have spoken tonight. There were some excellent speeches that will merit rereading in *Hansard* tomorrow.

The Minister shone a little light on the negotiations with regard to our retained earnings—a very little light—but perhaps he shone slightly more light on the success of having got our money back a little earlier than originally envisaged when the negotiations started. However, given the late hour, and given that he has had an extremely long working day on his birthday, I think the whole House will wish for him now to be rewarded with a little light refreshment. I thank all noble Lords.

*Motion agreed.*

*House adjourned at 9.07 pm.*

