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The Select Committee on the European Union

PRE-EUROPEAN COUNCIL MEETING

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TUESDAY 9 DECEMBER 2014

4.05 pm

Witnesses: Rt Hon David Lidington MP, Vijay Rangarajan and Richard Crowder.

Members present

Lord Boswell of Aynho (Chairman)
Earl of Caithness
Baroness Eccles of Moulton
Lord Foulkes of Cumnock
Lord Harrison
Baroness Henig
Lord Kerr of Kinlochard
Baroness O’Cathain
Baroness Parminter
Baroness Prashar
Baroness Quin
Earl of Sandwich
Baroness Scott of Needham Market
Lord Tomlinson
Lord Tugendhat
Lord Wilson of Tillyorn

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Examination of Witnesses

Rt Hon David Lidington MP, Minister of State for Europe at the Foreign and Commonwealth Office, Vijay Rangarajan, Europe Director, and Richard Crowder, Head of the Future of Europe Department
Q1 The Chairman: Minister of State Lidington, you are no stranger to this Committee and always welcome here. We look forward to an open question and answer session on the record. I remind both my colleagues and you as Minister that this is a formal session of the Committee. It will be broadcast. A record will be prepared, and a transcript will be available to you for any corrections on specific points. As soon as you have settled, we should go straight into the process, because I am conscious there is quite a lot of parliamentary business. We have a rather full agenda, not least because you made it possible for us to meet you ahead of the European Council, and we are grateful for that. We intend to respect that approach.

I would like to kick off with the first question, looking ahead to President Tusk taking over from President Van Rompuy. Could you tell the Committee the extent to which you are confident that President Tusk can perform the role of honest broker in all areas, including in Commission-priority areas like energy union, where, in that case, there is a distinctive Polish position?

David Lidington MP: With any new appointment, senior or junior, one always has to say that the proof of the pudding will be in the eating. If you look at President Tusk’s record, he has very much defined his recent political career as the man who has anchored Poland at the heart of Europe. He is a recipient of the Charlemagne Prize. He takes great pride in having piloted Poland through to a position of greater influence in the European Union. He understands very well that the responsibilities of his new office involve, as the treaties make clear, a responsibility to have regard to the interest of every member state represented on the European Council and to try to steer the European Council towards a consensus, which is the only way it is able to take decisions.

During the handover ceremony on 1 November, President Tusk talked of his deep commitment to protecting fundamental EU values of freedom and solidarity and to completing a genuine economic and monetary union and of the need for the EU to be strong and to support countries in the neighbourhood who share the same democratic values. He emphasised the transatlantic relationship between Europe and the United States. He has, on another occasion since his appointment, made it clear that he wants to work with the Prime Minister to deliver EU reforms that will bring some encouragement and comfort to the people of this country. I am pretty confident about his stewardship.

The Chairman: Thank you; that is helpful. We will move straight on, if we may, to one of the major items of current concern, which is the investment plan.

Q2 Lord Harrison: Minister Lidington, first of all congratulations on the four-and-a-half-year tenancy of your post. With respect to the Commission’s communication on the investment plan, could you tell us how the Government are going to seek to maximise the benefits of the Commission’s plan? Is it actually €300 billion, or is it €31 billion? Are the Commission’s plans likely to dovetail with the United Kingdom Government’s plans for investment? Given that we understand from EurActiv that there have already been some 2,000 applications for this ever dwindling pot of money from other member states, have we got our oar in?

David Lidington MP: We have certainly got our oar in. I will argue in a moment that we are very much ahead of the game in terms of where the various member states are. It might help the Committee, Lord Chairman, if I start by giving a little more detail ahead of the ECOFIN meeting today, because a bit more of that detail has now become available. What the Commission, and President Juncker in particular, are talking about is a threefold
approach. Most of the comment has centred upon this €300 billion headline figure—a fund of some sort. Associated with that, there is to be a pipeline of capital projects in member states that might benefit from funding from such a fund. Then, and very importantly in the eyes of the British Government, there is the continuing commitment to structural reform within Europe. We see everything that that involves, including deregulation, deepening the single market in services, an innovative capital markets union and trade deals with America and other countries, as an essential element in this effort to regenerate growth and jobs throughout the EU.

Let me focus on the fund. The Commission is proposing that something called the European Fund for Strategic Investments should be established. That would have €21 billion available to it, made up of €5 billion from the European Investment Bank and a €16 billion guarantee under the EU budget. Of that €16 billion, €8 billion of the guarantee would employ the backing of existing budgeted EU funds: the Connecting Europe Facility at €3.3 billion; Horizon 2020 at €2.7 billion; and the margin of flexibility in the EU budget at €2 billion. I ought to add at this point that this last element on the margin of flexibility is an area where the detail is still unclear and we want to have greater clarity.

The second €8 billion, making up the €16 billion, would be a future call on the EU budget in the event of a default. Even if one thinks a default is unlikely, it would seem to us logical and sensible that there should be some provisioning on an ongoing basis in the EU budget process, so that there is provision available in the budget, as has been done previously with the external lending mandate fund at the European Investment Bank, which also relies on an EU budget guarantee. You have €21 billion in total, from either EIB funds or a guarantee from EU resources. Member states would be able, if they wished, to contribute more, either directly or through national promotional banks. That €21 billion fund would be deployed through providing credit protection for what the Commission estimates could be about €45 billion of lending by the European Investment Bank through innovative financial instruments. The proposal is that there should be a facility within the European Investment Bank, with member states sitting as the board of this facility. That €21 billion credit protection, President Juncker thinks, would unlock that €45 billion of lending by the EIB, and that, in turn, would attract additional financing sources from the private sector on a project basis to make up the total estimated €315 billion of investment. Three-quarters of that is intended to go to long-term investment projects, and one-quarter to SMEs and mid-market capitalisations.

How does that fit in with the UK’s plans? Since we have our own national infrastructure plan, we have already a credible long-term project pipeline of about £460 billion of planned public and private investment for the next decade. There is a lot of experience to share. We have used that national pipeline to feed into the indicative list of projects that the Commission sought, and which it has now published. The Commission’s task force has identified €1.3 trillion of potential investments—some 2,000 projects—of which €500 billion would be over the next three years.

The Commission has made it clear that, just because a project is on that list, it does not mean it will necessarily get funding. There has to be some due process and cost-benefit analysis in this. Equally, some really good project that came forward subsequently would not be ruled out as a recipient of funding. If you break down those projects by member state, the UK has the second-highest value project pipeline submission, after Italy and ahead of France, Spain and Germany. In the task force report, the Commission has a specific, favourable reference to the UK’s national investment pipeline, and it lists three of our project examples as the sort of thing that might benefit from EU investment support. Those
three are UK coal-fired generation with CCS, North Sea offshore wind, and flood and coastal risk programmes. I feel pretty confident here, too, that the Commission is taking very seriously the approach that we have taken towards this. I would very much hope that we would get at least our fair share of investment.

**The Chairman:** There is nothing that is objectionable to you in the position, other than—

**David Lidington MP:** What I would say, Lord Chairman, is that there is still detail that we want to see. The Chancellor at ECOFIN today will be asking some of those questions. I suspect more will come out at the European Council. However, we are not expecting the draft legislation until early next year, so there will be further details at that point. For example, we want to make sure that there is no breach of the MFF ceilings, and we will want to make sure that the AAA credit status of the European Investment Bank is not endangered in any way.

**Lord Foulkes of Cumnock:** I am pretty worried about line being taken that we are seeking to get the lion’s share of this money. Surely we should be wanting more of it to go into the less developed parts of the Union, such as Romania and Bulgaria, where unemployment is higher. That would have the added effect of reducing the incentive for Romanians and Bulgarians to come here to the United Kingdom, because there would be more jobs available for them in their own countries. Would that not be more sensible?

**David Lidington MP:** I do not think there is a contradiction between what I said, which was about the UK getting its fair share—I did not say “the lion’s share”—of investment and a proper share going towards countries in central and eastern Europe. The key test, I would say to Lord Foulkes, is surely the economic impact in the value to Europe as a whole of a particular project.

For example, some of the energy projects that I talked about in a UK context would assist in delivering national and therefore European Union climate change targets. In addition, by generating additional energy, they would help to promote European indigenous energy resources and make us less dependent on Russia, in line with the strategic objective of weakening that dependence that the European Council has adopted. There is nothing that contradicts a good Romanian, Bulgarian, Lithuanian or Polish project also getting support.

**Lord Foulkes of Cumnock:** I am just worried that the line of argument that we have just had over the last few minutes seemed to imply that we are in it to get as much out of it as we can. Surely, looking at the Union as a whole, it is better for us to try to get the least developed parts of the Union to get more of these resources to develop, so that we do not have this pull for people from the poor parts of Europe to come here?

**David Lidington MP:** We need to look at it, I believe, in terms of economic impact. For example, it is in the interests of central European countries, which are very heavily dependent on Russia for their energy, that they have access to alternative supply. That does not necessarily mean that the energy production has to be within their own borders. They could be in another EU country. With respect to Lord Foulkes, what I was trying to do was answer Lord Harrison’s question, which was about how the European initiative dovetailed with what we were doing at home. I think the Committee would have been quite critical had I said in any way that we were not up to speed and that there was no connection that was being made there.

**Q3 Baroness O’Cathain:** Minister, my questions are on the overall strategy, not on the tactics of what happens in Romania or whatever. The reality is that €315 billion of new money has come, we were told. Why? I know it is not new money, and that it has been
gutted from other people, and all the rest of it. None the less, the fact is that the reason given for this was that there is quite a possibility that many countries in Europe are going to slide down into recession and having no economic growth. The point of all of this was to try to grow and make some activity. If they do that, and if we, in our area of research and development, are prevented from doing the projects we want because the money will no longer be there from European funds, that is such a negative approach. It means that nothing gets done. I just want clarification on where the money is coming from—not whether we get the bigger share of it, or any share of it really—and that it does not affect us on our current trajectory of growth and that we do not find ourselves supporting these people who have a whole lot of money but do not know how to spend it.

David Lidington MP: That is a very fair point. The way in which the fund is being structured, where a significant—although, set against €315 billion, relatively small—proportion is the guarantee under the EU budget, and most of the money is from the private sector, limits the risk to taxpayers’ money through the EU budgeting process. Certainly, as I say, while we will want to keep a close eye on the detail of this and we will want to see the legislation when it emerges in the new year, our belief on the basis of what we have been told so far is that there is going to be a rigorous test of the economic value of these projects. There will not be a strict rationing process, with each country getting a given sum irrespective of the value of the project. That is the right approach.

Just to go back to Lord Foulkes’ question, we have made it clear to other member states and the Commission that we strongly support good projects from other member states. The V4 have come out with a statement this week saying that a portion of this fund should go towards energy projects. That is something that the Foreign Secretary has publicly endorsed, because it fits with the strategy we believe Europe needs to adopt, both of reducing carbon emissions and of lessening dependence upon politically vulnerable sources of energy supply.

The final point I would make on this, Lord Chairman, is that it would be a mistake, I believe, to regard this fund as the sole element in a strategy to create jobs and growth in Europe. I think that developing a genuine single market, making a reality of the fundamental freedom of movement of services, would do probably more than any particular sum and guarantee from the EU budget. I believe that ambitious trade deals with the United States would have a hugely beneficial effect. An innovative capital markets union that found a way of reducing Europe’s dependence upon bank finance and getting other forms of finance into innovative companies right around Europe, particularly to more SMEs, would be of permanent value to European economic prospects.

Lord Kerr of Kinlochard: Which department is running this end of it? What specific projects have they put forward? Would the Treasury’s normal non-additionality rules apply?

David Lidington MP: The Treasury will be the department with the overall lead on the investment plan. However, as was the case in drawing up the UK national infrastructure pipeline, other departments, such as the Department of Energy and Climate Change, will have an input into that, because they will be responsible for some of the sectors that are contributing to those bids. My understanding is that the Financial Secretary will be submitting an explanatory memorandum to this Committee and the House of Commons committee in due course. I cannot answer the question on the additionality principle, but I will make sure either I or the Financial Secretary writes to you on that.

Lord Kerr of Kinlochard: You have already answered it, Minister, when you said the Treasury would be in charge. One-third of these projects are to be in the energy sector, one-third in the transport sector and one-third in the environmental research sector. The
Treasury is responsible for none of those. However, if the Treasury is responsible for the programme, given that the Treasury is the recipient of the rebate, the Treasury will, as always, have an incentive to keep down the amount that comes into the UK, since the rebate is a proportion of the difference between what we put in and get out. The Treasury always tries to apply non-additionality. It knocks down departmental votes by the amount secured from the EU budget, and it tries very hard to secure nothing from the EU budget for the Government.

**David Lidington MP:** I am going to ask Mr Rangarajan, Europe director at the Foreign Office, to respond to that.

**Vijay Rangarajan:** Thank you. It is not yet clear how the rebate is going to apply across all of this. It is one of the questions that we have. Since this is all going to be transferred through as EIB spending and private sector investment, it may be that we can indeed have investment into projects that are of economically strong value as part of our own plans or other projects that come up afterwards, as the Minister has said. It is not directly spending from the EU budget. How exactly the money coming out of the EU budget is then going to be accounted for as it goes to the EIB is one of those questions that we are trying, hopefully in ECOFIN today, to work out.

**Lord Kerr of Kinlochard:** Hang on, Vijay. Supposing we wanted to build a nuclear power station or improve our energy network, or supposing we wanted to build a railway line, say from London to Birmingham, and supposing the Department for Transport put part of that into this dossier as a bid, are you saying that the Department for Transport would or would not have their departmental allocation reduced by the amount that came out of this pot?

**David Lidington MP:** I think that is a question for the Financial Secretary, probably.

**Vijay Rangarajan:** To be honest, I don’t know the answer to that. We can go and check how exactly the Treasury will handle their—

**Lord Kerr of Kinlochard:** If the normal rules apply, it would be reduced, so there is no particular incentive. Even so, if the Treasury are going to be doing the applying, we will not apply anyway.

**David Lidington MP:** I will ask the Financial Secretary either to brief me so I can write or to write directly.

**Lord Kerr of Kinlochard:** I think we ought to be briefed as well.

**David Lidington MP:** I am sure they will do that.

**The Chairman:** We should wrap that up. We look forward to the explanatory memoranda with even more intense hope. Lord Caithness had another question, which is on a lot of people’s minds.

**Q4 Earl of Caithness:** Minister, is this not one of the big mistakes? This is going to be a talisman of whether the Juncker regime has been a success, but there is nothing new in this. This is just a regurgitation of old ideas. As you rightly said, restructuring is more important and probably more beneficial with the creation of a capital market union. Do you believe that the amount of money is puny, as the Germans reckon, or do you think it will help? Alternatively, do you think structural reform is more important, in which case would you like to comment on why France is not doing more?

**David Lidington MP:** I do think structural reform is more important. When I look at the changes in the world economy—
The Chairman: In fairness to the Minister and everyone, we will adjourn the Committee for 10 minutes precisely. If we can restart at 4.42 pm, we will do that.

The Committee suspended for a Division in the House.

The Chairman: I think, Minister, we have met our own time limit. You were, as they would say—we were in Rome last week—in medias res. You were in the middle of responding to a question from Lord Caithness.

David Lidington MP: I would agree that structural reform is more important. When I look at the scale of the transformation in the global economy, as a result of the rise of the emerging powers and the impact of digital technology, I believe that structural reform is something that we will need to treat as a permanent part of the way we approach economic policy, rather than as something that can just be done and dusted over a couple of years and then forgotten. I still think that the Juncker initiative, the fund, has the potential to be beneficial. We would have been very sceptical indeed of a proposal to magic up €300 billion of taxpayers’ money. However, the proposal here is to use credit guarantees to leverage in some significant sums of private sector investment. Those private sector investors are going to look for a return. They may be prepared to venture a little more of a risk, knowing that there is some guarantee from EU sources, but ultimately they will want a return for their shareholders on any investment they make. Lord Caithness will understand if I leave it to French Ministers to comment on the policies of the French Government.

Earl of Caithness: Will structural reform be discussed?

David Lidington MP: Yes. This is something that the Prime Minister makes a point of raising at every European Council. We would certainly want to see things in the conclusions of the European Council that make it clear that such reforms remain absolutely central to hopes of growth and job creation.

Baroness Prashar: Minister, I would really like to know how the UK will seek to ensure that the programme of spending is disbursed effectively. Have any lessons been learnt from the difficulties that the EU and the member states have had so far in trying to disburse the €8 billion worth of money for the Youth Employment Initiative funding?

David Lidington MP: We have not yet had access in the UK to Youth Employment Initiative funding. Our own experience there is at a very early stage. We will want to ensure that this initiative complements existing funds and does not simply duplicate what is already done through other Commission or EIB funding instruments. It is very important to us that there is a rigorous, evidence-based system of project assessment. That is again one of the points that we will make at ECOFIN today and we will continue to make in future discussions at both official and ministerial level. The Commission communication sets out the idea of an advisory investment hub, which would be responsible for selecting projects and programmes on the basis of clear, published criteria. That seems to us to be the right kind of approach, but so far that is a proposal with a lot of detail that needs to be filled in.

Baroness Prashar: We may not have direct experience, but has the EU itself learnt any lessons, and is the idea of the hub based on the experience it has had in the Youth Employment Initiative?
David Lidington MP: I hope so. There are a couple of things that should provide some encouragement. The first is that the Commission, and President Juncker personally, have really nailed their colours to this particular mast. It is therefore going to be particularly important for them to show that this does deliver something additional to what would have been achieved through ordinary budget spending. Secondly, you have a team of Commissioners in most of the key economic roles who are supporters of open markets, free trade and structural reform, and I think there is the political will at the senior levels of the Commission to ensure that this makes a difference. However, we will have to see how it works out in practice. I do not at this stage feel I would give completely unqualified support to this. I think this is a worthwhile initiative, but getting the detail right is going to be absolutely important.

Q5 Lord Tomlinson: Minister, you know that I have raised with you on at least four or five occasions over the years my preference to see budgets determined on the basis of zero-base budgeting. I get worried, and I sense that you are a little worried, when you see these figures plucked out of the air, whether it is the figures that we were referring to earlier in the investment plan or the figures just referred to in the Youth Employment Initiative.

You have used phrases like “more detail that we want to see”. Should it not really be the disciplined practice to decide what you want to do, and then you allocate resources to it? When you have allocated resources to it, then you spend time making sure that you have decent structures that guarantee value for money for the expenditure. At the moment, we have the figures for expenditure, and really no basic idea on how we are going to disburse it.

David Lidington MP: There is an idea.

Lord Tomlinson: I suppose that is progress—there is an idea.

David Lidington MP: There is an idea, which is that, at the high level, this facility should be located in the European Investment Bank. That seems, to me, sensible; you have an institution there that is accustomed to development projects, but also to the type of rigorous analysis that is needed to ensure value for money. This is not something that is simply sitting in the Commission. It is a good step that it is proposed that there should be a rigorous set of criteria that should ascertain which projects get support and which do not. That seems to be a pretty good start. If one looks at the timescale, the new Commission was only sworn into office on 1 November, so we are barely a month into their term. I do not think it is that surprising that there remains quite a bit of detail to work out. We want to be critical friends of this process, and get some good results.

Lord Tomlinson: All this detail is still to be worked out, but we can put a value on the amount of the programme. How do we do that?

Vijay Rangarajan: Lord Tomlinson, sorry, they are not putting a value on the possible overall spend in the end. At the moment, the way that President Juncker has phrased it is that he is releasing this money from the European budget subject to further legislative decisions, which will be put before the Council in January. There is still quite a process to go through. They are still not entirely sure how much leverage will happen, because obviously that depends entirely on the private sector wanting to come into particular projects. The €315 billion that they have talked about is what they expect to do, based on an average of previous leverage that they have had through the EIB on previous projects. They are looking at the previous projects, saying, “15:1 is the rough leverage we have had; we expect to have a similar amount”, hence coming through with the figure of €315 billion. That is, of course,
set against the vastly greater sum of the potential projects in the pipeline. As the Minister said, the next stage is the sifting, to make sure the money goes where it is most economically effective across the EU. They are not tying themselves in and saying, “We will spend €315 billion at this stage”.

Lord Tomlinson: The only thing that surprises me, Lord Chairman, is that this does not quite sound like the rigorous budgetary discipline that we have been brought up to believe is needed, is necessary and is an imperative of the British approach to Europe.

David Lidington MP: That is to overlook the fact that the sums that are being allocated by the Commission are sums within the agreed European budget heads and subject to the MFF ceilings. We would be certainly very resistant to anything that was open ended. We would object extremely strongly to anything that threatened a breach of the MFF ceilings.

The Chairman: Minister, at that point I am going to curb the enthusiasm of my colleagues. If you were prepared to take further representations, I have notes for Lord Kerr, Baroness O’Cathain and Lord Foulkes as well and perhaps we can get together and put a letter to you on that. We are also anxious to explore one or two issues on both the external agenda and then the role of the national parliaments. You will be aware that we are debating that in this House next Monday. We will, if we may, close that line of questioning now in the interests of time and not because we have lost interest. It has been very helpful to have your responses.

Q6 Lord Tugendhat: Minister, the draft agenda refers to possible discussion of external relations issues. I am sure they will manage to get on to that. Could you say what you think the most urgent priorities for EU external relations are at the present time?

David Lidington MP: There are three issues that we expect and would wish to see included in the conclusions and on which leaders will want to have a discussion. One is the threat from ISIL in the Middle East. The second is the continuing crisis in Ukraine, and the EU’s relationship with Russia. The third is the Ebola epidemic in West Africa and the European response to that. There is the usual December discussion of the Commission’s annual enlargement report at the General Affairs Council next Tuesday. At the moment I would expect that to be referenced in the conclusions but for there not to be a substantive discussion among leaders of that.

Q7 The Chairman: Thank you for that. Let us then, after what, with the interruption, has been about three-quarters of an hour, turn to the role of national Parliaments. I have given you the context of that, of course. Could I ask you first what the Government see as the right role for national parliaments in the European Union? In particular, have recent developments, including the coming into office of the new Commission, given you cause for hope that national parliaments will be given an enhanced role in years to come? We are in the position of saying, “Well, everyone says they are a good idea, but how is it going to work?” To perhaps put a slight sting in the tail on that, given that you are on record and that your response to our report indicates national parliaments as the main source of democratic legitimacy in the EU, why were the Government so reluctant—although we now have a helpful counter-example in the response to our report—to hold pre-Council evidence sessions?

David Lidington MP: On the last point, Lord Chairman, it is simply that we have been concerned to make sure that we do not, absent a very deliberate decision on such a change, drift into a world in which there was an assumption on the part of the parliamentary committees that we move to a mandating system for Ministers ahead of Councils. There is
also a practical question, which is that for a number of European Councils during my time as Minister, we have only known very late in the day exactly what the leaders were likely to focus upon.

The Chairman: I understand that.

David Lidington MP: That was particularly so when every other Council seemed to be about the crisis in the eurozone and was another summit to save the euro. It has only been in the last year or 18 months that the pattern that both Herman Van Rompuy and now Donald Tusk want to follow, of having subjects for discussion at each European Council and sticking to that agenda, has been able to be followed through.

On the role of national parliaments, my view is that there are two things that could be done. The first is an improvement in the working culture in terms of the relationship between European institutions and national parliaments. I want to see a greater acceptance by the Commission in particular that it needs to go out of its way to reach out to national parliaments—to make its case to them and give evidence to them, wherever possible. That is something that we, as a Government, are encouraging the new Commission to do as it takes office, for example by making contact with scrutiny committees when those Commissioners are in the United Kingdom on other EU business. I also believe that there is a very powerful case for institutional changes which would allow national parliaments to provide a stronger check within the European legislative process than is currently provided by the yellow and orange card system under Lisbon. Lisbon was an important step, but as well as a stronger focus on political dialogue early in the legislative process, the treaty does foresee national parliaments taking an active role. With regard to some of the ideas that we, the Dutch and the Danes have come forward with, strengthening the card system would help in that respect and would add to public confidence that European decision-making was being properly held to account.

I draw encouragement from the fact that President Juncker decided to give Frans Timmermans both the designated role of First Vice-President, which I thought in itself was significant, and then a particular responsibility for looking at the application of the principles of subsidiarity and proportionality across the entire legislative process. His letter of mission to Frans Timmermans asked him to co-ordinate and strengthen the interaction of Commissioners with national parliaments. Mr Timmermans in the past, as Dutch Foreign Minister, has, on the record, advocated a stronger role for national parliaments. He said, for example, when he was Dutch Foreign Minister, that the Commission should not ignore a yellow card. There is good reason to hope that under his stewardship we will see some positive moves. I must not try to put words into his mouth, least of all when he has only been in office a matter of weeks, but his track record on this issue, and the fact that the President of the Commission has given him this particular charge, augurs well.

Q8 The Chairman: Thank you. Can I just follow up with two points? The first one is really for the record. In our report on the role of national parliaments, we made it as clear as we could that we were not really seeking a mandate. I would like to confirm that: we are not doing it, and I hope we are not asking for it tonight. However, in relation to the questioning on the role of national parliaments, there might be an impression that Ministers, although not necessarily you, have given from time to time that they see this as being a purely negative—as it were, a withholding power, through a red card for example. Those words are sometimes used. Can you confirm that there is, at least, within your thinking, the possibility of a forward gear as well as a reverse gear, or a withholding power?
Secondly, within that, would you confirm that this is not necessarily a matter of some new euro wheezes for additional policies, but that it could run to a re-evaluation of existing European policies, and maybe, for example, some constructive suggestions coming through at the level of national parliaments for deregulation or some tackling of the red tape issue?

**David Lidington MP:** I very much agree with that. This idea of what is sometimes called a green card would add to the role of national parliaments in the EU, and through that provide for a greater sense of connection between EU-level decisions and citizens in the different member states. I have been impressed by observing how the European Parliament has used its power of an own-initiative report to try to drive policy-making, and to then get the Commission to look at its idea seriously. A former MEP colleague, Malcolm Harbour, used that technique to take forward proposals on the single market and deregulation very successfully. I would like to see a specific provision within the EU's arrangements for national parliaments. That might be at a college of parliaments, with a certain number needed to act on it. Perhaps you could have some unilateral system. Essentially, there should be a power for national parliaments to initiate and for the Commission then to be under some kind of duty to respond.

**The Chairman:** It is sort of a development of the political dialogue, is it not?

**David Lidington MP:** Yes, that is a fair comparison. The Commission is understandably jealous of its right to initiate legislation, but that is not what I am suggesting. Looking at what we have been discussing in the United Kingdom, and at the very similar ideas that have come from the Danish and Dutch Parliaments, we are talking about a two-way political dialogue about how the EU could be improved. There is nothing, of course, at the moment that stops national parliaments from making such proposals. Of course, what there is not is a formal procedure for so doing. At a political level I welcome that starting.

**Lord Tugendhat:** I am very much in favour of strengthening the role of national parliaments on grounds of principle and the type of European Union I would like to see. However, I wonder whether HMG have considered, especially the present HMG, that the inevitable result of strengthening the role of national parliaments would be to strengthen the role of those political parties that are strongly represented in a great number of legislatures and in the European Parliament. The Socialists, let us say, or the Christian Democrats in different national parliaments and in the European Parliament will produce a co-ordinated response. Those parties that are not part of one of the great political groups are going to find themselves even more marginalised than has been the case up until now.

**David Lidington MP:** That risk is there, but, on the other hand, I look at not just the United Kingdom experience but other parliamentary committees across Europe; they tend to have a stronger influence when they are able to act consensually, which means an agreement across the aisle between different political groupings. I am not content with the current system, because I look at the way in which public mistrust in EU institutions and EU decision-making is now rife not just in the United Kingdom but, as the Pew and Eurobarometer research shows, in most member states. On some polling figures, that mistrust is greater in France and Spain now than it is in this country. I am not saying that more powers and a stronger role for national parliaments is a panacea. I do not think it is. We also need to see a more rigorous application of those principles of subsidiarity and proportionality. We also need to see EU and national policies that deliver economic growth, jobs and higher living standards. That could go a long way towards rebuilding public trust in the political process. However, a stronger voice for national parliaments is a part of the answer to that discontent.
Q9 Lord Wilson of Tillyorn: Minister, following on from that, the Government have often said that they see national parliaments as being a key element of legitimacy in the EU. Where does that leave the Government’s view of the role of the European Parliament? To put it crudely, does that not have the same degree of democratic legitimacy, in the eyes of the Government?

David Lidington MP: The European Parliament has an important role under the treaties, and I do not, in anything I say, want to denigrate the work that members of that Parliament do. Many of them have made themselves real experts in particular areas of policy. I do not think that it is a zero-sum game, if I can borrow what the Chairman said at COSAC recently. However, the evidence is that people, and not just in the UK, do not really identify with the European Parliament. This year, there was a record low in the turnout across the EU for European parliamentary elections. For the most part, for most member states, turnout at the EP election is significantly lower than it is at national elections. I think the underlying truth is that there is not a single European demos at the moment, and indeed people look to their national Parliaments and national Governments as the focus of political accountability.

If I can just quote one other statistic, much was made of the spitzenkandidat process this year. What happened is water under the bridge now, but if we look at the televised debates, roughly half a million people across the EU tuned in, briefly or at greater length, to any of the debates that took place. The debates at a comparable stage between the American presidential candidates last time attracted an audience of 67 million.

Lord Harrison: Our country chose not to broadcast the debates. The BBC refused to do it.

David Lidington MP: They were not broadcast live, although I think you could get them online. Lord Harrison will forgive me—the one thing I am not going to get drawn into is the Government issuing edicts to the BBC on what they should or should not broadcast.

The Chairman: Indeed. Possibly at that point we will take note of your analogy and move on.

Q10 Baroness Parminter: Minister, the Government’s response to our report on the role of national parliaments did not support our proposal that the Council should set aside time for national parliaments to scrutinise substantial amendments made in first reading debates. Would you like to say a bit more about why not?

David Lidington MP: Yes. We looked at what had happened in some of those first reading deals. There were three that we looked at in particular as precedents when considering how we should respond to that suggestion. There was the accounting directive on annual financial statements, a proposal for regulation on prudential requirements for credit institution investment firms, and a Schengen-amending regulation establishing a community code governing the movement of persons across borders. Those were all agreed at the Council of Ministers in June last year, 2013. As we set out in our response to the Committee’s report, on average those agreements took two and a half years from the date of publication to the date of agreement at first reading. Within those two and a half years, there was time for national parliaments, through the relevant committees or through other ways, to engage and express very clear views. I believe that there is a strong case for what the Dutch second chamber has called the late card, where it will be possible for national parliaments to deploy the yellow card at a later stage than the eight weeks that is allowed under the present treaty arrangement.
I think just saying that first reading deals, which have taken a long time in the legislative process already, should all be blocked pending a further examination at that point, would not only add to the time, but given the nature of the negotiations that lead up to the first reading deal, it would add to the risk that the entire bargain could unravel.

**The Chairman:** We have two or three other points colleagues have mentioned specifically.

**Q11 Lord Foulkes of Cumnock:** In reply to Lord Wilson, you said that the turnout for the European Parliament election was not very large. Around this table, the turnout of the public to support us was zero, so I am afraid we cannot claim democratic legitimacy. We can, however, say that maybe by coming to talk to us, and listen to us, there is some degree of greater accountability. I wondered about the devolved Administrations. Very wisely, the Government asked a minister for the Scottish Administration to represent us at a European Council meeting. I congratulate you on that; I think that was a very good decision. What innovative ways can there be to involve the Welsh and Northern Irish Assemblies and the Scottish Parliament in more decision-making in relation to the European Union?

**David Lidington MP:** We have a process within the Government under which any negotiating position has to be cleared by the European Affairs Cabinet Committee. When a department seeks collective agreement to the proposed position, it must submit that in writing, and one element that it has to report on is whether this affects the devolved Administrations, whether they have consulted the devolved Administrations and what the interests and views of the devolved Administrations are. There is therefore an obligation on each Secretary of State, in devising his or her European policy, to consult. While there is always room for improvement, we have gone a long way in the last four and a half years to establish better day-to-day working relationships with all three devolved Administrations. In addition to that, we have a system under which the devolved Administrations can ask to attend sectoral European Council meetings where their interests are involved. For example, when the Agriculture and Fisheries Council meets, there is usually the team from DEFRA accompanying the Minister, and then there is often a Minister from each of the three devolved Administrations, together with a team of supporting officials. It is quite a large Team UK altogether.

**Lord Foulkes of Cumnock:** What about the joint ministerial meetings?

**David Lidington MP:** We had one yesterday. The joint ministerial meetings provide an opportunity to take stock of recent and future EU developments, and the agenda is very largely set by the devolved Administrations themselves. They flag up what issues they want to talk about. Yesterday, we spent a bit of time talking about what we knew of the Juncker €300 billion investment package. The three devolved Administrations were each able to put in their particular contribution, and say what they would hope to get out of this and how they wanted their interests taken into account.

**The Chairman:** Is it not also true to say, Minister, as I have heard from one of the devolved Administrations, that they attach some value to their input into the speaking notes, which Ministers, wherever they come from, will be taking with them to Council?

**David Lidington MP:** Yes. Ministers speak to an agreed UK position. Also, in parenthesis, if a devolved Minister takes the UK chair at an EU meeting, they have to speak to the agreed UK position. There will be occasions when the interests of different parts of the UK diverge. Ultimately, the decision as to what the overall UK position should be has to be taken by the United Kingdom Government collectively. However, we have a system now that requires us
formally to take account very seriously of the points of view of the devolved Administrations.

**Lord Tomlinson:** Minister, if I can just take you back a couple of points, you were making the point about the lack of public engagement with European elections. If I put it to you that the last Labour Government got it wrong, in creating multi-member regional constituencies based on closed lists, do you think the Government might sometime contemplate returning power closer to the people, which was supposed to be the objective of the last Convention on the Future of Europe?

**David Lidington MP:** I kept a very straight face while Lord Tomlinson was inviting me to criticise the previous Government. Clearly, European law now to some extent limits our freedom to act unilaterally, although it does permit us to move towards open rather than closed lists. I would simply say that personally I regret it. I think I voted against the move away from the constituency-based system. The question of whether that can be revisited takes me beyond any agreed government position at the moment.

**Lord Kerr of Kinlochard:** There is nothing in European law, or in the treaty, that prevents us going back. You said that we were hedged in. I do not think so.

**Vijay Rangarajan:** There is a recent piece of legislation—I cannot remember the name, I am afraid—that puts more strictures around how the electoral systems can work. It does not force member states to choose between different electoral systems, but there are some more laws.

**The Chairman:** I think it would be quite useful if you could just confirm that to us with a note.

**Lord Tomlinson:** What we are trying to do is to make them more democratic.

**Q12 The Chairman:** Minister, I have two questions in closing, bearing in mind we will engage on these issues shortly. One specific one, which comes up because it is often thrown back by the Commission and others, is how you propose to strengthen parliamentary oversight of the actions of United Kingdom Ministers in the Council and in the European Council.

**David Lidington MP:** It is primarily a matter for Parliament to decide how they wish to do this. I would very much wish to see the departmental Select Committees in the House of Commons play a much more active part in investigating how the Government and, frankly, for that matter, the European Union have applied policies. Every Select Committee in the House of Commons has EU responsibilities as part of its remit. They could, if they wished, hold hearings on Commission white papers or draft legislation and invite expert witnesses to comment. They could, if they wished, look two years or five years after the enactment of legislation at how it had worked out in practice and whether the benefits claimed for it by its authors had been realised or not. I appreciate the pressure on my colleagues who serve on those committees in the House of Commons, but I think that mainstreaming European business in that way is part of getting this right.

**Q13 The Chairman:** Thank you. A final question is that I would like to ask you, to put it rather bluntly, about the apparent disintegration of the scrutiny process over recent months. I do not mean it has come to an end, but you will be aware that we have considerable reservations about how it is operating in practice. In a sense, of course, it underpins the job we should be doing here. Just for the record, in September you wrote to me apologising that FCO officials had misled the Committee and agreed to a multiyear extension to a
programme and its associated budgetary costs, without going through the normal scrutiny procedures. In October, one of our sub-committees met an admittedly contrite Jo Swinson, following an entirely avoidable override caused by taking over a year to respond to a letter from the Committee. In November, we had a letter from Francis Maude explaining that four EMs had been deposited up to eight weeks late, which had led to three overrides. I need hardly say, because I am sure the noises will have reached your end, that the Committee and, indeed, the House were extremely dissatisfied with the handling of Protocol 36. It took almost a fortnight, after lots of noises, before we had the deposit of the final Council decision. By that time, it had been adopted. That has led to some acrimony about the override and the consequential process. It is easy to list examples, but it is important that we should list them for the record. Can you give us a take on why this is happening and what you are doing to improve the quality of the Government’s handling of the scrutiny process?

**David Lidington MP:** To take your second question first, through my chairmanship of the European Affairs sub-committee, I frequently remind colleagues of the importance of the scrutiny process. We offer a service through the Foreign and Commonwealth Office to other departments, advising them on what they need to do in order to respect the rules of the scrutiny process and to try to ensure that people do not run up against overrides. From time to time, human error takes place. Often, it is an inexperienced member of staff. I am not excusing that. It should be for Ministers and senior officials to have made sure that even the most junior officials are properly briefed. If that happens in my department, I will talk to the senior officials involved about how we can learn from the experience and try to avoid it happening again. There is no single explanation for these problems. There have been other occasions, particularly on some of the issues concerning justice and home affairs opt-ins as they apply to EU external agreements with other countries, where there is quite a debate among lawyers across Whitehall as to whether or not there is JHA content, and therefore whether the opt-in ought to be asserted by the Government, thus triggering the particular scrutiny process there.

**The Chairman:** You will be aware, interrupting you momentarily, that that is, of course, the substance of one of our sub-committees’ inquiries.

**David Lidington MP:** Indeed, and I know that clearly the Government are studying the Philippines judgment from the Court of Justice in particular to see whether we need to review our policy in the light of those court findings. I take careful note, Lord Chairman, of your comments, which I will pass on to colleagues. It is important that the scrutiny process is seen to work well, and that all departments give both Houses of Parliament the time that they need, and the degree of detail that is needed in explanatory memoranda, for you to do your job properly.

**The Chairman:** Thank you. We note that you are undertaking to do that. I have said both privately and publicly now that the sort of relationship I want is one that is not cosy but is constructive. I think you need to persuade some of your colleagues that we may occasionally look like the awkward squad, but we are here for a purpose, and on the whole we set about it with that in mind. Equally, I will just say, on behalf of the Committee, that we appreciate your attendance this afternoon with your colleagues. You have been helpful. I do not think this pre-Council session has brought civilised existence to an end. I think we have managed to avoid that, and I hope we can repeat it. Indeed, you have undertaken to do so. We are grateful to you, and we wish you our thanks and the compliments of the season. Thank you very much.